

UNIVERSITY OF GHANA



**A STUDY OF THE SOURCES OF FINANCE FOR HOME
OWNERSHIP IN GHANA: ASSESSING THE ROLE OF
MORTGAGE BANKS IN FINANCING**

BY

**STELLA AMA SERWA ADZORGENU-AMPONSAH
(ID: 10162062)**

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DECLARATION

Solemnly hereby do I declare that this research and its findings hereby submitted, is my own intellectual work in fulfilment of the laid down requirement for the award of Master of Business Administration (Finance-Option) degree from the University of Ghana Business School. I declare that as far as I know, the contents have not previously been published or used by other persons, and neither has this material been presented for the award of any other educational degree in this institution or another, except in instances where I have duly acknowledged it is so in the references.



.....

STELLA AMA SERWA

DATE

ADZORGENU-AMPONSAH

(10162062)

CERTIFICATION

By my hand do I certify that this long essay and research was supervised and conducted in line with the procedures prescribed by this institution, the University of Ghana.



.....
DR LORD MENSAH
(SUPERVISOR)

.....
DATE

DEDICATION

To Seyram, Naa Ardua, Selikem and Dzidefo who light up my world, this is for you.

To all my family and friends who supported and encouraged me in diverse ways, this is for you.

Thank you for your love.



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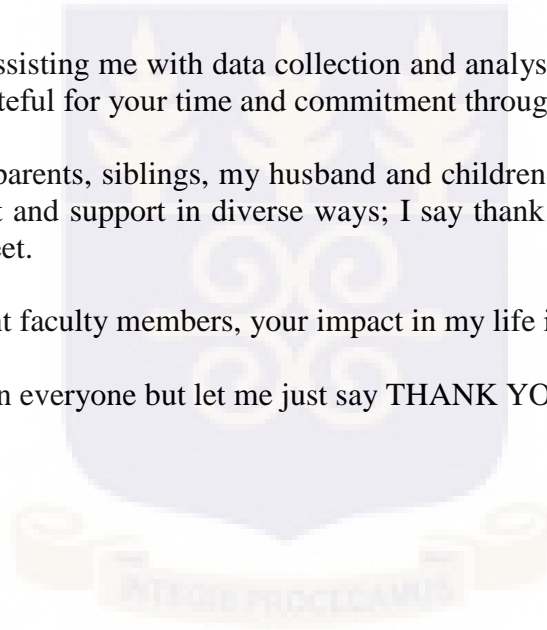


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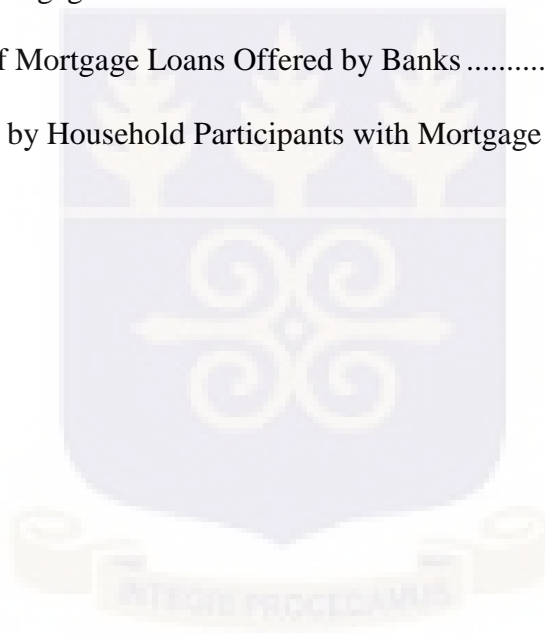
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ABSTRACT

Food, shelter and clothing are considered as the most basic necessities in life. Abraham Maslow in his Theory of Needs puts the need for shelter as the next basic need after man has satisfied his need for food which is the first basic need man has. In this light, this study aimed at investigating the main source of finance for homeownership in Ghana as well as the contribution of mortgage loans on housing finances. The study adopted quantitative and qualitative research approaches and the research design adopted was the descriptive. Questionnaires were administered to 400 household members and interviews conducted for 5 officials of mortgage banks. This was how the data sampled and analysed was collected.

The findings revealed that, Personal loans, Mortgage loans and Personal income were the major sources of finance for homeowners in Ghana with Personal income being the preferred choice of most people. The findings also revealed that, there was a low patronage of mortgage loans as a result of factors such as high interest rates, shorter repayment periods, modes of payment and cumbersome processes involved in the accessibility of mortgage loans.

The findings also showed that, most of these homeowner or renters tend to use some portions of their personal income or savings to finance their homes and the proportion used mostly ranged between 10% - 40%. The findings also showed that, there was negative perception of mortgage loans from the perspective of Ghanaian homeowners due to reasons such as bad experiences, shorter repayment period of loans, high interest rates and mode of payment.

The findings again showed that, over the years, some banks and mortgage firms have improved on their services especially with regards to attracting customers to patronize their loans. It was found that, banks such as Republic, Stanbic, and Fidelity as well as Ghana Home Loans(GHL) keep improving over the years. However, the current trend showed that, the leading banks where

patronage of mortgages was first and second were Republic and GHL. Finally, the findings of the study showed that, Low Financial Literacy among Ghanaians, Credit Risk, and Low Access to long term funds, Bureaucracy with Property Registration, Inadequate Banking Sector Capacity, High Lending Rates, Low Income Levels and Length of Time of Foreclosing deals were all obstacles which hindered the development of the mortgage industry.

From these findings therefore, the study recommends strongly to players within the mortgage industry to revise their policies especially on payment terms and interest rates and also adopt friendly policies in terms of treatment given to clients who default with loan repayment.



CHAPTER ONE

INTRODUCTION

1.1 Background Study

Food, shelter and clothing needs of man are considered as the most basic necessities in life. It is necessary for every human being to have these basic needs satisfied easily to live a full and happy life. Having these basic needs satisfied should ideally be achieved easily by man. Abraham Maslow in his Theory of Needs places the need for shelter as the next basic need after man has satisfied his need for food which is the number one need man has. Where a man must lay his head is indeed very essential.

However, home ownership can arguably be classified as one of the most stressful and financially involving activities for individuals to undertake in a lifetime especially in economies that are middle to low income like the Ghanaian economy. The Bank of Ghana's 2007 report on the housing market indicates that the need for shelter has become increasingly essential in the economy and policy makers have had to develop better strategies to balance the housing market demand and supply interactions. This is because in economies like ours where there are rampant fluctuations in output coupled with rising and unstable inflation, the lack of pragmatic measures in real time will result in market imbalances and price instability which can render the market unattractive. As the housing market becomes increasingly important and contributes barely significantly to GDP annually, it is clear that there had been neglect in the policy framework that guides the direction for housing provision as a country. This has left a huge housing deficit in the economy.

In Ghana, it is estimated that majority of Ghanaians rent as opposed to those who actually own homes. Even with rent, the issue of affordability comes into play as most households struggle to pay rent. Even for those who can rent, a considerably large proportion of their income is used to pay rent. The ratio of home owners to those who rent is higher in the urban areas as opposed to the rural areas. Largely accountable for this could be the type of houses built and housing materials suitable to be used in buildings in urban areas as opposed to rural areas. Also, the homes that are available to be rented are woefully inadequate hence the rental rates increase annually and prepayments are required in years instead of months. To make it even worse, the culture of housing maintenance is poor.

Homes are financed from different sources which include personal income and mortgages. Mortgages are slowly catching up as a way of financing of home ownership in Ghana. A debt instrument which is secured by collateral of real estate property that a borrower is obliged to reimburse with periodic set of payments is known as a Mortgage. In the real estate industry, individuals and businesses use mortgages to acquire or build landed property without making an outright payment for the whole value or cost of building. These mortgage payments are made over a specified number of years and at an agreed rate of interest. The loan is repaid with interest until such time that the individual completes payment and thereby lay claim to the property. These are also called "liens against property" or "claims on property." A default on the part of the borrower on the mortgage payments allows the lender to foreclose.

According to Nubi (2008), having the appropriate shelter or housing increases the incidence of good health, general wellbeing, makes individuals more efficient and promotes better social conduct. Besides providing man with security and shelter, housing property is also classified as an asset (Poole, 2003).

The worth of housing property or the value it holds makes it a major asset in the portfolio of man and is usually the largest investment made by a household. For some households, it can be used as a store of value and it is added to the wealth creation portfolio. (Malpezzi 1999; Bundick and Sellon Jr 2007; Dickerson 2009). However, it seems most home owners built their own houses brick by brick with either loans or savings and take a considerable number of years to complete and move in. This is a quite difficult road to travel for most.

The Government though in the past sought to develop a framework that made it the main housing provider with the pilot housing projects for example in Tema township, has redirected its focus and no more seeks to provide housing solely but to provide the adequate environment for the industry to thrive. Through these efforts the Ghana Real Estate Developers Association (GREDA) was established to lead the way by facilitating and regulating the efforts of the private sector in real estate development in the country. Through their efforts, there have been striking improvements in the housing provision and infrastructure within the country.

The Government thereafter made more strides in this direction by establishing the Home Finance Company (HFC) to facilitate and give mortgage loans to aspiring homeowners and housing providers to enable them build, complete or purchase the homes constructed by these real estate developers. Some private banks have provided mortgage financing for people desiring to own homes. Banks such as Ghana Home Loans Bank have the primary business of providing mortgage facilities to individuals who want to be home owners.

1.2 Problem Statement

Government's responsibility is the provision of necessary goods and services for public benefit and creating an enabling environment for citizenry to earn adequate income from employment

and private business to have a comfortable life. This extends to provision of the regulatory frameworks and laws for the housing industry and also provision of affordable housing units in some cases.

UNCED (1992) explained that housing is a requirement and an essential component to the survival of man and affords man a comfortable and enhanced life. Asabere, McGowan and Sang (2014) submit that there is need to develop mortgage markets in Africa. With the slow emergence of mortgage markets in numerous countries across Africa, there exist huge impediments that stifle their expansion and growth.

Usually, the initial funding source for individuals for owning homes is their personal income. This is a more desired source of financing because it is cheaper as it comes with no interest payments. For individuals in the developing economies, the problem remains woefully inadequate and low income levels that barely take care of household expenses. Also, Yamada (1999) posits that the income levels and the proportion spent on rent is higher when the income of the household is low. They are directly related in that if the income goes up, the portion spent on rent reduces in comparison to the whole. Individuals are unable to save much with their low incomes and high payments for rent and thus are unable to purchase homes.

A high percentage of the housing supply, a whopping 90% had been produced through self-build, with cities faced with challenges of overcrowding, development of slums and unhealthy habitats. Many end up living and sleeping on the streets. The proportion of the populace that occupies a single room in Accra is projected to be 53%. The sad part is that most of these housing units do not have basic amenities like water, waste disposal and collection systems or even toilet facilities (National Shelter Strategy, 1999). This does not meet the required standards for a healthy life.

The solution might be turning to mortgage banks as a credible source of finance for home ownership and viewing them as potential partners for addressing our housing needs. Government must also address the huge unemployment gaps that will allow people with employable skills to earn income to cater for their households adequately.

1.3 Objectives of the Study

The study seeks specifically to;

- i. To identify major sources of finance for homeownership in Ghana.
- ii. To estimate the portion of household income spent on housing.
- iii. To identify the challenges and hindrances in the mortgage industry
- iv. To estimate the contribution of mortgage financing to the development of housing in Ghana.

1.4 Research Questions

In pursuance of the stated objective, the goal of this study is to answer these questions below in respect of financing home ownership in Ghana.

- i. What are the major sources of finance for homeownership in Ghana?
- ii. What portion of incomes of households is spent on housing?
- iii. What issues do individuals and businesses who desire to take mortgage loans consider?
- iv. Is mortgage financing in Ghana significant in housing development?
- v. Is the mortgage industry in Ghana faced with challenges?

1.5 Significance of the Study

i. Academia

This study will add to existing literature on the subject “a study of the sources of finance for home ownership in Ghana: assessing the role of mortgage banks in financing”. The findings will be significant for researchers who may desire to research this area by serving as a reference material. It will also serve to aid them avoid some of the limitations identified or outlined in this study, thereby bridging the gaps, hence making their works more accurate.

ii. Practice

The findings of the study will be significant in terms of providing an insight on some of the sources of finance for home owners as well as for potential home owners. Furthermore, it will serve as a guide on an estimated proportion of an individual’s income spent on financing their homes. This will help potential home owners to strategize or budget well. Additionally, the findings will help to know the perception of mortgage from the perspective of homeowners and this could be used by mortgage institutions to strategize their products to meet the needs of their clients. Furthermore, it will serve as a guide for mortgage institutions who could educate the public on their products and services. The findings will again be significant to mortgage institutions as the challenges or obstacles found in this study will serve as guidelines for them to strategically develop measures to overcome such obstacles thereby improving on their performance and operations.

iii. Policy

Additionally, the study will be significant from the perspective of policy and decision makers in both government and non-government agencies who deal directly or indirectly with housing

units in the country. The findings will serve as a guideline for these stakeholders to develop strategic policies and decisions which will ensure the affordability of housing units or financing homes from the perspective of home owners or potential home owners. The findings will also help shape the decisions made by these stakeholders to put mortgage institutions in check to ensure they do not charge outrageous interest rates.

