MASTER'S PROGRAMME IN URBAN MANAGEMENT AND DEVELOPMENT

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Title: Access to Housing Finance by Urban Middle-low Income Salary Earners in Kampala City, Uganda.

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Summary

This research is about understanding the housing finance paradox in Uganda where the financial institutions claim that they have funds to support salary earners to acquire or construct their personal houses on the one hand and on the other hand a number of salary earners who claim that they cannot access housing finance to construct or acquire their personal houses.

The main objective of the research was to establish the cause of the current level of access to housing finance by those who meet the crucial condition (regular monthly income) for accessing housing finance in Kampala city.

It's the ultimate aim of most adult Ugandans to own their personal houses. However the cost of acquiring or constructing a house are so high that it may take some of them beyond 20 years before saving enough money to acquire one. In order to meet the objective without taking too long, most scholars and practitioners agree that borrowing may be the best way forward.

In Uganda it's only a small proportion of the population that can meet the requirements for borrowing from the financial institutions partly due to the low incomes and also because financial institutions ignore the general economic conditions in designing their credit systems.

This study is about the proportion of the population that would otherwise qualify to acquire loans and ascertain the reason for their obtaining or failure to obtain finance despite meeting the requirements.

In order to do this, desk review of the available literature especially in the legal framework governing the financial institutions was undertaken. In addition to this, a survey using questionnaire was administered to a representative sample of those who are employed and earn the minimum amount required by banks in order to qualify for borrowing as well as conducting interviews with some of the financial institutions in Kampala city.

The study revealed that high interest rates, unfavourable housing finance products, limited information on the available housing products, complex loan approval process, the complexity of obtaining both a land title and a building plan approval are the major obstacles towards obtaining housing finance by the target population.

The study identifies the following as some of the ways in which access to housing finance can be improved in Uganda: Creation of various housing finance products that are customised to accommodate various categories of clients, creation of a mortgage indemnity fund to reduce on the risk faced by financial institutions and hence lower interest rates and creation of a guarantee fund by Government as the ultimate safety net in case clients default on their mortgage payments and the indemnity fund is unable to cover the payments.

Key words: Housing, Housing finance, Middle-low salary earners, financial institutions, Uganda.

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Of course it goes without saying that none of the above takes responsibility for any errors or mistakes in this report, that responsibility is solely mine.

Abbreviations

ABSA: Amalgamated Banks of South Africa

BOU: Bank of Uganda

CFV: Centraal Fonds Voor de volkshuisvesting

DFCU: Development Financial Cooperation of Uganda

FIA: Financial Institutions Act

GINB-Generalny Inspektorat Nadzoru Bankowego

HFB: Housing Finance Bank (Formerly HFCU)

HFCU: Housing finance company of Uganda

IFC: International Finance Cooperation

IHS: Institute of Housing and Urban studies

KCC: Kampala City Council

MDI: Micro-Finance Deposit taking Institution

MFI: Micro-Finance Institution

MIF: Mortgage Indemnity Fund

MoFPED: Ministry of Finance Planning and Economic Development

MoLHUD: Ministry of Lands, Housing and Urban Development

NHFC: National Housing Finance Corporation

NGO: Non Governmental Organization

NSSF: National Social Security fund

NURCHA: National Urban Reconstruction and Housing Agency

NWSC: National Water and Sewerage Corporation

SACCO: Savings and credit cooperative

UBOS: Uganda Bureau of Statistics

UGX: Uganda Shillings (local Currency)

UNCHS: United Nations Centre for Human Settlements

URA: Uganda Revenue Authority

USE: Uganda Security Exchange

WSW: Waarborgfonds Sociale Woningbouw

Exchange Rates

Exchange rates for Major currencies in July 2009

EURO 1 = UGX 2960/=

US Dollar $1 = UGX 2040/=

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Chapter 1: Introduction

This chapter contains the background to the study which clearly shows that housing is a long term investment which needs to be matched with long term financing, the, statement of the problem behind the research which is the mis-match between housing finance supply and demand even among those who should theoretically qualify to access it. The chapter also contains the justification of the study, the research objective, the research questions, research hypothesis, research scope both in terms of time and area, the research method and the limitations.

1.1 Research Background

Housing involves a relatively high cost and is in case of ownership a long term investment (Christian and International Union of Building Societies and Savings Associations 1980). The financing of housing should therefore preferably be long term based in order to match the long term nature of the investment. Due to this, many urban families are not able to buy a house from their savings yet they cannot do without housing (Jorgensen 1977). Therefore housing finance comes in to fill this gap.

Demand for housing finance is in a sense a derived demand that flows from the demand for housing, which in turn depends importantly on the rate of household income levels. In addition, with housing costs typically being multiples of annual income, housing is made affordable by spreading payments over time, so adequate housing finance must be longer term in nature (Warnock, V.C. & Warnock, F.E. 2007). According to Ball (2003) in Warnock, V.C. & Warnock, F.E. (2007), even in the best of environments, housing is a major purchase with average home prices typically ranging from a minimum of four times annual income in developed countries to a minimum of eight times annual income in emerging economies affordable only when payments are spread out over time (Pillay and Naude 2006).

The IMF financial system stability assessment (April 2003) in Kanagwa, (2008), highlighted the fact that the financial system in Uganda is small, underdeveloped and dominated by commercial banks. The housing finance key players were pioneered by Housing Finance Company of Uganda (HFCU) established in 1967; the Development Financial Cooperation of Uganda (DFCU) joined the field in 2002. Recently in 2007, Stanbic Bank, Barclays Bank and Standard Chartered Bank also joined the market (Kanagwa 2008). For all the key players in the housing finance market, one of the conditions for accessing finance is proof of regular income.

The requirement for proof of regular income would on the surface mean that any formally employed person would easily qualify to access finance. However this is in most cases not true for most of the formally employed workers in the country. Statistics from the Uganda Bureau of Statistics-UBOS (Uganda Bureau of Statistics 2007) about national labour indicators, of the estimated working age population of 13.3 million people in 2006, only 16% are formally employed.

These in addition to the few self employed individuals with proof of regular income make up the target group of the housing finance institutions. However despite satisfying the need for proof of regular income, the access to housing finance is still low. This study was intended to find out the reasons for this undesirable phenomenon.

1.2 Problem Statement

It's a desirable position for one to own a personal house but it's another thing for one to afford constructing one. Income is a crucial factor in determining the affordability. If one is employed in the formal sector, determining current and future income is easy. The ability to determine future income is a key requirement for financial institutions to extend housing finance credit to any individual. This requirement is important to the financial institutions because lending money over an extended period is quite risky even if the funds are to be invested in the construction of a house. In some cases the value of the house may fall so that it does not match the value of the loan. Available statistics show that only 16% of the working force in Uganda is formally employed (Uganda Bureau of statistics 2007). This is in essence the targeted group by the financial institutions since the basic requirement is proof of regular income for one to qualify for credit. However even among these formally employed Ugandans, access to housing finance seems to be low. This creates a dilemma on what actually influences the current level of access to housing finance. Of the 4.5 million houses in Uganda as at the end of 2003, with a total value of $30 billion, only 0.1% is financed by the formal housing finance mechanism (Kanagwa, 2008).

The low quality of housing in the country, mirrors the low income levels and the use of own savings to undertake construction incrementally (Kalema and Kayiira 2008). It would therefore be prudent for one to assume that the low access to housing finance is a result of other factors other than the regular income among the formally employed Ugandans. The question which comes to mind then is, "is this the case?"

The motivation for this study was to bring to the fore the reasons for the current level of access to housing finance from the clients point of view. Review of literature, shows that a number of researchers have studied the policy implications on housing finance accessibility (Ferguson, 1999), others have reviewed market conditions (Warnock, V.C. & Warnock, F.E. 2007), but there seems to be a vacuum on the clients focus more so in the context of Uganda. Clear understanding of access to housing finance from the point of view of the clients is likely to go a long way in improving this access in future.

This major motivation was also combined with the increasing housing deficits recorded by the reports from Uganda Bureau of Statistics (Uganda Bureau of statistics 2007) in terms of housing units.

1.3 Research Objectives

1.3.1 Overall Research Objective

The overall research objective was contribute to the literature of housing finance through a review of the factors that contribute towards the current level of access to housing finance among those who meet the conditions for accessing housing finance in Uganda and hence identifying possible ways of resolving them in the context of the (potential) clients.

1.3.2 Specific Research Objectives

The specific research objectives for this research are to;

1. Review the existing financial institutions regulatory framework in Uganda
2. Understand the effect of the financial institutions' conditions for accessing housing finance on the clients and potential clients.
3. Review and analyze literature on international cases for enhancing access to housing finance.
4. In the perspective of Middle-low income earners, generate alternative approaches to improve access to housing finance.
5. Generate feasible alternatives to improve access to housing finance to the middle-low income earners.

1.4 Research Questions

1.4.1 Main Research Question:

What are the factors behind the current level of access to housing finance by the urban middle-low income salary earners? In terms of measuring income, management level was used as a proxy; the target respondents were Middle-low level management employees of selected organizations as indicated in the methodology.

1.4.2 Specific Questions:

In responding to the main question, the following specific questions were used;

1. What is the existing housing finance regulatory environment in Uganda?
2. How do institutional requirements (conditions) for obtaining housing finance limit or promote access to housing finance in the perception of the clients?
3. What are some of the experiences of other countries in improving access to housing finance for the low income earners?
4. How can access to housing finance be improved in the perception of middle-low level income salary earners?
5. What are the feasible approaches that can be adopted in Uganda to improve access to housing finance by middle-low income salary earners?

1.5 Research Hypothesis

The study is based on the hypothesis that the majority (above 50%) of middle-low salary earners within the top 100 private sector organisations in Kampala city who qualify to access housing finance do not in reality access this housing finance when constructing or considering the construction of their personal houses.

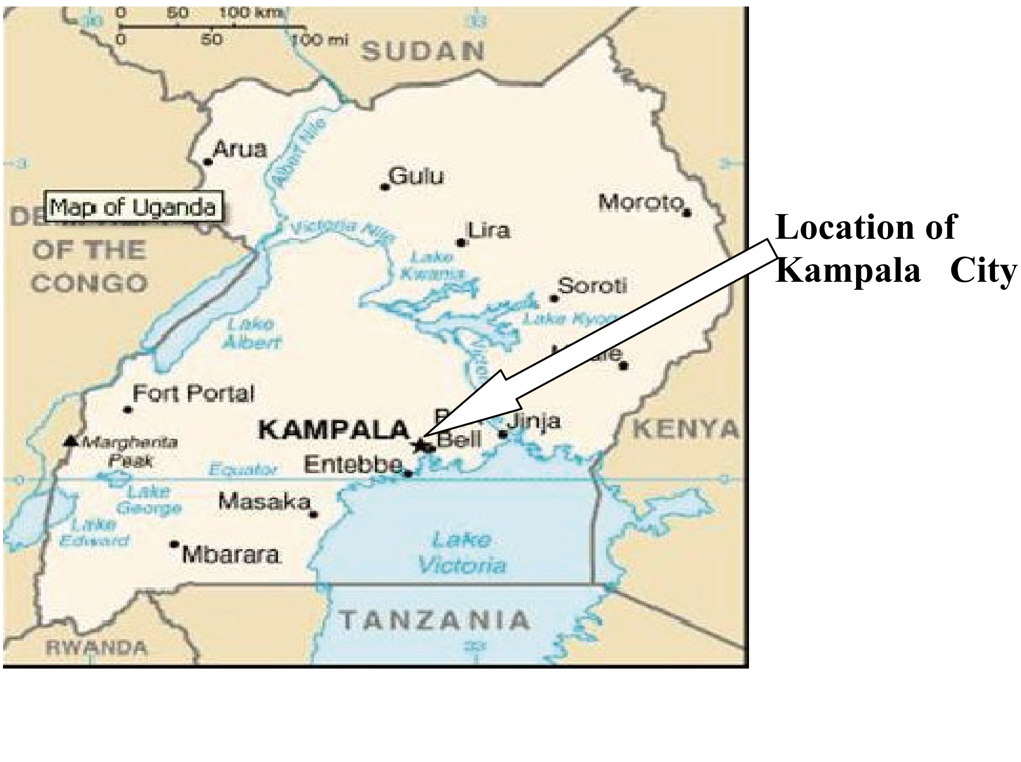
1.6 The Research Scope

The scope of the research was limited to the private sector employees of organizations within the geographical area of Kampala City. This means that the potential research respondents were only from the private sector organizations. The emphasis of the study was on where the organizations are located rather than where the employees reside. In terms of measuring income, management level was used as a proxy (the overriding criteria was that a respondent must be earning at least Uganda Shillings one million-UGX 1,000,000/= per month), the target respondents were middle level management employees of the selected organizations. The specific scope was limited to 9 organizations selected from the top 100 tax paying organizations in 2008 according to Uganda Revenue Authority. The selection criterion was as indicated in the methodology chapter. The time scope for the actual fieldwork is limited to the month of July 2009.

1.6.1 Research Area Scope Description

Kampala City is located in the central part of Uganda (as indicated on the map below) on latitude 00 19'N and longitude 32 35'E. It serves as the capital city of the country. Kampala is divided into 5 administrative areas called divisions; Central, Kawempe, Makindye, Nakawa and Rubaga Divisions. By 2002, the city's total population was 1,208,544 according to the most recent population census (Uganda Bureau of statistics 2006). The current population of the City is estimated at over 2 million people. Below is a map of Uganda highlighting the location of Kampala.

Figure 1: Map of Uganda



1.7 Research Method

This study was based on an exploratory research type with a survey research strategy being used with in a case study of Kampala City.

The research was both quantitative and qualitative. Primary data was obtained through a survey (within the study area-defined by the place of work-where the headquarters within the country are located) using questionnaires. Primary data was also obtained through interviews with financial institutions' officials. The emphasis for the interviews was on the conditions/requirements in place for obtaining housing finance and the institutional regulatory environment.

Secondary data was obtained from published information, from previous research reports about the variables, the regulatory framework and the financial institutions published information on conditions for obtaining housing finance.

1.8 Research Limitation

The following limitations were faced during the conducting of this study:

The limited factual data on formal employment in Uganda specifically for the Kampala City was the major constraint especially in making inferences from the research findings to the entire urban population. Conducting of interviews with the financial institution officials was another challenge due to their busy schedule. The time and financial resources also presented a limitation for this research.

1.9 Conclusion

This chapter has discussed the background of the study which is the need to match long term investments to long term sources of finance, the problem statement which highlights the basis of the research which the mismatch between supply and effective demand for housing finance. The chapter contains the research objectives, the research questions as well as the research hypothesis for the study.

The chapter also presents the research scope, summary research method to be adopted and ends with the limitations of the research which are access to data, time and financial limitations. The contents of this chapter are looked at in more details through the literature review chapter which follows.

Chapter 2: Literature Review

This chapter explores the available literature on housing finance and housing in general. Within the chapter, different perspectives of what constitutes housing are reviewed; housing supply and demand in general are also discussed. The chapter also explores the housing situation in Uganda, the key actors in the housing market before it goes on to discuss housing finance from a global point of view and then the detailed housing finance system in Uganda. The chapter also reviews the factors that affect housing finance according to available literature and ends with a critical analysis based on the available literature with specific emphasis on the area of study.

