INFLUENCE OF HOUSING LOAN REPAYMENT ON HOUSEHOLD WELFARE: A CASE OF HABITAT FOR HUMANITY PROJECT IN KISII REGION, KENYA

BY

LILIAN AWUOR OMOLLO

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DECLARATION

This research project report is my original work and has not been presented to any other University or institution of higher learning for a degree or any other award.

Signature…………………………… Date…………………

L50/70621/2011

Lilian Awuor Omollo

This research project report has been submitted for examination with my approval as the University Supervisor.

Signature……………………………… Date……………………

Mr. Michael Musyoka

Lecturer, Department of Extra Mural Studies,

University of Nairobi

DEDICATION

This research project is dedicated to my husband Francis Onditi for his encouragement. I also dedicate this research project to my son Carson Onditi and my daughter Lynne Onditi. Thanks for your support. May God bless you.

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LIST OF ABBREVIATIONS AND ACRONYMS

As per this study, the following abbreviations and acronyms have the following meaning:

DFID: Department for International Development

FL: Financial Literacy

GOK: Government of Kenya

HFHK: Habitat for Humanity Kenya

HMFI: Housing Microfinance Institutions

HO: Homeowner

MOH: Ministry of Housing

NGOs: Non Governmental Organizations

UNFRA: United Nations Population Fund

ABSTRACT

The purpose of this study was to examine the influence of housing loan repayment on household welfare through habitat for humanity projects in Kisii region, Kenya. This study was guided by the following objectives: To establish the influence of housing loan repayment on affordability of health care services, to determine the influence of housing loan repayment on household income of the benefactors, to examine the influence of housing loan repayment on affordability of school fees for the school aged children and to determine the influence of housing loan repayment on security/collateral of the benefactors. Previous studies carried out on the influence of housing loan repayment on household welfare indicated that housing loans were routinely used to pay school fees and cater for food and health care services. Descriptive survey research design was used in this study. A sample of 50 Habitat for Humanity housing projects homeowners was selected using both stratified and simple random sampling technique. Semi-structured questionnaires were used to facilitate the acquisition of relevant information on variables under consideration. The data collected was analyzed using statistical package for social sciences (SPSS). The data output is presented in form of tables and description. The research findings show that housing loan repayment influences affordability of school fees and health care services especially when schools open and when one or more member of a family of the borrower is sick. On the other hand, since housing loan has to be paid on a monthly basis, the borrowers found themselves borrowing from different financial institutions in order to settle other loans which led to pilling up of the loans thereby causing stress and frustration since the borrowers were forced to hide during loan payment period. Diversified income is an important factor that was noted to have positive influence on housing loan repayment. The research findings show that members with more than three school aged children had difficulty in housing loan repayment and that housing loans were being paid on a monthly basis thereby giving the beneficiaries enough time to prepare for the repayment of the loans on time. Saving was also noted to be a source of income for the respondents thereby acting as collateral towards loan repayment. Low income as a result of housing loan repayment was also noted as a challenge by most of the respondents. This led to more problems as their resources are pulled down by loan repayment thereby making them to forego important basic needs for their families. Majority of the respondents indicated farming and business as their main source of income. Based on the findings, the study recommended that financial literacy and health education should be offered to the beneficiaries since this will help them manage the little resources they have thereby enhancing housing loan repayment. The study also recommended that repayment period should be re-scheduled in order to give the beneficiaries more time to repay their housing loans. Finally, the study recommended that individual loaning systems should be adopted since group lending mechanisms are strenuous to the borrowers who have to pay for the others in case they fail to pay. The study concludes that housing loan repayment influences household welfare. This was showed by the opinions of the respondents who strongly agreed with the fact that housing loan repayment influences household welfare which constituted 72% of the respondents.

CHAPTER ONE

INTRODUCTION

1.1Background of the study

Housing loan globally has been viewed as an important tool for eliminating housing related diseases in many developing countries, Department for International Development (2000). According to Smith (2007), access to housing loan has continued to be a major development problem across the globe, undermining people's health, productivity and often survival. Smith (2007) also noted that efforts to overcome the development challenge posed by poor housing conditions begin with accurate measurement of key indicators at the household level. This is due to the fact that by identifying household behaviours related to housing access; it serves as a critical building block for the development of policies for helping populations with housing needs.

A study conducted by Mohanty and Raut (2009) on the influence of housing loan repayment on affordability of school fees using panel income data from United States, found no independent influence on education, but significant influence on home environment. This is due to the fact that the beneficiaries were able to pay for their housing loans thereby having good environment for their children through home ownership. A similar study by Chowdhury (2004); and Pitt et al. (1998) found out that household income has a positive influence on housing loan repayment for low income earners due to the literacy trainings offered to them in form of credit and education. Financial literacy training is necessary as it equips low income earners with the financial knowledge necessary to create household budgets, initiate savings plans, and make strategic investment decisions. Such financial planning can help families meet near term obligations and maximize their longer term well being and is especially valuable for populations that have traditionally been under serve by financial system, Rutherford (2002).

Housing microfinance has a positive influence on health and women empowerment through trainings offered to them either after or before receiving a loan which positively influences household welfare, Chowdhury (2000). On the other hand, Housing microfinance programs inflicted extreme pressure on women by forcing them down to meet difficult loan repayment schedule. This is through group lending mechanism whereby the defaulters are forced to pay or their assets sold in order to recover the loans, Goetz et al. (1996).

In a three year study by Neponen (2005) of 906 clients of housing microfinance in India, found out that their project had many positive influence on their clients. The program had a positive influence on livelihood social status, treatment in the home and community living conditions and consumption leading to better loan repayment of the beneficiaries. Another Study conducted in Mexico to replace dirt floor with cement floor for poor families had a significant improvements on child health: 78% reduction in parasitic infestations, 49% reduction in diarrhoea, 81% reduction in anaemia and 36-96% improvement in cognitive development, Cattaneo et al. (2009). Cattaneo et al. (2009) noted that, good health influenced housing loan repayment since the beneficiaries had some money left to repay housing loans as good housing condition prevented housing related diseases, leaving money to repay housing loans that could have been used to cater for health care services. According to Russell (2001), influence of cost of illness on housing loan repayment, highlights that protecting household from illness through housing projects are critical to preventing housing related diseases and maternal deaths. According to UNFRA(United Nations Population Fund) (2006), there is great potential in housing microfinance institutions in protecting clients against illness-related financial shocks indirectly through; helping the poor to set up or maintain income-generating activities, to improve their homes and environment, to have security against short-term shocks and strengthens short-term welfare.

Group-lending schemes enhance loan repayment, Anderson (2000). This is whereby loans are made to individual who is a member of a borrowing group. However, each individual borrower assumes responsibility for loan repayment of his or her group members, if only one member from a group defaults, the rest in the group will be denied future access to loans from the housing program. As a result, the principle of group-lending creates an incentive mechanism by which individual borrowers are stimulated to select credible members to group with, to monitor other members' activities once the loan is received, and to enforce repayment in case a group member fails to fulfill his or her obligation, Anderson (2000). On the other hand, some group-based housing microfinance interventions negatively influenced household welfare by resorting to severe sanctions to achieve high repayment rates through the loan recovery process whereby individual defaulters are deprived off their assets as a means of loan repayment Marr (2002).

Combination of savings and credit has a positive influence on housing loan repayment by increasing the income of the beneficiaries since saving encourages low income earners to put some of their money aside and therefore demonstrating their ability and willingness to make regular payments, Wright (2010). Savings should not be 'locked in savings', which cannot be withdrawn, but must instead be 'voluntary made savings' that are available for withdrawal, usually on demand.

A study on the influence of housing loan repayment on household welfare using data on savings from South Africa by Karlan (2010) indicates that saving helps household turn a sequence of small sums into useful lump sums. These savings can then be used to repay housing loans in case one is not able to repay back the loan. On the contrary, household prefer to save rather than borrow because it is low cost and gives them more control over their lives, Rutherford (2002). A similar study by Zeller (2000) indicates that, compulsory saving should not be called 'service' since it is a down payment on a loan and it does not respond to accumulate on and precautionary savings motives.

