

Credit Facilities and Provision of Housing Units in Nairobi and Surrounding Areas: Case of Shelter-Afrique

Vanlier Kontchou Guy Rene¹, Gerald Kalenywa Atheru²

Executive MBA, School of Business, Kenyatta University, Nairobi, Kenya (Reg. No. D133F/CTY/PT/30576/2015)

Abstract: *Access to housing is a basic human right enshrined in the Sustainable Development Goals and Kenya's Constitution 2010. The study determined the effect of THE COMPANY FOR HABITAT AND HOUSING IN AFRICA (SHELTER-AFRIQUE) on the provision of housing in Nairobi and its surrounding areas during the periods 2010 to 2015, through credit facilities granted to its clients. The study employed descriptive research design with ten (10) of SHELTER-AFRIQUE' clients in Nairobi, Kenya, including Developers, Commercial Banks, Micro-Finance Institutions and/or Housing Finance Institutions. The results showed that Developers, Commercial Banks, Micro-Finance Institutions, and Housing Finance Institutions have positively benefited from the partnership with SHELTER-AFRIQUE and have increased their capacity to provide housing units in Nairobi and its environs. The number of housing units they built increased significantly for the period they have partnered with SHELTER-AFRIQUE. It is evident from the results that SHELTER-AFRIQUE is playing a vital role in the provision of housing units in Nairobi and its surrounding areas. It is a clear indication that continued partnership between SHELTER-AFRIQUE, Developers, Commercial Banks, Micro-Finance Institutions, and Housing Finance Institutions will play a major role in solving the problem of shortage of housing units in Nairobi.*

Keywords: Credit Facility, Housing Unit, Developer, Commercial Bank, Housing Finance Institution

1. Introduction

The following sections present the background of the study, the problem statement, the objectives of the study, the research questions, the significance of the study, and the scope of the study.

1.1 Background of the study

The background of the study is addressed at three levels: Global, Regional and National levels.

1.1.1 Global level

At the seventieth session of the United Nations (UN) General Assembly on 25th September 2015, the members states adopted the Declaration "Transforming our world: the 2030 Agenda for the Sustainable Development".

Seventeen (17) Goals with one hundred and sixty-nine (169) Targets were adopted, and came into effect on 1st January 2016; they will be guiding the international development agenda till 2030.

Agenda 2030 document proclaims the followings:

- Cohesive nationally owned sustainable development strategies;
- Member states are encouraged to develop practicable and ambitious national responses to the overall implementation of the agenda;
- Member states are also encouraged to conduct regular and inclusive reviews of progress at the national and sub-national levels, which are country-led and country-driven.
- Therefore, member states should:
- Align Sustainable Development Goals (SDGs) implementation with their national planning and policy processes;

- Ensure the coordination, management and leadership for SDGs implementation;
- Avail adequacy of financing (municipal finance, for instance) and other means of implementation of the SDGs.
- During this study, we will focus only on Goal 11 (Sustainable cities and communities) of the SDGs.
- Goal 11 of the SDGs is about making cities inclusive, safe, resilient, and sustainable. According to UN Habitat (the UN Agency dealing with human settlements), the key target of Goal 11 is to ensure that all people have access to adequate, safe and affordable housing by 2030. In addition, by 2030, the member states should ensure access for all people to basic services and upgrade slums.

It is also useful to mention that the UN Conference on Housing and Sustainable Urban Development took place in Quito, ECUADOR, from 17th to 20th October 2016 (HABITAT III Conference). This was the first UN summit on urbanization since the adoption of the 2030 Agenda for Sustainable Development, on 25th September 2015.

HABITAT I Conference was held in Vancouver, CANADA (in 1976), while HABITAT II Conference took place in Istanbul, TURKEY (in 1996).

It should be noted that there is a housing problem in two-thirds of the emerging population across the world (Tiwari et al., 2016). There are several factors that have contributed to this issue including globalization, rural to urban migration, lifestyle changes, changes in modes of consumption, westernization and capitalism has ended minimizing the availability of housing units for the middle and low income in the population. There is an excess of demand for housing units, more than the supply. Despite government enacting various housing policies with the aim of reducing the problem of housing units' shortage, there has not been much progress (Ball 2013). Challenges that governments have

faced in addressing this problem includes delays in land ownership, infrastructure constraints, corruption and bureaucracy in the process of housing provision, and also the availability of well-allocated land. This is the case especially in the developing countries, where the funds allocated to housing development is minimal.

Additionally, the involvement of the state in subsidized housing provision has significant problems and distortions (Arrossi et al., 2014). Further, the rental market has dysfunction that includes low income households living in slum institutions. There is, therefore, a huge need for affordable housing and rental units that can cater to the wide spectrum of the middle and low class in the society.

There is provision of employment opportunities to both the skilled and unskilled workers in the country (Collier and Venables 2014). Consequently, the demand for affordable housing activities in the country has the advantage of encouraging and creating opportunities across the investment scope.

1.1.2 Regional level

In order to effectively address the housing shortage issue, African governments need to cooperate. In addition, governments need to upgrade their governmental housing policies, reduce urbanization within their countries, allow and support local financial institutions, so that they can promote the provision of affordable housing units to the society. As such, amongst other actions, there is need for strong partnerships between the government and financing institutions that include private sectors, so as to ensure proper address of the present housing crisis (Lin et al., 2014). The advantage of having regional financial institutions involved in the process of providing affordable housing units to the population is the immense growth of the Gross Domestic Product (GDP) of the country.

In this regard, financial institutions like SHELTER-AFRIQUE have been set up.

SHELTER-AFRIQUE is a Regional Financial Institution headquartered in Nairobi, Kenya, with four Regional Offices. Its shareholding comprises 44 African countries (including Kenya), the African Development Bank, and the African Reinsurance Corporation. SHELTER-AFRIQUE's operating area is the African continent; its purpose is to provide financing in housing and urban development in African countries.

It should be noted that this study considers only the city of Nairobi and its surrounding areas, located in Kenya (an East African country).

