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The Role of Financial Institutions in Housing Delivery in the Kumasi Metropolis of Ghana: An Institutional and Client Analysis

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Abstract
The commitment of government in providing social housing in Ghana is non-existent in recent times. As a result, the housing delivery in Ghana is driven by individual housing construction through the incremental process or acquisition from private developers which is challenged by financial constraints and the need to acquire alternative sources of funding becomes a necessity. This study sought to undertake an institutional and client analysis of the role of financial institutions in housing delivery and employed a case study research design within quantitative and qualitative research methodological paradigms to examine the research questions. A sample of 7 financial institutions which were involved in housing financing were purposively sampled and contacted for data using questionnaires and interview guides. By using questionnaires, a sample of 150 clients with links to the financial institutions were randomly selected and contacted for data. The study established that the contribution of financial institutions to housing delivery was unsatisfactory because of the limited options available, and the lack of consideration for the majority, but poor Ghanaians. It was also found that the financial institutions had failed to exert the impetus for improving housing delivery in the country due to low patronage by clients, incidence of non-settlement of loan amounts with interest, inadequate long term mortgage finance, lack of government support, high interest rate, strict demands for collateral security, long, boring, and expensive processes of arranging for mortgage finance or loans. The researchers therefore recommended among other remedial options that efforts should be made to improve the patronage and the establishment of long term mortgage financing with flexible interest rates and redemption options.
Keywords: Financial institutions, housing delivery, low income earners, Ghana.

1. Introduction

The provision of adequate, decent and affordable housing in a country is one of the key indicators for measuring socio-economic development and stability. Housing is therefore a basic necessity of all humans in the world (Moss, 2010). The importance of housing have been underscored by the famous Abraham Marlow's theory of human needs which puts housing (shelter and security) immediately below the physiological needs in the pyramid of human needs. The availability of adequate, decent and affordable housing has had a long history of enhancing the living conditions and overall productivity of people in any social setting (Derban et al, 2002). However, the availability of adequate housing units for easy access by citizens of a country is a major challenge for most developing countries (Giddings, 2007).

In recognition of the myriads of benefits associated with the provision of adequate and affordable housing to national productivity and socio-economic stability, countries around the globe continue to renew their commitment to meet the housing needs of their citizens (International Monetary Fund, 2011). In Ghana, housing deficit has been escalating since the pre-colonial times and is still a major national crisis, even after 60 years of independence. The country has enacted and implemented several housing policies to address the deficit conundrum for quite some time now but it appears the state alone is incapable of delivering the required housing units to address the housing deficit situation (Appiah-Kusi, 2014). This was recognized by the state and prompted the need for public private partnership in the housing delivery in Ghana in order for the private sector to augment the effort of the government in the housing delivery process (Wapwera et al, 2014).

Notwithstanding the commitment by both the state and private developers in the housing delivery, the Ghana Statistical Service (2012) established that the housing deficit of the country as of 2010 stood at 1.6million units and the estimated aggregate deficit will be of 5.7 million rooms by 2020 and 3.5 million rooms by 2025 (Godwin Kavaarpuo, 2016), which is an alarming statistics. Therefore, the magnitude of the housing deficit continues to exacerbate and individuals have adopted several mechanisms of accommodating themselves. This is because the private developers produce houses beyond the financial capability of the majority of the population (low to moderate income earning groups). People have therefore resorted to renting apartments or constructing their own housing units without the support of the government through the incremental process (Bank of Ghana, 2007). Conversely, it has been established that about 65% of the Ghanaian population cannot accommodate themselves without support from financial institutions or the state (Nenova, 2010). This is because more than half of this population are employed in the informal sector which is mostly characterized by low income earnings coupled with insecurity of jobs and erratic pattern of income flow (Bank of Ghana, 2007).

The government of Ghana in recent times have not allocated a fund to support the poor section of the citizens in their housing needs and no significant housing project (s) is currently in progress towards addressing the housing crisis (Boachie-Yiadom, 2015). The low-moderate income earning citizens only now have the option of meeting their housing need from the income savings or support from financial institutions. However, the mortgage to income ratio in Ghana has been established to be the highest in the world in recent times (Bawumia, 2017), rendering financial support from the financial institutions practically inaccessible by the poor majority who do not have collateral security to go for mortgage loans from institutions or do not have enough regular flow of income to make such arrangements in meeting their housing need (Boachie-Yiadom, 2015). It is therefore imperative to carefully examine the role of these financial institutions in the housing delivery in the country since financial institutions are the only ready option for seeking financial support by low income earning citizens in trying to meet their housing need. This is because the problem of the housing deficit is more connected to affordability since in the midst of the acute housing deficit; houses are being advertised for sale in the country on daily basis.

