**EXAMINATION OF FACTORS INFLUENCING ACQUISITION OF HOUSING FINANCE FROM FINANCIAL INSTITUTIONS IN TANZANIA: A case study of Ubungo municipality**

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# 

**A DISSERTATION SUBMITTED TO THE OPEN UNIVERSITY OF TANZANIA IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF BUSINESS ADMINISTRATION**

**2020**

# CERTIFICATION

The undersigned certify that he has read and hereby recommend for acceptance by the Open University of Tanzania, a dissertation / thesis entitled ***“Examination of Factors Influencing Acquisition of Housing Finance from Financial Institutions in Tanzania. A Case Study of Ubungo Municipality*** in partial fulfillment the requirements for the master degree of Finance of Open University of Tanzania.

………………………………….

Dr. France Shayo

**(Supervisor)**

# …………………………………

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## **DECLARATION**

I, **Andrew Lindi**, do hereby declare that this thesis is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

……………………………….

**Signature**

## ……………………………….

## **Date** **ACKNOWLEDGEMENT**

I owe it to the Almighty God for the gift of life that has given me a path through to accomplishment of this study. Without His constant blessings to me through the hereunder mentioned, this study would never have come into practice, Blessings Almighty God.

The completion of this report has a remarkable experience by the researcher that is not worth acknowledging without mentioning the role of the key persons in my life. The first person to acknowledge my beloved familyfor their support towards these achievements. Importantly, my sincere grateful to my supervisor Dr. France Shayo for his committed support into nurturing my dream and constructive suggestions, guidance and valuable time devoted throughout this research.**ABSTRACT**

The main purpose of this study was to examine factors influencing acquisition of housing finance from financial institutions in Tanzania using Ubungo as a case study. A detailed literature review was done to set the study within its wide context and to show the reader how the study supplements’ the work already done.

The study used quantitative research methods to address research questions. Primary data were collected using questionnaires with closed questions on a Likert scale from owners of plots / houses under constructions in Ubungo municipality. Collected data was then analyzed using statistical methods (SPSS 20), and the results were presented using simple frequency distribution tables and bar charts.

Data analysis showed that there is a relationship between independent variables and dependent variable, where by interest rates, policies and procedures of financial institutions, and enabling environment have direct relationship and they influence acquisition of housing finance.

The researcher recommends that the government should address business enabling environment such as taxes on capital gains, reduce interest rates through the Bank of Tanzania (BoT) to enable financial institutions reduce interest rate charged on housing loans, and financial institutions should improve on internal policies and procedures by reducing bureaucracy in the lending process.

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# LIST OF ABBREVIATIONS AND ACRONYMS

BOT Bank of Tanzania

CRDB CRDB bank plc

CBA Commercial Bank of Africa

ERP Economic recovery programme

GDP Gross Domestic Product

IMF International Monetary Fund

Machingas Very small Petty trader moving from one area to another

NBC National Bank of Commerce

NHC National Housing Corporation

THB Tanzania Housing Bank

TMRC Tanzania Mortgage Refinance Company Ltd

TPB Tanzania Postal Bank

UK United Kingdom

UN United Nations

UN-HABITAT United Nations Human Settlements Programme

USA United States of America

SACCOS Savings and Credits Co-Operative Society

# CHAPTER ONE

# INTRODUCTION

# 1.1 Chapter Overview

This study examined factors influencing acquisition of housing finance from financial institutions in Tanzania. The first chapter introduces background information, statement of the problem, research objectives and questions, the significance and scope of the study, and organization of the study.

## **1.2 Background Information**

Sustainable housing finance market presents great benefits to households and the economy of nations (James, 2015). An efficient housing finance system can enable households to realize equity from their housing wealth and facilitate the upgrading of the existing housing stock in a country (Benjamin, 2004). Housing finance market leads to improvements in the functioning of the housing market, facilitates economic development, and provides the lowest cost debt to most borrowers in a country (Chanond, 2009).

Mogaka, Mboya & Kamau (2015) argue that developed economy has an advanced housing finance system in which funds flow from savers to homebuyers by the mortgage markets. The state of Mortgage Financing differs from each other in sources of funds, linkage with secondary market, mortgage products and in the role of government (Lea, 2010). The characteristics of mortgage systems in Germany and Denmark are specialized mortgage banks with mortgage bonds backed by collateral pool as the principal source of funding. The UK has a depository-type housing finance system with commercial banks and savings banks as mortgage lenders, the source of fund is mainly retail deposits and the mortgage instruments are variable rate mortgage, the government insures deposits, and financial institutions finance more than 90% of house loans (Boleat,2008). The housing finance system of the USA has links to the secondary mortgage market (Lea, 2010). On the other hand, housing finance is under-developed in developing countries mainly due to lack of macroeconomic stability (Akinwunmi, 2009). They are vulnerable to external shocks; hence, they have variable economic indicators like variable inflations, variable GDP growth, variable interest rates and instability in currency fluctuations. (Qin & Pastory, 2012).

Chiquier and Lea (2009) indicated that, few countries, such as Mexico or Malaysia have mortgage lenders reached down to finance low-income households. Beyond lending markets, most large-scale programs of housing subsidies have fallen far short of achieving their social objectives. Because of these and other factors, the main funding sources for low income households to acquire housing, besides their own savings, have been trade credit or neighborhood money lenders at expensive credit terms (Chiquier and Lea ,2009).

According to Mogaka, Mboya & Kamau (2015), Kenya has a number of financial institutions with housing loans, though they end up issuing few housing loans. The report from Central Bank of Kenya (BoK,2016), indicates that mortgage market performance in Kenya stood at only 7.6% of its potential, and in Kenya the ratio of outstanding mortgage debts to GDP is 2.52% (BoK, 2013). The demand for housing financing in Tanzania is increasing, and affordable housing remains one of the key challenges in infrastructure and basic human needs, particularly in rapidly urbanizing cities and sub-urban areas (Nkya, 2014). According to BOT and TMRC (2018), the ratio of outstanding mortgage debt to GDP in Tanzania stood at 0.32%, much less than Kenya, which is very low as compared to many developed economies, where it is higher than 50%. Kyessi and Furaha (2010) revealed that access to housing finance by the urban poor is low; Moss (2010) indicated that the deficit in Tanzanian urban centers was about 1.2 million housing units, and lack of formal housing credit facilities in Tanzania aggravate the shortage of houses in Tanzania. Nkya (2014) indicated that there is a need for affordable housing finance for construction in Tanzania. Its’s against this background that this study is constructed to examine factors influencing acquisition of housing finance from financial institutions in Tanzania.

## **1.3 Statement of Research Problem**

Housing finance markets contribute significantly to addressing the problem of housing inadequacy or insufficiency by providing homebuyers with long-term mortgage loans with relatively moderate monthly instalments (Boamah, 2010). Lea (2010) observes that an important means to achieve an increased access to housing by households is the design and provision of adequate mortgage products on a continuous basis by financial institutions.

According to Wamock (2008), the basic infrastructure that enable a well-functioning housing finance system are; information on the credit worthiness of potential borrowers, macroeconomic stability, and factors that promote funds mobilization, while Duncan (2004) revealed property rights, monetary policy, economic growth, risk assessment tools, and capital access are basic requirements for success of housing finance markets. Eloy (2010) has observation that, the Brazilian housing finance system expanded rapidly because of sound economic environment and legal reforms. Lea (2010) note that the existence of secondary mortgage market, sources of long-term funding, income distribution and effective demand, financial sector size, macroeconomic stability, urban planning policies, and land titling and use policies are important drivers of growth in mortgage finance.

According to Nkya (2014), in Tanzania people finance construction of houses through cash obtained from household savings, and to some extent from micro credits and personal loans intended for other purposes, and this makes 98% of existing housing, which individuals build incrementally for residential purposes. Housing finance for low-income earners is difficult to serve with existing traditional mortgage set up (BOT, 2017). Kyessi & Furaha (2010) showed that liquidity positions among financial institutions in Tanzania have been strong and improving over the years, and various financial institutions have introduced housing loan schemes.

The World Bank (2014) indicated that the ratio of housing loans to GDP is higher in developed countries than in under developed countries. Some examples in UK (86%), USA (75%), Germany (40%), France (38%), China (39%), Japan (25%), Israel (28%), South Africa (33%), India (7%), Kenya (4%), Rwanda (3%), Uganda (2%) and Tanzania (0.32%). Qin & Pastory (2012) study asserted that despite commercial banks having a high liquidity position among financial institutions in Tanzania, individual access to housing loan schemes has proved to be difficulty. This study is trying to identify challenges in the acquisition of house loans for this reason.

## **1.4 Research Objectives**

The following are the general and specific objectives of this research study

### 1.4.1 General Objective

The overall objective of this study is to examine factors influencing acquisition of house finance from financial institutions in Tanzania.

### 1.4.2 Specific Objectives

The following are specific objectives in this study;

1. To assess the influence of interest rate on acquisition of house finance in Tanzania
2. To determine the influence of policies and procedures of mortgage finance in accessing house loans in Tanzania.
3. To evaluate the influence of enabling environment in acquisition of mortgage finance in Tanzania.

## **1.5 Research Questions**

Generally, this study will examine factors influencing acquisition of house finance from finance institutions in Tanzania.

### 1.5.1 Specific Questions

The following are specific questions in this study;

1. Does interest rate influence acquisition of house loans in Tanzania?
2. Do bank policies and procedures influence access to Mortgage finance in Tanzania?
3. Does enabling environment influence acquisition of house finance in Tanzania?

