THE ROLE OF THE INFORMAL SECTOR IN HOUSING PROVISIONING IN KUMASI

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DECLARATION

I hereby declare that this submission is my own work towards the M.Sc. Development Planning and Management and, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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ABSTRACT

Housing plays a key role in the socio-economic development of every country but unfortunately, housing supply worldwide has not been able to meet demand. The inadequate housing is one of the biggest challenges facing both developed and developing countries today with finance being a crucial factor. The informal sector is the largest housing supply system but has not been able to meet the increasing demand partly as a result of the inadequate and ineffective financial mechanisms for financing housing in the country.

The study therefore investigated the major finance mechanisms used by the informal sector and factors which hinder their access to formal credit facilities. It also made suggestions to improve access to credit facilities to the informal sector to improve housing delivery.

A cross-sectional research design was adopted as a research approach for the study. The simple random sampling was used to select the ten communities whilst the convenience sampling method was used to select the homeowners. In order to increase the accuracy of the work, the research was operated at a 95 percent confidence level with a 5 percent margin of error. A total of 310 interviews were conducted out of the total determined sample size of 392.

The study came out with some major findings which included the dominant use of informal source of finance, the existence of an underdeveloped mortgage market and uneasy access to formal credit facilities from financial institutions due to the type and nature of jobs. It was realised that this has affected housing delivery because homeowners had to build incrementally which took a lot of time before house completion.

The study recommended microfinance for housing, site and services scheme by the financial institutions and a non-mortgage lending facility for the informal sector. Also, how to sustain the formal credit facilities for the informal sector is seen as an area for further research.

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DEDICATION

This body of knowledge is dedicated to my father, Mr Appiah Kusi, for without him I would not be the woman that I am today.

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LIST OF ACRONYMS

ARM	Adjustable Rate Mortgage
BoG	Bank of Ghana
BHC	Bank for Housing Construction
FGBS	First Ghana Building Society
GREDA	Ghana Real Estate Development Association
HFC	Home Finance Company
IMF	International Monetary Fund
ICLS	International Conference of Labour Statisticians
ILO	International Labour Organization
IFA	Institute of Economic Affairs
IFC	International Finance Corporation
IFE	Integrated Financial Engineering Inc.
IMF	International Monetry Fund
IUHF	International Union for Housing Finance
JHS	Junior High School
JCHS	Joint Centre for Housing Studies
KMA	Kumasi Metropolitan Assembly
MWWH	Ministry of Water Resources, Works and Housing
NCH	National Committee on Housing
NRCD	National Redemption Council Decree
GSS	Ghana Statistical Service
SSNIT	Social Security and National Insurance Trust
SPSS	Statistical Package for Social Sciences
SHS	Senior High School
UN	United Nations
UN-ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UN-Habitat	United Nations Habitat
WEIGO	Women in Informal Employment: Globalizing and Organizing

CHAPTER ONE

BACKGROUND TO THE STUDY

1.1 Introduction

Housing as a social need is vital to socio-economic development of every country (Giddings, 2007). The housing sector is generally accepted as one of the most important determinants of the economic and social wellbeing of people. It plays a key role in the lives of people as the provision of shelter is one of the basic necessities of man (Moss, 2010). The need to provide adequate housing cannot be over emphasized and its importance can hardly be exaggerated (IMF, 2011).

Derban et al (2002) indicate that the availability of adequate and decent housing enhances good living conditions and productivity of all individuals. It plays a vital role in the health, happiness and civilized living of the individuals. Housing does not only satisfy the physical and biological requirement of man but also upholds his dignity and improves his quality of life (NCH, 2008). The provision of housing is so linked with national economic development that the rate of house construction is directly related to the economic performance of a country (BoG, 2007).

Unfortunately, the provision of housing worldwide has not been able to meet demand (Ogu and Ogbuozobe, 2001). This lag can be attributed to the population surge which has more than doubled in numbers in recent times (Giddings, 2007). Most developing countries are confronted with the problem of accommodating the rapidly growing population especially in their urban areas and Ghana is not an exception (Konadu-Agyeman, 2001). The provision of adequate shelter is one problem that the country has had to contend with. The inadequate housing stock and the lack of basic housing requirements induces stress and affects the living condition of households as well as productivity(Derban et al,2002).

One of the major problems facing housing delivery in Ghana is finance. The unavailability and inaccessibility of housing finance mechanisms has been identified as one of the important hurdles in improving housing delivery in the country (Hoek-Smit, 1998).

The UN-Habitat (2008) defines housing finance as the provision of financial resources for home ownership. King (2009) also refers to housing finance as the money used to build and maintain a nation's housing stock. That is the money we need to pay for it, in the form of rents, mortgage loans and repayments. Housing finance mechanisms are machineries that make available the efficient and effective housing finance to the general public, particularly to low-income groups (UN-Habitat, 2008).

There are two main sources of finance in the housing finance system (Moss, 2010). They are the formal and informal sources. The formal source consists of government budgetary allocation and financial institutions in the form of mortgages. The informal sources include personal/family savings, individual money lenders, and remittances from family members.

Over the years, government of Ghana through housing schemes and plans has found ways and means of financing housing in the country. The rationale for government intervention in the housing market revolves around the goal of providing all Ghanaians with a decent house in a suitable living environment (IFA, 1993). During the 1970's and the 1980's, the main focus of government housing intervention in the country was by embarking on mass housing projects for the citizenry with the government being the sole financier of the projects. Examples of some of these housing projects are the government built low and medium class estates for civil servants (Afrane and Asamoah, 2011).

Currently government plays a double role when it comes to financing housing delivery (IFA, 1993). The government plays a direct role through the construction of public/mass houses but it is mostly not realized due to the lack of funds, lack of coordination and policy abandonment due to change in government. The government also plays an indirect role by creating an enabling environment through tax policies which includes tax subsidies for real estate developers and subsidized interest rates for borrowers from financial institutions associated to housing finance (eg. Home Finance Company Ltd).

The liberalization of the housing market has facilitated the involvement of the private sector in housing delivery (Sangore, 2003).The private sector currently produces over 83 percent of the total housing stock in the country(Boamah, 2010).The private sector is divided into formal and informal sectors. The formal sector includes the real estate developers and cooperative societies. These developers construct housing projects for individuals to purchase them but this approach mostly exempts the poor and the middle income earners due to the high cost of the houses. The formal sector actors provide only a few thousand dwellings in a year (UN-Habitat, 2011).The informal sector consists of individuals who engage in housing provision for themselves. Given the apparent trends in most of the developing countries, there are indications that the bulk of urban housing in these countries will continue to be produced by the informal sector (Okpala, 1994; Ikejiofor, 1997). There is the need for efficient and effective housing finance systems for the informal sector since finance plays a key role in housing delivery.

1.2 Problem Statement

The Ministry of Water Resources, Works and Housing asserts that in order for the nation to remove the housing deficit of 1.7 million, the national housing production should be 170,000 units annually (MWWH, 2013). However the current supply capacity of the nation is in the region of 42,000 units per year (Afrane and Asamoah, 2011). Demand for housing in Ghana is higher in the three major urban areas; which are Accra, Kumasi and Sekondi-Takoradi (UN-Habitat, 2011). The Kumasi Metropolitan Assembly estimated that the total housing stock in Kumasi as of 2009 was 83, 693 (KMA, 2010) and this was distributed fairly amongst the ten sub metropolitan councils. The housing deficit in Kumasi Metropolis is startling since the total number of houses as of 2010 compared with the number of households indicated acute overcrowding in most houses (KMA, 2011). This constitutes a major problem and calls for an urgent need to address the situation.

Even though the informal sector is by far the largest housing supply system in most urban areas, it has not been able to meet the increasing demand for housing partly as a result of the inadequate and ineffective financial mechanisms for financing housing in the country (Moss, 2010). Finance is crucial to housing by the informal sector and lack of access to financial resources is a major problem facing this sector (Ogu and Ogbuozobe, 2001).

In Ghana, very little is known about how homeowners finance the construction of new housing but it is however known that few homeowners have access to formal finance. This is because upfront finance is not easily accessible to allow them to purchase a higher quality home and pay for it over a longer and suitable period (Wapwera,et al,2014). This has resulted in most people financing through their personal savings but mobilizing savings and channeling them to finance housing projects has proven very difficult due to the type and nature of the jobs of the people in the informal sector. They mostly do not have job security to enable them to save consistently. Personal savings also have had to compete with other household expenses making it extremely difficult (Ferguson and Smets, 2009).

Moreover, financial institutions are cautious about lending to the individuals thereby making access to credit facilities very difficult (Hoek-Smit, 1998). They provide very little support to low and moderate households in the form of mortgages. Some only provide mortgage loans for a small proportion of newly constructed houses and home purchases (Hoek-Smit, 1998).But even these financial institutions have made very little progress in this regard. Financial institutions mostly do not want to consider long-term lending for housing a priority because of the associated risks involved in the jobs of the informal sector. These risks include insecure and undocumented incomes and the lack of collateral on the part of the private individuals (Hoek-Smit, 1998).The limited access to finance has partly led to the development of slums and squatter settlement and poor housing conditions.

The study focused on housing finance by the informal sector. The financing options available to them and how they accessed funds for their housing projects and what can be done to improve their efforts in housing delivery in Kumasi Metropolis.

1.3 Research Questions

1. What are the housing finance arrangements used by the informal sector in Kumasi?
2. What are the housing finance mechanisms that provide access to housing credit facilities to the informal sector?
3. What factors hinder access to housing credit to the informal sector?
4. What financial system can be put in place to improve access to housing finance by the informal sector?

1.4 Research Objectives

The main objective is to have a comprehensive understanding of the housing finance practises by the informal sector in Kumasi. The specific objectives are:

1. To know the different types and characteristics of housing finance mechanisms available to the informal sector in Kumasi.
2. To determine the major housing finance mechanism used by the informal sector and how it affects housing delivery.
3. To identify the factors that hinder the informal sector from access to formal housing credit facilities.
4. To make suggestions for the improvement of access to formal housing finance by the informal sector.

1.5 Scope

Geographically the study is focused on Kumasi, the second largest city in Ghana after the national capital, Accra in terms of population, social life and economic activities. Kumasi is the capital of the Ashanti region. It covers an area of approximately 254 sq. km. (GSS, 2005) with a population of 2,035,064 (GSS, 2012). The Kumasi Metropolis is made of ten sub metropolitan areas with each having its own unique housing characteristics. Kumasi as at 2009 has an estimated housing stock of 83,693(KMA, 2010) growing at 2.4 percent per annum.

Contextually, the study was on housing finance by the informal sector in Kumasi. It looked at the housing finance mechanisms used by the informal sector and the factors that hindered their access to formal credit facilities. The focus was on residential housing units with emphasis on private individual ownership.

1.6 Methodology

The study adopted a cross-sectional design as a research approach and relied on both secondary and primary data sources. The simple random technique was used to select the ten communities from the ten sub metropolitan areas whilst the purposive and convenience sampling techniques were used in selecting the institutions and homeowners respectively.

The units of analysis were residential home owners, officials of the Ministry of Water Resources, Works and Housing, SSNIT, some financial institutions (HFC Bank Ltd, Ecobank, UBA) and the planning and statistical department of Kumasi Metropolitan Assembly. (For more on the methodology, see chapter three of the report).

1.7 Significance of the Study

The demand for housing in the country is very worrying and alarming. The Ministry of Water Resources, Works and Housing estimates that the country needs about 170,000 housing units annually but is able to produce just 35 percent of that total number. Meanwhile GREDA also asserts the nation is able to produce only 42,000 units per year from the required annual 130,000 units (Afrane and Asamoah, 2011). These two assertions show that the country has an annual housing deficit that needs to be tackled.

Housing finance is a major problem in housing delivery in the country. Although the informal sector plays a very key role in housing delivery, it has very limited access to credit facilities due to the nature of their jobs. This has led to sub standard construction of housing units, overcrowding in housing units, poor housing conditions and the emergence of slums and squatter settlements.

The study therefore gives more insight into how the informal sector finance housing in Kumasi and the housing finance mechanisms available for them and also make suggestions to the most appropriate housing finance mechanisms for the informal sector to improve housing delivery. The study helps to know how best the informal sector can access housing finance mechanisms fully in order to improve the housing situation in the Kumasi Metropolis.

1.8 Organisation of the Study

The report is organized into six chapters. Chapter One of the report covered the general introduction to the study. It gave insight into the objectives, scope and significance and methodology of the study.

Chapter Two discussed the literature on the practical aspect and the various concepts of the study. This literature gave more insight into the housing finance systems pertaining in both the developed and developing countries.

Chapter Three discussed the methodology of this study. The chapter provided theoretical understanding of data collection techniques that were used and further explained how these techniques were applied.

Chapter Four looked at the profile of the study area. It provided a detailed background of the study area which included the history, physical and demographic characteristics and the housing situation in the Kumasi Metropolis.

Chapter Five focused on the analysis and presentation of the data collected from the various stakeholders involved in the study. The data collected were presented in tables, charts and diagrams.

Chapter Six was the final chapter and presented the summary of findings, the conclusion and recommendations to address informal sector housing finance challenges in the Kumasi Metropolis.

1.9 Chapter Overview

The chapter gave a general introduction to the study. It looked at the objectives of the study, the research questions and the significance of the study. It also gave a brief introduction to the methodology that was used in the study. This allowed relevant literature on the study to be discussed in the next chapter.

CHAPTER TWO

FINANCING HOUSING AND HOUSING FINANCE MECHANISMS

2.1 Introduction

Housing is a basic human need in addition to food and clothing yet the lack of adequate housing is one of the biggest challenges facing both developed and developing countries today (Derban et al, 2002). A housing problem is defined as one where people cannot afford decent housing and are forced to stay in sub-standard accommodation (UN-Habitat, 2008). It is a major sector of any national economy and particularly important for development. Rapid urbanization, poor urban planning and limited access to finance all contribute to the global crisis in housing (IFC, 2013).

The components of the supply side of housing include land, regulatory frameworks, building materials, infrastructure and finance which is one of the most crucial factors for housing and urban development (Okpala, 1994).Finance is also an essential ingredient in the alleviation of housing shortages and inadequacies (Robinson, 1976).However, finance for housing has been a major challenge over the years with one of the main reasons being the large capital that is needed to either purchase or rent a house (Derban et al, 2002). Financing has been described as the core of the housing dilemma and it permeates all levels of income groupings (Robinson, 1976).

Zhang (2000) indicates that “the way houses are built reflects the way they are financed because the methods of financing determine the modes of construction”. Housing is therefore heavily dependent on the nature of the housing finance systems in place (Zhang, 2000). Though the provision of appropriate, efficient and adequate finance mechanism alone is by no means sufficient, it is a necessary factor in improving the delivery of housing. There is therefore the need for appropriate and adequate finance mechanisms to be put in place to solve the problem of housing finance.

The chapter looks at housing finance systems and housing delivery by the various stakeholders (that is the government, the formal and informal private sector) with greater emphasis on the informal sector.

2.2. Understanding Key Terms and Concepts

2.2.1. Financing Housing

The concept of housing finance and housing finance systems has been evolving over time (UN, 2005). Housing finance was defined primarily in terms of residential mortgage finance in the olden times. In more recent times, housing finance is defined as the provision of financial resources for home ownership (UN-Habitat, 2008).

Housing finance is what allows for the production and consumption of housing. It not only refers to the money we use to build and maintain the nation's housing stock but also the money we need to pay for it, in the form of rents, mortgage loans and repayments (King, 2009).

Material resources (land and building), financial resources (capital) and labour (skilled and unskilled) are widely regarded as the three main factors of production but it can be argued that finance is the most important of the factors, since all the other resources can be acquired with adequate finance on the market(Zhang, 2000). Housing may be acquired through outright purchase, rental, self-help, cooperative construction and inheritance (Boleat, 1985). Also homebuyers intending to buy a house can purchase by borrowing from financial institutions and paying back both capital and interest later (UN-Habitat, 2008).

Regardless of the country, the sources of money for housing are mostly the same. These sources are from the government, individual lenders and financial institutions or a combination of all (Robinson, 1976). Zhang (2000) explains that there are three main sources of housing finance, namely:

i. Policy- induced funds: Funds raised by the government to respond to particular government policies on housing. These sources from the government include funds from the annual budgets, special tax impositions and external borrowings (Robinson, 1976).
ii. Savings or specialist financial institutions which are channeled to finance housing. The finance arrangements may be formal or informal in nature (Ferguson and Smet, 2010). The formal arrangement consists of specialist financial institutions which have devoted their efforts in raising funds exclusively for housing (Robinson, 1976).They act as guarantors and also as

wholesale providers of funding. They include banks and non-banks and offer various lending instruments such as mortgage loans, micro-loans and savings linked to credit (Tomlinson, 2007).Some forms of housing finance from financial institutions include residential mortgage finance, developer finance, or microfinance applied to housing. Residential mortgage finance is a loan a person receives in order to buy a house or residential property in which they will live with payments over a specified period of time. Developer finance is often in the form of unregulated advance payments by buyers, and developers sometimes provide long-term finance to buyers through installments sales when mortgage markets are not accessible. Microfinance for housing is typically used for home improvement or progressive housing purposes. Micro-loans are typically granted without pledging properties (Chiquier and Lea, 2009).

iii. The informal loan process: This is whereby people take soft loans from parents, friends, relatives, employers, money lenders and others. According to Okpala (1994) about 70 to 80 percent of housing finances in developing countries are from the informal sources. The informal arrangement comprises individual and group savings, remittances, barter arrangements, individual money lenders with usually high interest rate and short maturities (Ferguson and Smet, 2010).

In spite of the growing and accepted emphasis of finance, relatively little is known about how builders and developers finance the construction of new housing. It is however known that very few developers have access to formal finance. A much larger proportion of households have to finance housing from savings or build incrementally and at a low standard because upfront finance that would allow them to purchase a higher quality home and pay for it over a longer period is not accessible (Wapwera et al, 2014).

2.2.2. Housing Finance System

Housing finance systems are mechanisms or structures that make available the efficient and effective housing finance to the general public, particularly to low-income groups (UN-Habitat, 2008).It can also be seen as the arrangements in place for potential house owners in acquiring credits or access to financial packages in housing delivery. It also refers to a financial service delivery system in which various intermediaries compete in performing three main functions: funding, lending, and servicing. The system is inherently complex in any country because of public policy goals, such as promoting home ownership for target population groups (IFE, 2006).

Housing finance has risen to the top of urban policy and research agendas as the argument that correctly structured finance systems can help deliver improved housing still holds (Renaud, 1999; Datta and Jones,2001).The purpose of a housing finance system is to provide homebuyers with the necessary funds needed to purchase their homes (Boleat, 1985).

An efficient housing finance system can enable households to realize equity from their housing wealth and also facilitate the upgrading of the existing housing stock in a country (Boamah, 2011). Housing and urban development are heavily dependent on the nature of the housing financing system and the availability of credit (JCHS, 2005). An effective housing finance system will enable households to accelerate the purchase of and construction of houses and facilitates an efficient allocation of resources between housing, other goods and savings over the life cycle (JCHS, 2005). An efficient and sustainable housing finance system is a pre-requisite for sustainable housing delivery for the citizens of a nation (Boamah, 2011).

The forms of housing finance systems as proposed by UN-Habitat (2008) to promote equal and affordable access to housing finance for people of all social status are:

i. Direct Subsidies: This helps low-income groups to be able to afford cheap housing.
ii. Subsidies through a financial system: This is when the government establishes a fund or a bank which offers loans at low interest rates.
iii. Tax Subsidies: This system applies to the discount or exemption of taxes on housing projects.
iv. Rent Control: This system is good in cities with a rental market dominated by landlords, and for people with limited opportunities to purchase a house in an open market due to exorbitant prices.
v. Savings and Bonuses: This is to encourage people with the view of buying a house to save money. The government establishes a programme to

encourage saving for a down payment. When this is achieved, the government gives a bonus to those homebuyers.

