

Investigating the Viability of Rural Housing Finance as A Vehicle for the Creation of Sustainable Human Settlement in Moletlane Village – Lepelle Nkumpi Municipality

by
Zamukuhle William Mthethwa



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Supervisor: Ms Junay Lange

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Declaration

I hereby declare that this thesis is my own unaided work. It is submitted for the degree of Masters in Public Administration to the School of Public Leadership, University of Stellenbosch. It has not been submitted before for any other degree or examination in any other university.

Signature: _____

Date: _____

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A special thanks to Chief Kekana for supporting this process in his village. Also to my special friend, Mrs QZ Shibambu, for her help and invaluable support throughout this process, and I would also like to thank the Limpopo Economic Development Agency for making it possible for me to pursue my dreams and complete my studies.

To my mother, thanks for everything you have done for me, you are the reason I have progressed this far in my life. To my fiancée and kids, I love you very much and to my late father I wish you were here, I love and miss you.

Abstract

The need for sustainable human settlements, particularly for the poor, is crucial in South Africa (SA). This is because of the apartheid spatial constructs that segregated the black population groups from white minority and denied them equal access to economic opportunities, housing, as well as basic and social services (Smeddle-Thompson, 2012). Many South Africans remain without basic services in the many informal settlements. Even those who have jobs and a consistent salary find it difficult to sustain a decent quality of life, as they fall outside of the subsidy bracket but at the same time are unable to afford and access the mortgage products available from commercial banks (Department of Human Settlement, 2009). Consequently, the South African government is faced with the task of developing sustainable human settlements and improving quality of household life. For this reason, many initiatives such as legislative frameworks, policies and programmes to drive housing delivery have been established since 1994 and millions of rands have been used to implement such initiatives. However, housing delivery remains a challenge. Thus, the researcher sought to investigate the viability of rural housing finance in creating sustainable human settlement in rural areas, with special focus on Moletlane Village as a case study. Like many rural areas in SA, Moletlane village is still faced with a challenge of housing delivery.

This study was conducted within the interpretive qualitative paradigm. Techniques to collect data focused on questionnaires and interviews for validity purposes and to counter subjectivity. For the survey, 100 participants were purposefully selected based on their knowledge and their expertise in rural housing finance. The survey was followed by in-depth interviews with key personnel of Moletlane Village and a few ordinary community members to verify and complete some answers. The researcher used data collected to draw findings and made recommendations.

The foremost findings revealed that rural housing finance plays a major role in rural development as it provides people with the opportunity of improving their houses and rescues them from living in substandard conditions. The overall sentiments from the respondents are that rural housing finance has led to an increase in the economic activity and job creation which is a solid foundation for the creation of sustainable human settlements.

This study has established a link between rural housing finance and rural development. It is clear from the findings that participants believe in rural housing finance and value it. They see it as a good strategy to liberate their lives and of realising sustainable human settlement. However, they all acknowledged that institutions that provide housing finance are not doing much to assist rural households and that there is a gap in as far as rural housing finance is concerned. Almost all of them indicated their wish to see rural housing finance across the country. Moreover, they are of the opinion that a paradigm shift is required to tackle the rural housing finance shortfall. Hence, the study present to policy makers and government a set of recommendations discussed in full in chapter 6.

Opsomming

Volhoubare menslike nedersettings veral vir die armes, is van deurslaggewende belang in Suid-Afrika. Dit is as gevolg die ruimtelike afbakenings van apartheid dat die swart bevolkingsgroepe van die wit minderheid gesegregeer is en hulle gelyke toegang tot ekonomiese geleenthede, behuising, asook basiese en maatskaplike dienste ontnem is (Smeddle-Thompson, 2012). Die meeste huishoudings kan nie bekostig om in ordentlike huise te woon of bekostig om goedgeleë grond te besit nie. Gevolglik staar die taak van behuisingsverskaffing die regering in die gesig. Vele wetgewende raamwerke, beleide en programme om aan behuisingsverskaffing te voldoen, is sedert 1994 in die lewe geroep. Miljoene rand is gebruik om behuisingsverskaffing te implementeer, tog bly behuisingsverskaffing 'n uitdaging. Hierdie navorsing ondersoek die haalbaarheid van landelike behuisingsfinansiering deur volhoubare menslike nedersettings in landelike gebiede te skep, met spesiale fokus op Moletlane Village as 'n gevalle-studie.

Hierdie studie is 'n gevalle-studie wat binne die interpretatiewe kwalitatiewe paradigma uitgevoer is. Tegnieke wat gebruik is om data in te samel het op vraelyste en onderhoude gefokus vir die doel van geldigheid en om subjektiwiteit teen te werk. Vir die opname is 100 deelnemers doelbewus gekies, gebaseer op hulle kennis en sommiges vanweë hulle kundigheid in landelike behuisingsfinansiering. Die opname is gevolg deur deurdringende onderhoude met sleutelpersoneel van Moletlane Village en 'n paar gewone gemeenskapslede te voer om sommige antwoorde te kontroleer en te voltooi. Data wat ingesamel is, is gebruik vir bevindinge en om voorstelle te maak.

Bevindinge het openbaar dat daar 'n groot aanvraag vir landelike behuisingsfinansiering is. Dit speel 'n belangrike rol in landelike ontwikkeling, want dit plaas landelike mense op dieselfde vlak as diegene in townships en voorstede. Dit maak dit moontlik vir landelike mense om kwaliteit behuising met spoeltoilette, lopende water, warmwatersilinders, sanitasie en ander geriewe te hê wat as vreemd vir landelike gebiede voorkom. Die algehele sentimente van die respondente is dat landelike behuisingsfinansiering tot 'n toename in ekonomiese aktiwiteit en werkverskaffing gelei het, wat as 'n vaste grondslag dien vir die skepping van volhoubare menslike nedersettings. Oor die algemeen het landelike behuisingslewens verander, mense van die vernedering gespaar wat onder gesubstandaardiseerde omstandighede lewe en sodoende die waardigheid van die mense herstel.

Dit word bewys dat instellings wat behuisingsfinansiering verskaf, nie veel doen om landelike huishoudings te help nie, maar indien hulle hul daartoe verbind, kan hulle die behuisingsfinansiële mark uitbrei. Deur hierdie navorsing, is 'n skakel tussen landelike behuisingsfinansiering en landelike ontwikkeling teweeggebring. As gevolg hiervan, is 'n aantal aanbevelings in hierdie studie gemaak wat breedvoerig in hoofstuk 6 bespreek word.

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Chapter One

Introduction and research problem

1.1 Introduction

The need for sustainable human settlements, particularly for the poor, is crucial in South Africa (SA). This is because of the apartheid spatial constructs that segregated the black population groups from white minority and denied them equal access to economic opportunities, housing, as well as basic and social services (Smeddle-Thompson, 2012). Many South Africans are still unable to afford well located land and most households cannot afford to live in decent houses. According to (Olotuah & Aiyetan, 2006), housing is an essential need of man, which is why it is, described as a *sine quo none* of human living. To most Governments, the availability of sufficient but basic housing for all is often stated as a priority for enhancing the social needs of the society (Akinwunmi, 2009). This is no exception in South Africa as housing remains one of the basic human needs enshrined in the South African Constitution (previously known as Act 108 of 1996 now only referred to as “The Constitution”). The fact that a considerable number of underprivileged people in South Africa live in rural areas and are still without decent houses denotes that housing in South Africa remains a problem. Thus the need for housing remains acute in South Africa.

After the election, the government developed and introduced a number of policies with an attempt to redress the apartheid spatial inequalities. The Housing White Paper (RSA, 1994:19), for example, called for provision of secure tenure; permanent residential structures which would ensure privacy and access to basic services for the poor and homeless. However, it also stipulates that the state could not meet the needs of the homeless, and that the fundamental pre-condition for attracting housing investment must be provided within a normalised market in order to attract private investment (RSA, 1994:19). This approach to housing delivery has been highly criticised over the years (Rust & Rubenstein, 1996; Tomlinson, 1998; Khan & Thring, 2003; Harrison, 2003; Bond, 2003).

The problem of housing has become an everyday discussion in all quarters of public and private sectors of the developing countries of Africa (Nubi, 2000). In South Africa, lack of

adequate housing remains the biggest social ill due to spiralling abject poverty, unemployment and inequality, especially in rural areas of the country. Most rural areas are characterised by substandard housing and inhumane living conditions. In terms of schedules 4 and 5 of the Constitution of the Republic of South Africa (RSA, 1996), the provincial Department of Local Government and Housing has numerous roles to play with regard to the Government's Reconstruction and Development Programme (RDP), a policy adopted to redress the imbalances of the past and combat poverty. The RDP endorses the principle that all South Africans have the right to secure a place in which to live in peace and dignity (ANC, 1994:23). The RDP recognises housing as a human right and focuses on providing shelter for the homeless. In spite of Government's commitment to provide houses to the needy, there is an acknowledgement that the implementation is facing challenges.

In 2004, after reviewing 10 years of post-apartheid housing performance, policy makers concluded that housing policies had failed to meet the planned objectives, and decided to review and develop improved policies (Thompson, 2012). In a move away from a market-biased delivery regime, the SA Government launched "Breaking New Ground" (BNG) by (Department of Housing (DoH), 2004a) – an integrated sustainable human settlement policy which spotlights participative, multi-dimensional approaches which are meant to allow citizens to become local participants in sustainable human settlement development rather than simply recipients of free, government-subsidised houses. BNG enables the establishment of a range of tenure, finance and delivery mechanisms and purportedly aims to empower the under-privileged to become economically active through integrated planning and equity in home ownership.

Although the Government is doing its best to initiate and implement different strategies to improve access to the housing subsidy, a number of challenges persist and they hinder progress on housing delivery. Such challenges include insufficiency of affordability, not meeting the subsidy criteria, overcrowding and unsafe conditions. Practically, those who do not meet the housing subsidy criteria or fall outside the bracket of a housing subsidy ought to qualify for credit, be in a position to afford the required monthly repayment and land must be available. Experience has shown that rural population are battling when it comes to income and access to housing. Contrary to that, the current housing market is structured in such a way that mortgage bonds are approved only in urban areas. Land has become increasingly expensive in those areas. In this context, units that are being built or purchased are

increasingly becoming smaller and smaller, which in turn might not be sustainable for human settlement. In view of that, rural housing finance plays an important role in making housing more accessible in rural communities. Lack of mortgage bonds in rural areas is one of the factors that drives young people out of rural communities and prevents them from returning. This disrupts economic growth and development in rural areas.

In terms of housing finance, a well-functioning mortgage market typically has a catalytic impact on the development of housing finance provision through several institutions, such as banking, contractual savings, capital markets and community institutions that are channelling funds between surplus and deficit agents in the housing mortgage markets (Sunega & Lux, 2007). A well-functioning mortgage market should help increase access and affordability in housing market for both rural and urban areas. Its focus should include enabling adequate supply and sustainable resource mobilization and the provision of finance for housing supply and demand (World Bank, 2005). Further, it should have the ability to overcome obstacles, including lending restrictions, lack of financial infrastructure, legal and regulatory constraints, limited institutional capacity and lack of access to mortgage credit.

Government seeks to ensure improved access to housing and have introduced innovative ways of reducing the housing backlog in the country. Rural housing finance is one of the interventions which was identified by the Limpopo Province to assist in the delivery of housing. This mandate has been entrusted to Risima Housing Finance (SOC) Ltd (Risima), a subsidiary of the Limpopo Economic Development Agency (LEDA). Through this type of financing, the Limpopo provincial Government expects Risima to make positive impact on rural development within the Province, in particular, development through housing improvement. As mandated, Risima provides financial access to Limpopo residents who desire to buy, build or improve their houses in rural areas within the Province. This study is intended to explore the viability of rural housing finance in creating sustainable human settlement in rural areas, with particular focus on Moletlane Village.

1.2 Background

The study is based on Moletlane village, Lepelle Nkumpi Municipality in Limpopo Province. It is found approximately 185 km north east of Pretoria and about 51km south of Polokwane. According to the incumbent Chief, Mr L Kekana, the village has a population of approximately +- 100 000. Although Moletlane is a diverse village, the dominant ethnic groups are Pedis and Ndebeles. Moletlane is one of the oldest villages and one of the poorest areas of the province. It is one of the rural areas where people were confined and lived on communal land as a result of the 1913 Native Land Act which prevented black people from owning land in urban areas of South Africa. Rural areas became the only place where black people lived and owned land. Rural areas suffered during apartheid due to neglect and the fact that there was no investment and as a result conditions became worse over time (Verwey, 1995.)

Like most villages, Moletlane was isolated by apartheid, characterised by lack of infrastructure, without amenities and had a huge housing problem. That being said, this community has risen above all odds and managed to create a vibrant and lively cohesive community. Compared to most rural areas of Limpopo, Moletlane Village has modernised and developed to live modern lifestyles.

1.3 Problem statement

Although shelter is a basic human need, the provision of housing is not easy to achieve. This statement by Ms Sankie Mthembu-Mahanyele, former Minister of Housing, in Cohen (1997:137) confirms the complexity involved in housing:

“Housing is, as I have found out during the past two years, about everything but houses! It is about the availability of land, about access to credit, about affordability, about basic services, about economic growth, about social development, about the environment. Some elements of all these have to be in place before the first brick of a house is even laid”.

Moreover, housing implies gaining access to services and infrastructure, as well as creating feelings of security and pride in living in a home. However, in rural areas the situation is the opposite. According to the DoH (2004b: 4), there is inadequate contribution from the financial sector in the financing of low-income housing. This is factual considering that in South Africa, for instance, banks only provide housing loans to people in urban areas. Since its inception in South Africa, the rural housing finance has limited impact on sustainable human settlement. This is mainly because it is offered in a very small scale.

A lot of people in Limpopo rural areas still remain without shelter while also those who have received RDP houses display serious dissatisfaction. This may be so mainly because not everyone qualifies for housing subsidy (RDP house), and probably lack of sufficient rural housing finance in SA. Hence this study is motivated by a passion for exploring the viability of rural housing finance in creating sustainable human settlement, with particular focus on Moletlane Village.

1.4 Aim and objectives

The research aim is formulated to reflect the intention or purpose of this study. Whilst the research objectives are formulated to describe how the researcher is going to achieve the aim of this study. Consequently the aim and objectives of this study are listed under section 1.4.1 and 1.4.2 below:

1.4.1 Aim

South Africa is battling with the need to provide housing for the poor. This study aims to explore the viability of rural housing finance in creating sustainable human settlements in rural areas, with particular focus on Moletlane Village. Viability in the context of the research entails the willingness of people to make use of rural housing finance, the return on investment for the financier, the construction of the houses in accordance with applicable legislation and the conduciveness for sustainable human settlement.

1.4.2 Objectives

The objectives of this study are:

1. Determine factors hampering / hindering the access to rural housing finance.
2. Measure the impact of rural housing finance in rural areas with particular reference to the Moletlane village.
3. Assess the role of the rural housing finance institutions and contextual stakeholders (Department of Local Government and Housing, Department of Human Settlement, National Housing Registration Council, and the Limpopo Provincial Government) in expanding access to mortgage credit in Limpopo.
4. Evaluate the effectiveness of the rural housing finance as a driver of sustainable human settlement.

1.5 Research questions

The study intends to address the following questions:

1. What are the underlying factors which hamper access to rural housing finance?
2. How has rural housing finance contributed to sustainable human settlements in the chosen case study in terms of the provision of quality houses, improved living conditions and improved status?
3. How can the relevant stakeholders (Department of Local Government and Housing, Department of Human Settlement, the Rural Housing Loan Fund, National Housing Registration Council, and the Limpopo Provincial Government) create an enabling environment for a rural housing market to exist?
4. How can rural housing finance be utilised to create sustainable human settlements?

1.6 Chapter outline

This research comprises six chapters summarised as follows:

1.6.1 Chapter one: Introduction and research problem

This chapter provides an outline of the research by providing an introduction and describing the background of Moletlane village as a chosen case study. The chapter further explains the research problem, the aim and objectives of the research and research questions. The following is a brief outline of the remaining five chapters:

1.6.2 Chapter two: Literature review

This chapter introduces the reader to the literature in housing finance. It also looks at the need to provide housing for people residing in rural areas. It continues to discuss the national housing policy framework and the rural housing market in South Africa. The main issues involved in rural housing finance will be explained.

And finally, the relationship between rural housing finance and sustainable human settlement will be discussed. More focus will be paid on literature around the issues of housing and rural housing finance related topics. This literature review will touch base on the theoretical basis of the academic assertions and their conceptual frameworks on housing finance, especially rural housing finance.

The literature review seeks to address a whole range of issues in the housing environment. The concepts that will be discussed are housing finance, rural housing finance, local government and housing, the role of national, provincial and local government in the delivery of housing. A case study of Moletlane Village will be utilised to support the arguments developed in this research. In addition to the literature relevant housing policies, frameworks and strategies will be discussed in chapter 3.

1.6.3 Chapter three: Housing policies, frameworks and strategies in SA

Chapter three discusses the different policies of housing in SA. Including but not limited to the Constitution and what it says about housing, the National Housing Policy, the Housing Act, the White Paper on Reconstruction and Development Programme (RDP), The Growth, Employment and Redistribution (GEAR) strategy, the Urban and Rural Development Framework, and other relevant frameworks. The next chapter discusses the research method.

1.6.4 Chapter four: Research method and design

Chapter four will look at the methodological background as well as the research approach and design of the study. What this chapter seeks to do is to combine arguments with the

theoretical and conceptual framework discussed in the literature review on the previous chapter.

Moreover, an argument is advanced to relate practice to theory in relation to rural housing finance. The chapter outlines the research methodology in relation to the relevance of the research questions and the research design and processes to gather information. The researcher will also look at the procedures used to collect data as well as the validity and reliability of the data.

Moreover, this chapter will explain the limitations and the significance of the study. Finally, the chapter will draw conclusions, whereby the relations between the problem statement and the methodology used is reflected to support the arguments advanced.

1.6.5 Chapter five: Review of rural housing finance in Moletlane Village

In chapter five, data collected will be analysed. The Moletlane Village will be assessed in terms of the rural housing finance received by the community members as well as gather information from workers who are involved in rural housing finance and the processes involved in such kind of finance to ensure the sustainability of the houses and the village. The data analysis of the study and challenges involved in this process will be discussed in detail. The process of data presentation will be completed, followed by the process of data analysis. The raw data collected during the research is analysed to support the findings of the research. The data that was lifted out of interviews, documents and academic literature is analysed to verify and reflect on the findings of the research.

The data gathered on the research is used to verify implementation practice. The research questions are looked at closely in order to identify possible solutions to the problem. This chapter is focused on transforming raw data and converting it into meaningful information for the reader. The lesson taught in the implementation of the scheme guides the identification of future research and identifies possible improvement mechanisms. Moreover, the purpose of this chapter is to reflect on the rural housing finance objectives as a focus of study for the delivery of rural housing in Moletlane Village. Chapter six provides conclusion and present recommendations of this study.

1.6.6 Chapter six: Conclusion and recommendations

Chapter six discusses the main findings of the research. The researcher will draw conclusions from the data collected in the Moletlane Village and discuss them in relation to the body of the literature. Recommendations are made with regard to rural housing finance in relation to the creation of sustainable human settlements. The conclusion further outlines those areas that may require further research, making some recommendations to close the gaps that emerge from the research findings.

1.7 Summary

This chapter provides the purpose of the research and indicates that the research is driven by the need to find developmental solutions in housing delivery for sustainable human settlement in South Africa. The research problem indicates that if poverty is to be eradicated, people's basic needs must be met first. In SA, housing remains one of the biggest challenges of the Government. The aim of the study was introduced as being to investigate factors hampering access to rural housing finance and determine how rural housing finance can be used to create sustainable human settlements in SA. The chapter also gives an outline of the other remaining chapters.

Chapter Two

Literature review

2.1 Introduction

Access to housing finance is a universal problem - even in developed countries. Similar to South Africa, many governments around the world are prioritising this problem and are striving to find ways of addressing it. Progress has been made in some cases, while policies and macroeconomic challenges have limited progress in other cases like South Africa, as will be illustrated in chapter 3.

From the South African experience, the major banks have been targeting the upper market in urban areas and have been reluctant (or unable) to extend mortgage credit to low- and moderate-income households. In response to this challenge, the South African Government has made efforts to create partnerships between public bodies and private sector to develop systems and strategies for low and moderate income lending for housing. Nevertheless, there is limited progress on implementation of these interventions and they consequently demonstrate limited influence on mortgage markets. Yet the argument remains that efficiently operating mortgage markets and governments which adopt enabling strategies can improve access to housing (Kafrawy, 2012).