## 

## **1.6 Significance of the Study**

The study examined major factors influencing access and utilization of house loans provided by financial institutions in Tanzania. This study provide more insights in understanding the extent of the housing loan-financing problem, which will assist to tackle challenges in the area of housing finance, including helping borrowers prepare better when seeking housing finance. The study provide more light to policy makers in the housing sector, as well as in the mortgage finance industry, in particular the Central Bank of Tanzania, to review its credit policies in order to improve acquisition of house loans. The expectation is that the knowledge gained from the study will pose additional questions for future study.

**1.7 Limitations of the Study**

The study was conducted in Ubungo municipality in Dar es Salaam region. Dar es Salaam is the main commercial city of Tanzania. Ubungo municipality is widely populated with many houses being built by individuals, either working on full time employment or conducting business. Many houses in Ubungo municipal are either residential or commercial. The study was conducted with limited time as the researcher is a full-time employee in Dar es Salaam, and the researcher had a limited time to fulfil requirements for the MBA programme. The researcher had no sponsorship; hence, the study was done with financial limitation.

## **1.8 Organization of the study**

The next chapter is critically reviewing existing literature, theories and policies on housing finance, identifying the key factors that contributed to success or failure of housing finance systems. A conceptual or theoretical model was developed, based on the analysis of the literature review. Then followed the research methodology, which details data collection methods on factors influencing accessibility and utilization of mortgage loan facilities in Tanzania. Then follow data analysis and tests for validity of the model. Based on the outcome of the research, conclusion and recommendations are made. References are provided at the end. Questionnaires used in the study are provided as Appendices at the end of this study.

# CHAPTER TWO

# LITERATURE REVIEW

## **2.1 Introduction**

This chapter deals with theoretical literature review and empirical literature review on studies concerning house loan financing. It presents some of the housing finance literature on housing loan financing.

## 

## **2.2 Conceptual Definitions**

### 2.2.1 Financial Institutions

According to Evans (2007), a financial institution is an organization that obtains money from deposits and earns money from loans. Harvey (2012) defines a financial institution as an enterprise such as a bank whose primary business and function is to collect money from the public and invest it in financial assets such as stocks and bonds, loans and mortgages, leases, and insurance policies. Haan, Schoenmaker & Wierts, (2020), define financial institutions as intermediaries or agents in the financial system, such as banks, insurance companies, finance companies, mutual funds, and pension funds that provide financial services, to channel funds from sectors that have surplus funds to sectors with shortage of funds. Financial institutions function as brokers and dealers of securities linking buyers and sellers together. This recent definition by Haan, Schoenmaker & Wierts, (2020), is adopted in this study as it shows that Financial institutions facilitate the saving –investment process to take place, and that their role is to mobilize financial savings from different sources by offering appropriate short term and long term facilities or financial instruments, and then to allocate efficiently the mobilized savings to the most productive and essential sectors of the economy and thus bringing about a higher level of capital formulation.

### 2.2.2 Loan

Harvey (2012) defines a loan as a temporary borrowing of a sum of money. Pass, Lowes and Davies (2005) define a loan as the advance of a specified sum of money to a person or business (the BORROWER) by other persons or businesses, or more particularly by a specialist financial institution (the LENDER), which makes its profits from the INTEREST charged on loans. Farlex (2012) defines a loan as the extension of money from one party to another with the agreement that the money will be repaid. A more rent definition of a loan was given by Law (2016), defining a loan as a money lent on condition that it is repaid, either in instalments or all at once, on agreed dates and usually that the borrower pays the lender an agreed rate of interest (unless it is an interest free loan). The study adopt this definition by Law (2016) as it encompasses all items surrounding a loan arrangement (agreement, borrower, lender, loan, principal, interest, maturity).

### 2.2.3 Mortgage Loan

According to Scott (2003), a mortgage is a pledge of specific property as security for a loan. Meaning any loan for any purposes but security given is a property. Harvey (2012) also defines a mortgage loan as a loan secured by the collateral of some specified real estate property, which obliges the borrower to make a predetermined series of payments. Lightbulb (2008) defines a mortgage, or more precisely a mortgage loan, as a long-term loan used to finance the purchase of real estate. Tunnell & Raysor (2015) defines a mortgage as an interest in the property, which the lender holds, as protection against financial loss should the borrower fail to meet his or her obligation to pay the debt. The definition by Tunnell & Raysor (2015) is adopted in this study. That is, a mortgage is not technically a loan. A borrower, or mortgager, repay the lender, or mortgagee, the loan principal plus interest, gradually building his equity in the property. While the mortgage is in force, a borrower has the use of the property, but not the title to it. When the loan is repaid in full, the property goes back to the borrower. However, if borrower default, or fail to repay the loan, the lender may exercise its lien on the property and take possession of property.

### 2.2.4 Lien

Evans (2007) defines a lien as a legally enforceable claim on the property of another because of a debt or obligation. Harvey (2012) defines a lien as a security interest in one or more assets that lenders hold in exchange for secured debt financing. A more recent definition in line with this study was given by Benarroche (2020), defining a lien as a charge against or interest in the property to secure payment of a debt or performance of an obligation. Essentially, a lien is when a lender or creditor acquires an interest in some type of collateral, typically real property. Indeed, for the purpose of this study, lien is legally enforceable claim to secure an interest in asset(s) that lenders hold in exchange for secured debt financing. The main purpose of a lien is to bind or otherwise encumber the title of a property, without taking possession of the title.

### 2.2.5 Collateral

Scott (2003) defines a collateral as an asset pledged as security for a loan. In the event that a borrower defaults on the terms of a loan, the collateral may be sold, with the proceeds used to satisfy any remaining obligations. According to Lightbulb (2008), assets with monetary value, such as stock, bonds, or real estate, which are used to guarantee a loan, are considered collateral. Simmons (2019) defines collateral on the other hand, as assets of value which are given by a borrower to the lender in order to mitigate (reduce) the lender’s risk of a borrower failing to return the lent cash or securities. The study adopt this definition as the assets acts as a security for loan, and the lender can seize the collateral and sell it to recoup some or all of its losses.

**2.2.6 Foreclosure**

According to Property metrics (2017), when a borrower fails to meet its loan obligations, the lender may try to foreclose on the property securing the loan. “Foreclosure” is just the series of steps a lender has to take in order to force the sale of such property and use the sale proceeds to recover its unpaid debt. Foreclosure is a legal process by which the owner forfeits the rights to the property. Beringer (2018) definition is that foreclosure is what happens when a homeowner fails to pay the mortgage. More specifically, it is a legal process, in which the owner forfeits all rights to the property. This study adopted the definition by Beringer (2018). With this definition, if the owner can’t pay off the outstanding debt, or sell the property via short sale, the property then goes to a foreclosure auction. If the property doesn’t sell there, the lending institution takes possession of it.

## **2.3 Theoretical Review**

This study adopted three legal theories pertaining to mortgage finance. The Title Theory of mortgages, the Lien theory of mortgages, and the Intermediate theory of mortgages, they were all edited by Thompson Reuters in 2009. The study used these theories to explain the practical link pertaining to operation of mortgages, and so provide the key understandings of the differences that exists in the operation of mortgages across various jurisdictions.

### 2.3.1 Lien Theory of Mortgages

The lien theory of mortgages derive from the English common law (Ghent, 2012). Ghent (2012) shows that the lien theory is the result of the reform of the law in the direction of assimilating the rules of law to those of equity. According to Thompson (2019), in lien theory, the title remains with the purchaser (borrower), and the lender places a lien on the property. This means there is an encumbrance on the property for the life of the loan. The lien is lifted once obligations are met. When obligations towards the loan are not met, a judicial foreclosure can be initiated. Lenders using the lien theory treat mortgages as instruments granting security rights to a lender, but legal title remains with the borrower. Lenders must usually resort to judicial foreclosure and obtain a court order authorizing sale of the property to satisfy a debt. With lien theory, the borrower has the right of possession (Lyamuya, 2017). The borrower has a right to sue the lender for any interference with his right of possession. Lender’s right to possession arises upon a default. Where mortgages are based on lien theory, mortgages are attractive to borrowers, as transfer of possession requires a judicial foreclosure process (Samuel, 2013). This process can be lengthy and afford the borrower more opportunities to settle the debt, but on the other hands, it means that some lenders may be cautious about lending where the lien theory operates, because it may take much more time to process re-possession of the assets pledged as security when defaults occurs (Hinkle, 2011). But with common law, when a borrower is unable to repay his loan plus the interest on loan, the security goes to the lender (Sanga, 2004). Hence, this study does not adopt the lien theory alone due to this contradiction.

### 2.3.2 Title Theory of Mortgages

Title theory of mortgages derives from traditional English law (Ghent, 2012). In the Thompson (2019) argue that in the title theory, the title of real estate remains with the lender until the loan is paid in full. The lender owns the property and can reclaim it, should the borrower default on the loan, by use of a non-judicial foreclosure process (Thompson, 2019). It means that in title theory of mortgages, borrowers transfer legal title of the asset pledged to the lender who holds it in trust for the borrower under a deed of trust. Foreclosure in such situation is non-judicial because the lender already has the legal title (Haupt, 2009). Where mortgages are based on title theory, on the other hand, mortgages are attractive to lenders (Boamah 2010), because they can institute a power of sale foreclosure process, which does not involve expensive and lengthy litigation. However, on the other hands, it means that some borrowers may be cautious about borrowing where the title theory operates because it may take less time for lenders to process re-possession of the assets pledged as security when default occurs as lenders have the title (Fisher 2010). The title theory is in line with the common law, that is, when a borrower is unable to repay his loan and the interest on loan, the security goes to the lender (Sanga, 2004). However, under equity, non-payment of the loan plus interest does not automatically leads to conveyance of the property to the mortgagee (Sanga, 2004). Equity prevails over common law; hence, title theory alone is not applicable in this study.