However, fairly recent research works focused on either a market brief of affordable housing in Ghana (Godwin Kavaarpuo, 2016), assessing the role of mortgage in private housing finance (Boachie-Yiadom, 2015), the role of the informal sector in housing positioning (Appiah-Kusi, 2014), housing finance in Ghana (Boamah, 2011) or housing affordability in Ghana (Boamah, 2010). This study seeks to fill the knowledge gap by conducting an institutional and client analysis of the role of financial institutions in the housing delivery in the Kumasi Metropolis of Ghana. The paper specifically seeks to: i) assess the role financial institutions play in the provision of decent and affordable housing; ii) identify the various ways by which prospective homeowners finance their housing acquisition; iii) identify the factors that hinder the contributions of financial institutions in the provision of decent and affordable housing; and iv) ascertain measures that can improve the role of financial institutions in the housing delivery in the Metropolis. The study shall be significant in guiding policy reforms regarding the role played by the financial institutions in the housing delivery since relevant empirical evidence shall be generated from the study. The rest of the paper is organized as follows: section two provides the overview of housing delivery and the role of financial institutions in Ghana; section three presents the research methods and materials for the study and section four shall reflect a combo of the results and discussion of the data gathered in section three.

2. Overview of Housing Delivery and the Role of Financial Institutions in Ghana

Housing delivery in Ghana is driven by both the formal and informal sector in the housing market (Nenova, 2010). There is the participation both the public and private sector in the housing delivery process. However, housing delivery was largely driven by the state through policy interventions by several governments from the pre-colonial era to the post- independence period. Housing deficit in the country is resistant to the policy interventions because despite the multitudinous set of housing policies in the history of the country, the deficit seems to be positively correlated to the interventions. The housing market in Ghana is currently driven by individual developers and contributions from the private sector with little addition from the formal sector (Nenova, 2010).

At the regional level, the Kumasi Metropolitan Assembly (2010) reported in 2009, that the combined effort of both the formal and informal sector generated 83, 693 housing units in the Metropolis 'which was distributed uniformly across the all sub-metros in the regions'. The Kumasi Metropolitan Assembly (2011) subsequently reported that the sectors have still not met the housing need of the ever-increasing population and the housing deficit continue to swell astronomically, characterized by acute over-crowding and increase in household sizes beyond the national standard. Moss (2010) contended that the major setback in the housing delivery is the inaccessibility of the insufficient available financial products and resources, especially by the low income earners. Similarly, an earlier study by Ogu and Ogbuozobe (2001) in Nigeria established that inadequate and poor access to financial resources accounts for the ever increasing housing deficit. This clearly explains why the effect and impact of the housing deficit is multiplied for the low income class, the marginalized and the poor in Ghana (Bank of Ghana, 2007). Recently, Wapwera et al (2014) also confirmed that difficulty in getting access to fund housing is the greatest recipe for the growing problem of the housing deficit. It has also been re-echoed by Appiah-Kusi (2014) that affordability poses a challenge in the housing industry due to such factor as low income levels, inadequate supply of desired units and limited accessibility to housing finance packages.

It was also reported by Ferguson and Smets (2009) that the delivery process is made nearly impossible for the low-income earning groups since they are mostly employed in the informal sector characterized by insecurity of jobs and erratic pattern of income flow making it practically difficult to make continuous savings in order to raise enough amount to build their houses and besides, the meager savings have to 'compete with other household expenditure' rendering it highly challenging to save enough to be able to acquire homes. The financial institutions are not also willing to offer loans to people who do not have collateral security or people who are not on government pay-roll (mostly the low-moderate income earners) , as they are regarded risky clients (Boachie-Yiadom, 2015). A recent study by Afrane et al (2016) rather found lack of continuity of housing policies due to consistent change of government, rural-urban migrations, rapid population growth and urbanization, inadequate mortgage financing institutions, high cost of land, defective land tenure system, high cost of buildings materials and lack of infrastructure and provision of utility services, to be positively correlated to housing deficit. They found a significant relationship between the factors identified above and housing deficit, where an increase in any or a combination of the factors automatically lead to an increase in the housing deficit, given that no effort is made to bridge the gap.

It should be stated that a multitudinous set of factors present challenges to housing delivery but the dominant one appears to be financial in character. Therefore, it can be said that financial challenges faced by both individuals and the government accounts for the low response to the housing needs of people in the country (Afrane et al, 2016). The researchers corroborated that the financial institutions in Ghana tend to provide loans to 'low-cost and low risk businesses' but do not include housing, which require medium to long term financing, as they involve substantial sums of money and has resulted in crippling the housing industry to a great extent. Besides, recently, Bawumia (2017) reported that Ghana has the highest mortgage to income ratio in the world, with interest ranging between 33.8% and 40.1%. This certainly has a negative influence on the access to funds by the low income earning groups who cannot even afford to pay the principal cost, let alone the added interest. Todd (2007) reported that the housing deficit is more acute in the urban areas because of rapid population growth, rural-urban migration and unregulated urbanization. Todd believes that due to the excess of people over the supply of housing units in the urban areas, private developers tend to hike housing prices making it impossible to be acquired by the urban poor. The assertion by Todd is practical in the recent situation in Ghana because the housing deficit is invariably a subject for the urbanites and less for the rural dwellers.