2.1 Housing

Housing can simply be put as buildings or shelters where people live, a dwelling place for people or the provision of lodging and or shelter to human beings. Normally housing is a durable asset that may include single family home, attached homes, apartment buildings, condominiums or any private or public owned structures suitable for dwelling. Housing constitutes the single largest expenditure in the budgets of most households and as such their most valuable asset. Housing is one of the basic necessities in addition to food and clothing. Housing is not only important to people but also animals. Birds for instance provide good example of the importance of housing through the construction of their nests in order to get protection against hostile environments. Similarly, housing helps people to be protected from the hostile environment surrounding where they live, this explains the importance of housing to human beings.

According to King (1998), housing is perceived as being a public issue which cannot be resolved solely through individual decision making (King 1998). He defines housing however as where individuals live and lays emphasis on the fact that housing is a private dwelling place which may requires intervention from the state.

Literature about housing has over time moved towards classifying housing. Researchers mainly look at adequate housing and affordable housing as important components of Housing. According to the Istanbul declaration and the habitant agenda (UNCHS, 1997:35) for example "…..*Adequate shelter means more than a roof over one's head. It also means adequate privacy, adequate space, physical accessibility, adequate security, security of tenure, structural stability and durability, adequate lighting, heating and ventilation; adequate basic infrastructure such as water supply, sanitation and waste management facilities, suitable environmental quality and health related factors and adequate and accessible location with regard to work and basic facilities- all of which should be available at an affordable cost….*" (Jensen & United Nations Centre for Human settlements 1997).

The UN Committee on economic, social and cultural rights defined "affordable housing", through its general comment No. 4 paragraph 8 as where "*Personal or household financial costs associated with housing should be at such a level that the attainment and satisfaction of other basic needs are not threatened or compromised, steps should be taken by States parties to ensure that the percentage of housing-related costs is, in general, commensurate with income* *levels. States parties should establish housing subsidies for those unable to obtain affordable housing, as well as forms and levels of housing finance which adequately reflect housing needs. In accordance with the principle of affordability tenants should be protected from unreasonable rent levels or rent increases by appropriate means, In societies where natural materials constitute the chief sources of building materials for housing, steps should be taken by States parties to ensure the availability of such materials*;" (Shelter Rights Initiative and United Nations Committee on Economic Social and Cultural Rights 2001)

Affordable housing in general is a term used to describe the ability of the household to meet its housing cost. It has various measurement criteria one being the ratio of the household annual income to the amount spent on housing and in some cases such as in the United States and Canada; it's generally accepted that a house is affordable if the amount spent on it by the household does not exceed 30% of the household's monthly income.

2.1.1 Housing Need, Housing Demand and Housing Supply

Housing demand is the number of houses consumers are willing to buy at current prices (Bongwa and Welsh 2005). Housing demand depends on the structure of the population, the housing market conditions, the level and distribution of income, housing risk and cultural preferences. According to (Dacquisto and Rodda 2006), the fundamental factors affecting housing demand include:

- The number of households and net rate of new household formation
- Household income, that's both current and future income
- Family size and household composition
- Employment creation or loss in a given area
- Location relative to centre of livelihood source.

Housing need is an official projection of the current and future expected housing requirements necessary to accommodate the current and future population. In assessing the housing needs of a given location (Ayala 2009), the following factors are taken into consideration;

- The rate and scale of new household formation
- The replacement of fully depreciated existing units
- Replacement deficient units that cannot be upgraded
- Units required to relieve over-crowding in existing units
- The upgrading of deficient units existing at the start of the plan period

New household formation can be estimated by dividing the total anticipated population_increase by the average household size. These two figures are in all cases estimates and as such they have a limitation especially because new households are usually made up of one (1) or two (2) persons yet the average household size is normally in excess of two (2) persons.

The replacement of existing units which will have fully depreciated during the period depends on the building condition, which in turn is influenced by the type and quality of construction, the level of maintenance applied and the climate.

The average lifespan of a structure will enable an estimate to be made. It's generally acceptable that any building should be depreciated over a life span of fifty (50) years.

The replacement of deficient units whose upgrading is not economically feasible refers to the stock of substandard housing whose continued maintenance and upgrading is not economically or technically feasible. Such housing stock is better off being demolished and replaced.

The number of units required to relieve over-crowding levels at the start of the plan period are due to the fact that some housing may be overcrowded. Definitions of over-crowding vary considerably and are influenced heavily by cultural considerations. What is considered acceptable in one context may be intolerable in another. Any definition is therefore arbitrary and official definitions tend to err on the high side, such as one household per dwelling unit, even though multi-occupancy is often widespread.

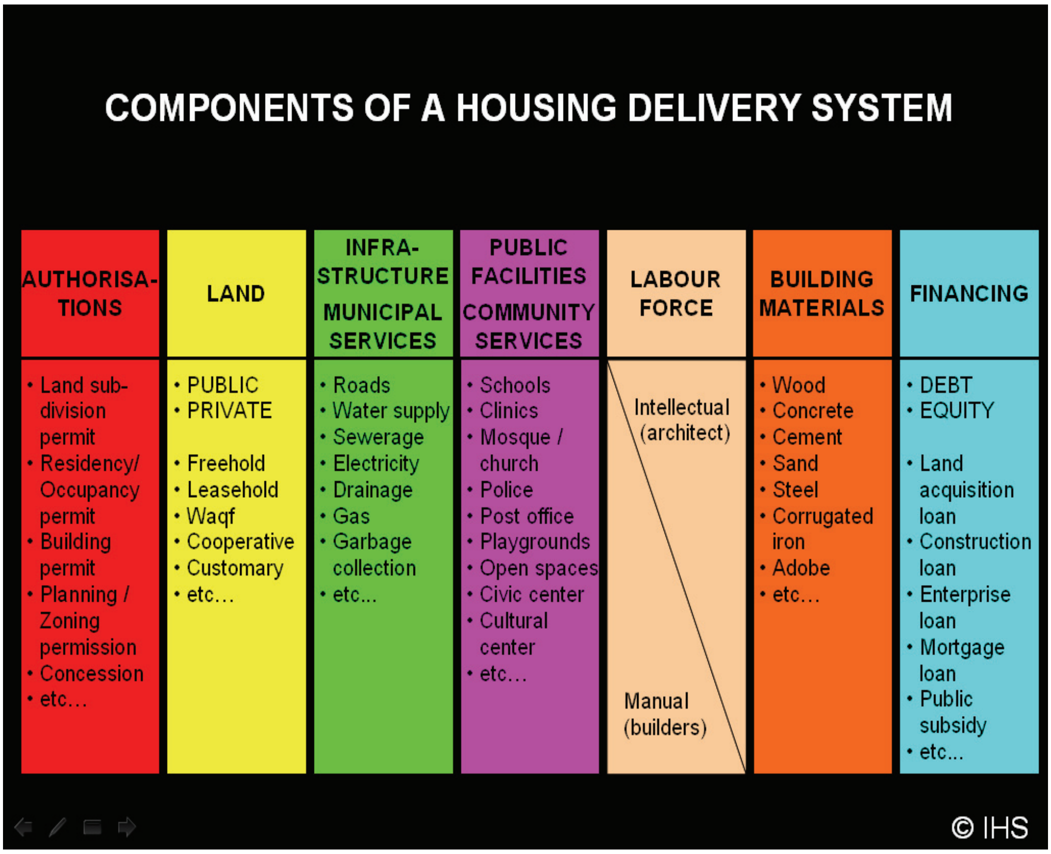
The final component of the housing needs assessment involves estimating the proportion of the existing housing stock which can be upgraded where this is economically and technically feasible.

Housing supply simply put is the total stock of dwelling places including all the detached private houses, attached dwelling places, condominiums and apartment buildings within a given location. In other words, housing supply does not simply mean the number of houses on sale but all the existing houses a few of which may actually be up for sale. Housing supply in economics (Dacquisto and Rodda, 2006) is the collection of housing units theoretically available for purchase at any time including those already owned by the occupants.

2.1.2 Housing Delivery System

Housing delivery system defines the key phases and components that make up the housing delivery process. The seven major components of the housing delivery system are authorizations, land, infrastructure, public facilities, labour force, building materials and financing.

Figure 2: The housing Delivery system



Source: IHS

- Authorizations: for any housing structure to be constructed, there are legal requirements such as building permits that must be obtained by the developer. This therefore follows the area development plans. The type of building has to follow the minimum requirements and must be according to the approved plans.
- Land: availability of land and the rights attached to the land is a key component of the housing delivery system. Secure land rights (Soto 2000) encourage people to invest in its improvement as well as the improvement of their houses on this land and can also be used as collateral to secure credit. According to the World Bank, availability of serviced affordable land substantially affects the supply of housing and restriction of land use and zoning regulations result in shortage of land for residential use leading to high land prices (World Bank, 1993).
- Infrastructure: the available infrastructure in a given region, affects the affordability of the housing process. Infrastructure such as roads, water and sanitation, drainage are fundamental to those who live in a given area but are expensive to put into place. Where the infrastructure is already developed in the area, it makes it relatively cheaper for the housing delivery.

- Public facilities: public facilities such as health care facilities, educational facilities, and recreational facilities are important for the well being of the people in a given location. Their development or lack of development in a given location will affect the process and cost of housing. Where land is fully facilitated with public facilities, it attracts a premium; evidence of this is documented in Cairo, Kingston, Manila and other cities (World Bank 1993).
- Labour force: labour in whichever form it's provided is a key component in housing construction. Some houses are self built while others are constructed by construction firms. The cost of labour is fundamental in determining how affordable housing is to the households.
- Building materials: building materials probably provide the single most expensive component in housing delivery. Materials vary depending on cost, durability, the weather conditions and regulatory requirements
- Financing: financing in this context, is the mechanism which brings together those who save and those who consume in advance of earning in order to invest in a house (Baharoglu and Lindfield, 2000)

2.2 Housing Finance

Housing finance is defined as any form or source of funding employed by the household or any other part in the process of acquiring the housing inputs and the construction of a physical dwelling place. According to Bongwa and Welsh (2005), the concept of housing finance includes all aspects of the financial flows related to housing from the first stage of the process such as mobilizing savings by a financial institution to the last stage of fully servicing the mortgage by the beneficiary.

Adequate housing finance is considered the most important factor in housing production because it can help to procure the essential components of housing, namely land, onsite and offsite infrastructure, building materials as well as offsetting construction costs (United Nations centre for Human settlements 1996). According to Warnock, V.C. & Warnock, F.E. (2008), it can be argued that the provision of housing finance is a binding constraint that must be addressed before the housing market can sustainably provide adequate housing.

According to Baharoglu and Lindfield (2000), there four basic models of housing finance and these are:

- Revolving credit systems in the form of rotating savings systems and credit associations where a small number of individuals form a group and select a leader who periodically collects a defined amount of money from each of these members. The amount collected is given to each member of the group in rotation. Each member therefore receives exactly the amount contributed or how much the member will have contributed by the end of the rotation since the loans are interest free. Since in most cases the amounts raised are limited in amount, they may not be sufficient to finance construction of a house but can be used to part finance the housing acquisition as well as housing improvement.

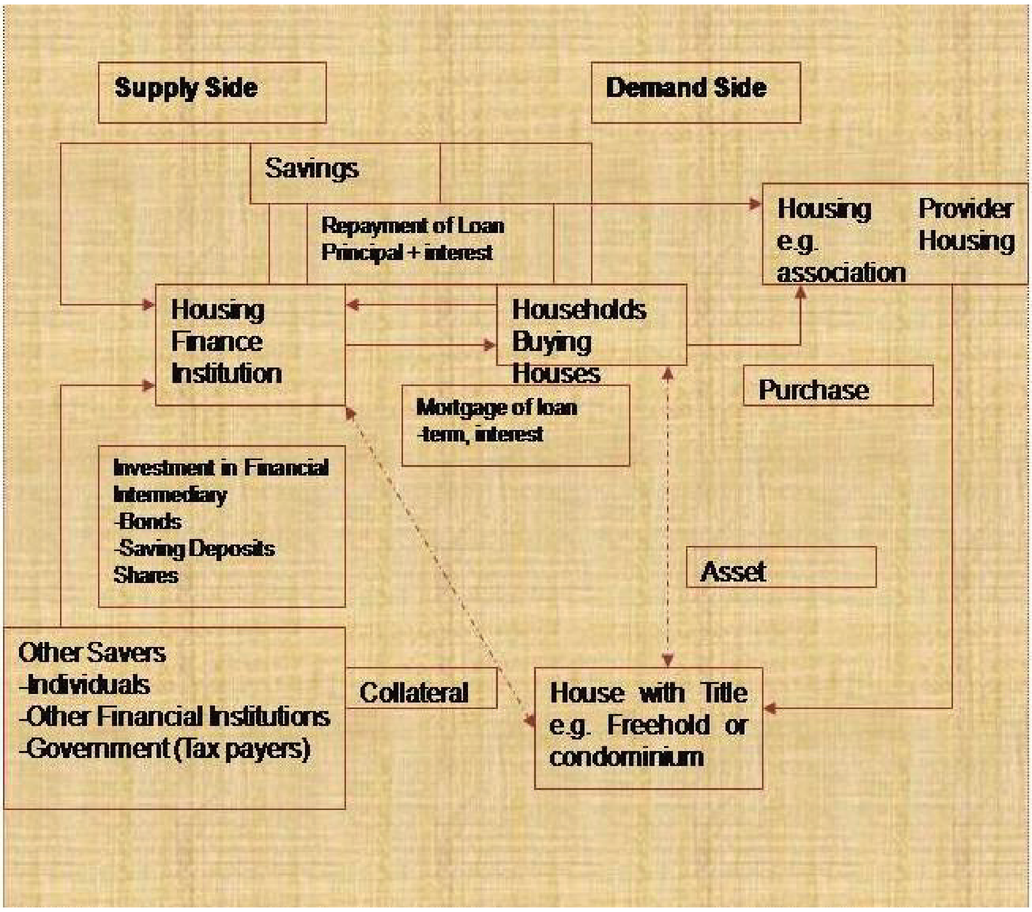
- Specialized housing finance institutions in the form of building societies which operate as private banks offering a variety of savings accounts to attract deposits from the general public with the main objective of extending loans to members who want to buy or construct houses. Building societies usually operate as non profit entities but must generate income to pay interest on the depositors' savings and keep a reserve in their coffers.
- Public finance organizations and Parastatal organization: Public finance organizations are public agencies providing direct financing of housing programs from public and external resources. They are common in centrally planned economies and developing countries. Similarly Parastatal organizations are those where majority shares are owned by Government and they also extend direct financing of housing programs.
- Mortgages provided by commercial banks, these are as a result of commercial banks aggregating short term savings from large number of depositors and lending to actors involved in housing. The limitation of this aggregation means that these commercial banks face a mismatch of maturity which increases their risk due to exposure to short term interest fluctuations.