In view of the above, the specific objective of this chapter is to review the existing literature in relation to the role of housing, rural housing finance and sustainable human settlement in rural areas, with the view to determine the capability of rural housing finance in addressing the housing backlog in South Africa by extending the scope of housing finance, improving the means by which rural households are able to access affordable and decent housing and ultimately creating sustainable human settlement in rural areas.

2.2 The role of housing

Housing is a human right (ANC, 1994). As previously stated, the RDP and other legislations and policies conceptualise a significant role for housing and it is argued that housing should

play a pivotal role in economic growth and development. Upon investigating the issues surrounding housing, one realises that housing is more than just shelter, as Charlton (2004: 2) suggests. The physical aspects of housing also need to be considered. Housing refers to more than the tangible house structure and includes the infrastructure and services that supply the house. These include the nature of the water, sanitation, energy and access (i.e. roads or footpaths) (Charlton, 2004: 3).

Housing creates conditions conducive to the achievement of crucial goals in matters pertaining to education, health, sanitation and, above all, the living standards of the people (Padhiari, 2004). Moreover, housing is a fundamental requirement for both the human existence and settlement. Thus it provides both physical and mental strength and a psychological satisfaction to the rural poor (Padhiari, 2004). King (2001:5) argues that housing is one of the most important items that human beings need. According to King (2001:5-6), in housing, there are two issues of supreme importance and that is *quality* and *access*. King (2001:5) contends that people want good quality housing that allows them to live a civilized and healthy existence. He further argues that there is a clear trade-off between quality and access in that the higher the quality, the fewer will be able to gain access to housing as quality comes at a cost and this limits access (King, 2001:6).

Charlton (2004: 3) explains that “a key issue is the role that the house can play in supporting livelihoods – through, for example, a prime location in the inner city that reduces commuting time and allows a hawking and vending business to flourish”. In other words, the house is important not only for what it is, but for what it does in peoples’ lives (Charlton, 2004: 3). In this sense, the house should be an asset to the occupier – either a financial asset with an exchange value, or an asset with a user value, or preferably both. In addition, the housing stock as a whole in an urban area should be an asset to the local authority – a means of generating rates for the city, rather than a maintenance burden which is a financial drain to the city (Charlton, 2004: 3).

Although housing may be provided and financed by a range of institutions, the democratic Government is ultimately responsible for ensuring that housing is provided to all. Hence, Government must continuously monitor, evaluate and review the existing housing, and housing finance policies and frameworks to ensure effective ones that address housing delivery goals. It is rational to mention that housing is one of the means of creating

sustainable human settlement. A brief discussion of sustainable human settlement is discussed under section 2.2.1 below.

2.2.1 Sustainable Human Settlement

Sustainability in human settlement is a big challenge in the housing sector today. The provision of housing is no longer about putting a roof over someone's head. There are a lot of considerations and planning that must be involved before housing can take place. Sowman and Urquhart (1998: 4) argue that housing can only be viewed as a social process if it seeks to:

- Create a unique sense of place and belonging.
- Improve access to resources and economic opportunities.
- Improve the quality of the environment through the creation of public places and green open spaces.
- Provide social amenities and facilities and promote resource sharing.
- Provide for assistance in self-help and upgrading programmes.
- Provide opportunities for ongoing public participation.

Sowman and Urquhart (1998) also outline three principles and guidelines that should inform approaches to housing which are circumstances such as culture and climate, preferences such as choice of location and housing material and the availability of resources for housing. The 1997 Urban Development Framework of the DoH also has sustainability as one of its goals and recognises the importance of taking into account the environmental issues in planning (Sowman & Urquhart, 1998:11). According to Sowman and Urquhart (1998: 11) the key principles of sustainable development include participation, transparency, flexibility, responsiveness, precautionary, choices, prevention, capacity-building and a concern for the future. Rural Housing Finance provides an opportunity for Government in their housing delivery process to have all the elements as argued by Sowman and Urquhart (1998). Through Rural Housing Finance, communities are able to create for themselves a sense of place and belonging, they improve the quality of the environment and there is a strong element of self-help.

The Integrated Sustainable Rural Development Strategy (ISRDS, 2000) looks at the overall development issues in rural areas. The strategy contends that the demographics of rural South Africa reflect past policies and the hurdles impeding efforts of rural people to maintain intact families. This is because the former homeland system was one of enduring planned and deliberate poverty and people stay in dislocated settlements. In many rural areas, housing is often substandard or non-existent (ISRDS, 2000:15). It is, therefore not practical to plan rural development without including issues of rural housing and access to finance. The silence of this strategy on housing delivery in rural areas is a great concern.

The Commission for Sustainable Development commissioned by the United Nations for the DoH looked at human settlements in South Africa and produced a report titled “*South Africa’s Progress Report*” (DoH, 2004a). The report highlights issues that indicate the extent of the housing problem. For instance, in other municipalities, the poor will have no access to land to build their houses, and others live in highly destabilised housing environments. The report further states that the poor environmental quality of these settlements is exacerbated by the lack of basic services. What is clear in the report is that there is an extreme shortage of affordable housing for the poor in South Africa and the poor are concentrated in relatively high density areas on the urban periphery, which is environmentally inhospitable and unsustainable (DoH, 2004a).

2.3 Macroeconomic conditions and how they affect the financial sector and housing finance in South Africa

In the past, macroeconomic instability has been a key determinant with respect to why the housing sector and other sectors in South Africa have performed poorly. This is one of the reasons why the South African Government prioritises the improvement of economic growth. According to Kondlo and Maserumule (2010:128), South Africa has a sound and strong financial sector and macroeconomics policies, which ensured that the economy grew at unprecedented levels over the first 15 years of democracy. As it will be discussed in detail in chapter 3, Growth, Employment and Redistribution (GEAR) is one of the macroeconomic strategies aimed at strengthening economic development, broadening of employment, and redistribution of income and socioeconomic opportunities in favour of the poor (GEAR, 1996). South Africa experienced successive economic growth between 1994 and 2003, and

averaged growth of between 3 and 5.1 per cent between 2004 and 2007. Growth in the GDP slowed from 5.1 per cent to 2.1 per cent in the first quarter of 2008, and to 0.2 per cent in the third quarter (Kondlo & Maserumule, 2010).

Padayachee (2009) agrees that South Africa experienced sustained, though far from spectacular, rates of economic growth from 1999 to 2007 with progressive economic growth before the US financial crisis in 2008. The South African Property Market Trends Report by Cleland and Schneider (2010) states: From a macroeconomic perspective, GDP growth turned south in 2008 and in fact South Africa experienced a recession commencing with the fourth quarter of 2008. According to Kondlo and Maserumule (2010:127), many countries, including South Africa, were negatively impacted by the US financial crisis, which hindered trade relationships and caused economic contractions and recession. Among the sectors that were severely affected by the crisis, particularly between 2008 and 2009, was the housing industry. While the crisis did not hit the banking sector in the same degree or as deeply as in the US and Europe, banks have experienced a drop in earnings (Padayachee, 2009).

South Africa's property market took a big knock during the recession and as the local population continues to be affected by high debt levels, fluctuating business confidence and high unemployment, the recovery is set to be slow (All Africa, 2011). The recession took an immense toll on the livelihoods of ordinary people in South Africa (Kganyago, 2010). Further, Kganyago (2010) states that employment has declined by 1.1 million since the end of 2008 and 25, 3 per cent of the labour force (4.3 million) is currently unemployed. According to Kganyago (2010), growth in finance, real estate and business services slowed sharply from 7.9 per cent in 2008 to only 1.3 per cent in 2009, reflecting the downturn in the property market and weak lending by banks. During that period the affordability gap worsened with the double impact of escalating house prices and rising interest rates (Rural Housing Loan Fund, 2011).

The impact of slowing growth on employment and (through falling tax revenues) on service delivery to the poor, have been areas of the real economy that has been in deep crisis all through the post-1994 era (Padayachee, 2009). It is clear from these discussions that, macroeconomic conditions have a direct link to housing delivery. Economic downturn has a negative impact on employment and income, thus affects housing finance and housing

delivery. It is critical for South Africa to implement economic restructurings that create faster sustainable growth.

A sound macro-economic policy environment is needed if the development of an effective and sustainable mortgage market is to succeed in South Africa. The maintenance of fiscal, monetary, and exchange rate policies that promote financial stability and an externally sustainable growth path are required (Kafrawy, 2012). In addition, the efficient allocation of resources, furthered through the fostering of saving and credit, attainable through an efficient intermediation system, is also required. Efficiency of mortgage markets is measured by funding capacity. Increasing savings and creating sustainable funding for mortgages is important for the development and effectiveness of mortgage markets (Kafrawy, 2012). Thus, a mortgage market would largely benefit from the entry of several saving institutions, including non-profit and community-based organisations, which can mobilise savings at a low cost for mortgage lenders such as commercial banks. Lack of effective mortgage markets is a drawback for housing delivery.

The analysis of any housing and mortgage market failure needs to take into account economic, social and political factors (Gibb, 2003). It is also important to analyse the institutional capacities within the market vis-à-vis policy and delivery, in order to propose best solutions based on a balanced contribution from the state, market and community. In general, the key institutional capacities responsible for establishing the parameters of demand and supply in any market are consumers, producers, financiers and Governments. The selection of policy instruments to achieve the above desired outcomes presents Governments with a choice between two strategies that can be broadly labelled “supply-side” and “demand-side”. Under these strategies, policy makers can opt for supporting either housing producers (formal or informal, profit-making or non-profitmaking) or consumers – or a combination of these two strategies (Kafrawy, 2012).

2.4 General problems of housing

2.4.1 Urbanisation and migration

In terms of human settlement, the greatest international trend that is and will continue to affect South Africa is that of urbanisation. Urbanisation is defined as “the increase in the urban population of a country or area due to the following components of urban growth: (a) urban natural growth, (b) urban net migration, and (c) the reclassification of parts of the rural population into the category ‘urban’, due to the sprawl of existing urban areas into their rural surroundings or the development of new towns in formal rural areas” (Lehohla, 2006: 17). It is the process in which the number of people living in cities increases compared with the number of people living in rural areas. Migration is defined by Lehohla (2006: 7) as “the crossing of the boundary of a predefined spatial unit by persons involved in a change of residence”.

According to a report presented by the DoH (2004a: 27) at the Commission for Sustainable Development, urbanisation in South Africa is characterised by not only internal movements of migrants, but increasingly by immigrants from Africa and other parts of the world. Increased pressure is placed on the resources available in South African cities and therefore on the country’s ability to offer shelter and service needs. As a result, South African cities, as part of the continent and the globe, experience comparable urbanisation challenges faced by those throughout the world. According to South Africa's then housing Minister, Lindiwe Sisulu (2006: 1), South Africa’s urbanisation rate is increasing at 2.09 per cent per annum. South Africa's major cities contribute about 36 per cent to the overall national population and it is estimated that 70 per cent of the people will be residing in urban areas by 2030.

The rate of urbanisation in South Africa has been very rapid since the 1950s (Collins, 2001). Many people in South Africa are migrating to towns and cities. Although people are moving to urban areas with the aim of improving their lifestyle, to search for jobs and to have access to information and for all other important reasons, not all of them enjoy the life of living in urban areas. This is mainly because rapid urbanisation brings with it many problems as it places huge demands on land, water, housing, transport and employment. Urbanisation is a problem because people who live in rural areas compared to the cities lack not only those

resources that are necessary to sustain life such as food, clean water and adequate sewage. But they also lack those services that are considered to be essential to life such as electricity, running water and education.

Urbanisation is playing a major role in housing poverty. The UN-Habitat identified the concept of 'housing poverty' (UN-Habitat, 2005) as the lack of decent housing to live in; it means inadequate housing. Without a decent place to live, people cannot be productive members of society, children cannot learn and families cannot thrive (Kaufman, 2003). All these are the basis of poverty. Housing poverty has arisen due to the limited and/or weak land, housing policy responses (Tomlinson, 2007).

Of all the problems facing the urban poor, particularly the wave of new migrants, none is more serious than finding adequate housing (Handelman, 2011). Further, Handelman (2011) states that with many metropolitan areas doubling in size every 10-25 years, private sectors' housing cannot possibly expand fast enough to meet the need. Mainly because most of the new homes and apartment houses built for private sale or rental are built for the middle and upper classes, because there is little profit to be made in building low-income housing. Rural Housing Finance should, therefore be implemented in all the areas of South Africa focusing on both rural and urban areas but targeting the low-income households. It is also vital that the Government develop policies that will reduce migration and perhaps address consequences that come with urbanisation, i.e. job creation, housing.

2.4.2 Land availability

Land is the most basic need for rural dwellers (ANC, 1994). The land problem is an apartheid matter which systematically concentrated land ownership to the white minority. The land question constitutes a major problem in home ownership or housing development (Nubi, 2003). Moreover, only marginal land, with no title document and infrastructure at the periphery are available to build on. All African cities are experiencing high rates of urbanisation, which has resulted in expanding informal or unplanned settlements (Tomlinson, 2007). Tomlinson (2007) states that these unplanned settlements provide a home for both the poor and the middle-class, as affordable housing is severely limited. The degree of

accessibility in terms of land availability remains a big challenge and it is a big discouragement to poor households.

An issue on which there is consensus amongst development agencies, academics and researchers, is that the lack of an adequate supply of formal land is one of the most pressing challenges associated with a lack of housing provision. This theme is injected into almost every document one reads, whether it be on urbanisation, housing policy, unplanned settlement upgrading, affordable housing or housing finance (Tomlinson, 2007). According to Tomlinson (2007), land that has been surveyed and registered in a Government's deeds registry is the basis for making mortgage finance available by commercial banks. In most areas in South Africa, formal land systems are not well developed, not only in Limpopo. This is the reason why the issue of land is crucial to the provision of housing and housing finance.

To provide a more in-depth understanding of the challenges surrounding land, Groves (2004) has written about the issue of ownership and the complexities it involves. A Groves (2004) note that the nature of the problem in African cities is unique as it is based on the fact that traditional or 'customary' land is held on a tribal basis. Where this situation occurs, decisions about the use of land are made according to the customs of the tribe. Such decisions are rarely recorded in writing, resulting in no evidential basis for the use of rights. In fact, the concept of ownership may be entirely alien to a particular tribe.

In effect, Groves (2004) states that land has continued to be primarily State held or traditionally held. Unable to access and own formal land, the majority of the urban population end up residing in informal settlements. At the same time, this situation encourages the growth of an informal land market, whereby the informal land supply greatly exceeds the formal supply. Moreover, due to a lack of urban planning, areas settled outside the formal system are generally lacking in basic infrastructure. The housing constructed is without reference to housing codes, but can range from quite a high standard to a very poor standard. Most important, Groves (2004) states, is the fact that the residents of informal areas, and hence lacking legal title, are unable to access formal housing finance.

As stated earlier, in South Africa, the formal land system operates alongside a system in which the chiefs allocate land. Within this system, a rightful owner can include a stool- or skin- head, a clan head and a family member (Tomlinson, 2007). It is, therefore not

uncommon that land, particularly in South Africa, has been litigated over on more than one occasion. In addition to the overlap in ownership, there is also an overlapping system of administrative arrangements. For example, there are a variety of institutional arrangements responsible for the mapping of land, land management, titling, conveyancing, deed registering (World Bank, 2002).

The various systems of land ownership and administration in South Africa remain a major obstruction to efficient planning and the functioning of a land and housing market. Finding ways to overcome the various land systems and regularising them so that they may act as collateral for lending has therefore become a high priority for most governments and for the international donor agencies assisting them (Tomlinson, 2007). In conclusion, rural housing finance, as it has been experienced in some areas of Limpopo, has reduced urbanisation by providing people in rural areas housing loans to build decent housing and by building shopping complexes in rural areas.

Increasing the supply of land is one of the first challenges Governments have to tackle to increase the supply of housing. According to Tomlinson (2007), the nature of the problem of assembling land in African cities is unique in that it is based on the fact that much land is held on a tribal basis (to a varying degree depending on the country). This is no exception in South Africa where land in rural areas is often owned by Chiefs. Access to land is a very thorny issue in tribal authority owned land. According to Sowman and Urquhart (1998:54), non-governmental and community-based organisations have played a major role in helping disadvantaged communities gain access to land for housing.

To date, people are not able to register title deeds in villages; therefore the ownership of that land remains with Chiefs. Due to being unable to access and own formal land, the majority of South African population have no choice but to live in unplanned settlements, which generally lack basic infrastructure. Land is a critical contributor to housing in SA. It is one of the main pillars of housing delivery and thus relevant to the topic of rural housing. Land ownership is also a necessity because rural housing finance is an enabler to buy land and build decent houses with basic infrastructure. In an attempt to address land issues, the Government mandated the Department of Land Restitution/Land Affairs to deal with the land claims. While this shows that the Government is prioritising land issues, it is important for Government to look at rural housing finance as an intervention to access land in rural areas.

2.4.3 Affordability

The generic problem that eliminates a segment of the population in any country from the housing market is affordability (Kafrawy, 2012). Access to affordable and decent housing is one of the most important challenges faced by any Government around the world. This is no exception to South Africa. The fundamental challenge in bringing housing finance to low-income households is affordability (Rural Housing Loan Fund, 2011). The gap between income and housing cost has brought a number of severe social ills to many countries, including overcrowding, unsanitary living conditions, alienation, social unrest and environmental pollution (UNDP, 2004; Nametalla, 2005; Fahmi & Sutton, 2006). Hence many Governments, including South Africa have been trying to address the affordability problem for a number of years, based on whatever limited resources are available to them. Although there is much progress in some cases, challenges remain complex in other cases, habitually in rural areas. It is evident that access to housing finance is a problem that mainly affects low-income households. According to Kondlo and Maserumule (2010:126), the majority of poor households do not possess collateral to secure finance; they are marginalised and continue to be deprived of much needed finance.

Despite the fact that banks in all countries provide mortgage loans, affordability remains a challenge. This is because the financing costs are high for an average household income. It is well known that average household income in developing countries is usually low (Kafrawy, 2012). Obviously, high financing costs lead to high monthly mortgage repayment. This means that the minimum income is not sufficient in most cases. Even if it is sufficient, it might be difficult for many low and moderate-income households to support their cost of living with the remaining income. So, housing is only affordable and accessible for households if, after deduction of the housing costs such as rent or the repayment of a mortgage credit, sufficient means are left over to provide the necessities of life without falling below the poverty line (UNCHS-Habitat, 1984).

For this reason, a mortgage credit is only provided if the lender is largely sure the credit will be repaid (Renaud, 2000). That is, the affordable size of a mortgage credit is generally determined by taking into account the capital costs required, its financing terms, the size and regularity of the household income and physical possessions, and the propensity to consume

housing. With extremely low levels of employment, coupled with very low incomes, there is a lack of affordability for most rural households who do not have skilled jobs. Research by Finmark Trust illustrate the affordability conundrum: It takes a minimum household income of R8,000 p.m. to service a mortgage bond priced at prime with a 30 per cent instalment to income ratio that would buy a 40-80m² entry level house priced at R220,000. For 90 per cent of South African households, such a mortgage is out of reach in terms of income (Rural Housing Loan Fund, 2011).

Financial institutions and services are key to accessing housing and play a pivotal role in housing delivery. Financial services include a broad range of financial products like credit and savings (Fourie, Falkena & Kok, 1999). Affordability of housing finance means qualifying for housing credit/loan and it is critical in the process of accessing housing. In order to solve the issue of affordability, it is very important for the South African Government to establish effective support institutions and products. It should also develop effective policies and strategies on housing finance affordability, targeted at poor households- and particularly those in rural areas.

In April 2000, the Government of Limpopo took an initiative to launch the Rural Housing Finance Strategy with the main aim of reaching low-income households and ensure that they can afford home loans despite their low-income. As indicated in chapter 1, the responsibility to implement rural housing finance in Limpopo rests with Risima Housing Finance. Unlike the four main banks in SA, Risima takes into consideration its mandate of low-income rural household and have limited barriers to entry. The affordability scoring criterion used by Risima is more relaxed and has been designed to suit low-income earners. To date, this has made a positive impact on housing loan affordability. This is apparent because of the increased percentage of households that could afford a loan went up from 58 per cent during the year 2011 to 61 per cent in 2012.

2.5 Housing finance

In developing countries among important factors influencing housing provision, finance is one of the most critical (Oduweyo, Oduweyo & Adebamowo, 2010). This is the case in SA,

both in urban and rural areas. Finance in housing delivery is critical because of building materials that have to be purchased. Much research has been conducted along this line which includes that of Fasakin (1998) who suggested the need to strengthen the cooperative housing system in Nigeria, and Omole (2001) who highlighted the fact that financial institutions should be more accessible to the people. Oduweyo *et al.* (2010) suggested that Government should source for cheap funds for housing human settlements and infrastructure finance and allow Primary Mortgage Institutions (PMIs) to be active beneficiaries of such funds.