1.1.3 National level

As the capital city of Kenya, Nairobi faces a housing shortage as reported by the UN habitat report (2011). As at 2011, the population of Nairobi was about 3 million people (GoK 2010). The main reason for the shortage of housing units in Nairobi has been attributed to the increase of urbanization in the country, with an annual rate of 4.2 % people moving to the city in search of employment opportunities (Black and Stafford 2013). As such, there is an

acute shortage of housing in the capital city; most financial institutions are moving to the rental investment sector so that they can try and provide affordable housing facilities to the population. This investment move has resulted to most of the Kenyans in Nairobi spending most of their income in mortgages and reducing their savings. The economy of the country, as a result, has shifted to the rental industry.

SHELTER-AFRIQUE also operates in Kenya, and is among the key regional financial institutions that have tapped the opportunity of the need of affordable housing in Africa. The company is an important lender to Developers, Commercial Banks, Micro-Finance Institutions, Housing Finance Institutions... etc. SHELTER-AFRIQUE has managed to increase its market share due to capitalization on the need of Kenyans in owning home in suburb areas of the city.

1.2 Problem Statement

According to the outcome of the "Kenya Population and Housing Census 2009", published by the Kenya National Bureau of Statistics, only 56,376 houses were constructed in Nairobi.

There is an estimation of an urbanization rate of about 100,000 people per year moving from the rural areas and settling in Nairobi (Njiru and Moronge 2013). The high rate of urban growth has led to an influx of housing demand in Nairobi. Because of the high urbanization rate in Nairobi, the capital city suffers from overcrowding, high crime rates, high rates of pollution. Most of the low-income earners are living in the slum areas, due to lack of housing units that can correspond to their income. Consequently, these people do not have access to electricity, efficient drainage systems and running water (Njiru and Moronge 2013). All these inefficiencies expose a high portion of the population in Nairobi to health issues that they cannot afford to adequately address.

Due to the housing shortage problem existing in Nairobi, there is a high demand for houses for residents. The problem of housing limitations in Nairobi has been enhanced by poor governance and mode of housing supply in Nairobi (Midheme and Maulaert 2013). In the past decades, the responsibility of housing provision was solely on the government. Immediately after the independence of Kenya, the investment in public housing facilities in the capital city diminished as the country concentrated in improving other state sectors. Currently, the private sector has complete involvement in housing unit supply. This would be good news for Kenyans if the prices for houses set by the private financing institutions were not so exorbitant and unaffordable for most Kenyans (Midheme and Maulaert 2013). This is because the private sector financing for houses has the sole objective of maximizing profits, a fact that only favors the high and middle-income group in the Nairobi population. Due to limitation of prices in accessing housing units offered by private financing companies, most city dwellers in Kenya have resulted to informal settlements.

The bill of rights in the Kenyan Constitution stipulates that every Kenyan citizen has entitlement to adequate housing (GoK 2010 b). The implementation of this law is, however,

very difficult to the average Kenyan. Some of the factors that limit a city dweller in Kenya to exercise the right to adequate housing include poor housing policies in the country, high land rates, high interest rate on loans, and poor framework for operation of the land and housing laws of the country (Sang 2013).

1.3 Objectives of the Study

It is useful to present the general objective of the study before addressing the specific objectives.

1.3.1 General Objective

The purpose of the study is to investigate the influence that regional financial institutions had on the provision of housing units in Nairobi and surrounding areas, focusing on Shelter-Afrique.

1.3.2 Specific objectives

The specific objectives of the study could be stated as follows:

- a) To establish the effect of SHELTER-AFRIQUE's indirect intervention, through credit facilities to Developers, on housing units in Nairobi and surrounding areas;
- b) To establish the effect of SHELTER-AFRIQUE's indirect intervention, through credit facilities to Commercial Banks, on housing units in Nairobi and surrounding areas;
- c) To establish the effect of SHELTER-AFRIQUE's indirect intervention, through credit facilities to Micro-Finance Institutions and/or Housing Finance Institutions, on housing units in Nairobi and surrounding areas.

1.4 Research Questions

- a) What is the effect of SHELTER-AFRIQUE's indirect intervention, through credit facilities to Developers, on the growth of housing units in Nairobi and surrounding areas?
- b) What is the effect of SHELTER-AFRIQUE's indirect intervention, through credit facilities to Commercial Banks, on the growth of housing units in Nairobi and surrounding areas?
- c) What is the effect of SHELTER-AFRIQUE's indirect intervention, through credit facilities to Micro-Finance Institutions and/or Housing Finance Institutions, on the growth of housing units in Nairobi and surrounding areas?

2. Literature Review

The following sections review the theoretical literature, the empirical literature relating to the problem of housing, and the possible solutions to the housing problem.

2.1 Theoretical Literature Review

It is argued that housing theories are not well established due to the limitation of housing not being an academic discipline. Housing lacks its own methodologies and concepts. As such, it is only possible to relate several relevant sociology theories to housing (Soliman 2014). Among the prominent theories used to explain housing

existence in the economy, provision and shortage problems, include the Marxist, liberal, and the positive theories.

2.1.1 The Marxist theory of Housing

The Marxist theory of housing as developed by Friedrich Engels and Karl Marx (Rolnik 2013). The theory was among the earliest form of theories discussed in relation to the problem and provision of housing. Marxism supports the existence of social class in a capitalist economy (Rolnik 2013). Among the social classes of Marxism include the working class or the Proletariat class. This is the class of individuals who have to sell their labor in order to survive in a capitalist society. These individuals do not have a means to their own production (Rolnik 2013). In the modern world, this is the middle class of the employed people in an economy. The Bourgeoisie class own the means to production and are reliant on the working class for labor provision.

In addressing housing, the Marxist theory insists on the importance of housing because it relates to the survival of human beings (Rolnik 2013). The theory also supports housing because it enables reproduction that increases the labor force in the economy and facilitates the functioning of social classes. Another dimension of the Marxist theory is that housing is a fixed good. As such, the rights to housing are tied to the rights allocated to different social classes. Not every social class has a right to own land, meaning it is not capitalistic possible for every social class to own a house. As such, the rights to a house are preserved in the legal rights of possession.

Since the Marxist theory strongly supports capitalistic viewpoints, the theory maintains that housing has both use and exchange value (Rolnik 2013). Consequently, owning a house as a product can gain the owner exchange value since its consumption is only realized by those in the society with a housing need and can afford to purchase the housing commodity.