Even though housing finance enables households to become owners, there is the variation in the level of owner-occupation between countries. Factors that contribute to this variation include the national housing finance system, the relationship between housing prices and household incomes, the regulatory and legal frameworks concerning access to credit facilities, the degree of competition between lenders (financial institutions), and government policies to support home ownership(UN-ESCAP, 2001).

Housing finance systems works well under stable economic conditions with low levels of inflation and interest rates. In most developing countries, these housing finance systems do not always respond adequately to the different needs of the large segments of the population. Most of the time, it is the middle and upper income households who have access to such finance while the low income groups are generally excluded (UN-Habitat, 2010). This problem continues to exist despite efforts by UN-Habitat to assist its member states to improve the effectiveness, efficiency and accessibility of their existing housing finance systems and to create and devise innovative housing finance mechanisms and instruments. The problem is further compounded by the fact that the study of housing finance systems lags considerably behind the strong foundations laid in other areas of urban studies in these developing countries (Okpala, 1994; Zhang, 2000).

2.2.3. The Informal Sector

The informal sector which is also known as the informal economy represents a significant share of output and employment in many middle and low income countries. As recorded by Losby et al (2002), various labels have been used by scholars to refer to the term informal economy. It has been termed as the irregular economy (Ferman and Ferman, 1973), the underground economy (Simon and Witte, 1982), the subterranean economy (Gutmann, 1977) and others.

2.2.3.1 Theories underpinning the informal sector

There have been different views on how the informal sector came into being, the functions it serves and who participates in it. Some of the theories underlying the informal sector are:

i. Origins of international theories of underdevelopment

Economists have traditionally associated informal economic activities with developing countries claiming that the informal economy is a natural state in a country's development (De Soto, 1989; Losby et al, 2002). Because of this, less research has been done on the extent, role and impact of these activities in developed countries because most analyst have assumed that it is a temporary alternative to unemployment and poverty and thus disappear as the economy develops. Other theorists view the informal sector as a disguised unemployment and as an explicit component of the formal sector's cache of cost cutting mechanisms (Portes and Walton, 1981; Losby et al, 2002).Thus people in the informal sector work under less than favourable conditions thereby enabling firms to cut labour cost.

ii. Safety Net or Supplementary Employment Opportunity

Another set of theories relates to the purpose of the informal sector and the roles it plays. Some theorist believe that the informal sector provides a safety net for those excluded from the formal sector, while other theorist argue that it provides supplementary employment for those in the formal sector. The implication is that the informal activities are done principally by people of low socio-economic status and serves as a safety net for the poor and also seen as providing the people who do not have access to the formal sector with opportunities to earn an income.

Other theorist also argue that the informal sector serves as a substitute to the formal sector, that is when people lose their jobs in the formal sector, they turn to the informal sector to make ends meet(Losby et al, 2002). A job in the informal sector may either be viewed as a stepping stone to another in the formal sector or as a desirable end in itself. In other words, employment in the informal sector may be as remunerative as that in the formal sector (Swaminathan, 1991).Hart (1973) noted that the informal sector provides opportunities not only for the 'jobless', but also for those in waged employment that are supplementing their meagre income by entering into this area (Palmer, 2004).

2.2.3.2 The Origin of the Informal Sector

Since the discovery of the concept, 'informal sector,' in Hart's (1973) seminal work on urban informal sector in Ghana, there has not been a comprehensive and a universally accepted definition and scope of the term. A number of attempts have been made by different researchers to define the concept and this has resulted in diverse definitions.

Hart introduced the concept of the ‘informal sector’ as a part of the urban labor force, which takes place outside of the formal labor market. He considered the ‘informal sector’ as almost synonymous for the categories of small self-employed. In addition, Hart distinguished formal and informal income opportunities on the basis of whether the activity entailed wage or self–employment, implying that wage-earning employment is a characteristic of the formal sector only (Hart, 1973; Gërxhani, 1999).

The International Labour Organization due to its interest in the employment aspects of the informal economy subsequently used it in their World Employment Programme Report on Kenya. It characterized the sector based on seven factors: ease of entry; reliance on indigenous resources; family ownership of enterprises; small scale of operations; labor-intensive and adapted technology; skills acquired outside the formal school system; and unregulated and competitive markets (ILO, 1972; Beer et al, 2013).

The International Conference of Labour Statisticians later defined the “informal sector” mainly according to the legal status of an economic enterprise. They referred it to the economic activities that take place in “household enterprises or in unincorporated enterprises”. Where unincorporated enterprises are defined as “Enterprises owned by individuals or households that are not constituted as separate legal entities independently of their owners, and for which no complete accounts are available that would permit a financial separation of the production activities of the enterprise from the other activities of its owners”(ICLS, 1993; Beer et al, 2013).

Other researchers have also come up with their own definitions of the concept. Some of the definitions include:

i. All economic activities that contribute to the officially calculated gross national product but currently unregistered” (Feige, 1989;Ofori, 2009).
ii. Market-based production of goods and services whether legal or illegal, that escapes detection in the official estimates of the gross domestic product” (Smith, 1994;Ofori, 2009).
iii. “Unregulated economic enterprises or activities” (Hart, 1973;Osei-Boateng and Ampratwum, 2011).

iv. Farrell et al (2000) stated that “currently there are two approaches to defining informal sector activity: the definitional and behavioural”. According to the definitional approach, “Informal sector is an economic activity unrecorded in the official statistics such as the gross domestic product and /or the national income accounts”. Behavioural approach, on the other hand, maintains that informal sector is based on whether or not activity complies with the established judicial, regulatory, and institutional framework.

Furthermore, there have been debates by four schools of thought on the informal sector. These are the dualist, the structuralist, the legalist and the voluntarist schools of thought (Weigo, 2013).

The Dualist School of thought propounded by the World Employment Mission on Kenya in 1972 characterized informal activities as autonomous activities with seven widely features. These features are: ease of entry, reliance on indigenous resources, family ownership of enterprises, small scale of operations, labour intensive and adapted technology, and skills acquired outside the formal school system and unregulated and competitive markets. The causal theory underpinning this school of thought is that the informal economy is excluded from modern economic opportunities (Bangasser, 2000).They see the informal sector as comprising marginal activities which is distinct from and not related to the formal sector that provide income for the poor and a safety net in times of crisis (Chen,2013).

The Structuralist School of thought propounded by Castells and Portes in 1989 focused on the relationships of production in this sector. They characterized the informal sector as specific forms of relationships of production which are unregulated by the institutions of society and are universal, heterogeneous and on the rise. They are made of people who are self and wage employed which includes petty traders, petty artisans, sub-contracted workers, causal laborers and others. The causal theory underpinning this school of thought is when attempts were made by the formal firms to reduce labour cost and increase competitiveness (Weigo, 2013).

The third school of thought is the Legalist School propounded by Hernando De Soto in 1989.His focus was on the rural to urban migrants. The causal theory underneath this school of thought is that informal activities sprung up due to the hostile reception migrants received from the legal system (Weigo, 2013).The Legalist school sees the informal sector as comprised of “plucky” micro-entrepreneurs who choose to operate informally in order to avoid the costs, time and effort of formal registration and who need property rights to convert their assets into legally recognized assets (De Soto, 2000; Chen, 2013).

The final school of thought is the Voluntarist School propounded by Maloney (2004).He focused on the informal sector as self-employed notably micro-entrepreneurs. The causal theory beneath it is that the informal sector is “voluntary”; that is micro-entrepreneurs who deliberately seek to avoid regulations and taxation and choose to operate informally after weighing costs-benefits of formality vs. informality.

From all these definitions, it is deduced that the informal sector include enterprises and activities that did not comply with standard business practices, taxation regulations and or business reporting requirements and were labour intensive with ease of entry and exit. It is further realised in literature that, three variables frequently recur in defining the informal sector. These are regulation by the state, form of ownership and the nature of employment (Swaminathan, 1991). It was realised that people engage in informal activities for a variety of reasons. For some people it is a necessity, their only resort or their best option whilst for others it was for personal fulfillment, social obligation or a means to supplement income. Other dimensions to the informal sector included non- conformance to urban norms, not following building regulations and standards before commencing building projects, having low urban amenities such as water and electricity and poor neighbourhoods.

For the purpose of this study, the informal sector is defined using the definition by Tipple et al in their report, Ghana Housing Profile, which defined the informal sector as individuals who fund for their own housing projects and not from private estate developers or government policy allocations (UN-Habitat, 2011).

2.2.3.3 History and Origin of the Informal Sector in Ghana

The rapid growth of the informal sector in developing countries like Ghana has been brought about as a result of the weakness of the formal sector to generate employment and income opportunities as well as the increased rate of rural-urban migration and enlarging labour force (Sethuraman, 1997; Palmer, 2004).

In developing countries, informal activities account for a sizable portion of the economy and Ghana is not an exception. About 80 percent of the Ghanaian workforce is employed in the informal sector (Hormeku, 1998; Osei-Boateng and Ampratwum, 2011).

The origin of the informal sector in Ghana's economy can be traced back to the very beginnings of colonial capitalism in the then Gold Coast. The British anthropologist, Keith Hart, following his research in Ghana between 1965-68 among Frafra migrants in Accra is largely credited as being the "discoverer" of the 'informal sector'. He explored the 'informal economic activities' of the Northem Frafra migrants once they moved to the capital city, Accra (Chen, 2013). These people were generally unskilled illiterates, with many ending up in slums like Nima (Palmer, 2004).

The informal sector in Ghana is made up of proprietary of micro and small-scaled enterprises. It consists of producers, wholesalers, retailers and consumers. There are also intermediary service providers along the value chain such as suppliers of raw materials to manufacturers on contractual basis. Informal sector workers are largely self-employed persons such as farmers, traders, food processors, artisans and craft-workers (Osei-Boateng and Ampratwum, 2011) and is characterised by underemployment, bad working conditions, uncertain work relationships and low wages with majority of the people living with high income insecurity.

There is the high prevalence of poverty among operators in the informal sector due to the lack of access to productive resources such as capital. It is estimated that between 80 to 90 percent of the population in developing countries like Ghana have limited or no access to credit facilities beyond what is provided by family members, friends or informal money lenders (Robinson, 1995; Osei-Boateng and Ampratwum, 2011).

The nature and form of the informal sector in Ghana can be categorized under two broad sectors:

i. Rural informal sector
ii. Urban informal sector

Some features of the rural informal sector include agricultural activities, fishing and fish processing activities mostly found in the coastline and rural agro-based processing activities which includes gari processing, local gin distillery, traditional soap making and others.

For the urban informal sector, their operations can be grouped under services which include urban food traders and processors, health and sanitation workers, electrical repairers, garages; construction which is made up of construction workers and manufacturing which includes food processing, textile and garments, wood processing and metal works. The characteristics of urban informal sector can be grouped into four main categories (Ofori, 2009).These include the following:

i. Employment: whereby entrepreneurs do not enjoy protection from the state machinery in the form of legislations. It is also predominated by of self-employment work.
ii. Enterprise: whereby they are mostly individually owned, operate with easy entry and are dominated by low level of technology.
iii. Habitat: They mostly have unauthorized use of the vacant public or private land on which they operate.
iv. Credit: They have little or no access to credit facilities from financial institutions due to their size.

2.3 Financing housing by the informal sector

All countries have a formal and an informal economy, but on average the relative size of the latter is larger in developing countries than in developed countries (Arnott, 2008). The informal sector consists of individuals who fund for their own housing projects. The informal sector comprises relatively the low and middle income earners and many studies suggest that they join a wide variety of sources to build their homes.

There are two main sources of finance in the housing finance system (Moss, 2010). They are the formal and informal sources. Stein and Castillo (2005) indicates that informal sources of finance encompass savings, loans from relatives and friends, remittances from family members and the sale of assets (Stein and Castillo, 2005; Ferguson and Smet, 2010).The formal source of finance include government funds from budget allocation savings and housing finance institutions (UN-ESCAP,2001).

Tipple and Korboe (1998) stated that no formal sector finance is available for the majority who develop in any informal way. Not having more than a traditional land lease or planning permission disqualifies one from accessing credits from financial institutions. There has been the lack of adequate and efficient housing finance systems to address the needs of the informal sector. They do not have access to credit facilities from the financial institutions to enable them put up or continue with their housing projects (UN, 2005).

The lack of access to credit facilities means that almost all house construction takes place by cash. Would be owners gather materials over long periods before building commences. The lack of finance mostly impedes the rapid completion of houses. This is evident from the large piles of cement blocks stacked for many years on and close to building sites. Once building starts, cash supply can be very intermittent leading to incremental building. Most buildings take place in horizontal slices (all the foundations, all the walls, all the roof). Only recently have some builders taken to completing and occupying a few rooms at a time in order to complete the whole house as and when money is available (Tipple and Korboe, 1998). The vast majority of prospective owner-builders must still use the cash in their wallets for buying leases on land, paying material suppliers, artisans and service agencies.

In cases where the formal sector is available, alternatives to these houses are much smaller and more expensive which most households are unable to afford. In the light of the poor past performance of the commercial formal sector, and with its products completely missing the informal sector, the informal sector should be utilised as the basis for workable housing supply policies (Tipple and Korboe, 1998).

Since credit for housing is difficult to obtain for the informal sector, many developing countries have therefore set up public sector housing finance institutions. They usually provide loans at interest rates below the market or even the inflation rate, using funds from budget allocations and captive savings in the public sector (UN-ESCAP, 2001).

The usual form of securing a housing loan is through the mortgage loan; a highly formalized legal instrument which requires a clear title to the land, valuation of the property and registration in a land register. There is also regular repayment obligation which may be an impediment to most households without regular incomes (UN-

ESCAP, 2001). Housing loans require relatively large sums in comparison to the income of the borrower thereby increasing the risk of default and in the case of less developed regulatory and legal frameworks for mortgages, the financing institutions are not able to easily convert mortgaged property into liquid funds in case of default which often enters into lengthy and costly legal procedures before the property can be sold (UN-ESCAP, 2001).

Most households in developed countries, when making decisions about housing often must evaluate renting versus owning. Multiple factors such as a household's financial status and expectations about the future influence the decision. Very few people who decide to purchase a home have the necessary savings or available financial resources to make the purchase without borrowing money. Most people need to take out a loan known as a mortgage which uses real estate as collateral. Different types of properties may require different types of mortgages or may influence the type of mortgage that a borrower takes out. (Hoskins et al, 2013).The mortgage has four basic characteristics. They are; the amount of the loan, the length or term of the loan; the schedule for the loan's repayment and the interest rate. The contribution of mortgage credits to housing acquisition in developing countries is much smaller than in the developed countries,

Sheuya (2007) describes how different sources of finance are used for several stages of the building processes in 'informal' settlements in developing countries. In the initial stages of house construction, families use their own savings. In the later stages, however, households tend to replace their own savings with a mix of other funding sources which includes credit (Sheuya, 2007; Ferguson and Smet, 2010).

Smets (2004) in his study showed that many dwellers complete one stage of the homebuilding process and then wait for the opportunity to move on to the next stage of their construction process as housing expenditures must compete with other needs of the household. But the periods in between the steps can vary considerably (Smet, 2004; Ferguson and Smet, 2010).

Incremental building fits the livelihood strategies and conditions of the poor. As families grow and as resources permit, low or moderate income households build their homes step by step. Not surprisingly, the incremental homebuilding process can take low/moderate-income families decades to complete a home. A study conducted in developing countries showed that incremental building accounts for 50 to 90 percent of residential development in most cities in developing countries (Ferguson and Smet, 2010).

According to Moss (2010), prior to the colonial era, many methods of housing finance systems were adopted in most developing countries. Amongst these were the village development schemes, social club contributions and loans from traditional moneylenders All these methods were successful in the provision of finance for housing and its delivery in the traditional setting but not the urban setting (Wapwera et al, 2014). However, these methods faded away with the growing complexity in economic activities and were replaced by modern methods. These modern methods comprised both public and private financial institutions operating within the statutory guidelines.

The high cost in building has eliminated most people from the housing market. This high cost has been attributed to the high cost of urban land and building materials, building documentation and high fees charged by the professionals involved in housing construction. The housing market in developing countries is characterized by four key market segments.

i. The first segment comprises of the formally employed, middle to high income earners. They have regular income and have access to collateral and security and can therefore access conventional mortgage housing finance.
ii. The second segment comprises of formally employed, low income earners with a regular income and with access to collateral and security. These people require small and medium loans for housing.
iii. The third segment is made up of the informally employed, low income earners with limited collateral and security. These people require small unsecured loans, typically from group lending schemes.
iv. The last segment is made of people who are informally employed or unemployed. These people have low or no income and will therefore need a fully subsidized housing market.

Generally, the housing finance systems have had little impact on the informal sector. Attempts to expand credit facilities to this group have brought about a number of financial institutions in this direction but despite the concerted efforts by the government in trying to solve the problems in the low income housing market, financial institutions still find it too risky to act in the market which has led to housing shortage. The reluctance and unwillingness by the financial institutions to grant loans to the informal sector exacerbates the situation (Moss, 2010).

2.4 Factors which exclude the informal sector from the formal housing finance systems.

Three key factors can be attributed to the exclusion of the informal sector from the conventional housing finance systems (Wegener, 1982). They are:

i. Problems in allocating the funds for low-income housing

Governments find it difficult to raise funds for the provision of housing delivery in the country. With the shortage of capital, the state administration prefers to employ its limited resources to a more productive venture. Housing is mostly considered as consumer oriented and receive a lower priority on the ground that it is preferable to create employment and income which will then enable people to take steps themselves for improving their housing situation.

ii. Problems of access

Access to conventional housing finance to low income groups is made difficult by cultural, informational and spatial barriers. This cultural gap between formal and informal sectors is further conditioned and widened by the lack of information. Even when people are offered opportunities for financing housing construction, the target group is often insufficiently aware of this. This is due to the normally low level of education and the high illiteracy rate, which largely cut them off from the channels of information of the modern sector of the society. Spatially, the financial institutions are located at the city centres, while their potential customers live on the edge of the cities or in scattered rural settlements and make contact only by long journeys.

iii. Financial institutions due to the risk involved demand a lot of complex requirements which in turn discourages people from accessing the housing loans. These requirements include:

a. Reliability requirements: Proof of a formal and regular income of a level adequate to the amount of the loan, necessary personal resources for down payments and collaterals.
b. Loan terms: Loan amount, maturity, interest, and the method of payment.

The number of potential borrowers is reduced by these requirements. People in the informal sector can be termed as seasonal earners. By insisting on proof of reliability, housing finance institutions bring about a selection of customers with the best economic potential. Also many applicants for housing loans, who somehow succeed in satisfying the restrictive conditions of reliability imposed by the financial institutions, still fail because of the size of the loan. Since larger and smaller loans both require about the same administrative expense. Also the payment–income ratio is too high meaning that low/ moderate-income household may need to pay amounts that exceed their monthly income. The provision of larger loans for long periods is also ill suited for the needs of most households.

2.5 Informal Housing

Even though the definition of informal housing varies depending on the country; informal housing is always associated with some sort of deprivation such as insecurity of tenure, low standards of urban services and even non-durable housing structure.

The term informal housing can include any form of shelter or settlement or the lack thereof which is illegal, falls outside of government control or regulation or is not afforded protection by the state (Deraud-Lasserve, 2006).The Joint Center for Housing Studies defines the informal housing sector as including "…housing that is self-built, lacks clear title and formal connections to urban services, and is financed through cash or informal loans" (JCHS, 2004;Weisner, 2005).Informal housing can also be defined as housing units characterised by low provision of public infrastructure, lack of property rights and non-compliance with existing building regulations (Mata, 2013).