Also, since urban housing markets tend to have inelastic supply, they are more volatile and shocks to housing demand are transmitted invariably into rents and prices (Todd, 2007). Such higher risks often deter households from living in urban areas since they would face more uncertainty over housing costs, whether they are rented or owned. Similarly, Flavin and Yamashita (2002) report that the pricing volatility in housing generates an additional cost because it distorts other investment decisions and presents a major challenge in the delivery and acquisition of housing. Sinai and Souleles (2005) corroborates and validates the finding of Flavin and Yamashita (2002) and opined that uncertainty over house price growth simply may lead households to purchase housing in a city sooner than they otherwise would have in order to prevent housing costs from outpacing their income growth.

Another major challenge to housing delivery in Ghana appears to be the difficulty in obtaining residential mortgage and its attendant constraints of high interest rate (Amao and Odunjo, 2006). This observation was made in Nigeria and the finding was also established by Appiah-Kusi (2014) in Ghana presenting an indication that the housing delivery dynamics in Ghana is much synonymous to the situation in Nigeria and perhaps other African countries and beyond. Lemo (2007) rather opined that the housing delivery is limited by a plethora of factors including lack of long term finance for construction, unfavorable mortgage system and laws, high inflation translating into volatile increase in cost of building materials, high interest rate on loans charged by financial institutions and poor savings culture by the citizens; all operating in the housing market serving as recipe for the poor performance of the housing market. Boachie-Yiadom (2015) also confirmed that high interest rate and high administrative bureaucracy in the arrangement of mortgage loans (Appiah-Kusi, 2014) for home construction presents a major challenge to housing delivery in Ghana and the hindrances are multiplied for the lower income groups; who also dominate the Ghanaian population.

2.1 Appraisal of the Literature

A critical synthesis of the literature surveyed relating to the role of financial institution in the housing delivery exposes the stumbling blocks faced by the financial sector in providing the impetus for effective housing delivery. The major issues emanating from the literature included high interest, inaccessible residential mortgage finance, bureaucracy in getting access to credit facilities and an inconceivable mortgage to income ratio in the country.

3. Research Methods & Materials

This section of the paper presents the research methodology and materials adopted for the study. The major components of the section included the research design adopted, population of the study, sample frame, sample size, sampling techniques, data collection methods and techniques and method of data analysis and reporting. The data was gathered between December, 2016 and May, 2017. This provided a reasonable time frame for the data to be gathered effectively for the purpose of the study. The data was collected by the researchers and one field assistant.

3.1 Research Design, Sampling Techniques and Methods of Data Collection

Guided by the types of data needed for the study, data collection instruments, units of analysis, method of analysis and the overall objectives of the study, this study adopted the case study research design. Housing delivery is largely an empirical phenomenon which requires the examination of critical questions and issues from real life context. The case study research design was adopted because it allows for an empirical examination of a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly defined (Yin, 2003). The case study research design was employed within the qualitative and quantitative research methodological paradigms since the study made use of both qualitative and quantitative data. Data for the study was derived from primary and secondary sources. The primary data consisted of the data gathered by the researchers from the field using the survey instrument. Secondary information was generated from research papers, scholarly articles, technical reports, conference proceedings, theses and policy documents in order to situate the research within the context of the wider body of knowledge and literature.

The sample frame for the study consisted of all financial institutions with housing financial packages and prospective homeowners or homeowners in the Kumasi Metropolis. Whiles it was easy to identify the financial institutions within this category, it was practically impossible to locate all the prospective homeowners in the Metropolis. A total of seven financial institutions comprising of Ghana Homes Loans, Ghana Commercial Bank, HFC Bank, Royal Bank, Stanbic Bank, Uni Bank and Cal Bank were purposively selected for the study because they all had housing financial products. Questionnaires comprising of closed and open ended questions and interview guides were administered to them to gather the data. A sample of 150 homeowners and prospective homeowners who contacted the financial institutions on housing finance were selected for the study using questionnaires. Five (5) homeowners and two (2) financial institutions were taken through the questionnaire during the pre-testing session. Revisions were made based on the findings from the pre-testing. These questions were then modified and corrected before the final data collection.