2.1.2 The Liberal Theory

The liberal theory strongly opposes the Marxist view of housing. In defining housing as a noun, the liberal theory does not accommodate the effect of changes and mechanisms influencing change in the housing market. As such, there is no provision for new spaces for family members who live in a house. The implication of this dimension of the liberal theory is that an increase in population, such as the effect of urbanization, does not allow for the provision of more housing units for the excess population. They have to fit in the available housing units (Rolnik 2013). The liberal theory supports for the dynamic process of housing to develop in phases according to the need in the economy and available economic potential of households. The liberal theory of housing has the important characteristic of supporting every individual with the ability to build a house according to their setting and family size (Tipple 2015). The theory recognizes that every family has different wants and needs determined by their socioeconomic needs and abilities. Therefore, the housing unit built by a family reflects the livelihood of the household and their culture and customs. The independence afforded to people by the liberal theory indicates the degree by which

user needs of housing units are being met and how user resources are utilized, such as according to their financial status or family size and cycle (Tipple 2015).

2.1.3 Positive Theory of Housing

The positive theory of housing supports the environmental and socioeconomic characteristics of the population (Soliman 2014). The theory defines housing as being part of the economy that utilizes resources, capital and energy. This directly contributes to the growth of the economy and environmental improvement. Additionally, the positive theory has a lot of reference for the economic status of the individuals, and equates the ability of individuals owning a house to their current economic feasibility (Tibaijuka 2013). Individuals spend most of their income in improving their current physical condition of their house. The theory, therefore, supports private investment in the housing market, where able individuals will spend a lot of money in building and improving houses, both for their basic needs and also for economic purposes (Tibaijuka 2013). However, when there is an economic decline in households, priority of spending is focused on food, shelter, clothing and catering to health conditions. Housing needs are considered as being secondary to households.

Finally, the positivist approach to housing considers housing units as being items of consumption for all social groups. This relates to the constitutional right in Kenya of all citizens having a right to housing (GOK 2010 b). As such, it is the obligation of the government to ensure the provision of safe and quality housing to all residents of the country.

2.2 Empirical Literature Review

In this section, it is useful to present the issues relating to the shortage of housing units in developing countries, the possible solutions, and finally the housing problem in Kenya.

2.2.1 Shortage of Housing Units in Developing Countries

Governments of developing countries face a large obstacle to urbanization because majority of the urban poor in these countries reside in slum areas within the city. Several studies (Diogu 2002, and Okupe 2002) indicate that this is a global problem. However, residents of less developed countries face the acute effects of the urbanization and congestion problem since they also lack proper housing.

Most of the urban poor, therefore, have been forced to live in overcrowded housing facilities, often made from temporary structures and located in slum areas (Okupe 2002). They are faced with unprecedented pressure of deteriorating social services and also urban infrastructure. After decades of continued government support and intervention in the problem of housing for city dwellers, private and regional financing companies have taken over (Diogu 2002). However, the provision of housing facilities is a gradual and continuous process that involves the process of addressing and meeting the housing needs of city dwellers.

In a study investigating housing delivery system, need and demand of housing, Makinde (2014) conducted a comprehensive research on demand and supply issues of the

housing market. The study manages to investigate and outline the challenges of accessing housing units and also ascertains effective guiding principles for ensuring quality housing delivery in the market. Through the use of the Nigerian housing market as a case study for the research, Makinde (2014) insists that the institutional frameworks for public and private sector institutions involved in home delivery should ensure improved collaboration and efficiency.

Further, the study by Makinde (2014) indicate that there exists a gap in knowledge in the housing market between housing requirement and ability to get a preferred type of housing. Despite admitting that there are housing shortage problems in the market, Makinde (2014) maintains that people can only get what they can afford. As such, the gap between housing demand and supply is the affordability gap. Consequently, in order to minimize the gap between housing demand and supply, housing developers and private financing institutions should strive to maintain the affordability of housing in order to meet the core needs of the market (Makinde 2014).

2.2.2 Possible Solutions to the Housing Problem

A study conducted by Olotuah and Bobadoye (2009) uses quantitative data in investigating suitable housing provision for the urban poor. The study insists on the aspect of sustainable development and provision of housing. Findings of the study indicate that sustainable housing unit development involves ensuring that the available housing strategies are stable and not subjected to political waves in the country. As such, private and regional financing institutions dedicated to solving the problem of lack of housing units for city dwellers should incorporate the participation of end users in provision of housing facilities to the housing market (Olotuah and Bobadoye 2009).

Similarly, Ibem (2010) concurred with Olotuah and Bobadoye (2009) in maintaining that sustainability is required in housing provision. In order to achieve housing development and sustainability, Ibem (2010) insists that the housing market requires significant societal changes, different and effective management approaches and the restructuring of institutions to suit the demands in the market. In addition, the study maintains that lack of reference to the capabilities and references of local people often lead to failures of housing programmes (Ibem 2010). Consequently, it is imperative for the housing market to first identify and define their needs and order their housing priorities so that the organizations involved in providing housing units can attend to their housing demands (Ibem 2010).

2.2.3 Housing Problem in Kenya

In addressing the factors that influence housing finance in developing countries, Atati (2010) investigates why housing finance in Kenya has not been able to alleviate the concern of housing shortages in the city, and yet the real estate industry in Kenya is experiencing an economic boom. Atati (2010) admits that there is a large gap in Kenya between the supply and demand of housing finance in Kenya. The study uses a mixed approach in collecting data from participants. There is use of housing finance institutions, private

financing organizations and housing developers who actively participate in the housing market of Kenya.

Through structured questionnaires administered to private developers, contractors and borrowers in the housing market of Kenya, Atati (2010) was able to find out why the problem of housing units shortage still prevails in Kenya. Analysis of the data collected depicts that housing finance institutions have a tendency of applying restrictive terms of lending to new and potential home owners, an aspect that greatly discourages the housing market. Furthermore, the social-economic status of individuals in the market determine their eligibility to get loans to purchase houses. The study concludes that housing developers and financing options are the key factors of defining the tenure and quality of housing consumption. As such, the low-income earner in the society is marginalized, an aspect that leads to the persistent high demand versus low supply of housing options in the housing market (Atati 2010).