Housing delivery in SA is a combination of many interrelated components which include land, infrastructure, building material, building equipment and more importantly finance. Finance being the main component that buys all the other components and pays the contractor. Low incomes, informal employment and relatively remote rural regions disqualify end users from having access to housing. As indicated earlier; major commercial banks in SA provide mortgage loans to urban communities only. Thus Government and housing agencies are not in a position to provide housing finance and housing subsidy to all underprivileged (Padhiari, 2004). This obstructs communities in rural areas from accessing decent housing. Rural housing finance refers to a home loan targeting low-income households both in urban and rural areas, with particular preference to rural areas.

The primary objective of rural housing finance is to improve the basic living standards of low income rural people through the provision of housing funding to those who qualify. In most rural areas, there is a big constraint to this type of finance because of poor functioning of rural financial markets in developing countries (Ellis, 2000:74). Ellis (2000) argued that private markets in loanable funds or credit markets operate unevenly, if at all, in rural settings. Some of the reasons are the difficulty and cost of securing adequate information on potential borrowers, the risk of default on loans, and the absence of collateral to put up against the loans (Ellis, 2000:74). In essence, this means that if rural housing finance is not emphasised with more improved strategies, rural areas will remain under-developed and people are forced to move to urban areas to have decent housing. This in turn puts a lot of pressure on urban areas as people are scrambling for the available limited spaces for housing.

Finance is one of the major obstacles in efforts to increase housing stock, thus the need to constantly do research on housing finance and stay abreast with best practices. It is important that Government do a study on the impact of rural housing in Limpopo and then spread it in

all other provinces. For rural housing finance to be sustainable it is required that improved strategies to implement it be developed.

2.5.1 Mortgage finance delivery

At present, mortgage finance is not applicable for rural households. Arising out of a slow pace in housing delivery since 1994, there is a move to revive and/or introduce effective housing finance markets in South Africa. Commercial banks must be encouraged, through legislation and incentives, to make credit and other services available in low-income areas; redlining and other forms of discrimination by banks must be prohibited (ANC, 1994). In contrast, this is not happening since 1994. Only urban households with middle to high income and strong credit credentials qualify for mortgage finance.

Because only the rich have been able to formally house themselves in most countries, a number of development agencies, academics, researchers and consultants have begun documenting the evolution of mortgage finance in Africa to determine what steps need to be taken to extend it to the middle-class, to enable them to address their housing needs to the extent of their affordability (Tomlinson, 2007). In “*A Brief History of Mortgage lending in Sub-Saharan Africa Countries*” Ferguson states (in Porteous, 2006) “only a quarter to a third of households in most emerging markets can afford a mortgage to purchase the least expensive developer built unit”. However, in low-income countries, where most Sub-Saharan Africa countries are located, the percentage is far lower (Tomlinson, 2007). This is no exception to SA, major banks offer mortgage loans to urban areas only and the housing prices suit the middle and upper class and this makes it impossible for low-income earners to access mortgage loans.

According to (Tomlinson, 2007), there is a consensus amongst the authors of reports and papers, published since 1999, that there have been a number of problems when it comes to the delivery of formal housing finance amongst most, if not all the countries, namely:

- a record of macroeconomic instability;
- an adverse institutional, legal and regulatory environment which has resulted in inefficient collateralisation of housing assets;

- a poor record of public sector housing banks, building societies and other specialist housing lenders in that most have been destroyed due to poor management and a lack of funds; and
- limited availability of long-term funding sources to carry out intermediation that would spread the cost of a house over a relatively long period of time.

As previously described, the housing finance sector has recently been addressed, with a particular emphasis on the development of mortgage finance. These reforms, however, will most likely still leave the majority of the African population, often including the middle-class, without access to the longer-term finance required to construct and upgrade a house. As a means of addressing this gap, Governments, Donors and Microfinance Institutions (MFIs) are searching for creative ways to facilitate the delivery of housing finance and are therefore focusing on the delivery of microfinance for housing. The use of microfinance in SA is operational, however it is not yet propagated, and it is only starting to be thought about as a potential loan product.

Limited mortgage finance is one of the obstacles hindering housing delivery in SA. In order to address the challenge of limiting mortgage finance to urban households and ensure access to housing finance, the South African Government needs to move towards making more efforts to either establish and/or expand housing lending, by making sure that other housing finance products are available to cater for all different categories of households including low income households.

2.5.2 Extending housing finance

In general, lack of finance is one of the major problems when it comes to housing delivery (Stephens, 2005). Access to finance for housing purposes is a cornerstone in a sustainable housing delivery process (Lee, 1996b). Housing finance is “what allows for the production and consumption of housing (King, 2001). According to King (2001:4), people need housing finance for the following reasons:

- to build new houses;
- to cover household costs in the form of rent or mortgage repayments;
- to fund necessary maintenance and improvements to houses; and

- to manage the housing stock to ensure it meets certain political and social objectives, such as fulfilling urgent housing need.

Many governments around the world have recognised the importance of extending housing finance and managed to develop a housing finance system that consists of three markets: the primary mortgage market, the secondary mortgage market, and the capital market (Tomlinson, 2007). In the primary mortgage market, mortgages are created and funds are loaned directly to borrowers. In the secondary mortgage market, lenders and investors buy and sell existing mortgages. In the capital market, investors buy and sell long-term investment vehicles such as mortgage-backed securities (MBS), stocks and bonds. By investing in mortgages and MBS, capital market investors help increase the flow of funds available for mortgage lending. Moreover, in South Africa there is incremental housing finance that has a prime focus on low-income households in rural areas. For the same purpose, Limpopo Province has introduced the rural housing finance.

It is quite common during the early stage of development that mortgage markets in developing countries are either not well developed or do not function efficiently in the same way as described above (Buckley & Kalarickal, 2005; Erba & Nothaft, 2005). Thus, mortgage credit in these countries has had little impact in terms of promoting access to housing. Traditionally, Governments “approaches to address this problem include interest rate subsidies, special housing funds capitalised through employer/employee taxes or mandatory provident fund contributions, voluntary contractual savings programmes offering below market saving and lending rates, public sector mortgage insurance or guarantees, and/or tax deductions for home owners or certain investors (Van Order, 2007, Chiquier & Lea, 2009).

There are many problems that are contributing to the lack of adequate housing in SA. Smit (2003) argues that problems identified with the provision of housing credit include the inappropriateness of formal finance, the lack of secondary housing markets, re-aligning by financial institutions, and addressing the “grey gap” i.e. families that do not qualify for the maximum subsidy or for a mortgage bond (Smit, 2003:175). In recent times, however, many governments, especially in transitional economies, have been trying to extend the reach of their housing finance systems without subsidies. Their approach focuses more on the broader issues of ensuring macroeconomic health, efficient housing systems and overall financial

systems, and housing finance system efficiency (Gibb, 2003, Stephens, 2005, Gibb & Whitehead, 2007). In other words, the mortgage market is seen in the context of the national economy and more specifically the national financial system.

King (2001:4) argues that whilst some finance comes from Government, there is a need to consider other sources such as earned income and private finance. This view is supported by Renaud (1996) who argues that as part of a more efficient and more effective financing of urban development, the emergence of a strong and adaptable system of housing finance capable of meeting the expanding needs of the urban economy is important for several concurrent reasons:

- Residential investment is directly tied to urban infrastructure investment and the internal efficiency and productivity of cities;
- In most developing countries, a very high proportion of residential investment is provided through private individual initiative without the support of effective and responsive financial institutions;
- Meeting the housing needs of a large low-income labour force will require sustained efforts and stronger institutions;
- The fragmented nature of the housing finance services obtainable within the informal sector, and the narrow reach and effectiveness of existing regulated financial institutions, reduces the mobilisation of domestic savings in the form of financial assets from most of the household sector;

And finally, to improve the potential of their housing finance systems, less developed countries need a clearer understanding of the various alternatives open to them both in terms of viable institutions and effective technical innovation (Renaud, 1996:6-7). Renaud (1996:6-7) further argues that the development plans for a housing finance system cannot ignore either the constraints affecting the entire financial sector or those related to the operation of the housing market.

The above literature emphasises the importance of housing finance and motivates why Government must consider initiating more strategies to extend housing finance. It ratifies that there is a gap that needs to be filled; between the aspirations people have for good quality

housing and their ability to access it because of a lack of income (King, 2001:6). The Government must consider extending housing finance that will cater for both urban and rural households. The likes of the rural housing finance strategy implemented by Limpopo province. Locally controlled Housing Associations or Cooperatives must be supported, in part to take over properties in possession of banks due to foreclosure (ANC, 1994). This means that other housing finance institutions must be supported to neutralise banks monopoly.

2.5.3 Microfinance for housing in South Africa

The experience throughout SA demonstrates that the majority of urban poor households can only afford to house themselves incrementally, meaning that construction of a house usually lasts many years (Tomlinson, 2007). Building incrementally has been practised and perfected among many low-income communities in SA, especially in rural areas (National Rural Housing Loan, 2011). Incremental housing can be described as ‘a phased approach’ for citizens of the country to progressively improve their housing situation in order to achieve the constitutional right to adequate housing (National Rural Housing Loan, 2011). Most housing construction in rural areas is mainly financed incrementally (which can stretch over years, or generations).

The lack of access to credit for the poor is attributable to practical difficulties arising from the discrepancy between the mode of operation followed by financial institutions and the economic characteristics and financing needs of low-income households (Vetrivell & Kumarmangalam, 2010). For example, commercial lending institutions require that borrowers have a stable source of income out of which principal and interest can be paid back according to the agreed terms. However, the income of many self-employed households is not stable, regardless of its size.

As indicated earlier, it is only banks that offer mortgage finance in South Africa with the target market being urban areas. The challenge is that many households do not qualify for mortgage finance or Government subsidy. This means that traditional mortgage funding is not available for low-income households in rural areas. More recently microfinance is being considered for housing purposes through the development of a longer-term loan product

(Tomlinson, 2007). Thus microfinance becomes a better solution for rural households that wish to improve their houses.

Microfinance for housing has a variety of origins, including existing MFIs looking for new business opportunities, non-government organisations (NGOs) working in the housing field looking to provide a way for households that have accessed land to construct a house and community-based groups demanding that housing finance be built into upgrading schemes (Tomlinson, 2007). In South Africa, the market for microfinance does not only include low-income but also includes much of the middle-classes, as mortgage lending is so far limited to the wealthier segment of the population and therefore formal housing is unaffordable for the middle to low income group.

The National Rural Housing Loan (2011) specified a number of reasons why do rural poor and low income earners prefer the incremental approach (Rural Housing Finance, 2011). Such reasons include:

- Formal institutions such as banks and conventional building contractors do not participate in the incremental housing process in rural areas;
- Even if the banks and contractors were willing to participate in rural areas, security of tenure remains a thorny issue. As a result rural people do not have title to land that they could use as security to access mortgage finance.
- Incremental housing approach allows for the irregular nature of income flowing into rural areas, such as transfers from breadwinners living in urban areas-i.e. remittances.
- Incremental housing gives a household significant control over the building process. A household becomes an owner-builder or micro housing developer and takes pride in driving the building process.
- Low levels of incomes prevailing in rural areas and amongst the working poor means that they cannot build a complete house all at once. As a result the most feasible way of building a house is through a progressive build process that can take a longer time.

From a microfinance product perspective, housing microfinance encompasses financial services that allow poor and low-income clients to finance their housing needs with

methodologies adapted from the microfinance revolution (Tomlinson, 2007). These methodologies rest, in the main, on the following principles:

- loans are for relatively small amounts and are based on capacity to repay;
- repayment periods are relatively short (especially when compared to mortgage lending);
- loan pricing is expected to cover the real costs, both operational and financial, of providing the service;
- loans are not heavily collateralised, if at all;
- loans tend to finance housing needs incrementally, a function of the purchasing power of the loan; and
- if the lender is an MFI, loans for housing can be linked to prior participation in savings or other more traditional, e.g. micro enterprise, loan services.

While microfinance programmes abound in South Africa, and are well documented, microfinance as a specific housing product is in its infancy and therefore only starting to be documented (Tomlinson, 2007). The housing micro loan, in effect, opens a bottleneck to allow the speedier delivery of housing improvements (National Rural Housing Loan, 2011). This is to the advantage of low-income rural households who cannot afford a long-term bond.

2.6 Comparable studies: India

The researcher looked at the Indian example. India has successfully implemented rural housing finance for a number of decades. This was largely due to multi-stakeholder partnerships. The Indian Government initiated measures to promote rural development by setting up specialised institutions to provide rural housing credit whereby several financing and developmental agencies were formed and they played an important role in the implementation of rural housing programmes sponsored by Government (Vora, 1999:22). These agencies were at the forefront of rural housing finance.

India also introduced a programme known as the Indira Awaas Yojana (IAY) to assist with rural employment, in the early 1980s. Moreover, they introduced a National Rural Employment Programme (NREP) in 1980 and the Rural Landless Employment Guarantee

Programme (RLEGP) in 1983 focusing on construction of houses by communities in rural areas. All these programmes were engineered to assist households that lived below the poverty line in rural areas, families of ex-servicemen/para-military forces who were killed in action and other disadvantaged groups in rural areas (Bhawan, 2009). Another critical programme initiated by India to improve rural housing finance was the formation of the National Housing Bank which initiated programmes to address the housing credit needs of the rural borrowers and the Golden Jubilee Rural Housing Finance (GJRHF) formulated in 1997. This was aimed to address the problem of housing shortage in rural areas through improved access to institutional housing finance that would enable an individual to build a modest house or improve or add to his existing dwelling unit (Bhawan, 2009).

Looking at the Indian programmes, it is clear that they are tailor made for the challenges that they want to address. It takes proper planning, research, proper implementation and integrated planning to ensure the success of such programmes aimed at assisting the poor of the poorest in rural areas. A lesson learned from the Indian example is that the rural housing interventions should be contextualised against the background of the other National Housing Programmes. As captured in the National Housing Code (DHS, 2009), rural housing interventions must focus on areas outside formalised townships where tenure options are not registered in the Deeds Office but rather protected in terms of land rights legislation.

2.7 Summary

This chapter has reviewed the existing literature and agencies that prompt much of it, with particular reference to the prerequisites for rural housing finance that works better for low-income households in terms of increasing their access to the housing market. It is clear from the foregoing that finance is a major factor in housing delivery. Thus, a number of topics relevant to rural housing have been discussed. There is no doubt that some of the literature discussed above propose “rural housing finance” as a solution to driving housing delivery. It is also evident from the literature that macroeconomics stability is key to penetrating housing delivery. The researcher further argues that rural housing finance empowers people in rural areas to maximise their housing choices and improve their living conditions.

Given that finance is the key component to housing delivery and a key obstacle to housing delivery, it is very crucial to continuously find ways of improving the financial markets and systems and extend housing finance. Arguments in the literature revolve around the need for Government to emphasise rural housing finance to ensure that a large number of low income earners have access to housing finance. A serious dilemma for the housing finance market in SA is revealed by current studies; lack of affordability is a serious concern. As a result, most people are unable to own houses. This is further compounded by the fact that land has become extremely expensive to buy and the fact that commercial banks only provide mortgage loans to urban areas. Rural Housing Finance has been implemented successfully in India. This initiative has led to considerable improvement in the creation of sustainable human settlements and improved the quality of life for rural dwellers. Hence it is discussed as a case study.

It is, therefore, not practical to plan rural development without including issues of rural housing and access to finance. Thus the silence of the Integrated Rural Development Strategy on Finance for Housing Delivery in rural areas in SA is a great concern. The researcher makes the final argument that rural housing finance can go a long way in addressing the housing backlog in SA and in the process assist in creating sustainable human settlement in rural areas.

The heart of this chapter is central to addressing the need to provide rural housing finance for people residing in rural areas. To sum up, the analysis and experiences discussed in this chapter suggest that the rural housing finance be improved, spread throughout the country and used as a mechanism to human sustainable settlement. The researcher hopes that this study will contribute meaningfully to existing literature on rural housing finance and housing delivery in SA.

Chapter Three

Housing policy context in South Africa

3.1 Introduction

One of the promises made by Government during the liberation struggle was that there shall be houses, security and comfort (SA Freedom Charter, 1955). The need for adequate housing has been on the priority list for the past decades. Hence the new Government has since 1994, introduced numerous policies and statutory developments in order to realise the need for housing. These include the Reconstruction and Development Programme (RDP) of 1994; the Growth, Employment and Redistribution (GEAR) Strategy of 1996; the Accelerated and Shared Growth Initiative – South Africa (ASGI-SA) of 2006 and the Housing Act, (107 of 1997) (RSA, 1997). This chapter provides a conceptual overview of these policies, after which the challenges and constraints facing housing are brought to light. In conclusion, the Comprehensive Plan for the Sustainable Human Settlement is discussed.

3.2 The Constitution of the Republic of South Africa Act 108 of 1996

Adequate housing and secured accommodation are central to the Government's commitment to reducing poverty and improving people's lives (Tshitereke, 2009). Consistent with the need to address the painful legacy of apartheid's spatial human settlement policies and access to housing, the right to access to adequate housing was later enshrined in the Constitution (RSA, 1996). This is within the Government's efforts aimed at poverty alleviation and nurturing human capital by prioritising the vulnerable. In particular, Section 26 (1) and (2) of the Constitution (RSA, 1996), enshrines the inalienable right to housing, as follows:

- “(1) Everyone has the right to have access to adequate housing.
- (2) The State must take reasonable legislative and other measures within its available resources, to achieve the progressive realisation of this right”.

This section of the Constitution (RSA, 1996) requires the State to address the needs of the poor and measures be put in place to realise the right to adequate housing. This shows the

vast need by the Government to provide relief to people who are in desperate need of adequate housing. It is without a doubt that rural development is one of the highest priorities for Government.

3.3 The National Housing Policy

The formulation of South Africa's housing policy commenced prior to the democratic elections in 1994, with the creation of the National Housing Forum (NHF). This forum was a multi-party, non-governmental negotiating body, comprising of nineteen members from business, the community, Government and development organisations. At these negotiations, a number of elaborate legal and institutional interventions were researched and developed. The Government of National Unity in 1994 made use of these negotiations and investigations when it formulated South Africa's housing policy (National Department of Housing (NDoH), 2000: 3).

In October 1994, a National Housing Accord was signed by a range of stakeholders representing the homeless, Government, communities and civil society, the financial sector, emerging contractors, the established construction industry, building material, suppliers, employers, developers and the international community. This accord formed the basis of the common vision that shaped the core of South Africa's housing policy today (NDoH, 2000: 3). The White Paper on Housing (RSA, 1994) followed the National Housing Accord (1994) and sets out the framework for the National Housing Policy. All policies, programmes and guidelines that followed, fell within the framework set out in the White Paper (NDoH, 2000: 3).

3.4 The Reconstruction and Development Programme (RDP) of 1994

The history of colonialism and apartheid has divided South Africa. Some people enjoy a high standard of living while many do not have even the basics such as homes, jobs, land, medical care and education (ANC, 1994). As a result, the Government launched the Reconstruction and Development Programme (RDP) in 1994 as a way of providing adequate and sustainable housing for the poor. This was mainly focused on pushing the new Government's

developmental policies through reconstruction and development, economic growth, employment and wealth redistribution in South Africa.

According to ANC documents, the RDP was aimed at fulfilling the constitutional provision that all South Africans have the right to adequate housing and Government must provide an enabling environment for that to be realised (ANC, 1994; NDoH 2000). The RDP served as the election ‘manifesto’ of the African National Congress in 1994.

3.5 Growth, Employment and Redistribution (GEAR) of 1996

The improvement of economic growth is a strategic priority for the South African Government. GEAR is a macroeconomic strategy adopted by the Department of Finance in June 1996 as a five year strategy plan aimed at strengthening economic development, broadening of employment, and redistribution of income and socioeconomic opportunities in favour of the poor. The key goals of the policy were economic growth of 6 per cent in the year 2000, inflation less than 10 per cent, employment growth above the increase in economically active population, deficit on the current account and the balance of payment between 2 and 3 per cent, a ratio of gross domestic savings on GDP of 21.5 per cent in the year 2000, improvement in income distribution, relaxation of exchange controls and reduction of the budget deficit to below 4 per cent of GDP (Growth, Employment and Redistribution, 1996). It is without doubt that all these key goals play important roles towards housing delivery. For instance, economic growth, employment growth and improvement in income distribution can contribute positively to housing delivery.