Poor housing condition has persisted in Kenya despite government's effort to combat it through national development programs. This has been manifested through housing related diseases and maternal deaths and the rising number of people with inadequate access to housing loans and other basic necessities, Mango et al. (2009). The Universal Declaration of Human Rights of 1948 recognizes the right to adequate housing as an important component of the right to adequate standard of living and an investment good contributing both directly and indirectly towards poverty reduction through employment generation, raising of incomes, improved and increased productivity of the labour force as stated under Sessional paper No. 3 of 2004 on National Housing policy for Kenya. In its commitment to improve housing conditions for the people of Kenya, the Government introduced a National Housing Policy that comprehensively addresses the shelter problem.

Majority of low income households in Kenya live in poor habitat condition mostly small, one room structures made of dung, mud or cardboard. Some of the rural areas of the country especially remote rural areas lack basic necessities, Habitat for Humanity (2010). Low income earners aspire to own a house; however housing is one of the most expensive assets for a poor household. The substantial investment required to buy a finished unit is often way beyond the means of low income earners, Department for International development (2000). According to the report by UN-Habitat (2005), it is estimated that over a significant population in Kenya amongst the low-income bracket do not have decent shelter. The characteristics associated with poor shelter accounts for the many problems affecting the low income population. Instances of communicable diseases and high mortality rates are some of the results which can be traced to poor shelter especially in rural areas which also have high rainfall throughout the year, DFID (2000).

Based on poor housing conditions in Kenya, many housing microfinance institutions have provided good incentives, like low interest rates and longer repayment periods for housing loans to enable low income earners acquire affordable housing. However, housing microfinance institutions have been experiencing challenges due to lack of sustainability as a result of loan default whereby borrowers are not able to repay the loans at the expense of school fees and health care services, National Housing Corporation (2010). The strong demand for housing microfinance loan by low income earners, together with the evidence that housing loan repayment influences household welfare, provides clear incentives for policy makers to develop a framework for providing solutions to affordable housing as a basic need for low income earners. This study therefore is interested in the influence of housing loan repayment on household welfare among Habitat for humanity beneficiaries in Kisii region, Kenya.

1.2 Statement of the problem

In Africa, large proportion of the population continues to suffer from poor housing conditions due to increased level of poverty mainly manifested through housing related diseases and high mortality rate, Ministry of Housing (2010). The Kenya Constitution states that **‘**every person has a right to affordable and adequate housing**’**. This in line with the Universal Declaration of Human Rights of 1948 which recognizes the right to adequate housing as an important component of the right to adequate standard of living. Government of Kenya has addressed shelter issues through various initiatives since independence in 1963. Some of the key interventions for the sector include formulation of Sessional Paper No.5 on Housing Policy of 1966/67, the National Strategy for Shelter in the Year 2000, and more recently the National Housing Policy of 2004.

Kisii region has experienced a lot of housing related diseases and maternal deaths due to persisted level of poverty and poor housing conditions in the area, Government of Kenya (2007). Based on this, housing microfinance institutions and NGOs like Habitat for Humanity and housing finance have provided a number of incentives; low interest rates on housing loans and education and credit in order to increase the number of home ownership so as to curb housing related diseases and to provide security in Kisii region, Habitat for Humanity (2010). On the other hand, according to the Department of Housing Finance (2011), despite the efforts by various housing microfinance institutions to provide affordable housing, there has been a challenge in the sector due to loan repayment which has led to constant stress with lack of money (which contributes to health problems and stress of family relationships) and financial hardship outcomes (such as children missing out on school activities/absenteeism and affordability of adequate health care services).

Reports by Habitat for Humanity (2010) shows that, housing loan repayment rate stood out to be 90% of the outstanding loan balance with 10% portfolio at risk; loans that cannot be recovered in the month of December 2010. According to the report by Habitat for humanity, sustainability will not be achieved by most housing microfinance institutions if portfolio at risk is more than 1% of the outstanding loan balance. Both the positive and negative influence of housing loan repayment on household welfare created the need for research examining issues surrounding housing finance in Kenya. It was on this realization that this study was designed to shed the light by bridging the gap that exists as far as housing loan repayments' influence on household welfare is concerned using the case of Habitat for Humanity project in Kisii region, Kenya.

1.3 Purpose of the study

The purpose of this study was to examine the influence of housing loan repayment on household welfare.

1.4 Objectives of the study

The objectives of this study were:

i) To establish the influence of housing loan repayment on affordability of health care services of the benefactors.
ii) To determine the influence of housing loan repayment on household income of the benefactors.
iii) To examine the influence of housing loan repayment on affordability of school fees for school- aged children of the benefactors.
iv) To determine the influence of housing loan repayment on security/collateral of the benefactors.

1.5 Research Questions

The study answered the following research questions:

i) How does housing loan repayment influence affordability of health care services of the benefactors?
ii) To what extent does housing loan repayment influence household income of the benefactors?
iii) To what extent does housing loan repayment influence affordability of school fees for school-aged children of the benefactors?
iv) How does housing loan repayment influence security/collateral of the benefactors?

1.6 Basic Assumptions of the study

The study targeted low income earners who have benefitted from Habitat for Humanity housing microfinance project from ten groups in Kisii region. The study made an assumption that housing loan repayment has influence household welfare. The study also assumed that the information that was given by the respondents was true and given in good faith without any biasness.

1.7 Significance of the study

The findings were expected to benefit policy makers, other researchers and add to the available knowledge. It was also expected to help housing microfinance partners to learn their products and services and forms a basis to improve them in order to maximize impact on social and economic development of housing microfinance borrowers. Various institutions, non-state actors and private sector players interested in improving housing conditions for low income earners were also expected to benefit from the study findings.

The significance of assessing the influence of housing loan repayment on household welfare is the expectation that the findings may be used to bring about improvements in policies, programs, and thereby contributing to economic and social betterment. This knowledge may strengthen strategies for housing microfinance programs and thereby identifying the main reasons for loan default and the diversion of loan funds to other household needs.

1.8 Limitations of the study

The study had anticipated the following limitations:

Duration to conduct the research was anticipated to be limited. Cost of conducting the research was also anticipated to be high since it involved travelling to the areas of study. Since Kisii region experiences a lot of rainfall, this study anticipated accessibility problem to some of the areas due to bad roads. This however was mitigated by maximizing the available time and having a good budget and working within the budget

1.9 Delimitations of the study

The study was conducted amongst ten Habitat for Humanity housing microfinance groups in Kisii region. The study was limited to studying the influence of housing loan repayment on household welfare only for the active beneficiaries of Habitat for Humanity housing microfinance project.

1.10 Definition of significant terms used in the study

According to this study, the following significant terms have the following meaning:

Arrears: This is the principal installments that has not been paid and is outstanding. This will lead to portfolio at risk if the outstanding loan balances are not paid within a period of months.

Collateral: It is a borrower's pledge of a specific property to a lender to secure repayment of a loan. It thus serves as a protection for a lender against the borrowers failure to repay the loan.

Household Welfare: Refers to social status of low income earners in terms of income levels, asset accumulation expenditures and housing conditions. This will determine whether a client will pay or will not pay the loan based on the priorities of a particular family for a given month.

Housing Loan repayment: Housing Loan repayment is the schedule that a borrower is expected or is supposed to pay the housing loan. This may be weekly, bi-weekly or monthly. Every housing microfinance institution has the schedule in which the borrowers are expected to repay the loan amount.

Joint Liability: Joint liability refers to the strategy where poor people usually without collateral come together to form groups for the purpose of obtaining loans and other financial services from financial institutions.

Loan Default: Failure by a client to repay housing loan as scheduled. A defaulted loan is a loan that a borrower cannot or will not repay and that housing microfinance institution thinks it will not be able to recover. This will determine the sustainability of housing microfinance institutions.

Influence: Means the power to sway or affect based on prestige, wealth, or ability. This may be through the denial of basic needs.

Interest rate: It is the amount charged, expressed as a percentage of principal, by a lender to a borrower for the use of loan amount. They are typically noted on an annual basis

Sustainability: Refers to the means of being able to consistency reach to large numbers of household in need of housing microfinance services. It is the ability to cover all costs beyond what the donors can fund.

