

**AN INVESTIGATION INTO HOUSING FINANCE
SCHEMES IN NAMIBIA:
A CASE STUDY OF OTJOMUISE, WINDHOEK**

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Abstract

A quantitative case study investigated the challenges encountered by low income earners in Otjomuise in raising finance for acquiring a dwelling. The simple random stratified sampling technique was used to sample the households, housing finance schemes and the commercial banks approached for the study. Using a questionnaire, the study investigated, firstly, the challenges encountered by low income earners in Otjomuise in raising finance for a dwelling through a housing finance schemes; and secondly, to understand to what extent do housing finance schemes allow low income earners in Otjomuise to provide dwellings for themselves. The study found that in spite of the challenges that the low income earners encounter in raising finance for a dwelling, they considered the housing finance schemes of being of assistance to them. The study concludes that the major challenges that low income earners in urban areas encounter in acquiring a house range from high interest rates on mortgage bonds to income and collateral requirements of financial institutions.

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Above all, I thank God. To him be the glory!

Dedication

I dedicate this project to my late brother, Simson Lungileni Ndatipo, who passed away while I was in my final year of my first degree.

Declarations

I, Twiitedululeni Lukas Nakweenda, hereby declare that this study is a true reflection of my own research, and that this work, or any part thereof has not been submitted for a degree in any other institution of higher education.

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Date.....

Twiitedululeni Lukas Nakweenda

Acronyms

BTP: Build Together Programme

CCODE: Centre for Community Organisation and Development

HFCs: Housing Finance Companies

MFI: Micro-Finance Institutions

MRLGHRD: Ministry of Regional and Local Government, Housing and Rural
Development

NHE: National Housing Enterprise

ROSCASs: Rotating Savings and Credit Associations

SDFN: Shack Dwellers Federation of Namibia

Chapter 1

Introduction

1.1. Background of the study

Since Namibia's independence in 1990, a shortage of affordable houses for low income earners has been seen as political issue and as one of the key challenges for the then Namibian Government and various Local Authorities (Kalili, Adongo, & Larson, 2008). How to fund the development and construction of houses, along with adequate provision of water, sewage and electricity services appears to remain a big challenge for the low income earning group. A number of housing finance schemes have been initiated, such as the National Housing Enterprise (NHE), the Build Together Programme (BTP) and Shack Dwellers Federation of Namibia (SDFN) (Mwilima, Phillipus & Fleermuys, 2011).

Each of these housing finance schemes operates differently. The NHE and the BTP are both government initiatives while the SDFN is a non-governmental organization, which assists its members to obtain land and infrastructure for housing purposes and provides members with loans with the main determining factor of loan value being the ability to repay the loan (Mwilima, Phillipus & Fleermuys, 2011). The NHE is dedicated to constructing houses for individuals in low and middle income brackets and it has a loan ceiling of about N\$ 550 000, while the BTP is the key programme through which government has attempted to deliver housing to low and ultra-low income groups in Namibia, disburse loans for building new houses and/or upgrading existing homes and

its loans ranged from N\$ 3 000 to N\$ 40 000, with a repayment period of 20 years (Mwilima, Phillipus & Fleermuys, 2011).

People migrating to urban areas are forced to live in informal settlements as a result of lack of affordable houses. Apart from people migrating to urban areas, there are people who were born and raised in towns who are also forced to live in informal settlements as they cannot afford to have a house of their own and also cannot pay rent on a dwelling.

This study looked at the NHE, the BTP and the SDFN as three premier housing finance schemes in Namibia. The study also covered the four commercial banks, namely: First National Bank of Namibia, Standard Bank Namibia, Bank Windhoek and Nedbank, all of which provide housing loans. This was done in order to understand the challenges of funding the development and construction of houses for low income earners. Households of Otjomuise informal settlement, one of the largest informal settlements in Windhoek, were the main focus of the study.

The researcher collected primary data from the households of Otjomuise and analyzed the information along demographic indicators and income levels in order to understand the nature and extent of the problem and the underlying factors. The study makes recommendations based on the general findings from Otjomuise for larger Namibian housing finance schemes.

1.2. Statement of the problem

The Namibian government established the NHE and the BTP under the auspices of local authorities and town councils in Namibia (Mwilima, Phillipus & Fleermuys, 2011). The results of these public sector initiatives have not yet proved sufficient to improve the housing situation of low income earners in various communities in Namibia. According to Oyewole (2010), several efforts were initiated by government in the area of housing finance schemes, but very little impact was made, particularly among low income groups. This is attributable to the demand for housing which has been rising at a fast pace, while supply has not been growing at the same rate (Mushendami & Kandume, 2008). Although municipalities and town councils have been in existence for a long time, the alleviation of the housing shortage remains a big problem in Namibia, especially within the urban informal settlements predominantly occupied by low income earners.

Housing expenditure accounted for about 21% of the national consumption basket and is the second largest household expenditure item in the country, after food and beverages (Kalili, Adongo & Larson, 2008). Financial intermediaries such as commercial banks provide mortgage bonds to clients who meet income and collateral requirements, such as having life cover, fire cover, 30% gross income as instalment and a good credit record. Out of the whole adult population of Namibia, it seems that only a few individuals are eligible for mortgage bonds as the majority of the adult population does not meet the income and collateral requirements. Although schemes are in place, it was not clear if these schemes were affordable to low income earners.

1.3. Research Questions

In light of the problem statement above the research questions were as follows:

1. What are the challenges faced by low income earners in Otjomuise in accessing finance for a dwelling through the housing finance schemes?
2. To what extent do existing housing finance schemes allow low income earners in Otjomuise to provide dwellings for themselves?

1.4. Significance of the study

The findings of the study are envisaged to provide ways to improve housing finance schemes to provide affordable housing to low income earners in Namibia and thereby meet the long standing need of people, particularly the low income earners. The research findings shall also be useful in formulating policies and budget priorities by the Ministry of Regional and Local Government, Housing and Rural Development, the NHE, BTP, SDFN as well as in other housing stakeholders, including municipalities and town councils. The findings would provide a roadmap to low income earners on how to improve access to housing finance through financing schemes that are recommended by the study. It is also envisaged that the findings of this study would help other stakeholders in policy formulation, such as the Ministry of Finance, which is responsible for providing finance to the line ministry. It shall also be useful to Namibian society in general, particularly those who are finding it difficult to acquire a house of their own. Finally, the findings shall also be useful to other researchers, especially those in the area of housing finance.

1.5. Limitations of the study

Firstly, the study was limited to Otjomuise informal settlement, leaving out settlements in other parts of Windhoek and the country, where similar or different problems might be prevalent. Besides, the researcher faced time and financial constraints, and the study required resources that the researcher provided for out of his savings. Secondly, availability and willingness of respondents to provide the required information as well as language barriers were also a challenge, which necessitated repeated engagement attempts.

1.6. Definitions of terms and concepts

Although the following terms and concepts may have definitions other than those presented in this section, the definitions provided here represent the referral and contextual meanings of the terms used in this thesis.

Low income earners – This refers to those earning between N\$ 1 500 to N\$ 4 601 per month who, as per commercial banks' requirements, would probably not qualify for a mortgage bond, thus they resort to other means of housing finance, such as those discussed by the study.

Ultra-low income group – This refers to those who are earning below N\$ 1 500 per month and includes people like support staff (cleaners), domestic workers and security guards.

Middle income group – This refers to those who earn above N\$ 4 601 and are most likely to meet the income and collateral requirements of the commercial banks.

Housing finance scheme - Housing finance scheme refers to a large scale systematic plan to provide housing finance needed for the construction, maintenance and up-grading of a dwelling unit.

Informal settlement – This refers to an area which has not been proclaimed as a township and sanitation is at stake as most of the basic services such as water, electricity and sewerage are not available and most of the households are living in shacks.

Incremental housing – It refers to a strategy of developing informal settlements into permanent urban districts through gradual improvements to existing dwellings without demolition and rebuilding.

Chapter 2

Literature review

2.1. Introduction

This chapter presents the literature reviewed. The literature reviewed is broadly classified into two parts: the theoretical literature and empirical literature. Firstly, theoretical literature is reviewed. Secondly, empirical literature is reviewed. Finally, a summary is drawn from the literature.

Review of literature is a process of finding out what other researchers have discovered about the knowledge gap and the methods employed by other researchers in order to address the research problem. In this study, it was necessary to review the literature on housing finance schemes in order to establish how the housing finance schemes are operating in both developed and developing countries in the area of low income earners.

This study focuses on the issues in housing finance schemes in the Otjomuise settlement. Otjomuise was chosen as it is one of the areas in Windhoek where most of the residents are low income earners. The researcher studied the ways in which the NHE, BTP, SDFN and commercial banks provide housing finance for a dwelling in the Otjomuise settlement.

2.2. Housing finance

The issue of housing and housing finance has been receiving increasing attention over the recent decade in the context of both theoretical and empirical literature. There have been many studies built on various observations in this area. Rao and Apprao (2012) quoting Year Book (1997) revealed that the modern concept of housing does not limit the idea of housing merely to the provision of shelter, it is an integral part of overall policy improvements of human settlements and economic development.

According to Levaku (2012), housing is one of the basic needs of society. It is the place which witnesses all the important events in the life of a human being. Next to food and clothing, shelter is an essential ingredient of human life, as a house is not only a place of dwelling but also an important social need of a family. Housing and quality of life are intimately related as good housing also increases productivity of people. The life styles of people, including their cultures, are reflected in the type of houses they live in. Indecent, unhygienic and inhuman living conditions seriously affect and endanger both the physical and mental health of individuals. As such, it is essential that a proper habitat in proper surroundings with minimum basic services, like clean drinking water and sewage, is made available to every citizen.

Studies on some of the challenges in financing housing for the low income earners have been conducted in Namibia and elsewhere before. The most recent study on challenges in financing housing for low income earners was conducted in India by Rao and Apparao in 2012. They studied the present housing conditions in India and found that the housing shortage is a universal phenomenon and that it is most acute in developing countries. Their study recommended that a national housing strategy

should be introduced, the capacity of the ministry responsible for housing should be strengthened and housing policies should be implemented by involving international donors and non-governmental organisations.

Similar to Rao and Apparao (2012), Manda, Nkhoma and Mitlin (2011) in Malawi, also studied housing finance and poverty reduction in urban areas, but specifically lending for housing, the performance of housing finance management tools and the development of alternatives. They found that the main challenges were loan defaults by members. The houses are too expensive for most members and it was time to develop low-cost construction systems. The study was carried out as a case study of two community-savings organizations, namely the Centre for Community Organisation and Development (CCODE) and the Malawi Homeless People's Federation (MHPF). Also important in the Malawi context is the fact that some of those marginally associated with the MHPF, did not believe that the finance was a loan. In the case of CCODE, there was suspicion that it misled people and was cheating them of the grants that donors had provided.

In Namibia, the Centre for Affordable Housing Finance in Africa (2010) conducted a study on housing finance markets in Africa and concluded that while the housing markets in higher income bands have done well, Namibia has an affordable housing shortage, as the NHE could only supply about 3 245 houses from 2000 to 2006. The Centre for Affordable Housing Finance in Africa (2010) found that while those earning more than N\$ 10 000 a month may qualify for a mortgage, supply of housing priced in the range of those earning N\$ 1 500 – N\$ 4 601 a month is not always available. As a result, about 35% of the population earning between N\$ 1 500 and N\$ 4 601 per

month, and almost 52% of the population earning less than N\$ 1 500 per month were left out because of the NHE's limited supply. However, there is the option of seeking financing from organisations such as the SDFN or loans from the BTP. The study further concluded that commercial banks are overexposed to mortgages, which is an ongoing concern in the economy.