The most significant goals of GEAR regarding the implementation of the housing programme are those that have to do with availability of funds for housing (National Housing Code 2009: Department of Human Settlements). GEAR can be regarded as a vehicle towards meeting basic needs and achieving the goals set out in the RDP.

3.6 Accelerated and Shared Growth Initiative (AsgiSA) of 2006

Similar to the improvement in economic growth, development is a strategic priority for the South African Government. Accelerated and Shared Growth Initiative (AsgiSA) is an initiative that was launched by Government in 2006, as a further development programme following the introduction of the RDP and GEAR strategies. The aim of AsgiSA (2006) is to halve unemployment from 28 per cent in 2004 to 14 per cent, and to halve the poverty rate over the same period. For this to be achieved, growth needed to average at least 4.5 per cent between 2005 and 2009 and at least 6 per cent from 2010 to 2014 (AsgiSA, 2006). This programme was introduced with anticipation to achieve faster and shared economic growth. It recognises the marked improvement and prospects of further improvement in South Africa's economy. ASGI-SA, therefore aims to accelerate growth by investing further in infrastructure development and education and leveraging the first economy in order to develop, and ultimately eliminate, the second economy (DHS, 2009).

Successful implementation of this programme will lead to successful achievement of the country's social objectives; reduce inequality and poverty within the country. It is against this background that AsgiSA is considered vital in housing delivery.

3.7 The Housing Act (Act No. 107 of 1997)

After 1994, the new Government enacted the Housing Act (107 of 1997) (RSA, 1997). The Housing Act (RSA, 1997) aims "to provide for the facilitation of a sustainable development process; for this purpose to lay down general development in all spheres of government". This Housing Act (RSA, 1997) was promulgated to fulfil section 26 of the Constitution (RSA, 1996), which states that "everyone has the right to have access to adequate housing and the State must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right".

The White Paper on Housing (RSA, 1994) as well as the Housing Policy introduced were the cornerstone of the Housing Act (RSA, 1997) approved by the ANC Government. This Act sought to align the Housing Policy with the Constitution. More importantly, it re-emphasised the right to adequate shelter for all South Africans with the Government playing a significant

role. Moreover, the Act clarified the roles and responsibilities of the three spheres of government: national, provincial and local government in relation to the delivery of housing (NDoH, 2000). The roles and responsibilities of the three levels of Government namely the national, provincial and local government needed to be clearly defined to ensure that investment in housing and infrastructure in general plays a crucial role in providing basic needs for South Africans (DoH, 1997:37).

According to this Act (RSA, 1997), the South African housing vision is “the establishment and maintenance of habitable, stable and sustainable public and private residential environments to ensure viable households and communities in areas allowing convenient access to economic opportunities, and to health, educational and social amenities in which all citizens and permanent residents of the Republic, will, on a progressive basis, have access to permanent residential structures with secure tenure, ensuring internal and external privacy and providing adequate protection against the elements, and potable water, adequate sanitary facilities and domestic energy supply” (RSA, 1997; DHS, 2009).

3.8 National Housing Policy Framework

According to the NDoH (2000: 3), South Africa’s housing vision comprises the overall objective to which all implementers of housing policy should work. While the housing vision as stipulated by the Housing Act (RSA, 1997) has a broad notion of human settlements, the national housing goal is phrased in terms of the delivery of houses. This is “to increase housing delivery on a sustainable basis to a peak level of 350 000 units per annum until the housing backlog is overcome” (NDoH 2000: 5). In order to achieve this, the DoH (2004: 3) endorses low-cost housing by mobilising housing credit for beneficiaries and builders through two mechanisms. The first is the National Housing Finance Corporation (NHFC), which provides comprehensive capital for intermediaries lending to the target group; and the second is the National Urban Reconstruction and Housing Agency (NURCHA), which provides guarantees for the housing development sector to ensure access to capital (DoH, 2004a: 3).

In order to provide quality low-cost housing, the National Home Builders Registration Council (NHBRC) administers a warranty scheme that sets norms and standards for the

construction of low-income housing. All low-income houses built need to act in accordance with the warranty as a part of the housing construction process (DoH, 2004a: 3). Ensuring secure tenure is a major constituent of the Housing Programme, and subsidy beneficiaries receive freehold tenure with their new home. Other tenure options encouraged are rental and communal tenure, as provided through social housing options. Two Acts uphold the right to secure tenure in SA, the Extension of Security of Tenure Act (ESTA) (62 of 1997) which aims to protect people who live on rural or peri-urban land with the permission of the owner or person in charge of the land, and the Prevention of Illegal Eviction and Unlawful Occupation of Land Act (PIE) (19 of 1998) that prevents illegal evictions and illegal occupation in urban areas (DoH, 2004a: 3). As can be seen, there are a number of factors affecting housing and the right to legal occupation of houses.

Thus it can be said that the National Housing Policy is formulated within a framework set out in a number of documents, the most crucial of which is the South African Constitution (RSA, 1996). The Housing Act (RSA, 1997) is also a vital component, as well as the White Paper on Housing (RSA, 1994), which forms the fundamental framework for the National Housing Policy. Other key documents that influence housing policy are: The Reconstruction and Development Programme (RDP), The Growth, Employment and Redistribution Strategy (GEAR), the Urban and Rural Development Frameworks, and lastly, White Papers and policy frameworks pertaining to local governments and the Public Service (NDoH, 2000: 4).

3.9 The main strategies of the National Housing Policy

The Housing White Paper (RSA, 1994), sets out Government's broad housing policy and strategy on the basis of seven key strategies, namely stabilising the housing environment, mobilising housing credit, providing subsidy assistance, supporting the People's Housing Process, rationalising institutional capacity, facilitating speedy release and servicing of land and coordinating Government investment in development. For the purposes of this study, attention will be focused on two of these strategies being, mobilising housing credit and supporting the people's housing process.

In order to mobilise housing credit, housing finance should be applicable for both rural and urban areas, apparent risk in the low income sector of the housing market needs to be

lowered, by ensuring that contracts are maintained and applied and that all parties understand and fulfil their roles and responsibilities (NDoH, 2000:7). The Government's approach to attaining this was through the promotion of partnerships and by attempting to build trust within the housing sector, between beneficiaries and service providers.

3.10 Challenges facing housing

There is an acknowledgement that although access to proper housing is one of the basic human rights enshrined in the Constitution, the provision of housing to all citizens remains a major challenge to Government (SALGA, 2007). There is persistent housing backlog and informal settlements remain a huge challenge whilst the rapid urbanisation rate is at 2, 7 per cent per annum (Limpopo Department of Local Government and Housing). Since the inception of the National Housing Programmes in 1994 more than 2.2 million houses were delivered (DHS, 2009). However, housing development is still challenged by the following:

- The lack of affordable, well-located land for low cost housing has resulted in the housing programmes largely extending existing areas that had been developed for low-income housing in the past, often located on the urban margins and with weak prospects of integration. These extensions to existing low-income settlements have generally lacked amenities necessary for a decent quality of life, mainly because of the lack of funding and poor alignment of budgets;
- National policy and provincial funding allocations have not always been able to effectively respond to the changing nature of demand caused by rapid urbanisation; The number of subsidies required is expected to increase, resulting in an additional burden on the national fiscus;
- The lack of institutional and sector capacity to deliver housing; and
- The inability of beneficiaries of housing subsidies to afford municipal services and taxes, creating the view by municipalities that such housing projects are liabilities.

3.11 Constraints in housing delivery

According to Bond and Tait (1997), there are enormous implications for the failure of what can be accurately described as a 'market-centred' approach to housing policy for public

health, the environment, safety and security, the welfare of women and children, education, public hazards, urban planning, the labour market and related economic sectors (building materials, manufacturing). The failure of housing policy is also a cause of growing political alienation, which could see Government undermined in coming elections and in its attempts to forge unity and reconciliation (Bond & Tait, 1997). Hence the following have been highlighted as the main constraints of housing delivery:

- The withdrawal of large construction groups from the low-cost market due to a variety of reasons. Capacity gaps in the low-cost housing sector in respect of construction, project management, financial management and subsidy administration further constrain delivery;
- The slow and complex process of identification, acquisition and release of land in terms of the revised procurement framework;
- Differences in interpretation and application of the policy, for example, the difference of opinion on issues such as beneficiary contributions; and
- Capacity constraints in the implementation of programmes, in the use of new planning principles, in acquiring affordable land and in sustaining a dedicated group of officials. These constraints exist in all spheres of Government but are especially prevalent in municipalities.

Moreover, the Housing White Paper (RSA, 1997), highlighted that “one of the major challenges for the Government in the delivery of housing is the lack of progress as well as the quality of houses delivered. This is largely due to corruption and poor workmanship in some of the Government funded projects. The lack of capacity and experienced contractors also had a bearing on the product being delivered in the housing sector.

In general, lack of finance is one of the major problems when it comes to housing delivery (Stephens, 2005). Amongst other challenges facing housing, this challenge is one of the factors that make this study relevant. Access to finance for housing purposes is a cornerstone in a sustainable housing delivery process (Lee, 1996b).

3.12 Rural Development in Limpopo

The RDP aims to improve the quality of rural life (ANC, 1994). As one of the key immediate outcomes of the general elections of 2009, rural development and agrarian transformation, marginalised in both policy and debate for the larger part of the first 15 years of South Africa's democracy, were thrust to the centre of the social and economic transformation process in the country (Mayende, 2010). Development efforts must address the special position of women, as they make up the majority of small-scale farmers, and bear the brunt of poverty, overcrowding and hunger in rural areas (ANC, 1994).

Rural people have specific concerns around housing, such as tenure forms on trust land; the relationship with the commercial agriculture sector; inadequate or non-existence bulk infrastructure; farm workers housed on the farms; the legacy of apartheid removals and settlements and access to land (ANC, 1994). The Limpopo Employment Growth and Development Plan (LEGDP, 2009-2014:32), argues that approximately 40 per cent of the households in Limpopo live in areas that are characterised by extreme poverty and underdevelopment. In order to correct the history of housing backlog, substantial transfers of funds from Government to the rural areas is required, targeted to meet the needs of the poor.

The resolutions from the 52nd National Conference of the African National Congress (ANC) in 2007 included policy on rural development, land reform and agrarian change (ANC, 2007) that led to the creation of the Ministry of Rural Development and Land Reform in 2009, dedicated to the economic and social development of rural areas (Department of Rural Development and Land Affairs, 2011). The ministry has a particular responsibility to ensure that the constitutional rights of rural people are met. In terms of the Presidential outcomes agreed at a cabinet Lekgotla in January 2010, the mandate of the Department of Rural Development and Land Reform (DRDLR) is principally constructed around the Presidential Outcome 7: "Vibrant, equitable and sustainable rural communities with food security for all", with the outputs being:

- Sustainable agrarian reform with a thriving farming sector;
- Improved access to affordable and diverse food;
- Improved rural services to support livelihoods;

- Improved employment and skills development opportunities;
- Enabling institutional environment for sustainable and inclusive growth.

The adaptation plan for rural human settlements must fulfil the following objectives and requirements:

- Provide a strategy for management of land that builds the resilience of the most vulnerable rural households to the impacts of climate change.
- Identify and prioritise adaptation responses in terms of climate change risks.
- Adaptation options that provide opportunities for job creation need to be identified and aligned with implementation vectors in terms of existing programmes, projects, and institutional arrangements.
- Identify any interventions needed to ensure effective mainstreaming of climate change resilience into the policy, regulatory, institutional and communications framework of the department.
- Include a strategy for mobilizing the resources and developing the capacities required for its implementation.

The Government formed an overall plan which is to develop and implement a comprehensive strategy for rural development that will be aimed at improving the quality of life of rural households, enhancing the country's food security through a broader base of agricultural production, and exploiting the varied economic potential that each region of the country enjoys (LEGDP, 2009-2014:32). Comprehensive Rural Development Programme (CRDP) is a programme that has been launched by Government with the view of enabling rural people to take control of their destiny, with the support from Government, and hereby dealing effectively with rural poverty through the optimal use and management of natural resources (CRDP, 2009). The overall success of CRDP will be measured on the realisation of the common vision of the department that is of creating a "vibrant and sustainable rural communities" (CRDP, 2009). A three pronged strategy to ensure that the Department achieves its objective are the following:

- Agrarian transformation: this includes increasing all types of agricultural production; optimal and sustainable use of natural resources; the use of appropriate technologies; food security; and improving the quality of life for each rural household.
- Rural development: At the heart of rural development is that rural communities become vibrant socially and economically through optimal utilisation of natural resources, and socially through cohesion and compassion for one another. Rural development also includes the Government's provision of economic and social infrastructure.
- Land reform including restitution, redistribution, land tenure reform.

The expression by the President is in line with the Comprehensive Rural Development Programme (CRDP) which is an integrated programme of rural development, land reform and agrarian change, and its strategic focus is the transformation of social relations" (CRDP, 2010). According to the CRDP, rural development refers to improved economic and social infrastructure, such as public amenities and facilities and information and communication technology (ICT) infrastructure in rural areas (CRDP, 2010).

The key thrust of the CRDP framework is an integrated programme of rural development, land reform and agrarian change, with a strategic focus on social cohesion and development. By October 2011, the CRDP was being implemented at 65 sites across the country. Some 33 560 ha of agricultural land had been acquired to provide emerging farmers with access to land. In each area where the CRDP is being implemented, a new vibrancy has been created around working together, involving communities, the three spheres of Government and the private sector. This has enabled communities to mobilise resources from all sectors of Government to enhance delivery. The department has implemented the CRDP in 21 sites throughout SA and aims to roll this out to 160 sites by 2014. Lessons learnt from these CRDP sites indicate that the challenges in rural areas include:

- underutilisation and/or unsustainable use of natural resources
- poor or lack of access to socio-economic and cultural infrastructure and services, public amenities and facilities and Government services
- lack of access to clean water or lack of water resources for both household and agricultural development

- low literacy, skills levels and migratory labour practices
- decay of the social fabric
- Unexploited opportunities in agriculture, tourism, mining and manufacturing.

In each area where the CRDP is being implemented, a new vibrancy has been created around working together, involving communities, the three spheres of government and the private sector. This has enabled communities to mobilise resources from all sectors of government to enhance delivery. An inclusive CRDP stakeholder participation model has been developed in the form of the Council of Stakeholders. This council functions as a partner in planning, implementation and monitoring. Through this inclusive body, communities themselves have become central to their own development.

Through the work undertaken at the CRDP sites, and in conjunction with fellow departments at national, provincial and local government level, the Department of Rural Development and Land Reform erected infrastructure such as housing, water, sanitation, pack-sheds, community halls, multipurpose centres, fencing, early childhood development centres, satellite police stations and renovated schools and clinics.

Part of the rural development initiatives by Limpopo Government must be to establish effective rural housing finance strategies and policies both from public and private sector to ensure that rural communities have access to financial services. Rural housing finance is central to housing delivery for the poor, thus it must be implemented throughout the country. While developing rural areas Government must consider finance /income as key to development.

3.13 New direction for Housing Policy: Towards Sustainable Human Settlements

It is against the challenges as explained in detail in section 3.7 of this document which talks about the constraints in supply and delivery of housing that the Government strives to introduce strategies to improve the housing delivery. Based on experiences gained through the implementation of the 1994 Housing White Paper, it became clear to Government that

there was a need to integrate the existing policy framework and concomitant programmes with the significant policy shift from the provision of housing only to the establishment of sustainable human settlements (DHS 2009). To give effect to this, the Comprehensive Plan for the Development of Sustainable Human Settlements was approved by Cabinet in 2004.

The Comprehensive Plan (2004), with its emphasis on sustainable human settlements, reinforces the vision of the National Department responsible for Human Settlement (ND), to promote the achievement of a non-racial, integrated society through the development of sustainable human settlements and quality housing. Within this broader vision, the ND is committed to meeting the following specific objectives:

- Accelerating the delivery of housing as a key strategy for poverty alleviation;
- Utilising the provision of housing as a major job creation strategy;
- Ensuring that land and housing can be accessed by all as an asset for wealth creation and empowerment;
- Leveraging growth in the economy;
- Combating crime;
- Promoting social cohesion and improving the quality of life for the poor;
- Supporting the functioning of the entire single residential property market to reduce duality within the sector by breaking the barriers between the first economy residential property boom and the second economy's property slump;
- Using housing delivery as an instrument for the development of sustainable human settlements, in support of spatial restructuring.

The strategies and mechanisms that have been put in place in order to achieve these objectives are as follows:

- Supporting the entire residential housing market;
- Moving from housing to sustainable human settlements;
- Applying existing housing instruments;
- Adjusting institutional arrangements within Government;
- Building institutions and capacity;

- Enhancing financial arrangements;
- Creating jobs and providing housing;
- Building awareness and enhancing information communication; and
- Implementing systems for monitoring and evaluation.

3.14 Enhancing the rural housing programmes

There is a need to address the urban bias caused by the existing housing programmes. The Comprehensive Plan aims at:

- Developing a Rural Housing Programme that deals with a range of rural development issues such as tenure security and the roles of local administration and governing authorities;
- Improving the traditional technologies and indigenous knowledge related to housing delivery and construction; and
- Developing appropriate funding mechanisms.

The holistic approach will cater for areas where households only enjoy functional tenure security and housing provision for farm residents (DHS, 2009).

The argument is that the rural population constitutes some of the poorest households in the country and such a programme which harnesses housing to create assets as a means of poverty alleviation is required in rural areas (DHS, 2009). Moreover, the Government has enacted the Communal Land Rights Act (11 of 2004) (CLaRA) (RSA, 2004) aimed at communal land tenure reform in rural areas to ensure that the environment is conducive for housing development (DHS, 2009).

In most instances, there is a strong bond between rural and urban areas largely due to continuous contact by dwellers of both areas. Rural areas are not similar and differ in issues like where they are located and their circumstances. These areas range from commercial farming areas to subsistence farming areas. They can include small towns and settlements which are largely dependent on agriculture. The National Housing Code (DHS, 2009) highlights that “in the context of the housing programme urban areas often reflect the flows

and counter flows of rural to urban and seasonal urban to rural migration” (DHS, 2009, 2009).

It is argued that many people who move to urban areas looking for work maintain strong ties with rural areas as they see them as better places to raise children and also that when they retire they can move back to their place of birth (DHS, 2009). According to the National Housing Code (DHS, 2009), “many new rural migrants living in informal urban settlements prefer not to access their “once-off” capital subsidy in the urban areas but would rather invest in housing in their rural area of origin”.

Moreover the National Housing Code (DHS, 2009) argues that, “the quality of housing in rural areas varies from very poor to very good in some areas where people have invested with a view to returning to their “home”. Many rural areas with communal tenure still have a high percentage of traditional dwellings, which in some quarters are preferred over “RDP” type housing which intrudes on the rural ambience” (DHS, 2009).

According to the National Housing Code (DHS, 2009) rural residents face a number of specific social and economic development challenges. For instance, rural areas are competing for access to scarce resources with their urban counterparts. The scattered nature of rural populations means that costs for development will be high and therefore limit the ability and/or capacity for Government to undertake efficient and effective rural development (Department of Human Settlements (DHS), 2009).

Furthermore, “the rural tax base is limited and poses challenges to rural authorities to mobilise sufficient resources to finance their own development programmes. This leaves rural authorities and communities dependent on the provision of central and/or provincial government capital grants. Rural areas are sometimes also politically marginalised, leaving little opportunity for the rural poor to influence Government policies and development priorities” (DHS, 2009).

According to the National Housing Code, “approximately 70 per cent of South Africa’s poor live in rural areas, and about 70 per cent of the rural residents are poor and 85 per cent live in the former homelands, and the rest on commercial farms and in the small towns. Their

income is constrained as the rural economy is not sufficiently vibrant to provide them with jobs or self-employment opportunities” (DHS, 2009).

The National Housing Code (2009) continues to argue that women form the majority of the rural population and female-headed households are particularly disadvantaged and their cost of living is high because they spend relatively more on basic social services such as food and water, shelter, energy, health and education, and transport and communications services (DHS, 2009).

According to the White Paper on Housing (RSA, 1994), 17.1 million people are estimated to be living under the poverty line and two thirds of those people are said to be in the rural areas throughout the country. It is estimated that of the 14.5 million people who live in the rural areas, a large number of these people stay outside the commercial farming areas.

Furthermore, there is a mixture of both formal and informal house structures but what they generally share in common is inadequate access to clean water, sanitation, amenities, access to economic opportunities, and a general insecurity of tenure. Before 1994, living conditions for rural dweller areas were characterised by poor quality of life and lack of housing. There was no infrastructure and a large number of rural people lived in mud houses with no basic services. Far too little has been done to improve the life of rural dwellers, especially in the housing environment. To change, this situation will need business, government, non-governmental, community-based organisations and the whole nation to work together.