The basic definition includes not only where land has been occupied against the wishes of the owner, but also where the legal title is contested. The right of ownership is contested in these cases as land and housing generally lack planning permission, have inadequate services, physical layout, legal ownership, or are located beyond the urban limits (Gilbert 2002a : Peters, 2009).

Informal housing represents a large portion of housing markets in developing countries. In Ghana, the private sector targets its land development activities at high and middle income groups with regular employment and access to formal credit. On the other hand, the public sector no longer contributes to the provision of serviced land and housing. As a result, the urban poor and the large segments of the informal sector have no choice but to rely on informal land and markets for access to land and shelter thus fostering the expansion of irregular settlements in cities. There are three basic determinants of informal housing. They are:

i. Urban poverty
ii. Rural- urban migration
iii. Land use regulation

The upsurge in the rates of urbanization has resulted in the huge demand for urban housing and related services that most governments have not been able to meet. This has subsequently led to the rapid increase in the number of slum and squatter settlements with people living in crowded conditions, lacking access to water and sanitation and under the constant risk of eviction (UN, 2001).

Informal Settlements can be identified by where they are situated. Informal Settlements thrive on marginal or any vacant and available urban land considered being less valuable and unsuitable for housing and urban development. Such areas include abandoned or unused land, market places, along rail networks and riverbanks, as well as near industrial areas and abandoned or unexploited plots.

2.6 Housing Finance in Ghana

Ghana like many other developing countries is plagued by high population growth rates, high rural-urban migration and low incomes for the majority of the population. These events indicate a potential demand for houses and with the lack of resources by Government to provide the appropriate housing; there are inadequate housing delivery in the country (Moss, 2010).

Housing delivery by the colonial government were limited to the provision of army and police barracks, single rooms for civil servants and miners, and bungalows for senior civil servants (Owusu and Boapeah, 2003;Boamah,2010). The colonial government made available serviced building plots but these were leased only to the affluent members of the population. The free market system, regulated households access to land for low income housing during the colonial era (Songsore, 2003; Boamah, 2010).

Post independence housing policies focused primarily on direct housing construction, provision of subsidized housing loans, the provision of subsidized construction finance and housing market liberalization. The government intervened through public housing provision and either demand or supply side subsidy. Public sector housing in Ghana was delivered through the State Housing Corporation and the Tema Development Corporation and also established the Bank for Housing and Construction to provide concessionary construction finance to housing developers and concessionary loans to homebuyers. But factors like corruption in the allocation of public housing units militated against the success of the policy interventions therefore public housing intended for particular groups did not reach them (Boamah, 2010).Government policy interventions only proved to be highly inefficient, ineffective, and expensive venture in the country.

The liberalization of the housing sector in 1987 led to the inauguration of the Ghana Real Estate Developers Association in 1988 and the establishment of the HFC in 1991. The responsibility of housing delivery was therefore vested in the private sector. But the formal finance institutions have made minimal contribution to housing delivery in Ghana. Though there is potentially large market size, the mortgage products in the country are inadequate; only few banks provide funds for housing investment but that is even to the high and middle income groups. Mortgage credit is not available to many households in Ghana (Boamah, 2010).The formal housing finance system in Ghana is inadequate and highly underdeveloped.

The financial institutions provide very little support to the informal sector in the form of mortgages. This is because the informal sector cannot afford the debt service requirements of the financial institutions and also the characteristics of the traditional mortgage market do not suit their conditions. Mortgages are usually paid monthly and for long periods of time. They also require the client to have formal title to the land, be formally employed but the informal sector in general prefer loans for shorter periods due to the risky nature of their jobs (Boamah, 2010). Also, the down payment requirement needed to purchase a house from the real estate developers has denied some households access to the housing finance market.

A greater majority of the people in urban Ghana has been housed through small-scale private sector initiatives through their own efforts and those of the small-scale private landlords. Most households in Ghana, as in most developing countries, use their own savings; sweat equity, barter arrangements and remittances from abroad to build their houses through the incremental building process and this usually takes between five to fifteen years. CHF (2004) suggests that informal ways of incrementally developing and building housing creates a greater supply of housing in Ghana. Housing supply in Ghana is driven basically by households rather than the real estate developers or the government (BoG 2007; Boamah, 2010).

But as Smet (1996) notes, it is both expensive and ineffective to provide housing through the incremental building process. This means of delivering housing greatly increases the construction cost of dwellings and also locks up funds that could be invested in income generating ventures in properties for excessively long periods without any returns (Boamah, 2010). Sometimes the properties become aesthetically and functionally obsolete on completion.

2.7 Housing Finance System in Ghana

The housing finance market in Ghana is highly underdeveloped. This may be as a result of unfriendly or poor regulatory environment. The formal finance institutions in the country have attached little importance to mortgages as an investment opportunity (Boamah, 2009; 2011). The mortgage market in Ghana traces its roots to the First Ghana Building Society (FGBS) in 1956 under the Building Society Ordinance, 1955 (Act 30) and the Mortgages Decree, 1972 (NRCD 96). In line with the state's new role as a facilitator and regulator under the 1970-1971 housing policy, the defunct Bank for Housing and Construction (BHC) was established to provide concessionary construction finance and credit to homebuyers.

The global economic decline in the 1970's, characterized by high inflation levels, high default rates, and interest rate control policy of the state in the 1970s to1980s and the poor savings culture of Ghanaians constrained the ability of the FGBS and banks to raise funds for mortgage financing on a sustained basis (Donkor-Hyiaman, 2013).

A recent housing finance scheme, officially targeted at the low-income population, has signally failed to assist them. The Home Finance Company was incorporated in mid-1990 to address the problem of low income housing finance but applicants had to purchase their new housing from registered real-estate developers. But the problem is the registered private developers find it necessary to build for upper sectors of the economy. Thus, their houses are only affordable to public corporations and individuals with very high incomes (Boamah, 2011).

There are five major players in the mortgage loan business in Ghana. They are the HFC Bank Ltd, Ghana Home Loans, Fidelity Bank, Cal Bank (Cal Mortgage) and Stanbic Bank. Each of these lenders offers a menu of loan products, with their own special names, which can all be reduced to a variation of four main loan categories. These categories are:

a. Home Purchase Mortgage: A loan product designed to assist individuals and companies to purchase residential properties for their own use or for rental. This program is for both first-time buyers and existing homeowners. The borrower is usually expected to make a minimum 15% down-payment and the bank provides a loan equivalent to a maximum 85% of the purchase price with the loan terms are usually 15 years.
b. Home Equity Mortgage: This product is designed to enable borrowers who currently own a home to release the equity in those properties to improve their liquidity position. The loan proceeds could be used for home improvement.
c. Home Completion Mortgage: This product is designed to assist borrowers with financing to complete the construction of their homes.
d. Home Improvement Mortgage: It is designed to assist borrowers with financing to undertake renovation and extension work on their existing homes. The target group for this product is existing homeowners and companies who have properties that need renovation or improvement. (Millennium Properties, 2013).

2.8 Debates on Housing Finance

There has been a growing concern as to who should play a key role in financing housing with regards to the private sector or the government. Governments in their quest to narrow down the housing gaps have resorted to diverse means through various housing policies and programmes which includes public or social housing (Drakakis-Smith 1981; Peters, 2009). State housing finance is whereby the central government is the sole financier of housing delivery and is mostly done through budgetary funding whereby resources for funding are allocated in the state budget. But there are three common problems associated with government housing finance. These are:

a. Problems caused by the source of funds

   Governments find it difficult to raise money for the construction of mass or public housing projects for their citizenry and mostly have to go for external funds to support the housing projects thereby increasing government debts.

b. Problems resulting from the inadequacies of administration

   Where government is the property owner in a housing project, there are instances of high rate of non-collection of rents and debt service which results into unplanned subsidies.

c. Problems due to the groups served.

   Most often, the targeted groups to which the mass housing projects and subsidization are directed towards do not actually benefit from it (IFC, 2012).

The growth in importance of financing issues related to housing emerged from the 1996 UN Conference on Human Settlements Habitat II. The conference redefined the role of Government as the facilitator and regulator rather than the direct provider of financing. This opened the way for the use of private sector initiatives to be involved in the provision of housing and more importantly the supply of financial services to make houses available to the majority of the population.

Since it is abundantly clear that government cannot take on the task of building a house for every middle and low income family in the country (Renaud, 1987) and for government to concentrate on other urban infrastructure, at least a greater percentage of housing delivery has been left for the private sector. The provision of housing has been largely dominated by the non-public sector, which includes the formal and informal private sectors (Okpala, 1992; Keivani and Werna, 2001).

The formal private sector which is made up of real estate developers and cooperative societies are profit-oriented and therefore find it necessary to build for the upper class of the economy. Thus, their houses are only affordable to individuals with very high incomes thereby excluding the poor and the middle income earners. Consequently because of the risks such as the lower rate of return on investment as compared to commercial ventures, there is avoidance by the private formal sector in that respect because they will want profits or returns on their investments (Peters, 2009).

In most developed countries, subsidies are provided to households who purchase homes. The creation of self-sustaining finance systems to meet the need for affordable finance of the people when purchasing, building or improving their dwelling units has been an important component of national and local policies in other to achieve the goal of shelter for all (UN-ESCAP, 2001).

Over the years, public housing finance institutions in developing countries have become ineffective or have even collapsed. The insufficient flow of new financial resources to compensate interest rate subsidies, poor management and political interference has led to the gradual decline of the value of assets of public funds that are used for this purpose (Derban et al, 2002). Attempts to stabilize inflation through interest rate increases make it more difficult for public housing banks to serve the low income groups (UN-ECAP, 2001).

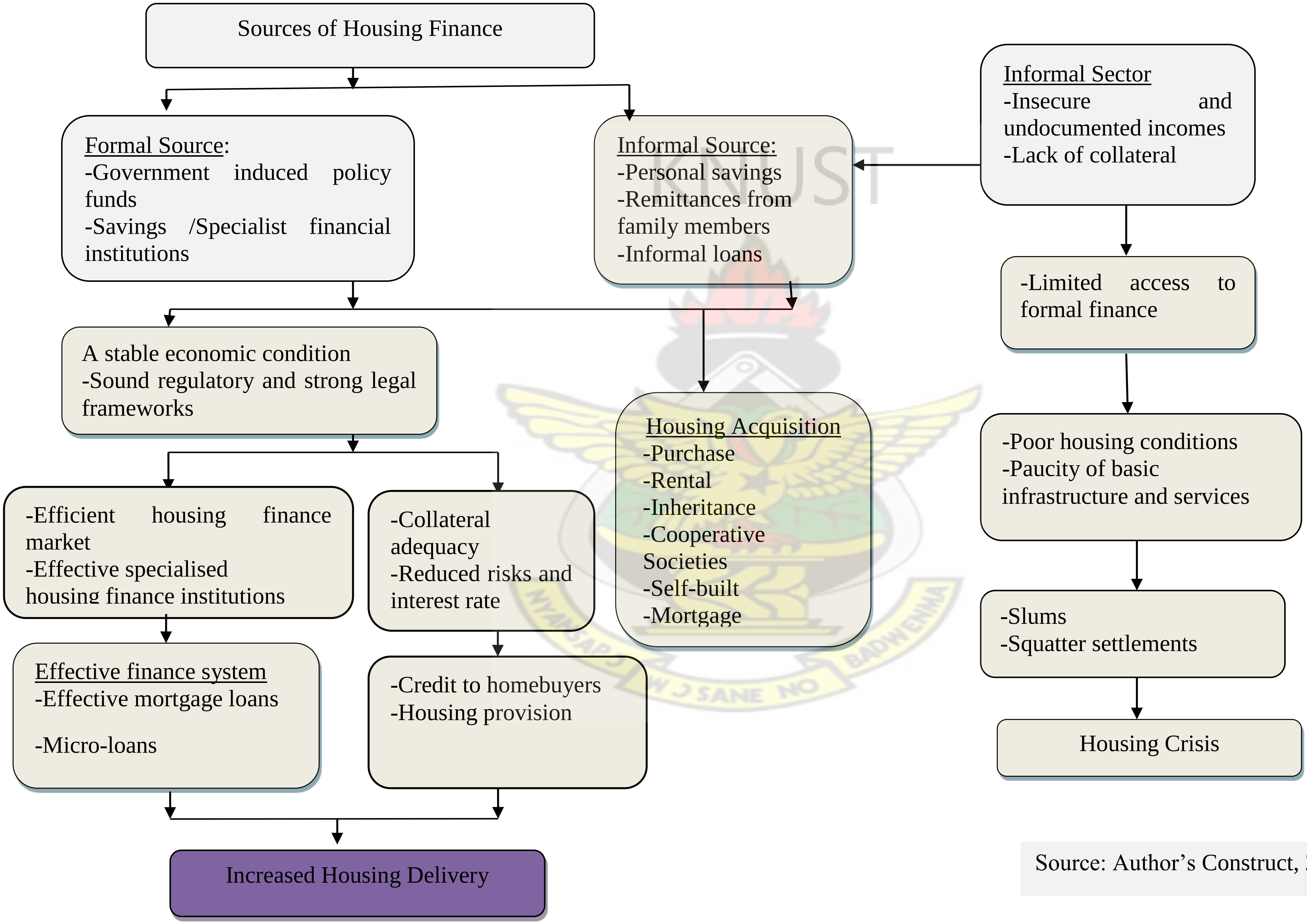
Without proper financing, housing plans and programmes cannot come into reality. This means there should be permanent financial institutions which can properly utilize public funds and private institutions which can generate savings and other resources and channel those savings and resources into housing (Robinson, 1976).This will enable the informal sector to participate fully in housing delivery.

2.9 Conceptual Framework

The conceptual framework of a research gives an overview of the study in question. It is described as the abstract, logical structure that guides the development of the study. It is based on the identification of key concepts and the relationships among those concepts (Maxwell, 2005).

The conceptual framework was developed purely from literature. From Figure 2.1, there are formal and informal sources of finance (Moss, 2010). The formal source includes government policy funds and specialist financial institutions.

Figure 2.1 Conceptual Framework for Housing Finance Systems



Source: Author's Construct, 2014

These financial institutions are specifically into housing financing. A typical example in Ghana is the HFC Bank Ltd. The informal sources include personal savings, remittances from family members and soft loans from money lenders, relatives, employers and friends. According to Boleat (1985), housing is acquired through outright purchase, rent, inheritance, cooperative societies or self-help.

A stable economic condition and low level of interest rate and inflation coupled with sound regulatory and strong legal frameworks leads to an efficient housing finance market and effective housing institutions (UN-Habitat, 2010). This leads to an effective finance system thereby increasing mortgage and micro loans and with easy access to housing funds; housing delivery is increased. This also leads to improved forms of housing finance which includes residential, developer and microfinance from the financial institutions.

The type and risky nature of jobs in the informal sector disallows them from having easy access to formal credit from financial institutions. This has led to most people using informal sources to finance their housing projects. The results are poor housing conditions and paucity of basic infrastructure and services. The lack and inadequacy of these basic social infrastructure and services and poor housing conditions leads to the emergence of slums and squatter settlements.

2.10 Chapter Overview

In conclusion, the chapter has looked at what housing finance and housing finance systems are. It also looked at housing finance by the government, the informal and the formal private sector with greater emphasis on the informal sector. The housing finance systems pertaining to both developed and developing countries were also considered.

The chapter also looked at the informal sector which included the origin and theories underpinning it, the origin and history of the informal sector in Ghana and informal housing. Factors which exclude the informal sector from accessing formal credit facilities were also considered.

CHAPTER THREE

METHODOLOGY FOR THE RESEARCH

3.1 Introduction

Research methods are the tools by which information is gathered. Without the appropriate design and use of research methods, quality information are unlikely to be gathered and as such creates a shaky foundation to any review, evaluation or future strategy(MacDonald and Headlam,2009).

Research methodology is the systematic way in which a research is carried out by a researcher. It describes the procedures that will be followed in conducting the study and the logic behind them (Goddard and Melville, 2007). The procedures that were used in this research study included calculating the sample frame and dividing proportionally amongst the ten communities.

The chapter provided an insight into the procedures that were applied in the study. It consciously looked at the study design as well as the various methods and the reasons for adopting such methods in the research. It explained the processes that were used in collecting and analyzing the data for the study. The different sampling techniques and methods used to select the respondents to participate in the studies were also outlined.

3.2 Research Design/Approach

A research design is a model which controls the research project. It is concerned with turning the research into a testable project. It can be seen as the logical sequence that links the empirical data to the research problem and ultimately the conclusion. It deals with four main issues which included what questions to study, what data is relevant, what data should be collected and how the data will be analysed.

The study adopted a cross-sectional design. The cross-sectional design involves the observation of the entire population or a representative subset of the population at a specific point in time. Data is collected in other to make inferences about the population of interest at a particular time. This design helps to take snapshots of the population about which data is gathered thereby enabling generalisations of findings to be made.

The study looked at homeowners who financed their housing projects in the Kumasi Metropolis. Since the entire homeowners in Kumasi cannot be interviewed, a section of them were taken to represent the whole. Findings from the data collected were generalised for the whole Kumasi Metropolis.

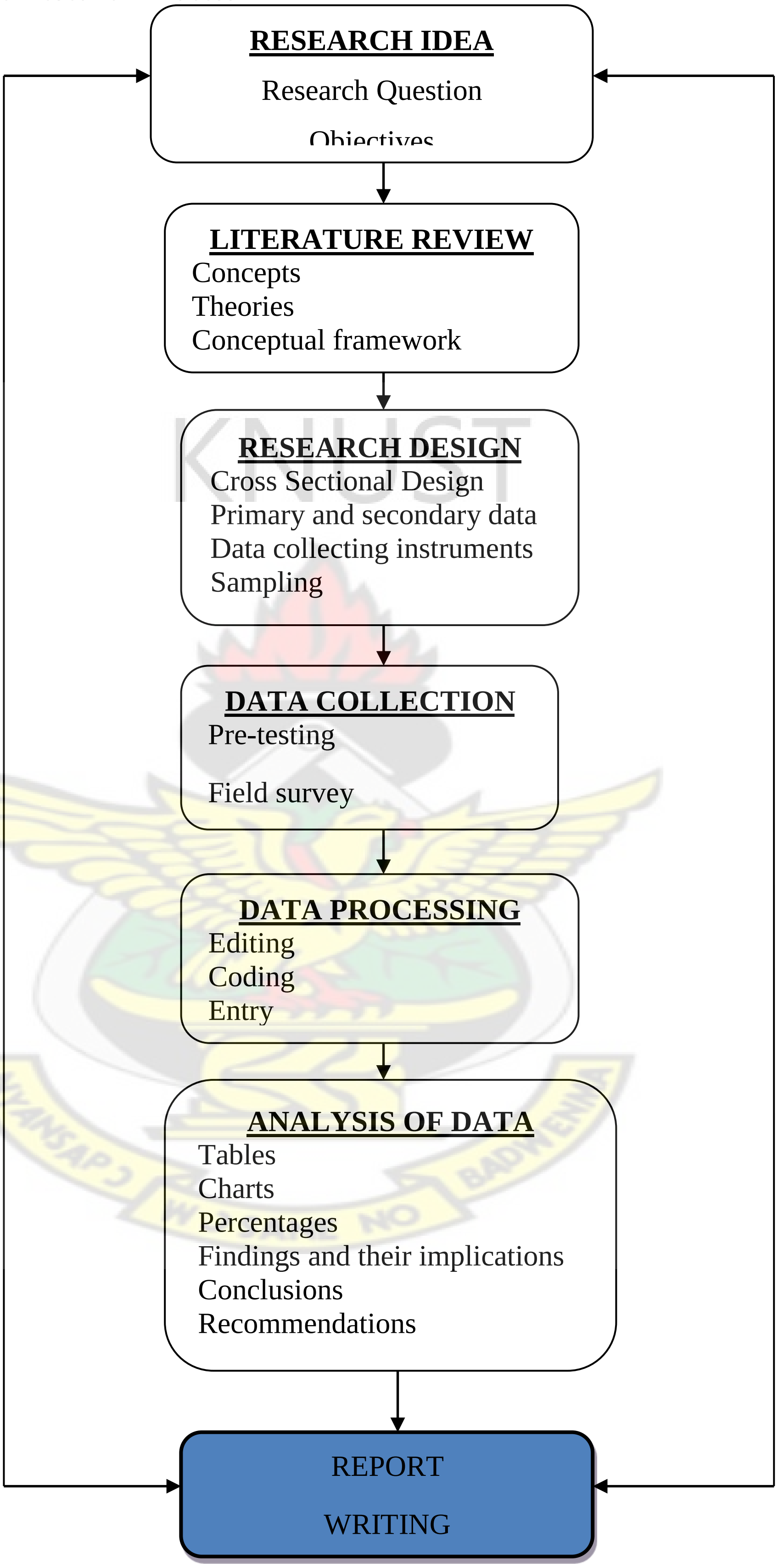
3.2.1 Research Process

Before the research topic was carved out, extensive relevant literature on the topic was reviewed. The literature looked at the concepts and theories which were related to the topic. The review examined the theories explaining the concept of housing finance and housing finance systems. It further looked at financing housing by the informal sector. It was realised that even though the informal sector accounts for majority of housing delivery, they do not have easy access to formal finance mechanism due to the risky nature of their jobs.