2.3. Housing – A basic human need

Housing is one of the most important basic needs that we human beings have. Adequate housing is essential for human survival with dignity. There are many things that we would find difficult, if not impossible to do, without good quality housing.

2.3.1. Global problem

Wapwera, Parsa and Egbu (2011) quoting (Okoroafor, 2007) point out that developed countries such as the United Kingdom, parts of North America, Germany and some Asian countries such as Japan, Korea and Singapore, have well-organized and effective housing finance schemes. It would, therefore, be desirable if strategies from these developed countries can be adopted and adapted towards improving the housing finance schemes in developing countries (Wapwera, Parsa & Egbu, 2011).

Ravindra, Viswanadham and Rao (2013) conducted a study on “operational and financial performance evaluation of housing finance companies” in India. The study revealed that housing being one of the essential needs of mankind, the demand for shelter grows in line with the increase in population and the standard of living. Hence the need of financing the purchase of a house comes up. The

emergence of a number of Housing Finance Companies (HFCs) in organized and unorganized sectors, according to Ravindra, Viswanadham and Rao, has brightened the economic scenario. In India, for example, during the last few years, a lot of emphasis has been placed on creating an integrated national housing finance system. With the creation of the National Housing Bank, housing finance has received added impetus. Their study further revealed that HFCs are among the top institutions as far as loan sanction, disbursement and outstanding are concerned. Their study concluded that though these housing agencies are good in sanctioning loans and delivery of service to customers, they have to modify and differentiate their service packages according to the needs of the market segment in order to have a permanent place in the housing industry.

2.3.2. Criticality in case of low income groups

Oyewole (2010) argued that several efforts were initiated in the past by governments in the area of housing finance and development, but very little impact has been made, particularly among the low income groups. In Nigeria, according to Oyewole (2010) (quoting the United Nations Centre for Human Settlements, 1990; Abdullah, 1994; Ogu, 2001) this was because low income earners cannot afford houses developed through government intervention even when subsidized. The study revealed that the current national housing policy, with the objective to facilitate mobilization of finances for the provision of affordable housing for every Nigerian, had also failed to achieve its major objectives of enabling low income earners to build houses and making available long-term loans to mortgage institutions that will in turn lend to contributors to the national housing fund. The

failure may be attributable to the fact that institutional sources of housing finance schemes are often inaccessible to most Nigerian households, especially the low income earners. Oyewole (2010) quoting the World Bank's report (2002), pointed out that the failure and inability of the formal housing finance schemes to address the needs of the vast majority of the population in developing countries led to the evolution of informal housing schemes. The study further pointed out that the United Nations Centre for Human Settlements HABITAT (2002) reveals that conventional public and private finance schemes offer almost no solution to the housing needs of low income segments of the population.

According to Kyessi and Furaha (2010) most of the housing initiatives undertaken by governments of developing countries and large financial institutions often end up benefiting high and middle income earners. Kyessi and Furaha (Vuyisani, 2001) found that this was so because the current initiatives in countries like Ghana, Zambia and South Africa did not work for the low income earners. In Ghana, for instance, the conventional mortgage lender is limited in its ability to serve low income earners as they need small loans for incremental housing, which are unaffordable. The Zambian housing finance scheme focused on the relatively easy earnings by offering mortgages to high net worth individuals, automatically excluding the low income groups who are the majority of the population. It was further revealed that the formal banking sector in South Africa, as in other developing countries, still finds it too risky to act in the low income markets, despite the transformed government efforts in solving housing problems (Kyessi & Furaha, 2010).

Large financial institutions in developing countries, including Namibia, often marginalize the poor in various housing credit initiatives. This is supported by Keyssi and Furaha (2010) who argued that large financial institutions exclude the low income groups in society, claiming that they are incompatible with the banking requirements. In addition, financial institutions do not consider long-term lending for housing a priority because of the associated risks in non-integrated financial systems (Wapwera, Parsa & Egbu, 2011).

The first ever housing bank in Tanzania collapsed in 1995 without addressing the plight of the low income earners (Keyssi & Furaha, 2010). Keyssi and Furaha (2010) quoting Lugalla (1995) highlighted that this was due to administrative procedures, terms and conditions set up by the government and banking institutions in Tanzania, which exclude the poor due to their low affordability level. As a result, the alternative to the poor has been the microfinance institutions (MFIs) that are growing in number in developing countries.

Emmanuel (2012) conducted a study on “housing quality to the low income housing producers” in Nigeria. The study found that poverty and housing poverty are one of the greatest threats to quality of life in urban areas. The process of achieving quality of life, according to Emmanuel, is related to the process of achieving sustainable development, which aims to improve the welfare and happiness of all citizens. The quantitative need for housing by the low income earners is enormous and meeting this need is one significant step towards improving the quality of life in urban areas.

Emmanuel (2012) combined quantitative and qualitative approaches to study housing quality of the low income housing producers in Nigeria. Emmanuel's study determined that Nigeria, with a housing stock of 10.7 million units, has a housing shortfall of between 12 million and 16 million units. This housing shortfall was caused by rapid urbanization due to the development disparity between rural and urban areas. The study concluded that it is necessary for policy experts to understand the totality of the social profile of low income people, the processes they adopt, and the different stages of the product in different social contexts, to intervene in improving housing quality for the majority in the urban environment.

Manda, Nkhoma and Mitlin (2011) conducted a study on approaches to housing provision in Malawi. Their study revealed that one of the main implementation mechanisms is the promotion of secure tenure and upgrading, and government policy is to ensure that the housing delivery system enables all income groups to access housing. They suggested that there are three strategies of housing delivery for both urban and rural communities, namely: creation of traditional housing areas under local authorities, provision of surveyed plots with title deeds for construction of houses through mortgage loans and upgrading of informal settlements.

According to Manda, Nkhoma and Mitlin (2011), with regard to the creation of traditional housing areas under local authorities, the allocation process was based on 'first come, first served', and the biggest problem is that demand exceeds supply. Furthermore, most low income people find it difficult to pay ground rent to the city council and as a result, they sell their plots to rich speculators and move to informal settlements. Their study concluded that the government has announced

its intention to launch a national programme of shack up-grading, however, it is not clear yet when this will start and there has been no commitment through the national budget.

2.3.3. *Criticality of the housing problem in Namibia*

The problem of housing finance has become a global phenomenon and Namibia is no exception. The most profound constraint in Namibia is the mismatch between housing supply and demand. This remains a key concern for policy makers, who recognize that addressing this persistent imbalance will not only unleash the full potential of the housing market and its contribution to the economy, but will also address the social aspects related to sustainable and affordable housing (Mwilima & Fleermuys, 2011).

2.4. Housing Policy of Namibia

The National Housing Policy (NHP), adopted by Cabinet in July 1991, guides all actions taken by the Directorate of Housing in the field of housing administration. Affordable housing has been established as one of the top four development priorities in the country, along with agriculture and rural development, education and training, and health care.

According to the Ministry of Regional and Local Government, Housing and Rural Development (MRLGHRD) (2007), housing is recognized as an important investment sector for stimulating capital formation and generating income and employment. Thus,

the MRLGHRD views housing as an investment linked to land, building, materials, machinery, employment creation and related economic activities. The Namibian government strongly supports the principle of home ownership as a means of providing security, stability and economic power to the family unit and creating the basis for motivated communities.

2.5. International experiences

It appears that human housing is one of the most serious challenges facing developing countries today. Kumar, Sanu and Newport (2008) in their study, titled 'Operational guidelines for sustainable housing micro-finance in India', stated that in the Indian context, the central government in 1998 announced that the National Housing and Habitat Policy will provide "Housing for All", with an emphasis on extending benefits to the poor, vulnerable and the deprived. However, their study revealed that in developing countries there is no appropriate credit supply for housing finance for low income and moderate income groups. Their study further revealed that a promising avenue in the trend is the incorporation of housing micro-loans into the programmes of successful micro-finance institutions (MFIs) with proper institutional, financial and technical backups.

Kumar, Sanu and Newport (2008) further revealed that the primary importance of MFIs in housing finance is that, before implementing a housing loan, an MFI has to initiate a rural housing demand study in order to generate information for designing

housing loan products. As such, the potential demand for housing micro-finance depends on the customer's affordability level, needs and willingness to borrow.

Smets (2000) conducted a study on sources of housing finance for the urban poor in India. The study revealed that one of the world-wide practices for solving the problem of housing finance is through the rotating savings and credit associations (ROSCAs). According to Smets (2000), ROSCAs are an alternative to conventional housing finance, which requires conventional collateral. ROSCAs are a world-wide phenomenon which can be traced in urban as well as rural areas and which are known under different names, such as *tanda* in Mexico, *susu* in Ghana, and *chits funds* in India (Smets, 2000). Unlike the mixed-income housing development strategy, which provides a mixture of housing products to suit low-income earners, middle-income earners as well as high-income earners, ROSCAs consist of a group of participants, namely women, men and children, who deposit a daily, weekly or monthly fixed contribution in a common pot which is allotted in part or whole to each participant in turn. In a ROSCA, each member pays a monthly contribution to a common fund, and then the fund will be allocated to one member who can share the fund as well as the costs of the contributions with a partner. As such, the allocation of the fund will be repeated on a monthly basis till all participants receive the fund once (Smets, 2000).

Smets' study revealed that ROSCAs can be used as a source of housing finance by slum dwellers as it can be employed for the construction or improvement of shelter. However, for this scheme to operate effectively, a mutual understanding of all members repaying and saving in the scheme should be developed as many borrowers are eager to pay if they are sure that all other members are also paying (Smets, 2000).

Smets' study concluded that among other financial sources, housing finance can be mobilized through ROSCAs, which combine savings and credit.

2.6. Experiences in Africa

Hassan (2012) conducted a study titled 'The enabling approach for housing supply: Drawbacks and prerequisites' in Egypt. The study found that most governments were unsuccessful in the role as housing providers. Governments should cease doing what they did badly, i.e., building and managing housing. Hassan's study proposed that instead of central institutions providing housing, users should be one of the principal actors.

In the last three decades, the dilemma of creating a policy in Egypt that should include articulating a framework for slum prevention, developing land tools to implement pro-poor land policies, promoting a range of legislation to address housing, land and property, emerged (Hassan, 2012). The idea of the 'enabling approach' emerged as the best way to supply housing for all, according to Hassan, as it addresses the housing system not just projects. Hassan's study further revealed that the enabling approach is that it is not the government's job to provide housing. Rather it should facilitate an environment which enables the housing market to work effectively. Hassan's study concluded that the variety of affordable housing schemes and multiplicity of providers could improve principles of housing policy on condition of considering the right to housing and the environment.

Similar to Hassan, Onatu (2010) also conducted a study on the ‘mixed-income housing development strategy’ in Cosmo City, Johannesburg, South Africa. Onatu’s study defined ‘mixed-income housing development strategy’ as an innovative approach to housing delivery that provides a mixture of housing products to suit low income earners, middle income earners as well as high income earners. According to Onatu (2010), as far back as the 1990s, mixed-income housing development strategy has gained increasing attention from policymakers and local developers, particularly as a tool for the transformation of failed public housing developments. His study revealed that access to quality, affordable housing in cities has been an ongoing challenge for those living in poverty, and a persistent and continuous public policy issue that centers on the extent to which having a decent home is a basic right of all South Africans. The study concluded that private sector participation in housing development should be encouraged as most local authorities are struggling in terms of finance to address socio-economic issues and service delivery.

2.7. Experiences in Namibia

The importance of housing in Namibia as elsewhere relates to multiple roles that home and property ownership plays in the economy and society (Mwilima, Fillipus & Fleermuys, 2011). To an individual, owning a house is not only the fulfilment of a basic need for shelter, but also constitutes a significant part of his/her wealth. Kyessi and Furaha (2010) quoting Magigi and Majani (2006), point out that housing is a key determinant of quality of life measured at individual, household and community levels.