The advent of democracy brought hope to all South African citizens. One of the challenges citizens hoped would be addressed was the housing problem as well as to have access to jobs and amenities which will improve their quality of life. But slowly these aspirations are fading every day; people are beginning to feel hopeless and helpless. There is a rise of violent protests as people demand delivery of houses among other things. Neither the private sector nor government is doing enough to address the plight of rural people in the fight against poverty. Housing delivery is at the centre of poverty eradication and rural development.

3.15 Housing agencies in Limpopo

This section introduces the three rural housing finance institutions which are currently operational in Limpopo, which are interlinked to the Department of Human Settlement. It is therefore important to get an insight on the inner workings of these organisations in terms of their mandate and functions in order to understand the attempts by the Government to address housing delivery in Limpopo.

3.15.1 Risima Housing Finance Corporation (SOC) Ltd

Risima Housing Finance Corporation (SOC) Ltd (RISIMA) is a wholly owned subsidiary of Limpopo Economic Development Enterprise. The State owned corporation is classified under schedule 3D of the Public Finance Management Act (1 of 1999) (PFMA) (RSA, 1999). The enterprise provides home loan finance to end-users who are permanently employed citizens of the Republic of South Africa resident in the Limpopo Province's rural and urban areas.

RISIMA's (2011) mandate is to provide home loan finance to the people resident in the Limpopo Province. The organisation fulfils this mandate by providing affordable housing loan finance to the 'un-bankable' market within the province. In addition, Risima (2011) supports the Limpopo Employment, Growth and Development Plan by creating much needed jobs in the housing construction industry. Risima also adheres to supporting the development of sustainable human settlements, as defined in the Breaking New Grounds Strategy and the National Housing Code Principles.

Risima's (2011) main objective is to offer the people of Limpopo low cost housing finance for existing properties, home expansion and new home loans, as well as to dispose of urban rental housing stock to permanently and self-employed South African citizens resident in Limpopo. Fundamentally, Risima's work is central to achieving a sustainable solution to the developmental challenges of the region (RISIMA, 2011).

3.15.2 National Housing Finance Corporation Limited (NHFC)

The National Housing Finance Corporation (NHFC) is one of several Development Finance Institutions (DFIs) created by the South African Government to sustainably improve on the socio-economic challenges of the country. The developmental financial focus of the NHFC is specifically about finding workable models on affordable housing finance for the low- to middle-income beneficiary target market. The NHFC defines its, end-beneficiary target market as any South African household with a monthly income that is between R1 500 and R15 000, namely, the low- to middle-income market. This market sector is mostly able to contribute towards its housing costs, but finds it hard to access bank-funded housing finance.

The NHFC was established in 1996, by the then National Department of Housing (NDoH), to offer housing finance, project facilitation and technical assistance to private and public entities ensuring availability of housing stock for the target market. As a means of sustaining its funding programs, the NHFC searches for better ways to mobilise finance for affordable housing from sources outside the state in partnership with the broadest range of organisations.

The NHFC, in the affordable housing finance market sector, adopts a role of innovator, financier and facilitator to ensure viable housing finance solutions; growth of sustainable human settlements; and mobilisation of relevant partnerships, through enhanced insights and knowledge gained. The corporation is a registered public company and has been granted the necessary exemption in terms of the Banks Act (94 of 1990) (RSA, 1990). As a national public entity, the NHFC adheres to the regulatory framework of the PFMA (RSA, 1999).

As a financier, facilitator and innovator of affordable housing finance solutions, the NHFC is mandated to undertake funding as a wholesale intermediary to promote broader access to housing. The NHFC underwrites the flow of wholesale funds to retail intermediaries (provides cover, security or guarantee) and specialises in identifying, assessing, pricing, monitoring and managing risks associated with the placement of wholesale funds with retail intermediaries.

The NHFC's strategic objective is to expand housing finance activities, through effective provision of housing finance solutions. Through this strategic intent, the NHFC is able to allow low to middle income households to have a choice renting, owning or incrementally

building to meet their own needs. The NHFC further facilitates the increased and sustained lending of financial institutions to the lower-end of the housing market and mobilises finance into the human settlement space. The resultant aim is to stimulate the low- to middle-income housing sector, by providing robust, relevant and timely research and market analysis to practitioners and housing consumers (NHFC, 2010).

3.15.3 The Rural Housing Loan Fund (RHLF)

The Rural Housing Loan Fund (RHLF) is a Section 21 company“ Associated Not for Gain”, which was established in 1996 by the NDoH, with initial grant funding from the German Development Bank, the Kreditanstalt "für Weiderrbau (KfW). The RHLF was set up as a wholesale development finance institution with the mandate of enabling low income earners to access small loans that they could afford to repay. Borrowers use these loans to incrementally improve their housing conditions. As a wholesale finance institution, the RHLF facilitates housing microloans through intermediary or retail housing finance lenders.

These partners borrow funds from the RHLF and lend to individual borrowers throughout the rural areas of SA, including small towns and secondary cities. Intermediary lenders enable the RHLF to reach all nine provinces of SA. The primary objective is to improve the basic living standards of low income rural people through the provision of funding to qualified intermediaries. Low incomes, informal employment and relatively remote rural regions disqualify end users from dealing with major commercial banks; while the RHLF approved retail lenders, on the other hand, know their communities and their markets well. They are able to lend to low income country people whilst keeping bad debts and arrears under control. The RHLF is a world class rural housing social venture capital fund that creates new financial arrangements and opportunities for rural families to improve their housing, economic and living environments. It empowers people in rural areas to maximise their housing choices and improve their living conditions with access to credit from sustainable retail lenders (RHLF, 2011).

3.16 Conclusion

Housing policy is vitally important in directing the housing process and improving the lives of the poor. This chapter briefly touched on Section 26 (1) and (2) of the Constitution (RSA, 1996), which enshrines the inalienable right to housing, as follows:

“(1) Everyone has the right to have access to adequate housing.

(2) The State must take reasonable legislative and other measures within its available resources, to achieve the progressive realisation of this right”.

It then provided an overview of national policy as contained in the Housing White Paper (RSA, 1994) and discussed other supplementary policies and legislations that play an important role in informing and supplementing South Africa’s Housing Policy. This strategy shift culminated to the creation of the National Housing Forum (NHF) which was a multi-party, non-governmental negotiating body, comprising of nineteen members from business, the community, government and development organisations. This was later followed by the launch of the Reconstruction and Development Programme (RDP) in 1994 as a way of providing adequate and sustainable housing for the poor

Policies like GEAR which was aimed at strengthening economic development, broadening of employment, and redistribution of income and socioeconomic opportunities in favour of the poor and AsgiSA which was launched by Government in 2006, as a further development programme following the introduction of the RDP and GEAR strategies were discussed. The Housing Act aims and the National Housing Policy Framework were discussed where it was argued that their aim is “to provide for the facilitation of a sustainable development process”.

Furthermore challenges facing housing supply and delivery were discussed. It was clear that the biggest challenges were (1) The lack of affordable, well-located land for low cost housing has resulted in the housing programmes largely extending existing areas that had been developed for low-income housing in the past, often located at the urban margins and with weak prospects of integration (2) The withdrawal of large construction groups from the low-cost market due to a variety of reasons. Capacity gaps in the low-cost housing sector in respect of construction, project management, financial management and subsidy administration further constrain delivery.

Rural Development in Limpopo was discussed whereby rural people have specific concerns around housing, such as tenure forms on trust land; the relationship with the commercial agriculture sector; inadequate or non-existent bulk infrastructure; farm workers housed on the farms; the legacy of apartheid removals and settlements and access to land.

The issue of Sustainable Human Settlements which touched on ‘The Comprehensive Plan of 2004’ with its emphasis on sustainable human settlements, reinforces the vision of the National Department responsible for Human Settlement, to promote the achievement of a non-racial, integrated society through the development of sustainable human settlements and quality housing.

The chapter then discussed government housing Agencies in Limpopo which are Risima Housing Finance Corporation (SOC) Ltd which is a state-owned corporation, is classified under schedule 3D of the PFMA (RSA, 1999). The National Housing Finance Corporation Limited (NHFC) established in 1996, by the then NDoH, to offer housing finance, project facilitation and technical assistance to private and public entities ensuring availability of housing stock for the target market. The Rural Housing Loan Fund (RHFL) which is a Section 21 company “Associated Not for Gain”, which was established in 1996 by the National Department of Housing.

Thus in conclusion, the chapter summarised the policy shifts by Government, the milestones travelled by the Government since 1994, the challenges in delivering houses to the people, especially in rural areas. It is clear that the housing policy is fraught with challenges and constraints, in attempts to align policy with practice. A comprehensive review of the outcomes of Government’s housing programmes from 1994 to 2004, led to the introduction of the Comprehensive Plan for the Development of Sustainable Human Settlements (2004), a broad policy framework for the medium to longer term, paving the way for significant policy and strategy shifts. Government intervention through state-owned Entities was discussed highlighting those that have their footprint in Limpopo.

Chapter Four

Research Methodology

4.1 Introduction

Conducting a research study entails a combination of different components. The fundamental component of the research is to define a research topic. The research topic is then followed by a process of choosing a relevant research method or methods. The complex nature of firstly understanding methodologies, and secondly applying research methods and tools, can often incrementally or radically alter the initial proposed research topic (Kafrawy, 2012).

As is clear from the review of the current South African housing context (chapter 3), rural housing finance in SA remains limited in its reach, and its impact on sustainable human settlement is partial or rather unremarkable. This is mainly because the major commercial banks in SA provide housing finance to urban areas only and due to the scarcity of institutions that play a role in providing rural housing finance, i.e. other than the National Housing Rural Finance Loan, it is only Limpopo Province that offers housing finance to people living in rural areas. Thus, there is a need to assess the existing housing finance policies and intermediary role of existing institutions on the supply side of the South African rural housing finance.

This requires enhanced interventions to diminish factors hindering the access of rural housing finance and a clear strategy for the supply side to address this limitation. The ultimate goal is to determine the capacity of rural housing finance in improving access to housing for low-income households in rural areas and its capacity to creating sustainable human settlement in Limpopo, with particular reference to Moletlane village.

Consequently, this chapter explains the selected methodology and data collection methods for carrying out the assessments. It shows how data was collected, interpreted and analysed. According to (Leedy & Ormod, 2010:02), research is a systematic process of collecting, analysing and interpreting data in order to increase the understanding of the phenomenon in which there is an interest or concern.

4.2 Research approach

There are mainly two kinds of research methods, quantitative and qualitative methods. There is no one best approach to study management research consequently the approach that is the most effective for resolution of a given problem depends on a large number of factors such as nature of the problem (Gill & Johnson, 2010). Quantitative method is predominantly used as a synonym for any data collection technique (such as questionnaire) or data analysis procedure such as graphs or statistics that generates or uses numerical data (Khan & Rahaman, 2007). Quantitative research approach refers to the systematic empirical investigation of phenomena and quantitative properties and their relationships. That is to say it emphasises the collection of numerical data, which is a deductive approach (Bryman & Bell, 2003).

On the other hand (Khan & Rahaman, 2007), state that the qualitative method is predominantly used as a synonym for any data collection technique (such as an interview) or data analysis procedure (such as categorising data) that generates or uses non-numeric data. According to Welman *et al.*, (2005:188) a qualitative research is an “umbrella” phrase “covering an array of interpretive techniques which seek to describe, decode, translate, and otherwise come to terms with the meaning of naturally occurring phenomena in the social world. Similar to Khan and Rahaman (2007), Saunders & Thornhill, 2009) state that qualitative research approach refers to all non-numeric data or data that have not been quantified and can be a product of all research strategies.

From the above distinguishing characteristics of qualitative and quantitative approaches, the researcher adopted a qualitative approach for this study. The motivation for applying a qualitative approach was based on the research problem identified for this study. Moreover, the researcher took into consideration the fact that data will be drawn from the respondents’ written or spoken contribution, based on their perception or experience and also that words will be utilised to analyse and interpret the results. In essence, the researcher believes that the use of a qualitative approach will provide an in-depth understanding of the people of Moletlane’ s experiences, perspectives and/or histories in the context of rural housing finance. It is for these reasons that a qualitative approach was adopted in conducting this study.

4.3 Research design

According to Cooper and Schindler (2006), research design is the plan and structure of investigation so conceived as to obtain answers to the research questions. A research design is a plan according to which research participants are identified and information is collected from them (Welman *et al.*, 2005). The relevant research design for this study is a case study. As indicated earlier in chapter 1, Moletlane Village was chosen as a case study in order to provide more evidence to increase the validity and reliability of this study. As argued by Welman *et al.* (2005) usually the objective of a case study is to investigate the dynamics of some single bounded system, typically of a social nature, for example an organisation, a family, a group, a community or participants in a project, a practice or an institution (Welman *et al.*, 2005).

A case study is appropriate when the “how” and “why” questions are asked, when investigators have little control over events and when they focus on contemporary real life events. In brief, the case study method allows investigators to retain the holistic and meaningful characteristics of real events such as cycles, organisational and managerial processes, neighbourhood change, international relations, and maturation of industries (Yin, 2003). A case study is defined by Denscombe (2003: 30) as “an intensive description and analysis of a phenomenon or social unit such as an individual, group, institution or community”. Welman *et al.*, (2005) concur with this view as they argue that a case study pertains to the fact that a limited number of units analysis is studied intensively (Welman *et al.*, 2005:193).

The researcher believes the case study is the best research strategy for this study because it investigates a real-life phenomenon, and gives answers to what extent rural housing finance can create sustainable human settlement with special focus to Moletlane Village. The idea behind focusing on a case study is to enable the researcher to narrow the focus on rural housing finance in great detail, necessarily because the subject of housing is too broad. This is further attested by Mouton (2001:149) when he argues that case studies are typically applied to companies or organisations (business studies), social work research (focus on the family; household; small communities) and in political science (countries or regions are studied. According to Welman *et al.*, (2005:193) “the term case study pertains to the fact that

a limited number of units of analysis (often only one) is studied intensively. The units of analysis include individuals, groups, and institutions.

4.4 Data collection

There are four main methods that a social researcher can use: questionnaires, interviews, observation and documents (Kafrawy, 2012). Each method provides a tool for the collection of empirical data to help the researcher to gain a clearer picture of things; an accurate measurement of things; and facts and evidence about the subject matter. Before choosing and using any of these tools, it is important to consider five points:

- First, although certain research strategies have come to be associated with the use of certain research methods this does not rule out the possibility of choice.
- Second, each of the methods has its particular strengths and weaknesses.
- Third, when it comes to choosing a method, researchers should base their decision on the criterion of 'usefulness'.
- Fourth, research methods do not need to be seen as mutually exclusive. More than one method can be used for the research with the clear intention that weaknesses in one method can be compensated for by strengths in another method.
- Fifth, the use of more than one method allows the researcher to use triangulation.

According to Kafrawy (2012), the combination of different methods can be used by the researcher to look at the research topic from a variety of perspectives, as a means of comparison and contrast, with each method approaching the topic from a different angle. Taking this into consideration, different methods have been considered useful for this study. Accordingly, the four main methods (questionnaires, interviews, observation and documents) were all used to collect data in this study but from different perspectives.

Data for this study was collected through primary and secondary means. The primary sources include questionnaires, which rely on observation, interviews and records of information of interest. The researcher first conducted a survey using self-developed questionnaires. Questionnaires were administered to randomly selected members of the rural community. In total, the researcher distributed a hundred questionnaires and received all hundred

questionnaires which were completed in full. Interviews were then conducted with thirty interviewees, comprising of 15 key personnel of Moletlane Village and some selected members. The researcher chose to interview key personnel of Moletlane Village, including the Chief, the Counselor and some elders of the village in order to verify the information received through the survey. Interviews were carried out either face-to-face or by telephone and lasted for approximately 45 minutes each. Tape recording of interviews was rejected due to the culture in the village. They do not believe in talking while being recorded. This is in addition to the many disadvantages of tape recording, especially in terms of the potential adverse effect on the relationship between interviewees and interviewer as well as possible inhibition of interviewees' responses and reduction of reliability". Instead, the researcher relied on making notes of key words and phrases for each issue discussed during the interviews. Consequently, a constructive 100 per cent response rate was achieved for both the survey and the interview.

For secondary data, information was sourced from articles, textbooks and readily available documents and was incorporated with direct observations to complement data collected through questionnaires, interviews and available data.

4.5 Primary data

4.5.1 Interviews

Interviews are face-to-face meetings between the interviewer and the interviewee (Smith, 1995:18). Interviews have the advantage of offering opportunities for probing and clarifying, and enabling the respondent to provide sensitive information (Kafrawy, 2012). Interviews can be conducted in many forms, but are mainly personal (that is face-to-face) or telephone interviews. In-depth interviews were used for this study (an interview schedule is attached as Appendix 2). In-depth interviews are personal interviews that require a face-to-face conversation between interviewer and interviewee. Personal interviews on the other hand can be seen as in-depth surveys as they attempt to obtain detailed in-depth evidence from a small number of informants through a series of interviews (Remenyi *et al.*, 1998).

According to Guion, Diehl and Macdonald (2011), in-depth interviews are useful qualitative data collection techniques that can be used for a variety of purposes, including needs

assessment, programme refinement, issue identification, and strategic planning. They further state that in-depth interviews are most appropriate for situations in which the interviewer wants to ask open-ended questions that elicit depth of information from relatively few people. The aim is to provide a relaxed environment in which the respondent will be open to discussing topics fully. Guion *et al.* (2011), identify key characteristics that differentiate an in-depth interview, qualitative research interview from a regular interview as follows:

- Open-ended questions- questions are worded so that respondents cannot simply answer yes or no but expound on the topic.
- Semi-structured format- although it is important to have some pre-planned questions to ask during the interview, it is important to also allow questions to flow naturally, based on information provided by the respondent.
- Seek understanding and interpretation- the interviewer must always try to interpret what the respondent is saying and seek clarity and a deeper understanding from the respondent throughout the interview.
- Conversational- the interviewer must be conversational but focus much on listening. There should be smooth transitioning from one topic to the next.
- Recording responses- the responses are recorded, typically with audiotape and written notes.
- Record observations- the researcher should observe and record non-verbal behaviours on the field notes as they occur.

The greatest advantage of the in-depth interview lies in the depth of information and detail that can be secured (Patton, 1990; Cooper & Schindler, 1998; Yin, 1994). It far exceeds the information secured from telephone and self-administered studies via intercepts, mail surveys or computer. The interviewer can also do more to improve the quality of the information received than with other methods. The disadvantage is that in-depth interviewing is costly, in both money and time. However, the costs of this study were not particularly high because the interview did not cover a wide geographic area for interviewing; five participants were interviewed which included, the Chief of Moletlane Village, the Induna, the counsellor and two residents of Moletlane Village who are officials at state-owned housing institutions.

These participants were chosen based on the fact that the interview questions required soliciting information from experienced participants on housing matters. The main idea of the in-depth interview was to get a deep understanding of the role played by rural housing finance in Moletlane Village from various perspectives.

4.5.2 Questionnaires

Questionnaires are a primary data collection research method and include all techniques of data collection in which each person is asked to respond to the same set of questions in a predetermined order (De Vaus, 2002). Questionnaires, therefore, include structured interviews, telephone questionnaires and mail questionnaires (Erdos, 1970). According to Saunders & Thornhill (2000), questionnaires are currently the most widely used data collection technique. The collection of evidence with questionnaires falls broadly into two categories, self-completion methods and interviews. Self-completion methods include mailed and computerised questionnaires, whereas interviews include personal and telephone interviews. Since personal interviews were used in a form of in-depth interviews, the researcher conducted a survey using the self-completion method.

Self-developed questionnaires, developed in line with the research questions and objectives were used to provide data (A questionnaire is attached as Appendix 2). The researcher decided to obtain data in this manner because it is a more reliable and valid technique that could be used for more participants. Questionnaires were distributed to the selected sample that represents the entire population of Moletlane Village. As mentioned above, the questionnaire was set up to measure the aspects directly related to the research questions and objectives as identified in chapter 1. The complete questionnaire consists of 35 questions. The biggest advantage of the Likert scale is that it is easy and quick to construct. According to Cooper and Schindler (2006:339) using a Likert scale will probably provide more reliable data than many other scales. McMillan and Schumacher (2001:258-259) provide the following guidelines for writing effective questions or statements to which the researcher will adhere:

- Clarity: All respondents must be able to interpret items in the same way
- Double-barreled questions: Questions should be limited to a single idea or concept

- Competent respondents: Respondents must be able to provide reliable information and should have knowledge on the research topic
- Relevant: Subjects will not respond reliably to questions that are unimportant to them
- Short, simple items are the best: Avoid long and complicated items because they are more difficult to understand and result in respondents' reluctance to answer them.
- Avoid negative items: Avoid negatively stated items because they are easy to misinterpret.
- Avoid biased items or terms: The way in which items are worded may encourage particular responses.

