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AN INVESTIGATION INTO FACTORS THAT HINDER
ACCESS TO HOUSING LOANS: A CASE STUDY OF PRIMARY
SCHOOL TEACHERS IN THIKA MUNICIPALITY

BY

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DECLARATION

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DEDICATION

To my loving mum, Grace Wambui, who took me to school at an early age.

To my dear wife Isabella Wanjiru, for her moral support and encouragement throughout the period of study.

ABSTRACT

The study aimed at analyzing factors that hinder access to housing loans. The objectives of the study included finding out how remuneration, interest rates, collateral, land availability and transfers affect teachers in accessing housing loans. The study was important in that it would help the banks to appreciate their role in facilitating development of housing in Kenya. The government would also be able to develop policies that regulate and promote provision of loans by financial institutions. The study was limited within Thika Municipality. The study adopted descriptive research design. The study population comprised 480 public primary school teachers within Thika municipality. The study used both stratified sampling design and simple random sampling to select a sample of 120 teachers who were used in data collection. The data was collected using questionnaire. The questionnaire included both open ended and closed ended questions. The data collected was coded and entered into the computer for analysis using SPSS. Data presentation was done by the use of pie charts, bar graphs, percentages and frequency tables. The study found out that majority of teachers do not own the houses they lived in. Teachers were found to earn very low salaries which made them to qualify for low loan amounts. The study also revealed that the high interest rates charged by financial institutions greatly discouraged teachers from accessing housing loans. Land availability was also seen as a prerequisite for accessing loans. Further, the study revealed that teachers transfers were a hindrance to the access to the of housing loans and affected their settling down.

Based on the research findings, the study made a number of recommendations. Firstly, the government should consider improving on the teachers' remuneration which will empower them to secure higher loan amounts for housing purposes. Secondly, the financial institutions should consider lowering interest rates to lure more teachers to borrow from them. Thirdly, the banks should not overemphasize the need for collateral as a requirement for credit access. To solve the problem of land availability teachers should form investment groups through which they can purchase huge tracts of land and have it subdivided among themselves. The study also recommended that Teachers Service Commission should abstain from arbitrary transfers of teachers considering the destabilization such a phenomenon can cause.

ACKNOWLEDGEMENT

I wish to thank the Almighty God for giving me strength and inspiration to complete this research project. Special thanks go to my Supervisor, Ms Farida Abdul. I enjoyed a lot of support, cooperation and valuable contributions from her while carrying out the research study. I am deeply indebted to her for offering me useful pieces of advice coupled with immense encouragement. Her tolerance and patience during our discussions helped me a lot when writing this project that saw its completion.

Deep appreciation also goes to my dear wife, Isabella Wanjiru for her unwavering support and encouragement throughout the entire study period.

I sincerely thank and appreciate my respondents for providing me with the required information without which this work would not have been completed. This refers to all primary school teachers within Thika municipality.

Finally, I thank all the people who assisted me in one way or the other towards the successful completion of my study.

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LIST OF ABBREVIATIONS AND ACRONYMS

CBK	: Central Bank of Kenya
GNP	: Gross National Product
GOK	: Government of Kenya
HRDU	: Housing Researcher Development Unit
IMF	: International Monetary Fund
MFI	: Micro Finance Institutions
NACHU	: National Housing Cooperative Union
NHC	: National Housing Corporation
TP	: Target Population
SACCOS	: Savings and Credit Cooperative Society
SMES	: Small and Medium Scale Enterprises
SPSS	: Statistical Package for Social Sciences
SSA	: Sub-Saharan Africa
TSC	: Teachers Service Commission
UN	: United Nations
USAID	: United States Agency for International Development

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Housing Loans: Credit advanced by commercial institutions to facilitate house constructions by individuals

Interest: Refers to cost of borrowing capital

Remuneration: Refers to wages and salaries given to teachers for their teaching service.

Collateral: Any security required as a condition for the disbursement of the loan borrowed.

Teachers' transfers: Refers to a situation where teachers are moved from one school to another and which has a strong bearing on their settling down.

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Based on the research findings, the study made a number of recommendations. Firstly, the government should consider improving on the teachers' remuneration which will empower them to secure higher loan amounts for housing purposes. Secondly, the financial institutions should consider lowering interest rates to lure more teachers to borrow from them. Thirdly, the banks should not overemphasize the need for collateral as a requirement for credit access. To solve the problem of land availability teachers should form investment groups through which they can purchase huge tracts of land and have it subdivided among themselves. The study also recommended that Teachers Service Commission should abstain from arbitrary transfers of teachers considering the destabilization such a phenomenon can cause.

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CHAPTER ONE

1.0 Introduction

1.1 Background of the Study

According to the ministry of housing, only 16 percent of Kenyans own homes compared to Singapore where up to 80 percent of people own their houses (GOK 2008). This is due to high cost of mortgages and building materials. Most Kenyans are tenants paying monthly rent. According to the permanent secretary, ministry of housing, Kenyans housing sector continues to face many challenges the primary ones being high cost of construction, scarcity services land, high rate of urbanization and high increase in population (Daily Nation, April 4, 2008). Others are low levels of investments particularly for low cost housing and rapid proliferation of slums and informal settlements which fueled by high poverty levels. These challenges have resulted in high disparity between supply and demand for housing in the urban areas. The government has incentives to encourage construction of more houses. They include infrastructure development: employer and employee incentives and boosting savings, mortgage take up, and use of capital markets to finance housing projects among them slum upgrading initiative (Daily Nation, April 4, 2008).

Implementation of the proposed incentives would go along way in supporting more development of low income housing; they are also expected to increase supply of the country's urban housing stock from the current 35,000 units per year to an estimated 87,000 in the year 2010, to 127,000 in 2020 and 343,000 units in 2030, (GOK2004).

Housing is a basic need to individuals and families. In addition, it is an important investments generating regular rental income to households. In the economy, housing construction activities create employment opportunities in both modern and informal sectors. The improvement of housing conditions in the country is used as a measure of economic progress (Economic Survey, 2005)

According to UN Habitat (2003) both the urban population and the number of towns in Kenya have increased enormously over the last 35 years. However, housing production has remained far below the targets in the five – year national development plans and even further below actual demand for housing. Most of the urban population, especially low income households, cannot afford to buy or build their own homes and, as a result most of the housing in towns is rental housing (GOK 2004). The rental housing sector is complex one

involving many actors. Tenant's rights are poorly respected especially in the informal settlements that provide most accommodation to low-income renters. Housing and environmental standards in these settlements are extremely low.

Lack of adequate resources for housing development has continued to be a major constraint to the provision of affordable shelter to both rural and urban population (Economic Survey, 2000). Various studies on housing have noted that urban housing developments in Kenya are mainly due to high urban population growth rates resulting mainly from rural to urban migration, a lag in development of urban infrastructure that supports housing developments, the low purchasing power of the majority of the urban households, and by-laws, especially for low income housing. In addition, to these factors, city size and public policy also influence housing development (Economic Survey 2000)

In spite of considerable economic progress since independence, the general standard of housing is unsatisfactory for most of urban population. In many urban areas there are overcrowding and unauthorized construction of unplanned dwellings built of unsuitable materials combined with lack of basic infrastructure such as water supply, sewerage and roads. Buildings in these spontaneous human settlements areas create an unacceptably low standard of environment with danger of epidemic diseases and outbreak of fire (Nabutola 2004).

Unlike the rural areas, the problem in the urban areas is intensified by the concentration of large numbers of people in limited areas at very high densities (Saito 2003). This causes very complex problems in the provision of water supply and waste disposal, for example which can only be solved successfully with the aid of more sophisticated and costly solution. This problem is further compounded by the high standard of building, planning and health regulations set by the government and the shortage of suitable traditional building materials in urban areas which make it considerably more difficult for in-migrants to build their own houses. Other factors which aggravate this problem include the scarcity and high prices of land, the rapid increase in building costs and most importantly, the low income structure of the majority of urban dwellers who cannot even afford conventional low cost housing (GOK 2004).

Until recently, housing in Kenya has been treated as a residual in national development planning partly prompted by the misguided assumption that scarce resources can be better spent on supporting more economically productive sectors. In fact, delaying investments in housing in order to enhance economic growth, is to misunderstand both the objectives and nature of development (Nabutola 2004)

Housing in Nairobi has tended to mushroom without regard for the services its dwellers need. Low income housing, especially in unplanned settlements and site and services schemes, is generally constructed by landlords and by owner occupiers or squatters who normally improve their dwellings in stages. Renters rarely make significant improvements to their housing. Public agencies have rarely contributed to large scale low income housing especially in the past decade (Economic Survey, 2000). The 1993 urban housing survey in Kenya shows that in Nairobi, 66 percent of households were renters, while 29 percent are owner- occupiers. This implies that most of Kenyans urban dwellers do not own houses they live in.

1.1.1: Thika Municipality

Thika Municipality is an urban area in central province. It is located 40 kilometres north of Nairobi. Towards 19th century; outsiders began to settle in this outpost, a convenient resting spot between Nairobi and upcountry for British settlers. Europeans and Asians began to stop and remain at Thika, the former setting up farms, and the latter setting up shops. A monument in the shape of a pillar was erected by the British in the early 1900s in the central business district of Thika Municipality. It commemorates the founding of Thika as a town. The town was given its status by the government gazette of 1924. Thereafter it was elevated to a second class municipality when Kenya gained independence in 1963. The first mayor was enthroned in 1968. The economic activities in Thika include agriculture, particularly in the horticulture and coffee industry. The produce from coffee and horticulture industry is exported to Europe, U.S.A and the Middle East. Other industries include textile, mining floriculture, food processing, real estate, motor vehicle assembly and cigarette manufacturing. Thika Municipality also runs schools within its jurisdiction. It has about 26 public primary schools, many private primary schools as well as secondary schools. In addition, Thika is fast becoming a major learning centre with five universities and numerous middle level colleges within its boundaries.

1.1 Objectives of the study

In Kenya and Thika by extension, the fundamental issue is the high cost of decent housing, which the majority of the population cannot afford. This high cost is due to the high cost of land, construction, and building materials. The council has managed to provide housing to a number of its employees. The strategies include that the Council will formulate appropriate land and housing policies to facilitate private sector development of affordable houses.

It also hopes to develop high rise residential houses in place of current estates. In addition, the Council will explore the possibility of working with development partners to develop a framework for upgrading slums and informal settlements in the peri-urban areas.

1.2 Statement of the Problem.

The housing shortage and the predominantly unsatisfactory housing conditions in Kenya began to manifest itself when the rate of house construction could not keep up with the massive rate of migration of rural households to the urban areas (Nabutola 2004). Consequently, the prices of houses shot to astronomical levels. Prices of building materials have been soaring over the last few years due to expansion and the need to provide new homes (Daily Nation September, 22, 2010). Population growth rate is higher than the rate of delivering housing (GOK 2010). This has led to the development of slums and informal settlements.