1.6 Scope and Limitation of the Study

The main focus of the area to be covered home ownership financing and the resulting mortgage market dynamics within Accra, the capital city. The study will deal with some selected households and mortgage banks. It would further examine the mutual activity between mortgage banks and their clients, focusing especially on their loan portfolio and its contribution to the finance of homes in Accra. This choice of scope is due to the fact that, home owners in the Accra metropolis are burdened with issues of financing their homes and this continues to be a challenge even for potential home owners. Furthermore, mortgage institutions in Accra also more directly involved in helping in the financing of homes for individuals, so it was prudent to target such these institutions. Another reason for this choice was also due to their willingness to participate in this research. Looking at the angle of mortgage banks, they hold the belief that, the findings will help them identify some of the challenges they face as well as the perception of the public especially home owners of mortgage loans.

The limitation of this study is getting information regarding mortgage loan advances to individuals and businesses for housing. Usually these transactions are kept confidential. Respondents may give biased data in order to impress the researcher. The various methods

applied in the collection and analysis of data seeks to provide reliability regarding the acquired information from respondents.

However, the expanse of the research serves also as a limitation. The reason is the difference between the various regions with their dissimilar dynamics. Therefore, the conclusions of this study cannot be used to conclude in other places within the country or beyond.

1.7 Organisation of the Study

This study is made of five chapters. The first one gives the background study, states the problem, and outlines the research questions and objectives, scope of research and limitation of the study, and the significance and organization of the study. The next chapter is an extensive review of the similar literature consisting of theoretical and empirical writings. The housing situation in Ghana, finance sources of acquiring homes and challenges with access to funding, factors considered in financing decisions, the mortgage market, and role of mortgage banks are all discussed in this chapter. Chapter three discusses the methodology used in collecting the study data, the targeted population and data collection instrument and the sampling procedures used for the selection of the study sample size. The fourth chapter looks at how the data collected from respondents in the study area were collated and extensively analysed. Also, it discusses the result of the data analyses of aspects of the study. The final part shows the main findings, discusses the conclusions that can be drawn from it, and thereafter makes some recommendations from the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews existing literature on housing, home ownership finance and mortgage. It discusses the concept of housing, homeownership, mortgage and other related issues. The chapter is divided into eight sub-sections where the issues are looked at in detail. The first sub-section explains the concept of housing and looks at various definitions of housing. The second part delves into the situation we currently have with regards to housing in Ghana. It identifies the demand and supply for housing. Pricing and cost of housing in Ghana constitutes the third part. It is followed by source of home ownership finance. Under this sub-section, the sources and types of options of finance available for prospective home owners are established.

The next part discusses mortgage in Ghana. It takes a cursory look at the financial institutions that carry out mortgage facilities and the companies that offer buildings by mortgage. Government policies on housing are also reviewed in this chapter under sub-section six. The part that follows reveals the challenges of the housing industry and homeownership finance especially mortgage. The right identification of the varied challenges facing the housing industry and prospective homeowners is necessary in order for innovative and lasting solutions to be proffered. The chapter ends with some theories postulated on housing and homeownership that explain the phenomena experienced not only in Ghana but also in other parts of the world.

2.2 Housing

(Yakubu 1980; Olotuah and Aiyetan 2006) in their paper found that housing is an inherent need of man; something we cannot do without if we seek to live a healthy and meaningful life. It is something we cannot do without. The standard of living and the general wellbeing of the society is generally seen in the housing standards and can to an extent show the performance of an economy. Poor housing in effect can be seen in poor economies and good housing in developed economies (Sheppard 1999).

There are several definitions of house or housing units. In the United States Census document published in 2012, a house was defined as a space that is meant to provide covering for a household such as a single room, group of rooms, apartment buildings, movable living spaces including spaces created for use as living quarters or to provide shelter.

A house or housing unit, when it provides shelter for the body and comfort for the souls of its occupants is referred to as a home (Moffitt 2008). The United Nations (UN) on the other hand defined a housing unit as a building that gives a unique place of residence, isolation and tenure to an individual or group of persons that guards them from the elements such as rain, sun, climate hazards and storms. The definition, therefore, covered any type of shelter used as an area for living in. Single rooms, multiple rooms or compound houses, one to five bedrooms and above houses, apartments, and semi-detached houses are all housing units. Specific places occupied by a person or a group of persons are also referred to as dwelling places or units. Tents, kiosks or containers, and huts with thatched roofs all fall within this description and though they may not be called houses, they are also part of spaces classified as housing units. Per the UN definition, living quarters, such as separate houses, semi-detached houses, flats/apartments, compound houses, huts, tents, kiosks and containers may qualify as housing units.

In Ghanaian context, the Government of Ghana Report (GOG/MLGRD 2012) defines housing in terms of all the characteristics that make a space live able for individuals or groups. These do not only refer to the physical structure alone but also to the conditions that are available for making the space adequate, live able or habitable. The amenities that are available within and around the structure which include but are not limited to the edifice, infrastructure, dwelling unit or housing as well as the services provided within the community in which it is situated are all important for housing in the larger sense as used in this context. This is because in the bid to provide housing for individuals and groups, the environment must also not be exposed to danger as seen in the practices of bush burning, tree felling, blockage of waterways and improper waste disposal as a result of poor policies and effective strategies. The universal and fundamental rights of humans as respected and promoted around the world with respect to housing posit that everyone has a right to suitable and satisfactory housing with an acceptable level of quality. In the Universal Declaration of Human Rights and International Covenant on Economic, Social and Cultural Rights documents of 1948 and 1966 respectively, the right to adequate housing and living spaces was propounded as a right of man. Since then, many other international organizations that fight for and promote the rights of persons, have adopted it as a right; that everyone should be in a society that makes it possible to have satisfactory and acceptable housing and lay claim to it and dwell in it peacefully under the protection of the state and community. (UNHCHR Fact Sheet No. 21, 2014).

The United Nations Educational, Scientific and Cultural Organisation (UNESCO) which is a body that promotes the building of peace in the minds of men and women recognized the need to treat housing with utmost importance as it was essential to create the right environment for provision or acquisition of housing as this was important for the mental health of men, women

and children. Not having an adequate resting place at the end of each day was considered detrimental to the health of the individual and the society at large. To achieve this goal, the International Federation for Housing and Planning was created under its umbrella to highlight issues on settlements of humans and propose ways to improve information relevant to housing, its planning, provision, and improvement across the world. It is empowered and has the capacity to assist nations with policy formulation and implementation, development of suitable housing, ways to conserve the environment in this bid as far as housing and its provision is concerned.

The International Covenant on Economic, Social and Cultural Rights (ICESCR) OF 1966 is also an arm of the UN that embeds the right to housing in Article 11(1) and also adopts and promotes the 1948 Universal Declaration of Human Rights (UDHR) that declares access to housing a right. Prominent within this document is Article 25(1) which informs everyone that having a right living standard is essential to the well-being of man and his family and includes access to food, clothing, housing and medical care as well as the necessary services for the acquisition of those needs. All these bodies enumerate some freedoms that should be associated with the full enjoyment of housing rights such as housing rights for everyone, legal status of housing rights, housing rights and non-discrimination, housing rights of children, women, workers, indigenous people, refugees and migrant workers. This has left no stone unturned as far as the creation of awareness regarding the right to housing and thereby makes it very emphatic when it says the right to housing covers everyone. The freedoms include but are not limited to:

- The right to enjoy freedom from the intrusion or pervasion of the privacy of a household.
- The right to decide what housing to acquire or build and where it should be situated.

- The right to be protected against eviction from or destruction of ones rightfully acquired housing unit.
- The right to enjoy movement from one housing unit to another once it is rightfully acquired without discrimination on grounds of race, sex, color, nationality or ethnicity.
- The effort to eliminate the discrimination against women and children with regards to the provision, acquisition or enjoyment of suitable living spaces and material assistance with basic amenities like water, nutrition, housing with sanitation facilities for better health and living standards.

2.3 Housing Demand and the Situation in Ghana

With the growing population especially in the urban areas like Accra and Kumasi in Ghana, it is becoming increasingly evident that the housing situation must be reassessed, and policies reformulated and revised to make them capable of providing real time solutions to the housing needs and the supply which is woefully inadequate compared to the demands. Availability and accessibility to suitable and affordable housing remains a challenge for developing countries especially those in poorer African nations. Prominent among these challenges is the availability of finance especially in the short term for building houses that are adequate and suitable. (Atuheire & Karyeija, 2014) suggested that due to the standard of living continually increasing per year; without the income levels increasing or staying constant, many resort to sub-standard housing especially in urban areas as the population keeps increasing exponentially.

The Ghanaian story seems to be no different from that of other African countries as written about above. The highest law of the land, the Constitution of Ghana keeps sacred the right of all to

acquire or build housing units of their choice with their preferred means of inputs especially capital in order to live a life full of dignity and satisfaction with access to all services that come with housing within a community. Article 18 of the 1992 Constitution states clearly that “the right to adequate housing is a function of enjoyment of other human rights like the security of a person, education and health”.

Many countries have advanced in terms of housing units and availability and successfully continue to bridge the gap between the demand and the supply for suitable housing units. The level of the investment in the infrastructure is indeed high as compared to Ghana. The developed nations; those considered rich, can build not only suitable and affordable housing units that include all spaces for bedrooms, kitchen, living room and toilets, but are also able to build high rise buildings and skyscrapers as apartments. Here, we struggle as individuals and a society to build simple single room housing units which oftentimes do not even have all the facilities within it for a comfortable dwelling. As high as sixty-one percent of the populace in Accra of household occupancy of 3.8 persons live in single rooms (Ghana Statistical Service 2012).

Our housing industry is still at the beginning stage largely because the development of the industry is in the hands of individuals and private businesses instead of in the hands of the State. This is because we do not trade in houses as commodities to be bought and sold as is practiced largely in western economies. Houses are usually family owned with authority from heads of families and relatives and are thus enjoyed by living relatives and passed on from generation to generation. This therefore didn't initially create the demand for houses to rent and buy (Konadu-Agyemang 2001).

The level of finance available to this sector of the economy is woefully inadequate and still leaves a huge deficit in housing according to the Africa Housing Finance Yearbook 2018

published annually by the Centre for Affordable Housing Finance in Africa (CAHF) which is a body established for the promotion of investment in housing finance and affordable housing in Africa. It also found in their research that in Ghana, the housing sector continues to struggle as in the face of having over 6.6 million households, only an estimated 6000 were financed with mortgages. The rates of interest paid were 28.7 percent over a period of 20 years.

Construction as a percentage of GDP stood at 13.7% while the going rate for a newly built house from foundation to finish was Ghc100,000. The poor microeconomic conditions make it difficult for lending institutions and banks to advance that level of credit as their instances of non-performing loans has increased causing issues in the financial sector itself. Out of 35 banks in the country, only 15 were giving loans as financing for housing and only 5 Microcredit institutions offered housing finance.

Outright purchase of housing is not very popular as in the populated urban centers such as Accra, Kumasi and Takoradi which has more middle-income dwellers because the prices are very high. With the urbanization uncontrolled, the housing industry is faced with improper strategies for planning and control thereby making these towns see more slums developing even in the well-planned communities (Bank of Ghana, 2007). Reports as well showed that the supply for housing is far below the demand and the gap does not seem to close over time. This gap could be attributed to the lack or inadequacy of the number of suitable housing units needed to house individuals and groups. Approximation of the demand over supply of housing units is forecasted to be between 1.57 million units and 2.76 million units by 2020 (Minister for Water Resources, Works and Housing 2011).

Way back in 1965, the government established the State Housing Corporation (SHC) to “increase the availability of dwelling houses in Ghana”. This saw some initiatives in that regard

which were clearly not sustained. They have been unable to reduce the housing deficit. The bigger challenge was when the Government implemented a policy to liberalize key sectors of the economy which included the housing sector under the umbrella of the Structural Adjustment Programs (SAPs) and Economic Recovery Programs (ERP). The idea was to equip the private sector to invest in housing for the populace but unfortunately, this rather saw the withdrawal of the government render the projects to a stand-still. This was because under the program, the government was mandated to cut down on government expenditure on housing.

Another significant stride the government made was to set up the Home Finance Company (HFC) and the Ghana Real Estate Developers Association (GREDA) to make available loanable funds and mortgages to persons interested in building or purchasing housing units. The goal was to have these institutions manage players within the housing industry and develop policies and strategies that can make them build affordable houses not only to meet the housing demand but to make profit as well. The private developers were encouraged by codes that were imbedded in Ghana's Investment Code that gave several advantages to businesses and individuals who invest in and produce housing units for consumption. Among these were duty-free imports of machines and equipment brought into the country for production of houses, tax incentives and holidays, unrestricted transfer of principal loan and interest repayments, and fees, royalties and dividends. (Corporate Ghana, 2004).

Government re-entered the fray when it started the introduction of affordable housing project in collaboration with private sector companies. The purpose of these affordable housing projects was to provide housing units to government workers especially those affiliated to the security agencies. In 2009, the government signed an agreement with STX Engineering & Construction Limited of South Korea for a project that was aimed at undertaking the construction of

affordable houses for civil servants across the country. Under the project, a total of 200,000 housing units were to have been made available by the government in 5 years. The total budget was \$10billion and had this project been undertaken, a total of 30,000 units would have been ready for the security agencies and the other projected units would be well underway (Modern Ghana, 2012)¹.