### 2.3.3 Intermediate Theory of Mortgages

Intermediary theory is where the borrower retains the title, however, the lender can take back the title if the borrower defaults on the loan, without judicial proceedings (Smigel, 2020). This study adopted the intermediate theory of mortgages, which is viewed as creating a lien on the mortgaged property until such a time as an event of default occurs pursuant to the loan contract. After a such a time of default, the same mortgage is construed under title theory, this is accomplished by the inclusion of a stipulation with the loan contract to the effects that the borrower is allowed to retain legal title to the collateralized property with express agreement that the lenders may foreclose in a non-or extra-judicial manner if the borrower defaults on the loan (Mogaka, Mboya, Kamau, 2015). Thompson (2019) argue that in the intermediate theory, the lien applies if the borrower stays current on the loan, and keeps the deed. If borrower defaults, the lender takes the title. The borrower gets it back only if he cures the delinquency and pays off the loan.

## **2.4 Empirical Literature Review**

### 2.4.1 Global Review

A report by UN-HABITAT (2008), gave a comprehensive synthesis of various innovations in low- and moderate-income housing. The main issues were affordability, accessibility, and sustainability, mainly on housing finance. The study aim was to provide an all in one synthesis of tools and experiences and practices in housing provisions and housing finance for low- and moderate-income households. The case studies were used in various countries including Algeria, Fiji, Indonesia, Philippines, and USA. The report mainly used secondary data to analyze and come with conclusions on various phenomenal in those countries. The study findings revealed that, the more developed a nation’s economy, the more developed its credit markets. The credit market includes mortgage financing. In a developed economy, more people have access to housing finance, and financial institutions spend much of their liquidity to issue loans for various purposes, mainly housing finance. The study recommended that human settlements needs must link to financing in the country. The report revealed that in most developing economy the poor are excluded from formal financial institutions and are not able to use mortgage finance available. Some of the major reasons are; they lack sustainable bank accounts; they cannot afford high fees charged by financial institutions; they do not have formal legal titles to provide as collateral or security; they do not have capacity to make monthly repayments over a long period; and they do not have formal employment.

A study by Akinwunmi (2009) in Nigeria in 2009 titled “An investigation into factors affecting housing finance supply in emerging economy” suggests that housing finance is a major factor determining the quality of settlements systems, and the effectiveness of the financial system. The main objective of this study was to develop an empirical model to reveal the underlying factors affecting housing finance in Nigeria. The study used primary data collection on housing finance supply in Nigeria, with quantitative analysis examining the measurements of features of housing finance supply to understand what the measurements reveal about the features of housing finance supply. Secondary data in form of series data were also extracted from the balance sheets of the banks. Structured questionnaires were adopted in data collection from the banks. The target population of the respondents was the Loans and Advances Managers in the Universal Deposit Money Banks (UMDBs). The quantitative data were analyzed using Microsoft Excel / SPSS, the study used structured questionnaires, which were used to target the household / micro-economic level for housing finance demand. The study noted that most of the poor economies, like Nigeria, have inefficient mortgage system. Rich countries have efficient mortgage systems, sometimes nearly equal to their GDP. Loans in rich countries are sourced from deposit taking institutions. Mortgage outstanding as a percentage of GDP is higher in rich countries than poor countries. For example, USA (86%), UK (72%), Germany (52%). In contrast Morocco (2%), Nigeria (2%). Poor countries on the opposite, use very little of the mortgage finance, acquiring houses in poor countries depend on individual’s ability to raise money needed to meet the construction cost or purchase price of the house, and individual income is normally low. The study agreed with Lafourcade, Isern, Mwangi and Brown (2005) on their study entitled “Overview of the outreach and financial performance of Microfinance Institutions (MFIs) in Africa”, the findings revealed MFIs still face many challenges. Operating and financial expenses are very high, and on average, revenues remain lower than in other places globally. Efficiency in terms of cost per borrower is lowest for African MFIs. Warnock and Warnock (2008) study on mortgage rate predictions are based on the supply of money, whether it is increasing or decreasing and likewise the trend in the demand is for money. Mortgage rates also rise due to increased risks: Mortgage rates are also influenced by investment decisions, i.e. risks involved. Mortgage rates will depend on the overall risks involved in the housing market. If the house value decreases, then the risks with the banks will suddenly rise and the predictions in the mortgage rates will go up. Mortgage rates fall due to government intervention: For instance, the US government plays a very powerful role in the financial market. The government can influence the overall market for money by issuing treasury bonds at different interest rates and thus, it will affect the real interest rate.

### 2.4.2 Empirical Studies in Tanzania

A study by Sheuya and Burra (2016) “Tenure Security, Land Titles and Access to Formal Finance in Upgraded Informal Settlements: The Case of Dar es Salaam, Tanzania”. Current urban studies were done to assess access to housing finance in low-income settlements in developing countries. It was a case study carried out in Dar es Salaam city, in Tanzania. The empirical enquiry was done in two wards, Manzese and HannaNassif of Kinondoni Municipality. Both primary and secondary data collection methods were used. The authors reviewed international and national literature including books, journals, consultancy reports, periodicals and documents from the Ministry of Lands, Housing and Human Settlements Development, the Kinondoni Municipal Council and a local NGO. The study did Interviews and discussions with officials, In-depth interviews with a sample of property owners, Focus Group Discussions with property owners, plus non-participant observation. According to the study, based on empirical investigations in two settlements in Dar es Salaam, the study explored the take-up of titles and subsequent use to access credits. Findings show that take-up is slow and very few property owners have accessed credit. Main reason is that mortgage finance targets individuals who can take relatively large value loans of over USD 10,000, repayable by making regular monthly payments for long periods, ranging from 15 to 30 years. This condition best fits high-income earners and permanently employed staff. Low/middle income households build their houses incrementally and the process accounts for 50 - 90 per cent of residential development in the large cities. The house is built with little or no support from commercial banks because the households’ economic characteristics and financing needs are incompatible with the operational procedures and lending requirements of the financial institutions. The majority are self-employed, who according to banks, cannot guarantee regular monthly payments for long periods. When credit is needed, low and middle-income households depend on, among others, informal finance and housing micro-finance. The study revealed further that loans taken using titles as collateral were not used to improve houses nor open businesses. These loans were used to expand on-going profitable businesses. Loans were repaid and no property has been taken away. Hence the demand of credits is to expand already profitable business and not for housing projects. The study recommends further, that there is a need to promote the acquisition and use of titles. The challenges to financial institutions are to design and implement context specific housing microfinance products that make ownership of residential licenses a necessary condition for accessing loans.

## **2.5 Research Gap**

In the literature review, the UN Habitat (2008) report shows that financial institutions are not able to give loans, as individuals do not qualify to banks conditions. Akinwunmi (2009) considers that inefficiency in the financial sector as a major factor for under-development of mortgage finance in less developed countries. According to Sheuya and Burra (2016), property titles often fail to increase access to housing credit. According to Nkya (2014), in Tanzania majority of individuals use own savings to acquire houses, which they build slowly and incrementally for many years, because they cannot do it within the existing house loans set up.

According to BOT (2017), housing finance for low-income earners is difficult to serve with existing traditional mortgage set up. All the reports indicate that financial institutions consider default rate is high among borrowers, which is why they impose many restrictions. Recently, there are many changes in the financial sector, which might render some of the findings in these reports un-applicable. The financial institutions have opened doors to people to acquire loans. After financial sector reforms in Tanzania, many financial institutions have come in the country, including pension funds, insurance companies, brokers, agencies, bureau de changes, credit societies, and savings and borrowing societies. All these financial institutions are involved in lending activities (Government gazette of August 17, 2018). However, despite all these we have seen less preference among individuals to acquire mortgage loans. Many studies have concentrated on rich countries and other parts of the world. There are limited studies in Ubungo municipality, Dar es Salaam on the factors influencing individuals to acquire house finance from financial institutions in Ubungo Municipal.

**2.6 Conceptual & Theoretical Framework**

The Conceptual framework is a diagram that illustrate a relationship between two or more variables, by illustrating their relationship. The framework offers a logical structure of connected concepts that facilitate drawing a visual display of how ideas in a study relate with one another within a theoretical framework (Grant, 2014). The study was undertaken to examine factors influencing acquisition of house finance from financial institutions in Tanzania, in Ubungo Municipality. This conceptual framework follows from literature review. It depicts the relationship between independent variables and dependent variables.

**Independent variables Dependent variable**

**Interest Rate**

-Price assets

-Price liabilities

-Loan security

-Collateral

**Policies & Procedures**

-Loan security

-Borrowing Costs

-Collateral

**Enabling Environment**

-Taxes

-Regulations/procedures

-Formalization of settlements

Acquisition of house finance (mortgage)

**Figure 2.1: Conceptual Framework**

The conceptual framework was constructed to reveal the relationship between two variables in the construct, the independent and dependent variable. The study considered three independent variables. The first variable in this construct is interest rate, which was measured by indicators such as price assets, price liabilities, loan security, and collateral. The second variable in this construct is policies & procedures, which was measured by indicators such loan security, borrowing costs, and collateral. The third independent variable is enabling environment, which was measured by indicators such as taxes, regulations, procedures, and formalization of settlements.

**2.7 Factors Influencing Mortgage Financing**

Theoretical literature in this section has illustrated a preliminary relationship of the factors that influence customers’ access for house mortgage. The factors outlined to have influence on access to house mortgage are interest rate, policies and procedures, and enabling environment.