2.2.1 Housing Finance System

Review of literature shows that there are various authors who have developed different forms of housing finance systems. According to Baharoglu and Lindfield (2000) housing finance system is a mechanism that facilitates interaction between those who save and those who need to borrow in order to invest in a house. The authors argue that the housing finance system operates in the capital markets which supply finance for longer term investment usually in the form of loans or bonds. A successful housing finance system is determined by the soundness and effectiveness of the overall economics in managing the many risks involved (McCue, 2003).

The housing finance Market is summarized by Baharoglu and Lindfield (2000) as indicated below

Figure 3: Housing Finance Market Framework



Source: Baharoglu and Lindfield (2000)

From the above model, financial institutions generate funds from those who save including individuals, other financial institutions, Government agencies, pension funds and corporate organizations. It's these funds which are extended to both the households interested in buying or constructing houses and the housing developers in form of mortgages and housing loans respectively upon compliance with the conditions set by the housing financial institutions for borrowing. The households and the housing developers are then expected to service their loans through loan repayments in form of the principal and interest amounts.

2.3 Accessing Housing Finance

Access to housing finance is influenced by the housing finance market just like any other market through the forces of demand and supply. According to Warnock, V.C. & Warnock, F.E. (2008), on the supply side one way to think about the provision of housing finance is to split it into two components, that is; the provision of housing finance by the lender who has ample funds at hand and the mobilization of funds within the economy so that lending institutions have access to funds.

Even in situations where the financial institutions have adequate funds to allocate to long-term housing finance, a number of preconditions should be in place. These according to Warnock, V.C. & Warnock, F.E. (2008) include:

- Information on the borrower to adequately price a loan for the right borrower without compromising the interests of the financial institution. Information about the borrower can be produced by a standardized and accurate source of credit history such as credit rating bureaus. For easy of accessing housing finance, its important for financial institutions to have easy access to this information as its easy access lowers the cost of operations for them.
- Ability to value the property that the borrower is seeking financing for. For this to be efficient there is need for data on sales prices and relevant features of the home including location, and size.
- Ability to secure collateral that is put up against any housing loans. This is dependent on the legal system in the country and a right of ownership such as a recognized clear title.
- Macroeconomic stability. If the economy is volatile with high inflation rates, the lenders would incur high interest risk if they lend at a fixed interest rate. In unstable macroeconomic environment, lenders pass on this risk to the borrowers by offering floating interest rates which makes it expensive to the households.

Literature shows that there are a number of innovative ways in which households get access to housing finance especially the low income households. According to Mitlin, D for example, in India, the poor have little or no access to housing finance (Mitlin 1997). For some of them, the only credit they get related to housing is in form of credit for the building materials from the building contractors or suppliers of building materials, this is also the case in Pakistan (Hassan 1990). A number of countries including India, Pakistan, South Africa and many Latin American countries have experienced significant and growing number of households accessing finance through NGO finance (Arrossi et al. 1994).

General conditions for accessing housing finance

Many housing finance programmes be it formal or informal start with some form of saving from the potential borrower. Informal schemes such as those run by NGOs require the households to prove their ability to save regularly in order for the household to gain some financial knowledge on income and expenditure and gauge their affordability. For formal financial institutions, the household is in most cases is required to have a certain proportion of the value of house for which it intends to borrow.

According to Erhard in Tesfaye (2007), At least three major reasons can be singled out for the inability of the majority of the population in developing countries to get access to housing finance. These are: absence of a good collateral, informality and instability of income and lack of information about the borrowers (Erhard 1999).

What may limit access to housing finance?

On the side of financial institutions, the major reason why they may be reluctant to extend housing credit to specific individuals is the risk exposure they face. When borrowing, financial institutions have to a certain extent be assured that they will get back the funds they are extending to the borrower with the interest therein. Partly this is because they are using funds entrusted to them by those who save but also because they are in businesses and have to ensure the continued survival of the institutions.

A number of approaches have been devised by financial institutions in order to minimize the risk of default by those who borrow funds to construct or acquire houses. These approaches include;

- Requirement for proof of regular income from the borrower. This indirectly implies that the financial institutions will cater for those who have some kind of formal employment or an assured source of income generating regular returns within a defined time period. This helps to reduce the risk faced by the financial institutions through ensuring the existence of a banking track record. This has been identified by UN Habitat as the key impeding factor towards accessing housing finance by many low income people (United Nations Centre for Human Settlements 1996). A similar approach to regular income but in a different way is the requirement for the monthly repayments to be amortized. This implies that the household pays a uniform amount of money per month in servicing the housing loan. This has the effect of making the household get used to the monthly obligation. It can be argued that this approach will definitely eliminate those whose earnings are irregular.
- Requirement for collateral to be presented before a loan is extended by the financial institution. The financial institution will require that the household provides an asset whose value is in excess of the amount to be borrowed. Such assets usually take the form of land; existing house or the house to be acquired through the amount borrowed making it a mortgage. By its nature, this requirement would require a properly operating property register in the country especially the land registry. It can also be argued that this requirement is similar to proof of regular income because in case of regular income, the bank is basing the decision to borrow on the future earning of the borrower while here it's basing on the future value of the collateral. Therefore it seems unfair on the borrower for the financial institution to have both requirements.
- Requirement to pay a defined percentage of the value of the house to be acquired or of the amount to be borrowed from the financial institution. This lowers the risk faced by the financial institution in two ways; firstly by confirming the interest of the household to service the loan since they hold a substantial stake in the value of the house and secondly to insulate the financial institution from the downward movement of the house value, this is because even with the house loosing value, the value remaining may still be enough to cover the loan extended by the financial institution. A similar but slightly modified approach is to require households to have a contractual saving obligation for a given period up to a specified amount which is a proportion of the housing loan

to be extended to them. This helps to gain the required financial discipline by creating some form of credit track record.

- Some financial institutions especially micro finance Institutions lower the general risk exposure by charging high individual specific interest rates to the borrowers. This lowers the general risk of the institution because the cost of default by some borrowers is covered by the interest income received from those who service their loans. A number of micro finance institutions charge high interest rates and base their justification on the risk exposure they face. It's however important to note that the issuing of large number of small loans compels the micro finance institutions to charge higher interest rates due to the high cost of administration.
- Other creative ways of reducing risk exposure by financial institutions include the giving of collective loans. This is where instead of extending housing finance to individuals, financial institutions and other organizations in support of housing development extends credit to groups or communities (Ferguson 1999). This lowers the risk in that the group will monitor and help each other in case of default by a member. This approach has been used by a number of institutions especially in Latin America (Stein and Vance, 2008).

2.4 Housing Finance in Uganda

2.4.1 Financial Sector

The country's financial sector is typical of those found in developing countries. It's small, underdeveloped and dominated by commercial banks (IMF Country, report 2008). However the banking sector remains stable more resilient than in the past and poses no threat to macroeconomic stability. The Uganda financial system is currently composed of both regulated and non-regulated institutions. The regulated segment is composed of fifteen (15) commercial banks, seven (7) credit institutions, four (4) micro-finance deposit taking institutions, insurance companies and the stock exchange (Bank of Uganda 2005). As of 2008, the total number of commercial banks was sixteen (16) out of which nine (9) were of foreign ownership (Kalema and Kayiira, 2008). The table below shows the licensed banking institutions at the end of the financial year 2008.

Table 1: List f Licensed Banking Institutions as of 30th June 2008

Local Banking Institutions	Foreign Banking Institutions
• Centenary Bank • Crane Bank • Diamond Trust Bank (U) Ltd • Tropical Africa Bank Ltd • Housing Finance Bank Ltd • National Bank Of commerce • Orient Bank	• Bank of Africa • Barclays Bank (U) Ltd • Citibank (U) Ltd • Kenya Commercial Bank • Standard Chartered Bank (U) Ltd • Bank Of Baroda • Cairo International Bank • DFCU bank Ltd • Stanbic Bank (U) Ltd

Source: Bank of Uganda

Prime Interest rates and Treasury bills

The average prime interest rates have been fluctuating between 16% and 19% within the last 4 years. This rate is considerably low and stable when compared with the period before 2005. The table below shows the key interest rates for the period of four years

Table 2: Key interest rates in percentages

	2005	2006	2007	2008
Prime lending rate	16	18	19	18
Commercial Bank Rates	18.1	18.9	18.8	18.2
Commercial Bank Mortgage rate	16	19	16	16
Treasury Bills (91 days)	9.1	9.9	8.43	11.6
Treasury Bills (182 days)	10.2	8.4	11.2	11.2
Treasury Bills (364 days)	13.5	12.26	11.8	11.8
Treasury Bond (2 Years)	-	-	-	14.06
Treasury Bond (3 Years)	-	-	-	13.55
Treasury Bond (5 Years)	-	-	-	14.07
Treasury Bond (10 Years)	-	-	-	13.48

Source: Bank of Uganda

Micro-Finance Deposit Taking Institutions (MDIs)

Outside the banking financial institutions, there are also institutions referred to as micro finance deposit taking institutions (MDIs). Currently there are four (4) MDIs that have the requirements set by the MDI act adopted in 2003 to regulate such institutions. These MDIs act like commercial banks by taking deposits from clients and using these deposits to create loan portfolios for their clients. MDIs in Uganda are; Finca Uganda (MDI) Ltd, Pride Microfinance (MDI) Ltd, Uganda Finance Trust (MDI) Ltd and Uganda Microfinance (MDI) Ltd.

Capital Markets

Uganda Security Exchange (USE) is the only stock exchange in Uganda. It was established in June 1997 and started trading in January 1998 with a single company listing (bond from East Africa Development Bank). As of June 2008, USE had a total of nine (9) listed companies six (6) of which are local companies and three (3) are cross listed companies with the Nairobi Stock Exchange. The market capitalization at the end of July 2007 was 4,810.4 Billion Uganda Shillings.

The Central Bank and Uganda's financial sector regulatory framework

Bank of Uganda (Central Bank) regulates the financial services sector in accordance with the financial institutions act (FIA) 2004 and other relevant regulations. The Central Bank supervises the financial institutions through its monitoring and supervision function by the Supervision department (Bank of Uganda 2004). The bank issues licenses in form of classes reflecting the permitted main financial services provided or business conducted by the licensed financial institution.

In addition to the above, there are other key financial institutions including four (4) credit institutions (Capital Finance Corporation Ltd, Commercial Micro Finance Ltd, Mercantile Credit Bank Ltd and Post Bank Uganda Ltd), nineteen (19) insurance companies, the national social security fund and a large number of micro financial institutions.

2.4.2 Uganda's Housing Finance Supply Market

Out of the estimated 4.5 million houses in Uganda by the end of 2003, less than 1% of these were financed by a formal house financing mechanism (Kanagwa 2008). This even when considered against standards among developing countries is a low.

The housing finance market in Uganda is dominated by Housing Finance Company of Uganda (HFCU) which was established in 1967 to facilitate house acquisition by Ugandans. The company is currently owned by 3 different entities; National Social Security Fund 50%, Government of Uganda 45% and The National Housing and Construction Corporation 5%. Its current market share in provision of specialized housing finance is estimated at over 50% of the entire market. As at the end of June 2008, the bank's mortgage Asset stood at UGX 142 billion as at June 2008.

Development Finance Company of Uganda (DFCU) is another financial institution providing housing finance in Uganda. DFCU joined the market as a formal mortgage lender in 2002 though it had been in existence catering for other sections of the market mainly lease financing and commercial banking. DFCU has been in the lending business for some time having been established in 1964. Formerly owned by the Government of Uganda and the common wealth development corporation (CDC), the bank sold some of its shares previously owned by government to the public in 2004. Today the bank is 60% owned by CDC and 40% by private investors.

Stanbic Bank also joined the housing finance Market in 2007 through its home loans with interest rates ranging between 16-18% for a maximum period of 20 years. Limited data about it performance in the field is available due to its recent entry into the housing finance market but due to its sheer size as the largest financial institution with the highest number of branches in the country, its expected to take up an important role in the market with time .

Other important key players in the housing finance market are national social security fund, micro finance institutions and the Central Bank.

National Social Security Fund (NSSF) is the largest pension fund and since its establishment by the NSSF act of 1985, it has been the only official pension fund with monopoly over all workers pension in the country. NSSF has both a direct and indirect influence on the housing and housing finance markets in Uganda. Indirectly, NSSF holds substantial equity in the major financial institutions that provide housing finance in the country; that is 45% in HFCU and 6% in DFCU. NSSF acquired this equity holding as a vehicle for its lending to the housing market. In a direct way NSSF is actively involved in financing of housing estates in collaboration with private developers with a view of selling these houses to the public upon completion.

Micro finance institutions play a minor but not negligible role in housing finance provision. Among low income earners, microfinance institutions provide small loan portfolios for housing improvement. Some of these are in collaboration with NGOs such as Stromme Foundation.

The Central Bank as the sole supervising authority of all the financial institutions in the country influences the housing finance market through its legal power. The Central Bank ensures that financial institutions take calculated risks and that as a whole the financial sector remains healthy.

2.4.3 The Main Terms for Accessing Housing Finance

Housing finance from financial institutions in Uganda may be obtained for any of the following purposes; construction, purchase, extension or improvement of residential or commercial property as well as for purchase of land in urban areas. Some of the common terms/ conditions for obtaining housing finance are;

- Proof of regular source of income preferably in permanent employment. For this condition the potential borrower is requested to furnish the bank with an employment contract as well as a letter from the employer confirming the borrower's details such as home address and other contact details. The borrower is also requested to furnish the financial institution with a copy of his/her bank statement for a period of time not less than 6 months. For self employed persons, the requirement is usually to furnish the bank with a bank statement for not less than the most recent 2 year as well as audited financial accounts for at least 2 financial years.
- The monthly repayment amounts should not exceed 30-35% of the borrower's ascertainable monthly income.
- Proof of a valid clean title for the property to be acquired by the borrower. In addition to this, the property must have an approved building plan. If the loan is to assist in construction, there must be proof of a valid clean title, an approved building plan, clear indications for water and electricity on the plan.
- The financial institutions can only provide a maximum loan value of between 70-80% for residential units in Kampala, 60-70% for urban land and 50-60% for residential units in other towns.
- The repayment term of between 15-20 years for residential units, 10-15 years for commercial property and 3-5 years for urban Land.
- The interest rate charged ranges between 16-18% per annum and its variable for most financial institutions.