According to the Ministry of housing about one million units are needed to bridge the deficit. (GOK 2004) It is therefore in the urban areas that the worst housing problems manifest themselves and the greatest need for new housing development is now in urban areas. Private dwellings in cities in Kenya are on the rise as demand for housing continues to outstrip the supply by far. In country where 84 percent of the populations do not own houses the situation is just serious (Daily Nation April 4, 2008). Teachers like anybody else have not been spared in this problem. Majority of teachers live on rented houses. In addition, owing to restrictive credit policies employed by commercial banks teachers have experienced tough challenges in accessing financial services. This research therefore sought to investigate factors that prevent teachers from accessing housing loan.

1.3 Objectives of the Study

1.3.1 General Objective

The main objective of the study was to evaluate factors that hinder access to housing loans.

The specific objectives of the study were:

- (i) To find out how remuneration affects teachers ability to access housing loans.
- (ii) To find out how interest rates affects teachers in accessing housing loans .
- (iii) To find out the extent to which land availability affects teachers in accessing housing loans.
- (iv) To find out how collateral affects teachers in accessing housing loans.
- (v) To find out how transfers affect teachers in accessing housing loans.

1.4 Research Questions

- (i) How does remuneration affects teachers' ability to access housing loans?
- (ii) How do interest rates affect teachers in accessing housing loans?
- (iii) To what extent does land availability affect teachers in accessing housing loans?
- (iv) How does collateral affects teachers in accessing housing loans?
- (v) How do transfers affect teachers in accessing housing loans?

1.5 Significance of the Study

The study was important in the following ways:

- (i) It will guide the management teams of banks particularly in the lending policies in regard to teachers housing loans.
- (ii) It will help the government to develop policies that regulate and promote the provision of housing loans by financial institutions.
- (iii) It will make the banks to appreciate their role in housing development in Kenya and strive to increase their presence through enhanced provision of financial services.
- (iv) It will guide teachers' fraternity in making informed decisions on where to secure credit to facilitate house constructions.
- (v) Banks will be able to appreciate their importance in economic development of Kenya and the achievement of better housing by 2030.

- (vi) It will form a point of reference for academicians for further research, especially to the growing numbers of researchers studying bank credit.

1.6 Scope of the Study

These are various types of teachers at various levels like primary schools, secondary schools or even colleges in Thika. However, this research targeted primary teachers in public schools within Thika Municipality due to proximity to the researcher which facilitates easy data collection. The study sought to investigate factors that prevent teachers from accessing housing loans. A sample size of 120 teachers was used in data collection.

1.7 Limitations of the Study

The study was limited to primary school teachers working within Thika District. Some of the respondents would not divulge some of the information required due to fear of victimization. This limitation was overcome by convincing the respondents that the information given would be confidential and would be used for research purposes only. Another limitation was inadequate time and resources for a more elaborate research. This limitation was overcome by hiring a research assistant.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the related literature on the subject under study as articulated by various researchers, scholars and authors. The research has drawn materials from books and journal articles which are closely related to the theme and the objectives of the study.

2.2 Empirical Literature Review

Housing can be termed as a permanent shelter for human habitation. Homelessness is condition of people who lack regular legal access to adequate housing. In 2009, in a global population of over 6.5 billion, some 1.4 billion people were living in inadequate housing conditions and it is estimated 100 million of these were homeless (UN Habitat 2003). This phenomenon is increasing rather than declining and has not been solved in any country. The right to adequate housing is included within the Universal Declaration of Human Rights and states must take steps to realize this right in terms of the International Covenant on Economic, Social and Cultural Rights (1966, Article 2.1) by “all appropriate means, particularly the adoption of legislative means”. States are advised by the United Nations Committee on Economic, Social and Cultural Rights, charged with monitoring, not to interpret this right as “merely having a roof over one’s head” but rather as the “right to live somewhere in security, peace and dignity” (UN habitat 2003).

Because shelter is necessary to everyone; the problem of providing adequate housing has long been a concern, not only of individuals but of governments as well. Thus, the history of housing is inseparable from the social, economic, and political development of humankind (Burgess 1990). From the beginning of civilization, attention has been paid to the form, placement, and provision of human habitation. The earliest building codes, specifying structural integrity in housing construction, are found in the Code of the 18th-century BC Babylonian King Hammurabi. Town planning activities during the Greek and Roman empires centered almost exclusively on the appropriate placement of urban housing from the perspectives of defense and water supply. These same concerns continued throughout the

middle Ages. In 13th-century Europe, the city became a centre of trade, and its walls provided a safe haven from nomadic warriors and looters. People could find shelter for themselves and their flocks, herds, and harvests while the open country was being overrun by enemies of superior force. Demand for urban housing increased. For centuries this demand was filled by unplanned additions to, and subdivisions of, existing structures. Where climate permitted, squatting (occupying without title or payment of rent) became common place, but provided only temporary shelter. (Daniel, 1985)

By the 19th century, with the Industrial Revolution, people were moving to cities in unprecedented numbers. Workers lived in sheds, railway yards, and factory cellars, typically without sanitation facilities or water supply. In the post-industrial society of the 20th century, housing in developing nations and poor parts of developed countries continues to be of insufficient quality and does not meet the demand of some parts of the population. Vacant, abandoned inner-city housing exists alongside structures that are usable but overcrowded and buildings that are structurally reclaimable but are functionally obsolete (Hartshorn, 1991)

According to Burgess (1990) housing programmes in the United States and in Western European nations share many similarities. All these countries have initiated public housing, urban renewal, and new-town programmes. However, public intervention in Europe began sooner and has been more extensive than in the United States. Great Britain, for example, embarked on public-housing development in the late 19th century. Laborers' dwelling acts, authorizing local governments to construct public housing, were enacted as early as the mid-19th century, more than 75 years before comparable US housing legislation was passed. Urban-renewal demolition activities were empowered during the same period, almost a century before equivalent American activity. Massive public-housing programmes were started after each of the world wars. By the 1970s, approximately one-third of Britain's housing was publicly subsidized, compared with only 1 to 2 per cent in the United States (Hartshorn, 1991) Great Britain has also constructed several new community developments that are in contrast to the fledgling and largely unsuccessful new-town ventures in the United States.

Housing policies in other Western European nations are similar to those in Britain. For instance, extensive provision and regulation of housing exists, taking the form of subsidies for slum demolition and rental housing assistance (UN Habitat 1996). Germany, France, the Netherlands, and other nations provide low- or no-interest housing loans. The development of new-towns is also encouraged or subsidized; indeed, more than ten have been built on the outskirts of Paris. The problems of housing in Canada, both public and private, have been treated with considerable imagination and effectiveness. Federal funds for housing have been directed almost entirely at people with lower incomes (Mahmood 1991). The government provides assistance to the provinces and municipalities and to individuals, to be used for neighborhood improvement, the purchase of homes, the rehabilitation of residential housing, and the development of new communities. At the same time, the private sector has channeled a high volume of financial support into the mortgage market (UN Habitat 2003).

Mahmood (1991) argues housing in the former Union of Soviet Socialist Republics (USSR) and in Eastern European nations was almost exclusively characterized by government regulations and provisions. These countries pioneered the production and installation of massive prefabricated housing units in urban areas. Housing units, usually of pre-cast concrete, were manufactured in factories and then transported to the housing site, where they were assembled into large, multifamily complexes. The former USSR was also a pioneer in developing new towns, which were frequently located around massive industrial or power-generating facilities. One example was the town of Bratsk, near the Bratsk hydroelectric plant in Siberia.

Housing in economically developing countries is typically inferior in quality and space to that found in economically developed nations (Nabutola 2004). Government efforts to upgrade housing conditions are evolving slowly, however. In the 1950s, slum demolition was effected on a large scale in many cities, such as Manila in the Philippines and Baghdad in Iraq. In the 1960s, new-town development, such as Brasília in Brazil, became commonplace. These strategies often proved ineffective; demolition was not usually accompanied by replacement housing, and the new towns sometimes proved to be islands in a sea of slums. In the 1970s, some developing nations turned to self-help housing. Families were given plots of land and building materials to construct or improve their own shelter. This housing approach

is commonly referred to as a “sites-and-services” programme; so far it has been implemented on a large scale in India and many South American countries.

Numerous organizations assist housing development and the upgrading of housing standards. These include the International Bank for Reconstruction and Development, the United Nations Commission on Human Settlements, and the US Agency for International Development. Housing is a critical component in the social and economic fabric of all nations. No country is yet satisfied that adequate housing has been delivered to the various economic groups that make up its populace (UN Habitat 1996). Thus, most nations, in one form or another, continue to claim a housing problem.

As the 1990s began, the West generally was facing a critical shortage of affordable housing for low- and middle-income wage earners, as well as for the poor, and the numbers of homeless people were rising, especially in the cities (UN Habitat 2003) Higher home prices plus a reduction in low-income housing led to greater demand for rented accommodation, which resulted in higher rents and fewer available rental units. In addition, different types of housing are required to meet the needs of people with disabilities, as well as of the elderly and of people living alone. A variety of solutions have been suggested, including rehabilitating public housing, organizing public-private partnerships, issuing housing vouchers, granting public funds to non-profit-making developers, amending zoning restrictions, promoting tenant management of public housing, improving mortgage-guarantee programmes, and encouraging companies to provide housing assistance programmes for their employees (Saito 2003)

Each country also faces its own specific problems. Great Britain and much of Western Europe must grapple with suburbanization and the decentralization of cities, while in the former USSR and in Eastern Europe, demand for more private dwelling space has increased. In developing nations, raw housing demand is still largely unmet, with the result that many of the population find themselves forced to live in shanty towns, settlements in which the houses are very poorly equipped to deal with basic human needs. Shanty towns have very little in the way of infrastructure; they are usually without water, sanitation, electricity, or roads. The houses are usually built by the residents themselves, made from whatever

materials have come to hand, and constructed often on land where no building rights exist, or on land illegally squatted (UN Habitat 1996).

Various studies on housing have noted that urban housing developments in Kenya are mainly due to high urban population growth rates resulting mainly from rural-to-urban migration, lag in development of urban infrastructure that supports housing development, the low purchasing power of the majority of urban households, and the lack of appropriate building standards and by laws, especially low income housing (Nabutola 2004). In addition to these factors, city size and public policy also influence housing development. Housing in major cities in Kenya has tended to mushroom without regard for the services its dwellers need. Yet housing is in reality a package of services including land, public facilities, access to employment and to other social services, as well as the dwelling structure itself. Effective responses to housing problems must consider affordability and employment needs combined with realistic standards of construction (Dass1971).

Low income housing, especially in unplanned settlement and site and service schemes, are generally constructed by landlords, and by owner occupiers or squatters who normally improve their dwellings in stages. Renters rarely make significant improvements to their housing. Public housing agencies have also rarely contributed to large scale low income housing, especially in this past decade. The 2003 Urban Housing Survey in Kenya shows that in Nairobi, 66% of households are renters, while 29% are owner occupiers. This implies that most of Kenya's urban populations do not own the houses they live in (GOK 2004).