**2.7.1 Influence of Interest Rate on House Mortgage**

To finance a home, lenders such as banks offer mortgages that allow homebuyers to spread out the cost of the home over several decades by making reasonable monthly payments, mortgages vary widely in terms of their interest rates and overall cost (Lea, 2010). Mortgage rates are affected by various factors, which include supply and demand, and this control the interest rate of mortgages on a fundamental level (Minne & Teppa, 2015). When many people are seeking mortgages to buy homes, lenders can charge higher interest rates, and when the economy is moving more slowly and there are fewer buyers, lenders may be forced to reduce interest rates to attract borrowers (Kyessi & Furaha, 2010). According to Brune (2009), supply and demand keep mortgage interest rates in a constant state of flux. Brune (2009) argues that mortgage interest rates may be largely impacted by the buyer's credit score and overall credit worthiness. Lenders are reluctant to offer loans to borrowers with a poor credit history. To attract more low-risk borrowers, they can offer low-interest loans to qualified borrowers with high credit scores, steady incomes and job stability. Borrowers with poor credit may be forced to accept higher mortgage interest rates.

**2.7.2 Influence of Enabling Environment on Mortgage Finance**

Lea (2010) indicated that all mortgages involve closing costs; these consist of lenders fees, mortgage broker fees, title fees, closing agent (or lawyer’s) fees, taxes, recording fees, etc., and the costs can be paid out of pocket (bringing a check to closing) and have them deducted from the amount borrowed, thus reducing the loan proceeds received. A more recent option is to pay closing costs over time via a higher interest rate. This type of structure is marketed as a no-closing costs mortgage, or no-cost mortgage (NCM).

Lenders are required to disclose closing costs and factor them into the calculation of the annual percentage rate (APR) of the loan (Warnock and Warnock. 2008). Dehem & Hudon (2013) indicated that, the factor which has limited mortgage financing is the legal framework within which lending operates. An efficient mortgage market requires a legislative framework that ensures smooth completion of property transactions and foreclosures. Sanga (2004) indicates the challenges in legal framework that prevent smooth running of mortgage transactions, by arguing that where there are issues regarding mortgages, the practice has been to use common law alongside the principle of equity. Unfortunately, the two contradicts when issues of mortgages comes in. In common law, when a mortgager (or borrower) is unable to repay his loan plus the interest on loan, the security goes to the mortgagee (or lender). With equity, non-payment of the loan plus interest does not automatically leads to conveyance of the property to the mortgagee (Sanga,2004). In law, if common law and equity contradicts, equity prevails. This is what is commonly known as ‘once a mortgage, always a mortgage’. Therefore, banks have been very reluctant to issue house loans based on this contradiction. That is why there are very limited housing finance in Tanzania (Moss, 2010). BOT (2017) indicated that housing finance for low-income earners is difficult to serve with existing traditional mortgage set up. Many banks in Tanzania are characterized with high liquidity, and limited lending. According to IMF (2018), recently, banks in Tanzania have less liquidity and more non-performing loans (NPL), hence very cautious to issue loans, indicating more stress for individuals to get loans than before. According to USAID (2016), the 1995 national land policy confirmed that all land in Tanzania is public land and is vested in the Tanzanian President as a trustee on behalf of all citizens. The President establish the fundamental principles guiding land rights use and management. Empirical research on mortgage debt has largely ignored the role of fiscal instruments affecting housing markets and mortgage credit. Nevertheless, it is obvious that various government instruments affect mortgage-financing decisions (Buti & VandenNoord, 2003). The fiscal measures may affect housing-related decisions via taxation of imputed rent on own houses, the deductibility of mortgage interest payments from income tax, and capital gains taxes on revenue of selling a house. For instance, most EU governments subsidy owner-occupied housing, especially when mortgage-financed, because of foreseen social and macroeconomic benefits (Akinwunmi, 2009).

The main underlying factor that relate to mortgage has to do with lack of secure and transparent titled lands, increasing the risk of mortgage lending and the consequential reduction in the granting of mortgage loans. As noted by Iambrah (2001) the backlog of land title applications perpetuates multiple sale of land with the effect that land market cannot operate effectively to either enable development of a formal market for mortgage or to act as security for mortgage finance. Predicting mortgage rates is difficult due to the various factors that influence the mortgage financing; Mortgage rates rise due to inflation; the interest rates are calculated in response to supply and demand in the financial market, and are independent of inflation, the bank will charge the nominal interest rate for your mortgage and this adds on the annualized percentage rate of inflation (Butler et al 2009). And mortgage rates rise also due to the reduced availability of credit (Warnock and Warnock. 2008).

**2.7.3 Policies & Procedures and Mortgage Financing**

A more precise elaboration in connection with this study was given by Duca and Rosenthal (2007), who elaborated that because mortgage banking encompasses numerous activities that pose significant risks, the bank should have effective policies and strong internal controls governing each operational area. Notably, effective policies and internal controls enable banks to adhere to established strategic objectives and to institutionalize effective risk management practices (Butler et al, 2009). Basabta K.S. (2010) revealed that financial institution policies and procedures can help ensure that the bank benefits through efficiencies gained from standard operating procedures, as the policies provide mortgage-banking personnel with a consistent message about appropriate underwriting standards needed to ensure that loans made are eligible for sale into the secondary market.

However, lack of appropriate policies and procedures, or lack of adherence to the set policies and procedures is likely to have an effect on the mortgage financing. Minne & Teppa, (2015) indicated that financial markets operate on supply and demand in the market; If the supply is limited, then people who have more money or those who have purchasing power will pay for that item. When a bank is considered riskier, customer avoid it, for instance a history of losses by institutions in the past can also increase the cost of external long-term funding, making short term domestic binding as the only available funding to lend long. These together increase the cost and reduce the availability of mortgage funding in a market (Duca and Rosenthal, 2007).

**2.8 Summary of Chapter two**

The review of literature showed that regulatory and macroeconomic factors influence mortgage financing. Government involvement in mortgage markets varies across countries, and it is likely that this explains at least some of the cross-country variation in housing finance (Lea,2010). However, it is hard to distinguish regulatory effects from other factors that may affect household mortgage choice including experiences with interest rate and inflation volatility, which can have an effect on mortgage financing. Mortgages are rapidly becoming important financial instruments in emerging markets. In addition, long-lasting historical influences are likely to be less important in emerging markets because their rapid growth and financial evolution reduce consumer inertia. However, there are limited studies on mortgage financing in emerging markets and this poses a challenge in finding adequate data.

# CHAPTER THREE

# RESEARCH METHODOLOGY

## **3.1 Introduction**

This chapter addresses research design of the study. It further discusses the copulation and sample size, research design, and research procedures. Finally, the methods of data collection and data analysis methods used in the study.

**3.2 Research Philosophy**

Gliner and Morgan (2000) described research philosophy, as the way that guides how to conduct a research. It is characterized as a precise procedure, which involves various steps through which a researcher creates a relationship between the research objectives and questions. Hart (2003) explains research paradigm as a process of scientific practice in acceptable ways of defining; assigning categories, theorizing and procedures of a particular discipline thus, this concept bases on scientific assumptions about the world.

This study examined factors influencing acquisition of house mortgage in Tanzania. The study adhered to positivism approach in data collection and analysis. Collins (2010) indicated that positivism depends on quantifiable observations that lead to statistical analyses, hence in positivism approach; the role of the researcher is limited to data collection and interpretation in an objective way. In other words, studies with positivist paradigm based purely on facts. Collins (2010) continue to show that in positivism approach, the researcher is independent of the study results, because positivism depends on quantifiable observations that lead to statistical analyses. Crowther and Lancaster (2008) argue that generally, positivist studies usually adopt deductive approach. Deductive approach links with the positivism philosophy, which include hypothesis to prove assumptions (Ritchie & Lewis, 2003). A deductive approach is concerned with “developing a hypothesis (or hypotheses) based on existing theory, and then designing a research strategy to test the hypothesis. If a causal relationship or link seems to be implied by a particular theory or case example, it might be true in many cases (Dudovskiy, 2016).

A deductive approach is concerned with deducting conclusions from premises or propositions. Hence deduction begins with an expected pattern “that is tested against observations (Dudovskiy, 2016). For this reason, a deductive approach offers many advantages, including possibility to explain causal relationships between concepts and variables, possibility to measure concepts quantitatively, possibility to generalize research findings to a certain extent. (Saunders, Lewis, Thornhill, 2012)

Dudovskiy (2016) indicates that studies using deductive approach follow the following stages in in their research methodology. They deduce hypothesis from theory. They formulate hypothesis indicating possible relationships between independent variables and dependent variables. The hypothesis is tested using quantitative methods like regression and correlation analysis, mean, mode and median. The outcome is examined to confirm or reject the theory. At the end, in the analysis of outcome of tests, research findings are compared to literature review findings, in order to modify the theory in line with the outcome of the tests, mainly where hypothesis was not confirmed.

**3.3 Area of Study**

Dar es Salaam is the biggest commercial city in Tanzania. The city has five municipals. There are three old municipals namely Temeke, Kinondoni, and Ilala. The new municipals in Dar es Salaam are Kigamboni and Ubungo. Ubungo became a municipal in 2016. This study was based at Ubungo Municipal, which according to 2012 national population and housing census, has an area of 260.4 square kilometers. Population in Ubungo in 2012 was 845,368, and estimated to grow annually by 5%. The municipal is rapidly expanding, there are many constructions going on, largely residential houses. Ubungo and its yards are varied and growing steadily. There are limited studies on housing finance in Ubungo Municipal. For reasons above, Ubungo was chosen as a better representation of Tanzania.

## **3.4 Research Design**

The research design provided an appropriate framework for a study. A very significant decision in research design process was the choice to make regarding research approach since it determines how relevant information for a study will be obtained (Sileyew, 2019). This study employed a descriptive research design. Descriptive research portrays an accurate profile of persons, events, or situations (Saunders, Lewis, Thornhill, 2012). Sharma (2019) asserts descriptive research as a research method that describes the characteristics of the population or phenomenon studied, and that descriptive design tend to focus more on the “what” of the research subject than the “why” of the research subject.