According to Kalili, Adongo and Larson (2008) quoting Itewa (2002), at Namibia's independence, the country was faced with a biased pattern of human settlements as a result of apartheid policies followed by the colonial government. Immediately after independence, the Namibian government identified housing as one of its top development priorities (Kalili, 2008). Accordingly, the Namibian government had put in place a number of housing finance schemes, which promoted access to housing, thus recognizing it as a human right (Mwilima, Fillipus & Fleermuys, 2011). In Namibia, housing expenditure accounted for about 21% of the national consumption basket and is the second largest household expenditure item, after food and beverages (Kalili, Adongo & Larson, 2008).

Mwilima, Fillipus and Fleermuys (2011) conducted an evaluation study of the Namibian housing market – its opportunities and constraints. Their study found that the provision of affordable housing was one of the key challenges facing policy-makers in Namibia. Their study revealed that by 2007, Namibia faced a 'backlog of 80 000 households' in dire need of housing. They further revealed that the main factor contributing to the housing shortage was the shortfall in housing supply, which failed to keep up with growing demand over the years. They further pointed out that the housing shortfall was intensified by the prevailing high unemployment rate, rising house prices and growing urbanization in the country.

2.8. Housing finance schemes in Namibia

Mwilima, Fillipus and Fleermuys (2011) pointed out that concerning housing finance schemes, about 70% of the Namibian population could not access collateralized home loan facilities available in the financial market, as delivery of mortgage products requires titled land which is obtained at a price. This implies that banking institutions normally lend to well-off clients who meet the requirement of the titled land which is obtainable at a price.

Housing is a complex area, which involves many stakeholders, from government, financial providers to the builders of housing. One of the major findings of Manda, Nkhoma and Mitlin's (2011) study is that countries like Malawi, for example, have a high rate of urbanization (high movement of people from rural areas to urban areas in search of job opportunities), estimated at 4.3% annually, and face a considerable challenge in enabling the urban poor to access land and finance for housing. In Namibia, Bindels (2011) conducted a similar study on housing policy and delivery in Namibia. The study revealed that the government is responsible for housing programmes in Namibia, such as the BTP and supports the NHE. The study further found that besides government, there is also a range of non-governmental organisations involved in housing, such as the SDFN.

2.8.1. The Build Together Programme (BTP)

The BTP is the key programme through which the government has attempted to deliver housing to low and ultra-low income groups in Namibia. This programme is implemented at regional and local authority levels with a mandate of disbursing

loans for building new houses and upgrading existing homes (Mwilima, Fillipus & Fleermuys, 2011). Unlike the NHE, the BTP's loan values range from N\$ 3 000 to N\$ 40 000 with a repayment period capped at 20 years, and is geared towards individuals earning less than N\$ 3 000 per month. They further revealed that between fiscal years 1998/99 – 2007/08, 10 479 houses were constructed under the BTP scheme and that included renovations and upgrading of informal settlements. They concluded that a number of challenges need to be addressed, including, among others, land servicing, rising cost of building materials, incapacity at some regional and local authorities and budget constraints.

2.8.2. The National Housing Enterprise (NHE)

The NHE is a state-owned enterprise established in 1993 and dedicated towards constructing houses and providing housing finance for individuals in low and middle income brackets. The NHE loan sizes vary, but have a ceiling of about N\$550 000 (Mwilima, Fillipus & Fleermuys, 2011). The loan repayment period ranges between 20 to 30 years, and the rate of interest is prime minus one percent. According to Kalili, Adongo and Larson (2008), quoting Mwilima, Fillipus & Fleermuys, 2011, the delivery rate of houses under this scheme was comparatively high in the early 1990s as demand for housing was comparatively low. Clapham and Smith (1990) pointed out that in the public sector, “access to housing finance is supposed to be determined by need, rather than the ability to pay”. However, the NHE also cited availability of finance as a serious constraint in the provision of low-cost housing in Namibia (Mushendami & Kandume, 2008).

Mwilima, Fillipus and Fleermuys (2011), concluded that since its inception in 1993 until 2010, the NHE has delivered over 8 000 houses and that highlights one of its successes. They further revealed that besides its successes, challenges such as a shortage of serviced land and the lengthy process of acquiring virgin land for servicing, continue to hamper the operations of the NHE.

Similar to Mwilima, Fillipus and Fleermuys' (2011) study, Bindels (2011) conducted a study on housing policy and delivery in Namibia. Her study found that the NHE replaced the National Building and Investment Corporation in 1993, and it is a parastatal under the Ministry of Regional and Local Government, Housing and Rural Development. Bindels' study revealed that the NHE acts both as a lending institution and as a developer in the field of affordable housing. Furthermore, the target group consists of households with an income over N\$ 5 000 per month, and not more than N\$ 20 000 per month. Bindels' study further revealed that the NHE sources funds from the capital market and currently has an agreement with Standard Bank Namibia. According to Bindels (2011), this agreement entails that Standard Bank Namibia deals directly with NHE's clients to arrange their mortgages, with the agreement that the interest rate is always at maximum the prime rate minus one percent.

It appears that the NHE offers two types of houses, namely: core houses and conventional houses. Core houses are basic houses targeted at the low-income market while conventional houses are fully-finished houses with two or more bedrooms (Bindels, 2011). Bindels' study further revealed that conventional houses have generally made up the majority of the houses delivered by the NHE.

2.8.3. *The Shack Dwellers Federation of Namibia (SDFN)*

The SDFN is a non-governmental organization which assists its members to obtain land and infrastructure for housing purposes. It provides members with loans with the main determining factor of loan value being ability to repay the loan. The loan is repayable within a period of 11 years at an interest rate of 0.5% per month. However, in order to qualify for loan, a member is expected to provide an advance payment equivalent to 5% of the loan amount (Mwilima, Fillipus & Fleermuys, 2011). This is contrary to what has been the practice in countries such as France during the nineteenth century where individual dwellings and the land on which they were built acted as collateral (Doling, 1997, p.127).

Mwilima, Fillipus and Fleermuys (2011) found that the SDFN solicits funds from its savings schemes, the central government, local private companies as well as from international donors and is affiliated to Shack Dwellers International. Their study further revealed that during the fiscal years 2007/8 and 2009/10, government allocated about N\$3.9 million to the SDFN, which financed the construction of about 150 houses. On the other hand, from the individual savings groups, the SDFN recorded as much as N\$7.7 million between 1998 and 2010. As a result, the SDFN has managed to construct 3 015 houses. It appears that the housing delivery rate was very slow during the earlier years due to limited funds. However, the financial boost from the central government has improved the capacity of the federation to acquire land and construct houses.

Apart from the successes achieved by the federation in providing homes to its members, it appears that there are several challenges that hinder their activities.

According to Mwilima, Fillipus and Fleermuys (2011), challenges include unavailability of serviced land, slow process of land delivery and a lengthy land registration process. Another challenge cited in their study is the increase in the cost of building materials, which as a result erodes the purchasing power of loans.

2.8.4. Commercial Banks

Apart from the housing finance schemes as discussed above, commercial banks are the most common financial institutions providing housing finance, particularly mortgage bonds in countries such as China, India, Japan and Indonesia (Zhang, n.d). According to Zhang (n.d), primarily, commercial banks raise capital by way of deposits or by issuing bonds as well as through securitization. They then pool these large amounts of deposits and act as intermediaries to manage the mismatch between short-term deposits and long-term loans.

Some countries have established housing banks as a way of overcoming the colossal housing finance problem, which has become a global phenomenon. However, the role of housing banks differs from country to country. In Asia, for example, housing banks play different roles. Some housing banks play regulatory or supplementary roles in housing finance (Zhang, n.d). India's National Housing Bank primarily performs a regulatory role while China's housing banks played an initial experimental role in housing finance and exited when commercial banks began providing mortgage finance (Zhang, n.d).

According to Zhang (n.d), in other Asian countries, specialized housing banks have been developed as main housing finance instruments in that, in such housing

banks, the government often plays an important role. In Thailand, for example, the Housing Bank of Thailand introduced housing loans which were financed through bonds to avoid long-term finance mismatches with short-term deposits and also to reduce costs to make loans more affordable (Zhang, n.d).

In Namibia, there are four commercial banks, namely the First National Bank of Namibia, Standard Bank Namibia, Nedbank and Bank Windhoek. According to the Centre for Affordable Housing in Africa (2010), traditionally, lending to households and corporations has been part of bank credit and has been increasing, having done so by 10% in 2009. In comparison, lending to government and other public organisations fell significantly in this period. According to the FNB House Price Index, a small housing unit is priced between N\$ 244 000 and N\$ 252 000. The same study revealed that as about 87% of the Namibian population earn less than N\$ 1 500 a month, the cheaper houses are, therefore, not available to the vast majority of the population. Furthermore, supply of houses at this price, which represents the lowest priced formal housing unit, is not always available.

The most recent study on the implications of mortgage finance on housing market affordability was conducted in the United Kingdom (McCord, McGreal, Berry, Haran & Davis, 2011). In their study, they used time series panel data and found that the relationship between mortgage finance and affordability has been driven by deregulation of the mortgage market, contributing to the rise in house prices. Their key findings suggest that the new significant capital requirement needed to access the housing market will inevitably prolong affordability pressures for the foreseeable future.

2.8.5. Problems and difficulties in housing finance

Levaku (2012) conducted a study on housing finance in India. According to Levaku (2012), housing finance brings together complex and multi-sector issues that are driven by constantly changing local features, such as a country's legal system, regulatory environment or political system. The purpose of a housing finance system, according to Levaku, is to provide funds which home-buyers need to purchase their homes. It appears that housing finance covers financing at all stages in the development of housing from purchasing the plot to the construction of the house.

Levaku's study revealed that commercial banks' involvement in housing finance is relatively recent. Out of the 100 sample borrowers, 27% were in favour of banks providing loans to purchase plots, while 24% stated that the instalments should be stable as far as possible (Levaku, 2012). The study concluded that of all the problems faced by the borrowers, the major problem is rules and regulations, followed by surety and security. This is supported by Emmanuel (2012), in Nigeria, who argued that incentives for housing provision like mortgage and financing facilities are also scarce as available finance comes with a double digit interest rate, which is not attractive even to high income earners.

The problems and difficulties for housing finance schemes could be attributable to many factors. According to Marja (1998), the provision of standard housing and residential infrastructure has not kept up with population increases, because of constraints in the main supply factors, such as land and finance, and severe affordability problems. Land and construction prices for new formal sector housing

are high relative to incomes, particularly in urban areas. Marja (1998) quoting the Government of Bangladesh Housing Indicators Report of 1995 revealed that urban households devote on average 10 to 17.5% to housing related expenditures.

2.9. Conclusion

There are enough indications in the literature that public sector initiatives have failed to improve housing delivery to low income communities. A similar trend has been observed in Namibia, as the delivery of housing to low income earners, either through NHE, BTP and SDFN, remains a matter of concern, despite the government's efforts through these national programmes. Given the different housing finance schemes, this study focused on the three housing finance schemes namely the NHE, the BTP and the SDFN, as well as the four commercial banks in Namibia, namely First National Bank Of Namibia, Standard Bank Namibia, Bank Windhoek and Nedbank.

Chapter 3

Research Methodology

3.1. Introduction

The purpose of the study was to investigate the challenges faced by the low income earners in raising finance for a dwelling through the housing finance schemes and also to understand to what extent the present housing finance schemes allow the low income earners in Otjomuise to provide dwellings for themselves.