Housing is a basic need to individuals and families (Mahmood 1991). In addition, it is an important investment generating regular rental income to households. In the economy housing construction activities create employment opportunities in both modern and informal sectors. The improvement of housing conditions in the country is used as a measure of economic and social progress. Lack of adequate resources for housing development has continued to be a major constraint to the provision of affordable shelter to both rural and urban population (Saito, 2003).

Housing plays an essential role in any strategy for human settlement. The availability of housing can influence the location of population within and between these settlements (UN

Habitat 2003) .It can therefore, to some extent be viewed as a planning tool to offset urban sprawl and to direct the physical growth of cities. Furthermore, adequate housing, even of a minimum standard contributes directly to human health and productivity both to the quality of life and to economic development (Nabutola 2004). It also forms a major instrument for creating a better environment in urban and rural areas. The opportunity to provide a focus and an incentive for personal saving and in addition, housing can serve as an effective and acceptable means of redistributing income.

According to the Ministry of Housing (2010), shortage of housing and the predominantly unsatisfactory housing conditions in Kenya began to manifest itself when the rate of house construction could not keep up with the massive rate of migration of rural households to the urban areas. It is therefore in the urban areas that the worst housing problems manifest themselves and the greatest need for new housing development is now in urban areas. This does not however, mean that there are no problems in the provision of housing in the rural areas. In the rural areas there is no shortage of housing as such because most people are capable of building their own traditional dwelling at a price they can afford. The problem mainly is that there is need for improvements in terms of services and standards of housing (CBS 2010) .Unlike the rural areas, the problem in the urban areas is intensified by the concentration of large numbers of people in limited areas at very high densities .This causes very complex problems in the provision of water supply and waste disposal, for example which can only be solved successfully with the aid of more sophisticated and costly solution. This problem is further compounded by the high standard of building, planning and health regulations set by the government and the shortage of suitable traditional building materials in urban areas which make it considerably more difficult for in-migrants to build their own houses(Daily Nation September 22 ,2010) .Other factors which aggravate this problem include the scarcity and high prices of land, the rapid increase in building costs and most importantly ,the low income structure of the majority of urban dwellers who cannot even afford conventional low cost housing.

Until recently, housing in Kenya has been treated as a residual in national development planning partly prompted by the misguided assumption that scarce resources can be better spent on supporting more economically productive sectors (Nabutola 2004) .In fact , delaying

investments in housing in order to enhance economic growth , is to misunderstand both the objectives and nature of development .This may lead to the housing deficit reaching intolerable proportions and sacrifices the underlying objective that development is intended to accomplish .It should be realized that capital invested in housing plays an integral part in enhancing a balanced development process(Mahmood 1991)

Since independence the migration to towns from the rural areas has forced the government to give priority to housing problems in urban areas (CBK 1991). In 1966 after the UN-supported study on housing policy was issued .It stated that the government policy was to provide “essential housing and a healthy environment to urban dweller at the lowest possible cost to the occupants, and henceforth public investments in housing has been concentrated on the urban areas. Some efforts to improve rural housing loan scheme of the National Housing Corporation, and since 1967 the Housing Research Development Unit (HRDU), a multidisciplinary research unit in the University of Nairobi has undertaken research on aspects of housing in the rural areas, especially on building materials, such stone bricks, stabilized soil bricks, timber and sisal, cement, corrugated iron sheets and tiles. This has been followed up with the construction of demonstration housing units and training programmes. In the urban areas alongside the construction of conventional rental housing, there recently has been more emphasis on the implementation of site- and- service projects and the upgrading of substandard estates. Between 1970 and 1983 some 52,000 housing units were constructed in urban areas and in the next five years another 60000 were planned .This compares, however, with the national demand in 1988 for a total of 247,000 new units meeting minimum standards, out of which 56,000 were needed in the urban areas (CBK 1991). The housing cooperative within Kenya’s cooperative movement are a comparatively recent development. Despite this there are now over 80 housing cooperatives registered in Kenya. The National Housing Cooperative Union (NACHU) was registered in 1979 as an apex technical service organization to operate on a non – profit – making basis in the provision of promotion, sponsorship, planning and implementation services for housing cooperative projects.

2.3 Housing Problems in Kenya

According to Nabutola (2004) investments in the housing sector since the 1966/67 Policy have been minimal and sporadic. The demand for housing still far outstrips supply. Research on low cost building materials and construction techniques has been limited thus not providing viable guidance to the development of the sector. Stringent planning regulations and high infrastructural standards have been an impediment in the housing delivery system. The high level of poverty has rendered access to decent housing an elusive dream to the swelling ranks of people living below the absolute poverty line Karam (2005). The problem in urban areas is mainly that of acute shortage in the number of habitable dwellings, inadequate infrastructure, community facilities and services, overcrowding and extensive slums and squatter settlements (Karam 2005). On the other hand, the major problem in rural areas is mainly that of poor quality of the shelter fabric and limited access to safe drinking water. The estimated current urban housing needs are 150,000 units per year for the urban areas and 300,000 units per year for the rural areas. The current production of new housing in urban areas is only 20,000-30,000 units annually, giving a shortfall of over 120,000 units per annum (GOK 2004) This shortfall in housing has been met through proliferation of squatter and Informal settlements and overcrowding. Various interventions and strategies have been introduced in the past to alleviate the above situation. The overall goal of this Housing Policy is to facilitate the provision of adequate shelter and a healthy living environment at “affordable cost” to all socio-economic groups in Kenya in order to foster sustainable human settlements. This will minimize the number of citizens living in shelters that are below the habitable living conditions. It will also curtail the mushrooming of slums and informal settlements especially in the major towns. The poor people's pragmatic approach to housing will be harnessed and put to maximum utility by community-based organizations through effective and well-defined popular participatory approaches (GOK 2005). Community involvement as a planning tool will be advocated in all housing programmes targeting the poor. The Government recognizes that security of land tenure as well as availability of adequate quantities of land in suitable locations at affordable prices is a central requirement for clearing the backlog of housing demand for the urban poor. Housing programmes for the poor will be pursued at a scale, which is commensurate with need and availability of resources (GOK 2004).

2.4 Factors that limit accessibility to bank credit from the banking industry. It is noted that

Financial credit is out of the reach of most Kenyan people in part because the process of providing securities for loans is excessively bureaucratic and expensive (Hulme 1999). Credit, in commerce and finance, term used to denote transactions involving the transfer of money or other property on promise of repayment, usually at a fixed future date. The principal function of credit is to transfer money or other assets from those who own them to those who wish to use them, as in the granting of loans by banks to individuals who plan to initiate or expand a business venture. The transfer is temporary and is made for a price, known as interest, which varies with the risk involved and also with the demand for, and supply of, credit. to have a well-developed financial infrastructure.

Credit is indispensable to the modern world economy (Wood 1999). It allows businesses to borrow money to invest in schemes that generate more than enough to cover the cost of the credit they have obtained; while it gives those with money to spare extra options to make their savings work for them. In short, credit enables the use of assets that would otherwise lie idle, allowing fuller use of economic resources. In poor countries, however, where financial and commercial systems are less developed, credit is much harder to come by, and those who have savings are likely just to hoard them, for cultural reasons and because of a lack of investment opportunities. As a result, economic growth and improvements in the standard of living are impeded. (CBK, 2009)

The credit position within a country at any given moment is a useful indicator of the state of the economy: expanding credit generally reflects a period of business prosperity, whereas contracting credit usually reflects a period of declining economic activity or depression. Fluctuations in the supply of credit can also have a bearing on inflation; an increase in credit means that there is more money in the system, which may tempt businesses to increase their prices. (Machinko et al, 1998)

A widespread concern of authorities in Sub-Saharan African countries is that their banking systems are not providing enough support to new economic initiatives and, in particular, to the expansion of small- and medium-scale enterprises (SMEs) and housing (Hulme et al 1996). It is argued that faster economic growth will not be possible without a deepening of

the financial system and, in particular, more support from the banking system. It is noted that banks remain highly liquid in many countries in the subcontinent and reluctant to expand credit other than the most creditworthy borrowers. While microfinance institutions (MFIs) have expanded vigorously in a number of countries, the size of their credit remains limited, so that their support is not on the scale needed for many small projects (Christen 1995). Also, the interest rate on micro credits is very high, due to the large administrative costs in relations to their scale of operations (Dondo et al 2005). A key characteristic of Sub-Saharan Africa is that the stock of bank credit to the private sector remains very low, when compared with the situation in other developing countries. The only notable exceptions are South Africa and Mauritius, which have a well developed financial infrastructure.

The above analysis indicates that improving access to credit for SMEs depend on a large number of factors, which can be improved through decisive and comprehensive action programs in the SSA countries. Improving the quality of accounting and creditors' information, wider availability of collateral, and strengthened claims and collateral recovery procedures appear to be a key prerequisite (Wood 1999). At the same time, increased competition in the banking system, stimulated by new entrants, better regulation of leasing, development of mutual guarantee schemes, strengthening of MFIs are key factors that could increase significantly the flow of resources channeled to meet the credit needs of borrowers (Witzeling 1994)

The main activities of the Housing Finance Systems include review and analysis of housing finance systems and mechanisms; conducting studies on important housing finance issues such as market infrastructure – legal and regulatory frameworks, property rights, land rights and registration, law enforcement; relationship of housing finance systems to the wide national economy and financial sector. It also deals with government intervention and subsidies/incentives in housing finance systems, strategies and instruments for financial resources mobilization for housing and infrastructure as well as mortgage finance and credit enhancements (UN Habitat 2003).