1.11 Organization of the study

This research project report consists of five chapters. Chapter one describes the background of the study, statement of the problem, purpose and objectives of the study, research questions, assumptions ,significance, limitations, delimitations of the study and definition of the significant terms. Chapter two focuses on literature review, Theoretical framework and Conceptual framework. Chapter two has been organized according to the objectives of the study, theoretical framework and conceptual framework at the end. Chapter three presents research methodology used in this study. It includes; research design, target population, sampling procedures and sample size, data collection instruments, validity of study instruments, reliability of study instruments and data analysis as well as ethical consideration and operationalization of the study variables. Chapter four presents data analysis, presentation and interpretation. Chapter five presents the summary, discussions, conclusions and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter presents a review of literature related to the influence of housing loan repayment on household welfare. This section places emphasis on the numerous researches carried out and how such knowledge can be a guiding tool in analyzing the influence of housing loan repayment on household welfare. The literature is reviewed critically through identifying the gaps and also employing the lessons to inform the body of knowledge how housing loan can influence household welfare. A conceptual framework has also been represented and the literature gaps identified.

Housing microfinance is not a new trend in Africa. Historically, it has been known that shelter needs in the continent are largely met when households use their own savings and other informal funding sources to finance and build their homes incrementally. Many housing NGOs like Habitat for Humanity Kenya (HFHK) recognized the need to provide complementary forms of housing finance. A new dimension therefore was added when housing microfinance lending grew in the continent, and the lenders saw that up to 30% of microfinance loans for small businesses and other uses were diverted for housing purposes, Ferguson (2008).

2.2 Influence of housing loan repayment on affordability of health care services

Access to affordable health care services has been a major development problem across the globe for families with loans due to loan repayment, Smith (2007). Majority of low income earners globally have been noted to forego most of their basic need especially health care services in order to repay the loans. Making decisions on how to spend their money has been a challenge due to lack of financial management skills. Most of the borrowers prefer to borrow from different financial institutions in order to cater for other basic needs thereby hindering repayment of such loans, especially the loans that are used for domestic purposes not for investment purposes, Smith (2007).

A study conducted in USA on the importance of housing indicates that, homeownership is highly correlated to mental and physical health as well as income and self-esteem, Cortes and Wilson (2007). Cortes et al. (2007) also stated that home ownership provides access to better and safer social and physical environment and may be a channel through which homeownership leads to better health and higher self-esteem. However according to Boyle’s (2004), mental benefits are less pronounced for homeowners with housing loans since the repayment with less income causes stress. A study by Nettleton (2000) indicates that housing loan arrears have a significant association with declining mental and physical health as a result of pressure to repay the loan since housing loans are given as a group and therefore the members of a group may decide to sell all the properties in order to recover the loan amount. Housing microfinance loans causes stress that can impact on health and family well being through pressure on household budgets, Yates et al. (2007).

A study by British Household Panel Survey to illustrate the relationship between unsuitable housing commitments (payment problems or rent/mortgage arrears) and mental health found out that housing payment problems and entering arrears had significant psychological costs, and marital breakdown and unemployment, Taylor (2007). A similar study in UK indicates the health consequences of mortgage possession, in which families describe the sense of loss as equal to losing a loved one or part of themselves, Nettleton (2000).

According to Habitat for Humanity International (2009) in a study conducted in 2008 of households in Hay el Sellom, one of the largest informal settlements on the outskirts of Beirut, Lebanon, found a strong link between affordable health care services and loan repayment. Approximately 25% of individuals could not pay their housing loans at the same time cater for their health care needs. Half the households reported instances of chronic illness as a result of poor housing conditions since they were not legible for successive loans to complete the house due to repayment problems. This showed the risk of severe ill-health or disability rising by 20% during and early adulthood.

Another Study conducted in Mexico indicates that the influence of housing loan program to replace dirt floor with cement floor for poor families had a significant improvements on child health: 78% reduction in parasitic infestations, 49% reduction in diarrhoea, 81% reduction in anaemia and 36-96% improvement in cognitive development Cattaneo et al. (2009).

According to Evans (2003), housing plays an important role in psychological well- being, particularly mothers with young children and possibly the children themselves. Evans (2003) noted that lack of housing may lead to social isolation, lack of access to play spaces that promote social interaction, the stigmatization of high-rise living, or a combination of these. When people move to better quality housing, mental health can improve and this can leave the money which could have been spent on health care services to repay housing loans in order to avoid loan default by the borrowers, Evans (2003).

Depending on the family values and their needs for a particular month, loan repayments might be missed so that a child can visit the doctor or pay for medication, Long (2003). Long (2003) also stated that in the hardship times, many low income earners choose to sacrifice their health care costs in order to pay for other necessities and that families with one or more members experiencing a chronic illness or a disability may be forced to give up the dream of homeownership because much of their household income must be spent on medical expenses. A study by Long (2003) indicated that, 42.9% of adults had food, housing, or health care hardships. Low-income adults who were surveyed, 72.9% of them responded yes to having experienced these hardships of choosing where their income should go. For moderate-and higher-income adults, hardships with food and housing were rare, 2% experienced food hardships and 10% housing hardships. Health care hardships were reported most frequently with these income levels, 26%. For lower-income adults much of their hardships came from housing and health care, 44.9% and 55.4%, respectively.

According to Habitat for Humanity (2010), 90% of the outstanding loans were repaid in the month on February leaving 10% as portfolio at risk of the total outstanding loan balance. Affordability of health care has been seen as the major causes of loan default amongst the borrowers. Unseen events like death and sickness of a family member have been seen as the causes of loan default among the borrowers. The current study therefore explored why housing problem has remained impediment to rural development even though the vision 2030 plan by the government to provide affordable housing for all is underway. There were gaps that were identified in this literature. Despite the benefits of homeownership, there are some challenges encountered by the borrowers as a result of loan repayment leading to frustrations and stress and making the beneficiaries not to cater for other basic needs.

2.3 Influence of housing loan repayment on household income

According to Matin (2003), since low income earners' incomes are current income, compulsory savings provide the commitment that is necessary to save out of current income. However critics about compulsory saving by Zeller (2000) states that, the compulsory savings should not be called 'service' because it is a down payment on a loan and it does not respond to accumulation and precautionary saving motives.

A study on the influence of housing loan repayment on income has shown that by providing affordable housing loan to low income earners, the service providers help them to improve their productivity and management skills, smooth income and consumption flows and other benefits such as health care and education, Khandler (2001). In a similar study by Rohe et al. (2002) indicates that low income earners may have increased stress due to family financial instability leading to risk of loan default due to fluctuations in income.

A study conducted by Jahiruddin et al. (2011) on the influence of interest rate on loan repayment in Bangladesh states that although the accumulation of high interest on housing loans may exacerbate the financial burden of the beneficiaries leading to loan default, there are other factors like; long periods between start-up and revenue generation from the investment, financial setbacks or losses incurred during the initial stage of investment, use of loan money to meet unseen contingencies/emergencies and use of loan money for day-to-day consumption or one-off 'luxury' expenditure.

Housing microfinance loans tends to indebt women leaving them more vulnerable and exposed, Kiriti (2005). Kiriti (2005) also noted that the repayment of housing loan influences household asset, deplete livelihood assets in the course of loan repayment since the income generating activities at times may not raise enough income to repay the loans on time. On the other hand, Kiriti (2005) noted that housing loan contributes greatly to the growth of individuals, sectors and countries and have positive influence on poor people livelihoods. According to Khandker (2003), credit is a powerful instrument to help low income earners invest and breakout of "vicious cycle" of poverty because it has the potential to improve the users' incomes and savings, enhance investment and reinforce high incomes.

In a similar study on the repayment, Jain et al. (2003) stated that loan repayment schedules are not suitable for low-income earners who usually make the bulk of their income seasonally. According to Jain et al. (2003), housing microfinance group formation not only satisfies the financial needs of the low-income earners but also encourages the improvement of skills and knowledge. Participating in saving groups has increased household asset, household income from self-employment activities and support the education of children. This is based on the principle that for one to qualify for subsequent loans, one has to continue saving and participate in group activities like merry-go round which acts as sources of income for individual beneficiaries. Jain et al. (2003) also noted that saving encourages the homeowners to put some money aside and demonstrates their ability and willingness to make regular payments.

According to Morduch (2003), interest rates can erode surpluses generated by borrowers, leaving them with little net gain and thereby making the borrowers not to pay the loans. According to Stewart et al. (2010) in his focus on factors affecting loan repayment using large-scale comparative data to assess what is and is not exploiting the borrowers in terms of interest rates noted that, high interest rates in the housing microfinance sector are generally seen as related to the high operational (and transaction) costs involved in providing high number of what are often considered to be relatively small loans, Rosenberg (2009).

