

Assessing the Role of Housing Microfinance in the Low-income Housing Market in Ghana

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Abstract
Housing Microfinance (HMF) is becoming an increasingly attractive and innovative source of low-income housing finance for Low-income households (LIHs) in developing countries to meet their housing needs. Many countries in the developing world such as India, Bangladesh among others are developing housing finance policies that recognised the role and importance of such innovative mechanisms. However, in the case of Ghana, despite the over 2,234 Microfinance Institutions (MFIs) spread over the country, few are into lending for housing activities. This paper assessed the role of HMF in the low-income housing market. The paper relied on extant literature and realised that HMF could play a fundamental role in solving the low-income housing challenge faced by many LIHs in Ghana. The paper concludes that HMF could help LIHs to regularise land tenure, acquire building materials and tools, acquire building designs and skills development, housing infrastructure delivery, finance new and home improvements, improve low-income housing governance and encourage community partnerships and development. The paper made some valuable suggestions to overcome the barriers and challenges associated with HMF delivery in Ghana.
Keywords: Developing countries, Ghana, Housing Microfinance, Housing market, Low-income housing, Microfinance.

1.0 Introduction

Access to affordable housing finance to meet the housing needs of LIHs has been identified as one of the most challenging endeavours in many developing countries (Teye et al. 2015; Alnsour 2015). LIHs in developing countries are unable to attract formal financing mechanisms due to the low and fluctuating nature of their incomes (Archampong and Anokye 2015; Teye et al. 2015). Low income is, therefore, a function of LIHs livelihood regarding meeting their housing needs. However, there is also the argument that even if LIHs incomes are enhanced, there is still another factor which is the lack of available sources of low-income housing finance to enable them to meet their housing needs (Afrane et al. 2014). In this regards, various housing needs have been identified to been associated with LIHs. These include land acquisition, purchase of building materials, construction of a basic unit, improving part of an existing house among others (Derban et al. 2002; Biitir 2008). These needs are influenced by many factors such as geographical, economic and social factors (Bondinuba et al. 2013; Nimako and Bondinuba 2013).

To overcome the above lethargies on low-income housing financing, many LIHs often resort to all forms of financing strategies to realise their housing needs (Ferguson 2003; Bondinuba 2015). One such strategy which has been considered as an emerging concept is HMF (*cf*. Daphnis and Ferguson 2004; Biitir 2008; Metzel 2009). This paper is also of the view that HMF is an innovative low-income housing finance strategy usually supply by specialised MFIs known as housing microfinance institutions (HMFIs). HMF usually come in the form of microcredits advance to LIHs on a short-term basis to meet their housing needs. Other products offered by HMFIs include construction technical assistance (CTA), Micro-insurance as a separate or part of the loan facility and many other services.

In Ghana, some MFIs operates in the Microfinance market with just a few engaged in the housing market with HMF. This paper aims to give a basic understanding of the concept of HMF to the beginner in the field of low-income housing finance research in the context of Ghana. The paper reviewed the definition, the concept and principle of HMF with a particular focus on the need and application of this concept and its pros and cons in the context of the low-income housing market in Ghana. It also elucidated the use, benefits and the role of HMF in the low-income housing market. It further analysed the Microfinance and HMF sub-markets and outlined some of the barriers in delivering HMF in Ghana.

2.0 The Concept and Characteristics of Housing Microfinance

The concept of HMF involves the provision of microcredit to LIHs by HMFIs to meet their housing needs, particularly in developing countries. It is a concept that operates using the principle of Microfinance methodologies. The idea of Microfinance in its self is also rooted in the idea of socio-economic development paradigm. CBN (2005) suggest that Microfinance is a development tool used to generate access for both social and economically active poor to financial services on a sustainable basis and at affordable prices. Eluhaiwe (2005) observe that Microfinance involves the provision of thrift, credit and other financial services and products in very small amounts to the poor to enable them raise their income levels and improve their standard of living. Ukeje (2005) also defines it as the delivery of very small loans, repaid within a short period and is mostly patronised by LIHs who may secure it with their few assets as collateral. The concept aimed to improve and build the capacities of the socio-economically active poor to participate in the larger economy especially in developing countries (Joseph and Imhanlahimi 2011). These socially and economically active poor are either micro-entrepreneurs who operate in the informal sector comprising of traders, farmers, food caterer, craftsmen and artisans. They could as well be people earning wages and living in either rural or urban areas, and the financial services for which access is sought are mainly savings and loans (CBN 2005; Idolor 2007; Joseph and Imhanlahimi 2011). Access to small deposits and small loans for poor households who are out of the main banking services is another definition that often emerged (Schreiner and Colombet 2001). However, the question that remains unanswered by the above definitions is who these poor LIHs? None of the definitions recognises the diversities of the poor, being them rural or urban. How their age, gender and geographical locations influence their credit behaviours are usually ignored in most Microfinance definitions. However, as Ledgerwood et al. (2013) acknowledged that recognition of these diversities in Microfinance supply and demand would help minimised loan repayment default and further improve the delivery of Microfinance.