The Saglemi Housing Project initiated by the government situated in Tsopoli was also estimated at \$180 million and was also to provide 5,000 housing units. Of this, 1,500 had successfully been completed but stay unoccupied due to issues with allocation of the units marred by corruption (Daily Graphic, 2018)². ISSER (2013) argued that due to the high amounts involved in financing huge housing projects, it is too daunting a task to leave to the government alone to undertake yet without the right motivation to the private sector to provide affordable housing units for the poor and low-income individuals, it remains on the shoulders of the government. Thus, the contribution of the private sector has remained low.

Problems always come with population increases when housing is left unplanned. Inflation also affects the price of land and houses which continue to spiral upwards; and as individuals cannot afford, they resort to make-shift homes resulting in the development of more slums that compound problems of poor waste management and sanitation.

The review of the housing status in 2013 showed that there were 5,467,054 houses nation-wide, 3,049,366 in urban areas and 2,417,688 in rural areas. Housing in Ghana is classified into the following categories; Flats, apartments, separate houses, semi-detached houses, compound houses, huts/buildings on same or different compound, tents, living quarters attached to shops or offices, improvised houses in containers or kiosks, uncompleted houses and others (Ghana

¹ <https://www.modernghana.com/news/371213/stx-tale-of-a-failed-project.html>

² <https://www.graphic.com.gh/news/general-news/saglemi-housing-project-1-500-units-unoccupied.html>

Statistical Service, 2013). Some of these buildings are approved and others are unapproved. Flats or apartments, compound houses and semi-detached houses are all approved and all others unofficial and unapproved according to our housing regulations. These unapproved housing units however exist, are lived in and serve as make shift houses for individuals and groups especially in crowded urban areas. They are therefore counted during housing surveys as part of the nation's housing stock (Ghana Statistical Service, 2014).

2.4 Pricing of Housing

Karley (2008) on housing affordability explained that the proportion of monthly income that is spent on rent payment or mortgage should be a third of total monthly household income to be classified as affordable. In cases where more than 50% of household income is spent on housing and utility bills, the housing is classified as “severely cost burdened”. Where more than 30% is spent housing and utility bills, the housing is classified as “cost burdened” and where 30% or less is spent on housing and utility bills; the housing is classified as “affordable” (Nubi, 2008).

Acquiring or building approved housing units remains a dream for many Ghanaians as though the government formulates policies in a bid to make it more affordable, these are not implemented successfully. Inflation, high interest and lending rates, high mortgages, coupled with rising prices of construction inputs and labor, make it more difficult to afford buying or building houses. Many individuals and groups live in informal, unapproved, unsuitable, and substandard houses that do not include basic infrastructure and amenities. Prices of housing units in Ghana still remain more expensive when compared to income and to other African countries (CAHF, 2018).

In an online advertisement, Blue Rose Group describing itself as “innovating for affordable housing, offers a newly built one-bedroom (54m²) house at US\$ 22,624”. According to Statistical Service (2016), GREDA as at 2017, estimated the least expensive house in the outskirts of Accra was between US\$ 55,211 and US\$ 67,633. It even mentions that the cheaper house at US\$ 22,625 is still unaffordable to 95% or more of the urban population especially when estimated monthly mortgage repayments are US\$ 4,735 (GH¢ 20,930).

Access to housing varies significantly based on geographical location and household incomes. In rural areas, the purchase price for community compound rooms is approximately US\$ 5,000 and rent for US\$ 5 per month. These community compound rooms are generally constructed using cement blocks and are built incrementally. For middle - income earners, the average purchase price for a two or three - bedroom house constructed from cement blocks is US\$ 80,000 in Tema, Accra, for example, and rents for US\$ 250 per month. This type of housing is usually delivered by estate developers using mortgage financing. And, lastly, for high - income earners, the average purchase price for a four-to-six-bedroom house, constructed from cement blocks, is about US\$ 300 000 in Kumasi, and is usually financed through mortgages from commercial banks (CAHF, 2016).

Mortgages currently run over a period of 20 years at interest rates that vary but are between 27% and 32%, and the borrower is also expected to pay 20% of the property value as down payment. For mortgage loans denominated in dollars, they carry fixed interest rates that range from 12.5% to 14% (CAHF, 2018).

2.5 Sources of House Financing

With financing of homes, households spend a high portion of their monthly income on housing. Per year, the budget for housing is the largest and it keeps increasing. This leaves pressure on the other expenditure items such as healthcare, utility bills, education, food, and transport for the individual and family as a whole. This makes it difficult to save towards unforeseen emergencies and retirement (Boachie – Yiadom, 2015).

According to Akinwunmi (2009), personal income is the first source of funding for individuals and groups as it is cheaper compared to taking loans and mortgages that have high interest rates. This problem arises because the general level of income is very low. According to Ghana Statistical Service (2014), a greater proportion of housing stock in Ghana is provided by individuals who take the initiative to supply themselves a home. They mainly finance through self, informal sources and remittances from family and friends abroad. The construction of the building with the funds is done by building bit by bit over a number of years, usually 15 or more till it is completed. Due to the extended nature of the project, funds are tied into the projects coupled with the problem of rising costs of inputs in an inflation-infested economy (Bank of Ghana 2007).

The Bank of Ghana has enumerated the sources of finance for housing projects by real estate developers as government guarantees, client deposits, self-financing, and suppliers' credits, loans by directors and bank loans.

In addition to the above, the following can be added to account for the source of finance for individuals; remittances, contributions from family and friends, and loans from family and friends.

2.6 Mortgage in Ghana

A mortgage is an instrument of debt, with the amount that is pledged on a property in order to borrow money and using the house as collateral while making predetermined payments at an agreed interest rate over a specified period of time. If a mortgage market functions well, it can contribute immensely to economic growth, improve living standards and may have large external benefits (Dickerson (2009). Commercial banks in Britain provided over 60% of mortgage loans as at 2006 with the outstanding mortgage loans over £1,000 billion at the end of same year (Boleat 2008). Comparing the situation in Britain and other developed countries to Ghana, Ghana's young mortgage industry with under 6000 borrowers was valued over US\$ 200 million while the housing finance system contributed only 0.5% to GDP as at 2016.

Table 2. 1: Outstanding Mortgage as Percentage of GDP (2006)

Some selected Countries	Outstanding Mortgage as Percentage of GDP
Denmark	90%
USA	86%
UK	72%
Singapore	68%
Hong Kong	60%
Germany	52%
Malaysia	23%
Thailand	18%
India	4%

Nigeria	2%
Morocco	2%

Source: Saravanan (2007)

It was postulated by Boleat (2008) that the interrelationship between economic development and mortgage market size is strong. As seen in the table above for some selected countries, the contribution of mortgage to GDP is 90% for Denmark, Malaysia 23% and Nigeria 2%. It is clear then that for developed economies, the ratio is over 50%, for emerging economies between 15 and 50%, and below 15% for developing and poor nations. In the USA, mortgage banking companies are the largest mortgage providers while in most other countries, it is commercial banks. (Crane & Bodie 1996; Kim 1998).

The financial system in Ghana has grown though rather slowly and has improved although it is still faced with regulatory challenges, as the first commercial bank was established in 1894. Of the 35 banks in Ghana, only 15 have mortgage financing products and out of the numerous microfinance institutions (MFIs) only 5 have housing loan products. The need and demand for housing keeps growing yet is largely unaffordable. This created the market for mortgage products and the mortgage debt contribution to GDP remains dinky in the face of other economies though it rose from 0.37% to 0.25% in 2007 and 2010 respectively. The average contribution of mortgage debt to GDP across Africa was 13% between 2004 and 2009 (Ghana Home Loans, 2016).

Of the banks in the mortgage industry, Ghana Home Loans is the market leader having the biggest chunk of the market share. The largest stocks of their loans are from Development Finance Institutions (DFIs) for long-term funds. This was until 2017, when it became a bank after getting licensed to operate as such (Ghana Home Loans, 2017).

The types of mortgage loans available from the financial institutions are 5. These are Home Purchase, Home Equity, Home Completion, Home Improvement and Home Construction mortgages. The Home Purchase Mortgage assists clients to purchase a house for own use or rental. The Home Equity Mortgage assists borrowers who already own a house but want to acquire, improve or construct another or for other purposes by using the existing one as collateral. Home Completion Mortgage assists clients to complete their house. Home Improvement Mortgage is designed to assist clients to improve their housing by way of renovation or extension. Home Construction mortgage is targeted at real estate developers by assisting them with financing to construct homes for sale and to their clients and other individuals interested in purchasing the real estate houses.

Mortgage loans are priced in the Cedi or US Dollars. The dollar denominated mortgage loans serve Ghanaians living abroad and Ghanaians living in Ghana who earn US dollars while the Cedi is for all others outside this category. The interest rates charged for cedi denominated mortgages vary and are up to 30% while the dollar rate is fixed at 12.5 to 14%. The variation is to protect the lender from foreign exchange risk as they have to pay their sources in dollars (CAHF, 2016).

The prominent threats to the growth of the mortgage market are highly priced and unaffordable housing units and high interest rates (Ghana Home Loans, 2017).

2.7 Government Policies on Housing

There is no comprehensive National Housing Policy Framework (NHPF) in Ghana though a draft policy was drawn since the 1990s. A good NHPF could have helped tackle the countless challenges with housing stock such as cost, quantity and quality. With no NHPF, players in the

housing market are left unregulated and unsupervised with ineffective ad-hoc policies that are largely inconsistent with best practices worldwide (UN-Habitat 2011).

As at the time of publication of the UN Habitat report in 2011, though Ghana lacked a comprehensive housing policy, it still had its eyes set on housing consistent with international standards over the years. In the early years after Independence, the effort was made by the government having a direct hand in housing supply for the public for which purpose the State Housing Corporation (SHC) and Tema Development Corporation (TDC) were set up. This saw early development of houses across the country especially in the industrial town of Tema. Also, the Bank for Housing and Construction (BHC) and the First Ghana Building Society (FGBS) were set up to provide financial support for public housing. The underlying principle was to provide “low-cost houses” at regional and district level. Regardless, of the efforts by the government through till the 1970s, about 80% of housing units were delivered by the private sector (Songsore 2003).

In 2013, the Ministry of Water Resources, Works and Housing drafted a housing policy that focused on six thematic areas which were “national housing vision, goals and objectives; land for housing; housing finance, housing design and construction; institutional reforms; and a housing governance. The components overall were no different from previous ones and was passed in 2015.

Table 2. 2: A View of Ghana's Past and Present Housing Policies

Period	State policy orientation	Actors/agencies	Key policy document
Late 1950s-early 1980s (Post independence Era)	Direct state provision of mass housing: public affordable housing cap on rent	State institution: State Housing Corporation (SHC) Tema Development Corporation (TDC) State financial institutions: Bank for Housing and Construction (BHC) First Ghana Building Society	7-Year D-Plan
Mid-1980s-early 1990s (Structural adjustment programmes (SAPs)/economic liberalization era)	Creating an enabling environment for private sector participation in housing delivery state withdrawal from direct housing provision removal of cap on rent	State Private real estate companies/Ghana Real Estate Developers Association (GREDA)	
Mid-1990s to date (Post-Structural Adjustment and Globalization Era)	Same as SAPs/economic liberalization era, but deepening role of global and national private sector operations in housing delivery	State MNCs GREDA	

Source: Ghana Statistical Service (2014).

Table 2. 3: Housing and related policies: Main aims and vital components

Policy	Aim and Key Components on Housing and Slum Upgrading	Implementation Status
National Housing Policy and Action Plan (1987 – 1990)	Sets government’s overall objectives and strategies towards affordable housing: Identifies affordable housing and slum upgrading, maintenance and infrastructure development Advocates increase private sector participation in housing delivery, especially rental houses for low-income earners	None
National Shelter Strategy, Vol. 1 & 2 (1993)	None	
Revised National Shelter Strategy, Part 1 & 2, 1999/2000	None	
Ghana Poverty Reduction Strategy (GPRS I), 2003-2005	Accelerate poverty reduction to meet MDG goals: Slum upgrading including classification of slums based on deprivation extent Strengthening physical planning and planning scheme enforcement	Completed, impact limited due to few projects
Growth and Poverty Reduction Strategy (GPRS II), 2006-2009	Increase economic growth and poverty reduction to attain middle-income status: Affordable housing, slum upgrading/urban regeneration through urban infrastructure development, basic services provision, etc.	Completed, impact limited

Ghana Shared Growth and Development Agenda (GSGDA), 2010-2013	GSGDA approach similar to GPRS I&II approach: Affordable housing, slum upgrading/urban regeneration through urban infrastructure development, basic services provision, etc.	On-going implementation
National Urban Policy Framework, 2012	Comprehensive framework on urban development, including emphasizes on affordable housing and, prevention and upgrading of slum	Cabinet approved and on-going implementation
Draft National Housing Policy, 2013	Review and merger of existing housing policy frameworks to make them more relevant and focused on the housing needs of low-income people	Before Cabinet for approval

Source: Ghana Statistical Service (2014).