2.4.1 Collateral

The debtor may be obliged to provide security by assigning to the creditor, in the event of default on the debt, the rights to assets that are at least equal in value to the loan. Housing financing is adversely affected in many countries by the lack of land titles, and/or the slowness in issuing them (Christen, 2004). Thus, in Ghana most lenders have been deterred to providing housing finance, due also to an inefficient and cumbersome foreclosure process; this has left the Home Financing Company as the sole provider of mortgage, as this company benefits from a more favorable legal framework. The authorities are reviewing this framework, in order to encourage more lending by other financial institutions. In Senegal, the legal context is more favorable to housing financing; thus commercial banks have entered in this sector, and are actively competing to provide loans secured by mortgages, when land titles exist. With the significant expansion of housing finance, banks are stressing the need to establish mechanisms to refinance housing credits (IMF 2003). To that end, consideration is being given to creating a regional private mortgage refinancing company, which could issue bonds to refinance banks that provide as collateral a portfolio of mortgages. At the same time, work should proceed on a legal and regulatory framework to facilitate bank issuance of mortgage bonds, and to promote the securitization of claims, so that banks could sell blocks of mortgages to institutional investors. In Gabon, banks are eager, given their ample liquidity, to provide housing financing secured by mortgages, but this has been hampered by the slowness in issuing land titles. In Tanzania the process of surveying and titling land is now under way, but more than 80 percent of the land is still not titled, hampering the use of land to secure credit. With the revision of the Land Act in 2004 mortgages are Subject to less enforcement constraints, but it remains to be seen whether the recent simplification in foreclosure procedures will be effective in increasing the attractiveness of mortgages as collateral (IMF 2008)

Dondo (2005) says that significant efforts remain to be taken in most SSA countries to develop a viable housing financing sector. Interestingly, in countries such as Senegal where land titles in urban areas are common, and mortgages have developed rapidly, the issue has become, as in more developed financial markets, that of finding the more efficient process to refinancing bank housing loans, so as to secure an adequate flow of resources to the sector

Claim recovery and collateral realization processes are often very weak in SSA countries (IMF 2003). This is a phenomenon common to developing countries in other regional areas as well. This barrier to credit protection is aggravated by the fact that in many countries the issuance of titles, is extremely slow, due to the absence of appropriate procedures for registration of properties and inadequate resources of property registration offices, some countries are making efforts to address this problem, by accelerating the issuance of property titles, in particular in the main cities. Legal impediments exist in some countries to the use of land as collateral; this is still the case in Mozambique, while in Madagascar, foreign entities cannot become owners of real estate, thus preventing foreign owned banks to seize real estate collateral. In Tanzania the 1999, Land Act established certain limitations on the creation of mortgages, and excluded foreclosures as an instrument of relief for the lender, thus making mortgages less attractive as collateral than more liquid assets. The Land Act was revised in April 2004 to promote collateralization of land for bank loans and to ease foreclosures regulations subject to proper notification and with pre-specified timeframe to settle NPLs before collateral is liquidated (Machinko 1998). These changes however have not had a noticeable impact on bank lending, as the supporting judicial measures have not yet been implemented.

Financial credit is out of the reach of most Kenyans in part because the process of providing securities for loans is excessively bureaucratic and expensive. Collateralizations therefore become a major deterrent to financial growth as the time and cost involved means only a small fraction of potential borrowers are able to access finance . Lack of access to finance remains one of the factors limiting private sector growth (CBK 2009).

2.4.2 Teachers' remuneration and two third's rule

Even though educators expend great effort in educating their students, they still have a low teacher salary. Whether under a private or public institution, their compensation is way lower than those working in service or product companies. According to Daily Nation (November 17, 2010), Civil servants will face strict rules on their salaries in a new government move aimed at controlling the loans public servants take. The government is hiring a private firm to implement a rule that will block all the 460,594 officers from committing more than two

thirds of their basic salaries on loans and other forms of borrowing. The move will affect 246,468 teachers and Teachers Service Commission (TSC) employees, 214,126 civil servants and uniformed staff. It aims at ensuring staff go home with at least a third of their salaries to cater for living expenses. The new scheme follows revelations by a survey that some civil servants took up loans and hire purchase schemes that consumed all their salaries. The study found that the workers were not repaying Sh10 million in monthly commitments since their pay slips could not support them. The deferred payments could have gone up since the report was completed in July. (Daily Nation, November, 17, 2010)

2.4.3 Interest Rates

Rates of interest charged by banks are influenced by the rate, known as the discount rate, which the banks have to pay on loans from central banks such as the Bank of England, the US Federal Reserve System, the German Bundesbank or Central Bank of Kenya (Machinko 1998). The discount rate is one tool that a central bank can use to control the volume of bank credit; when it wants to cut demand for credit, it will raise the rate, thus making credit more expensive to obtain. Governments may employ numerous direct forms of credit control, such as minimum deposits and maximum repayment periods on consumer credit transactions. For a long time banks in Kenya have been charging high interest rates on loans up to thirty percent. High interest rates discourages credit uptake by individuals and firms (IMF 2003).

According to CBK Interest rate spread has been widening even as loan accounts in the industry increase with branch network. The phenomenal growth witnessed in the banking industry in the last four years may have come at a great cost to the industry's unsuspecting customers. According to a Central Bank of Kenya (CBK) presentation to bank CEOs, overheads, including administrative, operational and legal costs, were a major contributor to the widening of the interest rate spread between 2006 and October this year (CBK2010). Interest rate spread is the difference between the interest rate clients earn when they deposit money with the banks and what the banks levy when they lend out their money. Other factors behind the high spreads include inefficiency and lack of competition in the financial sector, taxation and default risk increases with high lending rates. As it is, while average bank

deposit rates range between 3.03 per cent and 5.03 per cent, their lending rates range between 13.17 per cent and 18.37, giving an average spread of about 10 per cent. (CBK 2010)

The industry regulator warns that the high spreads pose a serious threat to Kenyans because they constrain economic growth.” The economy cannot get to the trajectory growth requirements with the current structure of interest rates and returns on investments,” Prof Ndung’u CBK governor said in a report titled ‘The structural transformation story of Kenya’s financial system’. This is understandable, given that the strong link between private sector credit growth and economic growth, with analysts showing that increased lending fuels growth in economic activities. The CBK governor maintains that there is still scope for a downward revision of the interest rate spread, given the financial sector reforms and development since 2003 (CBK 2010).

2.4.4 Availability of land for housing

Land is a fixed asset and does not increase with population rise. The demand for land has constantly been on the rise. The high price of land is a major factor that aggravate housing problem (Nabutola 2004). The cost of land especially in urban areas is exorbitant and not affordable to most people. The government recognizes that security of land tenure as well as availability of adequate quantities of land in suitable locations at affordable prices is a central requirement for clearing the backlog of housing demand for the urban poor (Economic Survey 2005). Due to shortages of land in the urban centres, NHC has changed its policy of horizontal development to a new concept involving development of high-rise flats.

2.4.5 Teachers’ Transfer

Although the government has launched a laudable programme to balance the numerical strength of teachers in various areas and to ensure equitable staff distribution in schools nationally, there are complaints that the right procedures are not being followed. Cases abound of teachers complaining about what they consider to be irregular transfers that affect learning and teaching programmes adversely since they are effected in the middle of the term. A study carried out by Jackson Too and Joseph Katam (2008) on primary school teachers’ perception of the effects on instruction in Kapsabet Division of Nandi District

found out that transfers disrupted learning as well as settlement of teachers in a given area. Transfers reduced teachers' morale and efficiency of teaching (Education Post 2010). The study recommended that transfer of teacher should be avoided as much as possible and when inevitable it should be done within a given geographical region (Education, Volume 45, 2010).

2.5 The Challenge of Informal Settlements

According to UN Habitat global report on human settlement (2003), 924 million people, or 32% of the world's urban population, lived in slums, 43 percent in developing countries, and 6 % in more developed. All things being equal this is projected to rise to 2 billion in 30 years. However, there is growing global concern about slums, as manifested in the recent United Nations Millennium Declaration and subsequent identification of new development priorities by the international community (UN Habitat 2003). Slums are a physical and spatial manifestation of urban poverty and intra – city inequality. However, slums do not accommodate all of the urban poor, nor are all slums dwellers always poor .National approaches to slums, and to informal settlements in particular, have generally shifted from negative policies such as forced eviction, benign neglect and involuntary resettlement, to more positive policies such as self-help and *in-situ* upgrading, enabling and right– based policies (Karam 2005). In facing the challenge of slums, urban development policies should more vigorously address the issue of livelihoods of slum dwellers and urban poverty, going beyond traditional approaches that concentrate on improvement of housing, infrastructure and physical environmental conditions. Up-scaling and replication of slum upgrading is among the most important of the strategies that have received greater emphasis in recent years, though it should be recognized that slum upgrading is only one solution among several others. For slum policies to be successful, the apathy and lack of political will in both national and local levels of government in many developing countries in recent decades needs to be reversed (Nabutola 2004). There is great potential for enhancing the effectiveness of slum policies by fully involving the urban poor and those traditionally responsible for investment in housing development. This requires urban policies to be more inclusive and the public sector to be much more accountable to all citizens. It is now recognized that security of tenure is more important for many of the urban poor than home ownership, as slum

policies based on ownership and large scale granting of individual land titles have not always worked (GOK 2004).

To improve urban inclusiveness, urban policies ought to aim at creating safer cities (Hartshorn 1991). This could be achieved through, better housing policies for the urban low – income population (including slum dwellers) founded on effective urban employment generation policies; effective formal policing and public justice institutions and strong community – based mechanisms for dealing with urban crime .To embrace the goal of”cities without slums”, developing country cities should vigorously implement urban planning and management policies designed to prevent the emergence of slums, alongside slum upgrading and within the strategic context of poverty reduction. Government of Kenya has a policy wish list on this. Investment in city – wide infrastructure is a precondition for successful and affordable slum upgrading since, it is one strong mechanism by which the urban poor are excluded, and yet improved slum housing remains unaffordable for them (GOK 2004). Experience accumulated over the last few decades suggested that in-situ slum upgrading is more effective than resettlement of slum dwellers and should be the norm in most slum-upgrading projects and programme (UN Habitat 2003).

2.6 Slum upgrading and Low -Cost Housing

The term ‘slum’ is used in this research, and in a general context to describe a wide range of low-income settlements and/or poor human living conditions (Nabutola 2004). The quality of dwellings in such settlements varies from the simplest shack to permanent structures, while access to water, electricity, sanitation and other basic services and infrastructure is usually limited. Housing is described as informal when it does not conform to the laws and regulatory frameworks set up in the environment in which it occurs. In turn, the housing is not likely to conform to the planning and building regulations in force. Private dwellings in cities in Kenya are on the rise as demand for housing continues to outstrip the supply by far (Economic Survey 2005). The commonly accepted idea of a slum relates particularly to poor quality housing and residential infrastructure. The slum conjures up an urban tenements, dire poverty and disease; empty buildings and decay, suburban flight, roaming gangs and crack dealers; or with endless vistas of makeshift shacks on the edge of town, filled with people in despair. In each case, the image suggests that the deprived urban environment has caused the

poverty, when the reverse is mostly the case; people in poverty have sought out the accessible housing that they can best afford (Karam 2005).

According to GOK (2004) the objective of the slum upgrading programme is to improve the living conditions of the millions of urban poor that live in urban slums and lack access to basic water and sanitation, road, energy, and housing infrastructure. The programme will develop slum upgrading and relocation plans that will include land adjudication and registration, expansion of water network and sanitation facilities ,provision of electricity distribution points ,upgrading of slum roads ,and enactment of housing legislation to facilitate private sector expansion of low cost housing and housing financing.

The Government will streamline acquisition of land for housing the poor, adopt appropriate tenure systems, planning standards to suit given slums settlements and prevent unwarranted destruction of existing housing stock and displacement of the residents. Upgrading will be integrated to take into account socio-economic activities that improve livelihoods' of target communities (GOK 2004). Employment and income-generating activities that address poverty alleviation will be enhanced. The Government will also facilitate slum upgrading through integrated institutional framework that accommodates participatory approaches involving relevant stakeholders, particularly the benefiting communities while enhancing co-ordination at national level. Upgrading will take into account factors of ownership of land and structures, age of settlement, and affordability. Appropriate compensation measures will be instituted for disposed persons where necessary. In order to improve the living conditions of a large proportion of the populations in urban areas, appropriate slum upgrading measures will be instituted for each slum/informal settlement, taking into account the above main components and factors (GOK2005). To further address proliferation of slums and informal settlements, the Government will ensure supply of minimally developed but incrementally upgradeable low -income housing.