Another possible refutation to some of the above definitions is the fact that many have observed that the poor is an economic agent and a socially reliable business partner when it comes to small loans repayment. Hence, most of Microfinance definitions are coined towards the financially delivered services towards micro enterprises and entrepreneurs. Granted that the above is the case, and then a place called a house is a priority to every economic agent which includes the poor low-income household. As reported in (Ferguson 2003), LIHs as an economic agent who ususally upon realising the need to get a decent place of accommodation constantly divert microcredit loans to meet their housing needs. It is, therefore, justifiable to argue that HMF is an important mechanism that must be part of the mainstream housing finance systems in developing countries such as Ghana. Housing in its self is also an economic asset that adds value with time. Therefore, LIHs as part of improving their social and economic livelihoods tend to meet their housing needs first before venturing into any economic activities with Microfinance loans.

Again, Microfinance can be seen as a mechanism that improves on other financial and non-financial outcomes of LIHs. These financial outcomes include savings and the accumulation of assets. Additionally, other non-financial outcomes such as health, food, security, nutrition, education, women's empowerment, housing, job creation and social cohesion are some of the benefits of supplying Microfinance to LIHs (Hietalahti and Linden 2006; Hossain and Knight 2008; Odell 2010). Thus from the above assessment, housing is a non-instant financial outcome of Microfinance regarding homeownership among LIHs. However, Microfinance operates on the principle of given out microcredits to LIHs on progressive bases. These basic principle Microfinance operations also fit into LIHS housing process of building progressively or incrementally. Hence, financing their housing needs or requirement for each step of the building process and the diversion of towards such activities has created an opportunities and a motivation for lenders willing to introduce housing micro lending for the low-income housing market.

2.1 The Characteristics of Housing Microfinance

Just like Microfinance, many scholars has defined HMF base on their understanding. For instance, Daphnis and Ferguson (2004) describes HMF as a mechanism between housing finance and Microfinance. Metzel (2009) defines it as the intersection of housing and Microfinance. However, Ritchie (2011) also observe that it is the combination of pro-poor real estate development and Microfinance principles with emphasis on housing supports services and community development. Daphnis and Ferguson (2004) assertion lacks the concept of housing. An understanding of the concepts of housing as a process and a product as reported in (Metzel 2012) would help in the prescription of both sustainable and innovative solutions towards solving the housing problem being it finance, technical, institutional among LIHs in developing countries. Although (CHF 2005) indicates that HMF value chain is from land acquisition to minor improvement, it is arguable that HMF value chain start from both MFIs and LIHs intentions to supply and demand for HMF products. In this paper, HMF refers to the application and the use of Microfinance services, strategies and products to meet the housing needs as well as attempting to address the housing value chain constraints of LIHs which are based on the concept of Microfinance approaches.

There are many features and characteristics that distinguish HMF from other financial products used in financing low-income housing in developing countries. These features include the smallness of loan and savings advanced to and collected in the absence of asset-based collateral as well as the simplicity of their operations (*cf.* Ferguson and Haider 2000; Ferguson and Navarrete 2003; Ferguson 2003; Daphnis and Ferguson 2004; Ferguson 2004; Kimotha 2005; Ferguson et al. 2014). Other characteristics include the targets group is usually LIHs, the adoption of both group and individual lending approaches and methodologies. The above also make HMF an innovative financing mechanism.

Group lending methodology techniques for instance, leverage the benefits of social capital as an informal mechanism to induce pressure from members of the group to bear on one another to ensure loan repayment. It ensures that the group continue to enjoy borrowing loan facilities (Robinson 2001; Joseph and Imhanlahimi 2011). The clients of HMF are almost the same as Microfinance customers who take loans to finance their businesses. However, enterprise Microfinance tends to be more comprehensive and is expected to be self- liquidating. This because the loan is supposed to increase the income of the firm and provide a margin for repayment of both the loan and interest (*cf.* Daphnis and Ferguson 2004; Ferguson 2004; Ferguson et al. 2014). Smets (2006) on the other hand adds that HMF is, of course, a non-instant income generating investment. Its design and implementation based on the principles of Microfinance must, therefore, be looked at again as it suppliers is likely to face severe challenges than their counterparts offering Microfinance.