2.3 Effects of credit facilities on the growth of housing units

All loans granted by SHELTER-AFRIQUE must comply with its Lending Policies and Procedures 2015, which contains provisions relating to: product lines and areas of intervention, loans denominations and tenors, project proposals and applications, appraisal procedures and lending processes, acceptable risks, security, loan documentation, equity and quasi-equity participation, interest charges and other charges/expenses, disbursement, project implementation and reporting procedures, inspection and monitoring, project audit...etc.

Lending or loan Policy is the primary means for guiding lending activities. It forms the credit philosophy in addition to imposing standards for achieving earnings objective and risk tolerance levels. According to Nwankwo (2000), a credit facility constitutes the largest single income-earning asset in the portfolio of most financial institutions.

Once a loan application is received from a borrower, an appraisal mission is planned and conducted by some SHELTER-AFRIQUE' staffs (from different Departments: mainly from Business Development, Risk, and Legal). After the appraisal mission, the request is presented to the Loans Committee, and to the Board of Directors for approval. Thereafter, the final decision (usually the approval) is notified to the borrower.

According to the SHELTER-AFRIQUE's quarterly portfolio performance report (as at 30 September 2016), the loans portfolio per product is as follows (see figure 2.3 below): loans to developers (direct lending) constitute 56 % of the portfolio, while loans to commercial banks, micro-finance institutions and housing finance institutions (line of credit) represent 44 % of the portfolio.

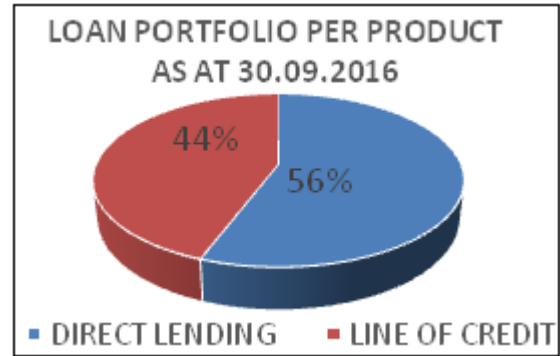


Figure 2.3: Loan portfolio per product

Through credit facilities granted to Developers, Commercial Banks, Micro-Finance Institutions and/or Housing Finance Institutions, SHELTER-AFRIQUE contributes to the growth of housing units in Nairobi and surrounding areas.

2.3.1 Effect of credit facilities to Developers

Developers are the coordinators of the activities, converting ideas on paper into real property. Developers buy land, finance real estate deals, build or have builders build projects, create, imagine, control and orchestrate the process of development from the beginning to end (Frej and Peiser, 2003).

The main requirements for lending to Developers are the following: the project land must be owned by the borrower, or (this is exceptional) by a third party linked to the borrower. The Developer must inject an equity in the project before SHELTER-AFRIQUE disburses part of the loan amount; the loan must be secured by a first legal charge over the project land and its constructions. An additional security or guarantee, like a personal or corporate guarantee, may be requested.

SHELTER-AFRIQUE supports and finances housing Developers in Kenya to help them build capacity and provide affordable housing on a large scale to the residents of Nairobi and its surrounding areas. The Developers in Kenya construct housing units either for sale or for renting. Whichever the case, the construction is capital intensive and even Commercial Banks in Kenya cannot provide the funding on their own. This calls for interventions from institutions such as SHELTER-AFRIQUE. The Developers are able to get financing from regional financial institutions like SHELTER-AFRIQUE and also from the Commercial Banks. Through housing Developers, SHELTER-AFRIQUE plays a key but indirect role in the provision of housing units in Kenya.

During the considered periods (2010 to 2015), SHELTER-AFRIQUE has financed the following three Developers located in Nairobi and its surrounding areas: ITOGA INVESTMENTS HOLDING Limited (P.O. Box 1052 Village Market, Nairobi, Kenya), MAHA PROPERTIES Limited (P.O. Box 195-00900 Kiambu, Kenya), and PRISM INVESTMENTS Limited (P.O. Box 28663-00100 Nairobi, Kenya).

Commercial Banks also constitute part of SHELTER-AFRIQUE's portfolio.

2.3.2 Effect of credit facilities to Commercial Banks

Relatively to the loans to Commercial Banks, the requirements are very light: during and after the appraisal mission, their financial statements are checked to make sure that they are viable and operate in accordance with the requirements of the Banking Act, and the requirements of the Central Bank of Kenya (CBK). Generally, a credit facility is granted to a Commercial Bank on a clean balance sheet basis, and is usually unsecured (without security or guarantee).

The Banking Act, 2012, requires all Commercial Banks to have a written lending or loan policy consistent with the relevant provisions of the Act, Regulations and any other applicable laws.

The Central Bank Survey of Risk Management (2011) found out that only 11 percent of Kenyans can afford an average mortgage loan. An average mortgage loan in Kenya is KES 6.6 million, and demands a monthly repayment of about KES 90, 000 for a period of 20 years.

Nevertheless, Commercial Banks, through their lending facilities, are the most preferred source of construction development funding in Kenya. According to the Central Bank of Kenya, there are 43 licensed Commercial Banks and one Mortgage Finance company in the country. These institutions advance funds depending on the ability of the Developer to pay the interest charges within the prescribed time limit. It's important to note that a relationship between a Bank and a Developer plays an important role in securing finance from Commercial Banks. In most cases, Banks themselves borrow funds from other financial institutions (national, regional or international institutions) to get enough to lend to the Developers. With the shortage of 200,000 units of housing in Nairobi per year, it means that a lot of funding is needed to construct housing units to meet the demand. One of the institutions that lends to Commercial Banks in Kenya is SHELTER-AFRIQUE. This means that through Commercial Banks, SHELTER-AFRIQUE has played a key role in the growth of housing units in Nairobi.

During 2010 to 2015, SHELTER-AFRIQUE has granted a credit facility only to JAMII BORA Bank Limited (P.O. Box 22741-00400 Nairobi, Kenya).

In addition to Commercial Banks, Micro-Finance Institutions and/or Housing Finance Institutions also constitute part of SHELTER-AFRIQUE's portfolio.

2.3.3 Credit facilities to Micro-Finance Institutions and/or Housing Finance Institutions

According to the SHELTER-AFRIQUE's Lending Policies and Procedures, the requirements relatively to the loans to Commercial Banks are applicable to Micro-Finance Institutions and/or Housing Finance Institutions. These requirements are very light: during and after the appraisal mission, their financial statements are checked to make sure that they are viable and operate in accordance with the requirements of the Central Bank of Kenya (CBK). Generally, a credit facility is granted to Micro-Finance Institution and/or Housing Finance Institution on a clean

balance sheet basis, and is usually unsecured (without security or guarantee).