In housing , the government is targeting construction of 150,000 housing units annually through its slum upgrading program ,completion of its stalled housing project ,adoption of innovative cost effective building materials and technologies ,provision of new tenant purchase housing schemes ,and promotion of full scale development of secondary mortgage

market (GOK2004) .The government seeks private sector participation for construction of low cost housing in selected urban centres under concessionary terms.

2.7 Privatizing Housing

According to World Bank Report (1996) patterns of housing ownership differ greatly among the centrally planned economies. In China and Vietnam most urban housing are and still owned by enterprises , whereas residents were responsible for their own housing and had informal property rights but no formal title.Privatising housing is a high priority in transition economies ,for social and economic reasons .Housing accounts for 30 percent in market economies .Transferring housing to individuals and households and developing markets to individuals and households and developing housing markets to realize its value can help compensate citizens for the loss of savings many have suffered due to hyperinflation. Nearly all housing privatization has taken the form of giveaways or low-cost sales to current tenants, often subject to space vouchers to all citizens, one of which is to purchase their apartments. Privatization can relieve governments and enterprises of the costly burden of subsidies, but only if responsibilities for utilities and maintenance is also shifted to the new owners. Giving away housing and the costs associated with it actually improves the fiscal position of governments. (GOK 2004)

Shifting the full economic costs of housing to households may not be possible overnight, particularly in economies that have suffered sharp drops in GDP and employment and sharp increases in poverty (World Bank 1996) .To offset the short-term impact of higher rents in public housing and higher maintenance and utility costs in all housing, government might consider offering housing allowances to those hurt by reforms, while at the same time raising cash wages to raise foregone subsidies. The critical point is that the true costs of housing once hidden in repressed wages, budget deficits, inflation and undersupply need to be made explicit. Furthermore, new modes of finance are needed to help new private owners pay for housing as government withdraws from housing construction maintenance.

Local Government must also clarify property rights and zoning rules, improve real estate registries, and develop efficient property tax regimes and condominium –type laws, needed to allocate responsibility for common areas of buildings. New owners will not appreciate the

value of their homes without active housing markets through which to measure and realize that value. And these markets will not develop unless owners have clear and readily tradable rights to structures and underlying land (Nabutola 2004). Finally, an often overlooked issue in housing privatization is the distribution of ownership rights within households. Ensuring that husbands and wives have equal rights to the privatized housing is an important step towards gender equality in transition.

Properly privatized housing opens the way to a host of new products and services; including property insurance, real estate brokerage, housing maintenance, mortgage finance and property development. These create new jobs make private housing markets work by spreading risks, supplying information to buyers and settlers, and providing the needed financing (Karam 2005).

Housing is one of the most basic human needs. However, many low income developing countries are troubled by the high rate of urbanization. Between 2000 and 2030, the urban areas of the developing countries will absorb 95 percent of world's population growth. (UN HABITAT, 2003). Excessive levels of urbanization in relation to the economic growth have resulted in high levels of urban poverty and rapid expansion of unplanned urban settlements and slums, which are characterized by a lack of basic infrastructure and services, overcrowding and substandard housing conditions. Slums have wide adverse impacts on people and the society.

2.7.1 National Housing Corporation (NHC) Efforts in promoting housing in Kenya

The National Housing Corporation (NHC) is a statutory body established by an Act of Parliament Cap. 117 as was amended in 1967. The primary mandate of NHC is to play a principal role in the implementation of the Government's Housing Policies and Programmes (GOK 1966). The Corporation Board of Directors consisting of the Permanent Secretary, Ministry of Housing and Permanent Secretary, Ministry of Finance and others appointed by the Minister of Housing. The National Housing Corporation (NHC) has its origins in 1953 when the Colonial Government of Kenya created a Central Housing Board through the Housing Ordinance. The Board was the principal medium through which the colonial government could promote the development of houses for Africans. In 1959, the Board's activities were extended beyond the promotion of African housing in order to cater for

Europeans and Asians. In 1965, the Board decided to undertake direct construction of dwelling in areas where Local Authorities were unable or unwilling to do so. In the same year through an amendment of Housing Ordinance of 1953, National Housing Corporation (NHC) was established thereby replacing the Central Housing Board.

The Corporation was mandated to continue the functions of the Board, with wider powers to promote low-cost houses, stimulate the building industry and encourage and assist housing research. The NHC became the Government's main agency through which public funds for low cost housing would be channeled to Local Authorities, and for providing the technical assistance needed by those authorities in the design and implementation of their housing schemes.

The Corporation has assisted Wananchi and Local Authorities in building decent affordable houses through its various schemes such as Tenant Purchase, Outright Sale, Rural and Peri-Urban Housing Loans and Rental Housing. To assist Kenyans own decent homes in rural and peri-urban areas, National Housing Corporation advances loans which are secured on first charge of the property offered as security .The maximum loan is Kshs 3 million which is advanced for a maximum period of ten years at an interest rate of 13%. The maximum repayment period for the loan is ten (10) years. Application forms are available at NHC main cash office and regional offices.

National Housing Corporation (NHC) has since its inception played a crucial role in the provision of housing through its mortgage, rental, tenant, tenant purchase and site services housing schemes (Economic Survey 2005). The National Housing Cooperation (NHC) develops houses for rental purposes to the public .The beneficiaries are normally civil servants, employees of parastatals, local authorities and local businessmen .Over the years, National Housing Corporation has developed housing on land allocated to it by the Central Government or in partnership with Local Authorities .In the latter case, the developed housing schemes were passed on as loans to the local authorities .While this mode of housing development corporation would develop the schemes upon completion, the two institution will share the housing units so developed so that there does not arise any form of debt/obligations. Other public-public partnerships are also being explored.

Vision 2030 states “investment in housing development based on private-public partnership is a prerequisite to overcoming the con-strains to housing provision, since private capital can be applied to develop infrastructure and provide long term finance and technology (GOK 2004) “The corporation is earnestly following up on this in its endeavor to direct private capital, land and knowledge into housing development. Recently, the corporation advertised for partners in land, developers and financiers. Kileleshwa phase I is one of the successful project under this model. Since partnership is anew model in the provision of social infrastructure, the corporation is determined to navigate it carefully and ensure that it succeeds to support government efforts and intentions to have the housing sector revitalized. It is worthy noting that the government has already developed a legal frame work to operationalise the public private partnerships as contained in the Public Procurement and Disposal Act (Public Private Partnerships) Legal Notice no 38 of 2009.It has not been sustainable as various local authorities defaulted in their loan payments, thereby hampering housing delivery by National

Housing Corporation, the corporation has proposed a new form of partnership (GOK 2005). Under this arrangement the local Authorities would avail land for housing developments and the NHC facilitates acquisition of land suitable for housing development while the partners mobilize financial resources. Partners bring into Kenya cost effective housing construction technology for NHC projects while NHC provides technical know-how/consultancy in housing development and partner provides finance. Partners brings into Kenya housing development finance which NHC manages for tenant purchase housing. NHC can develop houses for groups with specifications provided. This is geared towards Kenyans in diaspora as NHC can package and deliver a housing scheme of not less than 30 units.

2.7.2 Challenges faced by NHC in Housing Development

Demand for suitable land for housing development far outstrips supply, given that land is fixed in terms of location. This development has seen the cost of urban land skyrocket. For the Corporation to participate effectively in this sector it has to buy land at the same price as private developers. This has the effect of increasing the cost the houses developed.

Development of housing is supported by provision of physical infrastructure. Where such services have to be borne by a developer, the cost of the houses become very expensive. The provision of physical infrastructure remains a major challenge in most of the urban areas in the country and this has affected housing development.

The building technology now in use in the country has hampered speed and cost at which houses are delivered. The Corporation has embarked on a process of ensuring that appropriate building technology is put in place to ensure that houses are developed within minimal time and cost effectively.

Availability and cost of money is central factor in the development of affordable housing. This remains a core challenge to NHC particularly in the development of housing for the low income Kenyans. Through the partnerships programme, the Corporation anticipates to mobilize adequate resources for housing development.

Majority of the Kenyans are living below poverty levels. This has hampered affordability of housing developed for sale. Innovation in design is a way adopted by the Corporation to expand the affordability levels of the low income Kenyans.

2.8 Development of Housing Policy in Kenya

It is increasingly realized in Kenya that more emphasis is to be given to housing people in the low income category, if the housing deficit is to be prevented from reaching intolerable proportions (Karam 2005). As a general rule, housing policy should be addressed to all levels of the population. Account must be taken of the different needs and potentialities of the various groups of the population and appropriate strategies must be devised (Nabutola 2004). It should be realized that certain groups in Kenya are socially and economically strong enough to look after their own housing needs and this group is already absorbing an excessive share of the resources available .On the other hand, the vast majority of the

population in Kenya will require assistance of some kind. One line of action that can be taken to solve the existing housing shortage could be to increase the proportion of the Gross National Product to be spent on housing. Kenya, with an expenditure on housing of 3 % of the G.N.P is still far from the 5% as recommended by the United Nations (Machinko 1998). It should however, be realized that there is a limit to the amount that can be spent on housing given the other urgent needs of Kenya to produce food, clothing and to make investments in agriculture, industry and so forth. (GOK 2007)

Kenya's first attempt at a National Housing Policy was first mooted in Sessional Paper No. 5 of 1966/1967. It was as a result of an investigation into the short and long term housing needs in Kenya, conducted by a United Nations Mission on behalf of the Government (GOK 1966). The Mission made recommendations on the policies to be pursued in the framework of our nation's social and economic development. The main principles that were to guide the development and control of housing in Kenya were outlined under Urban and Rural Housing Policy; Finance for Housing; Administrative Organization; Housing Programme; Research and Education. The Government was convinced that: "Housing is a vital factor in the nation's economic and social development and its effects have a bearing on the morale and stability of Kenya; The productive capacity of Kenya's labor force was related to the state of its health; Decent living environments are conducive to good health" (G.O.K1966). At the time Kenya's population was well over nine million of which eight million lived in the country. Annual population growth was estimated at 3% for the whole country and 5% to 6% in urban centres. One of the main recommendations of the UN Mission was that a National Housing Authority be created to be the main instrument for the prosecution of Government housing policy (GOK1966). "the supervision of the housing programme for the country as a whole must rest with the Government through the Minister responsible for Housing" Finally, Low Income Housing and Slum Clearance under principle 4 on the Housing Programme stated as follows "If towns are not to develop into slums and centres of ill-health and evil social conditions, low income urban housing and slum clearance must continue to form the major part of the nation's housing programme. It will be the responsibility of local authorities under their bylaws, as well as the NHC to ensure close supervision of such projects so that buildings are erected according to approved plans and specifications, and to avoid the

creation of slums. That is the first, last and only mention of informal settlements. As it turns out although noble these were what one would call a 'wish list'. This situation has been exacerbated by population explosion, rapid urbanization, widespread poverty, and escalating costs of providing housing. Nothing happened on the ground not as far as informal settlements were concerned.