3.0 The Role of Housing Microfinance in the Low-income Housing Market

It is a known fact that traditional mortgage finance is often not only inaccessible but poorly designs and does not suit the financing strategies and situations of LIHs in many developing countries. Thus, mortgage companies look for regular monthly payments from a regular stream of verifiable income for long periods, formal employment, market interest rates, and registered land title (Ferguson and Haider 2000; Ferguson and Navarrete 2003; Ferguson 2003). However, Rust (2007) contends that LIHs are self-employed, usually in risky and less profitable market with variable monthly incomes. They have limited access to registered documented title to land. They are more comfortable managing short-term indebtedness because of the difficulties associated with the amortisation of long-term liabilities (Smets 2006; Rust 2007). The above is an indication that LIHs need a better design alternative financing strategy. In this regards, HMF is the best-placed mechanism alternative to mortgage financing in developing countries low-income housing markets. Thus, providing credits to LIHs to meet their housing needs is something that has been clearly established by many (*cf.* Biitir 2008; Kihato 2013). They further demonstrate that there is a clear willingness by LIHs to pay for HMF to secure their housing and related activities including land title than using mortgage financing.

Exploring the possibility of blending the fast expanding Microfinance market with the progressive building value chain process of LIHs in developing countries presents some great opportunities. Opportunities for HMF exist from the design stage of LIHs housing by supporting craftsmen to set up their architectural offices, and artisans to purchase their working tools and equipment. These groups of technical men expertise at the local level could also be harness by HMFIs as part of their portfolios in designing and executing HMF programmes at the local levels. Habitat for Humanity (2014) argues that HMF products should be combined with housing support services to increase quality and possibly lower the construction costs. Housing support services include CTA, group training workshops, distribution of printed informational materials, and discounts at hardware and home improvement supply stores.

Technical assistance as part of the loan package is also seen as a vital aspect of the design of HMF products for housing delivery (Derban et al. 2002). However, it is not all traditional HMFIs that provide such non-financial services as part of their HMF portfolio. Even if such service is available (Metzl 2009) for instance questioned about who bears the cost. However, Hokans (2008) reports that in Vietnam, CEP which is one of the largest HMFIs in the country is unable and unwilling to invest in CTA for its clients. In Kenya, the cooperative NACHU is aiming to offer both CTA (as a form of subsidy) and finance to complements their operations to their customers. This is an innovation dimension in HMF delivery by such HMFIs. Although, Hokans (2008) describe such practice as an “all-inclusive” approach, (Metzl 2009) thinks this can add extra costs burden on the financial sustainability of the lending operations and may negatively impact on the housing assistance offered. Nonetheless, the pros of adding CTA outweigh the cons and therefore this paper argue that HMF programmes must go with CTA because of the skills and knowledge level of the anticipated LIHs as customers.

There is no doubt that delivering low-income housing through the use of HMF has the potential of leveraging both formal and informal finance through the partnering potential of MFIs, the state and the private sector. It can be possible through the lowering of the cost of 'not-for-profit' seeking HMFIs housing programmes. It would foster innovation in both housing design and management, ensure and enhances LIHs active asset management strategy. It can also serve as a developmental paradigm response to both LIHs and local community needs by creating opportunities. These opportunities could be connected to the local community to ensure LIHs choice and satisfaction of living in their neighbourhood. On the other hand, the general view of LIHs on low-income housing delivery through HMF is that there are no stigmatisation sentiments from society as compared to accessing loans for other uses. It ensures affordable 'living' with security and safety. Low-income housing enables responsive maintenance and falls within the self-help housing paradigms. Again, the design criteria for low-income housing are not rule-bound as it affords LIHs the sense of responsibility and choice.