The next process looked at the methodology of research which included all the data requirement, tools and techniques for data collection that were adopted. The data collection tools were then designed. The selection of the study areas and the sample size for the study were also determined.

The next process was the actual data collection process. Data was collected from the study areas. The data was cleaned and edited to take out the inconsistencies and to make the entries done easily. This was done after each day of data collection. They were then coded and entered into the Statistical Package for the Social Sciences (SPSS) version 16.This enabled the data gathered to be presented in tables, figures and charts. Findings were taken from the data that was analysed and was substantiated with already existing literature. The research was then concluded and the necessary recommendation made as well as areas for further research identified. A summary of the research process is shown in Figure 3.1

Figure 3.1The Research Process



Source: Author’s Construct, 2014

3.3 Data Source

In this research, two key areas of data collection were relied on to make the work more practical. The two sources included the secondary and primary data sources. The secondary data source was data taken from other people that is data which were already in existence and has been collected already for other purposes. The secondary data collection included a comprehensive review of relevant reports and documents from literature that related to housing finance and the informal sector. These included research materials, journals, government development plans and policies and other documents on housing finance, housing finance systems and the informal sector.

Furthermore, the primary data collection gathered data from the survey that was conducted through the administering of questionnaires and interviews. The primary sources of data were the various relevant institutions (e.g. the Ministry of Water Resources, Works and Housing, the HFC Bank Ltd etc) and inhabitants in the study areas. The primary data collection gathered information on issues pertaining to housing finance from these sources.

3.4 Data Collection Tools and Techniques

In order to establish facts and give a practical feel of the study, the following instruments were developed to collect the necessary information.

i. Questionnaires

These contained both structured and unstructured questions. The structured questions also known as closed-ended questions refer to questions that are accompanied by a list of all possible alternatives or options from which the respondents select the answer that best describes their situation. The unstructured questions also known as open-ended questions refer to questions which give the respondent the complete freedom of response. This permitted the researcher to solicit the views and opinions of the respondents on the study in their own words.

The questionnaires, which were both structured and unstructured were the main instruments used to collect data from the institutions such as SSNIT and some financial institutions. The structured and unstructured questionnaires were used to gather information about respondent's opinion on the study and it enabled large information to be collected from a larger number of people within a short period of time.

ii. Photography

This was used to provide visual confirmation of the existing situation on the field. The use of photography gave a snapshot of the existing situation on the ground. With the aid of a camera; relevant pictures were taken in the study areas during the reconnaissance survey and data collection period.

iii. Semi-structured interviews

These are oral administration of a questionnaire and are therefore face-to-face encounters. They provide in-depth data which questionnaires were unable to provide. Interviews can be structured, unstructured or semi-structured.

The semi-structured interviews were used in the data collection because it allowed both open and closed ended questions to be asked. It allowed the respondents ample freedom to express themselves at length and for their views to be solicited but also limited the freedom given to the respondents thereby avoiding time consumption. Illiterate respondents were asked questions in the local dialect and had their answers translated into English by the interviewer. To have a decent work done, respondents were made to understand that, the purpose of the study was purely academic and very confidential. Actual permission was sought from the respondents before the required information were taken from them.

Before the actual data collection was done, they were pre-tested in order to make meaningful observations. The pre-testing was done on a much smaller sample with identical features to the actual sample. It was done to improve the quality of the research instrument in terms of its effectiveness in measuring the study variables. This enabled certain loopholes to be identified and some questions to be rephrased to capture the needed information.

3.5 Key Variables and Data Requirement

A variable is a measurable characteristic that varies. It may change from group to group, person to person or even within one person over time (Long, 2004).Dawson (2002) refers to a variable as an image, perception or concept that can be measured, therefore capable of taking on different values. Every study has variables as these are needed in order to understand differences. They can effect or change the results of a study.

The variables were derived from the research questions and objectives that were designed for the study. Issues that were discussed in the literature review were also taken into consideration. The variables in this study included the demographic data, socio-economic data, housing characteristics amongst others.

The data required for this study included the number of houses in each sub metro, the socio-economic and demographic characteristics of respondents, the types of houses and the financing mechanisms used in the Kumasi Metropolis.

Table 3.1 Summary of Data Collected

Research Objective	Data Variable	Data Sources	Instruments Used
1. To know the type and characteristics of housing finance mechanisms available to the informal sector in Kumasi.	-Demographic data -Socio-economic data -Housing characteristics	-Home owners	-Questionnaires
2. To know the major housing finance mechanism used by the informal sector and how it affects housing delivery in Kumasi.	-Financial Institutional data -Socio-economic data	-Financial Institutions -Ministry of Water Resources, Works and Housing -Home owners	-Questionnaires -Semi-structured Interviews
3. To know the factors that hinder the informal sector from access to housing credit facilities in Kumasi.	-Socio-economic data -Financial Institutional data	-Financial Institutions -Home owners	-Questionnaires -Semi-structured Interviews
4. To make suggestions for the improvement of access to housing finance by the informal sector in Kumasi.	-Institutional data -Socio-economic data	-Ministry of Water Resources, Works and Housing -Home owners -Financial Institutions -Housing Institutions	-Questionnaires -Semi-structured Interviews

Source: Author’s Construct, 2014

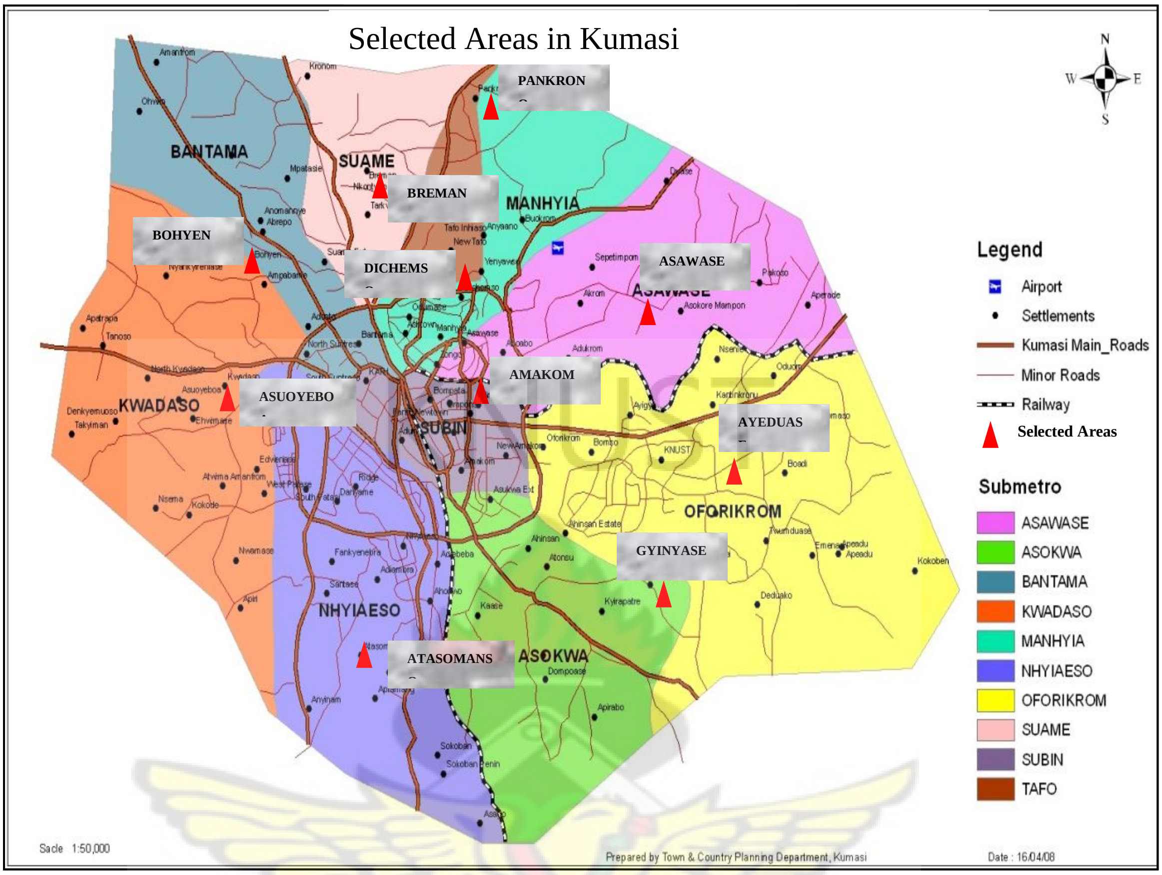
3.6 Unit of Analysis

It is the subject of study about which the researcher may generalize the research findings (Long, 2004). It can be individuals, groups, organisations and/or communities depending on the research (Nachimias, 1992). The unit of analysis in the study were residential home owners who financed their housing projects by themselves, officials of the Ministry of Water Resources, Works and Housing, some selected Financial Institutions which included HFC Bank Ltd, UBA, Ecobank, Merchant Bank and Barclays Bank, officials of the Town and Country Planning Department and officials of the Statistical Department of the Kumasi Metropolitan Assembly.

3.7 Selection of Study Areas

Kumasi is a Metropolis with an estimated population of 1,915,170 people (KMA, 2010) with an estimated housing stock of 93,989 in 2014.There are ten sub-metropolitan areas with about 90 suburbs with each falling under a particular sub-metro. The 10 sub-metros include; Asokwa, Bantama, Kwadaso, Manhyia, Nhyiaeso, Oforikrom, Old Tafo, Suame, Subin and Asawasi. One community was selected under each of the sub-metro in order to have an insight into what pertains in all the sub metros.

Figure 3.2 Map of the selected study areas



Field Survey, 2014

3.8 Sampling

It is the process of selecting a representative part of a population for the purpose of determining characteristics of the whole population (Lavrakes, 2008).The goal of sampling is to obtain a sample that is representative of the larger population which contain essentially, the same variations that exist in the population. This is to ensure that we can generalise the findings from the research sample to the population as a whole (Hillingdon Hospital, 2006). For the study some homeowners in selected communities in the Metropolis were interviewed to represent homeowners in the whole Kumasi Metropolis.

3.8.1 Sampling Method

Both probability and non-probability sampling methods were used in the study. For the probability sample method, the simple random sampling was used specifically. The simple random technique was used to select the ten communities and this gave all the communities in the Kumasi Metropolis equal chance of been selected.

Communities under each sub-metro were listed alphabetically with numbers assigned to them and the table of random numbers was used to select one community each from the ten sub-metropolitan areas. Asawasi, Breman, Pankrono, Dichemso, Asuoyeboa, Ayeduase, Atasomanso, Amakom, Gyinyase and Bohyen were the communities that were selected.

Houses in each of the communities were grouped into indigenous, estates and peripheral areas. This is because villages and towns which were initially around Kumasi have presently grown and have become part of the Kumasi Metropolis. For the study not to be skewed toward one direction, data was taken from each of these groups to get more insight into the study.

The purposive and convenience sampling techniques were used for the non-probability method. The purposive sampling technique allowed the researcher to use cases that have the required information with respect to the objectives of the research. The Ministry of Water Resources, Works and Housing, Financial Institutions, Kumasi Town and Country Planning Department, SSNIT and the Kumasi Metropolitan Assembly were purposively selected. The financial institutions that were purposively selected were the HFC Bank, Barclays Bank, Ecobank, Merchant Bank, UBA and Fidelity Bank. These were selected in relation to the literature reviewed. The convenience sampling technique was used in selecting the homeowners in the communities. This is because the study was about homeowners who actually financed their housing projects but most homes were not occupied by these homeowners therefore readily available and accessible homeowners in the communities were interviewed on how they financed their housing projects.

3.8.2 Sample Size Determination

It was necessary to take a part of the population from which information was drawn from to represent the entire population in the selected communities. According to the 2000 population and housing census report, the total housing stock for Kumasi Metropolis is 67,434 at a 2.4 percent growth rate (GSS, 2005) and is currently estimated at 93,989 houses. The housing stock for the selected communities was taken from the 2000 population and housing census report and projected to the current year, 2014 using the formula *Pt+ n=Po (1+r)^{n} *(see appendix for calculation).*In all, the projected figure for the year 2014 was 20,744 housing stock.

Table 3.2 Projection for selected communities

Sub metro	Communities	Housing Stock (2000)	Projected Housing Stock (2014)
1. Asokwa	Gyinyase	939	1309
2. Manhyia	Dicheamso	934	1302
3. Subin	Amakom	1245	1735
4. Suame	Breman	3316	4622
5. Tafo	Pankrono	2549	3553
6. Oforikrom	Ayeduase	587	818
7. Nhyieso	Atasomanso	796	1109
8. Kwadaso	Asuoyeboa	1358	1893
9. Bantama	Bohyen	634	884
10. *Asawasi	Asawasi	2525	3519

Source: Author's Projection, 2014.

The mathematical method was used in determining the sample size for the study. The sampling frame for the ten selected communities was 20,744 houses. The research was operated at a 95 percent confidence level with a 5 percent margin of error. This was done to increase the accuracy of the study. Using the mathematical method,

$$* \; n = \frac{N}{1 + N(\alpha)2}$$

(*see appendix for calculation*)

The sample size for the study was calculated to be a total of 392.To get the sample size for the communities, the sample was proportionally distributed. But in all 310 questionnaires were administered to homeowners who actually financed their housing projects.

Table 3.3 Sample size of communities

Communities	Sample size for selected communities	Total	Sample Interval	Actual Sample Taken
Gyinyase	1309x392 20744	25	$\frac{392}{25}$ = 15.68 Every 16^{th} house	10
Dicheamso	1302x392 20744	25	$\frac{392}{25}$ = 15.68 Every 16^{th} house	22
Amakom	1735x392 20744	33	$\frac{392}{33}$=11.87 Every 12^{th} house	33
Breman	4622x392 20744	87	$\frac{392}{87}$ =4.50 Every 5^{th} house	90
Pankrono	3553x392 20744	67	$\frac{392}{67}$ =5.85 Every 6^{th} house	50
Ayeduase	818x392 20744	15	$\frac{392}{15}$ =26.13 Every 26^{th} house	15
Atasomanso	1109x392 20744	21	$\frac{392}{21}$ =18.66 Every 19^{th} house	10
Asuoyeboa	1893x392 20744	36	$\frac{392}{36}$ =10.88 Every 11^{th} house	10
Bohyen	884x392 20744	17	$\frac{392}{17}$ =23.05 Every 23^{rd} house	10
*Asawase	3519 x 392 20744	66	$\frac{392}{66}$ = 5.93 Every 6^{th} house	60

Source: Author's Projection, 2014

3.9 Processing, Analysis and Presentation of Data

The data collected from the field were first cleaned to check for missing items and the gaps filled and later edited to ensure consistency. The close-ended questions in the questionnaire were coded. The open-ended questions were pre-coded and coded. This enabled the data to be entered into the computer using the Statistical Package for Social Sciences (SPSS) version 16. The institutional questionnaires were qualitatively analysed.

Data gathered was analysed both quantitatively and qualitatively. Quantitatively, raw data from questionnaires and interviews were coded and presented in tables of frequencies and cross tabulations. Bar graphs and pie charts were used to present the information gathered and to give a pictorial view of the situation. Microsoft office word and excel were also used for the analysis. The qualitative approach facilitated the interpretation of the relationships between the variables under study.

3.10 Chapter Overview

The chapter has looked at the research methods which included the research design, data collection tools, the selection of the study areas and sampling methods. The cross-sectional research design was used whereas questionnaires, semi-structured interviews and photography were used as data collection tools. Out of the 392 sample size, a total of 310 questionnaires were administered in the selected communities.

Now part of the Asokore Mampong Municipal Assembly, Carved out of KMA in 2012.

CHAPTER FOUR

PROFILE OF KUMASI METROPOLIS

4.1 Introduction

This chapter presents the profile of the Kumasi Metropolis. The profile explains the economic, social and environmental characteristics of Kumasi.

4.2 Historical Background

The city of Kumasi was founded by King Osei Tutu I in the1680’s to serve as the capital of the Asante State. The city gained much prominence in 1695 when it became the capital of the Asante confederacy. Given its strategic location and political dominance, Kumasi developed into a major commercial centre with most major trade routes in Ghana converging on it. With time, the city began to expand and grow thereby making it second to Accra in terms of land area, population size, social life and economic activities. It gained the accolade of being the “Garden City of West Africa” because of the various species of flowers and plants, the beautiful layout and greenery (Nyeri, 2007).

The city has grown in a concentric form to cover an area of approximately ten (10) kilometers in radius. The direction of growth was originally along the arterial roads due to the accessibility they offered which has resulted in a radial pattern of development. It has been sub divided into ten sub-metropolitan areas for administrative purposes.

4.3 Location and Size

Kumasi is located in the transitional forest zone, about 250km (by road) northwest of the national capital, Accra and covers a total land area of 254 square kilometers (25,415 hectares). It stretches between latitude 6° 35''– 6° 40'' North and longitude 1°30'' – 1°35'' West, and its elevation ranges between 250 and 300 meters above sea level.

Kumasi is bounded to the north by Afigya Kwabre District and Kwabre East District, to the east by Ejisu Juaben Municipal and Bosomtwe-Atwima Kwanwoma District, to the west by Atwima Nwabiagya District and to the south by Atwima Kwanwoma District. The unique centrality of the city as a traverse point from all parts of the country makes it a special place for many to migrate to thereby making it a huge commercial centre. Kumasi encompasses about 90 suburbs, many of which were absorbed into it as a result of the process of growth and physical expansion.

4.4 Physical Characteristics

4.4.1 Relief and Drainage Pattern

Kumasi lies within the plateau of the South – West physical region which ranges from 250-300 meters above sea level. The topography is undulating. It is traversed by streams such as Subin, Wiwi, Sisa, Owabi, Aboabo and Suatem. But human activities such as land development, physical encroachment on nature reserves and the rapid state of urbanisation however, have impacted negatively on these water bodies and even threatened their extinction.