The previous chapter was based on the review of theoretical and empirical literature focusing on the problem under investigation and related aspects. This chapter describes the methods and procedures used in the research including research design, population, sample and sampling techniques, research instruments, data collection procedure, data analysis, validity and reliability and research ethics.

3.2. Research design

Research design is the overall research methodology such as qualitative, quantitative, case study or a combination of these. It is the research design that determines the research methods and procedures to be applied as determined by the nature of the research problem. The study employed the quantitative approach. Hartney (2011),

states that quantitative approach allows a researcher to gain a more comprehensive understanding of the problem under study.

3.3. Population

Otjomuise was chosen as the field of study. The population of Namibia was 2.1 million as per the population census 2011 of Namibia (Namibia Statistics Agency, 2013). Otjomuise has a population of 16 423 residents and consists of 4 231 households (Namibia Statistics Agency, 2013). Out of the total residents 8 516 are females and 7 907 are males. Besides the three housing finance schemes and four commercial banks, 4 231 households constituted the population for the study.

3.4. Sample and sampling techniques

Taking heads of households a survey unit, the sample was drawn from 4 231 heads of households settled at Otjomuise. Given a target population of 4 231 households in Otjomuise, using the stratified random sampling technique, a sample of 80 heads of households was selected. The heads of households were divided into four strata according to the location within 7 De Laan location in Otjomuise, from which a simple random sample of 20 heads of households was selected from each stratum. In addition, using a simple random sampling, seven respondents were selected from the three housing finance schemes and from the four commercial banks, one from each organization.

3.5. Research Instruments

The research instruments for collecting information for this study included questionnaires used for face-to-face interviews with the heads of households from Otjomuise and selected respondents from housing finance schemes and commercial banks. Questionnaires contained both closed-ended and open-ended questions. The inclusion of open-ended questions in the questionnaires was to enable the researcher to draw respondents' unique views on different issues of housing finance schemes. However, the content of the questionnaires used for the heads of households and the officials varied. All these instruments were pre-tested to ensure their suitability for the research. The questionnaires used in the survey are given as Appendix A, Appendix B and Appendix C.

3.6. Data Collection Procedure

Data used in this study were collected from the heads of households from Otjomuise settlement and officials from the housing finance schemes and commercial banks. In order to have an in-depth understanding of the problem under investigation, a total of 87 questionnaires were distributed of which 80 were distributed to the heads of households, 3 to the housing finance schemes and 4 to the commercial banks. For security and confidentiality of the information obtained, permission (in writing) to carry out the study was obtained from Post Graduate Studies Committee of the University of Namibia.

A field survey was conducted using questionnaires to collect data from households in Otjomuise informal settlement. Accordingly, a questionnaire was distributed to the three housing finance schemes and another questionnaire was distributed to the four commercial banks in order to obtain the supply side information from officials of the organizations administering housing finance schemes. The content of the questionnaires distributed to the three housing finance schemes and the four commercial banks were slightly different in order to suit their requirements. Secondary data were obtained through the scrutiny of relevant official records and reports of housing finance schemes kept at the offices of the NHE, BTP and SDFN and commercial banks. This information from the officials was very valuable and could not have been obtained from the households such as the requirements of the housing finance schemes, finance provided under schemes and income and collateral requirements.

3.7. Data Analysis

As the study used the quantitative approach, applying the sampling technique as outlined above, the data gathered from the households at Otjomuise were analyzed after grouping the information along demographic indicators such as gender and age. The data were obtained from seven respondents of the three housing finance schemes and four commercial banks. Secondary data were obtained through the scrutiny of relevant official records and reports of housing finance schemes as outlined in the research design. The data were analyzed using SPSS descriptive statistics module. The study made use of frequency tables, charts and central tendency statistics.

3.8. Research ethics

The guidelines of the University of Namibia on research ethics were adhered to at all stages in the process of the research. Informed written consent was obtained from each respondent before administering questionnaire. Respondents were informed that their participation is voluntary and they can withdraw at any stage of the research. Deception in the study was prevented in order to avoid state of fear and intimidation among respondents. All information gathered through questionnaires was treated with strict confidentiality and were not disclosed to unauthorized individuals. Information on the desktop and the laptop was password protected. Plagiarism has been avoided with determination at all stages of research and ideas borrowed from other scholars or researchers have been appropriately acknowledged in the text.

3.9. Conclusion

The purpose of Chapter 3 was to provide the methodology used to undertake the study. The study adhered to the quantitative research approach of a case study. The population of the study was constituted by three housing finance schemes, four commercial banks and 4 231 households. The simple random sampling technique was used to draw a sample of 87 respondents. The sample of 87 respondents comprised of 80 heads of households, three officials from the housing finance schemes and four officials from the commercial banks. The following Chapter is a presentation, analysis and interpretation of the collected data.

Chapter 4

Analysis and Discussion

4.1. Introduction

In this chapter, data are presented and analysed according to the identified challenges faced by low income earners in Otjomuise in raising finance for dwellings through the housing finance schemes and to understand; to what extent the present housing finance schemes allow the low income earners in Otjomuise to provide dwellings for themselves. The ‘low income earners’ refer to those who are earning between N\$ 1 500 to N\$ 4 601 per month, who as per commercial banks requirements would probably not qualify for a mortgage bond, and thus resort to other sources of housing finance. The words ‘income earners and income group’ have been used interchangeably in this thesis.

In order to respond to the research questions, information available from various sources supported by three opinion surveys was used. For opinion survey, two research instruments were used, namely a questionnaire for the representatives of housing finance schemes (Appendix A), a questionnaire for the representatives of the commercial banks (Appendix B) and another questionnaire for Otjomuise households (see appendix C). Target respondents were heads of households settled at Otjomuise and officials from the housing finance schemes and commercial banks. The housing finance schemes were: Build Together Programme, National Housing Enterprise and

Shack Dwellers Federation of Namibia, while the commercial banks were First National Bank Namibia, Standard Bank Namibia, Bank Windhoek and Nedbank.

4.2. Housing and housing finance in Namibia

Published information on housing finance in Namibia is scanty. The Ministry of Regional Local Government Housing and Rural Development, housing schemes and the commercial banks do not publish it on regular basis in organised manner. Putting together the available information, this section presents the data on three housing finance schemes, namely the BTP, NHE and SDFN as well as four commercial banks, namely First National Bank Namibia, Standard Bank Namibia, Bank Windhoek and Nedbank.

Table 1 shows the region-wise expenditure incurred on housing by the BTP and the number of beneficiaries for the years 1992 to 1997.

Table 1: Expenditure on housing and beneficiaries of the Build Together Programme

Region	Financial years 1992 - 1997			
	Total Expenditure (N\$)	Number of beneficiaries (households)	Expenditure per beneficiary (N\$)	% of households
Kunene	5 625 000	398	14 133.17	8.12
Omusati	4 702 100	226	20 805.75	4.61
Ohangwena	2 276 200	102	22 315.69	2.08
Oshana	5 172 500	310	16 685.48	6.32
Oshikoto	1 250 000	92	13 586.96	1.88
Caprivi	3 110 500	187	16 633.69	3.81
Kavango	1 232 000	73	16 876.71	1.49
Otjozondjupa	8 349 500	619	13 488.69	12.63
Erongo	9 509 791	627	15 167.13	12.79
Khomas	13 322 000	906	14 704.19	18.48
Omaheke	5 082 000	329	15 446.81	6.71
Hardap	8 892 500	568	15 655.81	11.59
Karas	7 755 000	465	16 677.42	9.49
Total	76 279 091	4902	15 560.81	100

Source: Ministry of Regional Local Government Housing and Rural Development

Table 1 shows that five years 1992 – 1997 the Khomas region received the largest chunk of N\$ 13 322 000 (18.48%) and the Kavango region received the smallest N\$1 232 000 (1.49%) in the provision of housing through the BTP. The expenditure per beneficiary by beneficiaries from Kavango region was higher than that from the Khomas region.

Table 2 shows the location-wise number of houses built by the NHE from 2003 to 2008. Although the researcher intended to investigate the expenditure-wise of each of the three housing finance schemes, the unavailability of data for the NHE as opposed to the BTP, as discussed earlier in this section, proved a challenge.

Table 2: Houses built 2004 to 2008

Year	2003/4	2004/5	2005/6	2006/7	2007/8
Windhoek	62	152	86	35	-
Walvis Bay	45	161	25	50	55
Ondangwa	20	-	9	-	39
Okahandja	-	-	-	-	28
Keetmanshoop	-	-	20	-	-
Eenhana	-	-	12	-	30
Outapi	-	-	-	-	20
Oshivelo	-	-	-	-	6

Ariamsvlei	-	-	-	-	6
Luderitz	20	-	-	-	-
War Veterans Project	-	-	-	44	2
Total number of houses	147	313	152	129	186
Total capital expenditure (N\$)	13 296 981	25 391 716	16 350 265	13 523 540	28 125 640
Expenditure per house (N\$)	90 455.65	81 123.69	107 567.53	104 833.64	151 213.11

Source: National Housing Enterprise Annual Report 2008

It appears that NHE built more houses in 2004/5 compared to 2006/7 and no data were provided on the number of houses built in all locations including Windhoek for the years 2003/4, 2004/5, 2005/6, 2006/7 and 2007/8. Analysis of expenditure per house revealed that it decreased by 10.32% between financial years 2004/5 and 2005/6. However, the number of houses built between the same periods increased by 113%. During the period 2004/5 Walvis had more houses built through NHE compared to other areas. It stands out to be a point of concern to note that NHE could only built six houses at Oshivelo and two houses at War Veterans Project during the period 2007/8 and the expenditure per house was as high as N\$ 151 213.11 during the same period.

Table 3 shows the number of beneficiaries, the size of the house and the loan amount allowed per member of the SDFN for the period 2001 to 2013.

Table 3: Number of beneficiaries, size of house and loan amount by Shack Dwellers Federation of Namibia – 2001 to 2013

Region	Number of beneficiaries (% of total)	Size of the house (m²)	Loan amount per beneficiary (N\$)
Caprivi	7.26	34	15 000
Erongo	6.20	34	15 000
Hardap	6.56	34	15 000
Karas	2.39	34	15 000
Kavango	5.10	34	15 000
Khomas	12.09	34	15 000
Kunene	3.53	34	15 000
Ohangwena	3.61	34	15 000
Omaheke	12.05	34	15 000
Omusati	6.52	34	15 000
Otjozondjupa	19.51	34	15 000
Oshana	10.17	34	15 000

Oshiko	4.99	34	15 000
Total	100	-	-

Source: Shack Dwellers Federation of Namibia

It appears that Otjozondjupa region had more beneficiaries, 19.51% of the total number of the beneficiaries of the SDFN since 2001 to 2013. On the other hand Karas region recorded the smallest, 2.39% of the total number of the beneficiaries. The SDFN gave each beneficiary a maximum amount of N\$ 15 000 for construction of a standard house with a size of 34 m².

Commercial banks provided loans for housing. A client is required to execute a mortgage bond in favour of the bank. The numbers of outstanding mortgage bonds issued by the commercial banks during 2002 to 2007 are shown in Table 4.

Table 4: Mortgage bonds outstanding

	2002	2003	2004	2005	2006	2007
	(N\$ 000')	(N\$ 000')	(N\$ 000')	(N\$ 000')	(N\$ 000')	(N\$ 000')
Banking Institutions	5817.2	6588.1	7882.2	9542.4	12363.4	14054.3
Year-On- Year Growth	-	13.25%	19.64%	21.06%	29.56%	13.68%

Source: Bank of Namibia Annual Reports

It appears that commercial banks play a crucial role in housing finance through mortgage bonds especially in larger urban locations. The number of mortgage bonds increased year to year and more bonds were issued in 2007 compared to 2002.