The growing rate of urban migration, just like other cities in Africa, has been responsible for the shortage of housing units in Nairobi. Various players have come in to provide capital needed to construct the housing units needed. Micro-Finance Institutions have also joined the booming market, but they also cannot raise the capital needed in real estate development and they rely on funding from such institutions like SHELTER-AFRIQUE. In fact, for the considered periods (2010 to 2015), Micro-Finance Institutions and/or Housing Finance Institutions constitute 60 % (five micro-finance, institutions, and one housing finance institution) of the institutions that SHELTER-AFRIQUE provided funding to for housing development in Nairobi and surrounding areas. The said Micro-Finance, and Housing Finance Institutions, are the following: MOLYN CREDIT Limited (P.O. Box 10144-00100 Nairobi, Kenya), MAKAO MASHINANI Limited (P.O. Box 10528-00100 Nairobi, Kenya), RAFIKI DEPOSIT TAKING MICROFINANCE Limited (P.O. Box 12755-00400 Nairobi, Kenya), LETSHEGO Kenya Limited (P.O. Box 52926-00200 Nairobi, Kenya), HFC Limited (P.O. Box 30088-00100 Nairobi, Kenya), and NATIONAL CO-OPERATIVE HOUSING UNION Limited – NACHU (P.O. Box 51693-00200 Nairobi, Kenya). These institutions use the financed given to develop housing units, meaning that through them, SHELTER-AFRIQUE contributes to the growth of housing units in Kenya.

2.3.4 Summary of Literature Review

This section reviews various theories of housing as developed by theoretical literature and empirical literature. The Marxist theory is very influential in addressing the need of housing units in the society. The theory maintains that housing is very vital since it directly relates to the survival of the human population.

Studies by Makinde (2014) and Atati (2010) maintain that the affordability gap in the housing market is the major cause for housing shortages.

Empirical literature in the section indicate that the housing market should implement a liberal approach to ensuring housing provision. Financial institutions in the housing market should price houses according to the economic situation in the country, and the economic capacities and demands of the market.

2.3.5 Knowledge Gaps

The numerous studies analyzed in this section indicate that there is a knowledge gap in the housing market. Most of the articles used in literature review did not consider regional financial intervention as a possible long-term solution to the housing problems in Africa. Further, majority of the articles addressed global housing problems. The housing problems of developed countries, and ways of managing them do not necessarily apply to developing countries since the financial capabilities of these countries are different. This chapter exposes the need to research the impact that financial institutions have on the housing markets of developing countries, where there are shortages of housing units. The

investigation should explore whether regional financial institutions have the capability of minimizing or eradicating the affordability gap existing in the housing market.

2.4 Conceptual framework

The conceptual framework of this study is represented via the figure 2.4 below.

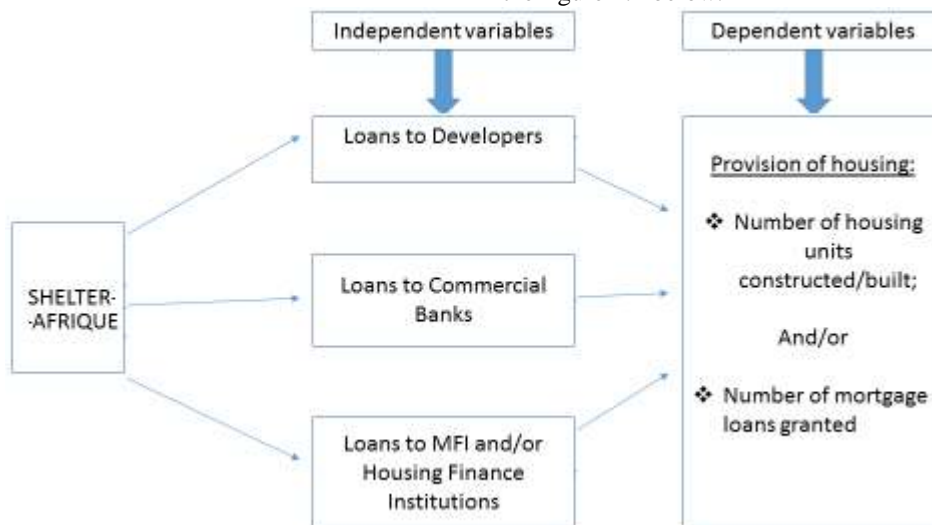


Figure 2.4: Conceptual Framework
 Source: Self-generated

It is obvious that the purpose of this study is to establish:

The effect of SHELTER-AFRIQUE’s indirect intervention, through credit facilities to Developers, on housing units in Nairobi and surrounding areas;

The effect of SHELTER-AFRIQUE’s indirect intervention, through credit facilities to Commercial Banks, on housing units in Nairobi and surrounding areas;

The effect of SHELTER-AFRIQUE’s indirect intervention, through credit facilities to Micro-Finance Institutions and/or Housing Finance Institutions, on housing units in Nairobi and surrounding areas.

3. Research Methodology

The study adopted a descriptive research design because it helped obtain data that described the characteristics of the topic of interest in the research (Hair et al., 2007). The descriptive method helps in establishing priorities specific to areas under research. The target population was 10 companies that obtain credit facilities from SHELTER-AFRIQUE over the period between 2010 and 2015. The respondents used in the study fell under the categories summarized in table 3.1.

Table 3.1: Population composition

| Category | Population | Computation | Percentage |
|--|------------|--------------|------------|
| Developers | 3 | (3/10) *100 | 30 % |
| Commercial Banks | 1 | (1/10) *100 | 10 % |
| Micro-finance & Housing Finance Institutions | 6 | (6/10) *100 | 60 % |
| Total | 10 | (10/10) *100 | 100 % |

A stratified sampling technique was employed in drawing the sample in the population with strata including Developers, Commercial Banks, Micro-finance & Housing Finance Institutions. The total numbers of companies in each

category were used in the study meaning that 100% of the population was studied. Questionnaires were used to collect the data from the representatives (senior and middle level managers) of these companies. The data collected were analyzed using descriptive statistics such as mean and frequencies and results were presented using tables and graphs.