4.4.2 Topography and Vegetation

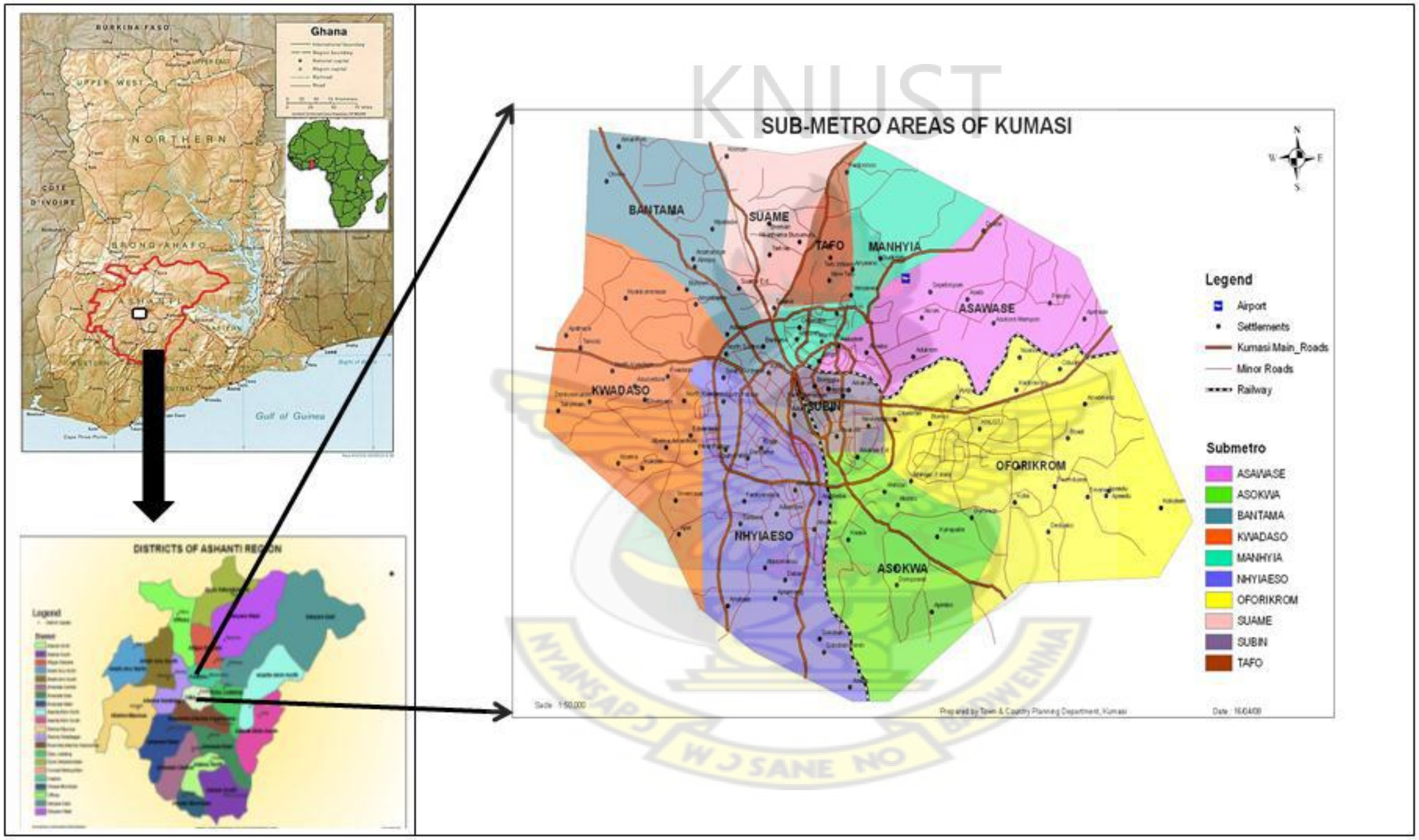
The city falls within the moist semi-deciduous south-east ecological zone. A patch of vegetation reserve within the city has led to the development of the KNUST botanical gardens and the Kumasi Zoological Gardens serves as tourist attraction centers. They also serve a centres for the preservation of wildlife and educational centres. There are other patches of vegetative cover scattered at the peri-urban areas of the Metropolis

4.5 Demographic Characteristics

4.5.1 Population Size, Growth Rate and Density

According to the Ghana Statistical Service (2005), Kumasi accommodated a total of 1,170,270 people as of the year 2000, reflecting an inter-censal growth rate of 5.4% between 1984 and 2000 but this has been projected to have increased to 2,035,064 in 2010 (GSS, 2012).This unprecedented growth of the population between 1984 and 2000 has made Kumasi the most populous district in the Ashanti Region because it accounts for 42.6 of the region‘s population. Compared to the national and regional growth rate of 2.5% and 2.7% respectively, the Metropolis is growing at a faster rate of 5.4% indicating the attractiveness of Kumasi in the region. This has serious implications for housing needs in the Metropolis.

Figure 4. 1. Study Area in National, Regional and Metropolitan Context



Source: Town and Country Planning Department, 2010.

4.5.2 Ethnicity

Although the Metropolis is Asante dominated, almost all the other ethnic groups in Ghana are represented. Ethnic and cultural diversity abounds tremendously, but they are closely knit together in a harmonious relationship (KMA, 2006) .The diverse ethnic groups in the area can be attributed to the following factors;

i. The rate of in-migration into the metropolis as a result of its strategic location and also rapid urbanization.

ii. The ability of these diverse ethnic groups to co-exist with each other and share cultural values.

iii. The presence of a strong traditional administrative set-up that galvanizes cohesion among the diverse ethnic groups.

4.5.3 Religious Affiliation

The major religion in the Metropolis is Christianity (78.8 %). Islam (16%) and Traditional (0.3%) religion are also fairly represented. Nevertheless, about 4.2 percent of the population does not associate with any of these religious groups. The concentration of these religions in certain communities in the Metropolis to some extent influences where people choose to reside (KMA, 2010).

4.6 Housing

The 2000 Population Census and Housing report by the Ghana Statistical Service (2005) revealed that the housing stock in the Metropolis was 67,434, constituting 20.5 percent of the regional housing stock of 328,751 and is estimated to be 93,989 in 2014 with a growth rate of 2.4 percent. The housing stock in the Metropolis is relatively fairly distributed among the ten sub Metropolitan Councils. With a housing need of 358,039 and the delivery of 77,530 the huge housing deficit in the Metropolis is startling and constitutes a major problem which calls for an urgent need to address the situation.

4.6.1 Housing Types

Housing in the Metropolis can be classified into about five types. These include: single storey traditional compound houses, multi-storey compound houses, government –built detached or semi-detached for low-income households, large single household houses built on relatively large plots and block of flats.

4.6.2 Housing Delivery

Even though the Government of Ghana provides certain amount of housing delivery in the Metropolis, housing provision in Kumasi is dominated by the private sector. Private entities that own housing facilities in the Metropolis comprise private individuals and estate agencies.

Although majority of the housing stock in the Metropolis are owned by private individuals, it is only one-third of the households that occupy their own houses. This implies that majority of the households are occupying housing facilities either as tenants, rent – free occupants or 'perchers'. Having almost half of the households in the Metropolis renting housing facilities indicates therefore the need for government to create an enabling environment for an adequate finance system to enable the private sector improve in housing delivery. The finance system is just one of the supply factors that have been related to housing delivery. The others include land, labour and building materials. The supply side has not been able to meet demand thereby resulting into housing deficit.

4.7 Economic Characteristics

Kumasi serves as entrepreneurial and cultural hub of Ghana. There is high migration and a day time population of 2,300,000 people (KMA 2010). The major economic activity is centered on wholesaling and retailing with trade/service/commerce constituting 71 per cent of economic activities; industry 24 per cent and agriculture 5 percent. The major economic activity points are:

- Central Market
- Adum Shopping Centre
- Suame and Asafo Magazines.
- Kaase/Asokwa Industrial Area and Sokoban Timber Products Market.

The Kumasi Central Market is the single largest traditional market in West Africa. It has over 10,000 stores. There are also about thirty-three satellite or neighborhood markets in the metropolis. This explains the surge in day-time population. People travel from all over the country to trade in Kumasi.

Business activities in the Kumasi Metropolis can be categorized into formal and informal sectors. The formal sector comprised institutions that have registered at the

Registrar General Department and have been legally permitted to carry out operations in the country. They are characterized with corporate ownership, large-scale operation, capital–intensive and the use of sophisticated technology and appropriate infrastructure and land. Notable group of economic activities that fall within this sector in Kumasi are financial institutions, hospitality industries, breweries, quarry industries, pharmaceutical industries etc.

The informal sector refers to institutions that are operating in the country without legal rights from the Registrar General's Department because they have not been registered. The informal sector of Kumasi, which is the backbone of the Metropolis, is characterized with a host of petty traders dealing in all kinds of items ranging from food stuffs to clothing, stationeries, small-scale mechanical shops and beverage manufacturing industries. Significant size of the active labour force is employed in this sector.

Several renowned financial institutions operate in Kumasi. The Metropolis has a number of Commercial Banks, Rural Banks, Insurance Companies and Forex Bureau which ensure that financial transactions are carried out professionally and efficiently. The commercial banks represented in the Metropolis comprised Ghana Commercial Banks, Ecobank, Barclays, Standard Chartered, Agricultural Development Bank etc. Over 200 branches of these financial institutions operate in Kumasi to offer financial assistance to potential clientele.

4.8 Chapter Overview

The chapter has discussed into detail the profile of the Kumasi Metropolis taking into consideration the physical, demographic, economic as well as housing characteristics. This also sets as the precedence in the next chapter for the presentation and analysis of the data that were gathered on the field.

CHAPTER FIVE

ANALYSIS AND INTERPRETATION OF DATA

5.1 Introduction

This chapter presents an analysis and discussion of results of the data collected from the field. In all, ten suburbs; one each from the ten sub metropolitan councils in the Kumasi Metropolis was taken. The survey was undertaken to have more insight as to how operators in the informal sector finance their housing projects and the financing mechanisms in place for them.

The chapter includes discussion and analysis on the socio-economic and demographic characteristics of households, the housing characteristics of the selected areas and most importantly, the financing mechanisms used for housing delivery.

5.2 Socio-economic and Demographic Characteristics of Respondents

The socio-economic and demographic data of households were taken from the homeowners who were interviewed. This provided basic facts and personal information about the homeowners and their households. These included sex, age, educational level, occupation, income and expenditure, marital status amongst others. This was done to have insight on why homeowners built a particular type of house as against another and why homeowners used a particular kind of financing mechanism for their housing project.

5.2.1 Sex and Age of Respondents

The survey revealed that out of the total questionnaires that were administered, the male respondents accounted for 70 percent whiles the female respondents constituted 30 percent. This is not a deviation from the norm as men are seen as household heads and the breadwinners of the family and therefore are the ones who most often put up houses. For the women interviewed, 28.8 percent were homeowners whilst 1.2 percent were representatives of the household heads.

Table 5.1 Sex of Respondents

Gender	Frequency	Percentage (%)
Male	217	70.0
Female	93	30.0
Total	310	100.0

Source: Field Survey, 2014.

The ages of the respondents were taken into consideration to know the age group in which most homeowners fell into. The ages were grouped into five categories to make the analysis very simple and easy. These categories are 31-40, 41-50, 51-60, 61-70 and above 70.

About 30.6 percent of the respondents fell within the ages of 41 to 50 years. In Ghana, the actively working age starts from eighteen years and ends at sixty years. People within this age bracket constituted65.7 percent of the total respondents starting from the age of 31 years. The remaining 34.3 percent constituted the ages between 60-70 years and above 70 years of the total respondents. These are homeowners who no longer form part of the actively working population but built their houses when they were actively working and have retired now. They were mostly found in the indigenous or core areas of the communities whilst those in the actively working group were mostly found in the periphery of the communities.

The number of years it took for the houses to be completed were taken into consideration From Table 5.2, majority of the houses which constituted about 40 percent were completed within 6 to 10 years. Other respondents who used 1-5 years to complete their houses constituted 28.7 percent whilst 19.4 percent used 11-20 years to complete their houses. About 1.6 percent used more than 20 years to complete their houses whilst 10 percent used less than a year. The ages of the homeowners were related to the duration for house completion to know the length of time it took homeowners to complete their housing projects.

Table 5.2 Relationship between Age and Duration for House Completion

Age	Completion (years)					Total
	Less than 1	1-5	6--10	11-20	20+	
31-40	2.9	8.1	6.1	1.6	0.6	19.3
41-50	3.5	8.4	9.7	5.1	0.3	27.1
51-60	1.6	6.7	6.7	3.5	0.6	19.3
61-70	1.6	3.9	8.7	2.9	-	18.1
Above70	0.3	`1.6	7.7	6.4	-	16.1
Total	10	28.7	40	19.7	1.6	100

Source: Field Survey, 2014.

On an average it took homeowners more than ten years to complete their housing projects. It can therefore be inferred that by the time homeowners completed their houses, they were already advanced in age taken into consideration the time they started active work. This can also be attributed to the financing mechanism which prevents the informal sector from easy access to finance. It was also realised that majority of the respondents who fell within the ages of 41-50 built single family houses which constituted about 12.9 percent of the total. It took them about 6-10 years to complete with about 12.6 and 6.1 percents into trading activities and civil service respectively. The highest number of respondents who built multi storey structures were respondents who were above the age of 70 and it constituted 2.2 percent of the total. It took them 11-20 years to complete the houses.

5.2.2 Educational Level and Type of Occupation

It was necessary to take the educational attainment of the respondents because the educational level most often determines the occupation of the individual and subsequently the income level of that person. This is turn affects the type of finance mechanism that will be used for housing delivery.

About 23.5 percent of the respondents never attended school and 17.7 percent attended either vocational or technical training school. About 17.4 percent completed tertiary institutions with 10.6 and 13.5 representing those who completed JHS and SHS respectively. It can be seen that a greater number of the respondents never had any form of formal education and even for those who had, most of them only completed basic school. Most of the respondents were into trading activities which accounted for 29.7 percent of the total. This included shop owners, importers, exporters, wholesalers and retailers. The next occupation was artisans which constituted 19.3 percent and they were mainly masons, carpenters, seamstresses, tailors, plumbers, mechanics, and hair dressers amongst others. About 18 and 8.1 percent of the homeowners were in the civil service and formal private institution correspondingly. Some of the respondents were into farming, driving and food business which accounted for 10.6,8 and 4.8 percents respectively. The formal private institutions included people working in financial institutions, mining and construction companies, educational and health facilities.

According to Pagés and Stampinii (2007), it is often assumed that education is the passport to good jobs that is better-educated people have a greater chance of attaining better jobs. With this supposition, majority of the respondents not having any form of formal education meant that most of them were engaged in informal activities. It was realised from the survey that most of the respondents who were in the civil service and formal private institutions which made up the formal employment sector were people who had completed tertiary education which corresponded to 16.1 percent. Also majority of the respondents who were into the informal employment sector had low level of education. Those who had never had any formal education were into farming, trading and artisan accounted for 23.5 percent of the total. None of the people who never had formal education were into any kind of formal activity.

From Table 5.3, it is seen that the educational level affected the kind of occupation that homeowners were engaged in which in turn affected the mode of financing. It was realised that out of the 75.8 percent who had never approached a financial institution for credit facilities, 58.7 percent were into informal activities. Also, for the remaining 24.2 who had ever approached a financial institution for credit facilities, only 13.2 percent had their loans approved for them. About 7.1 percent of this 13.2 percent were engaged in formal employment activities. It can be deduced that people engaged in formal activities had easy access to credit facilities from financial institutions for their housing projects due to the stable nature of their jobs whilst those into informal activities were most often denied due to the instability and risky nature of their jobs.

From the data collected, majority of the respondents were into the informal employment sector which accounted for 73.8 percent of the total. As indicated by Osei-Boateng and Ampratwum, (2011), about 80 percent of the Ghanaian workforce are employed in the informal sector (Hormeku, 1998; Osei-Boateng and Ampratwum, 2011) and they accounted for majority of the housing delivery in Kumasi Metropolis. It was realised from the data collected that it took homeowners who were into informal activities 6-10 years which represented 30.3 percent of the total to complete their housing projects whilst it took those into formal activities 1-5 years which constituted 9.3 percent of the total to complete theirs.

Table 5.3 Educational Level and Type of Occupation

Educational level	Type of occupation								Total
	Farming	Trading	Artisan	Public/ civil servant	Private institution	Driver	Food vendor	Other	
Never attended	6.8	9.0	3.5	-	-	2.9	0.9	0.3	23.5
Primary	1.9	6.1	5.2	0.9	-	2.2	0.6	-	17.1
JHS	1.3	4.2	2.5	0.6	-	0.9	0.9	-	10.6
SHS	0.3	5.2	2.2	2.5	0.9	0.6	0.9	0.6	13.5
Vocational/ Technical training	-	4.8	6.1	2.5	1.9	0.9	1.2	-	17.7
Tertiary	0.3	0.3	-	10.9	5.2	0.3	-	0.3	17.4
Total	10.6	29.7	19.5	18.0	8.1	8.1	4.8	1.2	100.0

Source: Field Survey, 2014.

This affected the kind of financing mechanism that was used in constructing the houses. This is because financial institutions were reluctant and unwilling to grant credit facilities to the informal sector due to the unstable and risky nature of their jobs. Also people in this group mostly do not register their businesses and therefore have difficult accessing credit facilities from financial institutions. But even though the informal sector have limited access to credit facility,they still made up the majority of the housing delivery in the Metropolis.This showed that with a good finance system in place,the informal sector will perform better in housing delivery.

5.2.3 Educational Level and Monthly Income

How much homeowners earned affected how much they saved taking into consideration their expenditure pattern.This in turn affected the kind of finance mechanism that was used and even the duration for the house completion.It can be seen from Table 5.4 that majority of the respondents who earned less than two hundred cedis per month were respondents who never had any formal education and represented 5 percent of the total with the remaining 3.5 percent having basic level of formal education. It is also realised that majority which represented 11.3 percent of the respondents who earned more than one thousand cedis were those who had attained a higher form of education whilst 4.8 percent have had basic education with 0.9 percent not attaining any form of formal education. This indicated that people who had attained higher level of education irrevocably obtain suitable job opportunities which were mostly in the formal employment sector which thereby gave them the opportunity to have easy access to credit facilities. According to Strauss (2011), basically, there is significant relationship between income levels and educational attainment in that, the higher the education level, the higher the income.

From the data gathered, the Table 5.4 shows that people who never had formal education and those with basic education, found it difficult to get stable jobs in which they could have regular income which subsequently affected the way they saved and how they financed their housing projects.

Table 5.4 Educational Level and Monthly Income

Educational level	**Monthly Income**					Total
	Less than 200	200-500	501-1000	More than 1000	Other	
Never attended	5.2	12.5	4.5	0.9	0.3	23.5
Primary	0.3	9.3	6.2	1.3	-	17.0
JHS	2.3	4.5	3.2	0.6	-	10.6
SHS	0.9	5.2	4.5	2.9	-	13.5
Vocational/Technical training	-	5.2	7.7	4.9	-	17.7
Tertiary	-	4.5	6.2	6.5	0.3	17.4
Total	8.7	41.2	32.3	17.1	0.6	100.0

Source: Field Survey, 2014.

When a person's income is low, that person tends to build with complete disregard to building and government regulations because of the additional cost involved. They also tend to use any available building materials with the little resources that they have.

It was seen that majority of the respondents fell within the informal employment sector where most people do not earn income on monthly basis but rather on daily basis. These people therefore financed their buildings as and when they saved enough money. Whereas respondents in the formal employment sector since they have regular jobs and are monthly income earners were able to save a percentage of their income every month and channeled it towards their housing projects.