In both principle and practice, HMF seems to be a support intervention strategy or mechanism simple because it is a capital intervention that provides financial assistance to enable LIHs to address the financial gap in their housing value chain process. The housing value chain process starts with an idea of identifying the housing needs and how to resolved them. In seeking advice in the form of technical advice (sketch design) through to the final design and approval by planning authorities and final construction and occupation and maintenance of the structure involves many processes. To most LIHs, owning a house is not only an asset but also a security that protects them against the vagaries of life. Housing is also a basic need and a right for most poor households and is important to ensure safety and health (Cain 2007; Habitat for Humanity 2014). In the opinion of Ferguson (2003), many LIHs who can build or improve on their homes may have positive implications for income generation, social and economic empowerment. As such, low-income housing is one of the attractive areas of interest for many MFIs in other parts in the developing world.

HMF has been used for the construction of household latrines in both household and community levels where resources are leveraged for the entire housing and community improvements (Smets 2006; Rust 2007; Habitat for Humanity 2014). Such initiatives have been reported in countries such as India, Lesotho, Vietnam, Bangladesh, Pakistan, Burkina Faso and Ghana (Ferguson and Haider 2000; Ferguson and Navarrete 2003; Mehta and Knapp 2004; CHF 2005; Shumann and Miamidian 2009). However, it is being argued that financing housing expansion, renovation and repair is more profitable to MFIs than granting loans for purchasing of land or building new houses. Merrill and Mesarina (2006) suggest that HMF can help speed up the progressive housing and construction process of LIHs. In summary, Figure 1 demonstrates the role and importance of HMF in the low-income housing market.

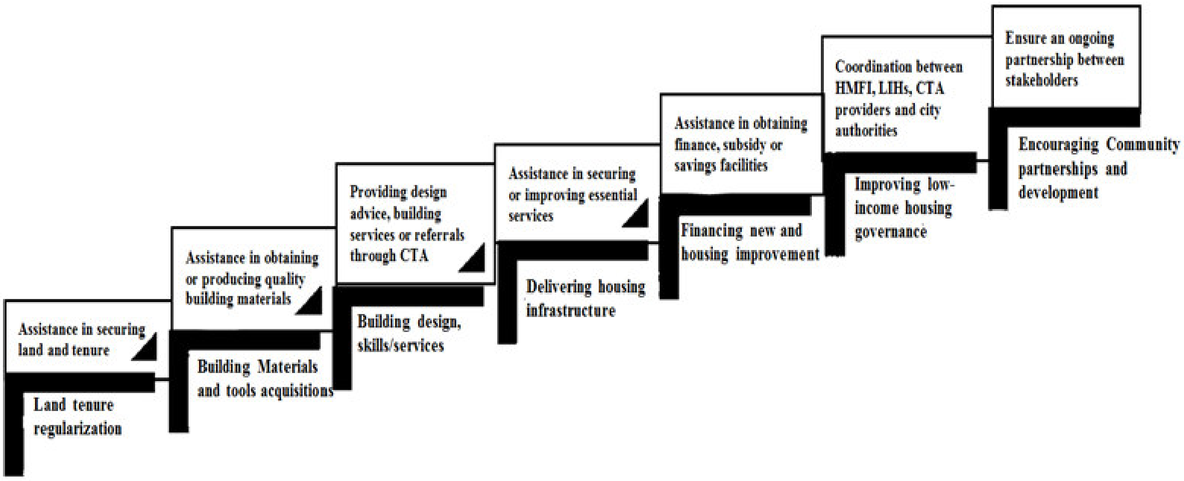

Figure 1. The role of HMF in the low-income housing delivery. Adopted and adapted from Habitat for Humanity (2014).

4.0 The Evolution of the Microfinance and Housing Microfinance Markets in Ghana

The development of the Microfinance sector in Ghana has come of age and gone through several stages. One unique feature of the current Ghanaian Microfinance market is that the Bank of Ghana has segmented the market into four different categories known as tiers. There is no separate arrangement for HMFIs in the sector since there are variations in the interest rates charged for Microfinance and HMF products offered by all the categories. All MFIs including Non-Governmental financial Organisations are about 2,234 institutions in the country (GhAMFIN 2013). Within the first tier, there are about 158 institutions which comprise of 22 savings and loans companies (S&Ls) and 136 rural and community banks (RCBs). In the second tier are 638 general MFIs and 538 Credits

Unions' organisations. Regarding capitalisation, each tier has minimal capital requirements to be met before being licensed by the Bank of Ghana as shown in Table 1 below.