4.6 Secondary data

Secondary data is used for one main research purpose and that is to fill the need for a specific reference on some points, in this case to establish an understanding of rural housing finance as identified by previous researchers and its capacity to improve access to housing for low-income households. The research is based on a literature study comprising current and relevant articles, books and discussion documents. It also uses policies and frameworks of housing and rural housing finance. In essence, the researcher tried to mine existing databases to discover the patterns of housing problems, the models of rural housing finance and the strategies required to increase access to rural housing finance for low-income households. Each of these pieces of information was used to develop a comparative literature review to glean some relevant lessons from other experiences.

Secondary data were collected and reviewed from different sources at different levels. However, most came from existing housing theory, South African housing policies, Risima Housing Finance and other state-owned entities and non-governmental organisations (NGOs). According to Welman *et al.*, (2005) the researcher should consult other reports or information on the same topic being analysed. The difficulty with the topic was that there is not enough research done on rural housing finance in South Africa. Therefore, there are limited research papers and journals on rural housing finance in this study. However, little that is available was used to highlight the difficulty in accessing mortgage bonds for previously disadvantaged individuals and low income earners.

Moreover, the research utilised books from the library, academic journals, government and state-owned entities reports, internet websites and other research reports from related subject matters. Under normal circumstances, secondary data is cheaper and also easily accessible than primary data, but it needs to be processed before it can be used by the researcher.

4.6.1 Observation

Observation is one of the most common methods of qualitative data collection. It requires that the researcher become a participant in the context being observed. As explained above, one of the key characteristics of in-depth interviews is to record observations. The researcher directly observed and recorded non-verbal behaviours on the field notes as they occurred during the study research. Also, the researcher observed the area of study by determining the number of decent houses in Moletlane Village.

4.6.2 Sampling

Sampling refers to the process of selecting participants for a research project while a sample is a portion of the elements in a population (Dane, 1990:289). The process of sampling is necessary due to large size of population and the consequent impracticality and prohibitive cost of testing each member of any population (Denzin & Lincoln, 2000). It is not practically feasible for all members of a particular population to participate in a particular study. Hence a sample involving a small group of selected people who then represent the population is often used.

For the purpose of this study the population were people living in Moletlane Village, including the Chief and his right hand elders. The respondents constituted households who already had rural housing finance loans and those who did not have. The choice of the sample size was mainly based on the need for accuracy required by the researcher and the degree of variation in the sample (Babbie, 1990). Strydom and Venter (2002:198,209) describe sampling as the process of taking a portion of a population.

Whereas quantitative research aims to use random samples that are representative of a population, qualitative samples tend to be purposive rather than random (Welman *et al.*,

2005:200). The reason for this is that qualitative researchers work with limited universes and that social processes have logic and coherence that random sampling can reduce to uninterpretable sawdust (Welman *et al.*, 2005:204). The type of non-probability sampling that was used is purposive sampling. Purposive sampling is when one selects a sample on the basis of his or her own knowledge of the population, its elements and the nature of the research aims, in short based on the judgement and the purpose of the study (Babbie, 2001).

All the participants were purposefully selected due to their knowledge and some because of their expertise in rural housing finance. A total number of 100 people were selected to participate on this study. The 100 participants included the following: Five civil servants employed in rural housing finance institutions (three managers and two junior staff members), sixty people who have not experienced rural housing finance, thirty-five people who had experienced rural housing finance in one way or the other. Out of the 100 participants, 95 are residents of Moletlane Village (Including the Chief of the village) and the remaining five are civil servants working in the rural housing market. These participants were selected in order to get a broader perspective from different types of respondents.

A purposive sampling procedure was used for the purpose of drawing a representative sample, from whose findings generalisations to the bigger population can be made. Advantages of purposive sampling are that people who do not fit the requirements are eliminated and it is less expensive as it involves less search costs (Arisunta, 2010). The researcher used his observation and knowledge to select the sample, with the hope of getting the most accurate information. A limitation of purposive sampling is that it is the responsibility of the researcher to choose participants. There is a possibility that the researcher could go wrong in choosing suitable participants for the study (Gillham, 2000).

4.6.3 Data analysis

In order to draw a reasonable conclusion and to be able to make recommendations, it is crucial to analyse data after collection. According to Sapsford and Jupp (2006), the aim of data analysis is to transform information or data collected into an answer to the original research question. According to Welman *et al.*, (2005) the analysis of the information obtained from unstructured interviews and focus groups is based on the interviewer's records. The interviewer may take notes of the participants' responses with a view to writing a complete report afterwards (Welman *et al.*, 2005:204). Furthermore, Welman *et al.*, (2005) point out that as an alternative, a tape recording may be made with a view to transcribing it later. However, in both cases they recommend that the interviewer should still take notes of the participant's presumed non-verbal communication (Welman *et al.*, 2005:204).

Data collected from the questionnaires will be analysed programmatically with the aid of an MS Word Excel software package. The attached summary of the statistically processed data is attached as Appendix B.

4.6.4 The reliability and validity of the research results

According to Mouton (1996:143) research validity is the extent to which the qualitative elements and the stages of the research (e.g. sampling data collection, data analysis and conceptualisation) are sufficiently reliable to produce more or less truthful outcomes or results. In a qualitative research, validity takes into account data and statement (s) collected, theories employed and research methods utilised to arrive at the outcomes or results. Moreover, Mouton (2001:150) points out those major sources of errors which include potential bias of the researcher and lack of rigour in analysis.

To guard against these errors, appropriate steps were taken at each stage of the research to minimise errors and ensure that more truthful results are achieved. Validity and reliability are crucial tests for social science research such as the qualitative study undertaken by the researcher. Interviews and document analysis from a wide range of sources were adopted to improve the validity of the study. This is crucial as in the case of qualitative research where major sources of data are investigated through interviews and consequently it becomes

necessary to cross-check information from other sources because interview data is subject to personal bias and memory decay as argued by Mouton (1996; 2001).

4.6.5 Significance of the study

Successful mechanisms on accelerating delivery of rural housing in vulnerable areas are imperative in order to upgrade the living conditions of the society. There is increasing demand for the delivery of shelter in the Moletlane Village, particularly for affordable housing. Building and upgrading of shelter presents an opportunity for marginalised inhabitants. In reality it is difficult for everyone to get a house. It is invaluable to gain an understanding of the challenges facing a social project like rural housing finance because of its potential to reduce poverty.

When successful, this project can be scaled up and replicated to change the living conditions of not only the Moletlane Village but also all the rural areas in Limpopo Province and elsewhere in SA. Thus, understanding the challenges faced in rural housing finance through this research can better equip the local, provincial and national government authorities to prepare and plan well informed future housing interventions that are sustainable.

4.7 Limitations of the study

As noted by Mouton (1996), limitations on a case study refers to the lack of generalisability of results, non-standardisation of measurement, data collection and analysis can be time consuming. This was evident in this research as the researcher experienced many problems and pitfalls which could have discouraged the research process from getting started, distorted the results it produced and led to its abandonment soon after it began. Some of the shortcomings experienced in carrying out this study, include the following:

- 4.7.1. Limpopo Province is predominantly rural and the need for housing is massive. A lot of households have been waiting in vain to get housing subsidies. This causes resentment to most communities. Whenever they hear about housing discussions and other basic services discussions, they respond negatively. Thus

some respondents were reluctant to respond and this limited the information provided.

4.7.2. Not much research has been done on the topic of rural housing finance; hence it became difficult to source available literature.

4.7.3. Lack of information regarding rural housing finance compromised this study because most people associate it with government subsidies and are even reluctant to pay attention to it.

4.7.4. Bringing the community to the meetings and scheduling interviews was not easy, making it difficult to collect data.

4.7.5. It took long to collect completed questionnaires and that led to delay on data analysis.

4.8 Research ethics

Participants in this study were given full information regarding the purpose of the study and how it would unfold. Also, the researcher assured the participants that the information would be kept confidential. With regard to the survey, questionnaires were distributed to the selected audience. The survey was anonymous. None of the participants were forced to take part in this study, each participant took part willingly. During the process of completing the questionnaires, the researcher was available to assist those who needed clarity or those who needed help in completing their questionnaires. Upon collecting questionnaires from participants, all questionnaires were kept safe and confidential for security purposes. Only the researcher had access to the questionnaire. The researcher would compile a report with recommendations and use it to provide feedback to all participants. The researcher would discuss the report with all the participants before publishing it.

4.9 Summary

This chapter focused on providing the approach and research strategy used for this study. This chapter also discussed the methods used for data collection and how the data was analysed. Most importantly, it elaborated on why the methods and strategies chosen are relevant for this study. The choice of the population for the study was reflected upon. In the

following two chapters, the data collected during the field study and the results are presented and analysed.

Chapter Five

Research Findings

5.1 Introduction

As indicated in chapter 4, this study used multiple techniques to collect data, mainly focusing on the use of questionnaires and interviews. This chapter endeavours to present a summary of data collected through questionnaires and interviews and their interpretation. The findings of this study are also aligned to the research objectives raised in chapter 1.

5.2 Analysis of the data and results

As was discussed in chapter 4, responses were received from 100 participants. If one takes into account that questionnaires were initially forwarded to 100 participants, a very successful return rate of 100 per cent is calculated. This response rate represents a good spread of representation. The response rate is graphically illustrated in figure 1.

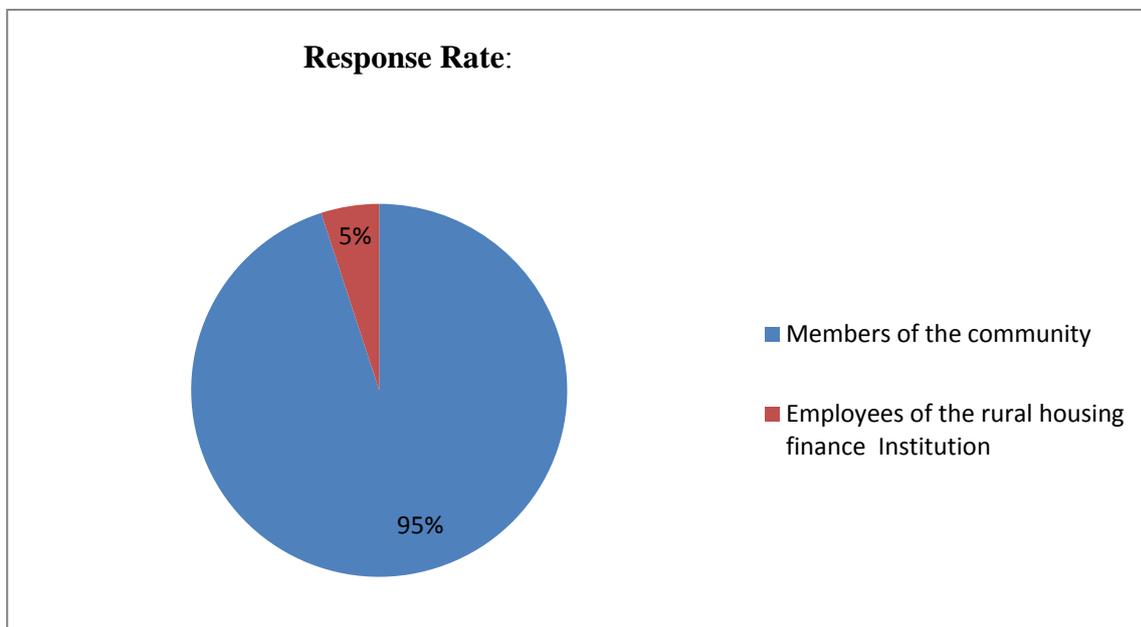


Figure 1: Response rate

The researcher found it very important to target both participants who have experienced the use of rural housing finance and those that have never had access to rural housing finance. The researcher believes that both groups will have important information to contribute to this study. The response rates as per category are depicted in Figure 2.

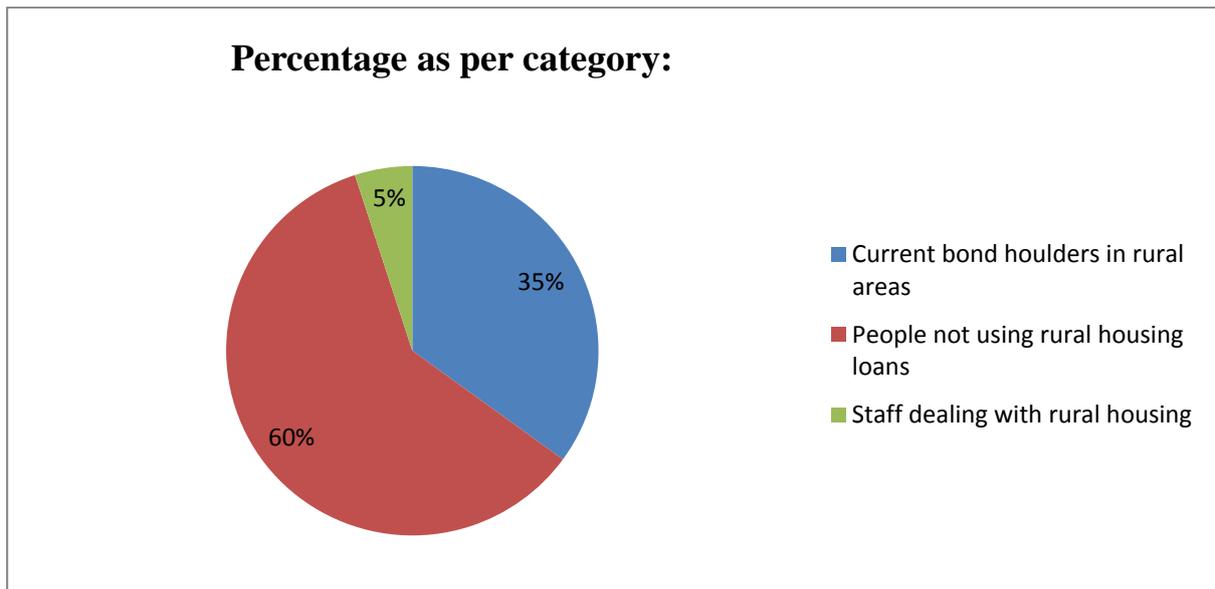


Figure 2: Response rate as per category

Gender distribution reveals that female participants are more than males. Out of 100 participants, 47 were males and 53 were females. This makes a gender grouping of 47 per cent males and 53 per cent females. Thus participation in terms of gender is balanced and this once again is a good spread of representation of the target audience. Figure 3 below represents gender participation in percentage.

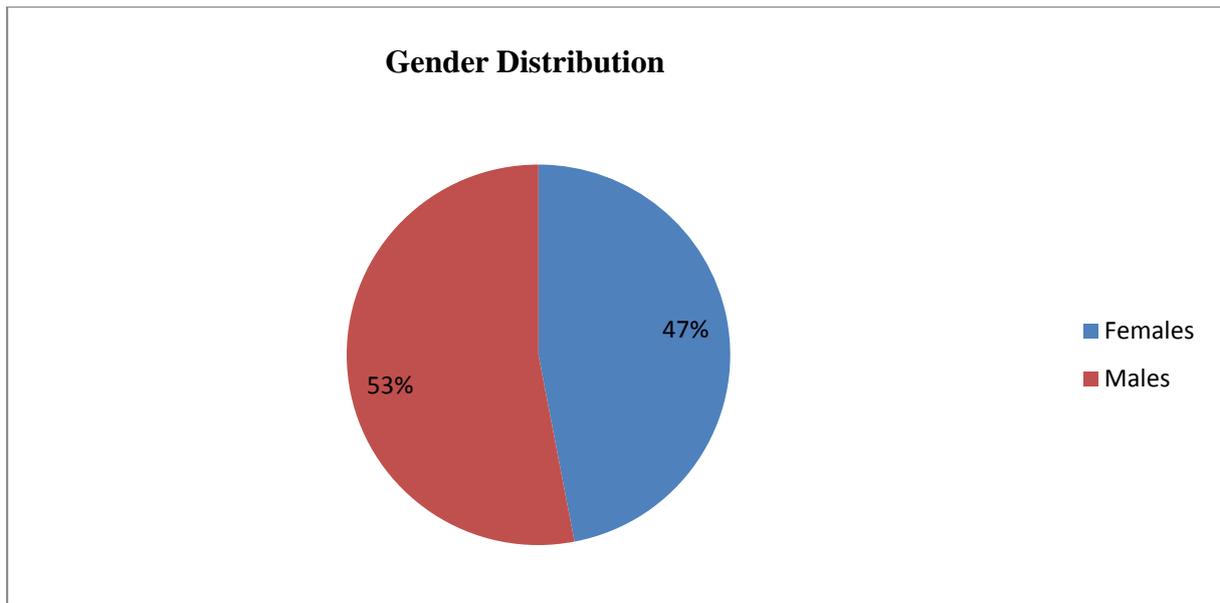


Figure 3: Gender distribution

The researcher selected participants aged between 26 and 55, essentially because the research targeted participants who are employed, owning businesses or have income that are most likely to be entering the bond market. For the purposes of this research, people under the age of 25 were deliberately excluded as most are still at the entry level at the workplace and therefore they struggle to get a housing bond, people above 55 were also deliberately excluded as they are nearing retirement and therefore they tend to struggle to get housing finance. The average entry market price of a house is R320 000. The age distribution of participants is depicted in figure 4.

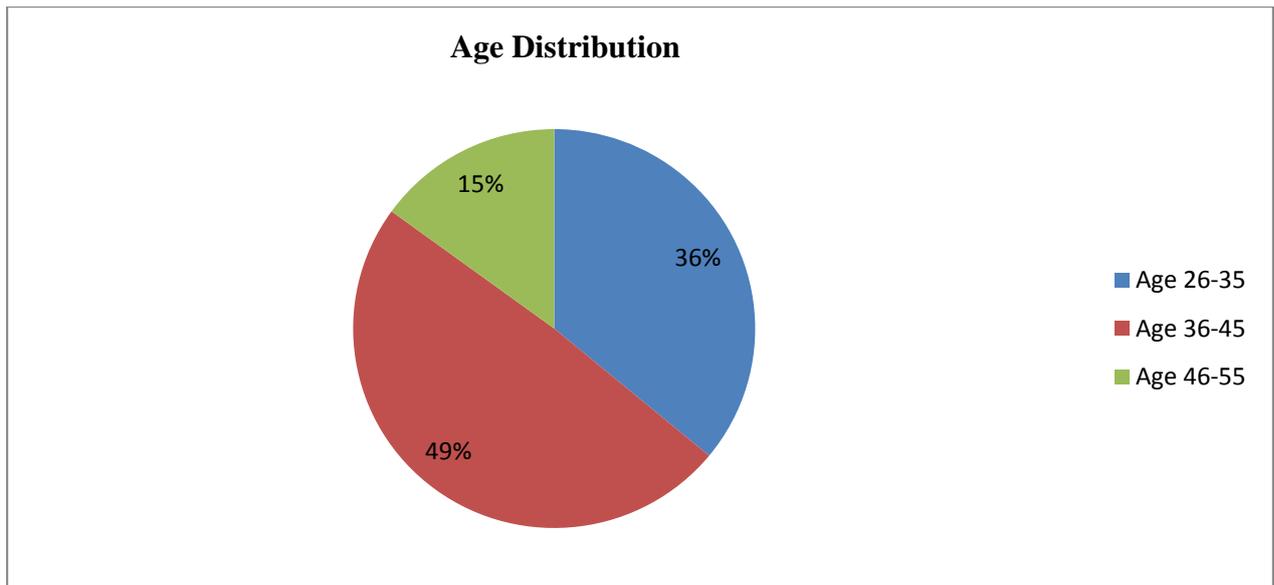


Figure 4: Age distribution

Source: Research questionnaires

One of the main important factors of accessing housing finance is affordability. Thus, the researcher found it crucial to target employees who earn a reasonable income to afford a bond. The description of the participants' income is outlined in Figure 5.