2.8 Challenges of Housing, Homeownership and Mortgage

Due to capital inadequacy, credit default rates, microeconomic instability and high interest rates, funds allocated for mortgage financing has been limited. The proportion of loans that are Non-Performing has escalated as the lending rates are high thereby rendering mortgaging as a business very unattractive (Teye et al, 2016).

The housing market is not without risk and this has hindered the growth of the industry and is the cause of low availability of housing finance. Developed economies have well structured financing forms which are very creative thereby reducing the risk element. The exposure to risk in developing and emerging economies is higher as compared to developed economies. Real estate consumers, financiers, capital market players, builders, regulatory bodies and governments are all not insulated from the risks within the housing market (Akinwunmi, 2009).

Unforeseen and unpleasant events that may occur are risks, and those associated with the mortgage and housing industry financing are, “Default or Credit Risk”, “Interest Rate Risk” “Liquidity or Funding Risk”, and “Systemic Risk” Odenbach (2002), Heffernan (2003), van Order (2005) and Mints (2006). Credit Risk occurs when a loan cannot be recovered or its recovery is delayed. This reduces the asset value due to time. Liquidity Risk occurs when a bank has insufficient operating funds to meet its liabilities when they are due. Interest Rate Risk occurs due to imbalances of interest rates in volume and maturity between liabilities, and assets that are sensitive to interest rates and off-balance sheet items. Systemic Risk is another type of risk that affects a section of the economy when national strategies and policies are targeted to the sector. The effects on the economy in general are multiple and may not necessarily affect that sector alone.

Table 2. 4: Housing problems and common solutions

Problem	Common solution
Shortage of Housing	<i>Government should build housing.</i> Solution usually wrong as housing shortages are the result of fast growth in demand and of impediments to the supply of housing
Poor quality housing	<i>Raise standards through stricter building codes and better enforcement.</i> Solution often wrong since standards relating to safety and hygiene are relevant only if they are attainable by majority of the population. In addition, most standards are derived from Western codes and may be inadequate for local situations
Too many squatters	<i>Clear the squatter areas.</i> For many reasons this can be the wrong solution as people are likely to relocate somewhere else. In addition, solution tends to

	destroy people’s capital stock, and neglect the fact that informal settlements can be improved through proper policies.
Prices of housing too high	<i>Control rents and price of land and building materials.</i> Wrong solution as rising high prices signal the need to produce more housing. Need to deal directly with the rising prices rather shifts burden on landlords who are likely to reduce quantity of housing for renting under price control regimes.

Source: Based on Mayo et al. (1986)

2.9 Theoretical Review

A set of theories are used to back research and also used to explain the angle of thought, roadmap and suggestions related to the study. This is because it is more credible to build upon existing knowledge regarding an area that had been researched prior to the study being undertaken and in order to base the foundation of the study upon. Research is usually backed by a theory or a set of theories explaining the philosophical and theoretical undertones to the work. In view of this, the theories used herein for this study are the lifestyle theory, theory of price, and the life cycle hypothesis.

2.9.1 Life Style Theory

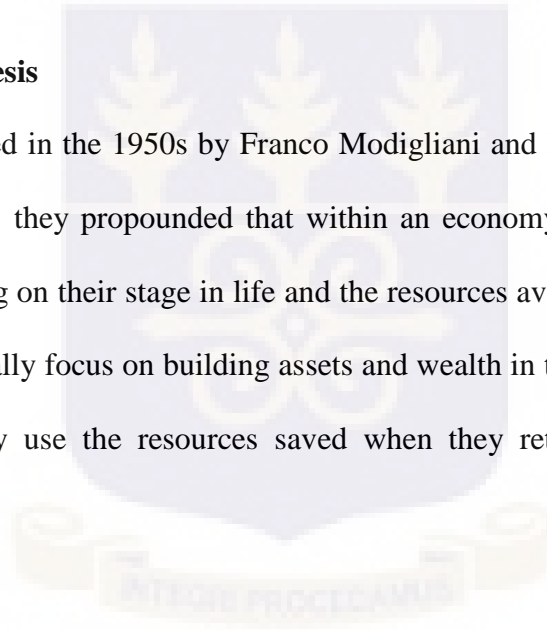
Life Style Theory was postulated by Salama (2006). This helped the researcher to understand why many middle income earners cannot afford the existing housing units on the market. One of the assumptions is that the available houses do not meet their expectations and aspirations and are beyond their financial capacity to purchase.

2.9.2 Theory of Price

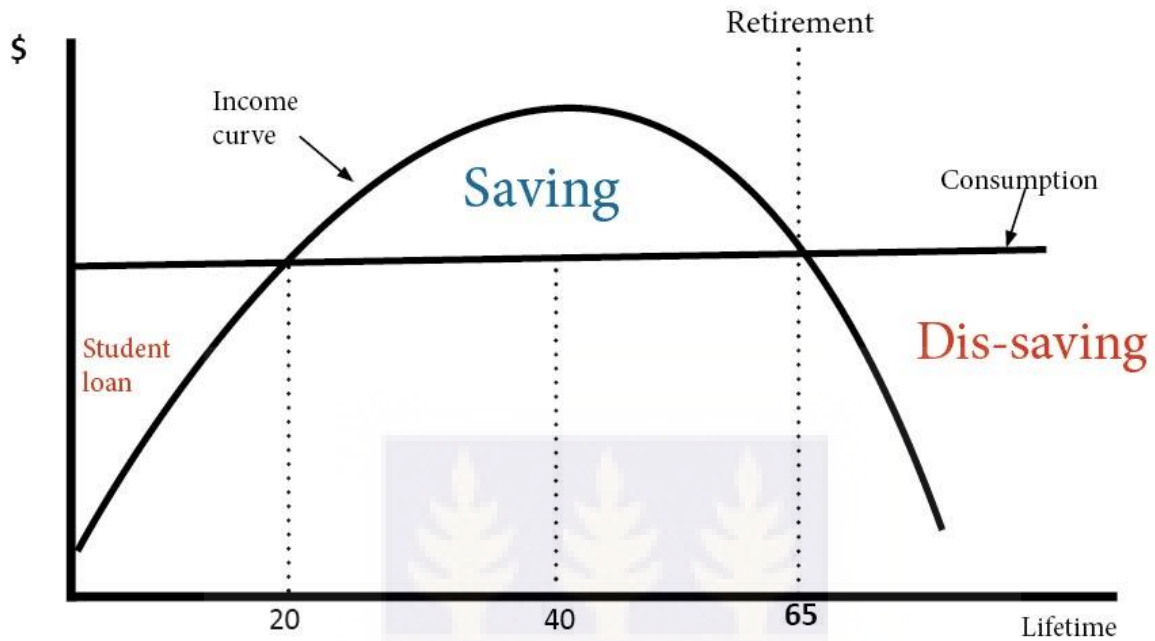
The theory of price is a principle in microeconomics that finds the interrelationship between demand and supply to decide on the right price for goods and services. This theory was propounded in the 90's by the renowned David Friedman. The main aim is to find the right balance of goods and services provided and the market available for them. The theory focuses on weighing the economic interaction relating to value transfer and value creation and the resultant exchange of service and goods within an economy. (Ozer & Phillips, 2012).

2.9.3 Life Cycle Hypothesis

This theory was developed in the 1950s by Franco Modigliani and Richard Brumberg. Through research and observation, they propounded that within an economy, people decide on what to consume or not depending on their stage in life and the resources available to them. Throughout working life, people initially focus on building assets and wealth in their youthful years and then as they grow older, they use the resources saved when they retire from work. It suggests



therefore that there is a direct relationship between consumption and savings behavior and age.



CHAPTER THREE

METHODOLOGY

3.1 Introduction

Chapter three illustrates the method this study applied for assessing sources of finance for homeownership in Ghana. Research methodology includes the research design employed, data collection sources, the target population, sample and sampling technique used and the data instrumentation for a study.

3.2 Research Design

Creswell & Clark, (2010) involves following some typical four steps leading to the answering of the questions of, “what questions are to be answered, the relevant data needed, process involved in the collection of the data and how can the data be analyzed”. Kumar (2011) also gives the definition of research as a process for collecting, analysing and interpreting information to answer questions. He further adds that for a work “to qualify as research, the process must have certain characteristics: it must as far as possible be controlled, rigorous, systematic, valid and verifiable, empirical and critical”.

The way a researcher goes about his study showing the blue print for data collection and analysis is considered to be research design (Ghuri & Gronhaug, 2005). In the work, Boachie – Yiadom (2015), research design was defined as “the structuring of investigation with the sole purpose of identifying and establishing relationship among variables; to enable researchers to test hypothesis or answer research questions. In other words, it could be described as a scheme or guide that enables researchers to generate data needed for his study”. According to Pilot and

Hungler (1985), research design refers to the planning and organization of a scientific investigation. It is the categorical preparation of plan that will guide the study to collect data.

This study used a descriptive design approach. “A research study that is classified as a descriptive study attempts to describe systematically a situation, problem, phenomenon, service or programme, or provides information about, say, the living conditions of a community, or describes attitudes towards an issue” Kumar (2011). This involves gathering information on an existing status or a phenomenon and relating it to variables in a situation without changing the environment (Shields and Rangarjan, 2013).

The reason for using descriptive research design is that this study describes the sources of finance for home ownership, the proportion of individuals' income spent on housing finance, the opinion of households on mortgage loans, contribution of mortgage loans to housing finance and the obstacles in the mortgage industry in Ghana.

Quantitative data was collected from respondents selected for this study. The advantage with quantitative data is that you can collect and analyse much more information. With good design, that means you can make general statements about what is likely to be true overall.

3.3 Study Area

Accra, the capital and largest city of Ghana, covers an area of 225.67 km² with an estimated urban population of 2.27 million as of 2012. There are 10 local government districts. These are made up of Accra Metropolitan District (Accra) and 9 municipal districts. Accra is categorized as a city and also serves as the capital of Ghana. In usage, "Accra" and "City of Accra" are used interchangeably.

“The intersection of the Lafa stream and Mallam junction serves as the western border of Accra, the Great Hall of the University of Ghana forms Accra's northern border, while the Nautical College forms the eastern border. The Gulf of Guinea forms the southern border.

Formed from the merger of distinct settlements around British Fort James, Dutch Fort Crêvecoeur (Ussher Fort), and Danish Fort Christiansborg as Jamestown, Usshertown, and Christiansborg respectively, Accra served as the capital of the British Gold Coast between 1877 and 1957 and has since transitioned into a modern metropolis. The capital's architecture reflects this history, ranging from 19th-century colonial architecture to modern skyscrapers and apartment blocks.

Accra is the Greater Accra Region's economic and administrative hub, and serves as the anchor of the larger Greater Accra Metropolitan Area (GAMA), which is inhabited by about 4 million people, making it the thirteenth-largest metropolitan area in Africa. Strategic initiatives, such as transportation, are coordinated between the local government authorities, while the Accra Metropolitan Assembly, based in West Ridge, is responsible for the administration of the 60 km² City of Accra only.

The central business district of Accra contains the city's main banks and department stores, as well as an area known as the Ministries, where Ghana's government administration is concentrated. Economic activities in Accra include the financial and commercial sectors, fishing and the manufacture of processed food, lumber, plywood, textiles, clothing and chemicals. Tourism is becoming a thriving source of business for those in arts and crafts, historical sites and local travel and tour agents. The Oxford Street in the district of Osu has grown to become the hub of business and night life in Accra.

In 2010, the Globalization and World Cities Research Network think tank designated Accra as a Gamma level world city, indicating a growing level of international influence and connectedness” (Wikipedia, 2019)³.



Figure 1: Map of Accra

Source: Google Maps (2019)

3.4 Population

Population has been popularly defined by Fowler (2013) as the entire group of persons or objects within a specific location or to which the researcher may be interested in generalizing their findings on a subject matter. The target population for a survey is “the entire set of units for which the survey data are to be used to make inferences”. Since this research seeks to examine

³ <https://en.wikipedia.org/wiki/Accra>

the sources of finance for home ownership, home owners within the City of Accra make up the population from which the sample is selected. The population of the study area is 2.27 million people.

3.5 Sample and Sampling Technique

Sample size according to the Fowler (2013) refers to “a subset of the total population under consideration by the researcher from which data will be collected and analyzed”. Fowler further posited that, responses and findings of the sample size is usually projected to reflect the entire population as such the sample size “should be representative of the population”. This is make certain the accuracy of the findings especially within a quantitative research perspective.

3.5.1 Sampling Technique

“Probability and non-probability sampling” techniques are the main types of sampling technique. The difference between the two is that the probability sample is a sample where all sampling units have a known non-zero probability of being selected while in non-probability sample, there is no way of estimating the probability of the sampling units being selected (Bacon – Shone, 2015).

“Stratified sampling is a type of sampling where the population is divided into sub groups or strata, then the sub groups are sampled”. However, the strata must be mutually exclusive and collective exhaustive. The sample size is divided among the ten local government districts that cover the Accra area. The ten local government districts become the strata which the sample is divided. There are nine municipal assemblies which are “Ledzokuku, Krowor, La-Dade Kotopon, Ablekuma North, Ablekuma West, Ayawaso East, Ayawaso North, Ayawaso West,

and Okaikwei North” with the Accra Metropolitan Assembly being the only metropolitan assembly among the ten.