However according to Roodman (2010), although housing microfinance interest rates are viewed to be high, it is geared towards sustainability of the sector by covering the costs on housing loans like insurance and application fees. Roodman (2010) also argue that judging whether lending is fair and freeing is best done not by looking at a snapshot of the interest rate at one moment, but by understanding the relative power of borrower and lender. According to Stewart et al. (2010), high interest rates are one among a number of reasons why housing microfinance institutions can sometimes fail to achieve the required repayment, since it fails to increase the wellbeing of the beneficiaries. Stewart et al. (2010) also noted that high interest rates may make the clients not to repay the loans. This is because in order to repay high interest loans, borrowers effectively rely on an increase in their income and if clients are unable to increase their income, they will not only default on their loans, falling into a debt trap, but also be unable to invest in their savings account. Return on investment depend on how loan money is spent, which may be; through investing in the future (business or productive assets, education) and increasing consumption (health, nutrition or housing), Roodman (2010).

Schicks (2011) noted that indebtedness whereby the clients are not able to keep up with repayments is a result of a combination of factors, related to both borrowing circumstances and housing microfinance policies which include joint liability and tight repayment schedules. In terms of borrower circumstances, the economic challenges of failed business investments, loan use that does not earn returns, adverse shocks that reduce the borrower's income, and lack of assets especially savings, to serve as a buffer against delinquency. Schicks (2011) also noted that, although interest rates were a frequent source of complaints, borrowers also cited fluctuation of income as the main reason for loan default and that the installment schedules did not always match the borrowers cash flows.

According to Marr (2002), low income earners are often plagued by fluctuations in income and the need for emergency resources. Loan repayments and compulsory weekly savings requirements leaves little money for household use. On the other hand the issue of joint liability (having to pay for the others) causes much tension among the members. The joint liability act as a form of social collateral that replaces physical collateral. This however posses some constraints on low income earners who only relay on what they have to repay the loan having little or no money left to pay for the others hence negative influence on household welfare.

Empirical evidences on influence of multiple borrowing of clients are contradictory. Some studies find multiple borrowing as a positive influence on loan repayment and sustainability of housing microfinance institutions, Smith (2007). On the Contrary a number of incidences of failure to repay because of multiple borrowing have been reported. For example, Chowdhury et al. (2004) find that, there have been an increasing number of households in Bangladesh that take multiple loans from different microfinance institutions and that their repayment rate was declining. A similar study conducted in Ethiopia by Matin (2003) using econometric and qualitative analysis, found out that loan diversion was an important and significant factor that negatively influenced loans repayment in rural communities.

Another influence of housing loan repayment on household welfare is the fact that low income earners divert the money for other purposes especially for consumption purposes. Low income earners in Kenya spend more on food in proportion to their incomes. In 2004 and 2008, the cost of living for the lower income groups increased by 80%, twice the increase in the cost of living for the middle/upper income groups, Fin Access (2009).

The ability to make informed financial decisions is essential for basic functioning in Kenya, as in all countries with complex financial systems. These decisions range from simple daily spending and budgeting to choices of insurance, banking or investment products to saving for major life events, education or acquiring a home, Habitat for Humanity (2010). These individuals and household decisions and behaviours have profound impacts on the financial security well-being and inclusion of individuals and families. With increased support come increased demands from funders and other stakeholders to understand not only the need among the public for financial literacy support, but also what constitutes effective programming, Habitat for Humanity (2010).

Previous literature on the influence of housing loan repayment on household welfare indicated an increase in income as a result of trainings offered in form of credit and education to the beneficiaries. Since socio-economic status varies from country to country, the current study however examined the influence of housing loan repayment on household income before and after receiving the loans to assess whether there is an increase in income or not.

2.4 Influence of housing loan repayment on affordability of school fees

Majority of borrowers globally have been viewed to be torn in between loan repayment and taking their children to school. Mohanty and Raut (2009) studied the influence of home ownership on the academic achievement of children using panel income data from the United States found no independent influence on home environment, neighborhood quality, and residential stability on reading and math performance of children aged 3–12 years. Marcano and Ruprah (2008) found that Chile’s Progressive Housing Program had a positive impact on children’s school attendance. This influence had no statistically significant in 2004, but was significant in 2006.

A study conducted in Australia by Yates et al. (2007) on the influence of housing payment problems on education and health indicates that the health influence of home owners include the constant stress with lack of money (which contributed to health problems and stress of family relationships) and financial hardship outcomes (such as children missing out on school activities). Similarly, according to Hulme et al. (1998), low income borrowers are more vulnerable to high risks of credit thereby making them not even pay the school fees for the school-aged children. This leads to Specific livelihood crisis identified as bankruptcy, forced seizure of assets and unofficial pledging of assets to other members of a borrowing group. A study by World Banks (2006) reveals that 90% of women borrowers from housing microfinance in India can freely visit local markets and make small and large purchases independent, while 68% of women borrowers in Nepal can make independent decisions on property and children's education.

Case studies reviewed by Johnson and Rogaly (1997) reveals that loans were routinely used to pay school fees, repay other loans and for consumption purposes. Low-income earners have been found to use loans to smoothen consumption in many developing countries, Hulme et al. (1998). On the other hand, according to Gibbons (2000), Low income earners often have to make choices on how they are going to spend their money since basic needs at times go unmet because of lack of income especially to repay the loans, transport costs; food, clothes and education costs which are continuously competing with each other in an attempt to meet the demands of the household.

A rural housing programme administered by the government Department of Housing with UN grant funding was discontinued in the 1980s due to loan defaults despite high repayments in the first phase of the project, Manda (2007). In Lilongwe City a revolving fund set up to support peri-urban housing project by Action Aid in 2003 could not be accounted for in most of the target areas because recipients felt the loans were grants, Habitat for Humanity (2010). This led the organization to enforce strict loan-repayment measures that included removal of doors and windows from houses built using the loan that was not being repaid. HFH Malawi staff members argue that some beneficiaries did not make repayments even when they had money since the money was being used for other purposes especially to pay school fees, Habitat for Humanity (2010). Once some of the members stop repaying, there is a danger that they will influence others to do the same. It is clearly in the interests of those who are not repaying as it increases their chances of going unchallenged for this behaviour. As the process of non-payment gathers momentum, some people hope that the houses will be provided for free, Habitat for Humanity (2010).

There are various strategies in Malawi at national, local and household levels to meet the growing demand for housing finance. Community finance is one way to address the challenges families face in accessing housing finance, UN-HABITAT (2005). However, for the Malawi homeless People's Federation (MHPF) success has been hard to achieve. The Federation started disbursing house-building loans to members in 2003, using a revolving fund established with the support of NGO, the Centre for Community Organization and Development (CCODE). There were high repayment rates of up to 100 per cent for the first batch of loans, but this has been declining over the years due to school fees and loan diversions to other basic needs, Manda (2007).

House-loan default is complex, and is influenced by weaknesses in loan design, history of defaults in housing development projects, interventions by local and national politicians, affordability and the mismatch between informal incomes and repayment requirements, gendered decisions in the household, and capacity constraints in fund management especially school fees requirements by the beneficiaries' children, Mitlin (2008).

According to Habitat for Humanity (2010), Loan repayment is an important factor that determines the organizations sustainability. HFH (2010) also noted that housing loans were not used for the intended purpose. Some of the loans were being used to repay other loans in Kenya and to pay for school fees. This however influenced household welfare as a result of poor budgeting and lack of management skills by various borrowers. Since socio-economic status in Australia and Malawi are different from that in Kenya, the current study looked at the influence of housing loan repayment on household welfare based on the socio-economic status in Kisii region, Habitat for humanity housing microfinance beneficiaries.

2.5 Influence of housing loan repayment on security

According to Merrill et al. (2006), housing is more than a shelter; additionally it provides for and helps families meet many of their needs for safety and security, social interaction and self-esteem. Merrill et al. (2006) also noted that to be without a home, a place to live with family and congregate with friends is to lack security, comfort and access to amenities. The desire to affordable housing loans has a strong link to the need for security, safety and proper socio-economic status of individuals and low-income earners.