The study collected numerical data from a sample, which were then analyzed using SPSS analysis to establish a relationship between variables in the sample, the sample being representative of the study population. In addressing research objectives, the study used quantitative research methods to answer research questions. Sharma (2009) argue that quantitative research focuses on gathering numerical data and generalizing it across groups of people or to explain a particular phenomenon, and that descriptive research is a quantitative research method that attempts to collect quantifiable information for statistical analysis of the population sample, that allows describing the demographic segment’s nature.

## **3.5 Study Population**

According to Ngechu (2004), a population is a well-defined or set of people, services, elements, events, group of things or households that are being investigated. The study selected stakeholders in the housing industry in Ubungo municipality in Dar Es Salaam City, who were house and plots owners, those who have started construction, and mortgage developers (firms) in order to gain on their experience on the issues relevant to this study.

**3.6 Sample Size and Sampling Procedure**

Population refers to an entire group of individuals, events or objectives having common observable characteristics (Mugenda & Mugenda, 2003). According to Sakaran (2006), a sample is a subset of the population, which comprises some members selected from it. A population is generally a large collection of individuals or objects that is the main focus of a scientific query (Sakaran, 2003), whereas a sample is a small group or subset of the population, which researcher selects for the purpose of the study and from which generalization is made about the characteristics of the population (Wimmer and Dominick 2003). The study used systematic random sampling to select respondents. The sample size for this study was 66 respondents. The respondents were selected from 14 wards of Ubungo Municipal. Sampling is the process of selecting a sufficient number of elements from a population so that a study of the sample and understanding of its characteristics would make it possible for us to generalize such characteristics to the population elements (Sarakan, 2006). The Ubungo Municipal has a total of 14 administrative wards that the study selected respondents using simple random sampling as shown in the table 3.1 below.

**Table 3.1: Sampling Distribution**

|  |  |  |  |
| --- | --- | --- | --- |
| **S/No** | **Wards** | **No of Respondent** | **Sampling Techniques** |
| 1 | Sinza | 4 | Simple random sampling |
| 2 | Ubungo | 7 | Simple random sampling |
| 3 | Mburahati | 4 | Simple random sampling |
| 4 | Makuburi | 6 | Simple random sampling |
| 5 | Mabibo | 4 | Simple random sampling |
| 6 | Makurumi | 5 | Simple random sampling |
| 7 | Mbezi | 6 | Simple random sampling |
| 8 | Msigani | 7 | Simple random sampling |
| 9 | Kimara | 7 | Simple random sampling |
| 10 | Saranga | 6 | Simple random sampling |
| 11 | Goba | 6 | Simple random sampling |
| 12 | Kibamba | 8 | Simple random sampling |
| 13 | Kwembe | 4 | Simple random sampling |
| 14 | Manzese | 0 | Simple random sampling |
|  | **Total** | **66** |  |

**3.7 Data Collection Methods**

The study used both primary and secondary sources of data in the analysis of result findings. The study collected primary data using questionnaires. On the other hand, secondary data obtained through review of journals, published articles, books and reading relevant working papers in Tanzania, Sub-Sahara Africa and in the world.

**3.7.1 Study Questionnaire**

The study questionnaire consisted of closed ended questions. The questionnaires were distributed to respective respondents identified using systematic random sampling techniques.

**3.7.2 Study Interviews**

Study interview refers to a mix of structured questions that guide the interview (Merriam, 1998). In this study interviews were conducted to selected respondents who own plots and construction sites, and mortgage developers.

**3.7.3 Documentary Review**

There is no single source of information which can provide a comprehensive and complete perspective on the study (Merriam, 1998). Basing on this fact, this study reviewed other related secondary data (documents) to complement primary data collected.

**3.8 Data Analysis**

Kothari (2002) defines data analysis as a process that implies editing, coding, classification, and tabulation of collected data. Analysis of quantitative data from questionnaires were done using the statistical package for social science (SPSS) version 20. Data were collected, composed, coded and recorded for analysis and interpretation. The analyzed data is presented using various statistical presentation tools such as charts, graphs, and tables. The study used SPSS statistics version 20 and applies regression and correlation coefficient to assess degree of association between the independent variables with dependent variables. The independent variables such as interest rate (price assets / liabilities, loan security, collateral), policies and procedures (loan security, borrowing costs, collateral), and enabling environment (taxes, regulations, procedures, formalization of settlements), and the dependent variable (acquisition for house finance) were examined.

**3.9 Data Reliability and Validity**

Reliability is the degree to which an assessment tool produces stable and consistent results (Colin Phelan, 2006). To be considered reliable, the measuring instrument must be free of errors and the results or observations must be applicable or repeatable (Joppe, ibid). The Cronbach alpha reliability coefficient ranges from 0 to 1 (George and Mallery, 2003), hence the closer the alpha coefficient is to 1.0, the greater the internal consistency of the items in the scale, a Cronbach alpha coefficient of 0.70 or more is considered ideal.

Tharenou (1993) describes a Cronbach alpha of 0.70 meaning that 70 percent of variance in observed scores (the actual scores obtained on measurements) is due to variance in true scores (the true amount of trait possessed by respondents). The above instruments and tools were used to enhance degree of reliability. Sampling validity ensures measurements cover broad range of areas within the concept under study. Not everything can be covered, so items were sampled from all the domains. This was completed by research experts to ensure that the content area is adequately sampled. A researcher can help limit “expert” bias (such as a test reflecting what an individual personally feels are the most important or relevant areas).

**3.10 Ethical Consideration**

Bryman and Bell (2007) indicated that ethical considerations is one of the most important parts of any research, and dissertations may even be doomed to failure if this part is missing. This study was conducted in accordance with the ethics committee of Open University of Tanzania code of ethics. In order to address the ethical considerations aspect, the following were emphasized; encouragement of voluntary participation of respondents; avoiding use of discriminatory & unacceptable language in the formulation of questionnaires and interviews, and focus group questions; and privacy and anonymity was given great emphasis; and acknowledgement of works of other authors was encouraged in the entire process of undertaking this study.

# CHAPTER FOUR

# DATA ANALYSIS AND DISCUSSION OF FINDINGS

## **4.1 Introduction**

This chapter presents research results in lights of predetermined research questions and objectives. The chapter analyses result on factors influencing acquisition of house finance from financial institutions in Tanzania. Questionnaires were used to collect primary data presented in this chapter. Data was then analyzed using IBM SPSS Statistics version 20.

## **4.2 Demographic Data of Respondents**

The study findings in table 4.1 below describes the demographic characteristics of respondents. Findings show that male respondents were 42 (63.6%) and female respondents were 24 (36.4%), showing that males are many compared to females, apparently, males seem to own more construction sites (plots) compared to females. On the issue of age categories of respondents, 37 (56.1%) respondents were at the age group between 42 to 47 years old. Findings show that 11 (16.7%) respondents were at the age group between 36 to 41 years old. This means that respondents with construction sites / plots are more likely to be above 36 years of age, and below 47 years old, representing 72.8% of respondents. On education, few respondents were graduates, with 7 (10.6%) respondents possessing post-graduates’ degrees, and 10 (15.2%) respondents possessing bachelor’s degree. The study findings show that, respondents with certificates are 25 (37.9%) and those with diploma are 17 (25.8%). This means that respondents who own constructions sites / plots are more likely to have certificates and diplomas, representing 63.7% of respondents.

The study examined marital status of respondents, and findings revealed that 5 (7.6%) respondents were single, 8 (12.1%) respondents were divorced and 9 (13.6%) respondents were widowed. Majority of respondents, or 44 (66.7%) respondents were married. This indicates that respondents who own constructions sites / plots are more likely to be married, representing 66.7% of respondents.

**Table 4.1: Demographic Characteristics of Respondents**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No** | **Respondent Characteristics** | **Measurable Variables** | **Frequency** | **Percent** |
| 1 | Gender of respondent | Male | 42 | 63.6 |
| Female | 24 | 36.4 |
| Total | 66 | 100 |
| 2 | Age of respondent | 18-23 years | 4 | 6.1 |
| 24-29 years | 5 | 7.6 |
| 30-35 years | 7 | 10.6 |
| 36-41 years | 11 | 16.7 |
| 42-47 years | 37 | 56.1 |
| Above 47 years | 2 | 3.0 |
| Total | 66 | 100 |
| 3 | Respondent level of Education | Secondary Education | 7 | 10.6 |
| Certificates | 25 | 37.9 |
| Diploma | 17 | 25.8 |
| Bachelor’s degree | 10 | 15.2 |
| Post-graduate degree | 7 | 10.6 |
| Total | 66 | 100 |
| 4 | Respondents Marital Status | Single | 5 | 7.6% |
| Married | 44 | 66.7% |
| Divorce | 8 | 12.1% |
| Widowed | 9 | 13.6% |
| Total | 66 | 100% |

Source: Field Data (2020)

## **4.3 Respondents Ownership of Plots and House**

The study findings in table 4.2 examined respondent’s ownership of construction sites (and or houses), and if ever accessed house loan. Findings reveals that 52 (78.8%) of respondents owned house (s), while 14 (21.2%) of respondents did not own houses, even though they only had a construction site. Regarding the number of houses the respondents possess, findings show 27 (40.9%) of respondents own between 3 to 4 houses, 24 (36.4%) respondents own 1 to 2 houses, while 15 (22.7%) respondents own 5 to 6 houses. The study examined if the respondents has ever accessed mortgage finance. Study findings reveals that, 40 (60.6%) respondents have accessed mortgage finance, and 26 (39.4%) respondents have not accessed house loans, even though they applied. This result demonstrates that majority of respondents applied for house finance and managed to access credit.