Several literature has shown that many households are unable to save to build their own houses. According to JCHS (2005), certain household expenditures such as that on food, utilities and transportation compete with housing projects and therefore makes it difficult for households to save adequately for the housing projects. The expenditure patterns of the respondents were taken to know how much they spend and what they spend on. It was realised that homeowners spent one-third of their incomes on expenditures such as food, transport and utilities. The other two-thirds of the income were used for miscellaneous activities from which savings towards housing projects were made. This has affected housing delivery because homeowners had to build incrementally where they had to mobilize resources and built in stages.

The level of education of individuals relatively had influence on their income levels and subsequently how much they spent and how much they saved. The monthly income also affected the kind of building materials that was used for the housing construction.

5.2.4 Occupation and Mode of Finance

The survey sought to know the kind of occupation the homeowners are into and their source of finance for their houses. It was realised from the survey that most of the respondents who went in for formal loans from financial institutions are those in the formal employment sector. This is because the nature of their jobs guaranteed them to be able to access formal credit facilities. Out of the 13.2 percent of homeowners who accessed formal credit facilities, 6.1 percent were into informal activities whilst 6.8 were in the formal sector and the remaining 0.3 percent being a representative of the household head. It can also be noticeably seen that people in the informal employment sector prefers using the sale of their assets, remittances from family members and informal loans for their housing finance aside their personal savings. For homeowners who accessed informal loans, 1.2 percent were in the formal sector whilst 13.3 percent were into informal activities. This shows that due to the inadequate and inaccessible finance mechanisms, the informal sector prefers to use informal sources to finance their housing projects.

Hoek-Smith (1998) noted that due to the nature of the jobs of the informal sector, financial institutions do not want to consider long-term lending for housing a priority because of the associated risks involved. These risks include insecure and undocumented incomes and the lack of collateral to the financial institutions thereby making access to credit facilities very difficult.

A great difference can be seen from Table 5.5 in that whereas the respondents in the formal employment sector used their personal savings and formal loans, those who fall under the informal employment sector used the informal loan process in addition to their personal savings. This is one of the main reasons why most of the respondents built incrementally because as stated by Zhang (2000), “the means of finance determine the mode of construction”. Building incrementally locks up capital that could have been used for other income generating activities and also adds extra cost to the construction.

Table 5.5 Occupation and Mode of Finance

Occupation	Main Source of Finance					Total
	Personal Savings	Formal Loan	Informal Loan	Sale of assets	Remittance from family members	
Farming	4.2	0.3	2.3	1.9	1.9	10.6
Trading	16.5	3.9	5.2	1.9	2.2	29.7
Artisan	11.9	1.6	2.9	0.6	2.3	19.3
Public/civil servant	8.1	6.2	0.6	1.9	1.3	18.1
Private institution	4.5	0.6	0.6	1.4	1.0	8.1
Driver	4.5	0.3	1.6	1.0	0.7	8.1
Food vendor	2.9	-	1.3	0.6	-	4.8
Other	0.3	0.3	0	0.4	0.3	1.3
Total	52.9	13.2	14.5	9.7	9.7	100.0

Source: Field Survey, 2014

An effective housing finance system enable households to accelerate the purchase of and construction of houses and facilitates an efficient allocation of resources between housing, other goods and savings over the life cycle (JCHS, 2005). With readily available and accessible funds from the financial institutions; the informal sector can easily access housing credit facilities for their housing projects thereby increasing housing delivery in the Metropolis.

A greater part of the financial institutions were not directly engaged in mortgage loans but rather general credit/loan facilities which were not directed specifically to housing. Customers of the financial institutions were granted credit facilities based on qualification. The financial institutions had series of conditions before credit facilities could be granted and this prerequisite varied from one financial institution to another. Whilst for some one has to be a salaried worker and not necessarily an account holder, for others one must specifically be a customer with a salaried account with the main concern being the ability to pay and the source of income. Mostly it took less than a year for the credit facility to be given out. Once the paper works have been completed, it is spread over a period of 1-5 years depending on the interest rate and the amount involved with monthly deduction. People who are into small and medium scale enterprises are not given credit facilities even when they are account holders unless their businesses are registered.

The informal sector finds it very difficult to have access to credit facilities from financial institutions due to the immense conditions involved which they are unable to meet due to the nature of their jobs.

5.2.5 Marital Status

About 64.2 percent of the total respondents are married whilst 15.5 percent are widowed, 5.5 percent are divorced and 7.1 percent are separated. Even though some of the respondents are divorced, widowed or separated, they were once married at a point in their life. About 4.2 percent of the married respondents joined forces with their spouses to construct their houses whist 10.0 percent had already started their building projects to a considerable stage before they got married. The Table 5.7 also indicates that some people prefer to build their houses before they get married since marriage comes with other additional responsibilities and this represents a percentage of 7.7 of the total.

This affirms what Abusah (2004) noted; that housing provision is a means of facilitating family integration and cohesion, which is desired by all (Domfeh, 1992; Abusah 2004). It was not surprising that a considerable number of the respondents were married or have once been married.

Table 5.6 Marital Status of Respondents

Marital Status	Frequency	Percentage (%)
Single	24	7.7
Married	199	64.2
Divorced	17	5.5
Separated	22	7.1
Widowed	48	15.5
Total	310	100.0

Source: Field Survey, 2014.

5.2.6 Place of Origin

From the Table 5.7, about48.7 percent of the respondents were natives of the communities which were selected whilst 51.3 percent were all non-natives but were residing in these communities for one reason or the other. Out of the 51.3 percent who are non-natives, 27.3 were still from the Ashanti region.

Table 5.7 Place of Origin and Source of Finance

Nativity	Main Source of Finance					Total
	Personal Savings	Formal Loan	Informal loan	Sale of assets	Remittance from family members	
Yes	23.6	3.5	10.0	4.5	6.9	48.7
No	29.3	9.7	4.5	5.2	2.8	51.3
Total	52.9	13.2	14.5	9.7	9.7	100.0

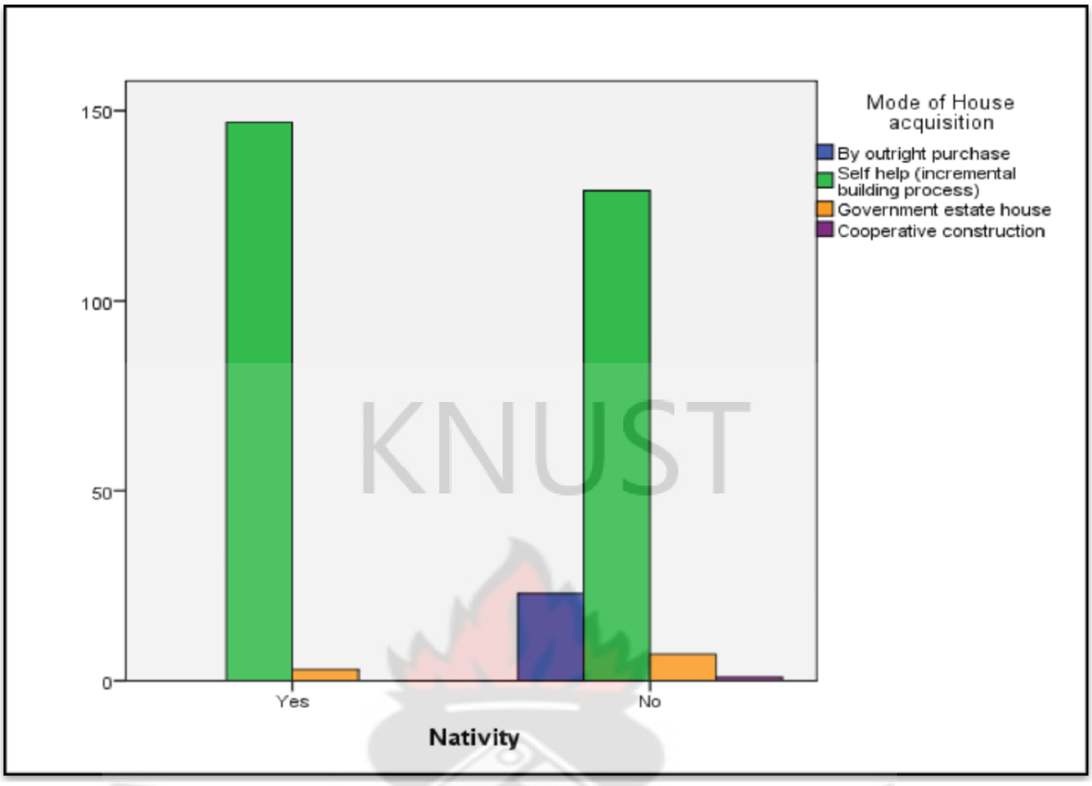
Source: Field Survey, 2014.

It can be seen from Table 5.7 that natives most often use remittances from family members and informal loan aside their personal savings for their housing projects. This is because these houses that they built were mostly termed as family homes which were for the entire extended family members. Meanwhile non- natives preferred to use their personal savings, sale of assets and formal loan to finance their housing projects.

5.2.7 Nativity and Housing Acquisition

Housing may be acquired through outright purchase, rental, self-help, cooperative construction, inheritance and mortgage (Boleat, 1985).About 47.4 percent of the natives built the houses through self-help and 1.0 percent of the respondents acquired through government estate houses. A greater percentage of the respondents who were non-natives which constituted 41.6 percent built their houses through the self-help process and 9 percent acquired theirs through outright purchase. The non-natives who acquired through government estate houses and cooperative construction represented 3.3and 0.3 percents respectively.

Figure 5.1 Nativity and Housing Acquisition



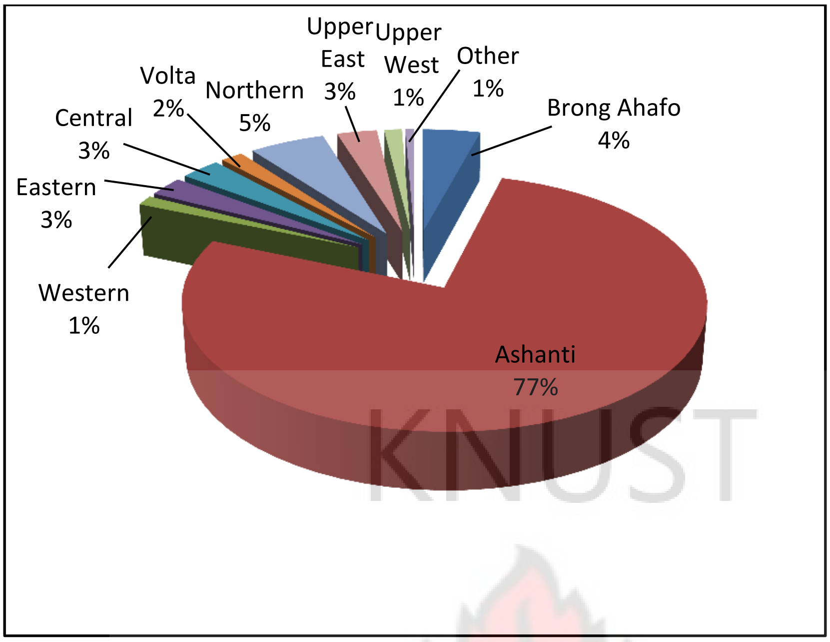
Source: Field Survey, 2014.

Figure 5.1 indicated that one reason why homeowners built in areas they hailed from was to accommodate other members of the family. Another reason was that there were available family or inherited lands in these areas. This reduced the cost of building as the cost that was to be incurred in the purchasing of land was taken out. There was also easy access to informal sources of finance for the homeowners when the built in the areas they hailed from.

5.2.8 Region of Respondents

As shown in Figure 5.2, a greater majority of the respondents hailed from the Ashanti region. They represented 77 percent of the entire respondents. These included both natives and non-natives from the selected communities. These non-natives were from the Ashanti region but have moved and built their houses in Kumasi which is the capital city of the region. This meant most people from the Ashanti region preferred to live in Kumasi to work and also be closer to their hometowns. The remaining 24 percent were from the other regions and had settled in Kumasi for various reasons. Only one percent of the respondents hailed from outside the country.

Figure 5.2 Region of Respondents

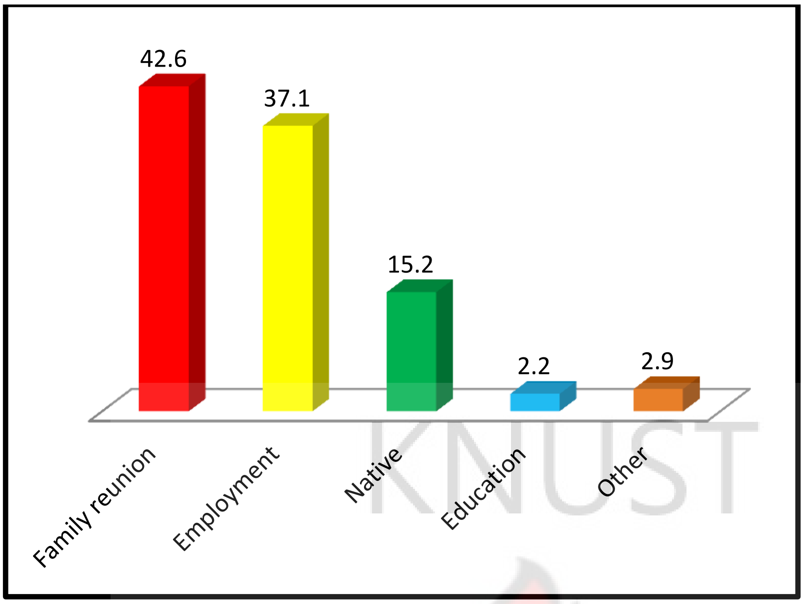


Source: Field Survey, 2014.

5.2.9 Reasons for Settling

Homeowners had different reasons for settling in a particular area. From the survey, these reasons included employment, family reunion and education. From Figure 5.3, 42.6 percent of the respondents settled in these areas because of family reunion whilst others which constituted 37.1 percent settled because of employment. Work related issues go a long way to determine the resident location of an individual. Other people also preferred to live in their native areas thereby constituting 15.2 percent of the total respondents. About 3.2 percent of the respondents initially obtained either formal or informal education and subsequently resided in these communities. The remaining 2.9 percent were respondents did not have a particular reason for building in these areas. Some people just heard there was land available in these areas, there was no land litigation in these areas and also that these areas were safe neighbourhoods.

Figure 5.3 Reasons for Settling



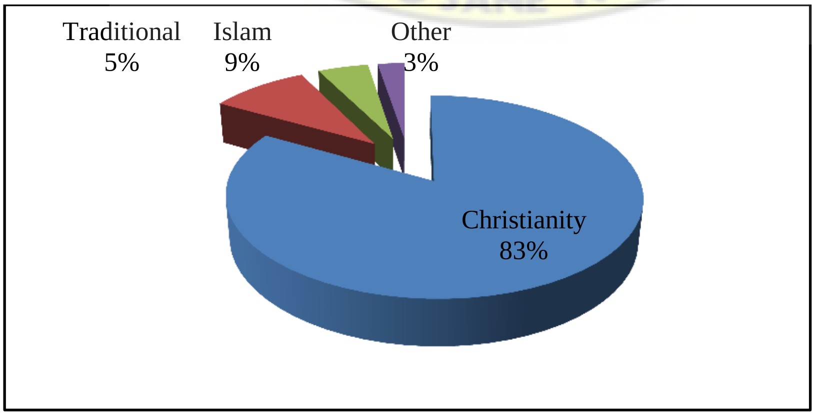
Source: Field Survey, 2014.

People who settle for the reason of reuniting with their family members had a greater chance of getting access to informal loan or remittances from family members likewise those who build in their native lands.

5.2.10 Religion of Respondents

Out of the total respondents, 82.9 percent were Christians. Christianity dominating is not surprising since Kumasi is in the southern part of the country. Islam is the second highest accounting for 9.7 percent of the total respondents. About 2.6 percent of the respondents were not Christians, Muslims or Traditionalist whilst the remaining 4.8 percent were purely traditionalist.

Figure 5.4 Religious Affiliations of Respondents



Source: Field Survey, 2014.

Even though some religious bodies have micro credit facilities for their members, none of the respondents acquired their houses through this means. Some religious bodies go into cooperative construction for their members by acquiring acres of land which allows interested members to pay in installment starting from about 20 percent of the total amount. Only 0.3 percent of the respondents acquired the house through cooperative construction. This is because most of these cooperative constructions take place outside the Kumasi Metropolis.

In conclusion, these socio-economic and demographic characteristics go a long way to determine the main reasons people will want to settle in a particular area and also the financing mechanism that individuals use for housing construction. It has been realised that, there are different reasons as to why people choose to live in particular areas. It could be for security reasons; family reunion amongst others and this inherently affects how houses are financed.

5.3 Housing Characteristics

The housing characteristics of the communities were looked at. These included the type of building and roofing materials used and the housing type. The components of the supply side of housing include land, finance, regulatory frameworks, building materials and infrastructure (Okpala, 1994). Therefore land is a key factor of production when it comes to housing delivery. This section of the study also looked at land ownership and mode of acquisition before looking at the housing characteristics.

5.3.1 Land Ownership and Mode of Acquisition

From the survey, 88.1 percent of the total respondents were owners of the land on which their houses were built and these were either bought or inherited. The remaining 11.9 percent did not own the lands on which the houses were built because they were family lands.

The ability of potential homeowners to acquire land on reasonable terms, at the right time and location, with the degree of certainty and security on interests and rights acquired, to a great extent revolve around property rights within the land tenure systems (Kasanga ,1990; Abusah, 2004).Smooth access to land devoid of bureaucratic procedures and litigation is however almost inevitable in developing countries. Potential homeowners face a lot of challenges which includes land litigation before they are able to acquire land for their housing projects and leads to additional cost.

Table 5.8 Land Ownership

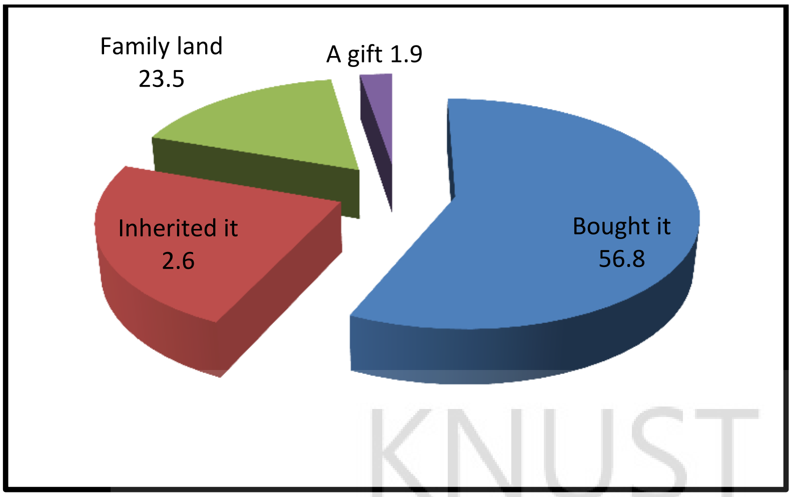
Ownership of Land	Frequency	Percentage (%)
Yes	273	88.1
No	37	11.9
Total	310	100.0

Source: Field Survey, 2014.

A prospective homeowner must first have access to land before that person can put up a house. Land may be purchased, inherited or given out as a gift. When purchased, it adds up to the cost of constructing a house. With people who already have access to family lands and inherited lands, that cost is taken out thereby allowing the funds to be channeled towards building the house.