Group lending techniques are used by most housing microfinance institutions to enhance repayment. According to Ghatak et al. (1999), group lending is the strategy where poor people usually without collateral come together to form groups for the purpose of obtaining loans and other financial services from housing microfinance institutions. Group lending uses joint liability as a form of social security that replaces physical collateral, Ghatak et al. (1999). According to Ahlin and Townsend (2007), Joint liability implies that if one member cannot repay a loan then the other members of the joint liability group will have to do so and that some attributes of group lending implies that risks are essentially transferred from the housing microfinance institutions to the borrowers themselves and additionally mitigates problems adverse selection.

Marr (2002) noted that it is important not to assume that group lending dynamics exists as a vacuum but to perceive the process as embedded in social, economic and cultural factors. Grameen Bank realized that by asking people to form groups for credit not only reduces the cost of screening and monitoring loans but also drastically minimized costs of enforcing loan repayment, Armendariz et al.(2005). However according to Marr (2002), some group-based housing finance interventions negatively influenced household welfare by resorting to severe sanctions to achieve high repayment rates through the loan recovery process whereby individual defaulters are deprived off their assets as a means of loan repayment.

In South Africa, Pearson and Greeff (2006) observed a similar trend in a micro-finance programme with default rates of 20–35 per cent. The Malawian Federation used group loans to replace collateral in a strategy seen as quite innovative in the Malawian housing sector. This use of organized communities was conceived to be a lowest-cost strategy to support low-income households to access loans but also one that guarantees repayments through peer pressure. A similar rationale has been used for micro-finance in housing in many countries including South Africa, although the success of the strategy is dependent on high levels of social pressure. The model used by the Malawian Federation broadly replicates that used by other affiliates of Shack/Slum Dwellers International (SDI), the international network to which the MHPF and CCODE are affiliated, Mitlin (2008).

According to Habitat for Humanity (2010), Savings act as a security towards loan repayment. The members are expected to save every month as they repay the loans through regular group meetings and merry-go round. Down payment is also viewed as a means of providing security for the loans issued, Habitat for Humanity (2010). Therefore the present study examines how housing loan security has played an important role in repayment of housing microfinance loan.

2.6 Theoretical Framework

The researcher adopted Joint liability theory, Social capital theory and Human capital theory of housing microfinance which represented how housing loan repayment influences household welfare. The first theory is Joint liability theory. This theory was coined by Ghatak and Guinnane (1999) and it represents how joint liability is a challenge to the household welfare in that they are forced to pay for the others in case they fail to repay the loan. The term joint liability can be interpreted in several ways under two categories: first under explicit joint liability; when borrower cannot repay his/her loan, group members are contractually required to repay in his/ her stead. Such repayments can be forced through the threat of common punishment typically the denial of future credit to all members of the defaulting group, or by drawing on a group savings fund that serves as collateral, second, the perception of joint liability can be implicit; borrowers believe that if a group member defaults, the whole group will become ineligible for future loans even if the lending contract does not specify this punishment. Ghatak and Guinnane (1999) reviewed the key mechanisms proposed by various theories through which joint liability could improve repayment rate and welfare of credit while constraining borrowers.

The second theory is Social capital theory which refers to the institutions, relationships and norms that shape the quality and quantity of a society's social interactions. Social capital was popularized amongst others by Bourdieu (1977). This theory was used in this study to explain the recent expanded role of housing loan repayment towards household welfare by the beneficiaries. Social capital therefore helps correct the imperfect information about borrowers lacking in formal credit and employment histories and substitutes for collateral by ensuring against default through social sanctions and peer enforcement. As the World Bank (2006), social capital web page puts it, "poor but closely-Knit communities pledge their social capital in Lieu of the material assets that commercial banks require as collateral/security".

The third theory is the Human capital theory which holds that the well-being of a society is a function not only of the traditional stocks of financial capital, labour and natural resources but also of the knowledge and skills of individuals. The “human capital” can be like any other asset to generate outcomes of values to individuals and society. In particular, the theory predicts that increased knowledge and skill yield improved economic outcomes for both individuals and societies. Sweetland (1996) traces the origins of human capital theory to the work of Adam Smith in the 18th century and John Stuart Mill in the 19th century. However, the modern formulation of human capital as part of the overall economic production function is generally traced to mid 20th century Nobel Prize winning works by Schulz and Becker. The most concerns of these economists was why economic development has advanced faster than the growth of the stocks of traditional capital and labour and, more specifically, how to explain the large residual component in traditional economic production functions. Human capital theory locates this explanation in knowledge and skill and particularly in education and work experiences as the primary sources of these attributes. According to Mincer (1974), Education is a key element of human capital theory because it is viewed as the primary means of developing knowledge and skill. Housing microfinance institutions provides trainings to its members in order to enhance knowledge on loan payment by the beneficiaries.

The theories were important since, there is a gap that exists as far as housing loan repayment is concerned. Despite the human capital obtained by the borrowers, there is still a challenge which influences the welfare of the beneficiaries by making them to forgo health care services and school fees for the school aged children.

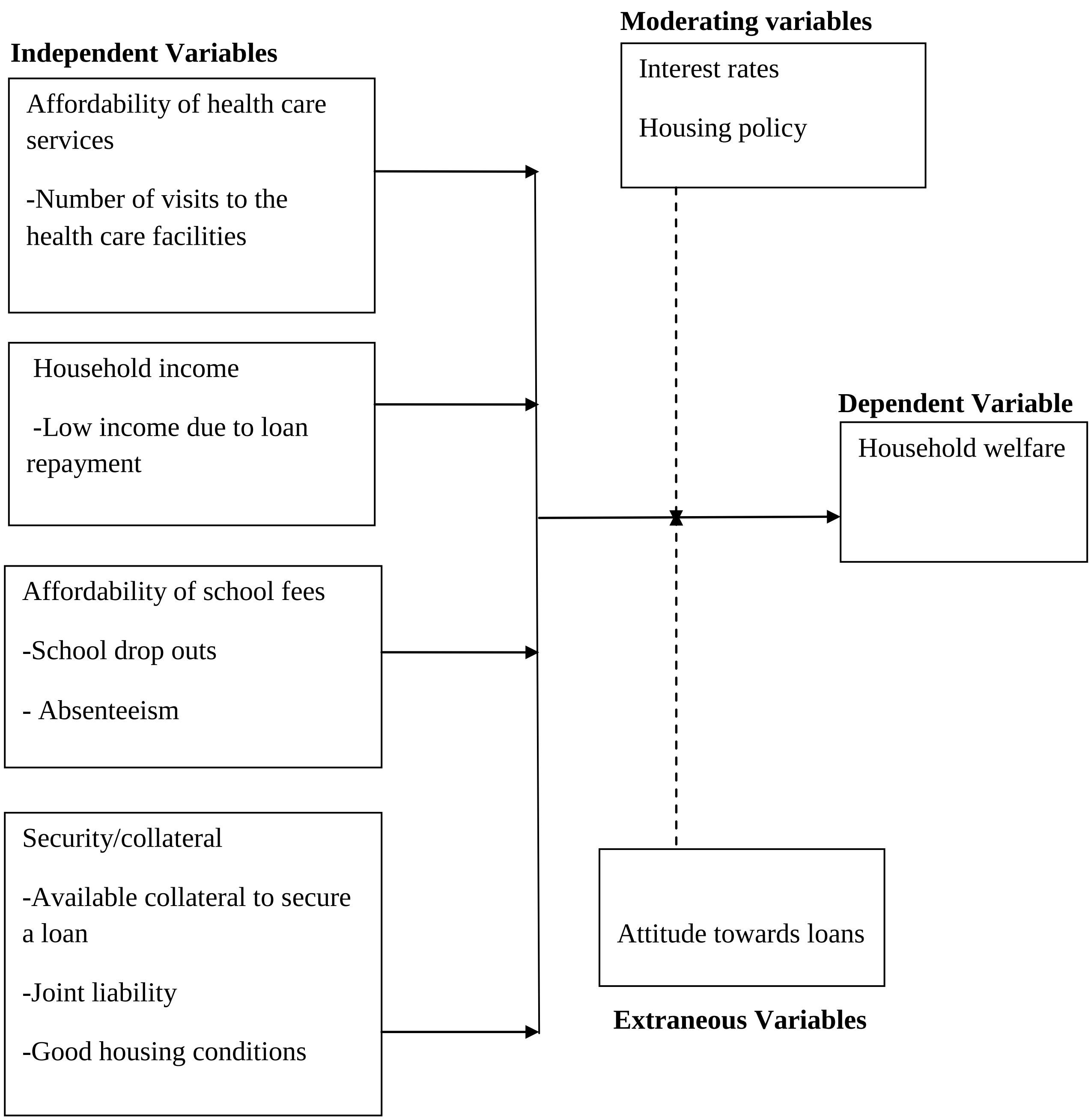

Figure 2.1: Conceptual Framework

2.7 Conceptual Framework

The figure above shows the conceptual framework with independent variables to include: Housing loan repayment on affordability of health care services. As a result of housing microfinance loans, low income earners build their residential thereby preventing housing related diseases. Due to fluctuation in income, low income earners forego health care services in order to repay loans. Decreased income has been identified as one of the influence of housing loan repayment. Since low income earners get human skills as a result of training, they apply the skills in their day to day lives in order to improve their living conditions.