**Table 4.2: House Ownership and Mortgage Finance**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Respondent Characteristics** | | **Measurable variables** | **Frequency** | **Percent** |
| 1 | House Ownership | Own a house (s) | 52 | 78.8 |
| I don’t have a house (s) | 14 | 21.2 |
| Total | 66 | 100 |
| 2 | Number of construction sites (plots) | 1-2 sites(plots) | 24 | 36.4 |
| 3- 4 sites(plots) | 27 | 40.9 |
| 5 -6 sites(plots) | 15 | 22.7 |
| Total | 66 | 100 |
| 3 | If ever received house loan | Accessed house loan | 40 | 60.6 |
| Never accessed house loan | 26 | 39.4 |
| Total | 66 | 100 |
| 4 | Number of occasions applied house loan | Once | 30 | 45.5 |
| Twice | 28 | 42.4 |
| Thrice | 5 | 7.6 |
| Several times | 3 | 4.5 |
| Total | 66 | 100 |
| 5 | Quality of financial services given by banks regarding house loan | Highly satisfied | 7 | 10.6 |
| Satisfied | 13 | 19.7 |
| Unsatisfied | 26 | 39.4 |
| Highly unsatisfied | 20 | 30.3 |
| Total | 66 | 100% |

Source: Field Data (2020)

The study examined the number of occasions respondents managed to access house loans. Findings reveal that majority of respondents or 30 (45.5%) accessed house loan once, while 28 (42.4%) respondents accessed house finance twice, and few accessed several times. Regarding quality of financial services given by commercial banks on house loan, it was found that 26 (39.4%) respondents were not satisfied by the services, 20 (30.3%) respondents indicated they are highly unsatisfied with the services given. The above results show that 30.5% of respondents are satisfied with mortgage services from commercial banks and 69.7% are not satisfied with the services. The analysis above show that majority of the respondents had received house loan from micro credit institutions, like VICCOBA, SACCO (involving savings and loans societies), and other informal finance. Few had applied house loan from commercial banks. The results show that 46 out of 66 (69.7 %) indicated they were not satisfied with mortgage loan services from commercial banks. The primary findings agree with Sheuya and Burra (2016) empirical analysis, on the take-up of titles and subsequent use to access formal finance in upgrading informal settlements in two wards, Manzese and HannaNassif of Kinondoni Municipality.

They observed that most construction sites (houses) are built with little or no support from commercial banks, as households’ economic characteristics and financing needs are not compatible with operational procedures and lending requirements of commercial banks. Majority of house developers are self-employed, who according to banks, cannot guarantee regular monthly payments for long periods. When credit is needed, low and middle-income households depend on informal finance, and housing microfinance.

The study has established, loans taken using titles as collateral were repaid and no property has been taken away. The primary findings contradict with Nkya (2014), whose study showed majority of individuals in Tanzania use own savings to acquire houses through slow construction over a long time period, as they cannot do it within the existing house loans set up. Interestingly, majority of the lending institutions estimate that default rate is high among borrowers in the traditional set up of the lending system. For that, they impose many lending restrictions. Nevertheless, this study finding show that 46 out of 66 (69.7 %) respondents were not satisfied with mortgage loan services from commercial banks, due to many lending conditions imposed by financial institutions.

## **4.4 Customers Access to House Finance**

The section has examined the first study objective, the influence of interest rate on acquisition of house finance to customers in Ubungo municipal.

### 4.4.1 Factors Influencing Customer Decision to House Finance

The results findings in table 4.3 examined factors influencing decision for house finance. On easiness to access house loans, 46 (69.7%) of respondents indicated that it was difficult to access house loan, while 20 (30.37%) of respondents indicated that it was not difficult to access house loans.

On challenges in entire processes to access house loans, findings show that 44 (66.7%) of respondents experienced challenges, while 22 (33.3%) of respondents did not experience challenges. On the effects of interest rate, findings show that 59 (89.4%) of respondents indicated that interest rate has high effects on the decision to access house finance, and 7 (10.6%) respondents indicated that interest rate has no effects on the decision to access house finance. On collateral, findings show that 51 (77.3%) of respondents indicated that collateral has high influence on the decision to go for house finance, while 12 (18.2%) respondents indicated that collateral has less influence to access house finance. On Know your customer (KYC), results show that 30 (45.4%) of respondents indicated that KYC has great effects on the decision to access house finance, while 12 (19.7%) of respondents indicated that KYC has low effects on the decision to access house finance.

**Table 4.3: Factors influencing access to Mortgage Finance**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Respondent Characteristics** | | **Variables** | **Frequency** | **Percent** |
| 1 | Easiness of Access to Mortgage | Very Easy | 7 | 10.6 |
| Easy | 13 | 19.7 |
| Difficult | 32 | 48.5 |
| Very Difficult | 14 | 21.2 |
| Total | 66 | 100 |
| 2 | Any challenges to house finance | Yes | 44 | 66.7 |
| No | 22 | 33.3 |
| Total | 66 | 100 |
| 3 | Effects of Interest rate on the decision for access to house finance | Very high | 35 | 53.0 |
| High | 24 | 36.4 |
| Average | 3 | 4.5 |
| Minimum | 4 | 6.1 |
| Total | 66 | 100 |
| 4 | Effects of collateral on access to house finance | Very high | 24 | 36.4 |
| High | 27 | 40.9 |
| Average | 3 | 4.5 |
| Low | 5 | 7.6 |
| Very Low | 7 | 10.6 |
| Total | 66 | 100 |
| 5 | Effects of know you customer on access to house finance | Very high | 14 | 21.2 |
| High | 16 | 24.2 |
| Average | 23 | 34.8 |
| Low | 6 | 9.1 |
| Very Low | 7 | 10.6 |
| Total | 66 | 100 |

Source: Field Data (2020)

The findings in table 4.3 on the easiness for access to finance resembles Bank of Tanzania report (BOT 2017) that indicated house financing for low-income earners is difficult to serve because of the existing traditional setting of the financial system, such that many commercial banks in Tanzania have less liquidity and more number of non-performing loans (NPL), thus they tend to exercise excessive cautions in issuing loans to individuals, especially long term financing such as house mortgage.

### 4.4.2 Factors Influencing Customer Choice for Mortgage Financing

Table 4.4 shows analysis of factors influencing respondents’ access to house mortgage. On price assets, study findings show that 44 (66.7%) of respondents indicated that price assets have great influence, while 10 (15.1%) of respondents indicated that price assets have minimum influence on customer choice for house finance. On price liabilities, findings show that 37 (56.1%) of respondents indicated that price liabilities have great influence, while 16 (24.2%) of respondents indicated that price liabilities have minimum influence on customer choice for house finance. On credit security 45 (68.2%) of respondents indicated that credit security has great influence on accessing house finance, and 9 (13.6%) of respondents indicated credit security has low influence on customer choice for house finance. On collateral, 39 (59.1%) of respondents indicated that collateral has great influence, and 14 (21.2%) of respondents indicated that collateral has minimum influence on customer choice for house finance. Findings indicated that majority of respondents 42 (63.7%) indicated that interest rate has great influence, while 16 (24.2%) revealed that interest rate has minimum influence on access to house finance.

**Table 4.4: Factors Influencing access to House Finance**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Respondent Characteristics** | | **Measurable variables** | **Frequency** | **Percent** |
| 1 | Influence of price assets | Strongly Agree | 30 | 45.5 |
| Agree | 14 | 21.2 |
| Neutral | 12 | 18.2 |
| Disagree | 7 | 10.6 |
| Strongly Disagree | 3 | 4.5 |
| Total | 66 | 100 |
| 2 | Influence of price liabilities | Strongly Agree | 17 | 25.8 |
| Agree | 20 | 30.3 |
| Neutral | 13 | 19.7 |
| Disagree | 9 | 13.6 |
| Strongly Disagree | 7 | 10.6 |
| Total | 66 | 100 |
| 3 | Influence of credit security | Very great | 27 | 40.9 |
| Great | 18 | 27.3 |
| Average | 12 | 18.2 |
| Low | 7 | 10.6 |
| Very Low | 2 | 3.0 |
| Total | 66 | 100 |
| 4 | Influence of collateral | Strongly Agree | 24 | 36.4 |
| Agree | 15 | 22.7 |
| Neutral | 13 | 19.7 |
| Disagree | 8 | 12.1 |
| Strongly Disagree | 6 | 9.1 |
| Total | 66 | 100 |
| 5 | Influence of interest rate | Strongly Agree | 32 | 48.5 |
| Agree | 10 | 15.2 |
| Neutral | 8 | 12.1 |
| Disagree | 9 | 13.6 |
| Strongly Disagree | 7 | 10.6 |
| Total | 66 | 100 |
| 6 | How price assets, credit securities, collateral, interest rate & KYC | Very great | 22 | 33.3 |
| Great | 25 | 37.9 |
| Average | 5 | 7.6 |
| Minimum | 12 | 18.2 |
| Very Minimum | 2 | 3.0 |
| Total | 66 | 100 |

Source: Field Data (2020)

Generally, majority of the respondents 47 (71.2%) show that price assets, credit securities, collateral, interest rate and know your customer (KYC) has great influence on customers’ choice for house finance, while 14 (21.2%) respondents indicated that these factors have less influence on access to house finance.

### 4.4.3 Interest Rate Renegotiations

Table 4.5 shows analysis of how banks re-negotiations of interest rate influence respondents’ access to house mortgage. Findings show that 27 (40.9%) respondents indicated that often financial institutions re-negotiate interest rate in order to attract mortgage customers for house loan, while 15 (22.7%) said negotiation with customer is minimum.

Source: Field Data (2020)

The findings also show that 10 (15.2%) respondents indicated that higher frequency of financial institutions re-negotiations on interest rate tend to influence their choices for house loans, and 34 (51.5%) respondents showed the frequency of re-negotiations on interest rate has very low influence on their choices for house loans. 8 (12.1%) of respondents showed that the frequency of financial institutions re-negotiations on interest rate has no influence at all on their choices for house loans as per table below.