4.3. Analysis and discussion on opinion survey

4.3.1. Analysis and discussion on housing finance schemes

There are three housing finance schemes operating in Otjomuise, namely the BTP, NHE and SDFN. All the three schemes participated in this study. A questionnaire was distributed to the representatives of the scheme to

understand their position. The questionnaire comprised of both close-ended and open-ended questions. The inclusion of open-ended questions in the questionnaire was to enable the researcher to draw respondents' unique opinion on different issues of housing finance. An analysis of issues raised in the survey is given here.

4.3.1.1. Operation of housing finance schemes

The representatives of housing finance schemes were asked to describe in detail on how they operate. This was aimed to collect data on research question two: To what extent do the housing finance schemes allow the low income earners in Otjomuise to provide dwellings for themselves. The responses obtained from the three housing finance schemes are discussed under this section.

It was revealed that each of the three housing finance schemes operates differently. The BTP is a self-help programme initiated to house the low and ultra-low income group and consists of three subgroups namely: single quarters upgrading, urban housing and informal settlement upgrading social housing. The BTP and NHE also build and finance at low cost to middle class housing clients who registered with the company. On the other hand, the SDFN operates as a network of saving schemes aimed at low income group.

4.3.1.2. Main operational challenges faced by the housing finance schemes

To investigate the main operational challenges faced by the three housing finance schemes, an open-ended question was included in the questionnaire for housing finance schemes. On analysis of responses on main operational challenges that each scheme faced, both the BTP and NHE cited high cost of serviced land, cost of building materials and inadequate funding from the central government as their main operational challenges. Apart from the lack of affordable serviced land, the BTP also cited political interference in the administration of the Decentralised Build Together Programme (DBTP) at Regional Councils (RC) and Local Authorities (LA) levels as another main operational challenge. On the other hand, the SDFN cited the lack of affordable serviced land and loan defaults among its members as main challenges. It appears that the SDFN operates in a similar way as NHE where it finances its members except that it is done through a revolving saving scheme. It is apparent from the discussion that lack of affordable serviced land is a common main operational challenge to all the three housing finance schemes, which is a point of concern.

4.3.1.3. Progress by the housing finance schemes so far

The representatives from the housing finance schemes were asked to mention the progress made by their housing finance schemes so far in meeting their objectives particularly in addressing the plight of the low income group. This question was as a follow up to research question two: To what extent do the housing finance schemes allow the low income earners in Otjomuise to provide dwellings for themselves? From the responses obtained from the three housing finance schemes, it seemed that each housing finance scheme had a different objective to achieve. The BTP indicated that so far it has built more than 25 000 low cost houses in all 13 regions (14 regions since mid-year 2013) while NHE had developed a strategy of acquiring virgin land from the municipalities and services it in order to speed up the provision of housing. The NHE also entered into partnership with the commercial banks in order to provide finances to NHE customers. On the other hand, the SDFN managed to organise more than 600 saving groups with membership of more than 20 000 members across the country.

4.3.1.4. Target beneficiaries

This was a close-ended question that was related to research question one: What are the challenges faced by low income earners in Otjomuise in raising finance for a dwelling through the housing finance schemes? Three different income categories were provided to choose from,

namely ultra-low income (less than N\$1 500 per month), low-income (between N\$1 500 to N\$ 4 601 per month) and middle-low income (more than N\$ 4 601 per month).

From the responses, it appears that the BTP caters for both the ultra-low income and the low income groups except for the middle-low income group. The SDFN targets the ultra-low income and low income groups. The NHE caters only to the low-income group, leaving out the ultra-low income group which is a point of concern to the ultra-low income group household in Otjomuise.

4.3.1.5. Excess in demand for houses from the low income earners

From the opinion of the representatives of the housing finance schemes to the excess of demand for houses from the low income earners in Otjomuise, the researcher could not establish the exact back-log of housing units in Otjomuise. However, in 2013 the national housing backlog is estimated at one hundred thousand (100 000) housing units. The open-ended question used to allow the participants to provide maximum data, was similar to that posed to the households on challenges encountered in acquiring a house for dwelling, although it was modified to suit the characteristics of the participants (officials).

In response, the representative of the BTP indicated that since it falls under the Ministry Of Regional Local Government Housing and Rural

Development, the government through this line ministry has launched a programme called 'Mass Housing Development' initiative aimed at constructing over one hundred and eighty thousand (180 000) affordable housing units over a period of 17 years in order to address the demand supply gap. According to the BTP, it is anticipated that 8 850 houses will be built by the scheme in the first two years and 10 200 plots will be serviced in the first two years.

The representative from the NHE pointed out that NHE has partnered with commercial banks to finance NHE clients and has also acquired virgin land from the local authorities in order to mitigate the mismatch between demand and supply. Interestingly, the SDFN were still negotiating with municipalities to get virgin land and create awareness among their members to refrain from selling their houses.

4.3.1.6. *Financial support from the central government*

Representatives from the housing finance schemes were asked to state whether they were financially supported by the government, and if so, the nature of support provided by the government. In response, the BTP indicated that they are a government initiative and their funding forms part of every year's national budget. Like the BTP, the SDFN receives N\$2.5 million every year from the central government, which it revolves among its members. Only NHE indicated that it receives both financial and infrastructural support from the central government. The

type of infrastructural support that the NHE receives from the central government includes land development; building input cost mitigation, rural sanitation and programme management.

4.3.1.7. Challenges in meeting beneficiaries demand

Two questions both were open-ended, were included in the questionnaire to allow participants to provide information on challenges in meeting beneficiaries demand. These questions aimed at collecting data for research question two: To what extent do the present housing finance schemes allow the low income earners in Otjomuise to acquire dwellings for themselves? The responses to the three questions have been combined in the discussion.

In response to the question whether their institutions faced any challenges, and if so, to specify those challenges and the measures initiated by their institutions in meeting their customers demand, all the three housing finance schemes indicated that they are faced with challenges in meeting the housing demand from the low income group. It appears that challenges differ from scheme to scheme. The BTP cited the lack of inadequate funding from the central government, while high demand of serviced land was a point of concern for NHE. On the other hand, the SDFN cited donors withdrawing support creating more reliance on government as a challenge.

For the SDFN, as the donors cited misappropriation of funds by the federation; this prompted the federation to implement two annual audits, one at regional level and another at network level as a way of mitigating the aforementioned challenge. The NHE has signed cooperation agreements with the local authorities in order to secure supply of land (serviced and virgin). As a way of increasing funding for the BTP, the government has earmarked an annual investment of N\$ 2.5 billion towards the Mass Housing Development, which falls under the BTP.

4.3.1.8. *Difficulties in providing housing finance to low income earners for acquiring dwellings*

This question relates to research question two. In response, both NHE and the SDFN indicated that it was not difficult to provide the necessary finances to the low income earners for acquiring dwellings. But the BTP cited that it was difficult. It could be that lack of funding made it difficult for the BTP to provide finances to low income earners which probably not the case for the NHE and SDFN.

4.3.1.9. Special housing finance scheme for low income earners

In this closed-ended question, representatives from the housing finance schemes were asked to state whether they have a special scheme for the low income earners.

All the three housing finance schemes have a special scheme for the low income group. The BTP has three sub-schemes namely the urban/rural housing loan aimed at families with combined monthly income that exceeding N\$ 3 000, social housing for pensioners and destitutes as well as the informal settlements, which provides basic services in informal settlements such as incremental housing. The NHE has a scheme for core houses while the SDFN has Twahangana Fund solely meant for money received from donors, which revolved among the members.

4.3.2. Summary of opinion of representatives of housing finance schemes

Lack of inadequate funding from the central government towards the housing finance schemes has been a challenge hampering housing delivery in Namibia. High cost of building materials and lack of serviced land are the other key challenges faced by the housing finance schemes. Local authorities should therefore, provide land at affordable price. More serviced land should be available and the Mass Housing Development initiative should be extended to all regions across the country.

4.3.3. Analysis and discussion on opinion of commercial banks

This section presents data collected from the four commercial banks, which provide mortgage bonds to households in Otjomuise namely First National Bank Namibia, Standard Bank Namibia, Bank Windhoek and Nedbank. An open-ended questionnaire was distributed to the representatives of each of the four commercial banks. The inclusion of the four commercial banks in this study was to establish whether the low income earners in Otjomuise, utilise the commercial banks in raising finance for dwellings, apart from the housing finance schemes.

4.3.3.1. Target beneficiaries

The commercial banks have three low income categories for housing finance, namely ultra-low-income, low-income and middle-low income groups. Respondents were asked to mention which among the three low income earners constitute their target customers.

Table 5: Target beneficiaries of commercial banks

	First National Bank Namibia	Standard Bank Namibia	Bank Windhoek	Nedbank
Ultra low- income group	√	-	√	-
Low-income group	√	-	√	√
Middle-low income	√	√	√	√

Source: Data collected through survey October, 2013

Table 5 shows that all commercial banks accommodate the middle-low income earners and low income earners except for Standard Bank Namibia which does not accommodate low income earners. However, the First National Bank Namibia and Bank Windhoek accommodate even the ultra-low income group.

4.3.3.2. Requirements for home seekers

Table 6 presents the requirements for home seekers when approaching the commercial banks for housing finance. It came out that Nedbank had more requirements on income and collaterals compared to the other three

commercial banks. The life cover and credit criteria appeared the most across the four commercial banks with surety in case of non-individuals featured twice.

Table 6: Income and collateral requirements

First National Bank Namibia	Standard Bank Namibia	Bank Windhoek	Nedbank
N\$13 500/month	N\$5 500/month	Life cover	No minimum required
Employer collateral	Surety in case of non-individuals	-	Life cover
Deposit	-	-	Surety in case of non-individuals
-	-	-	Registered bond

Source: Data collected through survey October, 2013

In addition to the above, the commercial banks were asked to indicate whether the low income earners meet the requirements as per Table 6. The analysis of responses revealed that Nedbank, despite its more requirements on income and collaterals; was the only bank which indicated that their customers meet housing finance requirements, as they provide other options as a form of collateral in case the client did not meet the requirements.

4.3.3.3. Preferred payback period for housing loan

On being asked to give the home loan payback period preferred by the commercial banks responses were varied. Table 7 presents the preferred payback period of each commercial bank.

Table 7: Payback period

	FNB	STB	B WHK	NB
Less than 20 years	√	-	√	√
20 to 30 years	-	√	-	-
More than 30 years	-	-	-	-

Source: Data collected through survey October, 2013

The analysis revealed that First National Bank Namibia, Bank Windhoek and Nedbank prefer their clients to pay back their home loans in less than 20 years. But Standard Bank Namibia prefers the payback period between 20 to 30 years.

4.3.3.4. Challenges encountered in issuing home loans

Table 8 shows the analysis regarding the challenges encountered in issuing home loans by the four commercial banks.

Table 8: Challenges encountered in issuing home loans by commercial banks

Challenges	First National Bank	Standard Bank	Bank Windhoek	Nedbank
Payment defaults	√	√	√	-
Lack of collateral	-	-	√	-
Non-affordability	√	√	√	√
Repo rate	-	-	-	-
Credit record	√	-	-	-
Low Non Performing Loans ratio	√	-	-	-

Source: Data collected through survey October, 2013

As table 8 shows, non-affordability on home loans seemed to be a major challenge followed by payment defaults in home loans. The First National Bank Namibia indicated that apart from the above two, other challenges include cash records of clients and non-performing loans ratio.

4.3.3.5. *Suggestions on alleviating the problem of housing finance*

In view of the challenges encountered in issuing home loans, commercial banks were asked to give their opinion on what should be done to alleviate the housing finance problems. Their responses are tabulated in table 9, below.