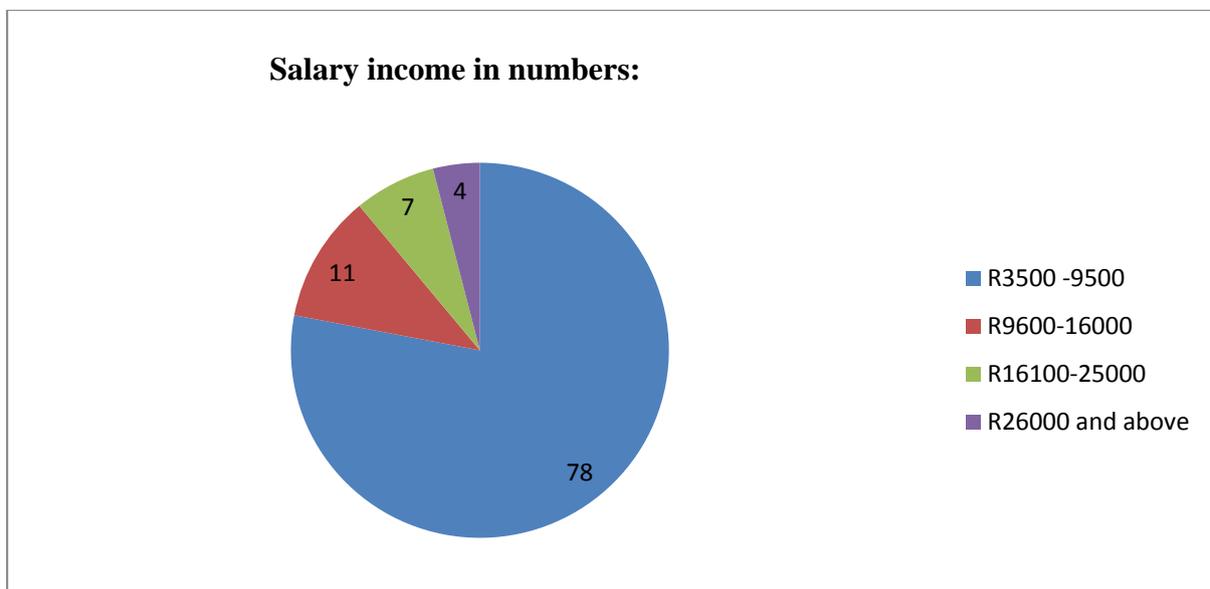


Figure 5: Nett income

5.3 Analysis of the data and results

5.3.1 Results from the questionnaires

This section presents data collected through questionnaires and uses the results to respond to the objectives of this study. It is important to note that questions on the questionnaires are all relevant to the objectives of this study. However; Part B of the questionnaire has been structured to directly answer the objectives and questions of this study. Thus the researcher will start by presenting results of Part A of the questionnaire and then use Part B to answer the objectives of this study. In conclusion, the researcher will consider both Part A and Part B responses to present recommendations for this study.

5.3.1.1 Part A of the questionnaire

As indicated above, all hundred participants answered the questions fully. Results from the questionnaires are depicted in tables 1 and 2. This is also illustrated in Figure 6 and 7. Data collected from Part A of the questionnaire were summarised by aggregating individual responses for each question and interpreted individually.

Table 1: Housing market and access to finance data summarised

Housing market & access to finance	Strongly Disagree	Disagree	Average	Agree	Strongly Agree
Question 1	13%	47%	0	35%	5%
Question 2	0	0	0	51%	49%
Question 3	73%	16%	11%	0	0
Question 4	0	15%	8%	60%	17%
Question 5	0	0	5%	85%	10%
Question 6	0	0	0	70%	30%

Source: Moletlane RHF Survey, 2013

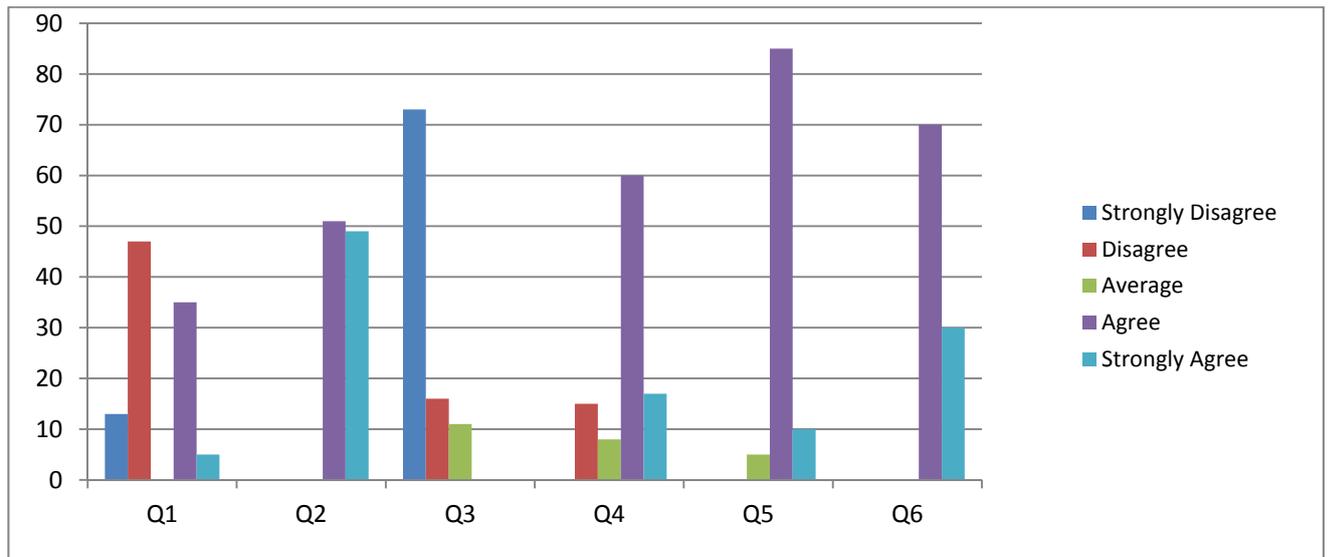


Figure 6 : Housing market and access to finance

Source: Moletlane RHF Survey, 2013

5.3.1.1.1 Interpretation of the data

As indicated above, each question is interpreted individually as follows:

- **Q1 I own a decent house.**

When asked if they own a decent house, 10 per cent of the participants strongly agreed and 30 per cent also agreed that they own decent houses. Therefore, a total of 40 percent of participants who feel that they own decent houses. Forty-seven (47%) per cent disagreed and 13 per cent strongly disagreed, making 60 per cent of participants who do not own decent houses. This could be as a result that some people do not own houses at all and that Moletlane village is a rural area.

- **Q2 I have a right to have a shelter/house.**

On the question whether they have a right to a shelter/house, all respondents responded positively. Fifty- one per cent (51%) of the participants agreed and 49 per cent strongly agreed. This shows that people at Moletlane village know the importance of owning a house and that will stimulate the need for a good house.

- **Q3 There are no challenges in accessing housing finance.**

Seventy- three per cent (73%) of the participants were against this statement and strongly disagreed, 16 per cent also disagreed with this statement and 11 per cent were not sure whether there are challenges or not. This shows that the majority of participants are of the opinion that there are challenges hampering access to housing finance. The reason some of the participants indicated that they are not sure, could be because they have never applied for housing finance before or they do not know much about the housing finance market.

- **Q4 I know the institutions that provide housing finance/loans.**

On the question whether they know institutions that provide housing finance/loans, 60 per cent of the participants agreed and 17 per cent agreed that they know institutions that provide housing loans. Eight per cent (8%) were not sure which institutions provide housing loans and the remaining 15 per cent disagreed. These results imply that the majority of people are aware of the institutions that provide housing loans and only few are not aware.

- **Q5 Housing finance can improve housing delivery in the area I live in.**

When asked if housing finance can improve housing delivery in their area, all participants responded positively. A majority 85 per cent of participants agreed and 17 per cent agreed strongly that housing finance can close a gap on housing delivery. This indicates that the majority of people in Moletlane have confidence in housing finance.

- **Q6 There is a difference between a housing subsidy and a house built by means of housing finance.**

A question was asked if there is a difference between a housing subsidy and housing finance. Seventy per cent (70%) of respondents agreed and 30 percent strongly disagreed and were of the opinion that housing finance can build a better house than a subsidy house.

Table 2: Rural housing finance data summarised

Rural Housing Finance	Strongly Disagree	Disagree	Average	Agree	Strongly Agree
Question 7	2	50	5	36	7
Question 8	6	55	0	39	0
Question 9	0	13	45	41	1
Question 10	19	46	0	20	15
Question 11	0	0	0	63	37
Question 12	50	11	0	37	2
Question 13	0	0	0	80	20
Question 14	0	0	12	46	42
Question 15	0	0	0	76	24
Question 16	8	20	16	43	13
Question 17	0	0	0	78	12

Source: Moletlane RHF Survey, 2013

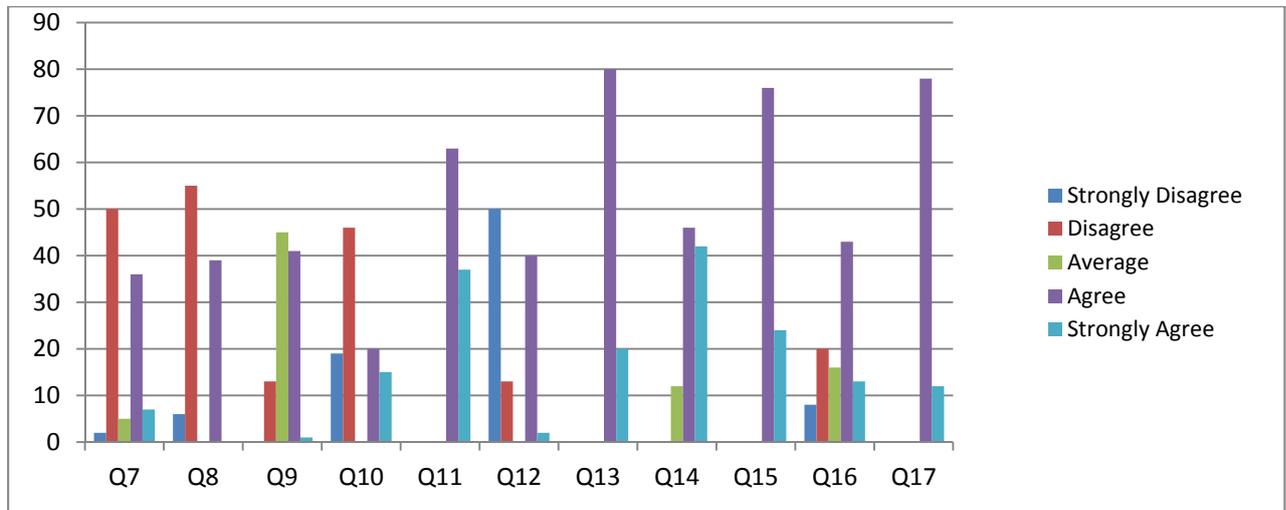


Figure 7 : Rural housing finance

Source: Moletlane RHF Survey, 2013

- **Q7 I am aware of and understand rural housing finance.**

On the question whether participants are aware and whether they understand rural housing finance or not, 36 per cent of participants agreed, 7 per cent strongly agreed that they are aware of rural housing finance. Only 5 per cent of participants were unsure, when a majority 50 per cent of participants disagreed and 2 per cent strongly disagreed that they are not aware

and do not understand rural housing finance. Unlike Q4, where participants responded positively when asked if they know financial institutions that provide housing loans, participants are not so conversant with rural housing finance. These results may be because of inadequate information regarding rural housing finance.

- **Q8 I have applied for rural housing finance before.**

Only 39 per cent indicated that they had applied for rural housing finance before. The rest never applied. This is shown by 55 per cent of participants who disagreed and 6 per cent who strongly disagreed. This question is linked with the previous question of whether they are aware of rural finance housing. Thus the reason some of the participants have never applied before could be because they do not know about it or could be any other reasons not specified.

- **Q9 Rural Housing Finance is easy to access compared to the four major banks.**

Distinct from Q3, some participants are of the opinion that rural housing finance is easy to access compare to accessing a bond from the bank. This is because 42 per cent agreed that rural housing finance is easy to access than in banks, 45 per cent were not sure and only 13 disagreed that rural housing finance is easy to access.

- **Q10 My property is financed through rural housing finance.**

When asked if their houses were financed by rural housing finance, only 20 per cent of participants agreed and 15 per cent of participants strongly agreed, a majority of 40 per cent disagreed and 19 strongly disagreed. This could be due to the fact that they have never applied before or they were declined.

- **Q11 I will be happy if communal land could be financed to build houses.**

When asked if they would be happy if communal land could be financed to build houses, all respondents agreed. This shows that the majority people at Moletlane would like to see communal land being financed and allocated to individuals to build their houses.

- **Q12 I know company/ies that provide rural housing finance in Limpopo.**

Only 39 per cent agreed that they knew of institution/s that provided rural housing finance. Sixty-one per cent of participants are not aware of such institution/s. This showed that although rural housing finance is in use in Moletlane village, not all members of the community are aware of it.

- **Q13 I would consider taking a home loan to develop/improve a residence in a rural area.**

When asked if they can recommend rural housing finance to other people, the majority of respondents agreed. Forty-six per cent agreed and 42 strongly agreed that they would recommend rural housing finance to other people. Only 12 per cent were unsure. This showed that the majority people of Moletlane believe in rural housing finance, including those who do not understand it fully. They are of the opinion that it is an enabler to having decent houses.

- **Q14 I would recommend this type of finance to other people.**

When asked if they would recommend rural housing finance to other people, the majority of respondents agreed. Forty-six per cent agreed and 42 strongly agreed that they would recommend rural housing finance to other people. Only 12 per cent were unsure. This showed that the majority people of Moletlane believe in rural housing finance, including those who do not understand it fully, they are of the opinion that it is an enabler to having decent houses.

- **Q15 I think rural housing finance can bring rural development and job creation in the area I live in.**

On the question whether rural housing finance could initiate development in Moletlane village and if it could create job opportunities for the community, all respondents answered positively. Seventy- six per cent (76%) agreed and 24 per cent strongly agreed. All respondents see rural housing finance as a good intervention towards sustainable human settlement. They believe rural housing finance will ensure quality housing with flushing toilets, water, geysers.

- **Q16 In my experience, rural housing finance has brought improvement in Moletlane village.**

When asked if rural housing finance has brought improvement in Moletlane village, participants had mixed opinions, 43 per cent agreed and 13 strongly agreed that rural housing finance brought improvement at Moletlane, 28 per cent did not think it did and 16 were not sure. Respondents believe rural housing finance has contributed positively to the economy of Moletlane and has increased job creation which is a solid foundation for the creation of sustainable human settlements.

- **Q17 People who own rural bond houses are better payers than those in town.**

On the question whether people who own rural housing bonds pay or default payment of their loans, all respondents responded positively with 78 per cent agreeing and 12 per cent strongly

disagreeing. This means that employees who have access to rural finance value it and embrace it. Considering the fact that banks will never provide them with housing loans they find it better to build relations with the institution that provides rural housing finance.

5.3.1.2 Part B of the questionnaire

As mentioned earlier, this part of the questionnaire was designed to directly answer the objectives of this study. Thus objectives 1, 2, 3, and 4 are listed below and answered in line with participants' responses.

Objective 1: To determine factors hampering/hindering the access of rural housing finance

- **Q1. Constraints and challenges hampering access to Rural Housing Finance**

When asked what challenges are hindering access to rural housing finance, participants revealed the following findings:

- **Affordability** - A critical issue facing the housing market is affordability for housing finance, especially given the extent of non-mortgage credit indebtedness. According to the National Credit Regulator's Credit Bureau Monitor for the second quarter in 2011, of the 18.84 million credit active consumers, 53.3 per cent were in good standing. The number of consumers with impaired records stood at 8.8 million. Only 39.1 per cent of all consumers were current with their credit, and a further 14.2 per cent were between one and two months in arrears. In the context of this level of debt, many households in the gap and affordable market segments find their affordability constrained even further.
- **Lack of knowledge about rural housing finance** – Rural Housing Finance was introduced as one of the strategies to improve housing delivery. Lack of awareness is a problem.
- **Banks' inflexible rules** – Major banks provide housing finance to urban household only, making it impossible for rural areas to access housing finance.

Objective 2: To measure the impact of Rural Housing Finance in rural areas with particular reference to the Moletlane village.

Q2. Looking back to Moletlane before some members of the community built/renovated their houses using rural housing finance, will you say rural housing finance made an impact to the Village? If so what is the impact?

When asked if rural housing finance has an impact on Moletlane Village, most respondents agreed that rural housing finance has impacted positively to the village. The following points came out strongly:

- Rural households that utilised rural housing finance have quality housing with water and sanitation, geysers and other amenities which were considered to be alien to rural areas.
- Rural households that utilised rural housing finance are on the same footing as those in the townships and suburbs.
- Rural housing finance has led to an increase in the economic activity and job creation.
- The collective housing infrastructure of Moletlane has improved, compared to the neighbouring villages.

Objective 3: To assess the role of the rural housing finance institutions and contextual stakeholders in expanding access to mortgage credit in Limpopo.

Q3. Do you think relevant stakeholders (the Department of Local Government and Housing, the Department of Human Settlement, the Rural Housing Loan Fund, The National Housing Registration Council, and the Limpopo Provincial Government) have a role in creating an enabling environment for rural housing market to exist?

By analysing the majority of responses, it is clear that many participants believe that the relevant stakeholders (the Department of Local Government and Housing, the Department of Human Settlement, the Rural Housing Loan Fund, The National Housing Registration Council, and the Limpopo Provincial Government) have a role to play in creating and

enabling environment for rural housing market and can cause a shift in favour of the housing market by creating rural financial resources that could be used to promote development in rural areas.

One participant states that “Rural Housing Finance must be developed to balance the banks housing loans and other housing delivery means that mainly provide finance to urban areas and it is the role of the Government and all housing finance institutions to do this”. Another participant states that “It is important to all the relevant stakeholders to invest in rural housing finance as this will play an important role in increasing quality housing”. Investing in rural housing finance obviously requires these relevant stakeholders to expand rural housing finance.

Objective 4: To evaluate the effectiveness of the rural housing finance as a driver of sustainable human settlement.

Q4. What is your overall view about rural housing finance in creating sustainable human settlement?

On the question about their view of rural housing finance as a vehicle to sustainable human settlement, respondents listed the following actualities as ratification of the capability of rural housing finance in creating sustainable human settlement.

- Rural housing finance is good for rural development.
- It allows people an opportunity to build quality houses with electricity, water and sanitation.
- It creates jobs
- It is a key to improving people’s lives.
- It is easy to access.
- It is cheaper to pay
- It makes life easier
- It encourages people to live in decent houses
- Rural housing finance is an enabler for housing delivery
- Economic development

5.4 Results from in- depth interview

Self-completion questionnaires are limited in scope and offer no opportunities to probe or seek clarification. For this reason, the survey was followed by in-depth interviews with key personnel of Moletlane Village and few ordinary community members to verify and complete some answers. The interviews were semi-structured in order to allow the interviewee to answer more on their own terms than the standardised interview permits (Yin, 1994; Cooper & Schindler, 2006).

As mentioned above, the purpose of the interviews was mainly to clarify and confirm data collected through questionnaires, this implied that questions prepared for the interviews were in line with questions on the questionnaire and were structured in relation to the research objectives of this study. Responses have been grouped according to recurring themes and are presented in table 5.3.

Table 3 : Interview Schedule

<p>1. In short, can you tell me about Moletlane village?</p> <p>Moletlane is a basic village, a diverse village, dominated by Pedis and Ndebeles. Moletlane is one of the oldest villages and one of the poorest areas of the Province. It is one of the rural areas where people were confined and lived on communal land as a result of the 1913 Native Land Act which prevented black people from owning land in urban areas of South Africa.</p> <p>2. Do the majority of the people work or unemployed?</p> <p>Interviewees' perception is that the majority of the people are employed, however not all of the majority have good jobs. Some people are just working to be able to afford to buy food. Like many other places, unemployment in the village mostly affects the youths.</p> <p>3. Do people here own houses?</p> <p>Interviewees' perception is that the majority of the people own houses, but not all of them own decent houses. They feel that there is a need to improve housing in Moletlane.</p> <p>4. In your opinion is access to housing finance easy to access? If not what are the main challenges hampering access to finance?</p> <p>Interviewees' perception is that housing finance is not easy to access, mainly because Moletlane is a rural area, the community of Moletlane do not know much about rural housing finance and that people in villages do not believe in paying a long-term loan for a house.</p>
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5. How would you like to see Moletlane Village five years from now?

Interviewees' overall response is that they would like to see Moletlane village improved in terms of housing and other basic services. They would like to see the youths working. Basically their wish is to have sustainable human settlement in the village.

6. Will you advise other people in the village to apply for rural housing finance to build and improve their houses?

Interviewees' perception is that rural housing finance is worth having. Thus they will definitely spread the word and advise other people to use it for better housing.