According to (Adjei et al. 2009), all MFIs are usually required to maintain liquidity ratios which limit the percentages of their mobilised savings and deposits that can be given out as loans. Although according to Anku-Tsede (2014) the liquidity ratios vary from 10% for S&Ls to over 50% for some RCBs, it can be noted that the above policy regulations demonstrate enough that liquidity ratio could serve as one of the limitations by way of regulations hindering HMF delivery in the country. Additionally, there is a single obligor limitation which puts a cap on the maximum loan that can be given to an individual which is based on the net worth of the MFI (Steel 2013). However, the above also serves as limitations on Microfinance loans in the country. Indeed, medium term Microfinance lending is an exception and rare, let alone for long-term lending as required in low-income housing delivery in the country.

Table 1. The Categories of MFIs in Ghana

Tiers	Type of Institution	Nr. Registered	Min. Capital Requirements
Tier 1	Savings and Loans Companies	22	GhȻ 15m ~ £2.5m
	Rural and Community Banks	136	GhȻ 300,000 ~ £50,000
Tier 2	Microfinance Companies	638	GhȻ 500,000 ~ £84,000
	Credit Unions	538	N/A
Tier 3	Financial NGO's	43	GhȻ 300000 ~ £50,000
	Money Lending Companies	135	GhȻ 300,000 ~ £50,000
Tier 4	Individual Susu collectors	472	N/A
	Individual money lenders	250	N/A
Total		**2,234**	

Sources: (GhAMFIN 2013) @ current exchange rate of 5.25 = £1.

The HMF market, on the other hand, is dominated by S&Ls which are very active employing a wider range of approaches primarily focusing on small business and housing activities lending. Biitir, (2008) reports that there were only three HMFIs offering HMF to LIHs in the country. Derban et al. (2002) also suggest earlier that Pro credits Saving and Loans Company was the first institution to introduced HMF in the country in 2006 but later abandoned it for the SME sector. The Cooperative Housing Foundation (CHF International 2004. p.54) also suggest that Procredits Saving and Loans Company and other S&Ls "*have been innovative in their products for group and individual savings and have formed effective linkages with "susu" collectors and in one instance instituted micro leasing products"*. Notwithstanding the above, as at 2016, there are more than five HMFIs in Ghana mostly operating in the southern zone. These institutions are Opportunity International Savings and Loans Company (OISLC), Sinapi Aba Trust Savings and Loans Company (SAT), Ezi Savings and Loans Company (ESL), Union Saving and Loans Company (USL), Global Access Saving and Loans Limited (GASL) and Home Finance Company-Boafo Microfinance Services Limited (HFC-BMSL).

While HFC-BMSL launched their HMF portfolio in 2007, both OISLC and SATSLC consequentially conducted a low-income housing market survey and subsequently piloted their portfolios in the same year of 2007. In this regard, the extant literature on the subject of HMF delivery in Ghana has all concurred to the fact that the concept is an emerging and a new concept within the low-income housing finance market (*cf.* Derban et al. 2002; BOG 2007; Biitir 2008). It involves leading Savings and Loans companies such as stated above which are piloting the concepts on housing improvements, water and sanitation loan products and other services. Habitat for Humanity's and USAID funded both OISLC and SATSLC by providing institutional and CTA to these institutions as well as their customers.

Although low income levels of LIHs, lack of affordable land and poor maintenance culture are inherent factors hindering demand for HMF, the market potential cannot be overemphasis. Moreover, close to about 90% of Ghanaian build incrementally (BOG 2007) and with an estimated number of urban dwellers to be about 51% of the population, the market demand for HMF in Ghana would continue to increase. Another challenge is the effect of macroeconomic indicators such as high inflation, high interest rate regime of almost between 40-60% effects on lending in the country also affect HMF delivery. However, the current ongoing land administration project (LAP1 and LAP2) could proffer some solutions and address the some of the tenure issues affect the demand and delivery of HMF in Ghana. A projected GDP growth rate of double digit by 2018 by the Government of Ghana may offer an opportunity where inflation and interest rates could come down and thereby stimulating more demand for HMF.

4.1. Stakeholders in Ghana Microfinance Industry

Many stakeholders are involved in the both Microfinance and HMF value chain in Ghana. These are summarised in Table 2. They are considered stakeholders due to the vital role they play in their respective capacities to ensure the success of the industry in the country. For instance, while the government formulate regulations through the

Bank of Ghana to regulate the industry, the supporting institutions assist both government and MFIs through technical and training assistance.