3.2 Methods of Data Analysis and Reporting

The study adopted a combination of descriptive and quantitative analytical approaches for qualitative and quantitative data respectively. The data collected from the primary sources were collated, synthesized and analyzed to draw conclusions. After collecting the data, all questionnaires were cross checked and edited for mistakes. The questionnaires were then numbered and coded carefully. This was done to facilitate data entry to the computer and rectification of errors. The responses from the questionnaires were then entered into a template prepared using the Predictive Analytics SoftWare (PASW) (formally known as the SPSS) for further processing. The responses were then presented in the form of frequency tables and charts. The outputs of the analysis from the PASW were then transferred to Microsoft Excel for editing and refinement. Qualitative data that was collected through the open ended questions and interviews received a thematic content analysis, and was then analyzed by summarizing, thematizing, describing, interpreting and reconciling with other qualitative and quantitative data for further interpretation and understanding.

4. Results and Discussion

This section presents the analysis of the data that was gathered from the field survey. The questionnaire and interview data from the households and the financial institutions are analyzed and presented in thematic areas in line with the objectives of the study. The findings from the data analysis in this section provide the basis for the conclusion and recommendations in the succeeding section.

4.1 The Role of Financial Institutions in Housing Delivery

The main aim of the study is to examine the role played by financial institutions in the housing delivery in the Kumasi Metropolis. This section seeks to present an analysis of data in that regard by focusing on the various forms of services rendered by financial institutions in housing delivery, the category of the income groups being supported, various forms of housing products offered by the various institutions and the number of residential mortgage loans issued between 2012 and 2016.

4.1.1 Forms of Services Rendered by Financial Institutions in Housing Delivery

The financial institutions were asked to indicate the services they rendered to both individuals and the state in the housing delivery process. This was a prima facie investigation relating to the general functions played by the institutions from the financial perspective in promoting housing delivery. Their responses to the questions have been summarized in the form of the bar graph below (Figure 4.1)

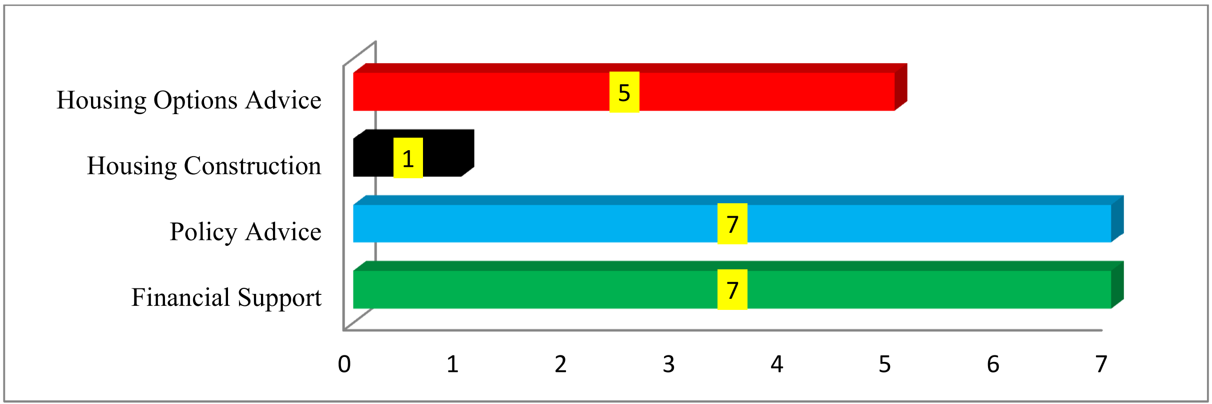

Figure 4.1: Services Rendered by Financial Institutions in Housing Delivery
Source: Field Survey, 2017

Of the 7 financial institutions that were contacted for the study, all of them indicated that they rendered financial support to individuals and the state in the housing delivery process. It should be noted that even though they deliver financial support to stakeholders in their housing acquisition process, it is done at interest rates, which have been described as very high (Appiah-Kusi, 2014). It has been established recently that Ghana has the highest mortgage to income ratio in the world (Bawumia, 2017) and apparently makes it inaccessible to the poor who cannot afford the collateral security or the principal amount plus the attendant high interest rate (Boachie-Yiadom, 2015). These financial support especially to individuals are also limited to 'low cost and low risk businesses' and do not provide the long term financing for the construction of housing (Afrane et al, 2016). Of the 7 financial institutions, all of them rendered financial policy advice to individuals and the state regarding housing policy and delivery, 5 of them also rendered housing options advice and consultancy to individuals and institutions and 1 of the institutions (Ghana Home Loans) indicated it was directly involved in the construction of housing. What is apparent about these services rendered to the individuals, institutions and the state is that they all come at a fee and any form of exorbitance will place an automatic limitation. However, the findings in this study supports the findings of Boachie-Yiadom (2015) and Appiah-Kusi (2014) who also established that financial institutions contributed to housing through financial support, policy advice, housing consultancy services and construction of housing.

4.1.2 Category of Income Groups Being Supported

Regarding the various forms of financial supports rendered by the financial institutions to individuals in the housing delivery process, it was necessary to ascertain whether or not some income groups were favored than others or not. The financial institutions were asked to indicate the category of income groups they supported. The clients were categorized into low income, middle income and high income earners and the financial institutions were asked to indicate which category or group of categories formed their target groups. Their responses are presented below (Table 4.1).