4. Research Findings and Discussions

The following sections represent the results and subsequent findings of this Research Project. The data and its analysis were based on the information provided by respondents in the completed questionnaires and are analyzed and presented according to the research objectives. Results are presented in both figures and tables. Quantitative data was summarized using descriptive statistics.

4.1. Demographic Characteristics

4.1.1. Gender

The respondents were asked to state their gender; and the results are summarized in Figure 4.1.1 below.

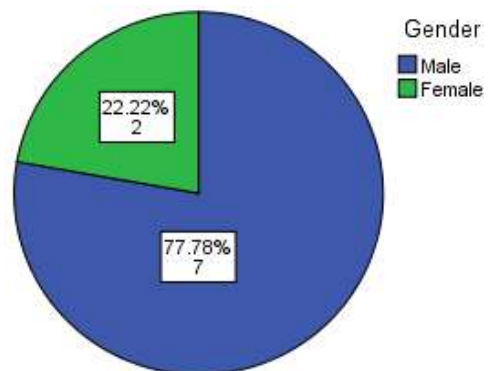


Figure 4.1.1: Gender of respondents

Figure 4.1.1 shows that the study was gender sensitive with both male and female respondents taking part. However, male respondents were many (77.78%) than female respondents (22.22%). Since organizations are sometimes headed by both men and women, it was important to collect views from both male and female leaders.

4.1.2. Marital Status

The responses on the question about marital status are summarized in Figure 4.1.2 below.

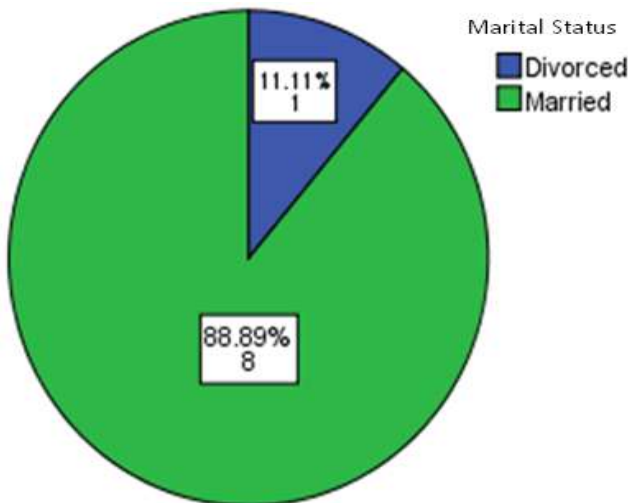


Figure 4.1.2: Responses on Marital Status

Figure 4.1.2 shows that 88.89% of the respondents interviewed were married while 11.11% were divorced.

4.1.3. Age

The responses of the respondents regarding their age were summarized in Figure 4.1.3 below.

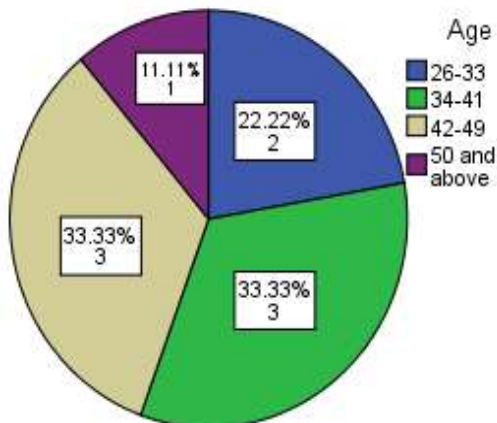


Figure 4.1.3: Age of respondents

Figure 4.1.3 shows that majority of the respondents, 66.66% were aged between 34 to 49 years (33.33% for 34 to 41 years plus 33.33% for 42 to 49 years). Those aged 26 to 33 years were 22.22%, while 11.11% represented those aged 50 years and above. This means that the respondents were of age capable of understanding the dynamics in the housing sector in Nairobi and the changes that have taken place since SHELTER-AFRIQUE started availing finances to developers and financial institutions to fund housing unit projects.

4.1.4. Experience of the respondents

The respondents were asked about their years of experience in the organizations they work and the responses are summarized in Figure 4.1.4 below.

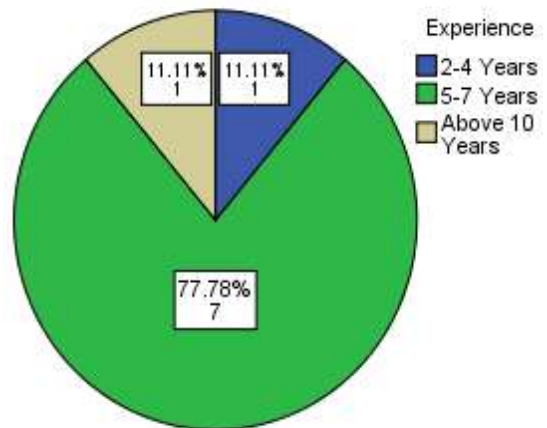


Figure 4.1.4: Years of Experience

Figure 4.1.4 shows that the respondents interviewed had served in the organizations they represent for a substantial number of years with 77.78% having 5-7 years of experience, 11.11% having over 10 years of experience, and 11.11% having 2 to 4 years of experience. This means that they had stayed in the organizations long enough to observe the changes in the provision of housing units before and after taking credit facilities from SHELTER-AFRIQUE.

4.1.5. Level of Management

The respondents were asked to state the level of Management they serve in and the results are shown in Figure 4.1.5 below.

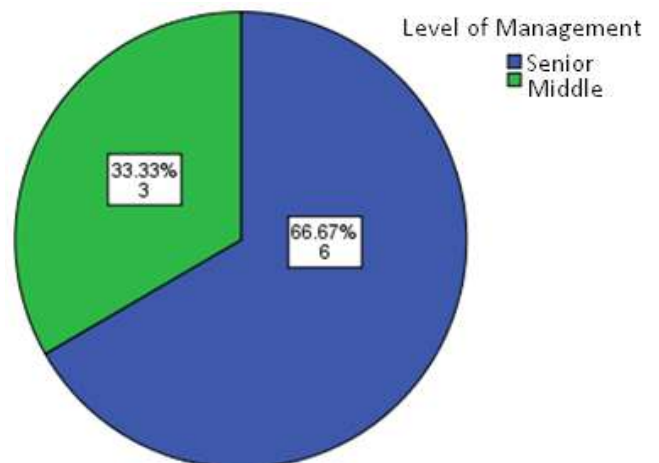


Figure 4.1.5: Level of Management

Figure 4.1.5 shows that of the nine respondents in the study, 6 (representing 66.67%) were in Senior Management level, while 3 (representing 33.33%) were in Middle Management level. This means that the study focused on key decision makers in the organizations who can provide relevant information for the study.