2.4.4 Challenges in Accessing Housing Finance

Just like any other sector in the economy, housing finance has a number of challenges that curtain the accessibility of housing finance by households, key among these include;

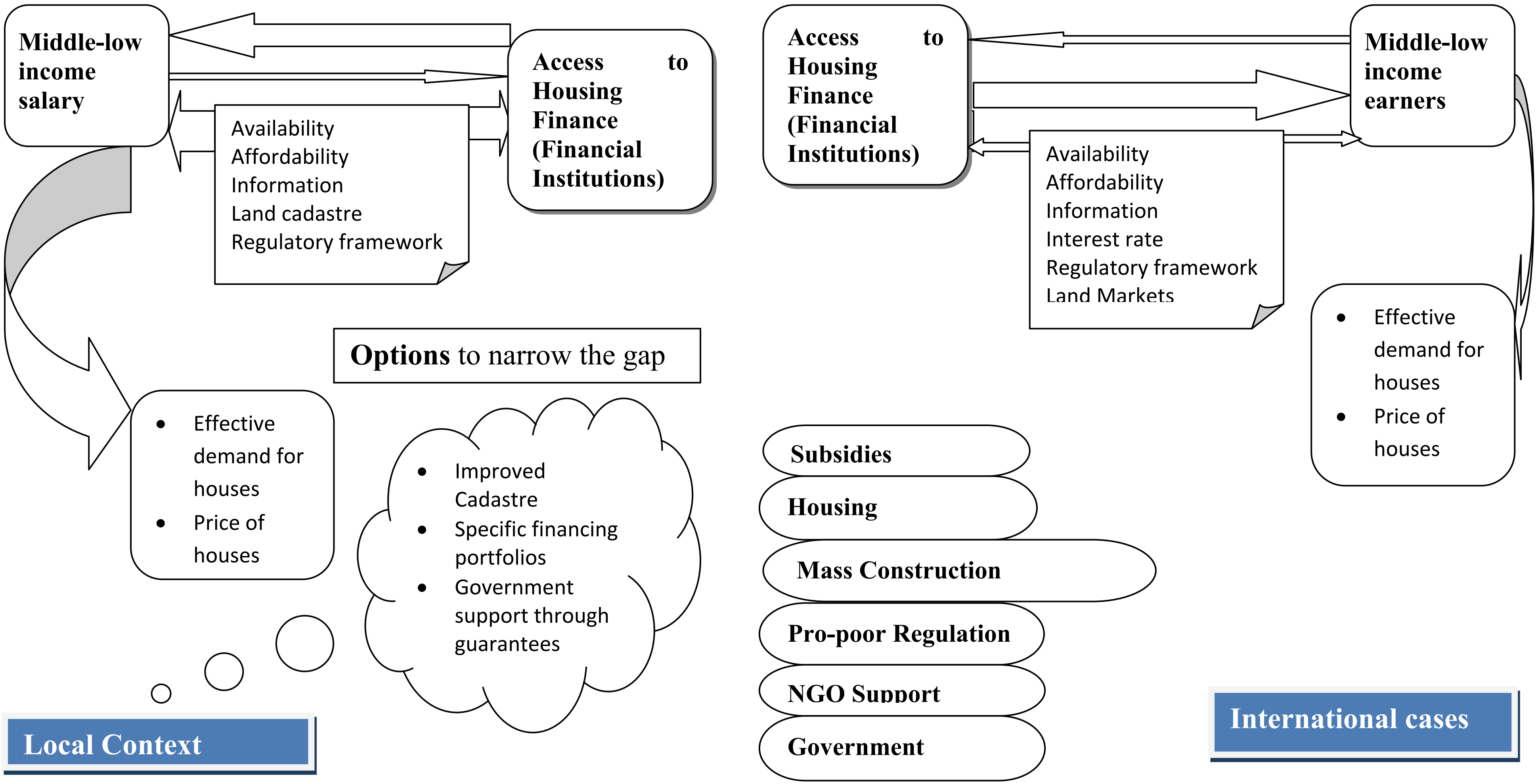
- The housing policy: The national housing policy of the country has evolved through various forms from its first version in the 1960s. The initial policy was the land tenure system and constitutional legal framework of the 1960s, followed by the national human settlement policy in 1979 with the aim of improving access to infrastructure and services and provides adequate residential land and plots in urban areas. In 1992 the national shelter strategy was adopted with the major objective of improving housing conditions and to ensure adequate shelter for all by 2000. The national shelter strategy was based on government playing an enabling role and acting as a regulator. In 2005, a national housing policy was drafted from a review of the national shelter strategy. The major constraint behind all these housing strategies has been the failure to address the housing needs of the urban poor sufficiently. The policies have failed to address the issue of land tenure security (Kalema and Kayiira, 2008).
- The regulatory framework for housing finance limits instead of promoting access to housing finance in some instances. In the proposed mortgage law for example, there is a provision that allows court leeway to re-interpret some of the terms of loan agreements and also to allow a mortgager rent out the property in lieu of fore closure in case of failure to pay the rental amounts to the bank.
- The land registry department for the ministry of lands and urban development is slow and inefficient in producing land titles. It at times takes months before a title is issued and instances of more than one land title being in issue are common (Namubiru 2007).
- Lack of legal framework to regulate the real estates market. This makes it difficult for those involved in the business to follow the laid down standards and thus indirectly affecting those who wish to acquire housing finance to buy houses sold by the real estate dealers.
- Large informal sector. Uganda's informal sector is estimated at over 80% nationally. This makes it difficult to estimate the potential borrower's monthly income. In addition to estimating monthly income, it makes it difficult for the borrower to pay a fixed monthly amount in servicing the loan due to the unpredictability of cash-flows in the informal sector.
- The total proportion of the population classified as permanently employed is only 4.8% (Uganda Bureau of Statistics., 2007). Out of these only 1% of the total population earn above the threshold set by the major commercial banks for accessing mortgage finance. The commercial banks dealing in mortgage finance require a potential borrower to earn at least UGX 1 million (US $ 500) per month (Kalema and Kayiira, 2008).
- The land tenure system also presents a major hurdle to accessing housing finance and the housing market in general. Most of the land is privately owned under the mailo land system. It's almost impossible for one to access housing finance without a land title yet most mailo land owners are absent landlords who are either not selling or speculating for better land prices. The lack of any form of tax or penalty for vacant land.

2.5 Summary Conceptual Framework

Based on the literature review and the overall objective of the research, a conceptual framework summarizing the local literature and the international case studies reviewed during the literature review was developed. This framework shows the housing finance context in Uganda and the international context as indicated in the international case studies such as Netherlands, South Africa and Poland as well as general data available on other countries.

The international case studies reviewed have employed a number of strategies in order to improve accessibility of housing finance by the middle-low income earners. Such strategies have ranged from the use of NGOs as a tool towards bringing people together and accessing housing finance especially in South America and a number of Asian countries like Philippines and India to provision of subsidies by governments (South Africa, Chile), use of housing associations (Netherlands), regulation to facilitate cross subsidies (Netherlands), bulk construction by housing developers (Sweden, Netherland, United Kingdom) and use of government guarantees (Netherlands). It's from this review that the researcher develops the conceptual framework below with some ideas about the possible options in the local context.

Figure 4 : **Conceptual Framework**



Source: Author

2.6 Conclusion

This chapter reviewed available literature starting with housing as a whole, housing needs, housing demand and housing supply through to the housing delivery system and eventually housing finance and housing finance systems, the review starts from an international perspective and ends with the local Ugandan perspective.

Literature draws the attention to housing as a public issue which cannot be resolved solely through individual decision making. This implies that government intervention and collective decision making are important in making housing decisions. As much as this is true, such collective decision making and government intervention may be difficult in a developing country like Uganda where the government capacity is both financially and physically constrained. In addition to this, people look at housing as a private issue and in most cases they prefer constructing houses which suit their individual and personal tastes. In such a situation even if government intervention is limited to legislation, the people take it as government interference.

International literature on accessing housing finance lays emphasis on credit rating, information on the borrower and macroeconomic stability as some of the pillars on which ones credit worthiness may be determined. Unfortunately in some developing countries such as Uganda, credit rating agencies are aliens and the whole concept of credit rating is a recent development still in its infancy. Information about potential borrowers is scanty and in most cases unreliable due to the absence of an international registry for Ugandans, a case in point, there are no national identity cards and it's just a small proportion of the population with national passports.

Further review of literature shows that the whole financial sector in Uganda is still underdeveloped with its total assets equivalent to 30% of the GDP as at the end of 2002 (Kanagwa, 2008). This could partly explain the low level of financing of housing by the financial sector.

One of the strong arguments noted by a number of authors such as Baharonglu and Lindfield (2008), Warnock & Warnock (2008), UNCHS (1997) is that macroeconomic stability needs to be assured if access to housing finance is to be improved. Literature has shown that economic stability is Uganda has been improving over time and one would hope that access to housing finance should by now have followed after the improved economic stability. The following chapter presents the methodology used to generate the information to confirm or dispel the expectations created by the review of literature.

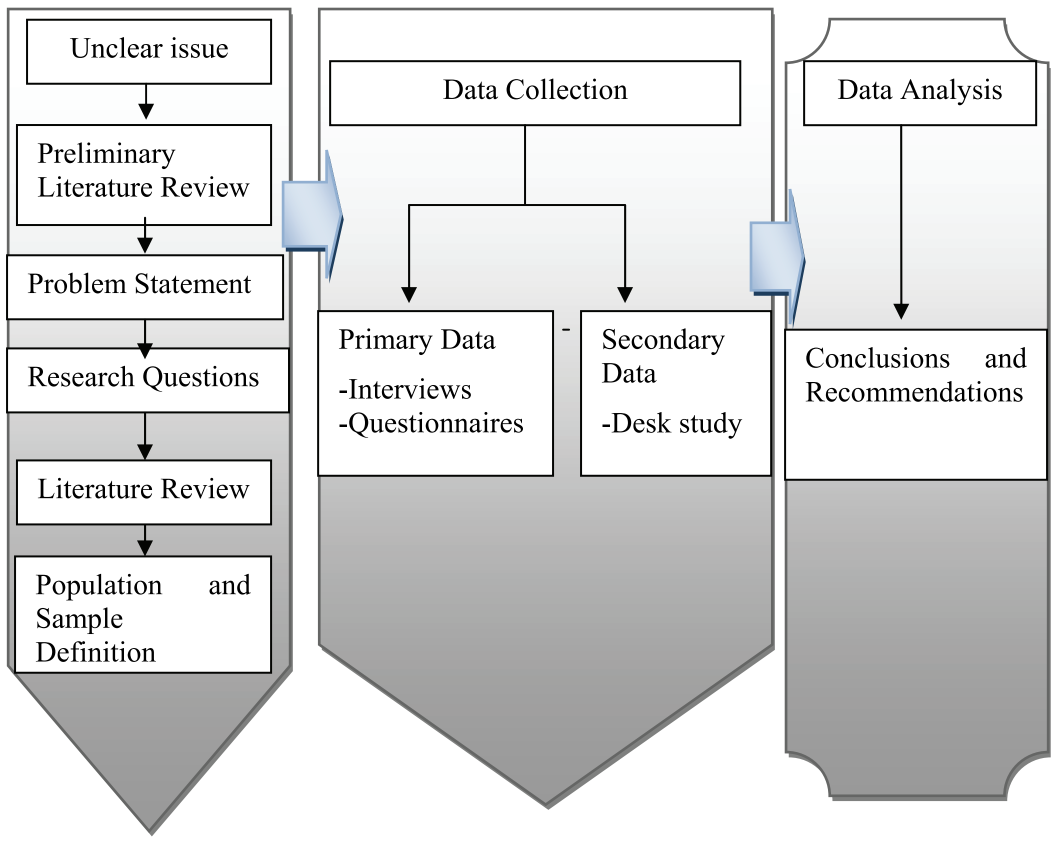
Chapter 3: Research Methodology

Chapter gives a detailed explanation of the methodology adopted for this study. The chapter contains the research questions, the research type, the research design, definition of the variables and their operationalization, definition of the study population and the process of sample selection, the research instruments, the process of data collection and how data will be analyzed

3.1 Research Design and Process

Generally a research process begins with identification of a specific issue which may require some kind of study to come up with a partial or full explanation for its occurrence or existence. This may lead into problem identification after carrying out preliminary literature review. It's this which led to my problem identification, followed by definition of the research objectives, the formulation of research questions, identification of the research population relevant to answer the research questions, comprehensive review of literature followed by the sample definition and selection. This was then followed by data collection which was from two sources, primary and secondary data. The primary data was collected through questionnaires and interviews while secondary data was through desk research. This data was analyzed with conclusions and recommendations being generated. This process is presented in diagram below.

Figure 5: Research Process



3.2 Research Type and Strategy

This study was an exploratory research because it sought to explore what was happening in the field of housing finance in Uganda. The exploration process started with ascertaining the existing regulatory framework, then the levels of access to housing finance by the target group followed by the effect institutional conditions for accessing housing finance had on the target group's ability to borrow.

Survey strategy was used in seeking answers to the research questions through both administering questionnaires to the target population sample and interviews with financial institutions. Below is a summary of the strategy and what is expected of the research.

Figure 6: Research Approach

Objective: Resolve factors influencing access to housing finance in the context of potential and current clients

Phase one

Need: Improve access to housing finance by middle-low income earners

Phase one

Activities

- Review the financial institutions regulatory framework
- Evaluate effect of the financial institutions' conditions for accessing housing finance on clients.
- Analyze international cases on enhancing access to housing finance.
- Generate Alternatives from the middle-low income earners on how access to housing finance can be improved.

Phase Two

Outcomes

Local Context

- Alternative approaches to accessing housing finance
- Desirable interventions from the respondents' perspective

International context

- Successful cases
- Strategies used to improve access to housing finance

Phase three

3.2.1 Unit of Analysis

The unit of analysis for this research was the access to housing finance for the middle-low level salary earners in Kampala city. In the context of this research, middle-low level salary earners, is taken to mean any one with in the lower middle management level of a private sector organizations but earning at least the threshold of one million Uganda shilling per month, required to qualify for housing finance loans. While Kampala city jurisdiction refers to the location of the head quarters of the organization employing the respondents.

3.2.2 Research Instrument

There are two main research instruments used in this research a self administered questionnaire and a semi structured interview guide. In addition to these two, desk study was used to gather literature about the regulatory framework and international cases. Self administered questionnaires composed of both closed and open ended questions were administered on the target population sample as defined in section **3.2.4** below.

The interview guide was used in conducting the interview with the financial institutions. The major purpose of the interviews was to enable triangulation of the responses from the clients as well as having an insight on the operations of the financial institutions when extending housing finance credit to clients. The design of the research instrument was to enable the researcher generate answers to the research questions as per the operationalization of the variables as indicated in the variables and indicators in section **3.2.5**.

3.2.3 Research Population

The study population on the side of clients was the middle-low level management employees of the top one hundred (100) private sector organizations in Kampala city ranked according to tax payment. The list of these companies for year 2007/8 was obtained from the Uganda Revenue Authority.

In the case of financial institutions, the study population was made up of the four major financial institutions in the business of housing finance as well as a World Bank country financial policy expert and advisor with the International Financial Corporation (IFC).

3.2.4 Sample and Sample Selection

Out of the one hundred (100) firms that made up the total population, three strata were formed with the top stratum made up of thirty four (34) firms and the middle and lower strata made up of thirty three (33) firms each. From each of these strata, three (3) firms were selected systematically taking the first, the middle and last firms. A total of nine (9) firms were selected as the sample. It's from these firms that a total of thirty six (36) respondents were chosen (4 respondents per firm). These final thirty six (36) employees made up the final respondents and a questionnaire was administered on each of the selected respondent. Out of the targeted thirty six (36) respondents, thirty five (35) filled questionnaires were received back.

On the side of financial institutions, purposive sampling was used to pick the four most dominant financial institutions in the housing finance market. Interviews were conducted with the officers in charge of housing finance or their representatives. It's from these interviews that the researcher was induced into interviewing the World Bank country financial policy expert and an advisor with IFC as well as one of the major developers in the country.