Table 9: Opinion on housing finance problems

Suggestions	Respondent
<i>City of Windhoek should provide more serviced land</i>	First National Bank Namibia
<i>More low cost houses be provided to cater for the low income group</i>	Standard Bank Namibia
<i>Build low cost affordable houses</i>	Bank Windhoek
<i>Eliminate deposits</i>	Bank Windhoek
<i>Introduce sustainable method of building which is secure and reliable</i>	Nedbank

Source: Data collected through survey October, 2013

The commercial banks require income collaterals such as deposits; hence they felt that in order to alleviate the housing finance problem, deposits should be eliminated. On analysing the commercial banks' responses individually, Standard Bank Namibia

indicated that more low cost housing units should be provided to cater for the low income groups.

4.3.3.6. Overall discussion on opinion of commercial banks

Life cover, credit criteria as well as income and collateral requirements were cited by commercial banks as hindrances to housing finance. Most of the commercial banks prefer their clients to payback their home loans within 20 years. Home loans affordability and payment defaults are main challenges faced by commercial banks in housing finance. Elimination of deposit requirement for home loans might help alleviate the problem of housing finance.

4.4. Analysis and discussion opinion survey

4.4.1. Analysis and discussion on opinion of households

One of the key instruments used to understand the situation from the side of the affected party and beneficiaries of the housing finance schemes was the questionnaire. Using simple random stratified sampling technique, a sample was drawn and a questionnaire (Appendix III) was administered to Otjomuise 80 households out of 4 231 households (population). Out of the 80 questionnaires distributed 52 (65%) were received completed. Of these respondents, 5 (five) had obtained their houses through methods other than the housing finance schemes. Since the research focus was on those who had

acquired their houses through the housing finance schemes, these five respondents were excluded from the survey and only questionnaires of 47 respondents were analysed. The questionnaire consisted of 17 questions. Though the questionnaire was not divided into sections, it had three types of questions; the first part contained demographic questions about the participants while the second part explored the challenges encountered by the households in the process of acquiring a house. The third part of the questionnaire investigated the extent to which the housing finance schemes had assisted the households in acquiring the house.

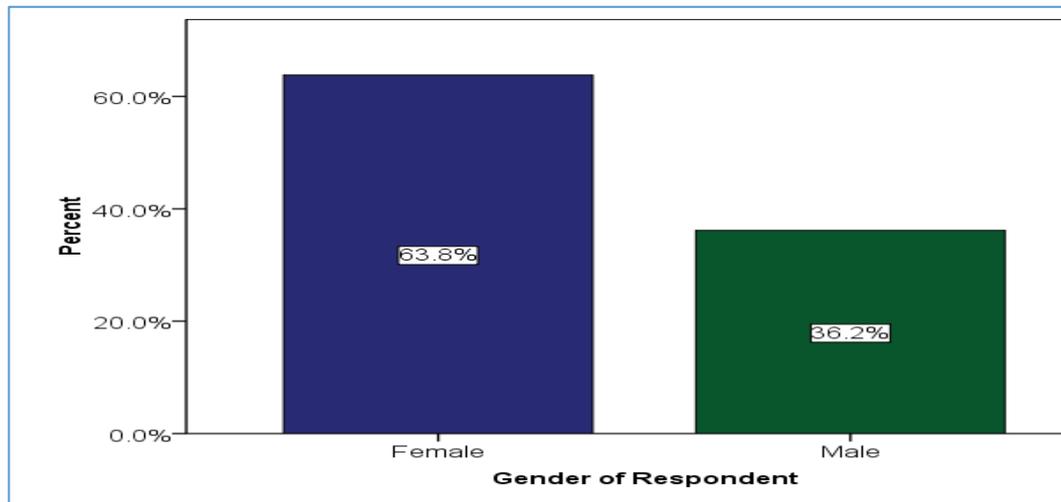
4.4.1.1. Demographic of respondents

Demographic information of respondents consisted of gender and age profile of participants. The demographic profile was captured in questions one to two of the questionnaire.

4.4.1.2. Gender

Of the 47 participants, 30 (63.8%) were female while 17 (36.2%) were male. This is illustrated by Figure 1.

Figure 1: Gender of participants



As shown in Figure 1, although the majority of the respondents were female, gender did not appear to have influence on the responses to questions in the questionnaire. However, it could be stated that more female completed the questionnaire than male.

4.4.1.3. Age

The ages of the 47 respondents, (Table 11), ranged between 30 years and more than 50 years. Four (8.5%) participants were below 30 years; nine (19.1%) were between 30 and 39 years, 11 (23.4%) were between 40 and 49 years, while 23 (48.9) were 50 years and older.

Table 10: Age of participants

Number	Percent		Cumulative Percent
< 30	4	8.5	8.5
30-39	9	19.1	27.7
40-49	11	23.4	51.1
50+	23	48.9	100.0
Total	47	100.0	

Source: Data collected through survey, October, 2013

From Table 10 it appears that more houses were owned by older people. It seemed that people would acquire houses when they were 30 years and more as the majority of respondents who owned houses were 50 years and older.

4.4.1.4. Housing finance scheme/institution used to acquire the house

The researcher was interested in the identification of the housing finance scheme used by the households to acquire the houses. Question 3 of the questionnaire required participants to give information on the housing finance scheme used to acquire the house. Table 11 contains the information which shows that 29 (61.7%) of the 47 participants had acquired their houses through NHE; 15 through commercial banks, while only 1 had acquired his house through the SDFN and two (2) had selected both NHE and financial institution. It is understandable that the majority

(29) of the participants acquired their houses through NHE as it is the housing finance scheme through which the government is attempting to provide affordable and low cost housing to people particularly the low income earners.

The housing finance scheme used to acquire the house did not have significant influence over the responses. However, more houses were acquired through NHE and commercial banks compared to other schemes. None of the participants indicated to have acquired the house through the BTP.

Table 11: Housing finance scheme used to acquire the house

Scheme / institution	Number	Percent
National Housing Enterprise	29	61.7
Shack Dwellers Federation of Namibia	1	2.1
Commercial Bank	15	31.9
Both(selected a scheme and financial institution)	2	4.3
Total	47	100.0

Source: Data collected through survey October, 2013

4.4.1.5. Payback period

The researcher was further interested in investigating the period taken by respondents to pay back their home loans. Table 12 shows the period taken by participants to pay back their home loans.

Table 12: Payback period for the home loan

Years	Number	Percent
0-10	1	2.1
11-20	33	70.2
21-30	11	23.4
Other	2	4.3
Total	47	100.0

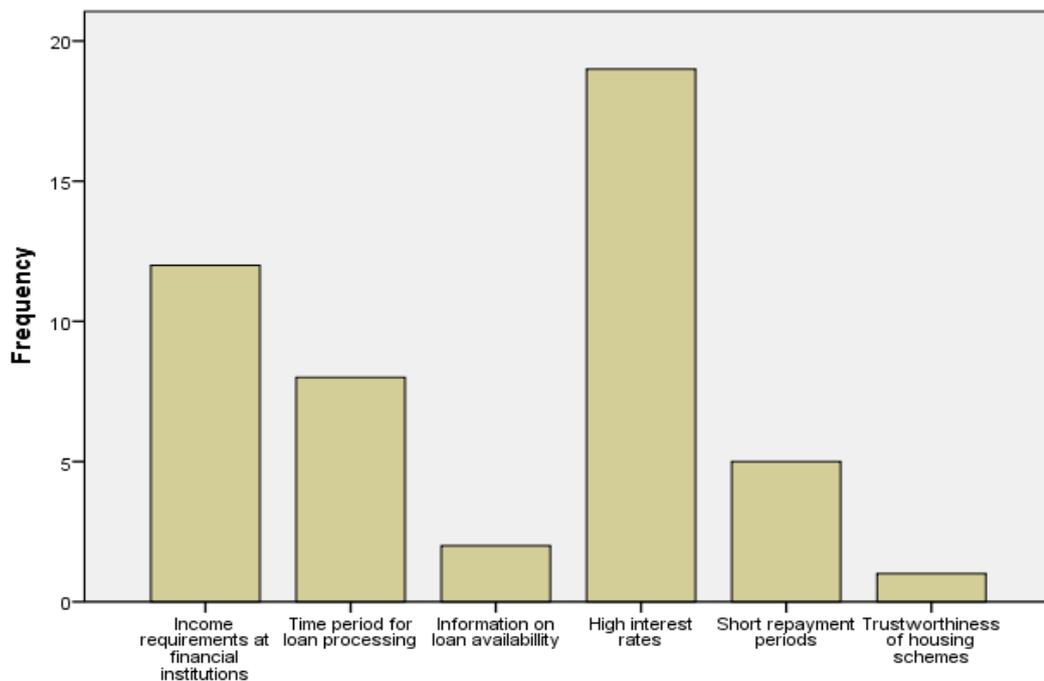
Source: Data collected through survey October 2013

One of the requirements in the process of acquiring a house particularly through commercial banks is to be able to pay back the home loan within the prescribed period. It is shown in Table 12 that 33 (70.2%) of the 47 participants were required to pay back their home loans between 11 and 20 years, 11 (23.4%) between 21 and 30 years, while only one (2.1%) participant was required to pay back the home loan in less than 10 years. It appears that most of the commercial banks prefer home loan borrowers to pay back the loans between 11 and 20 years, as opposed to in less than 10 years.

4.4.1.6. Challenges encountered in the process of acquiring a house

Question five in the questionnaire a closed-ended question, related to questions 6 to 7 of the questionnaire. The objective of question 5 was to gather response to research question one: What are the challenges encountered by the low income earners in Otjomuise in acquiring a dwelling. Figure 2 shows the challenges encountered by the low income in acquiring a dwelling.

Figure 2: Challenges encountered in the process of acquiring a house



Source: Data collected through survey October, 2013

The major challenges encountered in the process of acquiring a house, indicated by the respondents were high interest rate, income requirement at financial institutions and time period for processing/approval of loan. The minor challenges reported were shorter repayment period of home loan, lack of information on loan availability and trustworthiness of housing finance schemes. It appears that high interest rate is the main challenge to low income earners in raising finance for a dwelling. Furthermore, some low income earners are excluded from granting home loans as they do not meet the income and collateral requirements of the commercial banks. The three housing finance schemes do not ask for income and collateral requirements.

The participants were given an opportunity as an extension of question to state the difficulties experienced during and after acquiring the houses. The sentiments emerged are tabulated here:

Table 13: Difficulties experienced by households

Difficulties experienced	Number of respondents
<i>Delay in loan processing</i>	16
<i>High monthly installments</i>	20
<i>House too small for the family</i>	4
<i>Money provided was not enough</i>	5
<i>No job at the time</i>	2
Total	47

Source: Data collected through survey October, 2013

It is apparent that the participants (34.04%) were constrained by the delays in loan processing. It is possible that delays in loan processing and high monthly instalments (42.55%) can disadvantage prospective home owners. The rate of unemployment in Namibia might be a contributing factor to participants experiencing challenges in acquiring homes that suit their needs; and accommodate their families.

4.4.1.7. Main challenges encountered through various schemes

Table 14 shows the main challenges encountered in acquiring a house as per the housing finance scheme used by participants.