Another independent variable is housing loan repayment on affordability of school fees among the school aged children. Low income earners often face challenges as far as housing loan is concerned. Household welfare is the dependent variable and interest rates and housing microfinance policy are the moderating variables while attitude towards loans is the intervening variable. Attitude towards loan repayment will determine whether one will pay the loan or cater for other household needs. Housing microfinance policy and low interest rate will influence the decision of low income earners to borrow and repay the housing loan.

2.8 Summary of Chapter two

The above literature reviewed clearly points out the influence of housing loan repayment on household welfare amongst low income earners. Some of the influence of housing loan repayment on household welfare includes: Affordability of health care services, Household income, Affordability of school fees as well as security. It is evident from the literature reviewed that many questions about the influence of housing loan repayment on household welfare amongst the borrower remain unanswered, despite the fact that housing plays an important role in eliminating housing related diseases amongst the beneficiaries, it is evidenced as strenuous to the borrowers who have to repay their loans on a monthly basis thereby hindering the provision of other basic needs. The present study aimed at examining the influence of housing loan repayment on household welfare in Kisii region; Habitat for Humanity housing project considering whether the interest rates and down payment for housing loans to low income earners is sustainable to various housing microfinance institutions.

CHAPTER THREE
METHODOLOGY

3.1 Introduction

This chapter presents the research methodology that was used in carrying out this study. This chapter consists of the research design, target population, sampling procedures and sample size, data collection instruments, Validity, Reliability, data analysis and Ethical consideration.

3.2 Research Design

The aim of this research was to examine the influence of housing loan repayment on household welfare. The researcher employed descriptive survey since it describes the characteristics of a particular group. Descriptive survey design is a method that enables one to gather data from relatively large number of subject at a particular time, Mugenda and Mugenda (2003). Descriptive survey method was used by the researcher because it enabled the researcher to collect data from members of the population, interpret and establish a relationship between the variables and their significance.

3.3 Target population

The study sought to examine the influence of housing loan repayment on household welfare. The population of the study was 500 registered and active members of Habitat for humanity housing microfinance projects in Kisii region. Since some of the members have cleared the loan and have ceased to be on the registers, the researcher therefore considered only those beneficiaries who are currently in Habitat for humanity schemes. Some of the members after clearing the loan amount ceased from being in groups due to the challenges they had encountered during loan repayment. Some even disappeared because of fear of the sanctions put on loan defaulters and could not be traced.

Table 3.1: Target homeowner population for the study

GROUP NAME	FEMALE	MALE	TOTAL
1.Ebenezer-Kisii	5	7	12
2.Getembe Borabu	15	12	27
3.Inoo	5	6	11
4.Nest Hill	6	6	12
5.Nyamataro Royal	10	5	15
6.Nyambogo	7	8	15
7. Nyankengo	9	6	15
8 .Omokonge	5	7	12
9. Riobonyo	7	6	13
10. Three room shelter	10	8	18
TOTAL	**79**	**71**	**150**

Source: Habitat for Humanity: Homeowners' report, Kisii region (2012)

3.4 Sample size and Sampling procedure

A sample size is a number of individual selected from a population for a study in a way that they represent the larger group from which they were selected, Mugenda and Mugenda (2003). It would then be possible to generalize the characteristics of the sample to the population. To ensure that respondents of all socio-economic status are represented, the respondents were sampled from ten Habitat for humanity housing microfinance groups representing different socio-economic statuses. Stratified random sampling was used to select the groups for study. The researcher used stratified random sampling because it divided the population into a number of groups of strata, whereby members of the groups share the same characteristics. This was based on gender and ecological distribution of the groups. The aim of stratified random sampling was to achieve the required representative from various sub groups in the population, Mugenda and Mugenda (2003). Simple random sampling was then used to select the groups to be surveyed.

The following sampling formula was used to determine the sample size for the population less than 10,000, Mugenda and Mugenda (2003).

$$nf = \frac{n}{1+n/N}$$

Where:

nf = the desired sample size (when the population is less than 10,000)

n = the desired sample size (when the population is more than 10,000)

N= the estimate of the population size

Then the sample size is:

$$\frac{0.5}{\frac{1+0.5}{150}} = \frac{0.50}{0.01}$$

$= 50$

3.5 Data collection instruments

A semi-structured questionnaire was used to collect data on variables under consideration which included the influence of housing loan repayment on income, affordability of health care services, and affordability of education as well as Security. The questionnaires consisted of two sections. The first section relates to personal details of the respondents and the second section had items aimed at examining the influence of housing loan repayment on household welfare.

3.5.1 Validity of the research instruments

Validity is the accuracy and meaningfulness of inferences, which will be based on the research results. It is the degree to which results obtained from the analysis actually represent the phenomenon under study, Mugenda and Mugenda (2003). Validity of the instrument was used to measure the degree to which the items will represent specific areas covered by the study. Validity of the instrument was determined by experts in the field of research who looked at the measuring technique and coverage of specific areas (objectives) covered by the study. The questionnaire was given to professionals in the field of research to critique it and to give suggestion on the necessary areas to change in order to establish the validity of the instrument.

The corrections on the identified questions were there after incorporated in the instrument to ensure validity of the research instruments.

Validity was ascertained by checking whether the questions were measuring what they were supposed to measure such as the: clarity of the wording and whether the respondents were interpreting all the questions in a similar way, Orodho (2005). Validity was therefore established by the researcher by revealing areas causing confusion and ambiguity and this led to reshaping of the questions to be more understandable by the respondents and to gather uniform responses across various respondents.

3.5.2 Reliability of research instruments

According to Orodho (2002) reliability of the instrument concerns the degree to which a particular measuring procedure gives similar results over a number of repeated trials. This refers to the consistency of the scores obtained for each individual. To increase the reliability of the research instruments, the researcher employed split-half technique whereby the questionnaires were administered to two groups; odds and evens and the results compared. This ensured the reliability of the research instruments as the two results were compared to measure the consistency of the scores obtained.

3.6 Data Analysis

Field data was analyzed using descriptive statistics. The statistical tools of analysis used were: frequencies, percentages, mean and standard deviation. The questionnaire items were coded according to each variable of the study to ensure that the margin of error is minimized and to ensure accuracy during the analysis. The analysis was done with the help of statistical Package for Social Science (SPSS) program.

3.7 Ethical Consideration

To ensure that the research is done in an ethical manner according to the expectations of the authorities, the researcher informed the respondents that the instruments being administered were for academic purposes and that the respondent’s identity was kept confidential.