Table 4.1: Categories of Income Earning Groups Being Supported

Income Bracket	No. of Supporting Financial Institutions	% of the Institutions
Low Income Earners	2	28.6
Middle Income Earners	7	100.0
High Income Earners	6	85.7

Source: Field Survey, 2017

Of the 7 financial institutions that participated in the study, all the institutions indicated they have financial packages for the middle income earners, 6 (85.7%) of them also targeted high income earners and 2 (28.6%) catered for the needs of the low income earning group. What is evident from the findings is that at most 2 financial institutions targeted all the income earning groups. The implication is that these financial supports are designed in favor of the high and middle income earners with little or no consideration for the low income earners who constitute a major section of the population (BoG, 2007). These low income earners are then left to use other methods to finance the acquisition of their houses, mostly from the savings of their meager incomes (Appiah-Kusi, 2015). Alternatively, the low income earners expect to be housed under social housing projects which are currently non-existent in the country. Therefore, the low income earning groups are disadvantaged because they have no financial help in securing their own homes. The low-income earners are therefore vulnerable in acquiring their own homes.

4.1.3 Various Forms of Housing Financial Products Offered by the Institutions

Having ascertained the category of income earning groups who constituted the target groups of the financial institutions, the study sought to map out the various housing financial packages that were being provided by the respective institutions. Various forms of housing financial packages were being offered by each of the institutions (Table 4.2).

Table 4.2: Housing Financial Packages offered by each Financial Institution

Financial Institution	Product
CAL Bank	residential mortgage loans
Ghana Commercial Bank	residential mortgage loans
Ghana Home Loans	residential mortgage loans, home loan and house completion loan
HFC Bank	residential mortgage loans, house completion and purchase loan
Royal Bank	residential mortgage loans
UNI Bank	residential mortgage loans
Stanbic Bank	residential mortgage loans

Source: Field Survey, 2017

From the table above, it has been realized that all the banks that participated in the survey offered at least a financial product or service to people have plans of acquiring or purchasing a house. However, it can be established that with the exception of Ghana Home Loans and HFC Bank, the remaining 5 institutions only offered residential mortgage loan or just loans for the acquisition or construction of housing. The positive impact of the financial support has not been significant because of the inconceivable high mortgage to income ratio currently ranging between 33.8% and 40.1% (Bawumia, 2017). The residential mortgage loans have not also being effective and satisfactorily accessible because of the unfavorable mortgage laws and transactions (Lemo, 2007). It can be seen that Ghana Home Loans rather offers three packages consisting of Residential Mortgage Loans, Home Loan and House Completion which are targeting people wanting to acquire or construct houses. HFC Bank also offered three packages consisting of Mortgage Loans, House Completion and Home Purchase Loan.

4.1.4 Number of Residential Mortgage Loans Issued between 2012 and 2016

The researchers, having established that all the financial institutions offered at least Residential Mortgage Loans, sought to further examine the number of these loans that have been accessed by individuals and institutions between 2012 and 2016. The year range was motivated by the need to observe recent trends in the accessibility of the residential mortgage loans (Figure 4.2).