Table 14: Main challenges encountered using housing finance scheme/institution to acquire the house

Main challenge	Scheme/institution used to acquire the house			Total
	National Housing Enterprise	Shack Dwellers Federation of Namibia	Commercial Bank	
Time period for loan processing	4	0	3	7
Information on loan availability	2	1	2	5
High interest rates	12	0	6	18
Short repayment periods	2	0	2	4
Trustworthiness of housing schemes	1	0	0	1
Total	29	1	15	45

Source: Data collected through survey October, 2013

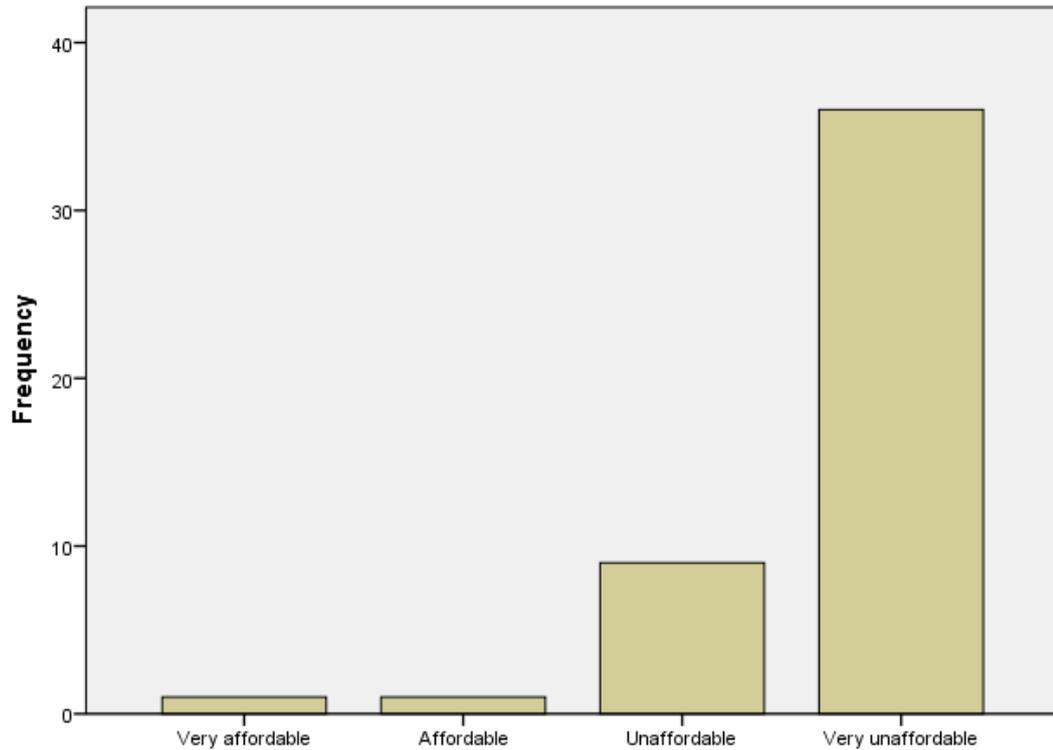
It appears that the high interest rate is considered as the main challenge among other challenges encountered in acquiring house through NHE and commercial banks,

particularly for NHE by the majority. It also stands out that challenges such as information on loan availability and short repayment period of home loans are common in both NHE and commercial banks. The BTP does not appear in as none of the respondents indicated that they have acquired house through the BTP.

4.4.1.8. Housing affordability in Windhoek

Question 7 of the questionnaire pertained to affordability of houses in Windhoek. This was included to obtain participants' views on housing affordability in Windhoek, particularly of low income group. The responses are presented in figure 3.

Figure 3: Affordability of houses in Windhoek



The majority of participants felt that houses were very unaffordable in Windhoek, especially for low income groups. When further probed to state why they felt that houses unaffordable in Windhoek the responses were varied. The responses are tabulated below.

Table 15: Reasons for houses in Windhoek being unaffordable

Reason	Number of respondents
<i>Demand exceeds supply</i>	12
<i>High interest rates</i>	8
<i>High land prices</i>	6
<i>High population density in Windhoek</i>	2
<i>Houses expensive compared to housing allowances</i>	4
<i>Houses not subsidized</i>	1
<i>Housing agents buying cheap houses and they sell them at higher prices</i>	3
<i>Lack of serviced land</i>	2
<i>Low salaries</i>	7
<i>Overpopulation, municipalities ignore low income earners</i>	2

Source: Data collected through survey October, 2013

It is interesting to note that mismatch between demand and supply, shortage of serviced land, and high interest rate were cited as the main contributing factors to unaffordability of housing in Windhoek. In addition, participants indicated that though some were getting housing allowances, houses were more expensive than their allowance, which is a point of concern.

4.4.1.9. *Opinion on assistance received from housing finance schemes*

The researcher was interested in investigating the participants' views on assistance they receive from the housing finance schemes. This question was aimed at collecting answers to research question two: To what extent do the present housing finance schemes allow the low income earners in Otjomuise to provide dwellings for themselves. Despite the challenges that participants encountered in acquiring a house, the housing finance schemes were considered useful to them.

Table 16: Extent of assistance from housing finance schemes

Responses	Number	Percent
Very helpful	16	34.0
Helpful	25	53.2
Unhelpful	3	6.4
Very unhelpful	3	6.4
Total	47	100.0

Source: Data collected through survey October, 2013

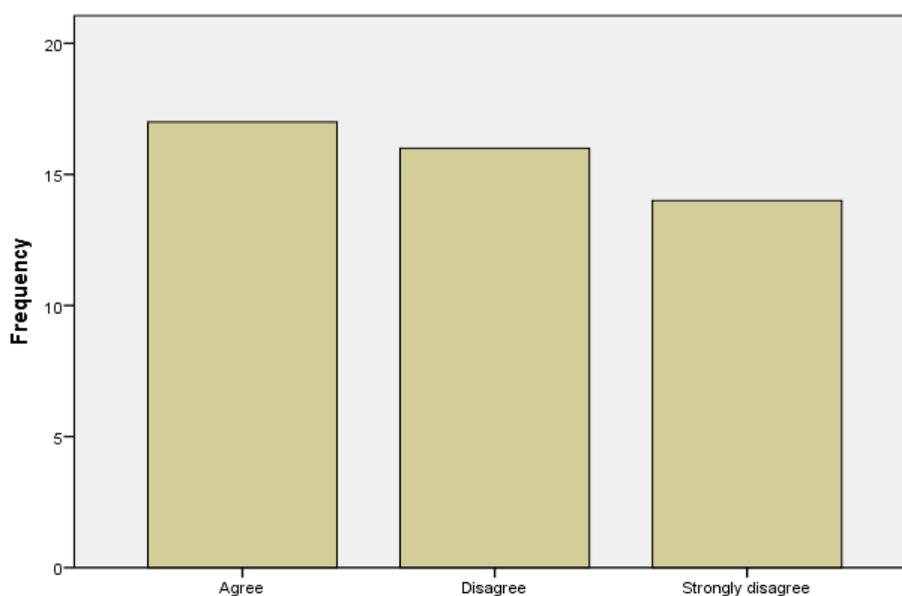
It appears that though houses were unaffordable, participants' felt that the housing finance schemes were of assistance to them with 25 (53.2%) of the participants indicating that the housing finance schemes were helpful, while 16 (34%) indicating

very helpful and 3 (three) (6.4%) felt that the housing finance schemes were unhelpful and very unhelpful, respectively.

4.4.1.10. Participants' views on government's housing policy

As people when talking about housing generally mention the government, and its policy, the researcher was interested in investigating the participants' views on whether the government was doing enough towards provision of housing. Figure 4 shows the participants' views on government's housing policy.

Figure 4: Government housing policy



Source: Data collected through survey October, 2013

This was a closed-ended question whereby participants were asked to state whether they: agree, disagree or strongly disagree with the government doing enough in

providing housing. When further asked to mention what the government should do the response was varied. The responses are tabulated in Table 17.

Table 17: Action suggested

Action suggested	Number of respondents
<i>Abolish the sale of erven</i>	8
<i>Government should provide cheaper land to the poor</i>	15
<i>Money should be used for intended purposes only</i>	2
<i>Review housing policies to focus on low income group</i>	6
<i>Government should subsidize housing finance schemes</i>	10
<i>Use pension funds to pay for houses</i>	6

Source: Data Collected through survey October, 2013

Participants' felt that government should abolish the sale of ervens and should provide cheaper land to low income group. It stands out that the lack of affordable serviced land and inadequate funding of the housing finance schemes by the central government might be contributing to the lack of affordable housing units, particularly for the low income group. It seemed that much is needed to be done in order to address the problem of housing.

4.4.1.11. Suggestions on improvement of current housing finance schemes

Participants' suggestion on how the current housing finance schemes can be improved was another area of interest. Since this was an open-ended question, the reasons given by the participants varied.

Table 18: Suggestions on government's housing policy

Suggestion	Number of respondents
<i>The distribution of ervens should be transparent</i>	3
<i>Consult the people</i>	2
<i>Create alternative funds</i>	1
<i>Encourage people to save</i>	3
<i>Fair and equal distribution of land</i>	3
<i>Government should give municipalities ervens</i>	12
<i>Housing schemes should accommodate the poor</i>	5
<i>Housing subsidies from government</i>	3
<i>More budget allocation to housing</i>	4
<i>Municipalities should assist housing schemes with affordable land</i>	4
<i>Schemes should ensure fair distribution of land</i>	4
<i>Seek donor assistance</i>	3

Source: Data collected through survey October, 2013

Major themes that emerged from the responses were that the housing finance schemes do not accommodate the poor. Though 25 (53.2%) of the participants felt that housing finance schemes were helpful, there were others who felt that these schemes do not accommodate the low income group. Furthermore, participants indicated lack of transparency in the distribution of ervens/land.

4.4.1.12. Perspectives on the discussion on opinion of households

The majority of participants acquired their dwellings through NHE and commercial banks. High interest rates and information on availability of home loans were cited as main challenges in the process of acquiring a dwelling. Participants felt that housing finance schemes were helpful, yet should accommodate more low income earners. Lastly, the government should abolish the sale of ervens and make available cheaper land to low income group.

4.5. Summary

This chapter presented the analysis and discussion on information drawn from both the primary and the secondary sources. Two instruments were used to understand the opinion of the housing finance institutions and the households. The questionnaires were administered to 80 households, 3 housing finance schemes and representatives of 4 commercial banks. Data from both instruments were analysed to capture the

opinion and responses from participants. The following chapter presents the findings and recommendations.

Chapter 5

Findings and Recommendations

5.1. Introduction

The purpose of this study was to investigate and understand the challenges and issues encountered by the low income earners in the Otjomuise community when raising finance for a dwelling through the most common and private housing finance schemes. This chapter presents the findings of the study and makes recommendations towards improvement in the schemes so that their objectives may be substantially achieved.

5.2. Summary

Since Namibia's independence, a lack of affordable houses for low income earners has been one of the key challenges for the government and various local authorities. A number of housing finance schemes have been initiated in order to adequately address the problem of housing delivery in Namibia. The experience has been that people migrating to urban areas are forced to live in informal settlements, as they cannot afford to have a house of their own.

Housing is one of the basic needs of society, as a house is not only a place of dwelling but also an important social need of a family. Poverty and housing poverty are the greatest hindrances to quality of life in urban areas. The quantitative need for housing by low income earners is enormous and meeting this need may be a significant step towards improving the quality of life in urban areas. One of the main implementation

mechanisms in this respect is the promotion of secure tenure and upgrading of housing. The government policy is to ensure that the housing delivery system enables all income groups to access housing. In Namibia, housing expenditure is second largest household expenditure item in family budget after food and beverages.

5.3. Findings

The study was prompted by the widely reported challenges low income earners in Namibia face whenever they are trying to raise finance for a dwelling. The study focused on the various housing finance schemes provided to households in the Otjomuise community in Windhoek. A questionnaire was used to collect data from the heads of households, government officials responsible for administering public housing finance schemes and the four largest commercial bank loan officials handling housing finance schemes.