Table 3.2: OPERATIONALIZATION OF VARIABLES

Objective/ Research Question	Variable	Indicator	Measurement	Level of measurement	Research design	Data collection method	Data Analysis
How does housing loan repayment influence affordability of health care?	**Independent**: Influence of housing loan repayment on affordability of health care services	-Default rate –Number of visits to the hospital	-Arrears recorded -Portfolio at risk	-Nominal -Ordinal	-Survey	**Questionnaire** Open-ended Closed-ended	**Descriptive:** -Frequency tables -Mean -Percentages
	Dependent: Household welfare	-Lack of money to pay the loan -Interest rate	-Number. of late payments -Outstanding loan balance	-Ordinal -Nominal	-Survey	**Questionnaire** Semi-structured	**Descriptive:** -Frequency tables -Mean
To what extent does housing loan repayment influence household income of the benefactors?	**Independent**: Influence of housing loan repayment on household income	-Improved/ increased income -low income due to loan repayment	-Diversified income sources - Decreased income due to loan repayment	-Interval -Nominal	-Survey	**Questionnaire** Semi-structured	**Descriptive:** -Frequency tables -Mean -Percentages
To what extent does housing loan repayment influence affordability of school fees of school-aged children?	**Independent:** Influence of housing loan repayment on affordability of school fees	Absenteeism -School drop out	-No. of days in school per month -No. of children not in school	-Ordinal -Nominal	-Survey	**Questionnaire** Semi-structured	**Descriptive:** -Frequency tables -Mean -Percentages
How does housing loan repayment influence security of the benefactors?	**Independent:** Influence on Security/Collateral	-Group Lending -Good housing conditions	-Household assets -Good windows, doors and roofs	-Nominal	-Survey	**Questionnaire** Semi-structured	**Descriptive** -Frequency tables -Mean

3.8 Operationalization of the study variables

Table 3.2 above gives the operational definition of variables in this study. The table has provided the indicators and measurement for independent variables, namely, influence of housing loan repayment on the following: affordability of health care services, household income, school fees for school-aged children and security of the beneficiaries. The indicator and measurement for dependent variable, namely, household welfare is also given. Both measurement scales and the data analysis method used are also highlighted.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

The purpose of this research was to examine the influence of housing loan repayment on household welfare, a case of Habitat for Humanity project in Kisii region, Kenya. This chapter presents analysis and findings of the study as set out in the research methodology. The results are presented on the influence of housing loan repayment on household welfare based on the research objectives. The specific areas presented in this section include: questionnaire response rate, gender distribution of the respondents, and age of the respondents, level of education and occupation as well as findings on the objectives of the study.

4.2 Response Rate

The researcher self- administered 50 questionnaires to the active members of Habitat for Humanity housing project in Kisii region. The study was conducted whereby the researcher travelled to the homestead of the respondents in three divisions namely; Nyamira, Kisii town and Keroka in Kisii region. The respondents were first of all called to confirm their availability in order to administer the questionnaires. Five respondents were interviewed from each group of which the homesteads were 10km apart. Information was obtained from 50 respondents; hence the return rate was 100 percent.

4.3 Background information of the respondents

Background information of the respondents can influence housing loan repayment. It was therefore important to study the background of the respondents as gender, age, marital status; academic qualification and occupation disparities are common phenomena in Kisii region and as such may be influence housing loan repayment.

4.3.1 Gender distribution of the respondents

Housing loan repayment can influence gender dynamics. In most cases households with less empowered women are likely to suffer from poor housing. This is mainly due to poor tasks distribution that tends to overburden women and skewed mode of property ownership. As such, the study required the respondents to indicate their gender by ticking on the spaces provided in the questionnaire. The gender disparity as far as proper ownership is concerned could be explained by various factors. For instance, most household visited reported that women had travelled to the market either by participating in business activities or engaging in productive development activities.

Table 4.1: Gender of the Respondents

Gender	Frequency	Percentages (%)
Male	23	46
Female	27	54
Total	**50**	**100**

From Table 4.1, 46% of the respondents were male while 54% of the respondents were female. It can however be concluded that majority of the members of Habitat for Humanity housing project are female. The findings show that the members of Habitat for Humanity housing project studied had both male and female members who were well represented in the study. This findings implies that women's role in property ownership has changed since more women were found to be participating in housing finance in order to own a house.

4.3.2 Distribution of Respondents by Age

The researcher sought to find out the age bracket of the respondents. Age is therefore an important indicator of homeownership. Homesteads without proper housing can be strenuous particularly to the elderly population hence detrimental to their health.

Table 4.2: Age bracket of the respondents

Age bracket	Frequency	Percentages (%)
Below 20	0	0
21-30 Years	14	28
31-40 Years	16	32
41-50 Years	11	22
51-60 Years	9	18
Total	**50**	**100**

From Table 4.2, majority of the respondents were aged between 31 and 40 years, comprising 32 percent of the respondents, 28% of the respondents were aged between 21 and 30 years, 22% of the respondents were aged between 41 and 50 years while 18% of the respondents were over 50 years of age. None of the respondents was below 20 years of age. From the study findings, it can be noted that an ageing population may find it difficult to attend the group meetings in order to benefit from the group activities. However, it is important to emphasize that age alone may not necessarily be a measure of housing loan repayment. But this could give us a clue on the role played by other socio-economic factors such as education level and occupation being supported by such a household.

4.3.3 Distribution of the Respondents by Marital Status

Marital status is a factor that was considered important in this study. Housing loan repayment can influence marital status. In most cases households which are headed by single parents are likely to suffer from poor housing and may not engage in housing microfinance projects.

Table 4.3: Marital status of the Respondents

Marital Status	Frequency	Percentages (%)
Single	3	6
Married	46	92
Widowed	1	2
Divorced	0	0
Separated	0	0
Total	**50**	**100**

From Table 4.3, majority of the respondents were married which constitutes 92% of the respondents, 6% of the respondents were single while 2% of the respondents were widowed. None of the respondent was divorced or separated. This analysis reflects on housing microfinance policy whereby housing loans are given to the married clients. From the study findings, it can be concluded that marital status play a vital role in housing loan repayment as those who are married may be affected as a result of housing loan repayment.

4.3.4 Distribution of the Respondents by Education level

The level of education of the respondents may influence decision making regarding housing loan repayment and household welfare needs. The respondents were asked to indicate the highest level of education attained. This difference might contribute to differences in the responses given by the respondents. For example the peoples' perception and attitudes of the concept of housing and loan repayment may be elusive. Moreover, the low level of women's' educational attainment may have negative outcome of housing loan repayment. Population with such characteristics also tends to be less receptive to public health education programs that could be useful in reducing risks associated with poor housing.

Table 4.4: Level of Education of the Respondents

Level of Education	Frequency	Percentages (%)
Primary	19	38
Secondary	27	54
College	4	8
Graduate	0	0
Any other	0	0
Total	**50**	**100**

From Table 4.4, 54% of the respondents had acquired secondary level of education, 38% of the respondents indicated that they had acquired primary education, while 8% of them had acquired college level of education. None of the respondents had education beyond college; Graduate level. This results imply that majority of the respondents (comprising over 60%) had at least secondary level of education and hence understood the information sought by this study. Since most of the trainings before one receives a loan are usually conducted in Kiswahili, education level by the respondents implies that the trainings and housing microfinance policies were understood by most of the respondents who have formal education.

4.3.5 Distribution of the respondents by occupation

The researcher sought to find out the occupation of the respondents. This was important as it influences housing loan repayment. A number of households that survive on less than a dollar per day can be an indication of poverty. This is because such families are more likely not only to fall short of global housing requirement; good ventilation, but also vulnerable to housing related diseases due to unaffordable medical bills.

Table 4.5: Occupation of the Respondents

Occupation	Frequency	Percentages (%)
Formal	1	2
Informal	49	98
Total	**50**	**100**

From Table 4.5, 98% of the respondents were engaged in informal employment with farming as a dominant for most of the respondents, 2% of the respondent had formal employment. Source of income is a determinant of housing loan repayment. However, this conclusion may be limited in at least one consideration. That income level alone does not influence housing loan repayment. Instead condition of housing such as poor roofs, doors and windows are also intervening factors in regard to housing loan repayment.

4.4 Influence of housing loan repayment on affordability of health care services

Housing loan repayment influences affordability of health care services. Emergency services or unseen events can influence housing loan repayment if proper planning is not done. It was therefore important to study the influence of housing loan repayment on affordability of health care services in order to establish how housing loan repayment influences household welfare. Loan repayment may as such influence the decision by the household to take their children for medical services and face the consequences of loan default or pay the loan amount on time.

Table 4.6: Distribution of the respondents by the influence of housing loan repayment on affordability of health care services

The 5-point Likert Rater scale	Frequency	Percentages (%)
Strongly Agree	0	0
Agree	7	14
Neutral	7	14
Disagree	0	0
Strongly Disagree	36	72
Mean	**4.3**	
Standard Deviation	**1.16**	

As shown in Table 4.6, the responses were shown using a 5-point Likert rating scale whose numerical values in ascending order ranged from 1-to-5 with decreasing strength of their level of agreement as indicated by their strongly agree-1; Agree-2; Neutral-3; Disagree-5 and Strongly disagree-5. They were required to make their choices as to how they rated each statement with influence of housing loan repayment on affordability of health care services. From the table, majority of the respondents indicated that they strongly disagree with the fact that housing loan repayment influences affordability of health care services, this constitutes 72% of the respondents, 14% of the respondents indicated neutral and 14% of the respondents agreed by the fact that housing loan repayment influences affordability of health care services while none of the respondent strongly agreed or disagreed with the fact that housing loan repayment influences affordability of health care services.