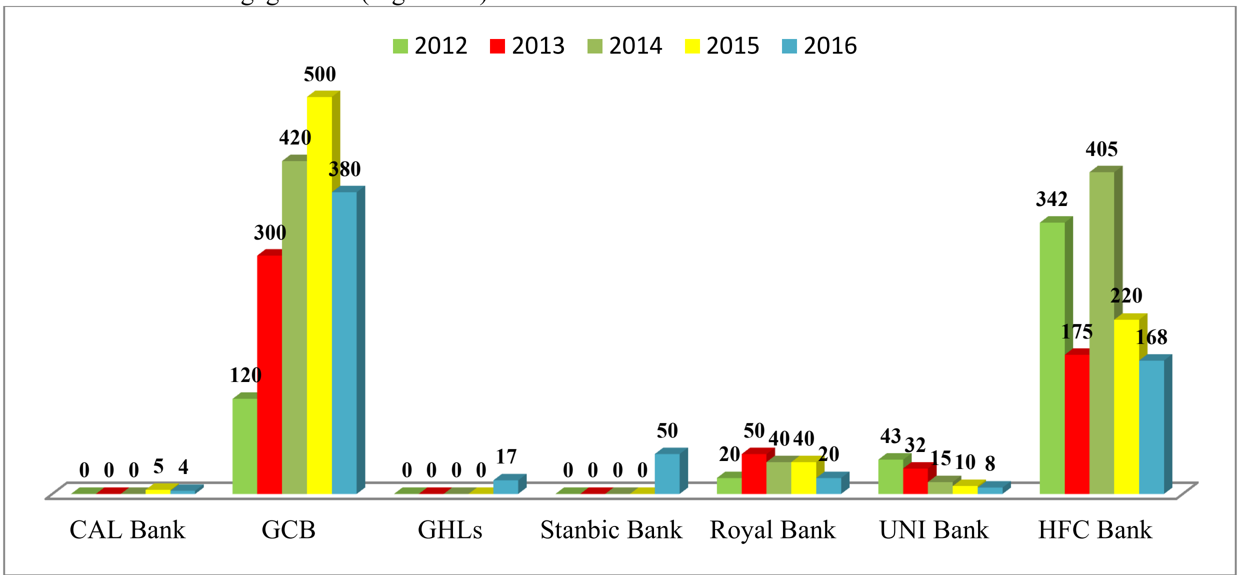

Figure 4.2: Number of Residential Mortgage Loans Issued between 2012 and 2016

Source: Field Survey, 2017

The figure above indicates that between 2012 and 2014 Cal Bank, Ghana Home Loans (GHLs) and Stanbic Bank recorded zero number of mortgage loan contracts. The trend continued for GHLs and Stanbic Bank in 2015 with zero records. In 2016 Cal Bank, GHLs and Stanbic Bank recorded 4, 17 and 50 clients respectively. The trend was slightly different for Royal and Uni Bank who recorded a number of mortgage loans arrangement throughout the 5-year period. However, Ghana Commercial Bank (GCB) and HFC Bank had relatively higher number of customers obtaining mortgage loans between the period of 2012 and 2016. It can be established from the above trends in the table that between 2012 and 2016, Cal Bank, Ghana Home Loans, Stanbic Bank, Uni Banks and Royal Banks contributed relatively very little to the housing delivery. GCB and HFC Bank can be said to have made relatively substantial contributions to the housing delivery. The ages of the banks and associated comments regarding the contribution to housing delivery between 2012 and 2016 are presented in the table below:

Table 4.3: Banks, Years of their Establishment and Comments

Name of Institution	Year of Establishment	Comments
CAL Bank	2004	Instituted 8 years before the survey, CAL Bank might not have established itself well in terms of regional and district branches across the country
GCB	1953	It is evident that GCB having 59 years of establishment before the survey was now well grounded to provide the services it has fulfilled to date
GHL	2006	GHL has similar trends with CAL Bank and seems to be doing better as it was established 2 years later.
Stanbic Bank	1999	It should been expected from Stanbic to provide better services than realized now since it has been established 13 years before the survey.
The Royal Bank	2011	Royal Bank by date of establishment has performed so well, being in existence for only a year before the survey was conducted.
UNIBank	2001	UNIBank has also been aggressive and since its establishment 11 years previously but not as much as Royal Bank
HFC	1990	HFC, also established 22 years before the survey, reveals a capable competitor to GCB

Source: Authors' Construct, 2017

4.2 Mechanisms of Financing Housing Construction and Acquisitions by Homeowners

In further attempts to examine the role of financial institution in housing delivery in the Kumasi Metropolis, the researcher sought to find the methods by which prospective homeowners finance the acquisition or construction of their houses and the associated limitations they encounter in that regard.

4.2.1 Method of Housing Acquisition

The researchers surveyed the methods by which the homeowners acquired their houses to be able to ascertain whether or not they had to access financial support in the acquisition of their dwelling units. The respondents were therefore asked the question "how did you acquire your property or the property you are living in?" and a summary of their responses are presented below.

Table 4.4: Method of Home Acquisition

Method of Acquisition	No. of Responses (N=150)	% of Responses (N=100%)
Outright Purchase	13	8.67
Inheritance	20	13.33
Incremental Building Process	43	28.67
Rental	31	20.67
No. Response	43	28.67

Source: Field Survey, 2017

From the table above, it was realized that majority of the respondents 43(28.67%) used the incremental process in acquiring their dwelling units. By this they constructed their houses according to the available funds they had and suspended the projects anytime they run out of funds and they also continued anytime they had funds. Fewer of the respondents 13(8.67%) were able to make outright purchase of their houses. Of the 150 respondents, 20 (13.33%) of them acquired their houses through inheritance and 31 (20.67%) of the respondents were living in rented apartments. As high as 43 (28.67) of the respondents did not indicate the method in which they acquired their dwelling units.

4.2.2 Sources of Funds for Housing Construction or Acquisition

Having established in the above table that most of the respondents 87(58.0%) acquired their houses or dwelling units through outright purchase or rental or through the incremental building process suggest that they did so by use of funds which could come from any source. The study therefore sought to examine the method by which the respondents financed the acquisition of their houses or dwelling units. The table below is summary of the methods by which the homeowners financed the acquisition of their houses.