Table 2. Stakeholders in Ghana microfinance industry

The main stakeholders in Ghana Microfinance Industry	
Microfinance Apex Bodies	❖ Association of Rural Banks (ARB) - Rural and Community Banks, ❖ ARB Apex Bank ❖ Association of Financial NGOs (ASSFIN) – FNGOs ❖ Ghana Cooperative Credit Unions Association- Primary Societies ❖ Ghana Cooperative Susu Collectors Association - Susu Collectors ❖ Savings and Loans Companies ❖ Some development and commercial banks ❖ Micro-insurance and micro-leasing
End Users	❖ Economically active LIHs who are clients of MFIs ❖ Microenterprises
Technical Service Providers	❖ Business Development Service Providers,
Government of Ghana	❖ Ministry of Finance and Economic Planning ❖ Bank of Ghana ❖ Ministries, Departments and Agencies (MDAs) ❖ Metropolitan, Municipal and District Assemblies (MMDAs) ❖ Microfinance and Small Loans Centre (MASLOC)
Supporting Institutions	❖ Microfinance and Small Loans Centre (MASLOC) ❖ The Ghana Microfinance Institutions Network (GHAMFIN) ❖ Universities, Polytechnics, Training and Research Institutions ❖ Development Partners and International NGOs ❖ Habitat for Humanity-Ghana

Sources; (BOG 2007; GhAMFIN 2013)

4.2. The Pros and Cons of delivery HMF in Ghana

HMF is a very crucial bottom of the pyramid financing strategy in recent times. This is due to the unstable nature of most LIHs incomes which make long-term debt risky to lenders. HMF is, on the whole, a new and innovative financing strategy in many countries low and informal housing finance sectors which operate on a 2- way approach (Malhotra 2002; Ferguson 2004). Thus, according to Goldberg and Motta (2003) individuals can either access cash loans for home improvement or get skills on how to build a house through loaned construction materials. As to how these products are delivered successfully over time in some developing countries is another subject worth discussing later. The provision of HMF is important because of the role housing play as a basic human need, productive and personal assets that help ensure individual safety and health and the economy as a whole. For these reasons, MFIs claim most clients channel their microenterprise loans into home improvement (Brusky and CGAP 2004; Ferguson 2004; Metzel 2009).

On the other hand, one of the design and delivery challenges of HMF that often escape many during HMF debate is the issue of the time –value of money factor. Finance is the intersection between money and time and therefore as these loans are given out over time for incremental construction; the value and cost of the house would rather be higher than if it was to be constructed at one-time-off. These two dimensions must be critically assessed, but quite often MFIs concentrate more on the money ignoring the time-value aspect of finance in term of LIHs financial behaviours. Most LIHs are also often not aware of the potential liability of borrowing using the piece-meal approach. LIHs often see HMF as a relief mechanism and in the case of NGOs offering HMF, it is often considered as a favour given to these low-income groups. Moreover, applying microenterprise finance concepts is very detrimental to LIHs because microenterprise loans are expected to increase business income which can be plough back into the firm (Ferguson and Navarrete 2003; Ferguson 2003; Daphnis and Ferguson 2004; Iqbal and Roy 2015). However, in the case of HMF, the loan goes into the work and does not generate immediate income to reimburse the loan (Ferguson 2004; Manoj 2015). This often put undue pressure on the low-income borrower to make alternative arrangements to generated income from alternative sources to service the loan before accessing another loan

Another disadvantage is that building materials prices may escalate by the time the next loan is ready to be used. In countries such as Ghana where inflation and the value of local currency are unpredictable would mean a lot to both HMFIs and LIHs. The cost of rework in construction is also another dimension of weaknesses of HMF as some aspects of the completed work would need some rework. In this sense, the technical expertise that was also available at the first time may not be available again to offer the necessary assistance to the degree anticipated at the beginning of the project. Regulations concerning urban development as put forward by (Selvanayagam 2011) may also change with time in the face of rapid urbanisation being experienced in developing countries including

Ghana. Confronted with the already sketchy tenure terms, LIHs may lose their land for new development. Again, Ferguson (2004) suggest that other family and emergency commitments may also come up worth addressing such as paying school fees and in the case of Ghana, meeting funerals and other emergencies are quite prevalence among LIHs.