4.1.6. Credit facilities to Developers

The responses from the Developers were summarized in Table 4.1.6

Table 4.1.6: Descriptive Statistics

| Questions | Sample (N) | Mean | Standard Deviation |
|---|------------|-------|--------------------|
| B6. Has the partnership with SHELTER-AFRIQUE improved your capacity to provide housing units in Nairobi and surrounding areas? | 3 | 1.000 | 0.0000 |
| B7. How many more housing units have you been able to build/construct since you partnered with SHELTER-AFRIQUE? | 3 | 2.000 | 0.0000 |
| B8. What percentage of housing units portfolio did you build/construct from loan (s) granted by SHELTER-AFRIQUE? | 3 | 3.333 | 1.1547 |
| B9. How many times have you taken a credit facility from SHELTER-AFRIQUE for financing your housing projects? | 3 | 1.667 | 0.5774 |
| B10. Taking loan (s) from SHELTER-AFRIQUE has helped us to increase our financing of development of housing units in Nairobi and surrounding areas. | 3 | 1.667 | 0.5774 |
| B11. Have you increased your capacity of providing housing units in Nairobi through partnership with SHELTER-AFRIQUE? | 3 | 1.000 | 0.0000 |
| Valid Sample (N) | 3 | | |

Table 4.1.6 shows that the respondents stated with a mean of 1.0 that partnership with SHELTER-AFRIQUE improved their capacity to provide housing units in Nairobi. The partnership had helped the Developer to build 100 to 500 more housing units (B7 with mean of 2.0) representing 31% - 50% (B8 with mean of 3.333) of their housing portfolio. Table 4.1.6 (B9) with a mean of 1.667 showed that the Developer had taken loan twice from SHELTER-ARIQUE. When asked whether taking a loan from SHELTER-ARIQUE helped increase their financing of housing units in Nairobi (B10), the respondents agreed with a mean of 1.667. The Developer's capacity to provide housing units in Nairobi had increased after taking loan facility from SHELTER-ARIQUE as shown in B11 with a mean of 1.0. Responding on the question about the role of SHELTER-ARIQUE in providing housing units in Nairobi, the Developers stated that SHELTER-ARIQUE has played a vital role in ensuring that there are credit facilities for them to finance their projects. They also stated that the partnership with SHELTER-ARIQUE has been very helpful because Representatives of SHELTER-AFRIQUE supervise the projects they finance to ensure that they meet the standards stipulated in the proposals.

4.1.7. Credit facilities to Commercial Banks, Micro-Finance Institutions and/or Housing Finance Institutions

Commercial Banks, Micro-Finance Institutions, and Housing Finance Institutions constitute over 90% of the institutions that take credit facilities from SHELTER-

ARIQUE. They formed 6 out of 7 institutions that were used for this study. The descriptive statistics of the responses from these organizations are stated in Table 4.1.7

Table 4.1.7: Descriptive Statistics

| Questions | Sample (N) | Mean | Standard Deviation |
|--|------------|-------|--------------------|
| C6. Has the partnership with SHELTER-AFRIQUE improved your capacity to provide housing units in Nairobi and surrounding areas? | 6 | 1.000 | 0.0000 |
| C7. How many more mortgage loans have you been able to grant since you partnered with SHELTER-AFRIQUE? | 6 | 1.667 | 0.5164 |
| C8. What percentage of housing units portfolio did you finance with loan (s) granted by SHELTER- AFRIQUE? | 6 | 2.167 | 1.4720 |
| C9. How many times have you taken a credit facility from SHELTER-AFRIQUE? | 6 | 1.000 | 0.0000 |
| C10. Taking loan (s) from SHELTER-AFRIQUE has helped us to increase our financing of housing units in Nairobi and surrounding areas. | 6 | 1.667 | 0.5164 |
| C11. Have you increased your capacity of providing mortgage loans in Nairobi through partnership with SHELTER-AFRIQUE? | 6 | 1.000 | 0.0000 |
| Valid Sample (N) | 6 | | |

Table 4.1.7 shows that on average (1.0) the respondents stated that partnership with SHELTER-AFRIQUE has improved their capacity to provide housing units in Nairobi. The question regarding the number of more mortgage loans that the institutions were able to grant after partnership with SHELTER-AFRIQUE was responded to with a mean of 1.667. This means that most of the institutions have been able to give 100 to 500 more mortgage loans than they did before partnering with SHELTER-AFRIQUE. Table 4.1 shows further that with a mean of 2.167, Commercial Banks, Micro-Finance Institutions, and Housing Finance Institutions builds 10% - 30% of their housing units' portfolio with the funds they obtain from SHELTER-AFRIQUE. They have on average taken credit facilities once from SHELTER-AFRIQUE (C9, mean = 1.0). From table 4.1.7, the respondents, with a mean of 1.667 agreed with the statement that taking loan (s) from SHELTER-AFRIQUE has helped them to increase their financing of housing units in Nairobi and surrounding areas (C10). They also stated that their capacity to provide mortgage loans in Nairobi increased when they partnered with SHELTER-AFRIQUE as indicated in C11 with a mean of 1.0.

5. Summary, Conclusion and Recommendations

The following sections present the summary, the conclusion, before suggesting some recommendations.

5.1. Summary

The main purpose of this study is to determine the effect of SHELTER-AFRIQUE on the provision of housing in Nairobi and its surrounding areas during the periods 2010 to

2015, through credit facilities granted to its clients. This is achieved by using a research design.

The research design used in this study is descriptive: it gives an explanation as to how the dependent variables affect or are affected by the independent variables. The descriptive method helps in establishing priorities specific to areas under research while also evaluating the influence that SHELTER-AFRIQUE had on the provision of housing units in Nairobi and surrounding areas.