Also, purposive sampling was used in selecting the mortgage bank that would be engaged in determining the role of mortgage banks as sources of financing home ownership in Ghana.

3.5.2 Sample Size

The population of the study area is 2.27 million people. However, the population of home owners within the study area is unknown. The researcher could not find any credible data on home owners after a studious search. With a known population, Slovincs (1960) formula can be used in calculating the sample size suitable for the study. According to Slovincs (1960)

$$n = \frac{N}{1+N(e)^2} \quad \text{where,} \quad \text{“n” = “sample size”}$$

“N” = “Target Population”

“e” = “Margin of error”

With the population of home owners in Accra unknown, we use a different formula to determine our sample size.

$$n = \frac{z^2(p)(1-p)}{(c)^2}$$

Where, “n” = “sample size”

“z” = standard normal deviation

“p” = percentage of picking a choice or response

“c” = confidence interval

For this research, the “standard normal deviation set at 95% confidence level is 1.96”. Also, the chance of picking a response is 50% or 0.50 and the confidence interval (0.05 = ± 5).

Therefore,

$$n = \frac{(1.96)^2(0.5)(1 - 0.5)}{(0.05)^2} = \frac{(1.96)^2 (0.5)(0.5)}{(0.0025)} = 384.16 \approx 384$$

The sample size for this study using the formula above is 384.

3.6 Instrumentation

The study relied heavily on data from primary sources. This study employed the use of questionnaires and also semi structured interviews in obtaining information that were vital.

The questionnaires administered involved close and open-ended questions which could be analysed easily by the researcher. The questions were asked in clear and simple language void of any ambiguity to enable respondents answer them correctly. Respondents in some questions were to select among multiple choices provided the answer which best suited their thoughts, while in other cases, they were to answer in their own words.

The questionnaire had three sections. The first captured demographic features such as age, marital status, sex and occupation of respondents. The second captured information on home ownership and the sources of finance the respondents explored. The final section dealt specifically mortgage as a source used in home ownership finance.

A semi structured interview containing five (5) questions was administered to mortgage banks to collect information pertaining to their role in promoting home ownership among Ghanaians and their challenges as major stakeholders in home ownership finance.

3.7 Data Collection

The researcher issued 400 questionnaires to home owners which were more than the sample size for the study. This was done to in order to get the required 384 questionnaires correctly filled for the data analysis.

The researcher engaged the services of two (2) other assistants to help in the administration and collection of questionnaires. This was done because of the large sample size which the researcher would have found it difficult due to time constraints. The questionnaire and foreseeable challenges were also discussed with the research assistants.

The mortgage bank officials were contacted during working hours and personal interviews were used to collect information. The researcher or the assistant asked questions and noted the responses by the officials.

3.8 Data analysis

Data obtained was analyzed quantitatively using “Statistical Package for the Social Sciences (SPSS) v20”. Analysis of the data was done through the lenses of the research objectives. Results obtained were presented in table and chart formats. Some of the analyses conducted included descriptive, and frequency analyses.

3.8 Ethical Consideration

This section focused on the ethics of conducting a research. An introductory letter will be obtained from the University of Ghana. This letter will be given to the Institutions and individuals included in this study as a formal introduction on the purpose of which the research is being conducted. Furthermore, I will justify the relevance of my research to the executives and employees of the institutions and individuals before engaging them for this project. As much as possible, I will assure respondents of keeping their information as confidential as possible, and not causing any harm to any respondent (Saunders et al 2016). All information in this regard will

be correctly reported, correctly used, and possibly avoid any bias (Kumar 2011; Rajasekar et al 2013).



CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter is dedicated to analysis of the data obtained from the field. Due to the nature and objectives of the study, data obtained through questionnaire was analyzed quantitatively using SPSS v 20. Some of the analyses conducted quantitatively included frequency and descriptive. Furthermore, data obtained through the use of interview guide was also analyzed qualitatively using a thematic analysis. This type of analysis includes transcription and coding of recorded interview sessions. Furthermore, these coded and transcribed data were processes and themes generated out of them. These themes depict the current trends as far as the subject matter is concerned.

4.2 Demographic Data

This section delves into the demographic characteristics of the participants included in this study. Data on age, marital status, sex, and occupation of respondents were collected and analyzed and displayed on Table 4.1 below. From the table, it is observed that, majority of the respondents were male as they represented 86.7% while their female counterparts also represented 13.3%. This shows that, most of the houses were owned by men.

Further analysis revealed, regarding the age distribution of the respondents, quite a number of them were between 41-50 years as they represented 41.9%. It was also found that, house owners who were between 51-60 years represented 27.2% while those between 18-30 years also represented only 4%.

Further investigation into their marital status revealed that, most of these house owners in Ghana were married and this was confirmed by 61.9% of the respondents who responded “married” as

shown on Table 4.1. The result also showed that, 18.1% and 2.7% of these respondents were divorced and separated respectively. Based on this information, it could be suggested that, at least most Ghanaians who own houses are married people.

Finally, investigation into the educational background of the respondents revealed that, most of them representing 52.8% had attained “Tertiary” education as their highest educational qualification. Furthermore, it was also revealed that, those who had attained “Secondary” education as well as “Basic” education as their highest educational qualification also represented 21.3% and 23.2% respectively. This information gives the indication that, at least most of these respondents were well educated.

Table 4. 1: Demographic Data

		Frequency	Percent
Gender Status	Male	325	86.7
	Female	50	13.3
Age	18-30	15	4.0
	31-40	59	15.7
	41-50	157	41.9
	51-60	102	27.2
	61 and Above	42	11.2
Marital Status	Single	68	18.1
	Married	232	61.9
	Divorced	65	17.3
	Separated	10	2.7
Educational Qualification	None	10	2.7
	Basic	87	23.2
	Secondary	80	21.3
	Tertiary	198	52.8

4.3 Occupational Information

This section investigated the occupational background of the respondents in terms of their employment status, type of employment, sector of employment, length of employment and their income level. To achieve of this, each respondent was subjected to a series of questions and their responses used to realize the objectives of the study.

Investigating into their employment status revealed that, majority of these respondents were fully employed as confirmed by 95.7% of them who responded “employed” when asked to state their employment status. However, it was also found that, some of these respondents were not employed and they 2.7%. Only 1.6% of the respondents stated that, they were retired as shown on Table 4.2 below.

Further investigation also revealed that, majority of these respondents representing 61.3% were permanent employees, which gives the indication that, for this group of people, they had a constant flow of income. Additionally, the study found that, those who were self-employed also represented 26.7% while only 1.3% said they had a temporal employment.

Investigation into the sector of employment of these respondents revealed that, most of them representing 61.3% had jobs or employments which involved providing services to their customers. Those in the manufacturing or construction industry also represented 21.3% while those in the Agriculture sector also represented 10.7% as shown on Table 4.2.

Table 4. 2: Occupational Information

		Frequency	Percent
Employment Status	Employed	359	95.7
	Unemployed	10	2.7
	Retired	6	1.6
Type of Employment	Self Employed	100	26.7
	Permanent Employee	230	61.3
	Non-Contract Employee	40	10.7
	Temporal Employee	5	1.3
Sector of Employment	Trade	25	6.7
	Manufacturing/Construction	80	21.3
	Services	230	61.3
	Agriculture	40	10.7

The findings further revealed that, majority of these respondents representing over 60% had been working for over 10 years as shown on Figure 2 below. As shown on the Figure, 27.2% of the respondents said they have been working between 11 – 20 years, while 26.7% also said they have been working between 21 – 30 years with 18.1% also stating that they have been working for over 30 years. Only 6.7% said they have been working for less than 5 years.

**Figure 2: Length of Employment**

Finally, the study investigated the income level of the respondents. To achieve this, each respondent was asked to state the range of income in which their income falls within. Their responses are displayed on Table 4.3 below. Based on their responses, it can be suggested that, majority of these respondents representing over 50% were earning an income level more than GH¢3000. A breakdown shows that, 26.1% of them were earning between GH¢3001 - GH¢5000, while 17.3% were earning between GH¢7001 - GH¢10000.

Table 4. 3: Income Level

	Frequency	Percent
Less than GHC 1000	10	2.7
GHC 1001 to GHC 3000	129	34.4
GHC 3001 to GHC 5000	100	26.7
GHC 5001 to GHC 7000	25	6.7
GHC 7001 to GHC 10000	65	17.3
Above GHC 10000	46	12.3
Total	375	100.0

4.4 Housing Information

This section presents the findings on housing information of the respondents. A number of questions were posed to each respondent in order to fulfill the objectives of the study.

Figure 3 shows the responses of the respondents with regards to how long they have stayed in their current houses. From the Figure, it is observed that, 44.5% of them stated that, they had been staying in their current houses between 5 to 10 years while 35.5% also stated that, they have been living or staying in their current houses for over 10 years. The chart also showed that, 20% had been staying in their current houses between 1 to 5 years

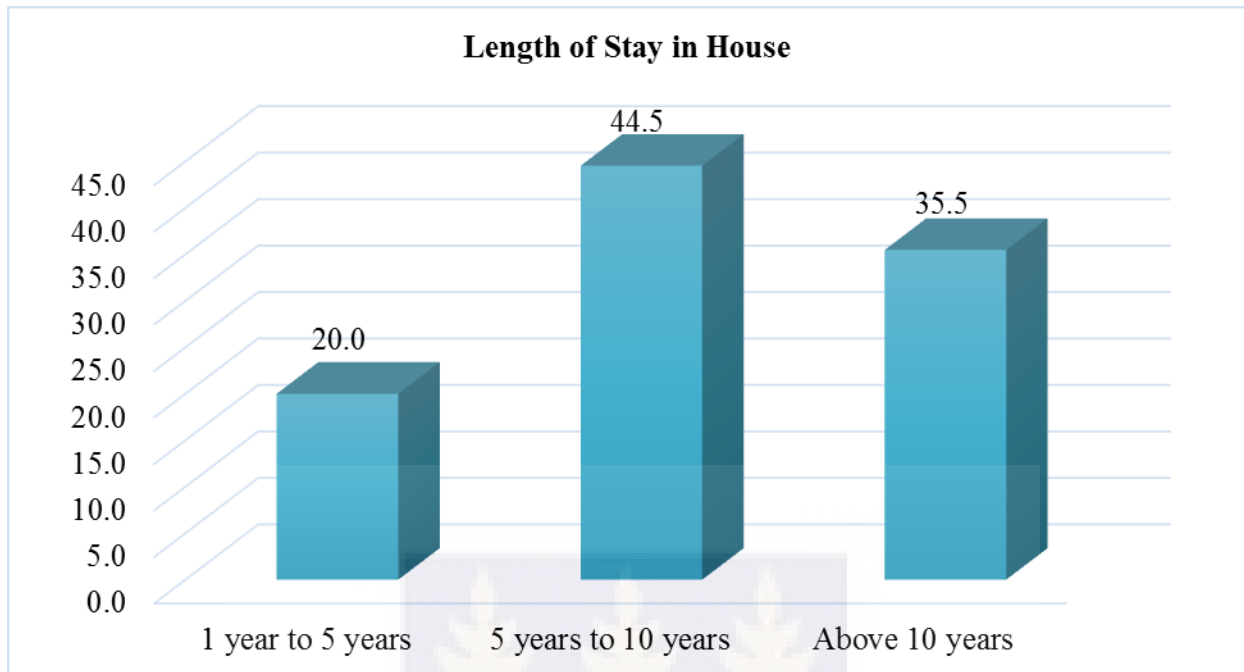


Figure 3: Length of Stay in House

The study further investigated the type of ownership of the houses these respondents were staying. From their responses, it was revealed that, most of them were had rented apartments or houses and this was confirmed by 53.6% of the respondents. Furthermore, it was also revealed that, 40% of them were staying in their own apartments or houses while 6.4% said they were renting but had their own houses under construction as shown on Table 4.4. This information gives the indication that, majority of Ghanaians are not home owners rather, most of them are staying in rented apartments or houses. This could be attributed to the lack of lands or lack of funds for the majority of Ghanaians to build their own homes especially within the Accra metropolis.

Table 4. 4: Type of Home Ownership

	Frequency	Percent
Rent	201	53.6
Own	150	40
Rent but own under construction	24	6.4
Total	375	100.0

A follow-up question posed to those who stated that they had their own homes or were currently renting but had their own homes under construction, required them to state how they acquired or claimed their houses. From the findings, it was observed that, 174 of these participants were in those categories. Their responses are captured on Table 4.5 below. From their responses, it can be suggested that, most people in this category managed to claim or acquire their various homes by building it themselves. This was confirmed when quite the majority representing 51.7% responded “built it” when posed with the question “*how did you claim ownership of the home*” as shown Table 4.5. The Table further showed that, those who bought or acquired it through mortgage from estate developers also represented 20.1% and 11.5% respectively. Another 16.7% of these participants mentioned that they inherited their respective homes.