3.2.5 Variable and Indicators

Research Question	Variables	Indicators	Source of Data	Method	Type of analysis
What is the existing housing finance regulatory environment	• Regulations • Central bank Supervision	• Statutory instruments • Regulatory instruments • Overall supervision set up	• Financial institutions • Banking laws • Bank of Uganda	• Desk research • Interviews	• Qualitative
How do institutional requirements (conditions) for obtaining housing finance limit or promote access to housing finance in the perception of the clients?	• Loan availability • Loan accessibility	• Income • Form of employment • Household size • Successful loan applications among respondents	• Financial institutions • Target category employees	• Interviews • Questionnaire • Desk study	Qualitative and Quantitative
What are some of the experiences of other countries in improving access to housing finance for the low income earners?	• Availability • Accessibility • Affordability	• Innovative approaches • Number of Products • Number of Players • Competition	• International cases	• Desk study	Qualitative and Literature Review
How can access to housing finance for mid to low income salary earners be improved in the perception of middle-low level income salary earners?	• Availability • Accessibility • Affordability	• Innovative approaches • Number of Products • Number of Players • Competition	• Target Category employees • Financial institutions • International case studies	• Questionnaire • Interviews • Desk study	Qualitative and Quantitative

3.3 Data Collection

Primary data was conducted firstly through questionnaires administered on the target middle-low salary earners selected as per section 3.2.4, Sample and sample selection.

Secondly, interviews were conducted among the targeted officials of the financial institutions. The aim behind this was to gather more information to support the secondary data on the institutional regulatory framework and the conditions for obtaining housing finance.

For purposes of primary data collection, both the questionnaire and the interview guides were prepared.

Secondary data collection was in two phases, the first being the desk study data generated before the fieldwork and the second phase being the desk study during and after the fieldwork. The second phase helped to fine tune the first phase with the actual country context in mind.

3.3.1 Data Validity and Data Reliability

To improve on the validity of the research findings, the research ensured proper planning and documentation of the research process. The questionnaire was based on the variables identified in the literature review and the interview guides were prepared before the interviews. The research instruments were pre-tested ahead of their being administered and a thorough review of the existing literature was undertaken.

To ensure reliability, a number of data collection methods were used so that the researcher can use triangulation to check the data from each source. Primary data from questionnaires was checked by the data gathered from the interviews and also against the secondary data gathered through literature review. Furthermore, the researcher ensured minimal influence on the research instruments especially the interview guides by avoiding leading questions and asking mainly open ended questions.

3.4 Data Analysis and Presentation

Primary data from the survey questionnaires was analyzed using frequency tables and performing statistical tests with assistance of SPSS. These frequency tables were the basis for any further statistical tests for significant statistical differences. Results were presented in various forms including but not limited to table, charts and diagrams. Data from interviews was analyzed and presented in a descriptive form based on specific themes.

Secondary data generated from the desk study was also analyzed and presented in a descriptive form.

3.5 Conclusion

This chapter has presented the methodology adopted in the study from the entire research design, strategy, research instruments, the population and sample to the actual data collection and analysis. The following chapter presents the outcome of the implementation of this methodology in the study.

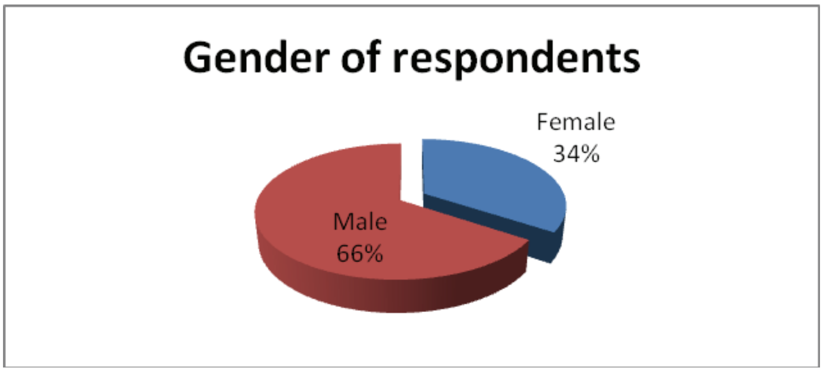
Chapter 4: Research Findings

This Chapter contains the research findings as well as the analysis of these findings which were based on the methodology in the preceding chapter. The information contained in this chapter is based on the themes relating to the research questions indicted in the first chapter. The chapter begins with brief introduction of the respondents in terms of demographic distribution followed by the analysis of the findings and later on the conclusion for the chapter

4.1 Demographic Profile of Respondents

The study had thirty five respondents as indicated in the preceding chapter; of these, twenty three (23) were males and twelve (12) were females. This implies that 66% of the respondents were males and 34% were females. This is within the national average figures as indicated in Uganda bureau of statistics report (2007) which indicated national averages of 65% males and 35% females in management positions. The gender distribution is indicated in the figure below:

Figure 7: Gender distribution of the respondents



Of these respondents, 69% were home owners while 31% of them were non home owners (***refer to figure 9***). This is below the national home ownership indicators (Boleat, M. & International Finance Corporation 2005) where statistics show that 78% of homes nationally are occupier owned while 18% are rented and 4% are occupied rent free. In line with the above, the statistics were significantly different from the national statistics from the national census of 2002 (Uganda Bureau of Statistics 2006) which indicated that nationally there is 86% owner occupation. What is important to note here is that much as in 2002, the indicated owner occupation rate was 86%, it reduced to 78% in 2005. This implies that a further reduction to 69% in 2009 as indicated by the study is highly probable. The conclusion that one may think of is that despite the increasing population, the home ownership has not kept pace with this increase. This can also be supported by the housing deficit which has been quoted as increasing at an alarming rate (Kalema, S. W. & Kayiira, D. 2008).

4.2 Financial Institutions Regulatory Framework

The role of supervising, regulating and controlling of financial institutions in Uganda is the responsibility of the Central Bank under section 4 subsection 2 (i) of the Bank of Uganda Act, cap 51 laws of Uganda. The Central Bank bases its mandate on the Bank of Uganda Act of 1969 together with the Bank of Uganda Statute of 1993.

The financial institutions including the banks and credit institutions are governed by the provisions of the financial institutions act (FIA) 2004 while the micro-finance deposit taking institutions act (MDI) 2003 regulates and governs the operations of the micro finance institutions. In addition to these, there is also the foreign exchange act 2004 which governs the foreign exchange transactions for the foreign exchange dealers in the country.

These acts/statutes of parliament are implemented through statutory instruments in the form of regulations. It is these regulations which help in the implementation of the statutes and are gazetted as statutory instruments. The regulations are gazetted as statutory instruments 2005 from No's 41 to 48 as; financial institutions (licensing) regulations 2005, financial institutions (capital adequacy requirements) regulations 2005, financial institutions (credit classification and provisioning) regulations 2005, financial institutions (limits on Credit concentration and large exposures) regulations 2005, financial institutions (insider lending limits) regulations 2005, financial institutions (liquidity) regulations 2005, financial institutions (corporate governance) regulations 2005 and financial institutions (ownership and control) regulations 2005 in that order respectively. The other statutory instruments are the financial institutions (Credit Reference Bureaus) regulations 2005 which is gazetted as instrument No. 59 and the foreign exchange (For Exchange Bureaus and Money Remittance) regulations, 2006 gazetted as instrument number 10. (WWW.bou.org).

In addition to these regulations, the Central Bank is in the process of introducing new regulations on anti money laundering, finance houses and discount houses, internal and external auditors reporting requirements, supervision and prompt corrective action and regulations on mergers, acquisitions and take over among other regulations.

Further more there are bills that are yet to be passed by parliament and these will form a strong part of the financial institutions regulatory framework either directly through specific controls over the financial institutions operations or indirectly by affecting how financial institutions undertake their operations. These bills include the mortgage bill 2009 which is intended to streamline the operations of the financial institutions in offering mortgages to their clients and the land amendment bill which will inevitably affect how financial institutions deal with clients collateral related to land.

Broadly speaking the financial institutions statutes and regulations provide benchmarks to be followed by financial institutions in their operations. The main areas of regulation can be classified into the following:

Licensing and entry standards: These regulate the requirements for the financial institutions to operate in the country, the quality of management, quality of directors and the issues of governance and parent oversight for foreign registered banks.

Reporting and disclosure standards: These regulate the regularity, form of reporting and the level of disclosures by the financial institutions. The aim is to allow for relevant decision making by the wider public and for ease of comparability among the financial institutions as well as for facilitating supervision by the Central Bank.

Governance standards: These establish acceptable standards for corporate governance among financial institutions. The aim is to strengthen the self governance role of the financial institutions by promoting the existence of a powerful and independent board of directors. This lessens the central bank interference in the financial institutions' operations but at the same time ensuring proper management by the same institutions.

Financial institutions sustainability standards: These establish controls that ensure prudence in the financial institutions operations with the overall objective of ensuring the depositors resources are not mis-utilised through over exposure to risky investments. These standards limit the level of risk exposure that financial institutions can undertake, creating minimum capital requirements as well as restrictions on lending and other transactions to guard depositors' money.

Supervision, compliance, monitoring and enforcement: There are provisions in the regulatory framework which facilitate the supervisions, compliance, monitoring and enforcement. This is because even if the central bank emphasises self management by the financial institutions, it has the ultimate role of stabilising the economy and ensuring the financial health of the financial institutions.

The overall regulatory framework of the financial institutions puts the players in a tier arrangement with four tiers. Tier 1 is for the commercial banks, tier 2 for credit institutions, tier 3 for micro deposit taking institutions and tier 4 for non deposit taking institutions such as NGOs, SACCOs, and MFIs.

Other than these main statutes and regulations, the general financial institutions regulatory framework also relies on other acts and regulations including; the companies act (Cap 110), the income tax act (cap 340), the registration of titles act (cap 230), the Uganda citizenship and immigration act (cap 66) and the investment code act (cap 92). The companies act guides the operations of all the organisations in the country from registration to liquidation including the financial institutions while the income tax act is the basis for taxing of all the organisations that operate in the country and have taxable income as defined by the act. Since financial institutions have taxable incomes from their operations, the act is also part of their regulatory framework. The registration of titles act guides all transactions that have land in their process; financial institutions are influenced by this act due to their requirement for clients to have a collateral security. The Uganda citizenship and immigration act, defines who is a citizen and how one becomes a citizen be it a human being or a corporate organisation such as a financial institution while the investment code act regulates investment in the country.

The Central Bank in Uganda is also in charge of ensuring that the financial institutions are in line with internationally accepted financial standards including implementation of Basel 11 accord and related standards.

Although the financial institutions in the country have an umbrella group known as the Uganda Bankers Association, literature available shows that, this group is mainly for lobbying and collective action rather than a form of regulation or control.

4.2.1 Analysis of Regulatory Framework

In terms of the financial institutions operations, the regulatory framework has been generally conducive to their operations; the banking sector having faced some abrupt closures of some financial institutions in 1998 has dramatically improved and seen tremendous growth since 1999 with seven (7) new banks joining the sector and one merger taking place.

The restrictions regarding lending are viewed by the financial institutions as necessary prudent measures that help to secure depositors money even if they at the same time limit the amount that the financial institution can lend out. Some of these limiting areas in the regulatory requirements include restrictions on credit concentration, restrictions on inter institutional placements and loans, restrictions on purchase of certain loans among others.

Observation of the Central Bank supervision reports and drawing comments from the financial institutions, it comes to bear that although there is a micro-finance deposit taking institutions act (MDI) of 2003, this only covers micro finance institutions that have been approved by Bank of Uganda as micro finance deposit taking institutions. This leaves out a multitude of micro finance institutions in the country that operate without the proper control of the Central Bank. As at the beginning of 2008, there were only four (4) licensed MDIs in the country yet the Association of Micro Finance Institutions of Uganda (AMFIU) an umbrella group of MFIs in the country had a total membership of 116 in 2008. Due to this ambiguity in the regulatory framework, some micro finance institutions in the market are weak some instances leading to loss of their clients money which has contributed towards loss of interest in some members of society to deal with financial institutions.

4.3 Conditions for Accessing Housing Finance

The key requirements for an individual to access housing finance in Uganda are similar among the financial institutions with slight variations being observed in some details. The main conditions and requirements include:

Proof of regular income: All financial institutions take this as the most important condition for one to access housing finance. The client must prove that he or she earns an ascertainable amount of money which will enable the adequate servicing of the loan to be obtained. Proof of income is given through a letter of employment/employment contract from one's employer together with the monthly payslips ranging from six (6) months to three (3) years or thirty six (36) months depending on the financial institution. In addition to these, the client is also required to present a bank statement for the account where his or her salary is paid from for the most recent six (6) months. For self employed persons, you are required to present proof of verifiable regular monthly income and other company's legal documents such as memorandum of association, presenting audited financial statements of the organisation for the last two (2) years, a bank statement for the organisation for a period of two (2) years and or any other proof depending on the form of self employment.

Collateral security: This normally takes the form of a clean land title deed in the names of the borrower without any encumbrance. The land should be of reasonable value with proper access.

Approved building plan: The client is expected to present an approved building plan in order to access housing finance. This should also include the fact that the land is fully serviced with the necessary utilities such as water and electricity or that they are available within the immediate neighbourhood. If these are not readily available, then the client is expected to show financial proof that he can obtain them over and above the amount to be provided by the financial institution.

Bills of quantity for the house: The client is expected to show an estimate of the amount required to complete the house for which he or she is accessing finance. This is in the form of the bills of quantity. If the client is interested in a mortgage, then a letter of offer or sales agreement between the client and the vendor/ developer substitutes the bills of quantity. Such a letter must specify the price of the house and its location. In addition to this, the letter must be accompanied by photographs of at least four (4) elevations of the house.

Loan to value Ratio: The loan to value ratios for the financial institutions varies from 60% to 80% of the house market value depending on the financial institution. The loan to value ratio refers to the proportion of the values of the house that the financial institution is willing to finance. The aim of financing less than the full market value is to lower the risk faced by the financial institution.

Instalment to income ratio: There is a limit to the amount that can be deducted from the customer's monthly income by the financial institution. This also varies among the financial institution but range from 30% to 40% of his or her ascertainable monthly income depending on the bank.

The loan term: The term of the loan ranges from 7 years to a maximum of 20 years depending on the financial institution.

Age: To access housing finance, the minimum age is 18 years and the maximum age is 65 years. The age will influence the loan to value ratio that a client eventually receives. As one nears the maximum age, the loan to value ratio also goes down, i.e. they have an inverse relationship.

Other terms and conditions include; mortgage protections cover for the monthly repayments including death and permanent disability, home owners insurance which is mandatory to some financial institutions as well as payment of some loan application processing fees such as loan appraisal fee, title search fee and stamp duty where applicable.

4.3.1 Housing Finance Products Available on the Market

Financial institutions in Uganda provide a number of housing finance products. **Mortgage**: All the major financial institutions provide mortgage finance but some call it home loans. These mortgages take on different forms including owner occupied houses, construction for rent, property purchase whether for owner occupation or commercial and incremental house mortgage.

Construction finance: Some financial institutions claim to provide construction finance but validation from the property developers showed that they do not provide construction finance in the true meaning but do provide funds to those who have partially finished structures for completion but with repayment expected over an extended period of time.