Table 4.5: Sources of Funding for Housing Construction or Acquisition

Source of Fund	No. of Responses (N=87)	% of Responses (N=100)
Formal Loan	10	11.49
Personal Savings	61	70.11
Informal Loans	13	14.94
Remittance from Family	2	2.30
Sales of Asset	1	1.15

Source: Field Survey, 2017

From the table above, it is necessary to point out that all the respondents did not indicate more than one method of financing and that is a bit strange. However, Majority of the respondents 61(70.11%) financed the acquisition of their houses through personal savings and relatively very few 10(11.49%) financed the acquisition of their houses by use of formal loans. This is line with the findings of Appiah-Kusi (2014) and Boachie-Yiadom (2015) who established that most people are forced to finance the acquisition and construction of their houses through personal savings because of the high interest on mortgage loans, bureaucracy in the arrangement and redemption and the lack of collateral security for the accessibility. Whatever accounts for this low patronage of the formal loans is yet to be established. But it is more likely that most of these respondents were in well paid employments or maybe they had problems going for formal loans. Of a total of 87 respondents, 13 (14.94%) of the respondents rather used informal loans in the acquisition of their houses which is slightly higher than the number who used formal loans. The informal loans emanated from ‘susu’ schemes, borrowing from friends and non-financial institutions. The rest of the respondents acquired their houses through remittance from family members 2(2.30%) and sales of asset 1(1.15%).

4.3 Challenges in Participating in the Housing Delivery

The financial institutions faced a number challenges in attempting to play their part in the housing delivery process. Also, the clients (homeowners and prospective homeowners) encounter a number of challenges in trying to get financial support from financial institutions in the construction of their housing. This section presents the challenges faced by financial institutions in the housing delivery process and that faced by clients in trying to access financial support from these institutions.

4.3.1 The Perspective of Financial Institutions

The financial institutions were asked to indicate the challenges they faced in providing financial support for the housing delivery and a number of issues emerged. In the first place, non-patronage of the housing financial packages was indicated as a challenge. This is largely because of most of the citizens are in the low income earning groups who cannot afford the collateral security to acquire these loans even if they desired to seek support from the financial institutions (Boachie-Yiadom, 2015). Besides, Appiah-Kusi (2014) found that low patronage to financial supports from banks are due to the high interest rate charged and corroborated that some of the mortgage loans in the country will take a life-time to redeem.

Moreover, the financial institutions indicated that non-payment of the contracted loan amounts by clients presented another challenge in their contribution to the housing delivery discourse. This is not surprising since majority of the citizens of Ghana are employed in the informal sector, which is characterized erratic pattern of income flow and insecurity of job tenure (Bank of Ghana, 2007) and might not be able to honor their portions of the loan contractual arrangement due to inconsistent pattern of income flow (Ferguson and Smets, 2009).

Furthermore, the financial institutions indicated that there was no government support to augment their effort in liberating the housing deficit. A loan officer from one of the financial institutions recounted that:

We are not asking government to give us money to help people in the construction and acquisition of their houses but to create an enabling environment by way of stabilizing economic indices such as inflation, base policy rate inter alia and improvement of the mortgage laws (Qualitative Interview with a Mortgage Officer, Moses).

Finally, the financial institutions also indicated that they faced the challenge in providing long term financing to clients for housing construction and acquisition because such funds are needed for the day to day operations of the institutions. This supports the asseveration by Afrane et al (2016) that financial institutions in Ghana tend to provide loans to ‘low-cost and low risk businesses’ which do not include housing, which require medium to long term financing involving substantial sums of money and has resulted in crippling the housing industry to a great extent.

4.3.2 The Perspective of Clients

The prospective homeowners and tenants who were contacted during the household survey were asked to indicate the challenges they faced, if any, in trying to obtain financial support from financial institutions or state reasons why they do not patronize the housing financial support available in the financial institutions for the acquisition of their houses. Their responses are presented below (Figure 4.3).