Two research questions guided the study. Based on the findings of the study, the answers to the research questions that emerged were as under:

Research question 1: What are the challenges faced by the low income earners in Otjomuise in raising finance for a dwelling through the housing finance schemes?

Findings:

- 1.1. High interest rates on mortgage bond challenged low income earners.
- 1.2. Low income earners also faced the challenge in meeting the income and collateral requirements at financial institutions, which lead to some of them being excluded from obtaining home loans.

- 1.3. Low income earners are constrained by delays in their loan processing.
- 1.4. Houses are more expensive than the housing allowances given by employers to their employees.
- 1.5. High cost of building materials makes houses unaffordable.
- 1.6. There is a general lack of serviced land for housing.

Research question 2: To what extent do the present housing finance schemes allow the low income earners in Otjomuise to provide dwellings for themselves?

Findings:

- 2.1. Despite the challenges that the low income earners encounter in acquiring a house, they considered the housing finance schemes available to them to be helpful.
- 2.2. The BTP has built more than 25 000 low cost housing units in all 13 regions.
- 2.3. The NHE has developed a strategy of acquiring virgin land from the municipalities and service it itself in order to speed up the housing provision among the low income group.
- 2.4. The SDFN has managed to organize more than 600 saving groups with membership of more than 20 000 members across the country exclusively for the low income group.
- 2.5. Commercial banks emphasised the issue of non-affordability among their low income group and as a result, most of their clients do not meet the income and collateral requirements.

5.4. Conclusions

The study concludes that low income groups in urban areas encounter challenges in acquiring houses ranging from high interest rate on mortgage bonds to income and collateral requirements at financial institutions. Some of the constraints encountered may be similar to those encountered by the middle-low income counterparts. The difference is in access to housing finance. Unlike the middle-low income group who can easily meet the income and collateral requirements at financial institutions, low income earners are faced by lack of affordability and as a result sometimes excluded from obtaining home loans.

The study further concludes that most of the low income groups have acquired their houses through NHE compared to the other two housing finance schemes. The government through the MRLGHRD has launched the Mass Housing Development initiative aimed at constructing affordable housing units in Otjomuise over the next 17 years.

The study also concludes that the low income earners consider the housing finance schemes of assistance to them as they are more accessible to them compared to the commercial banks. In spite of all the challenges that the low income earners encounter in acquiring a house, the housing finance schemes believe that this situation will come to an end once more serviced land has been provided by the municipalities and local authorities.

5.5. Recommendations

In view of the findings and conclusions, the following recommendations are made:

1. Low income earners in Otjomuise are faced by challenges such as high interest rate on mortgage bond and meeting income and collateral requirements. It is therefore recommended that housing finance institutions should relax the rate of interest and eliminate the deposits as income requirements.
2. Houses in Windhoek are not affordable to low income earners due to the prevailing supply demand gap and lack of serviced land. It is therefore recommended that municipalities and local authorities should provide more serviced land and more low cost houses to cater to the low income group.
3. It is recommended that more funds be allocated under the MRLGHRD and be channelled to all the housing finance schemes. This will enable the housing finance schemes to provide more low cost housing units with adequate funding from the central government.
4. It is also recommended that employed persons may be allowed to use their pension funds to buy houses for their households.

5.6. Recommendations for further study

In view of the findings and conclusions of the study, the following recommendations for further study are made:

1. It is recommended that a study be carried out to investigate the relationship between demand and supply towards housing provision.
2. It is also recommended that similar studies be carried out in different urban areas in Namibia. Such studies will not only reveal the challenges the low income earners in different corners of Namibia encounter in acquiring a dwelling, but it will also determine the real status of the housing finance problem in urban areas of Namibia. A study on national level will assist the MRLGHRD and key housing stakeholders in providing direction to future intervention programmes.
3. It is also recommended that a study to explore the housing finance providers' perspective should be carried out. Such a study would complement this and similar other studies in trying to explain the real factors contributing to high interest rate on mortgage bonds. Possible intervention programmes will be also informed by the findings of such a study.
4. It is finally recommended that a study be conducted to determine why NHE, as a government main vehicle in the delivery of housing, appears unsuccessful.

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APPENDIX A: Questionnaire for Housing Finance Schemes

Dear Sir/Madam

My name is **Twiiitedululeni Lukas Nakweenda**, a Master of Science in Accounting and Finance student at the University of Namibia, Windhoek. I am conducting a case study on housing finance schemes, Otjomuise, Windhoek as part of my thesis. The purpose of the study is to gather data on the challenges that low-income groups encounter in raising finance for dwellings. Your participation in this survey is voluntary. The information provided will be treated with confidentiality and used only for academic purposes. Could you please complete the following questionnaire to help me in my study.

Thank you

Twiiitedululeni Lukas Nakweenda

Instruction:

Where applicable, please indicate your choice by marking (X) in the appropriate cell.

1. Name of the scheme

2. Can you describe in detail how the scheme operates?

3. What are the main operational challenges faced by the scheme

4. Can you describe in detail the progress made by the scheme so far in meeting its objectives

5. Who are the target customers of the scheme for housing finance? (You may choose one or more).

- (a) Ultra low-income group (b) Low-income group (c) Middle-low income (d) Any other (please specify)

6. What type of service is provided by your scheme?

(a) Home loans (b) building houses

(b) any other (please specify)

7. What is your organization doing to meet excess demand for houses by low income earners?

(i) _____

(ii) _____

(iii) _____

8. Is your organization financially supported by the government?

Yes No

9. If yes, please specify the nature of support given by the government.

(i) _____

(ii) _____

(iii) _____

10. Is your organization facing any challenges in meeting the customers' demands?

Yes No

11. If yes, please identify the challenges faced by the organisation?

(i) _____

(ii) _____

(iii) _____

12. Please specify the measures initiated by your organization to overcome those challenges?

(i) _____

(ii) _____

(iii) _____

13. How difficult was it to provide the necessary finances to the low-income group for acquiring the house?

(i) Not difficult

(ii) Difficult

(iii) Very difficult

14. Does your organization have a special scheme for the low-income group?

Yes No

15. If yes, please specify the features of the scheme.

(i) _____

(ii) _____

(iii) _____

16. If not, does the low-income group afford the normal services?

Yes No

17. If yes, what is your organization doing to provide services to the low-income group?

(i) _____

(ii) _____

(iii) _____

18. What in your opinion should be done to alleviate the housing finance problems?

(i) _____

(ii) _____

(iii) _____

Thank you

APPENDIX B: Questionnaire for Bankers

Dear Sir/Madam

My name is **Twiiitedululeni Lukas Nakweenda**, a Master of Science in Accounting and Finance student at the University of Namibia, Windhoek. I am conducting a case study on housing finance schemes Otjomuise, Windhoek as part of my thesis. The purpose of the study is to gather data on the challenges that low-income groups encounter in raising finance for dwellings. Your participation in this survey is voluntary. The information provided will be treated with confidentiality and used only for academic purposes. Could you please complete the following questionnaire to help me in my study.

Thank you

Twiiitedululeni Lukas Nakweenda

Instruction:

Where applicable, please indicate your choice by tick marking (X) in the appropriate cell.

1. Name of the bank

2. Who are your target customers for housing finance? (You may choose one or more).

(a) Ultra low-income group (b) Low-income group (c) Middle-low income

(d) Any other (please specify)

3. What type of collaterals do you require from the customers for housing finance?

(i) _____

(ii) _____

(iii) _____

4. Does the low-income group meet the bank's requirements for housing loans?

Yes No

5. If not, please give the bank's requirements that they do not meet.

(i) _____

(ii) _____

(iii) _____

6. What challenges do you encounter in issuing home loans?

(a) payment defaults (b) lack of collaterals (c) affordability

(d) repo rate (e) any other (please specify)

7. What control mechanisms does the bank have in place in order to mitigate against the challenges in question (6)?

(i) _____

(ii) _____

(iii) _____

8. Have these mechanisms been successful?

- (i) Not successful
- (ii) Successful
- (iii) Very successful

9. If not, what problems does the bank encounter?

- (i) _____
- (ii) _____
- (iii) _____

10. What is the bank's preferred period for paying back the home loan?

- (a) Less than 20 years
- (b) 20 to 30 years
- (c) More than 30 years
- (d) Any other (please specify)

11. Can the low-income group afford to pay back the home loan in the prescribed time?

- Yes
- No

12. If not, what mechanisms does the bank have in place to recover the money?

- (i) _____
- (ii) _____
- (iii) _____

13. What in your opinion should be done to alleviate the housing finance problems?

- (i) _____
- (ii) _____
- (iii) _____

Thank you

APPENDIX C: Questionnaire for owners of the dwellings

Dear Sir/Madam

My name is **Twiiitedululeni Lukas Nakweenda**, a Master of Science in Accounting and Finance student at the University of Namibia, Windhoek. I am conducting a case study on housing finance schemes Otjomuise, Windhoek as part of my thesis. The purpose of the study is to gather data on the challenges that low-income groups encounter in raising finance for dwellings. Your participation in this survey is voluntary. The information provided will be treated with confidentiality and used only for academic purposes. Could you please complete the following questionnaire to help me in my study.

Thank you

Twiiitedululeni Lukas Nakweenda

Instruction:

Please indicate your choice by marking (X) in the appropriate box.

1. Gender: Female Male

2. Age (yrs.) Less than 30 30 – 39 40 – 49
More than 50

3. Through which housing finance scheme/institution did you acquire the house?

1. National Housing Enterprise

2. Shack Dwellers Federation of Namibia
3. Build Together Programme
4. Commercial bank (please indicate which one) _____
5. Any other (please specify) _____

4. What is the period of paying back the home loan?

- a. 0-10 years
- b. 11-20 years
- c. 21-30 years
- d. >30 years

5. What are the challenges encountered in the process of acquiring a house?

(Can choose more than one challenge)

- a. Income requirements at financial institutions
- b. Time period for loan processing
- c. Information on loan availability
- d. High interest rates
- e. Short repayment periods

f. Trustworthiness of housing cooperatives

6. What would you consider as the main challenge of owning a house?

a. Income requirements at financial institutions

b. Time period for loan processing

c. Information on loan availability

d. High interest rates

e. Short repayment periods

f. Trustworthiness of housing cooperatives

7. In your view, are houses in Windhoek affordable for low income group?

a. Very affordable

b. Affordable

c. Unaffordable

d. Very Unaffordable

8. If not, what would you say are the reasons of the houses not being affordable for the low income group?

a. _____

b. _____

c. _____

9. Can you rate the transparency of the process of acquiring finances from housing schemes

- a. Very Good
- b. Good
- c. Poor
- d. Very Poor

10. Can you rate the transparency of the process of acquiring funds from financial institutions

- a. Very Good
- b. Good
- c. Poor
- d. Very Poor

11. The government is doing enough to assist home seekers raising finances for housing purposes

- a. Strongly Agree
- b. Agree
- c. Disagree
- d. Strongly Disagree

12. What are your suggestions to providing housing finance schemes?

(i) _____

(ii) _____

(iii) _____

13. Can you highlight the process of getting the necessary finances for acquiring

the house?

a. Very Easy

b. Easy

c. Difficult

d. Very difficult

14. To what extent do the housing finance schemes have assisted you in

acquiring your house?

a. Very helpful

b. Helpful

c. Unhelpful

d. Very Unhelpful

15. How much did you raise through the help of financial institutions and housing cooperatives?

- a. 100 000<
- b. 100000-500000
- c. 500000-1000000
- d. >1000000

16. What were difficulties in obtaining finance for your house?

(i) _____

(ii) _____

(iii) _____

17. What in your opinion should be done to improve the housing finance problems?

(i) _____

(ii) _____

(ii)

Thank you