The population and sampling frame used in this study comprise of the clients of SHELTER-AFRIQUE in Nairobi and surrounding areas, including Developers, Commercial Banks, Micro-Finance Institutions and/or Housing Finance Institutions. The study used 100% of the population, because during the considered periods, the total number of categories of funding by SHELTER-AFRIQUE is ten (10).

The sample was determined by using the stratified sampling technique. This method allowed the researcher to divide the sample into appropriate strata that are mutually exclusive. The population was categorized into strata that included Developers, Commercial Banks, and Micro-Finance Institutions that do business with SHELTER-AFRIQUE within Nairobi and its surrounding areas. Thereafter, a sample was selected from each of the category depending on the size of the category. The data were then analyzed and presented by using the quantitative method of data analysis. The data and its analysis were based on the information provided by respondents in the completed questionnaires and are analyzed and presented according to the research objectives. The findings were presented in both figures and tables. Quantitative data were summarized using descriptive statistics.

In addition, via the questionnaire it was possible to gather information relating to the gender (male or female) of the respondents, their marital status (married, divorced), their age, their professional experience, and their level of Management. The Representatives of Developers, Commercial Banks, Micro-Finance Institutions and/or Housing Finance Institutions recognized that partnership with SHELTER-AFRIQUE improved their capacity to provide housing units in Nairobi and its surrounding areas. Developers also stated that the partnership with SHELTER-AFRIQUE has been very helpful because Representatives of SHELTER-AFRIQUE supervise the projects funded. However, some Representative of Developers and financial institutions stated that SHELTER-AFRIQUE should consider a revision of the conditions attached to the credit facilities granted, so that the said conditions are more favorable to their companies.

5.2 Conclusion

The study sought to investigate influence that SHELTER-AFRIQUE had on the provision of housing units in Nairobi and surrounding areas, during the periods 2010 to 2015. The specific objectives of the study included: to establish the effect of SHELTER-AFRIQUE's indirect intervention, through credit facilities to Developers, on housing units in Nairobi and surrounding areas; to establish the effect of

SHELTER-AFRIQUE's indirect intervention, through credit facilities to Commercial Banks, on housing units in Nairobi and surrounding areas; and to establish the effect of SHELTER-AFRIQUE's indirect intervention, through credit facilities to Micro-Finance Institutions and/or Housing Finance Institutions, on housing units in Nairobi and surrounding areas.

The study used a sample of 9 institutions which represented 90% of the total number of institutions that SHELTER-AFRIQUE has been partnering with in the provision of housing units in Nairobi area and its surroundings between 2010 and 2015. The primary data was collected using questionnaires that were presented to the respondents to complete. The data collected was analyzed using SPSS software. The descriptive statistics were used in the analyses and were the basis for meeting the study objectives.

The results revealed that Developers, Commercial Banks, Micro-Finance Institutions, and Housing Finance Institutions have positively benefited from the partnership with SHELTER-AFRIQUE. The Developers had their capacity to provide housing units increased through the partnership. The number of housing units they built increased significantly for the period they have partnered with SHELTER-AFRIQUE. They have 31%-50% of their housing units' projects financed by the credit facilities from SHELTER-AFRIQUE. These improvements were achieved from a onetime borrowing from SHELTER-AFRIQUE. For the Commercial Banks, Micro-Finance Institutions, and Housing Finance Institutions, they were able to give more mortgage loans when partnership with SHELTER-AFRIQUE amounting to 100-500 new mortgage loans. They financed 10% to 30% of their housing unit's portfolio from finances obtained from SHELTER-AFRIQUE. Despite having borrowed once from SHELTER-AFRIQUE, their capacity to provide quality and affordable housing units has increased significantly.

It is evident from the results that SHELTER-AFRIQUE is playing a vital role in the provision of housing units in Nairobi and its surrounding areas. It is a clear indication that continued partnership between Developers, Commercial Banks, Micro-Finance Institutions, and Housing Finance Institutions will play a major role in solving the problem of shortage of housing units in Nairobi. SHELTER-AFRIQUE should seek to tighten the partnership and ease their terms to accommodate more Developers and mortgage loan lenders.

5.3 Recommendations

Based on the findings of the study, the following recommendations were suggested:

- a) The partnership between Shelter-Afrique and developers, commercial banks, and financial institutions should be intensified, and government should give incentives to such partnerships, because they seem to be setting pace in resolving housing problem.
- b) Shelter-Afrique should engage more players in the housing development sector through Joint-Ventures arrangements to handle the problem of shortage of housing. The company should also seek partnership with county governments in all the forty-seven counties in Kenya.

- c) Shelter-Afrique should intensify the supervision and inspection of the projects they fund to ensure that quality standards are upheld for mutual benefits.
- d) The government of Kenya should work closely with Shelter-Afrique in the implementation of its plan to provide affordable housing units to Kenyans, not only in Nairobi but also other parts of the country.

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Author Profile



Mr. Vanlier Guy Rene has more than 15 years of corporate experience in the banking and finance sectors. He has just completed an Executive MBA programme at the School of Business (Kenyatta University, Nairobi, Kenya). He holds a Master of Philosophy Degree (MPhil) in Business Law from the University of Douala, Cameroon. He also graduated from the Hassan II University of Casablanca, Morocco, with a Master's Degree in Business Law. Mr. Vanlier also holds a Certificate to practice law in Cameroon (End-Of-Training Certificate for Bailiffs – Court Bailiffs), issued by the Cameroonian Ministry of Justice. He is currently working with Shelter-Afrique as the Senior Legal Officer at its headquarters in Nairobi, Kenya. He has previously served as the Head of Litigation with Commercial Bank Cameroun for more than eleven years.



Mr. Gerald Atheru has served as the Dean of the School of Business, Kenyatta University, for over 5 years. He has over 20 years of University administration experience. He also has more than 30 Years of research, teaching and consultancy experience in areas of Financial Accounting, Management Accounting and Financial Management. He has successfully completed consultancy assignment with the World Bank on cost and financing education and successful consultancy experience with many other organizations. He successfully completed a consultancy assignment with UNIDO (United Nations Industrial Development Organization) on Investment promotion in Kenya, from April 2010 to August 2011.