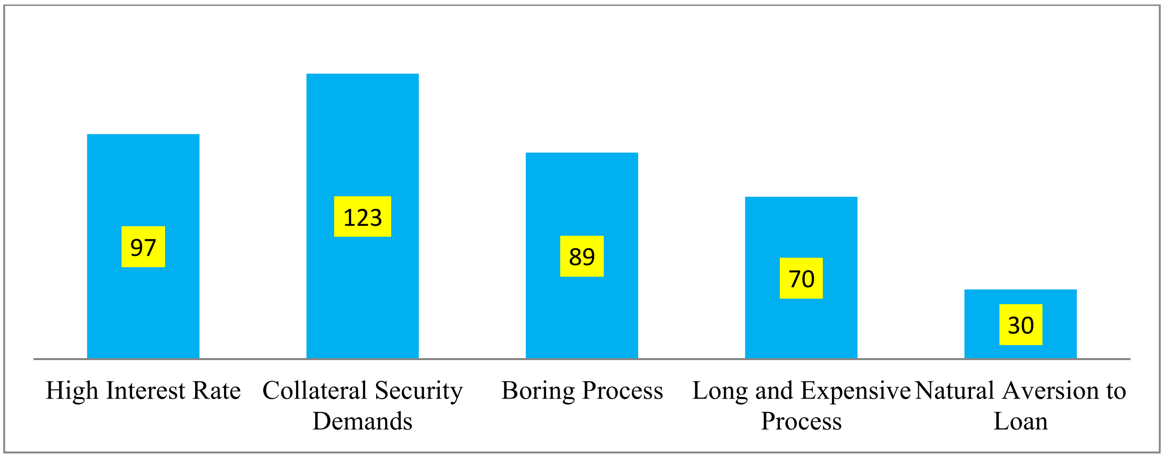

Figure 4.3: Reasons for Low Patronage of Housing Financial Support by Clients
Source: Field Survey, 2017

Of the 150 respondents, majority of them (123) indicated that the major challenge they face in their desire to seek housing financial support from the financial institutions is the strict demands for collateral security. The least of the respondents (30) indicated that they are naturally averse to loan and will not be ready to go for loans regardless of the favorable terms and conditions. This section is likely to be dominated by people whose religious beliefs prohibits the payment or receipt of interest whatsoever, like the Muslims and some sections of Christians, which is a major feature of a loan. It will therefore not be surprising that banks located in Muslim-dominated communities will have very low patronage because of the restriction from paying or receiving interest. A sizable number of the respondents (97) indicated that the high interest rate associated with mortgage financing is one of the greatest challenges they face in trying to seek support. This supports the findings from previous studies such as Todd (2007), Nenova (2010), Appiah-Kusi (2014) and Boachie-Yiadom who found high interest rate as a disincentive to seeking access to credit facilities from financial institutions. Some of the respondents indicated that the mortgage finance acquisition process is boring (89), long and expensive (70). These have been confirmed in previous research works by Flavin and Yamashita (2002), Amao and Odunjo (2006), Lemo (2007), Appiah-Kusi (2014), Wapwera et al (2014) and (Boachie-Yiadom, 2015) who all opined that difficulty in getting access to the limited financial resources is one of the greatest limitation to housing delivery.

5. Conclusion and Recommendation

This section reflects the conclusion(s) that is drawn from the analysis of the data and appropriate recommendations to improve the role of financial institutions in housing delivery in Ghana.

5.1 Conclusion and Implication of Findings

The study established that the contribution of financial institutions to housing delivery is not satisfactory because of limited options available and the lack of consideration for the poor majority of the Ghanaian population. The financial institutions have therefore failed to exert the impetus and momentum for improving housing delivery in the country due to low patronage by clients; incidence of non-settlement of loan amounts and interest; inadequate long term mortgage finance; lack of government support; high interest rate; strict demands for collateral security and boring, long and expensive processes of arranging for a mortgage finance or loans. The implications of these are that the poor are not in any way supported under these dynamics and these have a long possibility of crippling the informal housing market which is dominated by the reliance on savings for the construction and acquisition of housing.

5.2. Recommendation(s)

Guided by the findings from the study and the need to increase the contribution of the financial sector in the housing delivery process, the following tentative remedial options and recommendations are proposed by the researchers.

First and foremost, there should be moderation of the interest charge on mortgage loans, coupled with simple and convenient loan arrangement process, flexible interest rates, convenient redemption periods and little stress on collateral security. This will help to improve the patronage situation. Effort should also be made to introduce long term mortgage financing with flexible redemption options. These are quite simple to state. The overall effect is a governance issue as the economic indicators are determined by sound economic policies of which the banks have very little influence. Collateral security is not a punishment on the poor, it is a guarantee that when one defaults, there is a way the financial institutions can reclaim their capital and sustain growth. The researchers believe that some individuals or groups of income earners might not be able to own their houses and it should be the responsibility of government to provide residential accommodation for the vulnerable in society for a rental fee based on how much they can pay for a corresponding floor area allocation. The interest rates are indirectly determined by the Bank of Ghana through lending at certain base rates. The financial institutions therefore have very little influence in lowering the interest rates significantly. In recent times, corruption has become an undesirable chorus-cry from the citizens of African countries. The quantum of capital lost to the nation is unbelievable. It is the view of the researchers that if these huge sums of money were put to prudent use, there could have been an excess of supply over demand in housing delivery in Ghana. .

Moreover, financial institutions should improve the advertisement, education and awareness creation on how to secure various housing loans for the construction of houses. This should be preceded by diligent proactive financial planning and consultation services for individuals to reverse the notion that mortgage financing are 'financial death traps'. This will have a long probability of successfully painting a pleasant picture on mortgage loan financing in Ghana because majority of the citizens of the country have no idea regarding the various housing packages available to them and their aversion to loan attitude is due to ignorance.

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