Equity Release: This is a product by some of the financial institutions where a home owner is provided with an amount equivalent to a specific percentage of the value of his house in return for the house being used as collateral and then he pays monthly instalments for the agreed upon period.

Any reference to housing finance in this study, does not indicate specifically any one distinctive product of housing finance, instead all products were treated as one that is mortgage, construction, incremental home loans because few respondents appreciate the difference between all these products.

4.3.2 Factors Affecting Clients Access to Housing Finance

The middle-low salary earners in Kampala have varying impediments in their quest to access housing finance.

Affordability: Despite all the respondents earning above the minimum monthly amount for accessing housing finance, the issue of affordability featured prominently among the factors that limit access to housing finance. The affordability factor was highlighted in a number of forms including respondents attributing their inability to access housing finance on the high interest rate charged by the financial institution, the heavy burden of monthly instalments that would be deducted from their monthly income if they were to obtain housing finance and the raising of the initial amount that the financial institutions require for one to get housing finance. In Uganda, the current interest rates (***according to this study***) on housing products range from 16% to 23% per annum for the major financial institutions that provide housing finance.

Collateral: The requirement for depositing collateral as security for the housing finance loan was also identified as something of concern to the clients. This in theory should not be a major stumbling block because in most cases it's in the form of land on which the house is to be constructed. However in practice, this is a complicated issue because it requires obtaining a land title in the names of the person obtaining the loan. The process of obtaining a land title was identified as cumbersome and complicated by both the clients and the financial institutions. Information from the respondents and literature review (Giddings S.W. 2009) shows that the land registration system is in a sorry state due to understaffing, being entirely paper based and susceptible to fraud, corruption and unreliable land titles. The collateral requirement is also complicated by the land tenure systems that include freehold, mailo, customary and lease hold land tenure systems.

Freehold and lease hold land tenure systems are straight forward and may not present major issues in the land registration process. However mailo land tenure system and customary land tenure systems present complex situations when owners intend to access housing finance. Mailo land tenure system refers to a land tenure system similar to freehold tenure system that was introduced in Uganda by the British during colonial times. The land was parcelled out in miles and allocated to specific individuals' mainly tribal chiefs and other notables in Central Uganda by the British to own in perpetuity. Holders of this land have perpetual ownership just like freehold land owners and can divide and sell, donate or pass it on to anyone of their choice. But because this piece of land is huge, many non owners (tenants) occupy this land either legally with the consent of the owner or illegally through land invasion. It's this which creates a dilemma for financial institutions when a client is to construct a house on mailo land since there is an impression of the mailo land owner and the tenant being co-owners of the same piece of land. Obtaining a land title by the owner for mailo land may not be complicated but financial institutions may be reluctant to use it as collateral mainly because there might be tenants on the land and the proposed land amendment bill (discussed in regulatory framework) makes fore closure on such collateral almost impossible if there are tenants. On the other hand for a tenant on mailo land to obtain a land title, he/she has to seek the approval of the land owner at a fee. The complication for such a tenant to obtain a land title is from the fact that the land has to be surveyed afresh and indirectly, the land title for the mailo land owner has to be changed as well to accommodate the piece taken out by the former tenant.

On the side of customary land tenure system, this is a tenure system where a given piece of land is communally owned by the entire community. Within this large piece of land, families or individuals may own a defined chuck of land and may freely pass it on to anyone of their choice. However for a land title to be issued for this land, it has to be converted into either freehold or leasehold land tenure system. Given the fact that this land is communally owned, it's quite a challenge obtaining consent from the community to convert the land tenure system for ones portion to be removed and hence obtain a land title.

Housing plan approval: Obtaining approval of the house plan from the city council or relevant municipality was also highlighted as a major issue by the respondents. This is attributed to understaffing of the relevant offices as well as lack of clear guidelines on what is required of someone in order to obtain a house plan approval. Respondents indicated that one has to resort to middlemen to obtain a house plan approval which makes it a burden to them since there is a possibility of being cheated by the middleman.

Complex loan approval process: The respondents indicated that the financial institutions approval process is so complex and elaborate creating frustration on those who seek to acquire housing finance. Among the requirements listed as complicated is presenting one's monthly salary payslips for a period in excess of six (6) months (some financial institutions as for as long as three (3) years for some products) and getting a letter of reference from the employer yet the client would already have presented an employment contract. In line with the complex loan approval process, respondents also indicated that there is scanty information on the various housing loan products that financial institutions offer. Keen observation shows extra space that for all the financial institutions that provide housing finance, only one has relatively comprehensive information of their housing finance products updated on their website. This validates what the clients indicated on lack of information.

Borrowing being risky: Although just a handful of respondents indicated that borrowing is too risky, it's the only attitude factor highlighted by respondents as a factor affecting access to housing finance. In line with this, the respondents also indicated that from their side, obtaining consent from their spouses was a minor obstacle. It's important to note that the mortgage bill before parliament discussed earlier, has a requirement for borrowers to obtain their spouses' consent before taking out a mortgage.

Other factors that were mentioned include: The low level of honesty by financial institutions by not disclosing outright some of their charges, lack of government support whatsoever and few housing finance products on the market.

Despite the major issue being high interest rates, it was interesting to note that a number of individuals take out other forms of loans such as personal salary loan whose interest rates are higher than those charged on housing finance and use the money to finance housing. Some even obtain loans from micro finance institutions whose interest rates are above 36% per annum for the same purpose. This is attributed to a number of factors including the ease of obtaining those loans without complicated documentations and fact that there is usually no need of depositing an initial amount, collateral and other requirements that are common for housing finance.

Table 3 : Main factors that impede access to housing finance

Factor	Percentage of all respondents
High interest rates	88.6%
Having collateral	80.0%
Amounts to service of the loan monthly	71.6%
Obtaining and approved house plan	65.7%
Complicated bank approval process	65.7%
Raising the initial deposit required	62.9%
Obtaining a land title	62.9%
Lack of information on housing finance	45.7%
Borrowing is too risky	37.1%
Obtaining consent from spouse	37.1%

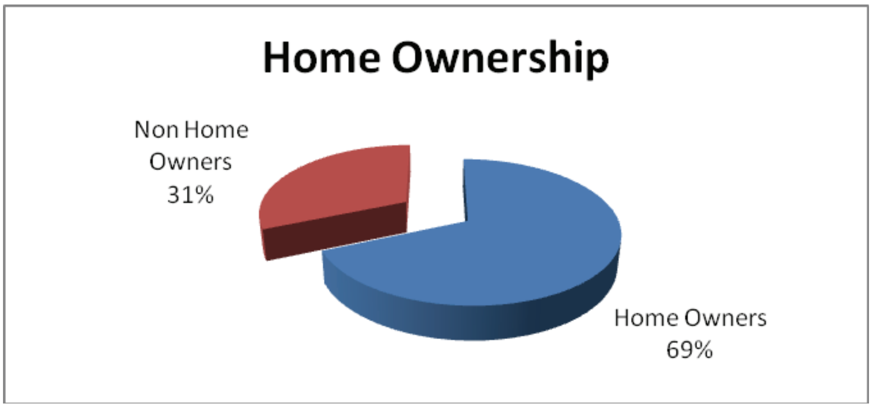
Source: Primary Data

4.3.3 Effect of the Factors on Access to Housing Finance

To determine the effect of these impeding factors on the clients' ability to access housing finance, respondents were asked whether or not they had ever applied for housing finance from any financial institutions, if they succeeded or not and if they did not, what were the reasons for the failure. Below are the results from this analysis.

Out of the total 35 respondents, 24 were home owners with their personal houses and 11 were non home owners meaning that they were renting the house where they were staying, staying with a relative or friend or staying in a company provided house.

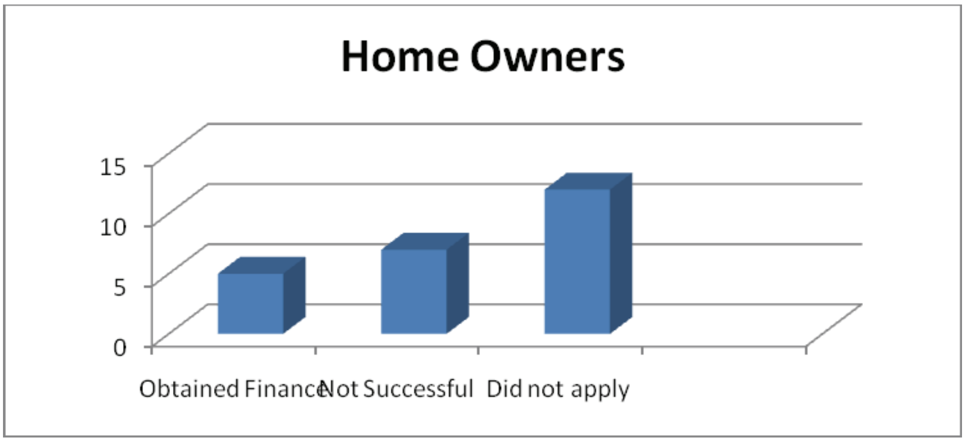
Figure 8: Pie Chart showing Distribution of ownership



Source: Primary Data

Out of the 24 home owners, 12 had ever applied for housing finance from the various financial institutions in the country. Out of the 12 who had ever applied for housing finance loans, only 5 were successful in obtaining the loans from the financial institutions. This shows a success rate of 42% among the home owners considering only those who attempted to obtain housing finance.

Figure 9: Graph showing Home owners' success in obtaining housing finance



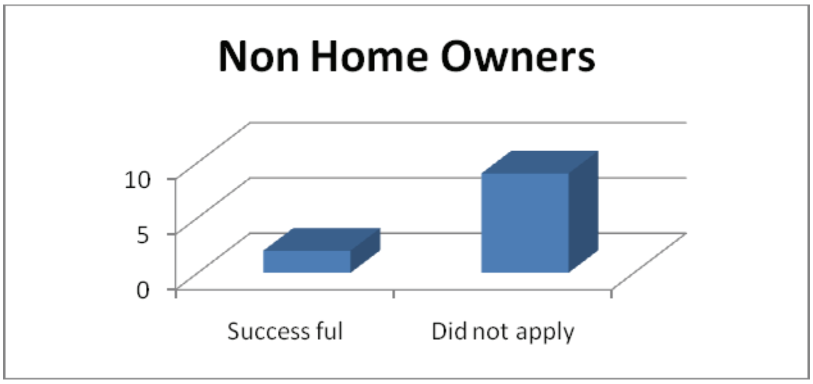
Source: Primary Data

The main reasons given for the unsuccessful applicants were that their monthly incomes could only afford them a smaller amount of loan than they were applying for and the other most frequent reason was that the construction had reached a level where the financial institutions could no longer provide housing finance.

This clearly points to the fact that inline with the respondents' main concerns; affordability is the major factor adversely affecting access to housing finance followed by having few housing products on the market.

On the side of non home owners, two (2) out of the eleven (11) had applied for housing finance loans and had been successful in obtaining these loans although at the time of conducting the research, they had not fully finished the construction of their houses.

Figure 10: Graph showing Non Home owners' success in obtaining housing finance



Source: Primary Data

Most of the other non home owners who had not even tried to apply for housing finance loans attributed it to being in their future plans, being already indebted and having no information about the available housing finance products on the market. While the home owners who had never applied for housing finance loans attributed it mainly to lack of necessity for such loans, Lack of information on available products and loans being very expensive.

Putting this into context, since all the respondents were in the category of those that would ideally qualify for housing finance, the success rate for accessing housing finance is seven out of thirty five. This implies a combined success rate of 20% for the entire sample.

The research having been guided by the hypothesis that the majority (above 50%) of middle-low salary earners who qualify to access housing finance do not in reality access it, the researcher tested the hypothesis with SPSS using a Chi square test. Chi-square test was used because the responses to the question regarding Successfulness in accessing housing finance generated non parametric data. The output from the test is shown in the table below:

Test Statistics

	Were you successful

Chi-Square	12.600[a]
Df	1
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 17.5.

The results indicated that for a test of 35 respondents based on 1 degree of freedom i.e. $\chi^2(1, 35) = 12.6, p<0.001$. *This means that we accept the hypothesis as true since the chances of this having occurred by chance are so slim at less than 0.001.*

4.4 International Cases on Housing Finance.

In this section, three international cases are reviewed specifically on how housing finance in those cases is managed. The aim is to extract conclusions on some of the ways that may be relevant and applicable in Uganda to improve on access to housing finance by the middle-low income salary earners. The cases that are reviewed are Netherlands, South Africa and Poland.

4.4.1 Housing Finance in the Netherlands

Housing finance in the Netherlands cannot be looked at fully in isolation of the entire housing system. The housing system has a strong presence of social housing which by 2003 accounted for 35% of the entire housing stock (Boelhouwer P. 2004). The social housing is provided by quasi government entities called housing associations with strong government regulation on rental charge increments but also support in form of guarantees and home consumer subsidies. Since the social housing accounts for such a huge proportion of the housing stock, its given special attention before bringing in the other home owners in reviewing access to housing finance in the Netherlands.

Prior to the 1980s, the housing finance for social housing was through loans and loan guarantees by the state-directly drawn from the national budget. In the mid 1980s, due to financial constraints, the state abolished the provision of loans to the housing associations and loan guarantees in case of borrowing from the market.

However to ease the access of housing finance by the housing associations, the Social House Building Guarantee Fund (WSW-Waarborgfonds Sociale Woningbouw) was set up as a private institution to help the associations have a second level security guarantee when accessing housing finance. The WSW was set up with a single state contribution but it also gets contributions from the housing associations (WSW, 2002). The WSW grants guarantees to financial institutions that lend money to the housing associations for new construction, housing improvement, acquisition of dwellings, nursing and retirement homes. In addition to WSW, there is also another fund, the central housing fund known as CFV, Centraal Fonds Voor de volkshuisvesting which helps in the financial supervision of and financial restructuring of the housing associations. This fund is a similar to mutual fund for purposes of streamlining the financial operations of weaker member associations. Outside of these funds, the state through the local government provides the last line of guarantee in the unlikely event that the housing associations and the WSW cannot meet their obligation in financing housing finance loans obtained from the financial institutions.

If housing associations borrow under the guarantee of WSW, there are three (3) layers of security and guarantee that the provider of funds is assured of; the primary security is provided by the financial resilience of the housing association and the entire sector through the participation in the CFV, the second one by the WSW and the third and ultimate security by the state through the local government (Schaar V. D. & Hereijgers, A., 1991). According to Priemus (1995), the attractive interest rates on loans secured by WSW demonstrate the great confidence that lenders have in the fund; this confidence is partly explained by the ultimate guarantee provided by the state.

Generally, Dutch home owners have a variety of mortgage products to choose from. This is due to the high level of competition in the mortgage market which has led to development of products that induce both lenders and borrowers to maximise mortgage interest deductibility. There are mortgage products on the market that refrain from loan redemption until maturity. According to Dijkhuizen (2006), around 90% of the mortgage loans extended since 1995, are not repaid until maturity and a substantial percentage of all mortgages do not have to be repaid at all. For sometime, the housing finance loans have been on a fixed interest rate although literature shows that this trend is decreasing and more loans with variable interest rates are increasingly appearing on the market. Dijkhuizen (2006) estimated that 86% of the outstanding mortgage debts as at the end of 2004 were based on fixed interest rates with the bulk having rates fixed for the next 5 to 10 years. On the regulation side, the financial markets authority which regulates the financial institutions has standards in place on the level of information disclosure required of the financial institutions. There is standard information requirement that financial institutions are mandated to provide to their clients who wish to take out specific loan portfolios including purchasing “complex financial products”. There is also a mortgage code of conduct the financial institutions have to abide by. The authority reviews the lenders advertisements to confirm that they are not misleading and may impose sanctions where financial institutions are found in breach of their requirements.