**Table 4.5: Renegotiations of Interest Rate**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Respondent Characteristics** | | **Measurable Variables** | **Frequency** | **Percent** |
| 1 | How commercial banks  Re-negotiate new interest rate | Very often | 6 | 9.1 |
| Often | 21 | 31.8 |
| Sometimes | 24 | 36.4 |
| Very few times | 15 | 22.7 |
| Not at all | 0 | 0 |
| Total | 66 | 100 |
| 2 | How interest rate re-negotiation influence choice for house finance | Very great | 6 | 9.1 |
| Great | 4 | 6.1 |
| Sometimes | 14 | 21.2 |
| Very low | 34 | 51.5 |
| Not at all | 8 | 12.1 |
| Total | 66 | 100 |

Source: Field Data (2020)

The primary findings in this section 4.4 relate with earlier work by Akinwunmi (2009), who investigated factors affecting housing finance supply in emerging economy taking Nigeria as the case study. The analysis showed most of the poor economies have inefficient mortgage systems compared to developed economies that has efficient mortgage systems, nearly equal to their GDP. One reason is that loans in rich countries come from deposit taking institutions. Mortgage outstanding as a percentage of GDP is higher in rich countries compared to poor countries. Poor countries use very little of mortgage finance, most houses in poor countries depend on the individual’s ability to raise money for construction cost or purchase price of the house, but individuals’ income are normally low.

## **4.5 Financial Institutions Policies and Procedures**

This section examines on how policies and procedures of mortgage finance influence access to house loan in Ubungo municipal. Table 4.6 shows analysis of influence of policies and procedures of mortgage finance on access to house loan.

**Table 4.6: Influence of policies and procedures**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Respondent Characteristics** | | **Measurable Variables** | **Frequency** | **Percent** |
| 1 | How commercial bank "Know Your Customer" procedures influence acquisition of house finance | Strongly Agree | 4 | 6.1 |
| Agree | 14 | 21.2 |
| Neutral | 24 | 36.4 |
| Disagree | 22 | 33.3 |
| Strongly Disagree Disagree | 2 | 3.0 |
| Total | 66 | 100 |
| 2 | How assessment of credit security / collateral influence acquisition of house finance | Strongly Agree | 25 | 37.9 |
| Agree | 17 | 25.8 |
| Neutral | 17 | 25.8 |
| Disagree | 5 | 7.6 |
| Strongly Disagree | 2 | 3.0 |
| Total | 66 | 100 |
| 3 | How loan processing and approval procedures influence acquisition of house finance | Strongly Agree | 31 | 47.0 |
| Agree | 19 | 28.8 |
| Neutral | 8 | 12.1 |
| Disagree | 6 | 9.1 |
| Strongly Disagree | 2 | 3.0 |
| Total | 66 | 100 |
| 4 | How commercial bank "mortgage risks evaluation and assessment policies" influence acquisition of house finance | Strongly Agree | 27 | 40.9 |
| Agree | 11 | 16.7 |
| Neutral | 12 | 18.2 |
| Disagree | 14 | 21.2 |
| Strongly Disagree | 2 | 3.0 |
| Total | 66 | 100 |

Source: Field Data (2020)

### 4.5.1 Financial institutions Know Your Customer (KYC) Policies

This section has examined how know your customer policies influence decision for acquisition of house finance. Findings in table 4.6 show that 20 (27.3%) respondents agreed that financial institutions KYC policies have influence on acquisition of house loans, while 24 (36.3%) respondents disagreed that financial institutions KYC policies have influence on acquisition of house loans. Nevertheless, majority 24 (36.3%) were neutral on whether financial institutions KYC policies have any influence on acquisition of house loans.

## **4.5.2 Mortgage Processing and Approval Procedures**

The study findings in table 4.6 examined how commercial bank lending policies and procedures influence access to house finance. The study findings showed that 42 (63.7%) of the respondents agreed that, the way credit security or collateral is assessed has influence on the acquisition of house finance. Likewise, quite a big number 50 (75.8%) of the customer agreed that, the way loan is processed and approved by commercial bank has an influence on the acquisition of house finance.

Source: Field Data (2020).

On the other hand, there was mixed reaction regarding the influence of how commercial bank "mortgage risks evaluation and assessment policies banking procedures influence acquisition of house finance. The study findings show that 38 (57.6%) of respondents agreed that it has influence, and 12 (18.2%) were neutral, while 16 (24.2%) of respondents disagree that it has any influence.

**4.5.3 Mortgage Financial Policies**

This section has examined the influence of mortgage financial policies on access to house loan in Ubungo municipal as shown in table 4.7 below.

**Table 4.7: Influence of Mortgage Financial Policies**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Respondent Characteristics** | | **Measurable Variables** | **Frequency** | **Percent** |
| 1 | Do you agree that bank procedures such as know your customer procedure influence your choice of a bank to apply on house finance | Yes | 45 | 68.2 |
| No | 21 | 31.8 |
| Total | 66 | 100 |
| 2 | How often does commercial banks tend to visit you especially trying to facilitate you to comply with banking procedures for house loan | Very often | 4 | 6.1 |
| Often | 15 | 22.7 |
| Sometimes | 14 | 21.2 |
| Less often | 10 | 15.2 |
| Not at all | 23 | 34.8 |
| Total | 66 | 100 |

Source: Field Data (2020).

On Know Your Customer (KYC) procedure, 45 (68.2%) respondents agreed that KYC procedure influences customer choice of mortgage finance, while 21 (31.8%) respondents disagreed, saying KYC procedure has no influence customer choice of mortgage finance. On whether commercial banks have tendency to visit customer sites, especially trying to facilitate customer compliance with banking procedures for house loan, quite a large number 33 (50%) respondents indicated that commercial banks tend to visit them, while 23 (34.8%) respondents disagreed, saying that banks do not pay a visit at all.

## **4.6 Business Enabling Environment and Choice for Mortgage Finance**

This section examined the third study objective, on influence of business enabling environment (taxes, regulations, procedures, formalization of settlements) on acquisition of house finance. On whether competition among commercial banks offering house finance in Tanzania has influence on house loan, 49 (74.3%), or majority of respondents agreed. Only 13 (19.7%) disagreed, saying competition among commercial banks has no influence on house loans.

Source: Field Data (2020)

On the influence of government supervisory support on mitigating challenges facing house developers in Tanzania, majority, or 33 (50%) respondents, agreed that government supervisory support on mitigating challenges facing house developers has influence on house loans accessibility. Of all, 11 (16.7%) respondents were neutral. Only 22 (33.3%) respondents disagreed, saying that government supervisory support on mitigating challenges facing house developers has no influence on house loans accessibility. On the other hand, simple majority, or 35 (53%) respondents agreed that government policies, for example land tenure (taxes on capital gain and other related acts in Tanzania) has influence on mortgage financing in Tanzania. Of all, 10 (15.2%) respondents were neutral.

**Table 4.8: Influence of Business Enabling Environment**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Respondent Characteristics** | | **Measurable Variables** | **Frequency** | **Percent** |
| 1 | Whether competition among commercial banks offering house finance has influence | Strongly agree | 37 | 56.1 |
| Agree | 12 | 18.2 |
| Neutral | 4 | 6.1 |
| Strongly Disagree | 13 | 19.7 |
| Total | 66 | 100 |
| 2 | Whether Government supervisory support on mitigating challenges facing house developers has influence | Strongly agree | 20 | 30.3 |
| Agree | 13 | 19.7 |
| Neutral | 11 | 16.7 |
| Strongly Disagree | 22 | 33.3 |
| Total | 66 | 100 |
| 3 | Whether Government policies, for example land tenure (taxes on capital gain and other related acts) has influence | Strongly agree | 15 | 22.7 |
| Agree | 20 | 30.3 |
| Neutral | 10 | 15.2 |
| Strongly Disagree | 21 | 31.8 |
| Total | 66 | 100 |
| 4 | Whether lowering interest rate, friendly lending policies & procedures, and facilitating good business enabling environment will enhance access to house loan | Yes | 51 | 77.3 |
| No | 15 | 22.7 |
| Total | 66 | 100 |

Source: Field Data (2020)

Only 21 (31.8%) respondents disagreed, saying that government policies, for example land tenure (taxes on capital gain and other related acts in Tanzania) has no influence on mortgage financing in Tanzania. Lastly, 51 (77.3%) respondents agreed that lowering interest rate, friendly bank lending policies & procedures, and facilitating good business enabling environment will enhance access to house loan in Tanzania, while 15 (22.7%) respondents said this will not enhance access to house loan in Tanzania. The findings concur with Germain (2015), that reported large financial institutions in developing countries such as Tanzania tend to often marginalize the poor in various housing credit initiatives claiming that they are incompatible with the banking requirements. The financial institutions administrative procedures, terms and conditions set up by government and banking institutions in Tanzania exclude the poor due to their low affordability levels. The poor cannot meet the set stringent conditions. The alternative to the poor has now been the micro-finance institutions that are growing in numbers in developing countries.

# CHAPTER FIVE

## **RESULT SUMMARY, CONCLUSION AND RECOMMENDATION**

## **5.1 Introduction**

This chapter provides a summary of findings, conclusions as well as the recommendations based on the findings. It further highlights the research gaps the researcher felt should be filled by further research as well the limitations of the study. The conclusions and recommendation were based on the study objectives.

## **5.2 Summary of Findings**

The main study objectives in this study was to assess factors influencing access to house finance in Tanzania. The study revealed that many respondents have at least one house, a construction site and / or a plot, which many of them use the assets to access house loans and credits, from time to time. Nevertheless, many respondents have indicated that they are aware of house loans schemes which they have been using to access funding from financial institutions.