From their responses, it can be suggested that, most of these respondents in this category

Table 4. 5: Means of Acquiring Ownership of Home

	Frequency	Percent
I bought It	35	20.1
I built It	90	51.7
Mortgage from Estate Developer	20	11.5
I inherited It	29	16.7
Total	174	100.0

Another follow-up question sought the views of those in the category of building or buying their own homes to state how their homes were financed. Their responses are captured on Figure 4 below. From the Figure, it can be concluded that, out of this category of participants, majority representing over 60% said they used their personal income while 30.8% said they relied on mortgage loans with only 7.7% also relying on personal loans. This information clearly gives the indication that, generally most people rely on their personal income to build or purchase their homes at least within the Accra metropolis.

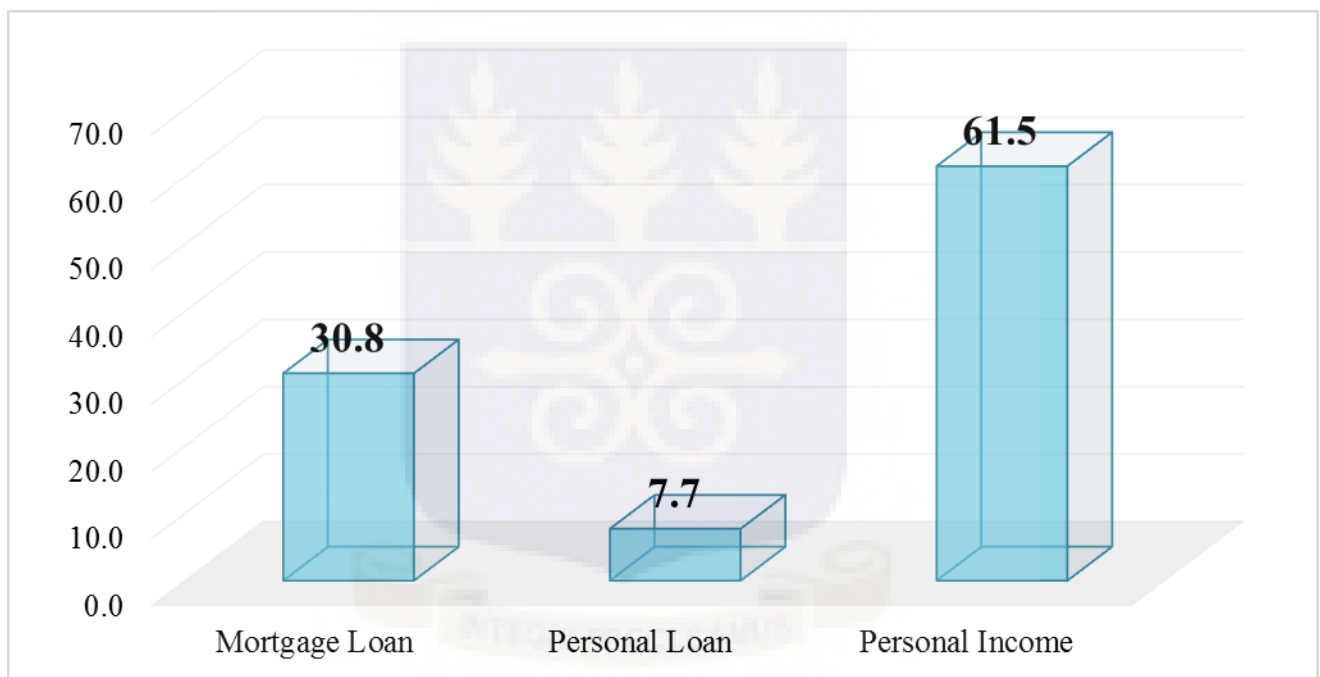


Figure 4: Source of Fund for Building or Purchasing Home

4.5 Household Participants Opinion on Mortgage Loans

This section investigated the general opinion of household participants on mortgage loans offered by mortgage firms including banks in Ghana.

4.5.1 Knowledge about Mortgage Institutions and Products/Services

This section investigated the level of knowledge from the view of the participants included in this study on mortgage firms as well as the products and services provided by these firms. To attain this, each participant was asked a series of questions and their responses were used to realize the objectives of the study.

The findings with regards to knowledge about mortgage firms and their products and services suggests that, most of the participants had knowledge as confirmed by 215 (57.3%) while 160 (42.7%) said they did not have knowledge of mortgage firms or their products and services.

A follow-up question posed to participants who responded “Yes” to having knowledge about mortgage firms and their products and services, to state their source of information. Table 4.6 shows their responses. From their responses as shown on Table 4.6 below, it can be suggested that, the main source of information with regards to mortgage institutions and the products and services they offered was through advertisement in the media. This was confirmed by quite the majority of them representing 50.2%. Furthermore, the next most popular source of information according to the participants was the officials at their respective banks and this as also confirmed by 23.3%. Only 12.6% said their main source of information about mortgage and their products and services was from their friends and relatives who had patronized the services of these mortgage firms as such recommended it to them.

Table 4. 6: Knowledge about Mortgage Firms

	Frequency	Percent
Advertisement in a media	108	50.2
Official at my Bank	50	23.3
Friend/Relative	27	12.6
Flyer or Brochure	30	14.0
Total	215	100.0

Further investigation on which of mortgage loan these participants had patronized revealed that, having knowledge about the mortgage firms and the products and services offered by them did not imply patronage from the perspective of the participants. This assertion was confirmed when only a handful representing 20.9% of those who responded “yes” to having knowledge of mortgage firms, said they had patronized mortgage loans such as home purchase mortgage, home completion mortgage and construction finance as shown on Table 4.7 below.

Table 4. 7: Type of Mortgage Loan

	Frequency	Percent
Home purchase mortgage	20	44.4
Home completion mortgage	15	33.3
Construction finance	10	22.2
Total	45	100.0

Further findings also revealed that, the acquisition of these mortgage loans implied those who patronized it had to use some valuable assets as collateral or security and from the responses of the participants; it was found that, most of them had to use their cars while others also used their parent houses as securities. Others also used lands as securities.

4.5.2 Opinion on Access to Mortgage Loans

This section investigated the perception of the participants on accessibility to mortgage loans. To achieve this, each of those who responded to having access mortgage loans to finance their houses was posed a series of questions.

The study sought the opinion of the participants on how long it took them to get access to the mortgage loans they had requested for and from their responses as shown on Figure 5 below, most of them said they had to wait for over a month to get access to it. This was confirmed by 53.3% as shown on Figure 4. The figure also showed that, 22.2% said they got access to their mortgage loans in less than 2 weeks while 11.1% also said they managed to access theirs between 2-3 weeks.

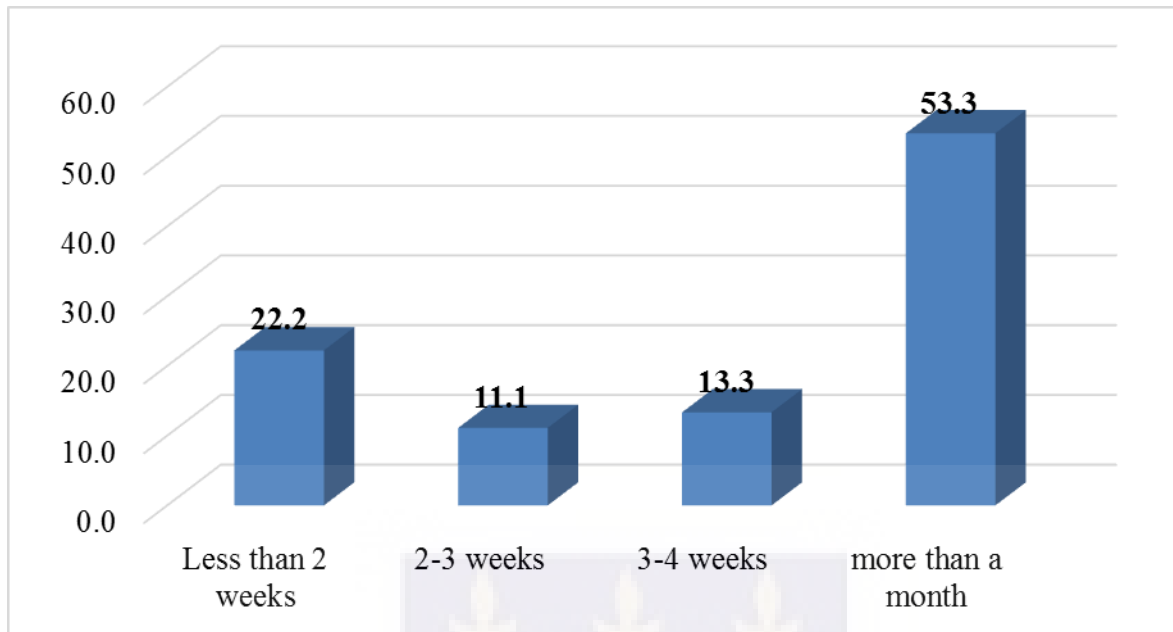


Figure 5: Time to Access Mortgage Loans

Participants were further asked to describe their experiences with the accessibility process of obtaining their mortgage loans from their financial institutions. Interacting with them, it was revealed that, quite a number of them had a hectic time as they went through a very cumbersome process. This was evident when 44.4% rated their experience as cumbersome while another 24.4% also rated their experiences very cumbersome. However, there were some participants who stated that, they had a rather very easy experience with the process. They also represented 4.4% as shown on the Table below.

Table 4. 8: Experience with Accessing Mortgage from Bank

	Frequency	Percent
Very cumbersome	11	24.4
Cumbersome	20	44.4
Normal	10	22.2
Easy	2	4.4
Very easy	2	4.4
Total	45	100.0

Further interaction to find out how spread the interest rate were for this group of participants showed that, only 8.9% said they had an adjustable interest rate while the majority representing 91.1% stated they had a fixed interest rate.

4.5.3 Household Participants Level of Satisfaction

The study further investigated the level of satisfaction with mortgage loans from the perspective of the household participants. To achieve this, each participant was asked if they would recommend mortgage loans to a friend or relative. From their responses, it can be suggested that, most of them were not too enthused about their experience accessing mortgage loans from their respective banks and as such responded “No” to give the indication that, they would not recommend mortgage loans to their friends or relatives. However, it was found that, 23.7% said they would gladly recommend mortgage loans to their friends and relatives as such responded “Yes” as shown on Table 4.9 below.

Table 4. 9: Level of Satisfaction

	Frequency	Percent
Yes	12	26.7
No	25	55.6
Indifferent	8	17.8
Total	45	100.0

4.5.4 Personal Income

This section generally investigates what proportion or fraction of participants' personal income was spent on funding for their housing projects. To achieve this each participant was subjected to a series of questions and their responses used to realize the objectives of the study.

Table 4.10 shows a summary of the proportion of personal incomes of the participants that was spent on the construction of their respective homes. As shown on the Table, out of the 124 participants who said they either purchased or built their homes, most of them representing 55.6% said they spent between 31-40% of their personal income on their housing project while 20.2% also said they used between 10%-20% of their personal income to finance their homes. Only 1.6% of them said they used above 60% of their personal income to finance their homes.

Table 4. 10: Proportion of Income Spent on Housing Project

	Frequency	Percent
less than 10%	3	2.4
10%-20%	25	20.2
21%-30%	10	8.1
31%-40%	69	55.6
41%-50%	12	9.7
51%-60%	3	2.4
above 60%	2	1.6
Total	124	100.0

The findings further revealed all the participants had some form savings with their respective banks which gives the indication that, at least some of these participants were aware of the benefits of savings especially when some proportion of their personal income is going into the financing of their homes.

Further interaction also revealed that, some of these participants were aware of their banks offering some form of mortgage plans for their clients. This was evident when most of them representing 28.2% of them responded “Yes” to the question “*does your bank provide mortgage loans*”. However, quite a number of them when posed with the same question responded “Can’t determine” to give the indication that, they are unaware if their respective banks does provide such products or services. Nevertheless, there some participants who were sure their banks did not provide such products or services as such responded “No” as shown on Figure 6.

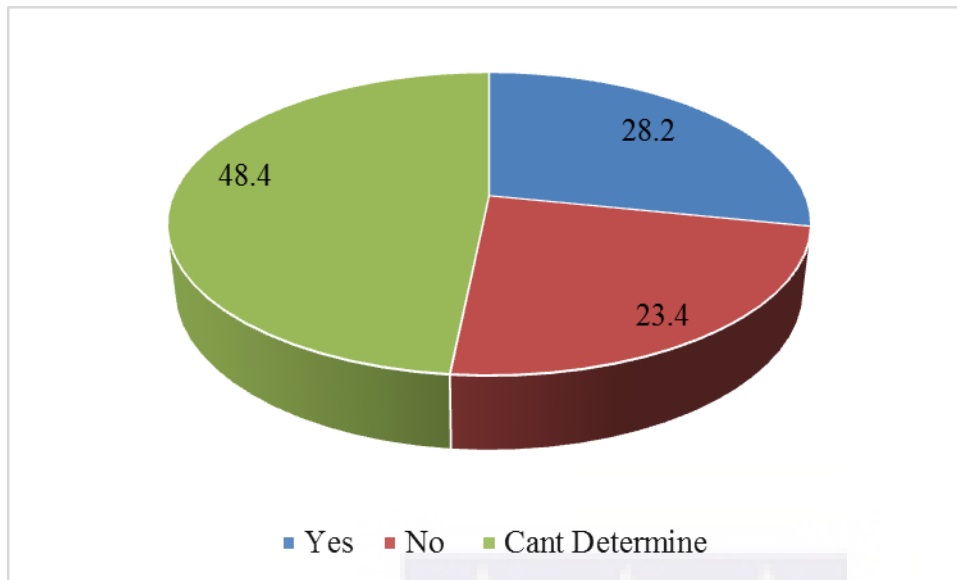


Figure 6: Bank Provide Mortgage Loans

The study also found that, participants who were aware of their banks offering such mortgage loans for their clients at one time of their lives while putting up or purchasing their homes, had considered going for this mortgage loans but had rescinded along the way. The reasons attributed to their rescindment included the fact that, most of them had no property for securitization while also were of the belief that, mortgage loans were associated with very high interest rates which could not afford and this however deterred them. It was also found that, others believed the process of obtaining the mortgage loans was cumbersome and bureaucratic and they were not ready for that as such did not even bother to go for it.