From Figure 5.5., about 56.8 percent of the respondents bought the lands on which their houses were built whilst 1.9 percent acquired it as gifts. About 23.5 percent and 2.6 percent also built their houses on family lands and inherited lands respectively. It was realised from the survey that most people who built on family lands were natives of the communities. In some of these communities, before the area became developed, families owned plots of land in these areas. They sell out these plots of land as the area gets developed and channel the money into building a house for the entire extended family. A lot of paper works which includes planning permission, land lease and building permits are involved before one can construct a house. These paper works are cumbersome and the process bureaucratic. The processes involved after the land has been acquired affects building duration because ideally, one has wait for the paperworks to be completed before housing projects begins.

Figure 5.5 Acquisition of Land



Source: Field Survey, 2014

5.3.2 Housing Type

From the survey, majority of the houses which accounted for 32.3 percent of the total were single family houses. These are houses that have been built on large parcels of land. The second highest were the small self -contained houses which has two to three bedrooms and are most often term as ‘boys quarters’ and corresponded 21.9 percent. Government-built estate and block of flats accounted for 3.2 and 15.8 percents of the total respectively. The single and multi storey compound houses were mostly found in the indigenous areas of the communities and represented 21.3 and 5.5 percent respectively. Anew trend in constructing houses has emerged where unlike previously people constructed single and multi storey compound houses, they have moved towards single family units. From Afrane and Asamoah (2011), there are six main types of housing structures in Kumasi Metropolis. All six of the housing structures were identified from the survey conducted. These include the traditional single storey compound house, the multi storey compound house, block of flats or apartments, government-built estate, small self- contained units and the single family house (villa).

Table 5.9 Housing Types

Housing Type	Frequency	Percentage
Single Storey Compound House	66	21.3
Multi Storey Compound House	17	5.5
Block of Flats/Apartments	49	15.8
Single Family House (Villas)	100	32.3
Government-built estate	10	3.2
Small self- contained units	68	21.9
Total	310	100.0

Source: Field Survey, 2014.

Shelter is a fundamental human right and therefore the use of permanent building materials is very common in the Kumasi Metropolis. Majority of the respondents used sandcrete blocks and this accounted for 84.2 percent whilst 12.3 and 3.5 percent used mud bricks and burnt bricks respectively.

Building materials is one of the important supply components in housing delivery (Okpala, 1994). As Ogunkah and Yung (2012) stated, in selecting the building materials used, it depends on a set of conditions which includes product durability, aesthetic attributes and cost. The kind of building materials used can be attributed to the time the building was constructed. Some years back homeowners used mud bricks to build their houses and these were found mostly in the indigenous areas of the communities. Presently, homeowners use sandcrete blocks and burnt bricks. These are mostly found in the peripheral areas and are generally used because of their durability, modernity and aesthetic features.

The undeveloped use of the locally manufactured building materials had led to the increased use of the imported materials. The importation of these building materials makes them costly which increases the cost in house construction. The availability and cost of building materials to a large extent influence the supply of housing and is ranked the second biggest constraint to house construction in Ghana. The unavailability and over-dependence on imported materials including cement, clinker, lime, galvanized iron and asbestos cement, roofing sheets, electrical fittings and fixtures amongst others have made these materials costly thereby increasing the cost of constructing a house (Osei Kwame and Antwi, 2004).

Plate 5.1 Housing Type (Single Storey Compound House)

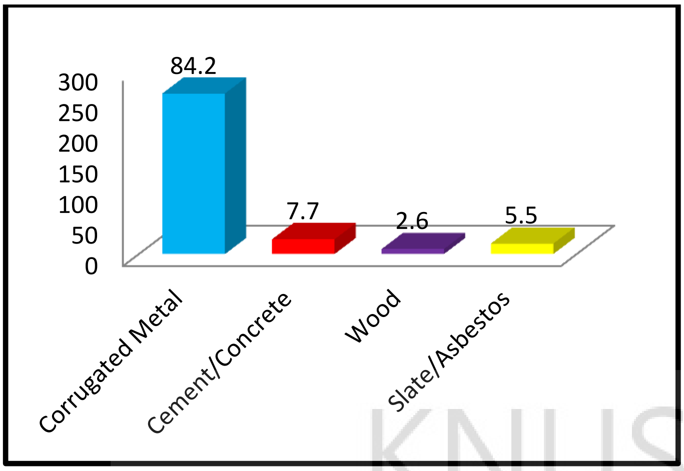
Source: Field Survey, 2014.

Plate 5.2 Housing Type (Block of Flats)

Source: Field Survey, 2014.

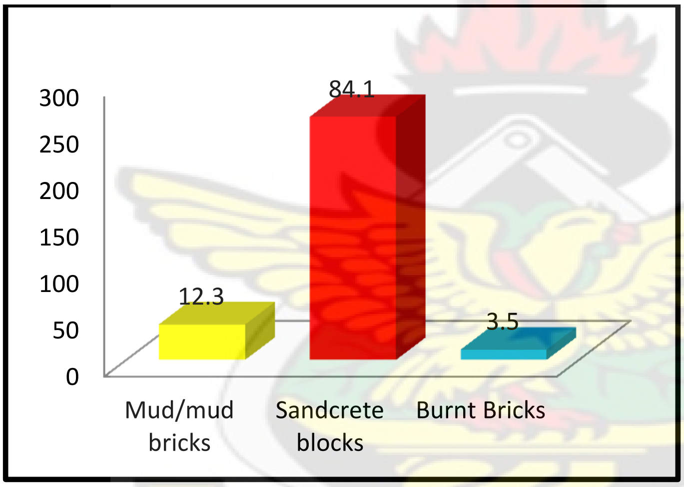
From the survey, the type of roofing material used includes corrugated metal, slate, wood and concrete. They represented 84.2, 5.4, 7.7 and 2.6 percent respectively. The type of construction materials used for the outer building units included mud bricks, sandcrete blocks and burnt bricks. They represented 12.3, 84.2 and 3.5 percents respectively. The houses with mud bricks were mostly found in the indigenous parts of the communities.

Figure 5.6 Type of Roofing Material



Source: Field Survey, 2014.

Figure 5.7 Type of Building Material



Source: Field Survey, 2014.

Plate 5.3 Type of Building Material (Burnt bricks)

Source: Field Survey, 2014.

5.4 Financing Housing

One major aspect of the study was to find out how individuals finance the construction of their houses. Okpala (1994) argues that "the way houses are built reflects the way they are financed because the methods of financing determine the modes of construction" (Zhang, 2000).

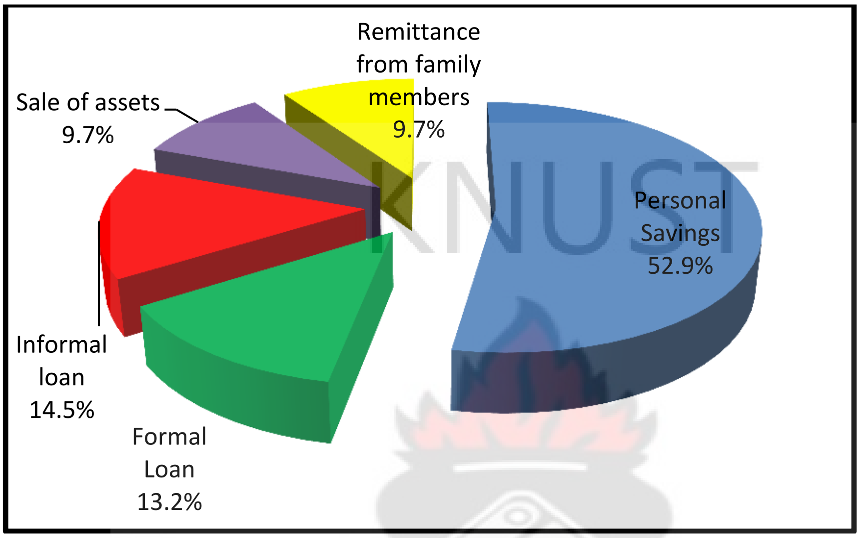
5.4.1Type of Housing Finance Mechanism

The survey looked at the main source of finance that homeowners used. There are two main sources of finance in the housing finance systems which are the formal and informal sources (Moss, 2011). It was discovered that 52.9 percent of the respondents used their own personal savings to construct their houses whilst14.5 percent used informal loan to finance their houses. About 13.2 percent used formal loan whilst 9.7 and 9.7 percents each used sale of their assets and remittances from family members respectively. Looking back at Table 5.5, out of the 13.2 percent who accessed formal loan, 6.8 percent were into formal activities. Also, out of 33.9 percent who used other informal sources aside personal savings, 27.1 percent were engaged in informal activities. This showed that individuals engaged in informal activities accessed informal sources more than formal sources for their housing projects.

Stein and Castillo (2005) indicated that informal sources of finance encompass savings, loans from relatives and friends, remittances from family members and the sale of assets (Stein and Castillo, 2005; Ferguson and Smet, 2010).The formal source of finance included government funds from budget allocation and housing finance institutions (UN-ESCAP,2001) and this is seen from the data gathered. Sheuya (2007) also described how different sources of finance were used for several stages of the building processes. It can also be seen that even though homeowners use a combination of different sources of finance to construct their houses at a particular stage in time, they used one major source.

People in the informal sector do not have easy access to credit facilities from financial institutions. This is because financial institutions find it difficult to grant credit facilities to them due to the risky nature of their jobs. The sale of assets which includes plantations, vehicles, and shops amongst others were used to finance housing projects. The informal loans are soft loans taken from family members, relatives, friends, employers, money lenders with a flexible payment schedule compared to that of the financial institutions. With the formal source of finance it is mostly people in the formal employment sector who had access to it due to their stable job conditions. Financial institutions most often require collateral and since most people do not have any form of collateral, prefer not to go in for the formal source.

Figure 5.8 Source of Finance



Source: Field Survey, 2014.

5.4.2. The Housing Finance Mechanisms that Provide Access to Credit Facilities to the Informal Sector

From the data collected from the financial institutions, it was realised that financial institutions in the Kumasi Metropolis with the exception of HFC Bank Ltd. do not have any housing loan facility but rather have general loan facilities that they give to their qualified clients. This is because housing mortgage market in the country as a whole has still not been fully developed.

Out of the 24.2 percent who had ever approached a financial institution for credit facilities, only 13.2 percent had their loans approved for them from which 7.1 percent were engaged in formal employment activities. The study further looked at the type of financial institutions that the respondents accessed and these were grouped into three categories. They were commercial, rural and microfinance institutions which represented 6.8, 3.9 and 2.5 respectively. For the 6.8 percent who accessed from commercial, 3.9 percent were into formal activities whilst the remaining 2.9 were engaged in informal activities. Out of the 2.5 percent who accessed microfinance, 2.2

percent were into informal activities. This showed that microfinance is a very viable option for the informal sector in housing delivery if is it fully developed.

The conditions set by the financial institutions prevented most homeowners from accessing credit facilities for their housing projects. Out of the 13.2 percent of the respondents who accessed formal loans, 10.0 percent used their assets such as farm plantations, plots of lands, shops and vehicles as collateral before they were able to access the loan facilities from these financial institutions. About 0.3 percent were account holders and therefore only had to provide guarantors to endorse the application forms. But even with that the individual must have saved with the financial institution for a long period of time with monthly installment made over a particular time frame. The remaining 3.0 percent were salaried workers who had salaried accounts with the financial institutions. They therefore did not need collateral but rather a percentage of their salaries were deducted every month for a period of 1-5 years.

The length of time it took for the credit facilities accessed to go through were looked at. From Table 5.10, about 6.5 percent of the loans were finalized within 1-3 months whilst 2.6 and 1.3 percent of the respondents had their loans finalized within 4-8months and 9-12 months respectively. About 0.6 percent of the respondents had their loans finalized after a year whilst 2.3 percent had it in less than a month. In all it takes less than a year for a loan facility to be granted.

Table 5.10 Length of time for Loan Finalisation

Length of Loan Finalization	Frequency	Percentage (%)
Less than a month	7	2.3
1-3 months	20	6.5
4-8 months	8	2.6
9 – 12 months	4	1.3
More than a year	2	.6
Not applicable	269	86.8
Total	310	100.0

Source: Field Survey, 2014.

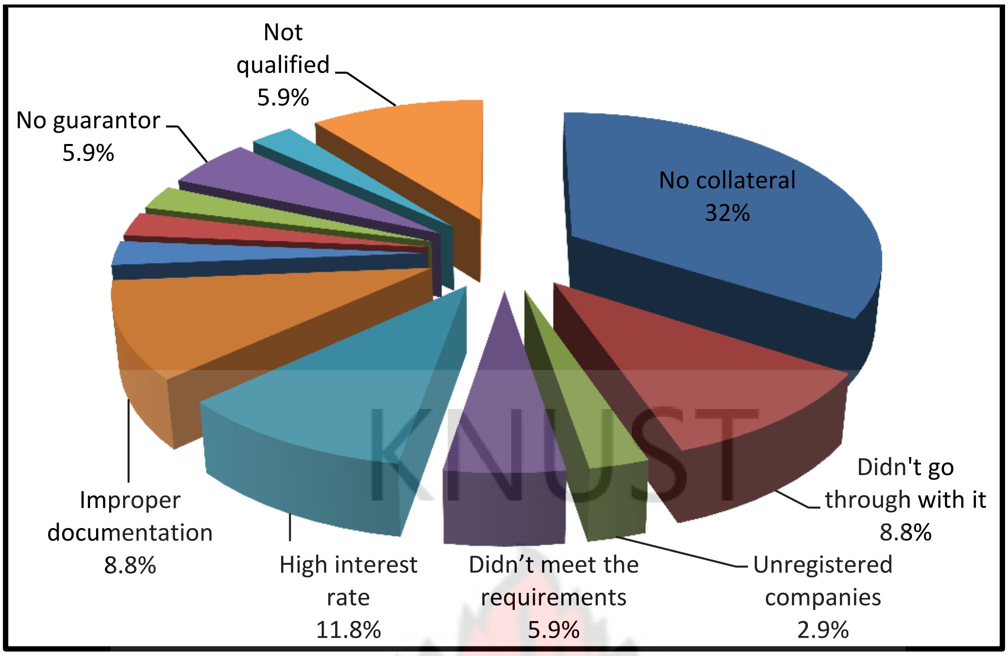
It was realised from the survey that the repayment scheme of the loans taken were spread averagely across a period of 2-5 years depending on the amount involved, the income of the individual and the interest rate with deductions or payments done on monthly basis. As Wegener (1982) indicated that most homeowners are unable to fit into the payment schedule demanded by the financial institutions due to the nature of their jobs. The provision of larger loans for long periods is ill suited for the needs of households.

5.4.3 Factors that Hinder Access to Formal Housing Credit Facilities

Wegener (1982) noted that there is a problem of access of the informal sector to the formal finance system. These include reliability requirements and the loan terms from the financial institutions. From the survey, 24.2 percent of the respondents had ever approached a financial institution for a credit facility and out of this 13.2 percent had their loans approved with the remaining not having their loans not approved for various reasons which included no collateral, improper documentations and high interest rate.

Out of the respondents whose loans were not approved, 32 percent were denied access because they had no collateral. About 8.8 percent of the total did not go through with it because they were not comfortable with the terms of service, advised against it or did not have the proper documents. Meanwhile 11.8 percent also did not go through with it because of the high interest rate whilst 5.9 percent did not meet the requirements, had no guarantors or not qualified respectively. Other respondents who constituted 2.9 percent of the total did not have sufficient amounts in their accounts, low affordability, improper documents on collateral and unregistered companies. The UN (2005) indicated that people in the informal sector do not have access to credit facilities from the financial institutions to enable them put up or continue with their housing projects. The informal sector is the major provider of housing delivery in the Metropolis and is characterised mostly by people working in the informal employment sector and with their job insecurity, it is difficult for a greater majority to be able to access formal source of finance.

Figure 5.9 Reasons for Non-Approval



Source: Field Survey, 2014.

5.4.4 Effects of the Finance Mechanism on Housing Delivery

The problem of access to formal finance for housing projects has made homeowners to resort to building incrementally. About 91 percent of the respondents answered in the affirmative that they went through some form of incremental building process before they completed their houses and only 9 percent answered in the negative. It took majority of homeowners 6-10 years which constituted 40 percent of the total to complete their housing projects whilst 19.7 percent used 11-20 years. As indicated by Wapwera et al (2014), a much larger proportion of households had to finance housing from savings or build incrementally and at a low standard because upfront finance that would allow them to purchase a higher quality home and pay for it over a longer period was not accessible.

It was realised form the survey that there were two kinds of incremental building process. They included building in horizontal slices and building rooms at a time which represented 75 and 25 percents respectively. This affirmed what Tipple and Korboe (1998) stated that would be owners gather materials over a long period before building commences. Once building starts, cash supply can be very intermittent leading to incremental building. Most buildings take place in horizontal slices whilst other builders have taken to completing and occupying a few rooms at a time in other to complete the whole house as and when money is available. Abusah (2004) further noted that it is extremely difficult if not impossible for the informal sector to make outright purchase of houses in Ghana. Hence prospective homeowners prefer to acquire their piece of land and undertake land development incrementally or in a piecemeal fashion.

Incremental building fits the livelihood strategies and conditions of the poor and it accounts for 50 to 90 percent of residential development in most cities in developing countries (Ferguson and Smet, 2009).As families grow and as resources permit, homeowners build their homes step by step and it takes them decades to complete a home.

Plate 5.4 Incremental Building (acquisition of building materials)

Source: Field Survey, 2014

Plate 5.5 Incremental building (building in horizontal slices)

Source: Field Survey, 2014

Plate 5.6 Incremental Building (building room at a time)

Source: Field Survey, 2014

Some homeowners preferred to acquire the building materials first before they start with the construction of their homes whilst others preferred to build one or two rooms at a time, occupy it and continue with the construction as and when funds are available.

But as Smet (1996) noted, it is both expensive and ineffective to provide housing through the incremental building process. This means of delivering housing greatly increases the construction cost of dwellings and also locks up funds that could be invested in income generating ventures in properties for excessively long periods without any returns (Boamah, 2010) thereby making the properties becoming aesthetically and functionally obsolete on completion.

5.5 Effects of the Financing Mechanism to Planning in Kumasi Metropolis

The study went further to look at the effects of the financing mechanism to planning and development of the metropolis. Some of the effects discovered include:

i. Leap frog development

Leap frog development also known as undeveloped lands or urban sprawl occurs when developers build new residences some distance from an existing urban area, bypassing vacant parcels located closer to the city. Most often individuals purchase lands, and then take time to mobilize funds before actual construction begins. This can take months or years thereby leaving the land vacant causing problems for that particular residential area. Since infrastructure has to be extended farther, it creates extra infrastructure cost. The longer distance creates more extra cost in terms of electricity, roads, water provision and also becomes a hideout for criminals.

Plate 5.7 Leap Frog Development

Source: Field Survey, 2014.

ii. Death-trap and Abandoned Structures

Building materials are mostly imported therefore they are really expensive. Homeowners in trying to cut down cost tend to use improper and sub-standard building materials and coupled with overcrowding, leads ultimately to the collapse and abandonment of these buildings. Because the materials used for the construction are not of good quality, these building show signs of cracks after some years and eventually are abandoned or collapse causing a lot of damages that may include loss of properties and even human lives.

Plate 5.8 An Abandoned Structure

Source: Field Survey, 2014.