7. Do you know of any institution that is providing rural housing finance in the province?

Interviewees' agreed that they know about Risima, however not all of them understand its business and how to access the business.

8. Do you know if any of the people in the village have used rural housing finance to build a house?

Interviewees' agreed that there are those who have used rural housing finance to build their houses. They indicated that they get to know through contractors and sometimes through house owners.

9. How do you think Moletlane village can benefit from using rural housing finance?

Interviewees' perception is that Moletlane can benefit from rural housing finance, in terms of housing. Many of them indicated that rural housing finance will decrease migration to the city, bring decent houses with water, electricity and sanitation and hopefully reduce youth unemployment.

10. Do you think rural housing finance can bring rural development in your village?

Interviewees' perception is that the rural housing finance has a potential to bring development in the village.

11. If you know of people who have used rural housing finance, have rural housing finance changed their lives? Please explain how?

Interviewees' perception is that people have used rural housing finance to build quality and beautiful houses. That has liberated their lives and has changed their lifestyle completely.

12. If people in the village apply for rural housing finance and get approval, will you advise them to value that and pay back their loans without any default?

Interviewees' value rural housing finance and believe it brings development, thus they all indicated that they will absolutely advise whoever gets an opportunity to access rural housing finance to pay without default.

13. What is your overall view about rural financing?

Interviewees' perception is that the rural housing finance is a good housing delivery intervention, because it improves the housing backlog.

Source: Interviews, Moletlane Village

As mentioned earlier, the researcher chose to interview the key personnel of Moletlane Village, including the Chief, the Counsellor and some elders of the village in order to verify the information received through the survey. Some members of the community were also interviewed. In total, the researcher interviewed thirty individuals. Respondents were notified in advance of the issues to be discussed during the interviews. Interviews were carried out either face-to-face or by telephone and lasted for approximately 45 minutes. Tape recording of interviews was rejected due to the culture in the village, they do not believe in talking while being recorded. This is in addition to the many disadvantages of tape recording, especially in terms of the potential adverse effect on the relationship between interviewees and interviewer as well as possible inhibition of interviewees' responses and reduction of reliability. Instead, the researcher relied on making notes of key words and phrases for each issue discussed during the interviews.

Why interview the Chief and some village elders? Historically, the Chief and his elders are key people of the community and know all the affairs of the village. Traditionally, it is proper to follow the protocol, thus talking to the Chief was for the purpose of getting appropriate information and for showing respect. Discussions with the Chief were more than the scheduled interview.

5.4.1.1 Interpretation of the interview responses

As indicated earlier, the targeted group of participants are key personnel of Moletlane village. Their collective responses are that they would like to see an improvement on housing delivery in Moletlane. They all are not satisfied with the status quo of Moletlane. However, they all acknowledged that in the past three years there had been some improvements, which is believed to be as a result of rural housing finance. Beyond any doubt, it is clear that participants believe in rural housing finance and value it. They see it as a good strategy to liberate their lives and of bringing sustainable human settlement. They all acknowledge that institutions that provide housing finance are not doing much to assist rural households and that if they commit they can expand the housing finance market. Almost all of them indicated their wish to see rural housing finance across the country. From their responses it is rational to conclude by saying they generally have faith in rural housing finance.

5.5 Conclusion

The Government is faced with the task of housing delivery. Many legislative frameworks, policies and programmes to drive housing delivery have been established since 1994. Millions has been used to implement housing delivery. Thus, the researcher sought to investigate the viability of rural housing finance in creating sustainable human settlement in Moletlane village.

Like many rural areas, Moletlane village is still faced with a challenge of housing delivery. It is a basic rural village, where some people are still without houses. However, the results of this study indicate that since the inception of rural housing finance there has been some improvement such as improved quality houses.

The findings of this study suggest that rural housing finance plays a major role in rural development as it places rural people on the same footing as those in the township and suburbs. What came out strongly is that rural people can have quality housing with flushing toilets, water, geysers and other amenities which were considered to be alien to rural areas.

Rural housing finance gives rural residents an opportunity to drill bore-holes in their yards for access to water and sanitation. In the Moletlane Village, the sentiments from the respondents is that rural housing finance has led to an increase in the economic activity and job creation which is a solid foundation for the creation of sustainable human settlements.

Chapter Six

Recommendations

6.1 Introduction

The findings in this study bring an interesting dimension on how rural housing development and rural investment is viewed. Renaud (1996:4) argues that effective investment strategies and practical framework for domestic development are of critical importance. He further states that good planning and institutional reforms to utilise domestic resources more efficiently are important to the housing sector which must often compete with other sectors such as agriculture and industry receiving higher priority from the government.

In order to reduce the housing backlog, there is a need to adopt a multi-pronged approach. Rural housing finance is one of the tools that can be effectively used to address the housing backlog problem. As such, the researcher makes the following recommendations.

6.2 Recommendations

6.2.1 Rural housing finance be an integral part of the Integrated Rural Development Strategy

Housing forms an integral part of any development, the Integrated Rural Development Strategy of 2000 needs to be designed to accelerate rural development if it is to achieve its objectives. It is very disturbing that there is nothing concrete that is highlighted on the strategy about how the provision of rural housing is going to be done.

If rural housing finance could be part of the strategy, it could help fast-track the development of rural areas. Most civil servants, especially teachers and police prefer to remain in rural areas as it is closer to work. Some of the residents who work in urban areas, far from home, consider their village of birth as a safe retirement place.

The case of the Moletlane Village has shown that there is a link between rural housing finance and rural development. It is my strong belief that the rural housing market can strengthen government's hands in its efforts to develop rural areas and reduce housing backlog in the country.

6.2.2 Addressing the land ownership issue in the rural areas

The apartheid laws in South Africa gave widespread powers to chiefs and tribal authorities in terms of land administration, judicial and government functions are still applicable in rural areas today.

Land administration laws in South Africa have a mix of ownership and governance functions and are derived from the system of trusteeship which located the state as both the owner and the administrator of land. This means that ordinary people cannot own a home but they are mere tenants in the villages.

Until such time that the ownership of tribal land is sorted out, government must come to an understanding with Tribal Authorities on how to deal with families who want credit to improve their homes. For example, Risima has signed a memorandum of understanding with the local tribal authorities that allows them to finance in those areas. All their clients have been given a 'Permission To Occupy' (PTO) as a form of ownership of the land.

Risima then in turn takes this as a form of security and registers a bond. The company is able to enforce the PTO should a customer default and they can sell the property to recover the debt.

Other institutions and tribal authorities can follow this example until such time that the land ownership issue is amicably resolved.

6.2.3 Establishing parastatals to provide access to rural housing finance

In Limpopo, Risima Housing Finance is the only State-owned company that provides rural housing finance. The company is one of the best performing parastatals and is self-funding with a loan book of over R290 million and is widely represented in the Province, especially in the Moletlane Village.

State-owned companies, like Risima, become viable if they venture on a full scale into rural housing finance. For the 2011/12 financial year, the company recorded an asset base figure of R297.5m. Figure 6.1 below outlines their performance against predetermined objectives as reported in their annual report:

Strategic Objective	Key Performance Indicator	Annual Target	Performance Results	Gap	Remarks
To facilitate housing development in rural and urban areas of Limpopo through the provision of Home Loan Finance	Grant 290 home loans to the value of R55.0m per annum	Grant 290 home loan finance to the value of R55.0m	Approved 144 home loans to the value of R55.3m	Value of home loans financed is above the target by R0.3m during the financial year Number of loans financed was below target by 146 during the financial year	The target was met, however the Company needs more capital injection to meet the demand for growth. The number of loans financed is below target due to budget average of R 190 000 per individual loan, against an actual average of R 350 000 per loan.
	Reduction of unemployment in Limpopo	Creation of 1 100 new jobs through financing of houses	1 106 jobs were created through financing of houses	06 jobs were created above target during the financial year	The target was met.
	Reduction of unemployment in Limpopo	Maintain 2 750 existing jobs through financing purchases and construction of houses	Maintained 2 765 existing jobs through financing of purchases and construction of houses	15 jobs were maintained above target during the financial year	The target was met.
	Increase asset base	To increase asset base from R275.5m to R293.3m	Increased assets to the value of R297.5m	The increase in asset base is above target by R4.2m	The targeted figure of R 293,3m as per budget was achieved with a positive variance of R4.2m
	Increase revenue by 5.7%	To increase revenue from R25.9m to R27.5m	Recorded a 5.8% revenue against a target of 5.7%	The increase in revenue is above target by 1%	The target revenue as per the plan was achieved.

Figure 6.1: Performance against predetermined objectives for 2011/12 financial year

Source: Limdev Annual Report, 2011/12

These results, as they appear on the company's annual report, support the argument that rural housing finance is viable and if properly implemented with a sound business model, it can yield a favourable return on equity for investors.

The company has managed to provide home loan finance to the value of R55.3 million, in the process creating 1106 and maintaining 2,765 jobs respectively throughout the Province. Moreover, the asset base increased from R275.5 million to R297.5 million (Limdev Annual Report, 2011/12).

As mentioned earlier, another state-owned entity that offers rural housing finance, but not well represented in Limpopo is the Rural Housing Loan Fund (RHLF). The RHLF undertook an impact assessment; one testimonial by Mr. Mkhize said *“I am very happy that my house is complete. Everybody in the family is very happy too. I now live in this house with my wife and children. We are a family of eight, including my two grandchildren. I am the only person working in this household”* (RHLF Annual Report, 2008). A large number of families can be assisted through Rural Housing Finance to enable them to live in a dignified way. One of the good points about this programme is that families are allowed to build their houses incrementally. Families don't need to have formal employment to qualify for a home loan, even informal traders can loan funds from the entity to build their homes.

The study suggests that the rural housing market is available and can be lucrative if proper systems are in place. But, it also became clear from the literature review that the private sector is reluctant to venture into the rural housing market. The Government must take the initiative and aggressively set up institutions that will assist rural dwellers with rural housing finance.

By so doing, Government will be fulfilling its mandate of housing the people whilst generating more revenue to continuously provide housing. Taking into account that most rural housing loans are taken to build a house, real jobs and real skills transfer can improve drastically in the country.

6.2.4 Passing legislation that would force banks to finance a certain percentage in rural areas as rural housing finance as part of corporate social investment

Banks are major players in the housing sector in this country; the banks are part of the problems that are being experienced in this country. The biggest challenge is that banks view rural areas as risky areas that do not provide returns on investment. The commercial banks are reluctant to venture into home loan finance in rural areas.

The irony is that the majority of the people who are using the very same banks come from rural areas. Commercial banks have always put moneys into corporate social investment. If the commercial banks can budget at least 0.1 per cent of their profits to provide finance in the rural housing market they would be playing their part as an integral part of this country.

This can be one corporate social investment where they can expect good return. But, it is clear that commercial banks are not willing to do this, therefore, the Government can intervene and look at a legislation that will make it a compliance issue for banks to invest a small portion of their profits for rural housing finance.

Commercial banks can use strict qualification criteria and proper screening to choose their beneficiaries. It would be in every private financial institution's interest, to assist the Government in healing and getting rid of the past social ills. A stable and economically viable SA is good for everyone.

6.2.5 Establishment of Rural Housing Finance Schemes to be managed by local communities

Successful development initiatives are characterised by community involvement and a buy-in from the community at large. The Indian example is such a resounding success because of the involvement of the community in their own housing development programmes.

It is a good idea to help people help themselves. Rural Housing Finance schemes can help communities to be organised and form cooperatives that can run construction companies and suppliers of building materials. Local people can be involved in their own development whilst learning important skills in business and in construction.

This kind of set up can also render rural areas to be economically viable and sustainable. This seems to be a dominant feature of the Comprehensive Rural Development Program (CRDP)'s job creation and skills training model. The CRDP aims to create new vibrancy around working together, involving communities, the three spheres of government, and the private sector, by adopting an inclusive CRDP stakeholder participation framework whereby communities themselves have become central to their own development (CRDP, 2010).

This approach can work perfectly for rural housing finance. Communities can adopt a business model and establish construction cooperatives and becoming less dependent on the State.

6.3 Summary

The recommendations detailed above may be summarised as follows:

- Government must redesign the Integrated Rural Development Strategy to accelerate rural development if this strategy is to achieve its objectives.
- Government must review the powers given to Chiefs and tribal authorities in terms of land administration, judicial and Government functions so that the ownership issue on tribal land is sorted out, Government must come to an understanding with tribal authorities on how to deal with families who want credit to improve their homes in rural areas.
- Government must take the initiative and aggressively set up institutions that will assist rural dwellers with rural housing finance. The Government should investigate legislation that will make it a compliance issue for commercial banks to invest a small portion of their profits for rural housing finance purposes.
- Rural Housing Finance schemes can help communities to be organised and form cooperatives that can run construction companies and be suppliers of building materials. Communities can adopt a business model and establish construction cooperatives and become less dependent on the State.
- Moreover, there is a need to ensure that Spatial Development Frameworks (SDFs) complies with the requirements of the Municipal Systems Act (32 of 2000) and to ensure their alignment to the Integrated Development Plans (IDPs) to promote integrated sustainable human settlements.

- A comprehensive land use management system must be enforced to determine the usage of space economically.
- The Municipal Infrastructure Investment Framework (MIIF 7) Round 7 (2009 – 2010) must guide capital budgeting processes within the overall context of providing sustainable infrastructure services.
- Furthermore, there is a need to strengthen partnerships between government, municipalities and the private sector in the development of sustainable human settlement in the Limpopo Province. All these factors combined can create a conducive and enabling environment for rural housing finance to thrive.

6.4 Conclusions

This study concludes that rural housing finance is part of decisions and actions taken by rural residents, government bodies and the private sector.

The study further proved that rural areas benefit from rural housing finance through infrastructure development, service provision and economic development.

The study collected evidence showing that 95 per cent of the respondents attest that there is a link between rural housing finance and rural development and concludes that rural housing finance should therefore be aimed at improving low-income housing, providing affordable standards of construction and infrastructure, ensuring the financial viability of the institution involved in the sector and the replicability of their operations, improving cost recovery methods in order to eliminate or at least reduce significantly the need for subsidies from public funds, and finally improving the domestic mobilisation of resources of the sector.

The study concludes that there is a demand for rural housing loans as the case of Risima Housing Finance indicated. A break-down review of Risima's loan book indicated that 40 per cent of the company's debtors are financed for rural housing and if translated to financial terms it makes R119 million of the total R297 million. This by far exceeds the expectations one may have in terms of the performance of Rural Housing Finance.

Rural Housing Finance can assist the Government in dismantling the mentality of entitlement whereby people solely depend on Governments RDPs for access to housing. Rural development can be fast-tracked through the provision of quality houses in rural areas.

The research also looked at India as an example where Rural Housing Finance has been implemented with some degree of success and concludes that lessons can be learned from the Indian example when it comes to Rural Housing Finance.

With a combination of committed leadership, people with a vision and a willing Government, the challenge of housing backlogs can be addressed in SA. Rural Housing Finance has played a major role in India and can be the answer in developing countries that have big rural populations. If Rural Housing Finance can be implemented successfully in India, with sufficient political will, it can also be implemented elsewhere with the same level of success.

The research concludes that owning a decent home restores the dignity of residents in rural areas and improves their living conditions. For people who have seen the joy, the happiness and the facial expression when a person's dream of owning a home becomes a reality, they understand the effect that rural housing finance has on the marginalised population of our country.

Rural housing finance has changed lives, has rescued people from the humiliation of living in substandard conditions and gave people their dignity. This research indicates that there is a big demand for rural housing. The link between rural housing finance and rural development has been established.

The study concludes that it is also relatively cheaper to use Rural Housing Finance as a means of rural development whilst the demand for rural housing finance is high. The research managed to develop a link between Rural Housing Finance and rural development as well as the viability of such funding. The research concludes that Rural Housing Finance, if properly implemented, can be used as a vehicle to create sustainable human settlements.

The findings of the study emphasised the need for creating, nurturing and developing a sense of ownership of the housing problem by rural communities in which communities are encouraged to embrace that they have a critical role to play in dealing with the housing

challenge in their villages. The research reveals that strong public and private partnerships in the provision of housing are very crucial for the creation of sustainable human settlements.

There is a need to shift to a demand driven approach and emphasis on quality of the product and the environment. Improve service delivery to ensure quality of life by recognising the unique challenges facing rural areas (Medium Term Strategic Framework, 2009 – 2014)

Finally, infrastructure investment should primarily support the integration between rural and urban areas. Rural housing finance can play a major role in ensuring the above-mentioned points are implemented and in the process create sustainable human settlements.

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ANNEXURES

ANNEXURE 1: INTERVIEW SCHEDULE

INTERVIEWER: Zamokuhle William Mthethwa

INTERVIEWEES: Residents of Moletlane Village

Sex	M	F
Age		
Marital Status	Married/Common-law/partner Widowed Separated/Divorced Single/Never Married	
# of children		
Occupation & Nett salary/income		
<p>14. In short, can you tell me about Moletlane village?</p> <p>15. Do the majority of the people work or unemployed?</p> <p>16. Do people here own houses?</p> <p>17. In your opinion is access to housing finance easy to access? If not what are the main challenges hampering access to finance?</p> <p>18. How would you like to see Moletlane Village five years from now?</p> <p>19. Will you advice other people in the village to apply for rural housing finance to build and improve their houses?</p> <p>20. Do you know of any institution that is provide rural housing finance in the province?</p>		

- 21. Do you know if any of the people in the village have used rural housing finance to build a house?**
- 22. How do you think Moletlane village can benefit from using rural housing finance?**
- 23. Do you think rural housing finance can bring rural development in your village?**
- 24. If you know of people who have used rural housing finance, have rural housing finance changed their lives?
Please explain how?**
- 25. If people in the village apply for rural housing finance and get approval, will you advise them to value that and pay back their loans without any default?**
- 26. What is your overall view about rural financing?**

Annexure 2: self-developed questionnaire

SURVEY QUESTIONNAIRE: RURAL HOUSING FINANCE.

THIS QUESTIONNAIRE IS DESIGNED TO PINPOINT AREAS OF CONCERN FROM THE STANDPOINT OF RURAL HOUSING FINANCE

INSTRUCTIONS: Please fill in your particulars in the space provided below, and complete the questionnaire attached. As you complete PART A of the questionnaire, please note that each item has a 5-point rating scale. The more an item contributes to lift/strength the higher the rating. Please choose 1, 2, 3, 4, or 5 for each statement (circle the rating you think best reflects the circumstances in your experience. Please base your answers on your current experience and answer each question as be honest as you can.

PARTICULARS OF OFFICIAL COMPLETING THE QUESTIONNAIRE:

(Do not put your name on this form).

Gender: _____

Age _____

Rural Housing Finance Bond holder? _____

PART A: LIKERT SCALE

QUESTIONS (PART A.1)	1	2	3	4	5
HOUSING MARKET AND ACCESS TO FINANCE	Strongly Disagree	Disagree	Average	Agree	Strongly Agree
1. I own a house					
2. I have a right to have a shelter/house					
3. There are no challenges in accessing housing finance					
4. I know the institutions that provide housing finance/loans					
5. Housing finance can improve housing delivery in the area I live in					
6. There is a difference between a housing subsidy and a house built by means of housing finance					
QUESTIONS (PART A.2)	1	2	3	4	5
RURAL HOUSING FINANCE	Strongly Disagree	Disagree	Average	Agree	Strongly Agree
7. I am aware of and understand rural housing finance					
8. I have applied for rural housing finance before.					

9. Rural Housing Finance is easy to access compare to the four major banks					
10. My property is financed through rural housing finance					
11. I will be happy if communal land could be financed to build houses.					
12. I know company/s that provides rural housing finance in Limpopo.					
13. I would consider taking a home loan to develop/improve a residence in a rural area.					
14. I would recommend this type of finance to other people.					
15. I think rural housing finance can bring rural development in the area I live in.					
16. In my experience, rural housing finance has brought development or is improving Moletlane village.					
17. The use of rural housing finance goes with improved access to basic conditions					

PART B: OPEN ENDED QUESTIONS

We would like your opinion on Rural Housing Finance

1. What are the constraints and challenges hampering access to rural housing Finance

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2. Looking back to Moletlane before some members of the community built/renovated their houses using rural housing finance, will you say rural housing finance made an impact to the Village? If so what is the impact?

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3. Do you think relevant stakeholders (the Department of Local Government and Housing, the Department of Human Settlement, the Rural Housing Loan Fund, The National Housing Registration Council, and the Limpopo Provincial Government) have a role in creating an enabling environment for rural housing market to exist?

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4. What is your overall view of rural housing finance in creating sustainable human settlement?

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