On the side of the financial institutions, the laws as well as the regulations under the civil code and code of civil procedure allows the lender to have full recourse against borrowers who default on the mortgage payments which helps to reduce on the default rates. This law allows the lender to attach the defaulter’s income at any stage of the foreclosure. The lender may also attach the defaulter’s income in case there is still an outstanding loss after the foreclosure.

In terms of players in the housing finance market in 2003, banks dominated with 74% of the market followed by pension funds with 18% and the other institutions such as mortgage shops, investment firms, municipalities and provinces taking up the balance of 8%.

Like for the housing associations, the normal home owners also have a guarantee fund known as the Dutch home ownership guarantee fund. This fund is also supported by the state with contributions from the member home owners and it goes a long way in reducing the risk perceived by the financial institutions when they extend mortgages to the home owners.

The taxation policy of the Netherlands is in such a way that it facilitates housing finance access, capital gains on own property are not subject to taxation, this motivates people to invest in homes.

What this whole housing system has caused is the extended period of low interest rates charged by the financial institutions. This results from the high level of competition and the low risk perceived by the financial institutions. The various guarantee schemes in place help to minimise the risk that financial institutions face and thereby driving interest rates down because they are sure of recovering their loans. The high level of completion among the housing finance market players helps to bring about higher efficiency levels which also lower interest rates and increase on innovation resulting into players coming up with different products that cater for different classes of people.

The existence of housing association is another way of enabling the continued supply of houses that financial institutions can then finance through mortgages. This is achieved through the power to pool resources that these housing associations have since they construct on large scale which helps to drive the cost of construction down due to economies of scale.

In addition to this, the development in the stock market as well as the strong regulation and supervision of the financial institutions by the financial markets authority facilitates access to housing finance since it encourages transparency and efficient operation of these financial institutions.

4.4.2 Housing Finance in South Africa

In South Africa, the housing finance issue is hinged mainly on the housing capital subsidy for the low income earners. The housing subsidy is a grant by government to qualifying beneficiaries. These grants are not paid in cash to the beneficiaries but are instead paid directly to the developers for the delivery of houses with minimum technical and environmental standards. According to Vuyisani (2001), under the record of understanding in 1994 between government and the banking sector, banks were expected to extend housing finance linked to the capital subsidy programme. It's therefore important to note that due to this understanding, financial institution especially the big and well established ones provide housing finance that caters for the low to medium income earners in the country.

The home loan and mortgage disclosure act 2000 makes it compulsory for the financial institutions to lodge full details of their approval or rejection of home loans with clear explanation for the rejections. This act helps to ensure that home loan applicants are not unnecessarily denied home loans basing on non relevant criteria like race or religion.

The entire housing finance market is made up a large number of players in theory made up of large banks, small banks, social housing institutions, provincial development corporations, NGOs, government institutions and some other institutions such as fund administrators.

However the actual South African housing loan market is dominated by banks with the four biggest banks (ABSA, Standard bank, Nedbank and First Rand) being the main providers of housing finance according to NHFC preliminary status quo report (2000). Of these four leading banks, only two are active in the affordable housing finance market for the low and middle income earners which shows the low level of competition in this market. There are however smaller banks that also operate in low income end market and it's these small banks that show a high level of innovation and creativity in terms of loan products that are suitable for the low and middle income earners such that the loans are backed by pension fund guarantees.

In 1995 The Mortgage Indemnity Fund (MIF) was launched as a fully government owned entity with a view of encouraging financial institutions to extend into areas where they had stopped lending due to high risk. The MIF was created to last for 3 years as a backstop strategy and closed business 1998 as per the funds earlier mandate at which time it had succeeded in channeling funds to earlier marginalized areas in addition to providing extra information and clarity on the key problems facing the housing sector (Vuyisani, M. 2008)

Servcon another institution was also set-up 1994 to encourage lending to the low income earners in the housing market and also to help in sorting out the historical problems, particularly that of non-payment. It's in charge of managing non performing loans and has drastically reduced these loans in the lower income-housing sector by 49.5% (Vuyisani M., 2004).

The National Housing Finance Corporation (NHFC) was formed in 1996 to increase housing delivery. The NHFC's goal is to encourage increased and sustainable involvement of formal financial institutions in the low-income housing market through risk sharing ventures with these institutions. Through this the institution was mandated to ensure that every citizen with ascertainable monthly income is able to access housing finance to acquire and or improve a home of his or her Choice. According to Vuyisani (2004), NHFC supports the growth of the emerging alternative lending sector by providing credit in markets where the formal banking sector is not yet engaged since these emerging alternative lenders lack adequate capacity and sustainable access to funding.

The National Urban Reconstruction and Housing Agency (NURCHA) was set up in 1995, to provide guarantees to financial institutions and shares risks on loans made to projects that are for construction of homes. The NURCHA's major aim is to release finance from lending institutions who regard the housing sector as a high-risk area for lending. It was therefore set up to provide bridging finance loans to small contractors, assist developers and contractors with the capacity to access bridging finance from banks and provide guarantee for those contracts deemed too risky so that they obtain bridging finance loans.

The micro finance institutions in South Africa cover part of the gap in the housing finance demand. According to Vuyisani (2008) the industry has one of the fast growing rates in the country. The industry has two distinctive groups namely; those that are regulated and those that are not regulated. The interest rates range from 26% per annum to 5% per week (260% per annum). Although they charge high interest rates, they provide for the majority of the low income clients due to their innovative methods of operation such as unique housing loan products and unique collateral which are totally unheard of in the established financial institutions.

Even with these measures in place, the housing finance market in South Africa is only vibrant in the middle and high income segments of the housing market. The housing market for the low and Middle-low income segment is still considered too risky by most financial institutions. The major reasons according to Vuyisani are that the institutions have not been operating long enough and that they just need more time before sufficient results can be seen and the fact that there is still an acute shortage of houses in the country and the reluctance and unwillingness by traditional financial institutions to grant loans to low-income earners exacerbates the situation.

4.4.3 Housing Finance in Poland

Poland as an emerging economy has recorded tremendous improvement in the housing finance accessibility by her citizens. The situation regarding housing finance in Poland is follows;

In terms of regulation and support, the housing finance market in Poland is supervised by the general inspectorate of banking supervision GINB-Generalny Inspektorat Nadzoru Bankowego. The GINB has in place an inspection manual (Merrill, S. R. Et el 2000) which indicates the major risks in real estate lending and quality control measures for the industry. The industry also receives support from professional organisations such as the Polish banks association, the credit bureau, and the insurances, association of appraisers, builder and realtors.

Poland has legislation (*Mortgage Banks and Mortgage Bonds Act 1997 amended 2002*) supporting the creation of Mortgage banks and issuance of mortgage bonds. This has created an enabling environment for the prosperity of the mortgage industry. According to the World Bank report on Poland (2006), there were four (4) licensed specialised mortgage banks by the end of 2004 and these held approximately 5% of the real estate loans and 2% of the individual housing loans. The advantage of having these specialised mortgage banks is the transfer of experience that they have due to their specialisation and the ease of developing new products.

In the late 1990s, the country's parliament (Sejm) passed a new law that provided the basis for contractual savings for housing finance similar to the Germany's Bausparkassem. Earlier on in the mid 1990s, a similar law had been passed to support another variation of contractual savings for housing finance. However according to Lea M. (2000), review of the national housing fund reports shows that the system has achieved modest results to date. This he explains that is due to the fact that the system mainly benefits those in the high income brackets because it relies on tax deduction for its subsidy. In addition to this, a 2002 budget law introduced income tax deductibility of mortgage interest payments which has helped to reduce on the net interest cost of mortgage borrowing for households that qualify (World Bank 2006).

The consumers of mortgages in Poland enjoy a maximum term of up to 30 years this greatly enhances their ability to access housing finance because it becomes more affordable with a long term. According to the World Bank report on the Poland (2006), the loan to value ratios may reach 80% and even 100% for clients that purchase additional credit insurance which all improves on affordability and accessibility.

The mortgage portfolio in Poland is largely funded by the short term deposits from the commercial banks with little input of funds from outside of the country. This helps to shield the market from external influences such as the current housing/financial crisis in a number of developed countries but also presents a window of opportunity like issuance of bonds in future when there is need for more funds.

Poland has a competitive housing finance market which has helped to bring interest rates down over time. In the early 1990s, Poland's housing finance market was dominated by one bank enjoying a near monopoly. However due to an enabling regulatory environment, a number of other financial institutions have joined the market leaving this bank with a substantially reduced market share. This has brought about competition in the market and hence reduced interest rates which have then brought about increased affordability of the housing finance products. The high level of competition in the market has led to increased efficiency with the interest rate spread being at 6.2% in 1998 according to Merrill (2000). This spread by European standards is high but compared to other emerging economies, it's quite low.

The Polish housing finance market has a number of products with some being denominated in US dollars (Merrill, S. R. Et al 2000). This has both advantages and disadvantages. On the positive, it brings about predictability of the interest rates due to the slow change in value of the currency but on the minus side, it makes it expensive for those who earn in local currency to acquire such housing finance products.

In summary the Polish housing finance market has been improving over time and sets a good example of how the market can be handled in an emerging economy, the market is supported by appropriate legislation and even though there is a financial institution still dominating the market, the level of completion is high and its market share is steadily being eroded. The market is largely free from government subsidies so it's not distorted even though there are some incentives like interest charge deductibility.

4.5 Innovative Approaches from Clients on Improving Housing Finance Accessibility

The study findings on what should be done to improve access to housing finance by middle-low income salary earners yielded varying suggestions from the respondents themselves. The responses based on thematic analysis were as follows

Reduce interest rates: This appeared a total of twelve (12) times from the respondents and it was the most dominant recommendation by the respondents. Interestingly two (out of four) of the financial institutions officials and both the IFC and World Bank interview respondents were of the view that the interest rates are quite high especially when compared to those in neighbouring countries and needed to be reviewed downwards. Much as the remaining two financial institutions' interview respondents also agreed that the rates are higher than neighbouring countries, they supported this by saying that the conditions differ and so the risk exposure to the financial institutions is totally incomparable.

Avail information on housing finance products on the market: This appeared a total of eight (8) times and was the second most dominant recommendation by the respondents. They felt that they knew little and some almost nothing about housing products on the market. This was also sometimes evident from the responses received to some questions. Respondents would at first say that they have ever applied for housing finance but when asked the financial institution, they would talk about a bank without housing finance products in its portfolio.

Streamline the banks' housing finance approval process: This appeared six (6) times and was the third most common recommendation from the respondents. The respondents felt that the approval process for the housing products looks straight forward and simple in theory or on paper with some banks promising approval within 48 hours but in reality, the process may take months before an approval or rejection is communicated to the loan applicant.

Reform the pension Scheme: The idea of reforming the pension scheme in the country was fronted by four (4) different respondents.

The pension scheme in Uganda has a single government controlled player, National Social Security Fund-NSSF, where all private sector employees make their monthly pension contribution. The pension is paid back to the employee as a lump sum amount upon attaining retirement age or in special defined circumstances such as permanent disability

The respondents suggested that those who contribute to NSSF should be allowed to use their contribution as collateral to obtain housing finance. Another suggestion about the pension scheme was to compel the pension fund to invest a specified portion of members' contribution per annum into house delivery.

Create various housing finance products: Three (3) respondents were of the view that the available housing finance products are too few and only designed for the high income and upper middle income earners. Therefore they recommended that financial institutions develop other housing finance products that specifically target the low income earners who make up the majority of the population in the country.

Use future values for collateral: There were two (2) respondents who felt that the use of market value for valuing of collateral is misleading due to scarcity of information on the market values. They recommended the use of future values in valuing the collateral because this would enable the applicants to afford reasonable amounts in loans.

A number of other ideas were fronted by the respondents and these included: The need for government to intervene in the land market as well as to streamline the land registry, simplification of building standards, creation of partnerships between employers and financial institutions, streamlining of the house plans approval process, support of government in construction of more houses because banks have no houses to finance and the proper supervision of microfinance institutions which are currently creating a bad name to banking in the minds of local people. The table below shows the ideas from the respondents in a summary form

Table 4: Ways in which access to housing finance may be improved according to the respondents

No.	Recommendation	Frequency
1	Reduce interest rates	12
2	Avail information on housing finance products	8
3	Streamline bank housing finance approval process	6
4	Reform the pension scheme	4
5	Create various housing products	3
6	Use future values to value collateral	2
7	Intervene in land market and reorganise land registry	1
8	Simplify building standards	1
9	Create partnerships between employers and banks	1
10	Streamline the house plans approval process	1
11	Support construction of more houses	1
12	Regulate microfinance institutions	1

4.6 Feasible Alternatives to Improve Access to Housing Finance.

In this section, the researcher looks at the fieldwork findings and the international cases at glance, reviews and generates what in his own opinion are the ways in which access to housing finance can be improved for the target population putting into consideration the respondents' recommendations, the cases, other literature available and the researcher's personal experience of the country's context.

Contractual savings Schemes: Financial institutions should introduce contractual savings for their clients in order to access housing finance. These schemes should vary depending on the absolute amount that the client is interested in. These contractual saving schemes have two benefits. Firstly its one source of funds on the side of the financial institution for further roll out but secondly, they introduce the client to the habit of saving as he is prepared for the servicing of the housing finance loan. Despite the theoretical presence of this arrangement in one of the financial institutions, its not adequately publicised or promoted to the potential clients.

Pension fund reform: Since all the salary earners in the country contribute to the national social security fund, there is need to amend the law for the pension fund in order to allow members to use their pension contributions as collateral to access housing finance. Further more, the pension fund itself can take an active roll in the provision of housing finance to the wider public just as it is in the

Netherlands where pension funds are some of the key players in the housing finance market.

Introduce construction finance: There is need for introduction of construction finance by the financial institutions. The lack of construction finance in the market means that developers have to use other means in order to construct houses. This has two implications, the first one being that the construction is slower than it would have been had they accessed construction finance and the second one being that the slow process makes the housing costly and hence expensive to the end buyer. If construction finance is introduced on the market, this will increase the number of houses on the market that will indirectly mean that financial institutions have more houses to finance and that is likely to lower the costs of accessing housing finance due to economies of scale.

Support construction of rental units: Rental units constitute a substantial percentage of the houses in Kampala city. Unfortunately most financial institutions are sceptical about supporting rental construction. Financial institutions should support this section of housing because it has an already established market in the city.

Title insurance: Due to the problems associated with the land registry, there is need for introduction of title insurance as a mandatory requirement to safe guard both the mortgagers and the financial institutions. This is likely to improve on access to housing finance due to the lowering of the risk attached to the current possibility for duplication of titles.