Nonetheless, it was observed some customer despite being aware of the house loans from commercial banks, they are somehow not satisfied with services given through house loan. It is for this reason, they perceive it easier to access mortgage loan from other financial institutions apart from commercial banks, because they can easily fulfil the requirements. The study has established that, there are different challenges facing acquisition of mortgage finance. High interest rate charged by banks is critical challenge. It makes borrowing very expensive. At the end of a period a borrower pays much more than loan acquired. A strong collateral security that is needed by banks from low income earners is another challenge. Strong collateral securities are needed by the bank to secure loans; these collateral securities will compensate the loan in case of any default. Collateral securities are very expensive and most low income earners cannot afford. Most financial institutions accept fixed assets, mainly properties with title deeds for immovable assets (like houses, plots) as collateral securities to secure Mortgage Loans or fixed deposits.

The study findings has demonstrated that, individuals find difficult to access house loans from commercial banks due to weak collateral securities offered to secure Mortgage loans that individuals applied from different financial institutions. The bureaucracy on the administrative procedures, which makes disbursement to take very long period, procedures such as know your customer (KYC) consume time before the loan is disbursed to the borrower. The procedures tend to discourage borrowers, and it was revealed that most commercial bank tend to lend short-term facility rather than long term funding, as such land developers in Tanzania tend to be marginalized on the access to housing finance, and in most cases financial institutions tend to claim they are incompatible with the banking requirements.

## **5.3 Conclusions**

The study has established that, land developers in Tanzania tend to be marginalized on the access to housing finance, and in most cases, they tend to claim that they are incompatible with the banking requirements. Factors such as bureaucratic administrative procedures, business enabling environment set up by government and banking institutions (taxes on capital gains, interest rate setting, the poor cannot meet the set stringent conditions. The study thus concludes that, there is the relationship between dependent variable and independent variables whereby access to mortgage has a close relationship with ability to repay the mortgage loan, strong collateral securities, credit policies and procedures and loan repayment period. The result findings further show that customer seeking house loans tend to use their houses, constructions sites or plots to access house loans and credits, from time to time. However, this study was not able to demonstrate whether all the money accessed are used for developing houses or for other uses, which seems to be a case. This area requires further research.

### 5.4 Recommendations

Basing on the results findings, the study has drawn the following recommendation

1. The Government should regulate the interest rate charged by banks so that at the end of the day most of Tanzanian can afford to acquire mortgage loans from different financial institutions. The interest rate charged by banks is too high. Interest rate should accommodate factors such as time value of money in favor of customer and reasonable gain in terms of bank.
2. The government should exempt taxes on capital on sales of house since the land, including reducing interest rate on building. The exemption will reduce the house selling price as result majority will afford to purchase.
3. The commercial Banks bureaucracy should be minimized; the loan procedure is too long for mortgage to be disbursed. The procedures for loan applications are too long where it discourages Mortgage applicants.
4. The terms and conditions attached to loan application should be reviewed to make them friendly and enhance loan applicants on access Mortgage loan easily.

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**APPENDICES**

**STUDY INSTRUMENTS**

Dear Sir/Madam,

I am Andrew Lindi, a student at Open University of Tanzania (OUT), pursuing a master’s degree in Business Administration. As a partial requirement for the fulfillment of attaining a master’s degree in Business administration of the Open University of Tanzania (OUT), I am conducting a research entitled “‘Examination of factors influencing acquisition of housing finance from financial institutions in Tanzania: A case study of Ubungo Municipality”. With great honor you are requested for your time to respond to the attached questions in the questionnaire. Your responses will be kept confidential and will only be used for the purpose of this research study.

**Appendix.1: Questionnaire for Mortgagors (Owners of Plots/Houses)**

**Instructions:** - Please try your best to provide an accurate response as possible to the questions. There are no right or wrong answers.

1. **Personal Information**
2. Gender of the respondent

a.) Male b.) Female

1. Age of the respondent

a.) 18 – 23 b.) 24-29 c.) 30-35

d.) 36-41 e.) 42-47 f.) 48 and above 48

1. Educational career of the respondent

a.) Secondary education b.) Diploma/advance-diploma

c.) Undergraduate degree d.) Post-graduate degree

e.) Any other diploma

1. Marital status of the respondent

a.) Single b.) Married

c.) Divorce d.) Widowed

1. **Background Information**
2. Do you own a construction site or house for renovation? \_\_\_
3. Yes b) No
4. How many construction sites do you own?
5. 1-2 b) 3-4 c) 5-6 d) 7-8
6. In the past five years have you ever accessed mortgage loan? \_\_\_
7. Yes b) No
8. If yes, how often have you been accessing house financing for house development for the past one year

a) Once b) twice c) thrice d) more than thrice

1. In your experience dealing with house financing, how can you rate financial services offered through house financing? \_\_

a) Very satisfactory b) Satisfactory c) Unsatisfactory d) Very Unsatisfactory

1. In your opinion, how can you rate, the easiness for accessing house finance from commercial bank in Tanzania?

a) Very easy b) Easy c) Difficult d) Very difficult

1. Do you think there are challenges associated with access to house finance in Tanzania?

a) Yes b) No

1. Using a scale of 0 to 5 (where 5 means highest influence and 0 is the lowest influence) please rate how often does the following factor influence decision and choice for house finance?

a) Interest rate 1 2 3 4 5

b) Collateral/Security 1 2 3 4 5

c) Know Your Customer procedure 1 2 3 4 5

1. **About Interest Rate**

This question assesses the influence of interest rate on acquisition of house finance to Customers in Ubungo Municipal.

The statements given below describes an aspect of the influence of interest rate on acquisition of house mortgage by customer in Ubungo Municipal, Tanzania.

Please indicate the extent to which one of these factors (indicator) influence acquisition of house finance. Provide your position, whether you agree or disagree on the Likert scale. (1 = strongly agree, 2 = agree, 3 = neutral, 4 = disagree, 5 = strongly disagree.) (Tick in the box)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Aspects** | **Extent of influence of interest rate on the access to house finance** | | | | |
| **1** | **2** | **3** | **4** | **5** |
| 1. Influence of Price assets on access to house finance |  |  |  |  |  |
| ii.) Influence of price liabilities on access house finance |  |  |  |  |  |
| iii.) Influence of credit Security on access to house finance |  |  |  |  |  |
| iv.) Influence of collateral on access to house loan |  |  |  |  |  |
| v) Influence of interest rate on access to house loan |  |  |  |  |  |

vi) How can you score the extent to which how factors, such as price assets, price liabilities, credit security, and interest rate influence your decision for house finance in Tanzania?

1. Highly satisfactory b) Satisfactory c) Neutral d) Dissatisfactory e) Very Dissatisfied

vii) Using a scale of 1 to 5 (where 5 is the highest (very often), and 0 is the lowest), please rate how commercial bank tend to re-negotiate with you about new interest rate, and loan repayment procedures

1. Very often b) Often c) sometimes d) very few times e) Not at all

ix) How frequent does interest rate renegotiation on house finance by commercial banks influence your choice for house finance?

a) Very great b) Great c) Sometimes d) very little influence d) Not at all

1. **About Policies and Procedures**

The question below addresses the second objective, of determining how policies and procedures of mortgage finance influence access to house loans by Customers in Ubungo Municipal, Tanzania.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Each of the following statements describes an aspect of the influence of policies and procedures on acquisition of house mortgage by customer in Ubungo Municipal, Tanzania.

Please indicate the extent to which ones of these factors (indicator) influence acquisition of house finance.

Provide your position, whether you agree or disagree on the Likert scale.

(1 = strongly agree, 2 = agree, 3 = neutral, 4 = disagree, 5 = strongly disagree.)

(Tick in the box)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Bank policies and Procedures** | **Extent of influence of bank policies and procedures on access to house finance** | | | | |
| 1 | 2 | 3 | 4 | 5 |
|  |  |  |  |  |  |
| 1. Commercial Bank KYC (Know Your Customer) banking procedures |  |  |  |  |  |
| 1. Assessment /determination of credit security /collateral |  |  |  |  |  |
| 1. Loan processing and approval procedures |  |  |  |  |  |
| iv) Commercial bank mortgage risks evaluation and assessment policies |  |  |  |  |  |

1. In your opinion, do you agree that bank procedures, such as Know Your Customer (KYC) procedure, influence your choice of a bank to apply on house finance in Tanzania

a) Yes b) No

1. How often does commercial banks communicate (and sometimes) tend to visit you, specifically trying to help facilitate you to comply with bank procedures while seeking house finance in Tanzania

a) Very often b) Often c) Sometimes c) Less Often c) Not at all

1. **Influence of Enabling Environment**

This question addresses the third objective of this study, evaluating the influence of enabling environment on mortgagers finance to customer’s in Ubungo Municipal in Tanzania. Each of the following statements describes an aspect of the enabling environment on acquisition of house mortgage by customer in Ubungo Municipal, Tanzania.

Please indicate the extent to which ones of these factors (indicator) influence acquisition of house finance. Provide your position, whether you agree or disagree on the Likert scale. (1 = strongly agree, 2 = agree, 3 = neutral, 4 = disagree, 5 = strongly disagree.) (Tick in the box)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Aspects** | **Extent of influence of business enabling environment on access to house finance** | | | | |
| 1 | 2 | 3 | 4 | 5 |
| 1. Competition among commercial banks offering house finance in Tanzania |  |  |  |  |  |
| 1. Government supervisory support on mitigating challenges facing house developers |  |  |  |  |  |
| 1. Government policies, for example Land tenure (taxes on capital gain and other related acts) |  |  |  |  |  |
| iv) Others (specify) |  |  |  |  |  |

v) In your opinion, do you think lowering interest rate, making lending policies & procedures friendly, and facilitating good business enabling environment will enhance access to housing finance

a) Yes b) No