Kenya's revised National Housing Policy as articulated in Sessional Paper No. 5 of 2004 was intended to address the deteriorating housing conditions countrywide and to bridge the shortfall of housing stock arising from demand that far surpasses supply, particularly in urban areas (GOK 2004). The shortage in housing is manifested in overcrowding, proliferation of slum and informal settlements especially in peri-urban areas. In rural areas the shortage manifests itself in the poor quality of the housing fabric and lack of basic services such as clean drinking water (Karam 2005). The policy aims at: Enabling the poor to access housing and basic services and infrastructure; Encouraging integrated, participatory approaches to slum upgrading, including income-generating activities that effectively combat poverty; Promoting and funding of research on the development of low cost building material and construction techniques; Harmonizing existing laws governing urban development and electric power to facilitate more cost effective housing development; Facilitating increased investment by the formal and informal private sector, in the production of housing for low and middle-income urban dwellers; Creating a Housing Development Fund to be financed through budgetary allocations and financial support from Development partners and other sources (GOK 2004). The policies which could be considered for the low and very low income groups which are crucial to remedy the housing problems cover a wide range, including demolition of slum, improvement of squatters settlements (squatter upgrading) aided self-help schemes and site and services schemes, land subdivision schemes, reviewing building, planning and health standards in connection with local needs substitution of imported building materials by locally produced materials and the use of local skills and labor intensive technology. Reviewing of finance systems and rent policy should be done.

The Economic Recovery Strategy for Wealth and Employment creation launched by the Government in June 2003 was intended to introduce a National Housing Policy that comprehensively addresses the shelter problem, including informal settlements, hopefully. This Sessional Paper comprises four elements. The Policy targets and highlights urban housing, rural housing, and slum upgrading and vulnerable groups; and proposes solutions, which include poverty alleviation. (G.O.K 2004)

2.9 Conceptual Framework

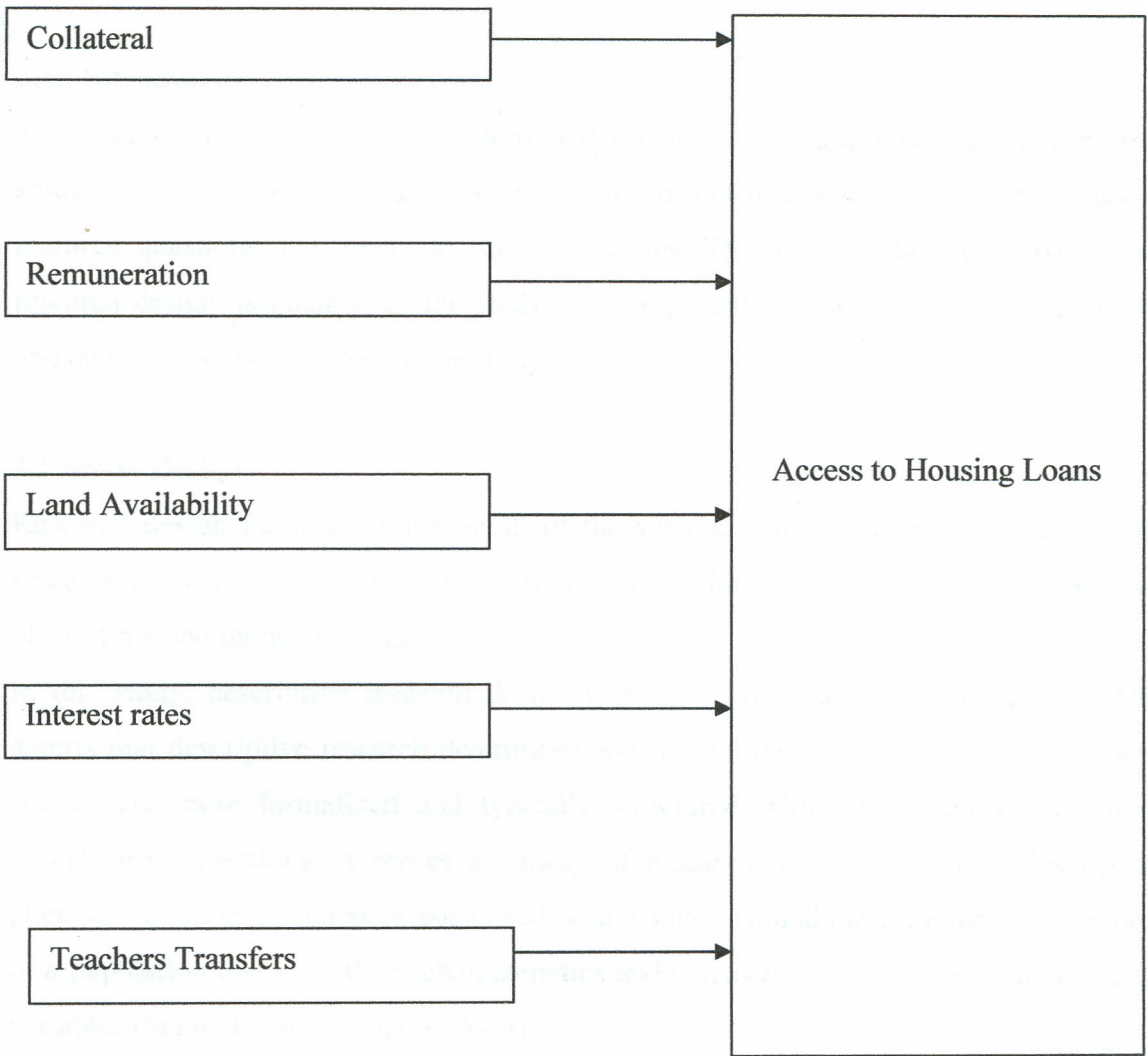
The dependent variable was access to housing loans which is the variable of primary interest. The independent variables were collateral, remuneration, interest rates, and land availability and teachers transfers. Credit accessibility is critical for the initiation and development of private initiatives including housing development and business enterprises. The easier it is to access credit the better for individual and companies who wish to undertake new ventures or expand business horizons. If the process of securing loan is too long and heavily bureaucratic it signals a bad sign to entrepreneur and individuals and the general economy of the country as a whole.

Collateral is a security or a guarantee pledged for the repayment of a loan if one cannot procure enough funds to repay the loan. The higher the collateral required by the lender, the lower will be the borrowing since most borrowers may not have security in form of an asset to pledge for the repayment of the loan. Remuneration refers to wages or salaries paid to workers for services rendered high salaries make it possible for the worker to secure high loan amounts low salaries on the other hand allow workers to secure lower amounts of loans. This is because teachers and civil servants can only be deducted up to two-third of their salary towards loan repayment.

The rate of interest on loans secured directly affects borrowing. The higher the interest rates the lower the borrowing low interest's rates encourage individuals to take up loan facility. Land availability for constructions of houses will directly influence the degree to which people will borrow money for constructions purposes. If one has no land such a person cannot proceed to secure loan for construction of houses. Such a person must first buy land for them to plan for construction.

On the other hand teachers' transfers affect settling down of teachers. The frequent arbitrary transfers affect their decision to settle in a given area.

Figure 2.1: Conceptual Framework



Independent Variables

Dependent Variable

Source: Author (2011)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology that was used as an aid to carrying out the research study. It is a plan for selecting the sources and types of information to be used to answer the research questions and meet the study objectives. This chapter therefore gives details of research design, population of the study, sampling method, instrumentation, data collection and analysis techniques used in the study.

3.2 Study Design

Research design facilitates the smooth of the various research operations thus by making research as efficient as possible yielding maximal information with minimal expenditure of effort, time and money (Kothari, 2005).

In this study, descriptive research design was used. Mugenda and Mugenda, (1999:160) asserts that descriptive research determines and reports the way things are. The descriptive studies are more formalized and typically structured with clearly stated hypotheses or investigative questions. It serves a variety of research objective such as descriptions of phenomenon or characteristics associated with a subject population ,estimates of proportions of a population that have these characteristics and discovery of associations among different variables (Schindler and Coopers ,2004) .

The reason for the researcher to use descriptive survey is mainly because it describes and explains the present status, situations, events and trends. This is because it allows an in depth collection of information. Descriptive research designs allow the researcher take out samples and make statements about the population on the basis of sample analysis. The primary data was gathered in the field through sample survey method .According to Orodho (2004) a survey method is a method of collecting information by interviewing or administering a questionnaire to a sample of individuals.

3.3 Target Population

Target population refers to that group about whom the researcher would like to draw conclusions. Mugenda (2003) has defined target population as the set of individuals, cases or objects with some common observable characteristics, which a researcher wants to generalize the results of the study. The population of the study was 480 primary school teachers in Thika Municipality. The municipality has four zones with 26 schools. These zones include; Kamenu zone with 120 teachers, Jamhuri zone with 168 teachers, Kenyatta zone 112 teachers and Madaraka zone with 80 teachers. (MEO, 2011)

Table 3.1: Target Population

Zone	Number of teachers	Percentage (%)
Kamenu	120	25%
Jamhuri	168	35%
Kenyatta	112	23.3%
Madaraka	80	16.7%
Total	480	100%

Source: Author (2011)

3.4 Sampling Design and Sample Size

According to Kothari (2005) where it is not always appropriate or possible to study the whole population, a sample may be drawn. A sample is a subset of the population. Sampling is a procedure by which some elements of the population are selected as representative of the total population through the use of probability to acquire a representative degree of reliability in the selected area. Stratified sampling design was used to come up with the above population strata. Then simple random sampling design was adopted to pick the sample size. Simple random sampling gives every member of the population an equal chance of being selected in the sample (Kothari 2005). A sample size of 120 teachers was selected for data collection. This represents 25% of the target population which is appropriate for descriptive studies (Mugenda 2003).

Table 3.2: Sample Size

Zone	Target Population(TP)	Sample Size	Percentage
Kamenu	120	30	25%
Jamhuri	168	42	35%
Kenyatta	112	28	23.3%
Madaraka	80	20	16.7 %
Total	480	120	100%

Source: Author (2011)

3.5 Data Collection Instruments and Procedures

Data was collected by the use of questionnaires. Self administered questionnaire were used. The questionnaire included both open ended and closed ended questions. Questionnaires were used because they are less expensive and are easier to administer to a large population. The questions are also standardized and when the instructions for recording responses are adhered to, there is uniformity in measurement. (Mugenda, 2003)

The researcher visited various institutions from which selected sample for the study was drawn. The researcher sought permission from the heads of institutions to conduct the study in their schools. The researcher issued the questionnaires to the respondents on a “drop and pick” later technique. This is because all the respondents are literate .However; this was supplemented with personal interviews to clarify worrying issues to both parties, that is, the respondent and the researcher.