Mortgage indemnity fund: The Mortgage indemnity fund similar to the one which existed in South Africa may help to grow the housing finance market in Uganda. If such a fund is set up in Uganda to provide additional guarantee to the financial institutions, it's likely to improve access to housing finance as financial institutions will be comfortable with providing additional finance with a lower risk of default.

4.7 Conclusion

This chapter has presented the research finding of the study starting with the summary profile of the study participants, followed by presentation of the findings based on the research questions that were indicated in chapter one. The existing regulatory framework was presented in details together with the available housing finance products and the conditions that determine access to these available finance products. An analysis of the effect of these access conditions was presented before a review of housing finance in international cases. The literature on international cases of Netherlands, South Africa and Poland together with the fieldwork findings leads to the feasible alternatives to accessing housing finance in Kampala that is presented towards the end of the chapter. The conclusions and recommendations that follow in the next chapter are largely out of the analysis that has been undertaken in this chapter.

Chapter 5 Conclusion and Recommendations

This chapter presents the conclusion of the study based on the findings from both the literature review and the fieldwork. The chapter also gives recommendation to the various stakeholders on how access to housing finance can be improved for the target population. The chapter ends with recommendations for further research.

5.1 Conclusion

Financial institutions in Uganda broadly have a strong regulatory framework with a strong Central Bank fully supported by appropriate acts and statutes of parliaments that have further been developed into detailed statutory instruments in the form of regulations. The regulatory environment was previously weak which led to closure of some financial institutions prior to 1999. However following that period, the banking sector has been quite stable and growing at a reasonably high rate. All the same, regulation of micro finance institutions is still lacking which explains the complaints raised by the respondents in this study.

The available housing finance products are few and mainly limited to the high and middle income category of clients. Products for the low income earners are few and where they are, they are expensive as they are developed mainly by micro finance institutions whose efficiency is low and operational cost high.

The major road blocks towards access to housing finance that came out of the study include; the high interest rates that are charged by financial institutions, the difficulty of having a valuable collateral according to the financial institutions' valuations, the complex bank approval process which drives clients towards applying for loans with less complex approval process such as salary loans, obtaining of a land title from the fraud prone land registry department, obtaining an approved house plan from the municipality without any visible clear guidelines as well as the scanty information on the housing finance products available on the market.

Access to housing finance in Kampala city is still low even among those who in theory pass the most important parameter (reasonable regular monthly income) required to access the product. A substantial proportion of the people who would otherwise qualify to obtain housing finance have never even tried to apply for housing finance. They instead use personal savings, borrowing from their employers or take out personal salary loans from the financial institutions in order to construct houses. At the same time for those who apply for housing finance, less than half of them actually get the loans that they apply for. Others even where the loans are approved, they reject them because the amounts that financial institutions are willing to offer are substantially below what they need to undertake construction or acquisition of houses.

International case studies from Netherlands, South Africa and Poland brought out the various ways in which countries have promoted access to housing finance. From the housing associations and triple guarantee schemes in Netherlands, contractual saving schemes and clear regulatory environment in

Poland to the mortgage indemnity fund and subsidies in South Africa, the study showed that there are many ways of improving access to housing finance.

A number of feasible alternatives are provided including the introduction of contractual saving schemes in the country, reforming of the pension scheme to allow members to use their savings as collateral, the introduction of construction finance to help on the supply side of housing, supporting of rental units which would be closer to social housing which is missing in the country, introduction of title insurance to alleviate the problems that exist in the land registry and the introduction of mortgage indemnity fund similar to the one which was in South Africa.

5.2 Recommendations

From this study, the following recommendations are made as some of the possible ways that can be adopted in order to address the problem identified from chapter one as well as the actual situations on the ground. The recommendations are made out of the analysis made in chapter four. The recommendations are categorised into those for state in general, for financial institutions, for the Central Bank and the areas for possible further research.

5.2.1 Government

Affordability, call it high interest rates or high cost of obtaining housing finance is the most important issue that needs to be addressed. This can be addressed in a number of ways including: measures to lower the prices of houses such as decrease in cost of materials through the tax system and relaxing the building standards. It can also be increased through offering longer terms for the mortgage or lowering of interest rates on the housing loans through increased competition and hence better efficiency. The lowering of interest rates and enabling longer loan terms can be achieved through mobilisation of long term funding sources for the financial institutions.

Legal clarity to ease enforcement of mortgage rights: Mortgage is a legal right by which a debtor pledges his residence to secure his obligation to the creditor that provides the loan to construct or acquire it. This should still be true in practice as it sounds in theory. Any delays or legal technicalities which prolong or impede the execution of this agreement discourage creditors from more loans and also lead to high costs to those who succeed to obtain the loans due to the increased risk. The mortgage bill which is currently before parliament makes the above very difficult to achieve as it makes it difficult for the financial institutions to take possession of their clients' houses in case of default. This is likely to negatively affect access to housing finance in the country. The regulating entity should urgently address this before the bill is passed into law.

Land registry: The land registry needs to be improved urgently through improved capacity and staffing. There is need for a thorough audit of all the existing land titles as record of the new ones being issued is also taken. This is for purposes of creating a complete database of the land titles in the country to eliminate the possibility of a duplicate title being issued by the land registry.

Pension fund reform: The law on pension funds should be amended to allow NSSF to facilitate housing finance by providing collateral for the members of the fund. In addition to this NSSF should provide housing finance as one of its line of businesses since it has lots of funds at its disposal.

Regulation and supervision of real estate actors: There is need for a legal framework that guides the work of brokers, real estate agents as they continue playing an important role in the housing finance industry.

Housing plan approval: The municipalities need to streamline the house plan approval sections to ensure that adequate information is provided to those who would like to have their plans approved. This will help to reduce on the trouble that clients go through in order to have their plans approved.

Provision of guarantee: There is need for provision of ultimate guarantee for the house buyers who take necessary insurance for their houses. This will have the effect of encouraging financial institutions to provide additional housing finance products and make access easier.

Mortgage indemnity fund: In order to improve access to housing finance, Government should establish a mortgage indemnity fund similar to the one that was created in South Africa. The fund should act as a second line of guarantee to the financial institutions that provide housing finance. This will encourage the financial institutions to provide more housing finance as the concept takes root in the country.

Expertise in valuation of property: There is need for capacity building to improve on the available expertise in valuation of properties. This will help to ensure conformity and reduction of the perceived unfairness by potential borrowers some of whom feel that the financial institutions undervalue their properties in a bid to reduce on the maximum loan amounts they can access. This can be improved through creation of a database showing the sales price of properties for any given location. This can be linked to the land registry database for ease of implementation.

5.2.2 Central Bank

Credit information Bureau: In theory, there is a credit rating agency in the country, however all financial institutions insist that they are yet to see the impact of the agency. It's therefore important for Bank of Uganda and other financial institutions to assist the agency to achieve its intended objectives. Financial institutions need to realise that, the agency without their assistance cannot achieve its goals and instead provide it with necessary information on their clients.

Regulation of microfinance institutions: Bank of Uganda needs to urgently find a solution to the appropriate registration, supervision and regulation of all microfinance institutions and not only the MDIs. This is because some individuals of the wider public look at the whole banking sector as fraudulent after falling prey to some of the micro finance institutions that are not supervised by Bank of Uganda.

5.2.3 Financial Institutions

Raising funds internally: There is need for financial institutions to raise funds internally through deposits or through issuing of bonds. Financial institutions need to look for and create ways of generating more long term internal sources of funding. This is because lines of credit that originate from outside the country bring about increased costs in terms of exchange rate risk as well as an additional premium associated with foreign investments. If the financial institutions are to rely on deposits by their clients, the depositors need to have confidence in the banking sector and the sector has to pay a reasonable return on the deposits.

Affordability: Creation of varying housing finance products to accommodate the low income earners. Such products need to be tailored to the general economic conditions so that some conditions for obtaining loans are relaxed but without necessarily increasing on the risk exposure for the financial institutions.

Construction finance: There is reluctance on the side of financial institutions to risk funding of large scale housing projects. This forces the developers to source for a substantial proportion of the construction finance from the house buyers, the buyers however are usually constrained to provide large amounts as down payment and find it difficult to access housing finance for property not yet constructed. This then creates a vicious circle of lack of funds by the developer and lack of houses to finance by the financial institutions.

5.2.4 Areas for further research:

This study was concentrated on the category of individuals who earn more than Uganda Shillings UGX 1,000,000 (Approximately Euros 350) per month which is approximately just above the minimum amount that financial institutions consider as threshold to obtain housing finance. However there is need for more research to correlate income levels and access to housing finance which could not be done in this study.

In addition to the above, the emphasis of this study was on urban areas, it's important to note that Uganda as a country is largely made up of a rural population and as such for national aggregation; there is need for a study covering a broad geographical scope to take into consideration the non urban population.

Further research may also be required to quantify the effect of the problems associated with the land registry on access to housing finance because all financial institutions had land registry as one of the most prominent problem affecting their business.

The case of decreasing home ownership to population ratio as indicated in the available statistics should be investigated. The statistics indicate that Owner Occupied houses were 86% in 2002 (Uganda Bureau of statistics 2006), 78 % in 2005 (Kalema, S. W. & Kayiira, D. 2008) while the fieldwork analysis for this study projected it at 69% in 2009. There is need for further research to generate possible solutions to reverse this trend.

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Appendix 1: Survey Questionnaire

This questionnaire is for purposes of generating knowledge about access to housing finance. All information provided will be kept confidential and only used for purposes of this study only.

Please mark the most appropriate response in the space provided on the right hand side and where necessary provide a written response in the space provided or on any extra piece of paper.

SECTION A: General Information

1. Gender of respondent

1. Male	
2. Female	

2. Marital Status

1. Single	
2. Married/ living together as if married	
3. Separated	
4. Divorced,	
5. Widowed	

3. Number of people you are staying with currently in your main house/home

1. Below 3	
2. From 3 to 5	
3. From 6 to 8	
4. From 9 to 11	
5. Above 11	

4. Form of ownership for current dwelling (main home where you commute from to go to work)?

Self owned	
Self rented	
Other, Please specify	

5. **How many Members of you current main house/ home earn a monthly income**?...................

6. **Name of your place of residence**?..

SECTION B: Employment Details

7. Type of Employment

Casual	
Current for contract less than 1 year	
Current for contract 1-3 years	
Current for contract 4 -6 years	
Permanent employment	

8. What is your approximate Monthly Gross income in Shillings?

Less than 1,000,000/=	
More than 1,000,000/=	

SECTION C: For Home owners only

9. What is the type of land tenure system on which your house is located?

Free hold	
Mailo Land	
Leasehold	
Communal/Customary	
Not Sure	

10. Do you have a land title for that land?

Yes	
No	

If No, Why?……
…….

11. How did you acquire the house?

Inherited it	
Bought it	
Built it	
As a gift	
Other, Please specify	

12. If not received freely, how did you finance the acquisition? (You can mark more than one option)

Using personal savings only	
Personal savings and borrowing from financial institutions	
Personal savings and assistance from relatives and friends	
Personal savings and borrowing from employer	
Other, Please specify	

13. How the house was was originally constructed?

Self built by myself	
Hired builders	
Unknown	
By developer e.g. National Housing, Akright	
By government	
Other, Please specify	

14. Which of the following are available or contained inside the house?

Piped water	
Power from UMEME	
Solar Power	
Kitchen	
Bathroom	
Toilet	

15. **Do you have an approved plan for the house from KCC or relevant District Planning Unit?**

Yes	
No	

If No, Why?………
……..

16. **Have you ever applied for a housing finance loan from any financial institution?**

Yes	
No	

If yes, which financial institution…………………………………………………………………………
………

And were you successful

Yes	
No	

If you were not successful, what were the reasons given…………………………………………………
…….
If you have never applied for any housing finance loan, Why?..
……….
……….

For Non Home owners Only

17. **Do you currently own land?**

Yes	
No	

18. **If No, Do you aspire to acquire land in the next 5 years?**

Yes	
No	

If No, why?……….
……

19. **If yes, how do you plan to finance the acquisition? (You can mark more than one option)**

Using personal savings only	
Personal savings and borrowing from financial institutions	
Personal savings and assistance from relatives and friends	
Personal savings and borrowing from employer	
Other, Please specify	

20. **Do you plan to buy or build a house in the next 5 years?**

Yes	
No	

If No, why?……….
……

21. If yes, how do you plan to finance it? (You can mark more than one option)

Using personal savings only	
Personal savings and borrowing from financial institutions	
Personal savings and assistance from relatives and friends	
Personal savings and borrowing from employer	
Other, Please specify	

22. How will the house construction be undertaken? (you can mark more than one option)

Self built by myself	
Use hired builders	
Unknown	
By developer	
Through housing finance or employer?	
Other, Please specify	

23. Have you ever applied for a housing finance loan from any financial institution?

Yes	
No	

If yes, which financial institution……………………………………………………………………………
……

And were you successful

Yes	
No	

If you were not successful, what were the reasons given…………………………………………………………
……….

If you have never applied for any housing finance loan, Why?..
…….
…….

SECTION D: General Information for all respondents

24. List any financial institutions in Uganda that you know that provide housing finance

25. To what extent do you agree with the following as the major reasons constraining access to housing finance (1= strongly agree, 2= Agree, 3= Neither agree nor Disagree, 4= Dis-agree and 5 Strongly Dis-agree)

	1	2	3	4	5
Interest rates charged					
Information on housing finance					
Bank approval process					
Collateral for bank security					
Borrowing is too risky					
Raising the monthly deduction amounts					
Raising the deposit amount required by the bank					
Getting family members consent/ approval					
Obtaining land title					
Obtaining approved plan from City/ Town planner					
Other Reason(s), Please specify them below.					

26. Please make any recommendations that may lead to improvement in access to housing finance in Uganda.

End

Appendix 2: Interview Guide Financial Institutions

1. Comment on the set up of the bank regulatory environment externally

2. Any reporting requirements affecting housing finance?

3. What are your conditions for giving out housing finance?

4. Which one of those conditions is the most important or how do you rank the conditions in order of importance if possible?

5. What do you think should be done to improve access to housing finance?
   - Externally (outside bank)
   - Internally within the bank.

6. What have you done (or plan to do) to improve your clients ability to access housing finance?

7. Any general comments on housing finance?

END

Appendix 3: Interview Guide World Bank Officials

1. What are your comments on the set up of the financial institutions' regulatory environment in Uganda?

2. What are your comments on the conditions for giving out housing finance to clients in Uganda? Would you recommend any review in some of these conditions?

3. What do you think should be done to improve access to housing finance?

4. What is the view of the World Bank on access to housing finance in Uganda?

5. What course of action(s) is the World Bank taking regarding access to housing finance?

6. Any general comments on housing finance?

END

Appendix 4: Key SPSS output Tables

Gender of Respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	23	65.7	65.7	65.7
	Female	12	34.3	34.3	100.0
	Total	35	100.0	100.0	

Are you a home Owner?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	24	68.6	68.6	68.6
	No	11	31.4	31.4	100.0
	Total	35	100.0	100.0	

Chi-Square Test

Test Statistics

	Were you successful
Chi-Square	12.600[a]
Df	1
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 17.5.