Another problem with HMF is the misclassification of both urban and rural poor in developing countries. This constituent of the LIHs in developing countries is diverse and therefore their financial needs and behaviours are also diverse. Yet, MFIs usually define all of them as poor without any sectoral studies on their financial behavioural patterns based on their diversities. Ledgerwood et al. (2013) for instance argue that the savings and income behaviour of agricultural labourers would be different from that of the farmer himself let alone a seamstress or carpenter located in an urban centre. Research has also shown that male and their female counterpart within similar livelihood environment even have different attitudes towards the allocation of households' resources which includes finance and others (Vogler and Pahl 1993). These differences would generate some innate differences in their financial patterns due to age, health and many others. Apart from the individual attitudes towards savings, group dynamics or culture also influences their choices and willingness to pay for the services they received from MFIs.

In recent time, two prominent expert and bloggers on the field of HMF has sparked a lively and exciting discourse on the pros and cons of HMF. These discourses are considered relevant in this paper and are being used to illustrate further the advantages and disadvantages of HMF in the low-income housing market. These experts (Selvanayagam 2011; Metzel 2011) agreed on some grounds that are almost consistent with the key determinants for LIHs demand for HMF. These key areas include: the creation of employment opportunities, boosting community integration, guaranteeing personal financial management, improving housing conditions, small loans size, targeting at the low-income demographic in the bottom of the pyramid (BOP) of the population. These groups in the low-income housing market need an alternative and innovative mechanism for incremental building among others. If the above outcomes can be realised through HMF, then there is no doubt that the concept is a BOP solution capable of dismissing the low-income housing lethargy in developing countries such as Ghana.

Nevertheless, Selvanayagam (2011) argue that HMF cannot appropriately be described as a BOP solution on the following grounds: the stigmatisation of slums, lack of standardisation and sustainability, tenure and security rights and slum governance issues. Metzel (2011) on the other hand also broaden the conversation in favour of HMF being a BOP solution by refuting most of the arguments of (Selvanayagam 2011) in line with the thematic areas. The two views are presented in Table. 2. Notwithstanding the above, this paper takes the view that stakeholder's inability to admit the reality and existence of informality and acknowledge its contribution to be able to incorporate it into the long term urban agenda has made HMF look the way many has seen it. It is also interesting to note that with the phenomena of urbanisation in most developing countries urban centre, HMF can no longer be associated slums and housing improvements alone. For-profit seeking MFIs, HMF go beyond the theory of slum improvement and seek viable and sustainable returns. They, therefore, focus on the ability to pay class of both BOP and the middle-income demographics in the urban centres of developing countries. More importantly, a slum dweller having realised the need to move to a better standard of living is an indication that HMF has to lift him or her out of his/her present condition of living.

The above correspondingly confirms Maslow need theory that once HMF helps LIHs meet one need they aspire for a better life. Again, Selvanayagam (2011) was not able to admit that population growth in developing countries is always on the increase and once the current slum dwellers move for a better standard of living another batch would also move in. HMF is by far and currently one of the BOP solutions capable of dismissing the low-income housing lethargy in developing countries if the needed attention is given to it's regarding streamlining its design and delivery constraints. Moreso, if the above authors have all agreed on certain grounds which seems relevant and important to the low-income demographics, the contradictions can easily be iron out through proper policy formulations. The role of policy makers, HMF market lenders, the low-income demographic community, the international community as well as the various constituencies that are involved in housing research is very critical at this stage of the HMF development in Ghana.

Table. 3: The Pros and Cons in delivering HMF to LIHs

	Selvanayagam, 2011	Metzel, 2011
The Stigmatisation of Slums	• LIHs will leave when after sometime for a better place of abode • The name tag Slum will remain no matter how the housing conditions are improve • Building at the urban peripheries disadvantage many LIHs from employed and others	• Better standard of living" in another location not a viable option for the majority • There is no better place than the culturally adapted place of abode.
Standardisation and Sustainability	• Most HMF structures are unsustainable in terms of longitivity • They do often not meet standards in terms of durability, resistance, serviceability and environmental adherence	• It's a household level solution to a particular housing need or desire • Clients tend to have more personal and immediate objectives that can be addressed in the short-term with access to HMF
Tenure and Security Right	• Both human rights laws and slum dwellers long term legal rights are usually superseded by the commercial interests of local governments and land owners • HMF can't fully and effectively function in an ambiguous climates of eviction	• It's for Households that are willing to invest in improving their homes • It's for MFIs that believe risk can be sufficiently mitigated that will lend • Risk of eviction may result in an unwillingness to enter into a housing finance transaction by one party or the other • Risk can be mitigated by smaller and shorter loans.
Slum Governance	• Slum reformation in developing countries will need to be consider a wider infrastructural, integration and mobility perspectives • Peripheral development deprive low-income demographic from urban livelihood	• Many HMF programs are from a support paradigm perspective • They recognize informal and local efforts as legitimate and seek to build upon what is existing
Concurrence	Create employment opportunities , Encourage community integration, Ensure personal financial management, Improved housing conditions, Small loan size, Targeted at the low-income demographic, the BOP need alternative and innovative mechanism for incremental building.	