4.5.5 Rent or Rent but Own Under Construction

This section presents the views of the participants who stated earlier that, they were renting apartments or houses as well as those who own houses under construction but were also renting,

on how they were financing their rents. The study achieves this by asking each of these participants a series of questions.

When posed with the question “*where do the majority of the funds you use to finance your rent come from*”, quite a number of them representing 40% said they rely on their informal loans and their personal income to finance their rents as shown on Table 4.11 below. The Table also showed that, 35.6% solely relied on their personal income to fund their rents while 11.1% and 13.3% relied on formal and informal loans to finance their rents.

Table 4. 11: Source of Funds for Renting

	Frequency	Percent
Formal Loan	25	11.1
Informal Loan	30	13.3
Personal Income	80	35.6
Informal Loan and Personal Income	90	40.0
Total	225	100.0

The study further sought the views of the participants to ascertain what proportion of their incomes is spent on financing their rents. Their responses are captured on Table 4.12 below. From the Table, it is observed that, quite a number of them representing 46.7% said they spend between 41%-50% of their personal income on rent. The Table also showed that, 11.1% and 22.2% said they spend between 51-60% and 10%-20% respectively of their income on rent.

Table 4. 12: Proportion of Income Spent on Rent

	Frequency	Percent
less than 10%	10	4.4
10% - 20%	50	22.2
21% - 30%	10	4.4
31% - 40%	20	8.9
41% - 50%	105	46.7
51% - 60%	25	11.1
above 60%	5	2.2
Total	225	100.0

When posed with the question “*Do you save/work with any Bank or Mortgage Firm*” to ascertain whether these participants are able to save some part of their income for future purposes, all of them responded “Yes” to saving with a bank and not a mortgage firm. Nevertheless, when asked whether they had ever applied for a credit facility towards paying their rent, some of them representing 44.9% responded “Yes” while 55.1% responded “No”

Finally, the study found out that, all of the participants who were renting had hopes of building their own houses in the future. In light of this, the study sought their opinion on how they intend to finance the houses they intend to own in the future. From their responses, it can be suggested that, most of them believed by the time they will be ready to build or purchase their own houses; they would have accumulated enough funds through savings or personal cash. This was evident when 69.3% of the participants who responded “Yes” also stated that, they intend to use their personal cash/savings to finance their future homes as shown on the cross tabulation table below.

The Table also showed that, only 10.7% said they will rely on mortgage loans to finance their future homes.

Table 4. 13: Cross tabulation of “Do you intend or have started building your own house *How do you Intend to Finance it”

		How do you Intend to Finance it			
		Informal Loans	Personal Cash/Savings	Mortgage Loans	Total
Do you intend or have started building your own house	Yes	30	104	16	150
	Total	20	69.3	10.7	100.0

4.6 Contribution of Mortgage Loans to Private Housing Finance

Stemming from the objectives of the study which included investigating or measuring the contribution of the mortgage loans to housing finance in Ghana, the study sought the opinion of the participants on what kind contribution mortgage loan has on financing their homes. The purpose of this section is to investigate and analyze the current trend of annual mortgage loans provide to individuals by the various mortgage firms in the country. Figure 7 shows the current trend as given by the various banks.

From the Figure, it can be concluded that, there is a general current trend in mortgage loans given by the various banks who offer mortgage products and services in the country. However, the current trend shows that, Republic Bank (HFC) are leaders in providing mortgage loans to the general public and this was followed by Ghana Home Loans (GHL)

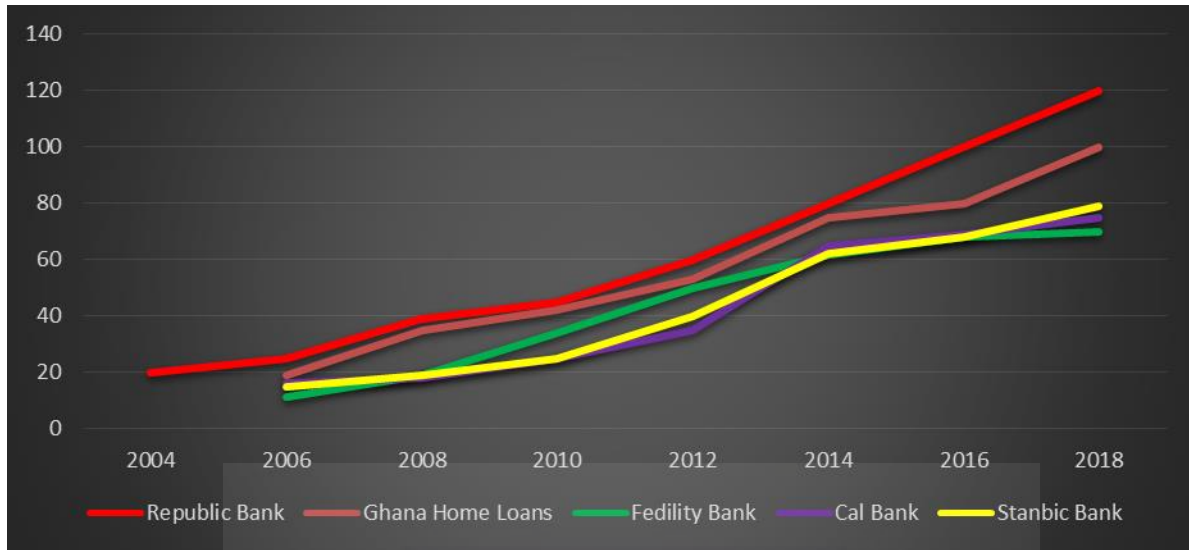


Figure 7: Current Trend of Mortgage Loans Offered by Banks

4.7 Challenges Hindering the Development of Mortgage Industry in Ghana

This section investigates the challenges hindering the effective development of mortgage industry in Ghana. To achieve this, each respondent was asked a series of questions and their responses used to realize the objectives of the study.

Interacting with officials from the various mortgage firms included in this study, it was revealed that, the major challenge facing the mortgage industry was Credit Risk and this was confirmed by the majority of the officials. Further interaction also revealed that; the second most critical challenge was “Lack of Financial Literacy of households”. Other challenges or obstacles mentioned by the officials included Access to long term funds, Lack of Capacity in Banking Sector, Difficulty with Property registration, High Lending Rates, Low Levels of Incomes or Informalities and Cost and Time of Foreclosing.

The study also sought the opinion of the household participants to also ascertain what challenges or obstacles hinder them when accessing mortgage loans and repayment period. Figure 8 shows their responses. From the Figure, it can be concluded that, the most critical challenge that

hindered most household participants from accessing mortgage loans was the high interest rates charged by these mortgage firms. This was confirmed by 53.6% of the participants who responded “High interest rates”. It was also found that short repayment period was also another challenge the hindered household participant; while 13.1% also said the mode of payment also deterred them from accessing mortgage loans.

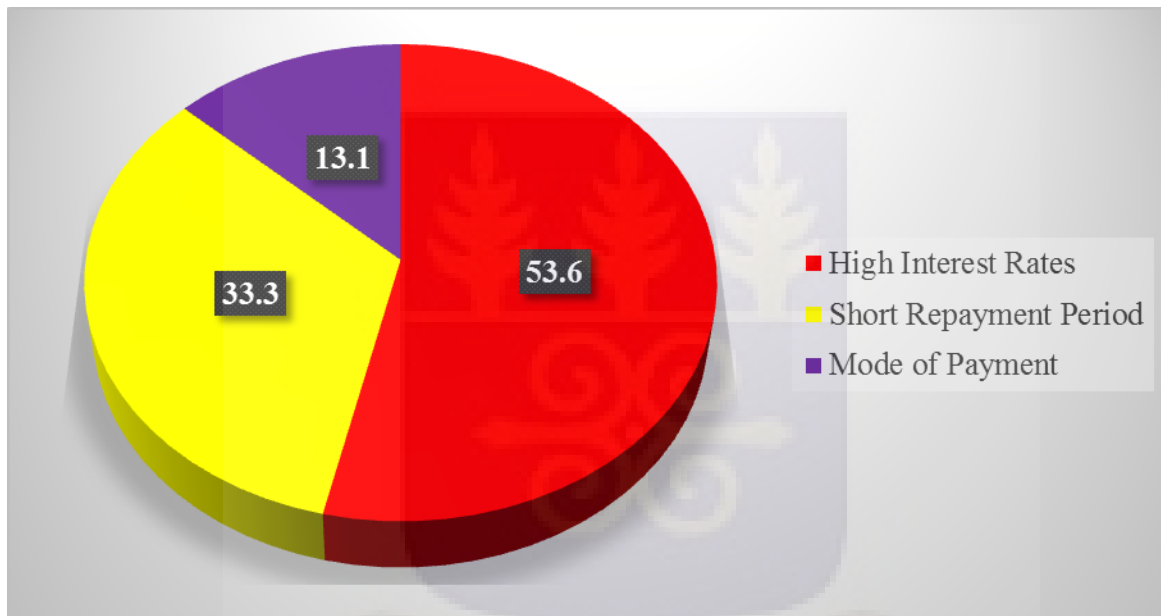


Figure 8: Obstacles Faced by Household Participants with Mortgage Firms

4.8 Discussion

This section presents the discussion of the study. The discussion was based on the research questions which included;

- i. What are the major sources of finance for homeownership in Ghana?
- ii. What portion of incomes of households is spent on housing?
- iii. What issues do individuals and businesses who desire to take mortgage loans consider?
- iv. Is mortgage financing in Ghana significant in housing development?
- v. Is the mortgage industry in Ghana faced with challenges?

4.8.1 Major sources of finance for homeownership in Ghana

The findings revealed that the major sources of finance for homeownership in Ghana included Personal Income/Savings, Personal loans and Mortgage loans. However, it was found that, out of the three main sources stated by the respondents, personal income was most used. This gives the implication that, despite the presence of mortgage loans and the strides made by stakeholders to increase its awareness as well as play a key role in financing homes, its impacts still remain low as most homeowners still prefer to use their personal income to finance their homes. This stance taken by most homeowners could be attributed to a number of factors which apparently from their perspective will not benefit them should they choose to go in for personal loans or mortgage loans. Some of the factors outlined include high interest rates, cumbersome processes individuals go through to access mortgage loans and also the mode of payment as well as the repayment period. This clearly gives the implication that, from the perspective of the Ghanaian homeowners and potential homeowners who are currently renting and may want to in future build or purchase

their own houses, the kind of products and services being provided by the mortgage firms are not favorable. It also implies that, in the future more people are likely to rely solely on their personal income as there is no extra interest rate on it.

The above finding supports the findings of Akinwunmi (2009). According to Akinwunmi, “the first source of funding for individuals is their income. This is often the cheapest source because there is no payment of extra cost in form of interest. The problem that arises in case of individuals in the emerging economies is that income levels are generally low”.

The findings further support the research conducted by the Ghana Statistical Service (2014) who stated that, “the great bulk of housing in Ghana is provided through informal means by individuals acting out of their own volition to supply a home for themselves and members of their household and family, and with financing through informal sources, mainly self-financing and use of remittances”. This is done by incremental building.

4.8.2 Individuals' income spent on housing finance in Ghana

In as much as most individuals or homeowners preferred to use their personal income or savings to finance their homes, it was found that, these individuals end up using quite a large portion of their income to finance their homes. The findings revealed that, majority of them tend to use between 10% - 40% of their income. This clearly gives the implication that, for most of these individuals, they usually may end up with just little of their income to save and it even gets worse when they have families or are the breadwinners of their families.

4.8.3 Perception of households on mortgage loans

The findings revealed that, generally, the perception of households or Ghanaians with regards to mortgage loans is not good. The reasons for this assertion could be attributed to the fact that, most of the participants were of the view that, mortgage firms usually charge high interest rates, which will have big toll on their personal income, most of them complained the repayment period were too short and the mode of payment was not favorable. The above findings give the implication that, mortgage firms ought to up their game with regards to giving their clients favorable products and services which will be win-win for both parties. It also implies that, there is an urgent need for mortgage firms to conduct massive mortgage awareness among the public to educate them on the benefits involved in patronizing mortgage loans. It also implies that mortgage firms need to put in strategies and measures that will lead to tailoring their products and services to meet the needs of the people especially within the current economy of Ghana.