Plate 5.9 A Death-Trap Structure

Source: Field Survey, 2014.

iii. Slum/squatter development

A slum is a squalid and overcrowded urban street or district inhabited by very poor people whilst a squatter settlement is considered as a residential area in an urban locality inhabited by the very poor who have no access to tenured land of their own, and hence "squat" on vacant land, either private or public. Mostly temporary building materials are used in these areas (Srinivas, 2011). From the survey, it was realised that people migrate into the city for various reasons. When people migrate and without proper and adequate housing systems in place, will turn to use any available means to get a place for accommodation.

Plate 5.10 A slum in Adum Railways

Source: Field Survey, 2014.

iv. Non-conformity to Planning Layouts and Non-compliance to Building Regulations

Homeowners build as and when they prefer after land acquisition without taking the planning layouts into consideration. This is because caretaker chiefs are the people responsible for land related issues. A lot of people start to build even before they go for building permits. Some homeowners build in unauthorised areas such as water ways thereby causing flooding. The non-conformity of planning layouts leads to haphazard development leading to poor environmental conditions.

Plate 5.11 A building in a waterway

Source: Field Survey, 2014.

5.5 Chapter Overview

The chapter has looked at the responses from data collected from home owners on their demographic, socio-economic and housing characteristics. It has also looked at the source of finance for their housing projects and how it has affected housing delivery in the Kumasi Metropolis. It was discovered that the informal sector is the major provider of housing delivery in Kumasi but the risky nature of their jobs prevents them from easy access to formal credit facilities from the financial institutions. They therefore resort to informal loan process which has led to incremental building process. This chapter gave way for findings and recommendations to be made in the next chapter.

CHAPTER SIX

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

6.1 Introduction

This chapter of the study presents a detailed report of the major findings of the study with respect to the objectives of the study. This being the final chapter provides a summary of the major findings and their implications to development. Attempts have also been made in this chapter with regards to appropriate recommendations and possible areas for further research.

6.2 Summary of Findings

After the collection and rigorous analysis of the data collected, the findings of the study in accordance to the set objectives have been presented below.

i. Undeveloped mortgage market
ii. There is dominant use of informal source of finance as against formal source.
iii. The type and nature of jobs in the informal sector prevents access to formal credit facilities.
iv. Homeowners resort to incremental building process due to the finance mechanism used.
v. The finance mechanism used affects housing delivery in the Kumasi Metropolis

6.2.1. Undeveloped housing mortgage market

There is a mortgage law in the country (1972, NRCD 96) which states the nature of mortgages in the country and regulates the activities of the financial institutions which provide financial assistance related to the acquisition of residential property.

From the survey conducted on the financial institutions, the HFC Bank Ltd was the only financial institution that was into mortgages. They were into home completion, home improvement and home equity mortgage and these were for first-time buyers, existing home owners and investment loan. Mortgages in the country take mostly a period of about 15-20 years. Before an individual can access a mortgage loan, the loan amount, the required down payment amount which is mostly 20 to 25 percent, the repayment schedule are of major importance.

The housing mortgage market in the country has not been fully tapped and developed. It was realised that most of the financial institutions were not ready to go into the mortgage market due to their target market and the risks associated with it. They rather gave out credit facilities which were not necessarily housing related and to specifically, salaried workers with or without them being accounts holders. The mortgage market in the Kumasi Metropolis is almost non-existent and is attributed to the reasons why most homeowners preferred using informal sources to finance their housing projects.

6.2.2. There is dominant use of informal source of finance as against formal source

It was realised from the survey that there were two types of housing finance systems in the Kumasi Metropolis. These included both formal and informal types. The formal types of finance were from financial institutions which included mortgages, microloans and formal loans. These formal loan facilities were mostly for home purchase, home construction or home extension. The informal type comprised personal savings, informal loans, sale of assets and remittances from family members. The informal loans were from relatives, friends, employers, colleagues and/or money lenders. They were soft loans with no specific interest rate which differed from time to time with flexible payment schedule which did not require any collateral. The sale of assets included the sale of plantations, vehicles, shops and lands.

About 86.8 percent of the respondents used informal source of finance for their housing projects as against13.2 percent used formal sources. This showed that a lot of homeowners prefer to finance their housing projects using informal sources. This can be attributed to the kind of occupation homeowners were into which prevented most of them from having easy access to formal credit facilities. It can also be attributed to the undeveloped and inadequate financial mechanism such as mortgages in the Kumasi Metropolis.

6.2.3 The type and nature of jobs in the informal sector prevents access to formal credit facilities.

The survey revealed that, the type and nature of jobs in the informal sector prevented them from having access to credit facilities from financial institutions. About 73.8 percent of the respondents were into the informal employment sector. People in this sector most often do not have job securities which make financial institutions reluctant and unwilling to grant them credit facilities. The informal sector is characterised with unstable and risky type of jobs and also people in this group mostly do not register their business activities. Access to credit facilities from financial institutions comes with lots of conditions which also prevents people engaged in informal activities from accessing them. These conditions included interest rate, collateral, regular source of income and terms of payment.

About 24.2 percent of the respondents had ever approached a financial institution for a housing loan but out of this 13.2 percent of the respondents had their loans approved. The remaining 11 percent of the respondents had their loans not approved for various reasons which included no collateral, no guarantors, non-qualification, high interest rate, improper documents and non-registration of business companies.

6.2.4 Homeowners resort to incremental building process due to the finance mechanism used

The dominant use of informal sources has led to majority of homeowners using incremental building process in housing delivery. About 91 percent of the respondents used some form of incremental building whilst 9 percent did not. The large percentage for incremental building was because of the huge sums of money needed to purchase or build a house and with access to finance so difficult to come by, most people resorted to building in stages. From the survey, two forms of incremental building process were discovered. These included homeowners building rooms at a time and building in horizontal slices.

Once individuals saved enough money, they purchased the building materials for the time being, mobilized enough resources and built from one stage to another. It therefore took long periods of time for buildings to be completed. On the average it took more than 10 years for individuals to complete their housing projects with27.1 percent of homeowners falling within the ages of 41-50 years. This meant that by the time a person became a homeowner, that person was already well advanced in age taken into consideration the years for the house completion.

Also before a housing project commenced, potential homeowners already spend a lot of money in land acquisition and the paperworks involved (building permits, land title registration).A lot of money is spent even before the building itself commences with people tending to ignore the paper works leading to haphazard development

6.2.5. The finance mechanism used affects housing delivery in Kumasi Metropolis

Most of the building and roofing materials used in constructing houses were imported and therefore are very expensive thereby increasing the cost of financing the house. For this reason most homeowners purchase the building materials over a number of years before actual construction begins which extends the number of years it takes for the house to be completed. This has led to leap frog development in some parts of the Metropolis which sometimes become a hideout for criminals. Also, homeowners in trying to cut down cost tend to use improper and sub-standard building materials and coupled with overcrowding, leads ultimately to the collapse and abandonment of the houses.

The informal sector account for over 80 percent of housing delivery in the country and with a huge housing deficit in the Metropolis, it can be attributed to the fact that majority of homeowners are in the informal employment sector. They do not have easy access to credit facilities and must therefore use informal means such as their personal savings which compete with other household expenses to finance their housing projects. This therefore prolongs the number of years for completion of the houses which ultimately affects housing delivery.

6.3 Recommendation

The last objective of the study is to make suggestions for the improvement of the current housing finance mechanisms for the informal sector.

i. Microfinance for Housing

It has been realized that the model of complete developer-built houses purchased through long term mortgages, is not attractive to low-income households. Low income households are wary to commit to long term financial obligation such as the typical mortgage loan of 15 to 30 years because of uncertainty about their future income.

From Ferguson and Smet (2001), Microfinance for housing is defined as the provision of small loans to low or moderate income households to construct, improve or expand their homes. This is a way to help low and moderate income households meet their shelter requirements.

Microfinance for housing can provide the steady flow of credits in steps, which suits the incremental building process. The informal sector can adapt easily to this step lending feature of housing finance. In this case when the former loan is repaid, a borrower becomes eligible for another and often larger loan. Each step loan can be used to finance a particular stage of the house. This will be more affordable and favourable to the people in the informal sector. The financial institutions should have a credit risk management guidelines with policies, procedures and methods for measuring, monitoring and controlling borrowers. To ensure its affordability, financial institutions should come into terms with their clients as to the loan amount they can manage and arrange feasible terms of payment which will suit them.

ii. Non-mortgage lending to the informal sector

Since the informal sector plays a major role in housing delivery, emphasis should be made on increasing their efficiency through suitable finance systems which is unlike the current mortgage arrangements. The characteristics of the finance system must include sustainability at any level of demand, ability to accept collateral which is not real estate, and lending periods of no more than a decade. With the job insecurity of the informal sector, payments will be difficult if the lending period is over a decade coupled with instability of the economy which may cause interest rates to rise. Since most homeowners build incrementally, the loans should be released in stages for the purchase of the land lease and financing the various stages of building. This will reduce the debt burden to a minimum during the building process.

iii. Site and services schemes from the financial institutions

Sites and Services schemes are the provision of plots of land, either on ownership or land lease tenure, along with a bare minimum of essential infrastructure needed for habitation. It has been realised that providing a complete serviced house cannot be afforded by most low and middle income households. Therefore focus from supplying a fully serviced house to that of providing only serviced land will be a lot better to improve the housing situation in Kumasi Metropolis.

Financial institutions can go into this form of arrangement instead of mortgage loans. An example of this kind of arrangement is the habitat scheme and cooperative schemes where individuals are provided with a serviced land and pay a small percentage in the beginning and subsequently the remaining amount in installments.

The financial institutions can also partner with real estate developers to provide serviced plots and affordable housing opportunities for their clients.

iv. Implementation of a National Housing Policy

Currently, the nation does not have a housing policy that covers the informal sector. Over the years government focus has been on the mass construction for the low and middle income earners which have failed abysmally. It is high time the government focused on formulating and implementing a comprehensive housing policy that will suit the informal sector since they constitute the majority in housing delivery in the country. The housing policy should streamline cumbersome and insecure land acquisition procedures. This is because these bureaucratic processes take a chunk of the funds for housing project even before it begun.

v. Formation and Empowering Community-based groups

Community-based groups should be formed and strengthened to help improve housing delivery. Individuals in communities can organise themselves into groups such as social club contributions and community schemes to develop, rehabilitate and manage the housing stock in an efficient and professional way. Individuals in these groups make contributions and lend their expertise to support each other in carrying out housing projects.

6.4 Conclusion

In conclusion, the study sought to know the existing housing finance system that pertains in the Kumasi Metropolis for the informal sector. It was realised that majority of homeowners used informal means such as their own personal savings to construct their houses. This is because the risky nature of the jobs in the informal sector prevents them from having access to formal credit facilities. The conditions such as collateral and high interest rate set by the financial institutions also prevent the informal sector from accessing loan facilities. This has contributed to the high housing deficit in the country because the informal sector accounts for majority of housing delivery in the Metropolis.

A set of recommendation has been given to help improve the existing housing finance mechanism so that the informal sector can fully participate in housing provision since they constitute the highest provider for housing. The recommendation included sites and services and microfinance for housing. The informal sector accounts for majority of housing provision in Kumasi Metropolis and with the appropriate, effective and efficient measures in place will be able to curb the housing deficit situation. The study gives room for further research to be done on how to sustain the formal credit facilities for the informal sector.

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APPENDICES

APPENDIX 1

$P_{t+n} = P_o (1+r)^n$ where:

P_{t+n}=Future housing stock

P_o =housing stock of base year

r = Growth Rate (2.4 percent)

n= Time Frame (14 years)

The total projected figure was 20,744 for the current year.

APPENDIX 2

$$* \ n = \frac{N}{1 + N(\alpha)2}$$ (see appendix for calculation)

where n = Sample Size

N = Total Population

α= Error of Margin

$$n = \frac{20744}{1 + 20744(0.05)2}$$

$$n = \frac{20744}{1 + 51.86}$$

$$n = \frac{20744}{52.86}$$

n= 392.432

n= 392

APPENDIX 3

HOUSEHOLD SURVEY QUESTIONNAIRE

Topic: Financing Housing in Kumasi Metropolis, an Analysis of the Informal Sector.

Confidentiality: This study is purely an academic one meant to partially fulfill an award of MSc Degree in Development Planning and Management at the Kwame Nkrumah University of Science and Technology (KNUST), Kumasi. You are therefore assured of total confidentiality of information you will provide for the success of the study. It is an assurance that all gathered information will be used solely for academic purpose and nothing more. Thank you

SECTION 1: Questionnaire Identification

No.	Variable	Response Option	Code
1.1	Sample ID		
1.2	Name of Community		
1.3	Name of enumerator		
1.4	Phone number of enumerator		
1.5	Date of Interview		
1.6	Interview Duration(Time elapsed)		

SECTION 2: Basic Socio-economic and Demographic Data

No.	Variable	Response Option	Code
2.1	Gender	1. Male 2. Female	
2.2	Age		
2.3	Educational Level	1- Never attended 2- Primary 3- JHS 4- SHS 5- Vocational Training 6- Tertiary 7- Other (specify) ……………	
2.4	Marital Status	1- Single 2- Married 3- Divorced 4- Separated 5- Widowed 6- Other (specify)………………	
2.5	Household size		
2.6	Religion	1- Christianity 2- Islam 3- Traditional 4- Other(specify)----------------	

2.7	Are you a native of the community	1- Yes 2- No	
2.8	If no, where do you come from?	Hometown……………… Region…………………..	
2.9	For how long have you been staying here in this community?	1- Less than a year 2- 1-10 years 3- 11=20 years 4- More than 20 years	
2.10	Reason for settling in the community	1- Family reunion 2- Employment 3- Other (specify)…………………….	
2.11	Are you employed?	1- Yes 2- No	
2.12	If yes, what is your occupation?	1- Farming 2- Trading 3- Artisan 4- Public/Civil servant 5- Self Employed 6- Driver 7- Food Vendor 8- Other (specify) …………………..	
2.13	How much do you earn in a month? (*GH₵)*	1- Less than 100 2- 100-500 3- 500-1000 4- More than 1000	
2.14	How much do you spend in a month on : (*GH₵)*	Food……………………………. Transportation…………………. Utilities………………………..	

SECTION 3: Housing Characteristics

No.	**Variable**	**Response Option**	**Code**
3.1	Do you own the land on which your house is built?	1- Yes 2- No	
3.2	If yes, how did you acquire the land?	1- Bought it 2- Inherited it 3- Family land 4- A gift 5- Other (specify)………………	
3.3	Type of housing structure?	1- Single Storey Compound House 2- Multi StoreyCompound House 3- Block of Flats/Apartments 4- Single Family House	

		(Villas) 5- Other (specify)………………..	
3.4	Type of building material used	1- Mud/mud bricks 2- Sandcrete blocks 3- Burnt Bricks 4- Other (specify)……………	
3.5	Type of roofing materials used	1- Corrugated Metal 2- Cement/Concrete 3- Wood 4- Slate/Asbestos 5- Others(specify) …..………	
3.6	How many rooms are in the house?	1- One 2- Two 3- Three 4- Four 5- Other (specify)……………	

SECTION 4-Financing Housing by the Informal Sector

4.1	**How was the house acquired?**	1. **By outright purchase** 2. **-By inheritance** 3. **Self help (incremental building process)** 4. **-Rental** 5. **Government estate house** 6. **Cooperative construction**	
4.2	How was the main source of financed?	1. Formal loan 2. Personal savings 3. Through the informal loan process 4. Remittance from family members 5. Sale of assets	
4.4	If acquired from a financial institution kind of financial institution was it acquired from?	1. Commercial bank 2. Rural bank 3. Microfinance 4. Others (specify) ----------------	

4.5 If acquired from a financial institution, what was the acquisition process like?

…………………………………………………………………………………

…………………………………………………………………………………

4.6 If acquired through a loan acquisition from the financial institution, what was loan acquisition process like?

....

4.7 Were there any conditions for the loan?

i. Yes ☐

ii. No ☐

4.8 If yes, what were the conditions for the housing loan?

i. Collateral ☐

ii. No collateral ☐

4.9 How long did it take for the housing loan to go through?

i. Less than a month ( )

ii. 1-3 months ( )

iii. 4-8 months ( )

iv. 9 – 12 months ( )

v. More than a year ( )

4.10 Did you ever approach a financial institution for a housing loan?

i. Yes ( )

ii. No ( )

4.10 If you ever approached a financial institution for a housing loan, was it approved?

i. Yes ( )

ii. No ( )

4.11If it was not approved, what were the reasons?

…………………………………………………………………………………

4.12If it was an incremental building process, how was the process done? (steps)

………………………………………………………………………………………

………………………………………………………………………………………

4.13How long (duration/length of time taken) did the house take to be completed?

i. 1-5 years ( )

ii. 6-10 years ( )

iii. 11-15 years ( )

iv. 16-20 years ( )

v. More than 20 years ( )

APPENDIX 4

FINANCIAL INSTITUTIONS

Topic: Financing Housing in Kumasi Metropolis, an Analysis of the Informal Sector.

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1. Are there any financial arrangement is in place for individuals who want to put up their own houses?

Yes (   ) No (   )

2. If yes, what financial arrangement is in place for individuals who want to put up their own houses?

   ....
   ....

3. What are the basic requirements an individual must possess in order to be able to access housing credit facility?

   …………………………………………………………………………………
   …………………………………………………………………………………

4. Do you liaise with the government to come up with initiatives to improve the housing delivery by the informal sector?

   Yes (   )   No (   )

5. If yes, how is it done?

   ……………………………..…………………………………………………
   …………..……………………………………………………………………

6. If no, why has not such imitative been taken?

   …………………………………………………………………………………
   …………………………………………………………………………………

7. What are the factors that determine the institution in determining housing loans to individuals?

   …………………………………………………………………………………

   …………………………………………………………………………………

8. How long does it take for an individual to access loans for his/her building project?

   i. Less than a year ( )
   ii. 1 year ( )
   iii. 2 years ( )
   iv. 3 years ( )
   v. More than 4 years ( )

9. What is the duration for the loan acquired (number of years)?

   i. 1-5 years ( )
   ii. 6-10 years ( )
   iii. 11-15 years ( )
   iv. 16-20 years ( )
   v. More than 20 years ( )

10. How does the institution handle risks associated with housing loans?

    …………………………………………………………………………………

    …………………………………………………………………………………

11. What recommendation can you give to improve access to credit facilities by the informal sector for housing projects?

    …………………………………………………………………………………

    …………………………………………………………………………………

    ……………………………………………………………………………

APPENDIX 5

MINISTRY OF WATER RESOURCES, WORKS AND HOUSING

Topic: Financing Housing in Kumasi Metropolis, an Analysis of the Informal Sector.

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1. Are there any policies in place in addressing the issue of housing finance by the ministry?

   ………………………………………………………………………………………

   ………………………………………………………………………………………

2. If yes what are they?

   ………………………………………………………………………………………

   ………………………………………………………………………………………

3. If no, what are they reasons for no such plans?

   ………………………………………………………………………………………

   ………………………………………………………………………………………

4. Does the ministry collaborate with the private sector in housing delivery?

   ………………………………………………………………………………………

   ………………………………………………………………………………………

5. If yes, what kind of collaboration is done and how is it done?

   ....

   ....

   ....

   ....

6. If no, why no such programme?

   ………………………………………………………………………………………

   ………………………………………………………………………………………

   ………………………………………………………………………………………

7. Does the ministry liaise with financial institutions in the provision of housing?

…………………………………………………………………………………

…………………………………………………………………………………

8. If yes, what is the process (take us through the process)

…………………………………………………………………………………

…………………………………………………………………………………

…………………………………………………………………………………

9. If no, what are the reasons?

…………………………………………………………………………………

…………………………………………………………………………………

…………………………………………………………………………………

10. Are they ay policies, programmes or plans in place to help the informal private sector in housing delivery?

…………………………………………………………………………………

…………………………………………………………………………………