3.6 Data Analysis Techniques

This study being descriptive survey design simple descriptive statistics was used in the analysis of data. According to Borg (1996:224), the commonly used methods in reporting descriptive surveys include frequency distributions, calculating the percentages and tabulating them appropriately.

The data collected was coded; classified and systematically analyzed .Descriptive statistics such as mean, mode, standard deviation and frequency distribution were used to analyze the data .Data was coded and entered into the Statistical Package for Social Sciences (SPSS) for analysis. Mugenda et al (2003) asserts that it is advisable to use computer for any kind of

data analysis in order to save time and increase the accuracy of the results. Data presentation was done by the use of pie charts, bar graphs, percentages and frequency tables.

4.1 Introduction to Data Analysis

This chapter deals with the analysis of data from the questionnaire. The respondents' responses to the questionnaire are expressed in the form of percentages, bar graphs and pie charts. The findings of the study are also presented in bar charts and graphs. The data are analysed and presented in a clear and concise manner.

4.2 Presentation of findings according to research questions

The researcher received 120 responses to the questionnaire. The number of questionnaire received was 120 but only 100 questionnaires were returned. Therefore the response rate was 83.33%. Out of the 100 respondents, 50% of them were female while 50% were male. A large proportion (58%) of the respondents are married and 20% were single. A small proportion (12%) of the respondents had attained an intermediate level of education while 30% of them had gone up to college level. 70% of the respondents were aged between 20-30 years, 10% were aged between 31-40 years, 20% were aged between 41-50 years and only 10% were aged 51 years and above.

4.2.1 Length of time in working as a teacher

Table 4.1: Length of time of working as a teacher

Length of Time	Frequency	Percentage
1-10 years	25	25%
11-20 years	23	23%
21-30 years	18	18%
31-40 years	19	19%
41-50 years	12	12%
Total	100	100%

Source: Author (2019)

The table shows that 25% of the respondents had worked as a teacher for 1-10 years, 23% between 11-20 years, 18% between 21-30 years, 19% between 31-40 years and 12% reported to have worked for 41 years and above.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND PRESENTATIONS

4.1 Introduction to Data Analysis

This chapter deals with presentation and analysis of data collected from the respondents.

The data was collected through questionnaires. It interprets the data in relation to the research objectives and research questions. The findings were analyzed and presented in tables, pie charts and graphs. The data was analyzed qualitatively and quantitatively.

4.2 Presentation of findings according to research questions

The researcher targeted 120 Primary school teachers in Thika municipality. The number of questionnaires issued was 120 but only 100 questionnaires were answered and returned. Therefore the response rate was 83.33 %. Out of the 100 respondents, 64% of them were female while 36% were male. A large proportion (75%) of the respondents was married and 25% were single. A small proportion (15%) of the respondents had attained up to university level of education while 36% of them had gone up to college level. 29% of the respondents were aged between 20-30 years 46% were aged between 31-40 years 25% were aged between 41-50 years and only 10% were aged 51 years and above.

4.2.1: Length of time of working as a teacher

Table 4.1: Length of time of working as a teacher

Length of Time	Frequency	Percentage
1-10 years	35	35%
11-20 years	26	26%
21-30 years	18	18%
31-40 years	19	19%
41-&above	2	2%
Total	100	100

Source: Author (2011)

The table shows that 35% of the respondents had worked as teachers for between 1-10 years, 26% between 11-20 years, 19% between 31-40 years and only 2% reported to have worked for 41 years and above.

4.2.2: House Ownership

Majority of the respondents (69%) did not own the houses they lived in, only 31% of the respondents owned their own houses. Out of 69 respondents who did not own houses 65% of them were women. Those that did not own their houses lived in rented houses. This clearly shows that the problem of housing is widespread among teachers.

In addition, 51% of the respondents reported that they were not aware of mortgage loans while 49% were aware. Majority of the respondents (86%) reported that they had not taken mortgage loans while 14 % said that they had taken. Majority of those who had not taken mortgage loan (60%) believed that mortgage finance was exploitative and that is the reason they shunned away from it.

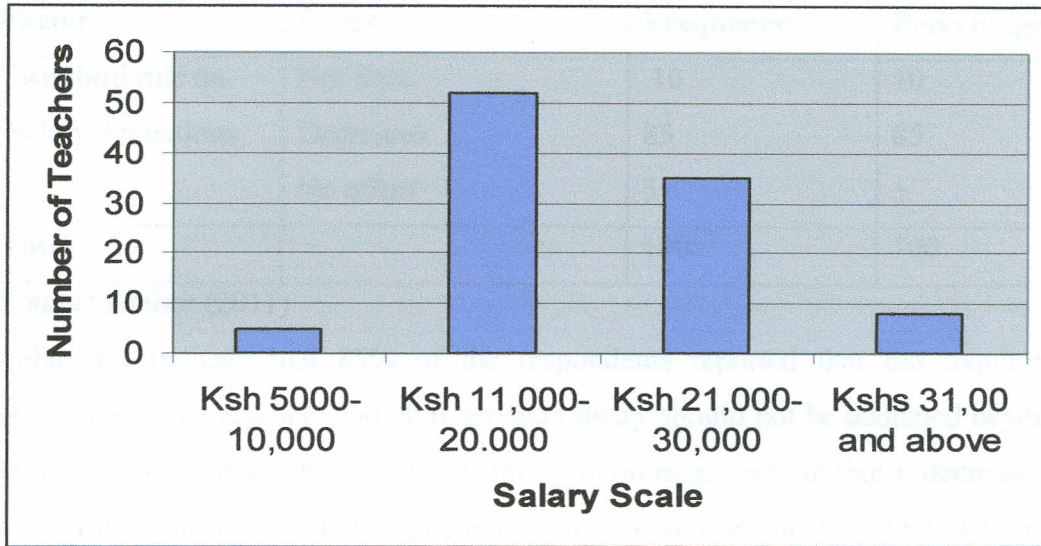
4.2.3: Salary Scale

Table 4.2: Response on Salary Scale

Salary Scale	Frequency	Percentage
Ksh 5000-10,000	5	5
Ksh 11,000-20.000	52	52
Ksh 21,000-30,000	35	35
Kshs 31,00 and above	8	8
Total	100	100

Source: Author (2011)

Figure 4.3: Salary Scale



Source: Author (2011)

Figure 4.3 and table 4.2 indicate that majority of the respondents (52%) were earning between between kshs11,000-20,000, 5% earned between kshs 21,000-30000 and 8% of the respondents earned ksh 31,000 and above.89% of the respondents reported that the level of remuneration affected access to housing loans. This is because the amount of loan processed by financial institutions is based on the ability to pay which means that the higher the salary amount the higher the loan amount that one can qualify .11% of the respondents thought that the level of remuneration did not affect the access to housing loans. Those who earned Ksh 31,000 and above reported that they faced no problems in accessing housing loans. Those who earned Ksh 11000 and below had an uphill task in trying to secure housing loan.

4.2.4: Effect of two third rule salary deduction on housing loans accessibility.

Table 4.3: Response on the effect of two-third rule on housing loan accessibility

Factor	Response	Frequency	Percentage
Two third rule on Salary deductions	Not Sure	10	10
	Decreases	85	85
	No effect	5	5
Total		100	100

Source: Author (2011)

Table 4.3 indicate that 85% of the respondents reported that the requirement by the government that teachers and civil servants salary should not be deducted beyond two thirds in loan repayment has affected accessibility to housing loans in that it decreases their ability to borrow more. 10 % of the respondents were not sure about the effect of two third rule on accessing housing loan. Minority of the respondents (5%) reported that the two third rule had no effect on the access to housing loans. This rule is not necessary and should be scrapped so as to enhance teachers' ability to access more credit from financial institutions.

4.2.5: Effects of interest rates on the access to housing loans

Table 4.4: Effects of interest rates in accessing housing loans.

Factor	Response	Frequency	Percentage
Interest rates	Greatly Discouraged	73	73
	Discouraged	15	15
	Neutral	7	7
	Not sure	5	5
	encouraged	0	0
Total		100	100

Source: Author (2011)

Table 4.4 indicate that majority of respondents 73 % reported that interest rates charged by commercial institutions greatly discouraged access to housing loans, 15% said that interest rates just discouraged, 7% were neutral 5% were not sure while none of the respondents said interest rates encouraged access to housing loans. Commercial institutions were found to

charge high interest rate which made many of the respondents to shy away from taking loans from especially the banks. The research therefore revealed that interest rates greatly affect access to housing loans among teachers. Commercial institutions should lower their lending rates to allow more people access their credit thus helping in addressing housing problems among teachers.

4.2.6: Land availability as a prerequisite for accessing housing loans.

Table 4.5: Response on land availability as a prerequisite for accessing housing loans

Factor	Response	frequency	Percentage
Land availability	Yes	68	68
	No	32	32
Total		100	100

Source: Author (2011)

Table 4.5 indicates that 68% of the respondents reported that land availability was a prerequisite to accessing housing loan. They said that one must have land on which to put up a house. However, 32% of the respondents reported that land ownership was not a prerequisite to accessing housing loans. The researcher found out that majority of female teachers (56%) never owned any piece of land. Land is a crucial factor of production and its availability affects other development activities including house constructions.

4.2.7: Collateral requirements

Majority of the respondents (60%) disagreed that collateral encourage access to credit, 32% strongly disagreed with that statement, 63% of the respondents strongly disagreed that collateral requirements inhibit accesses to housing loans. Collaterals demanded by financials institutions usually take the form of land title deeds log books, share certificates among others. Collateral requirement is insignificant since the house bought on loan financing acts as collateral itself.

4.2.8: Impact of transfer on the access to housing loans and settling down.

Majority of the respondents (69%) were greatly affected by transfers in terms of settling down. Subsequently, teachers' transfers greatly affected their access to housing loans as indicated by 71% of the respondents. The respondents noted that they cannot proceed and acquire housing loan yet they are not sure whether they will continue living in a given area. The TSC should not regularly transfer teachers so that they can be able to make a decision on where to settle. However, teachers can be transferred to areas where they can commute daily from the comfort of their homes.

5.0 Summary of Major Findings

From the data collected, it was found that majority of teachers (69%) were greatly affected by transfers in terms of settling down. Subsequently, teachers' transfers greatly affected their access to housing loans as indicated by 71% of the respondents. The respondents noted that they cannot proceed and acquire housing loan yet they are not sure whether they will continue living in a given area. The TSC should not regularly transfer teachers so that they can be able to make a decision on where to settle. However, teachers can be transferred to areas where they can commute daily from the comfort of their homes.