Source: (Selvanayagam 2011; Metzel 2011)

5. The way forward

Since traditional mortgage companies exclude LIHs, MFIs are better placed to provide low-income housing finance to these groups of the populace. As stated earlier, MFIs have challenges in accessing long-term funds, and Government must ensure access to long-term loans at reasonable interest rate. Ghana has the Microfinance and Small Loans Center (MASLOC) which provides soft and medium term loans at a concessionary rate to some MFIs for on-lending. MASLOC is funded by Government budget and can even float bonds to finance HMF operations. What is needed is to review the mandate and funding strategy for it to operate as a secondary market for HMFIs. It would, therefore, be able to provide liquidity refinancing to both MFIs and HMFIs in the country. In addition to the budgetary allocation, Government could contract concessionary bilateral and/or multilateral funding for MASLOC as well to lend to the sector. Collaboration between MFIs and some international NGOs which are into HMF will be another plausible proposition.

In the view of this paper, a market sensitivities analysis need to be done to assess the nature of the market demand for this emerging market in the country. The segmentation characteristics particular concerning the urban poor concerning income, age and geographical locations also need to be studied. This is because a Ghanaian of older age but with low-income is likely to demand HMF to meet his or her housing needs. Similarly, regarding the place of residence, it is sometimes hard to distinguish between a Ghanaian rural and urban poor because they can both be very attractive for MFIs. However, the interest of MFIs is on the urban poor due to the high degree of formalities and higher incomes among them in the urban towns. Again, the new waves and shift from the traditionally known extended family system to a nuclear family system of living among LIHs in the cities make it easier for HMFIs to assess LIHs creditworthiness.

There is also a vast poor social network among urban dwellers than the rural poor that could facilitate HMF delivery just as in Microfinance. However, the attractiveness of the LIHs segments of the population in Ghana would depend on the core objective and motivation of HMFIs operating in the country. These motivations might range from the impact motivation (client welfare), outreach motivation (numbers and depth) to financial sustainability motivations (Bondinuba et al. 2014; Bondinuba 2015). There is an evidence of the demand, signs of growth prospects and the continuous changes in the sociocultural settings in LIHs family size, attitude towards borrowing among others in the country. Secondly, HMF is a candidate product of future expansion but whether regulated MFIs would be able to upscale their portfolios and expand their outreach and possibly improve the delivery of HMF is one aspect that is also crucial. Current HMFIs such as HFC-BMFCL should be encouraged to scale down to the low-income housing market as they have the necessary infrastructure and experience as a mortgage finance institution.

In line with CHF International (2004), it is recommended that there is the need to promote a wholesale lending strategy linking commercial banks and MFIs to finance incremental housing activities throughout the country. A widespread HMF consumer education is very relevant at this stage of the market development. There is also the need to adopt a dual fold strategy involving government regulatory bodies (Ministry of Water, housing and natural resources, the Bank of Ghana, the district assemblies) the commercial banks and other stakeholders as identified in Table 2. This partnership must aim at supporting special HMF consumer education on how to manage credit, and construction or building information among HMFIs and LIHs in the country.

6. Conclusion

In conclusion, the LIHs segment in the low-income housing market is of no interest to traditional mortgage companies. However, MFIs of varying sizes and capacities covering the operating in the country could take advantage of the large low-income housing market in the country. In this regard, adopting HMF for the low-income housing could play the role of a best-fit bottom up approach to meeting the housing needs of LIHs. HMF would enable LIHs to regularise their land tenure, acquire building materials and construction tools, acquire building designs and other services, help deliver housing infrastructure and finance new and home improvements. It would also encourage community partnerships and development. These companies need to build their capacities to undertake sustainable HMF activities. MASLOC can be an excellent source of long-term financing of HMFIs, and the success of HMF programmes in the country would depend on an amenable macroeconomic environment in the country. However, future research should explore other critical factors in both Microfinance and low-income housing context in different emerging countries for a better understanding of the motivation for MFIs entry into the housing market.

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