4.8.4 Contribution of mortgage loans to housing finance in Ghana

With regards to the contribution of mortgage loans to housing finance in Ghana, it was found that, generally, it plays a very low-key role as far as financing of homes in Ghana is concerned. The reason attributed to this low-key role is the fact that, most homeowners and individuals who have rented homes as well as potential homeowners would prefer to use their personal income or savings to finance their home. However, it was found that, over the years some of these banks that offer mortgage loans keep making improvement in their strides to woo more clients or Ghanaians to patronize their products and services. The findings revealed that, the current trend showed banks such as Republic Bank (HFC) and Ghana Home Loans occupy the first and second positions in terms of banks or mortgage firms that keep improving annually.

4.8.5 Obstacles in the mortgage industry in Ghana

The findings also found that several obstacles hinder the mortgage industry in terms of effectively executing their objectives. Some of the obstacles found include Credit Risk and this was confirmed by the majority of the officials. Further interaction also revealed that; the second most critical challenge was “Lack of Financial Literacy of households”. Other challenges or obstacles mentioned by the officials included Access to long term funds, Lack of Capacity in the Banking Sector, Difficulty with Property registration, High Lending Rates, Low Levels of Incomes or Informalities and; Cost and Time of Foreclosing.

The above findings conformed to the findings of Teye et al, (2016) who stated that, “limited mortgages have been attributed to inadequate capital allocated to long-term financing, persistent gaps in borrower credit appraisals, and difficult macroeconomic conditions resulting in high interest rates. Industry experts attribute the high lending rates and limited credit to high non-performing loan (NPL) rates which has also made some banks give up on products such as mortgage loans”.

The findings also supported the findings of Odenbach, (2002), Heffernan, (2003), van Order (2005) and Mints (2006) who outlined some of the major obstacles which hindered the operations of mortgage firms in Ghana. According to their study, some of these obstacles include; Default/Credit Risk, Liquidity/ Funding Risk, Interest Rate Risk and Systemic Risk.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the study, the conclusion which was based on the findings and discussion of the study and finally, the recommendations which was also grounded on the conclusion of the study.

5.2 Summary

The findings revealed that, Personal Income/Savings, Personal loans and Mortgage loans were three main sources of finance for homeownership among Ghanaian homeowners. However, it was also found that, the most used source of finance among the three main types was Personal Income or Savings.

The findings also showed that, the reason most homeowners and people who have rented houses preferred to use their personal income or savings is because, it does not attract any form of interest rate as compared to taking a personal loan or mortgage loan. It was also found that, the reason most people did not patronize mortgage loan can be attributed to the fact that, the terms and conditions on the loan such as repayment period, payment mode, interest rates, do not favor them, as such will prefer to using their personal income.

Another finding was that most of these homeowner or renters tend to use some portions of their personal income or savings to finance their homes and the proportion used mostly ranged between 10% - 40%.

It was again revealed that, generally, there was negative perception of mortgage loans from the perspective of Ghanaian homeowners and the reasons attributed to the perception include the fact

that, most of them that have patronized mortgage loans had gone through bad experiences. Another reason attributed to this negative perception also was the fact that, the repayment period of loans, high interest rates and mode of payment did not favour them.

The research again showed that, over the years, some banks and mortgage firms have improved on their services especially with regards to attracting customers to patronize their loans. It was found that banks such as Republic bank, Cal Bank, Stanbic bank, and Fidelity bank and as well as Ghana Home Loans keeps making improvement over the years. However, the current trend showed that, Republic bank and Ghana Home Loans were the first and second most patronized for mortgage loans.

Finally, it was confirmed that, the mortgage industry was not without hindrances which impeded their effective operations. Some of the obstacles found included Poor Access to Long Term Funds, Credit Risk, Lack of Financial Literacy of Households, Lack of Capacity in Banking Sector, and Difficulty with Property registration, Low Levels of Incomes or Informalities and High Lending Rates, Cost of Foreclosing and Time of Foreclosing.

5.3 Conclusion

Based on the findings, it can be concluded that, mortgage firms and banks are making strides to ensure mortgage loans play a critical and significant role in terms of financing homes in Ghana among homeowners. However, its contribution still remains minimal due a number of factors including the fact that, most people will prefer to use their personal income to finance their homes.

It can also be concluded that, obstacles such as Poor Access to Long Term Funds, Credit Risk, and Low Income Levels play a very significant role as hindrances towards the effective operations, development and growth of mortgage firms in the country.

Also, generally, there was a good knowledge about mortgage products and services offered by banks and mortgage firms among Ghanaians.

Finally, it can also be concluded that, the lack of patronage of mortgage loans among Ghanaians could be attributed to high interest rates, shorter period of repayments and the mode of payment, the cumbersome nature of the process involved in accessing the mortgage loan as well as inability of the people to produce assets as securities before getting access to the mortgage loan.

5.4 Recommendations

Based on the conclusion, the study makes the following recommendations;

- There is an urgent need for mortgage firms and banks that offer mortgage loans to develop more strategies for marketing their products and services effectively. This could be achieved by training more officials to be more proactive and to reach out to the general public on the opportunities and benefits associated with mortgage loans when used to finance homes.
- There is need for mortgage firms to revise their policies on payment and interest rates as findings have shown that, most people fail to patronize their products and services due to these reasons. The adoption of friendly policies in terms of treatment given to clients who default with loan repayment is also critical.

- Mortgage firms should adopt a feedback approach system which will allow them take feedbacks from their clients, thereby are able to tailor products and services to suit their clients and also serve them better.
- The process that loan applicants and prospective clients of mortgages go through to access finance should be made less cumbersome and should also take less time for approval in order not to discourage them. The simpler and less bureaucratic the service is, the more likely they will recommend mortgage financing to others.



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APPENDIX: QUESTIONNAIRE

I am a postgraduate student of the University of Ghana Business School, and this questionnaire forms part of my thesis research. I am conducting a research on the topic “A STUDY OF THE SOURCES OF FINANCE FOR HOME OWNERSHIP IN GHANA: ASSESSING THE ROLE OF MORTGAGE BANKS IN FINANCING”. Your contribution to my work in completing this questionnaire would be much appreciated as it will contribute to the success of this study. The responses will be used strictly for academic purposes only and all information provided will be kept confidential. Thank you and I appreciate your participation.

SECTION A: DEMOGRAPHIC DATA

1. Gender: Male [] Female []
2. Age: 18-30 [] 31-40 [] 41-50 [] 51-60 [] Above 60 []
3. Marital Status: Single [] Married [] Divorced [] Separated []
4. Educational Qualification: Primary [] J.H.S [] Secondary Sch.[] Tertiary[]
5. Location (Sub-Metro):

SECTION B: OCCUPATIONAL INFORMATION

6. Employment Status: Employed [] Unemployed [] Retired []
7. If Employed, Type of Employment:
 Self Employed [] Permanent Employee []
 Non-Contract Employee [] Temporal employee []
8. Sector of Employment: Trade [] Manufacturing/Construction [] Services []
 Agriculture []
9. Length of Employment: Less than 5 years [] 6 to 10 years [] 11-20 years []

21 to 30years [] Above 30 years []

10. Income Level: Less than GHC 1000 [] GHC 1001 to GHC 3000 [] GHC 3001 to
GHC 5000[] GHC 5001 to GHC 7000 [] GHC 7001 to GHC 10000 [] Above
GHC 10000 []

SECTION C: HOUSING DETAILS

11. How long have you stayed in your house? Less than 1 year [] 1 year to 5 years []
5 years to 10 years [] Above 10 years []

12. Type of Home ownership: i. Own [] ii. Rent [] iii .Rent but own under
construction[]

*If you answered “i” or “iii” in question 12 above, please answer questions 13-14 below else go
to question*

13. How do you claim ownership of the house?

I bought it [] I built it [] Mortgaged from Estate Developer [] I inherited it []

14. If you bought or built it, where did majority of the funds you used in financing come from?

Mortgage Loan [] - Using the house as a collateral for the loan

Personal Loan [] - General loan from a financial institution.

Personal Income [] - From personal savings, remittances, salary

Note: If you answered Mortgage Loan in Q14; Please answer questions15-28 under Section

D

If you answered Personal Income in Q14; Please answer questions 29-34 under Section E

If you answered Personal Loan in Q14; Please answer questions 35-46 under Section F

SECTION D: MORTGAGE LOAN

15. How did you hear about the mortgage product?

- Advertisement in a media [] Official at my Bank [] Flyer or Brochure []
Friend/Relative [] Other (Please Specify).....

16. Which type of mortgage loan did you use?

- Home purchase Mortgage [] Home Equity Mortgage [] Home completion mortgage []
Home improvement Mortgage [] Construction Finance []

17. What property did you use as security to the mortgage?

- House [] Land [] Truck [] other [] Specify, if other.....

18. How long did it take to access the Mortgage from your Bank?

- Less than 2 weeks [] 2-3 weeks [] 3-4 weeks [] More than a Month []

19. How would you describe the criteria for accessing mortgage from your Bank?

- Very Cumbersome [] Cumbersome [] Normal [] Easy [] Very Easy []

20. How was the spread of the interest rate?

- Fixed Interest Rate [] Adjustable Interest Rate []

21. What was the average rate of interest?

- Below 10% [] 10% to 20% [] 21% to 30% [] 31% to 40% []
41% to 50% [] 51% to 60% [] Above 60% []

22. In your own opinion, how would you describe the interest rate during repayment?

Very Low [] low [] Indifferent [] high [] very high []

23. What do you consider to be the greatest challenge to you in your repayment process?

High interest rate [] Short repayment time [] Repayment Method []

Other specify,.....

24. Would you recommend mortgage loan to a friend or relative? Yes [] No []

25: If yes, why

.....
.....
.....
.....
.....
.....

26: If no, why

.....
.....
.....
.....
.....

27. Do you intend building/purchasing a new house in the next five years? Yes []

No []

28. If “Yes”, how do you intend to finance it? Mortgage Loan [] Informal Loan []
Personal Cash/Savings []

SECTION E: PERSONAL INCOME

If you used Personal Income:

29. In your own estimation what fraction of your monthly salary/income went into the construction of the house?

Less than 10% [] 10% to 20% [] 21% to 30% [] 31% to 40% []

41% to 50% [] 51% to 60% [] 61% to 70% [] Above 70% []

30. Do you save with any Bank? Yes [] No []

31. Does your Bank provide Mortgage Loans? Yes [] No [] Can't Determine []

32. Have you ever considered going in for Mortgage? Yes [] No []

33. If Yes, what prevented you from going in for it?

High Interest Rate [] No Property for securitization []

High bureaucracy in Documentation [] other Specify

.....

34. If No, Why?

No knowledge about it [] High Interest Rate [] No Property for securitization []

High bureaucracy in Documentation [] Other Specify

.....

SECTION F: PERSONAL LOAN

If you answered personal loan please answer from Q33 to Q43

35. How did you hear about the loan product?

Advertisement in a media [] Official at the financial institution []

Flyer or Brochure [] Friend/Relative [] Other (Please Specify).....

36. Did you need a property to secure the loan or serve as collateral? Yes []

No []

37. If yes, what property did you use as security to the mortgage?

House [] Land [] Truck [] other

specify,.....

38. How long did it take to access the loan from your Bank?

Less than 2 weeks [] 2-3 weeks [] 3-4 weeks [] More than a Month []

39. How would you describe the criteria for accessing loan from your Bank?

Very Cumbersome [] Cumbersome [] Normal [] Easy [] Very

Easy []

40. How was the spread of the interest rate? Fixed Interest Rate [] Adjustable Interest Rate []

41. What was the average rate of interest?

Below 10% [] 10% to 20% [] 21% to 30% [] 31% to 40% []

] 41% to 50% [] 51% to 60% [] Above 60% []

42. In your own opinion, how would you describe the interest rate during repayment?

Very Low [] low [] Indifferent [] high [] very

high []

43. What do you consider to be the greatest challenge to you in your repayment process?

High interest rate [] Short repayment time [] Repayment Method []

Other specify,.....

44. Would you recommend a loan to a friend or relative? Yes [] No []

45. Do you intend building/purchasing a new house in the next five years? Yes []

No []

46. If “Yes”, how do you intend to finance it?

Mortgage Loan [] Informal Loan [] Personal Cash/Savings []

SECTION G: RENT or RENT BUT OWN UNDER CONSTRUCTION

If you answered “Rent” or “rent but own under construction” in question 12, please answer the following questions.

47. Where do the majority of the funds you use to finance your rent come from?

Formal Loan [] Informal Loan [] Personal Income []

48. In your own estimation, indicate the proportion of your disposable income spend on rent.

Less than 10% [] 10% to 20% [] 21% to 30% [] 31% to 40% []

41% to 50% [] 51% to 60% [] 61% to 70% [] Above 70% []

49. Do you save/work with any Bank or Mortgage Firm? Yes [] No []

50. Have you ever applied for a credit facility towards your rent? Yes [] No []

51. Do you intend or have started building your own house? Yes [] No []

52. If Yes, how do you intend to finance it?

Informal Loan [] Mortgage Loan [] Personal Cash/Savings []