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From the results, it was found that majority of respondents (69%) were greatly affected by transfers in terms of settling down. Subsequently, teachers' transfers greatly affected their access to housing loans as indicated by 71% of the respondents. The respondents noted that they cannot proceed and acquire housing loan yet they are not sure whether they will continue living in a given area. The TSC should not regularly transfer teachers so that they can be able to make a decision on where to settle. However, teachers can be transferred to areas where they can commute daily from the comfort of their homes.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the major findings of the study, conclusions and recommendations arrived at. The chapter also contains suggestions for further research. The purpose of the study was to investigate factors that hinder access to housing loans among teachers.

5.2 Summary of Major Findings

From the study, the researcher found out that majority of teachers did not own their houses. This was indicated by 69% of the respondents who said they did not own the houses they lived in. It was also noted that many teachers were not aware of mortgage loan as was reported by 51% of the respondents.

The researcher established that teachers were poorly paid. This is because majority of the teachers (52%) earned a salary of between Ksh 11,000-20,000. The salary level had a major effect to the access of housing loans as was reported by 89% of the respondents. This is because financial institutions process loans based on the individuals salary amount. If the salary is low he/she can only qualify for low credit. To make matters worse, the requirement that financial institutions should not deduct more than two thirds of teachers salary towards loans repayment, greatly affects their accessibility to housing loans as was reported by 85% of the respondents. This is because they can only borrow up to a certain amount beyond which they cannot exceed.

The study revealed that the high interest rates charged by commercial institutions greatly discouraged teachers from accessing housing loans as indicated by 73% of the respondents. They argued that the high interest rates made them to become slaves of the lenders.

From the research findings it was clear that land availability was viewed as a prerequisite for accessing housing loan. Majority of the respondents (68%) reported it was important to first possess land on which to put up a house. It was therefore clearly demonstrated that an individual cannot proceed to acquire housing loans without having a piece of land on which to construct the house.

The researcher found out that collateral was not a major requirement by financial institutions in order to access to housing loan. This was reported by 63% of the respondents. In fact, collateral requirements was said not to inhibit access to housing loans. Collaterals required by commercial institutions usually take the form of land title deeds, logbooks and shares certificates.

The study revealed that teachers' transfers was a hindrance to the access of housing loans and affected their settling down as reported by 69% of the respondents. Settling down through home ownership is very crucial in one's life but that can only happen if one is sure that he will continue living in a given area for a long time. Teachers' transfers therefore prevented teachers from accessing housing loans as reported by 71% of the respondents.

5.3 Answers to Research Questions

5.2.1 How do remunerations affect teachers' ability to access housing loans?

The study established that primary school teachers are paid low salaries which make them qualify for very low amount of loans that is not enough to help in the constructions of their houses. Loans amounts are based on the teacher's salary level. In addition, the two third rule on salary mean that a teacher's salary cannot be deducted beyond two thirds which further limits his ability to borrow higher amounts. Those who earned low salaries found it very difficult to access housing loans.

5.2.2 How do interest rates affect teachers in accessing housing loans?

Interest rates refer to the cost of borrowing money from financial institutions. Based on the findings of the study, it emerges that high interest rates charged by commercial institutions greatly discourage teachers from borrowing from them. Banks particularly charge extremely high interests ranging from eighteen percent and above. This makes teachers to shy away from them and instead borrow from Saccos which charge relatively lower interest rates on loans.

5.2.3 To what extent does land availability affect teachers in accessing housing loans?

The study established that land was an important prerequisite to accessing housing loans. This was emphasized by the fact that before one can put up a house he must have land on which to construct a building. Therefore for those who do not own any piece of land they may find it not necessary to apply for housing loans.

5.2.4 How does collateral affect teachers in accessing housing loans?

The study established that financial institutions did not demand collateral as a security against which a loan would be processed. Collaterals take the form of land title deeds, logbooks, and share certificates among others. The fact that banks do not demand collateral for one to qualify for housing loans means that teachers should not shy away from taking the much needed credit.

5.2.5 How do transfers affect teachers in accessing housing loans?

The study noted that arbitrary transfers carried out by Teachers Service Commission affected teachers in terms of settling down and also in accessing housing loans. Sometimes TSC carries mass transfers in attempts to balance teachers from the areas with excess teachers affect their attempts to settle down in a given area. Consequently, the teachers find it unnecessary to apply for housing loans yet they are not sure that they will continue staying in a given area.

5.4 Conclusions

The study concludes that majority of teachers do not own the houses they live in. The study has also established that teachers have not adequately been able to access housing loans. Low salaries given to teachers have not served them well in terms of empowering them to secure higher loans. High interest rates and lack of land for house construction have also acted as hindrances to accessing housing loans. Regular teachers' transfers have all worked to discourage teachers in seeking credit for housing purposes.

5.5 Recommendations

Based on the findings of the study, the researcher recommended the following:

The government should consider improving on the teachers remunerations so that they can adequately meet most of their basic needs as well as increase their ability to secure higher loans for house constructions .The government should also formulate lending policies that should be observed by all financial institutions to avoid exploitation of the citizens. In addition, the government should abolish the two third rule in order to empower teachers to access more credit from financial institutions.

The financial institutions and in particular banks should consider lowering their interest rates in order to attract more teachers to borrow credit from them. Teachers should form investments groups through which they can purchase huge tracts of land and have it subdivided it among themselves. This will solve the problem of land scarcity upon which to construct houses.

Banks should not overemphasize the need for collateral as a requirement for credit access. Banks should be satisfied with teacher's salary as collateral and perhaps one or two teachers acting as guarantors for the one securing the loan.

The teachers services commissions (TSC) should abstain from arbitrary or mass transfer of teachers in view of the amount of destabilization such a phenomenon can cause. Instead even in cases where a transfer is a must, a teacher should be transferred to a nearby region or district from which the teachers can commute daily.

5.6 Suggestions for further study

The study focused on factors hindering access to housing loans by primary school teachers in Thika municipality. Another study could be done on factors that hinder access to bank loan by Jua Kali Artisans.

This study was carried out in Thika Municipality. A similar study should be carried out in other Districts or the entire province to find out whether similar findings would be obtained.

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APPENDIX I: LETTER OF INTRODUCTION

John Maina,
P.O.BOX 2283-01000,
Thika

Dear Respondent

RE: Research Project

I am a post graduate student at Kenyatta University undertaking a research project as part of the requirements of Master of Business Administration course .The main objective of the study is to investigate factors that hinder access to housing loans: A case study of primary school teachers within Thika Municipality.

In order to undertake the research, you have been selected to form part of the study .This letter is therefore to request your assistance in filling the attached questionnaire .The information you give will be treated with strict confidentiality and will be used purely for academic purposes.

A copy of the final report will be available upon request. Your assistance will be highly appreciated.

Yours faithfully,

.....
John Maina

APPENDIX II: WORK SCHEDULE

Plan of Activities

TASK	TIME FRAME
Proposal Writing	8 weeks
Administration of Questionnaires	5 weeks
Data Analysis & Interpretation	3 weeks
Report Writing	4 weeks
Report Submission	2 week
Total Duration	22 weeks

Sub-Item	Unit	Rate	Total
1) Data Collection			
a) Travel and Subsistence	10000	10000	10000
b) Computer Tax	10000	10000	10000
c) Contingency	2000	2000	2000
d) Contingency	1000	1000	1000
Sub-Total			24000
2) Data analysis and writing of final report			
a) Computer Time	4000	4000	4000
b) Stationery	1000	1000	1000
c) Binding	4000	4000	4000
d) Travel and Subsistence	1000	1000	1000
e) Printing	1000	1000	1000
f) Contingency	1000	1000	1000
Sub-Total			25000
Total			49000
10% Contingency			4900
Grand Total			53900

APPENDIX III: BUDGET ESTIMATE

Item	Estimated cost in kshs	
1. Writing of research proposal		
a) Stationery	5,000	
b) computer time	4,000	
c) Secretarial Services	3,000	
d) Travel and Subsistence	4,000	
e) Photocopying	3,000	
f) Contingencies	4,000	
Sub-Total		23,000
2. Data Collection		
a) Travel and Subsistence	10,000	
b) Computer Time	3,000	
c) Contingencies	2,000	
d) Contingencies	4000	
Sub-Total		19,000
3. Data analysis and writing of final report		
a) Computer Time	6,000	
b) Secretarial Service	4,000	
c) Binding	4,000	
d) Travel and Subsistence	3,000	
e) Photocopying	2,000	
f) Contingencies	4,000	
Sub-total		23,000
Total	65,000	
10% contingency	6,500	
Grand Total		<u>71,500.00</u>

APPENDIX IV: QUESTIONNAIRE

To be filled by public primary school teachers within Thika Municipality .Kindly you are requested to provide answers to these questions as honestly and as precisely as possible. Please put a tick where appropriate or fill in the required information on the spaces provided.

PART A: General Information

1 Gender

Male

Female

2. Marital Status

Married

Single

Others (specify).....

3. Age

20 -30

41 – 50

31 – 40

51 and above

4. Educational level

University

College

Secondary

Primary

Part B

5. How long have you been working as a teacher?

- 1 – 10 years
- 11 – 20 years
- 21 – 30 years
- 31 – 40 years
- 41 – and above

6. Do you have your own house?

- Yes
- No

If no, why?

.....
.....

7. How did you acquire your house?

- Through bank loan
- Through Sacco loan
- Personal Savings
- Other sources of finance (Specify).....

8. Are you aware of mortgage loans?

- Yes
- No

9. Have you ever taken a mortgage loan?

- Yes
- No

10. How long was the repayment period?

- 12 months
- 1- 5 years
- 6- 10 years
- More than 10 years

11. What is your salary scale?

- Ksh 5000 – 10,000
- Ksh11000-20000
- Ksh 21,000 -30000
- Ksh31, 000 and above

12. Does your level of remuneration affect the access to housing loan?

- Yes
- No

Explain your answer.....

.....

13. How does the two-third rule on salary deductions affect your level of access to housing loan?

- Increases
- Decreases
- No Effect

14. How do the high interest rates charged by commercial institutions affect your access to credit?

- Greatly Discourage
- Discouraged
- Neutral
- Encourage
- Greatly Encourage

15. Explain your answer above

.....

.....

.....

16. Do you think land availability is a prerequisite for accessing housing loans?

() Yes

() No

Explain your answer

17. To what extent do you agree or disagree with the following statement regarding collateral requirement.

1 – Strongly Agree

2 – Agree

3 – Neutral

4 – Disagree

5 – Strongly Disagree

Collateral requirement encourage access to credit {1} {2} {3} {4} {5}

Collateral requirement inhibit access to housing loans {1} {2} {3} {4} {5}

Collateral requirement has no impact on credit access {1} {2} {3} {4} {5}

18. What forms of collateral are demanded by financial institutions to access credit?

.....

19. In a scale of five, rate how transfers has affected you in terms of:

Statement	Greatly affected	Affected a little bit	Neutral	Not affected at all	Not sure
Settling down					
Accessing housing loan					

20. Identify factors that hinder your access to housing loans

.....

21. Suggest solution as to how best to curb housing problems among teachers?

.....