4.4.1 Distribution of the Respondents by the number of visits to the hospital

The researcher sought to examine the number of visits to the hospital in a month by the respondents since loans are usually repaid on a monthly basis. This was however important as loan repayment is a factor that hinders one from attending heath facilities due to lack of money. However loan repayment alone cannot be concluded to be the only factor hindering affordability of health care services as other factors like attitude of a particular person can also be considered as another important factor hindering affordability of health care services.

Table 4.7: Number of visits to the hospital by the Respondents

No. of visits to hospital	Frequency	Percentages (%)
Once	20	40
Twice	5	10
Thrice	2	4
Four times	0	0
Five times	0	0
When one is sick	23	46
Total	**50**	**100**

From Table 4.7, 46% of the respondents indicated that they visit the hospital only when they are sick, 40% of the respondents indicated that they visit the hospital once in a month, 10% of the respondents indicated that they visit the hospital twice in a month while 4% of the respondents visit the hospital three times in a month. The research findings shows that loan repayment hinders one from attending regular check-ups as majority of the respondents indicated that they visit the hospital only when they are sick.

4.4.2 Influence of loan repayment on affordability of health care services

Heath care services is an important indicator in assessing the influence of loan repayment on household welfare. Since housing is one of the basic needs that need to be fulfilled, it was important to study how housing loan repayment influences affordability of health care services. It was also important to study the influence of housing loan repayment on affordability of health care services as a way of getting feedback from the respondents on why loan diversion is a common trend by most of the borrower. The study findings are shown in table 4.8.

Table 4.8: Influence of housing loan repayment on affordability of health care services

Health care services	Frequency	Percentages (%)
Late loan payments	1	2
Loan default	7	14
Not attending hospitals	6	12
No influence	36	72
Total	**50**	**100**

From Table 4.8, 72% of the respondents indicated that housing loan repayment does not influence affordability of health care services. This was from the fact that housing loan had to be repaid on time regardless of whether a family member is sick or not, 14% of the respondents indicated that affordability of health care services may lead to loan default, 12% of the respondents indicated that one may not be able to visit the hospital due to loan repayment, while 2% of the respondents stated that affordability of health care services led to late loan repayment.

4.4.3 Loan default and the influence on health

The researcher sought to establish the influence of loan default on health. The study of loan default as a factor that influences borrowers' health is important since it determines whether or not one will pay housing loan or face the consequences of loan default which may lead to portfolio at risk, since the loans may be written off as bad debts, thereby causing portfolio at risk to be high. For an organization to achieve sustainability, portfolio at risk is supposed to be less than 1% of the outstanding loan balance which may not be achieved when one defaults.

Table 4.9: Loan default and the influence on health

Loan default on health	Frequency	Percentages (%)
Sickness	9	18
Stress	36	72
Frustrations	5	10
Total	**50**	**100**

From Table 4.9, majority of respondents indicated stress as the influence of loan default on health, which constitutes 72% of the respondents, 18% of the respondents indicated sickness as the influence of loan default on health while 10% of the respondents indicated frustrations as the influence of loan default on the borrowers' health. The respondents indicated that they rather borrow from group fund in order to repay the loan so as to avoid stress caused by loan default. The respondents also indicated that some of the members who have defaulted had to hide under the bed in order to avoid the shame of witnessing their assets being taken away from them. Some of them even hang themselves as a result of loan default.

4.5 Distribution of the respondents by influence of housing loan repayment on income

Income is a determinant of housing loan repayment by the respondents. Low income earners' income is seasonal which depends on the business or crop yield in a particular period of time. This however can be influenced by housing loan repayment if proper planning is not put in place. A persons' income can increase, decrease or remain constant as a result of loan repayment. Housing loan may increase the expenditure of a particular family since the loans are expected to be repaid on a monthly basis.

Table 4.10: Distribution of the respondents by influence of housing loan repayment on income

The 5-point likert scale	Frequency	Percentages (%)
Strongly Agree	0	0
Agree	13	26
Neutral	5	10
Disagree	0	0
Strongly Disagree	32	64
Mean	**4.02**	
Standard Deviation	**1.35**	

From Table 4.10, the responses were shown using a 5-point Likert rating scale whose numerical values in ascending order ranged from 1-to-5 with decreasing strength of their level of agreement as indicated by their strongly agree-1; Agree-2; Neutral-3; disagree-4 and Strongly disagree-5. They were required to make their choices as to how they rated each statement with influence of housing loan repayment on income. From the table, majority of the respondents indicated that they strongly disagree with the fact that housing loan repayment influences income level which constitutes 64% of the respondents, 26% of the respondents agreed that housing loan repayment influences income level, while 5% indicated to be neutral on the opinion about the influence of housing loan repayment on income.

4.5.1 Distribution of the respondents by income before receiving a loan

The researcher sought to establish the income level of the respondents before receiving housing loan. This was useful in determining whether housing loan has benefitted the borrowers or has drained their resources as a result of housing loan repayment due to the interest rate that is charged on the loan amount.

Table 4.11: Income of the respondents before receiving housing loan

Income before loan	Frequency	Percentages (%)
Less than 10,000	33	66
10,001-20,000	12	24
20,001-30,000	3	6
30,001-40,000	1	2
40,001-50,000	1	2
Over 50,000	0	0
Total	**50**	**100**

From Table 4.11, 66% of the respondents had income of less than 10,000, 24% of the respondents indicated income level of between 10,001 and 20,000, 6% of the respondents indicated income level of between 20,001 and 30,000, 2% of the respondents indicated income level of between 30,001 and 40,000 while 2% of the respondents indicated income level of between 40,001 and 50,000. None of the respondent indicated income level of over 50,000. From the analysis, it can be concluded that majority of the beneficiaries had income level of less than 10,000. This was an indication of poverty, since majority of the respondents had income of less than five thousand Kenyan shillings. Since some borrowed up to fifty thousand Kenyan shillings and were required to repay a monthly loan amount of three thousand five hundred Kenyan shillings, this was noted to influence income of the respondents.

4.5.2 Distribution of the income of the respondents after receiving the loan

The income level of the respondents after receiving a loan is an important factor that was considered. Income level is vital as it may determine the ability of a household to avert impacts of housing loan repayment.

Table 4.12: Income of the respondents after receiving housing loan

Income before loan	Frequency	Percentages (%)
Less than 10,000	19	38
10,001-20,000	24	48
20,001-30,000	6	12
30,001-40,000	0	0
40,001-50,000	1	2
Over 50,000	0	0
Total	**50**	**100**

From Table 4.12, 48% of the respondents had an increase in their income level from less than 10,000 to between 10,001 and 20,000, 38% of the respondents had not increased their income; instead their income reduced as a result of housing loan repayment, 12% of the respondents had income level of between 20,001 and 30,000, while 2% had income of between 40,001 and 50,000. Income was indicated to have increased due to merry-go-round and savings in which the members contribute and add into their income. By being in a group, the beneficiaries benefited through social capital whereby they share ideas and engage in development activities, which helped in repayment of housing loans thereby increasing their income through projects such as basket weaving projects in Kisii region. Through human capital gained through financial literacy training, the borrowers are able to learn how to budget for the money they get and how to keep savings for emergency thereby enhancing housing loan repayment. Low income was also evidenced as a result of housing loan repayment which was indicated to drain their income.

4.5.3 Distribution of the respondents by main livelihood activities

In regard to livelihood activities, the respondents were asked about their ways of earning a living. This was important since before one obtains a loan from housing microfinance institution, one has to fill the economic assessment form requiring the main livelihood activities for a family. Economic activities by most of the members in Kisii region are farming and business. To begin exploring the extent of poverty and the influence of housing loan repayment on income in the study area, the respondents were asked to state the main livelihood activities. The study findings are shown in Table 4.13.

Table 4.13: Main livelihood activities of the respondents

Livelihood activities	Frequency	Percentages (%)
Farming	8	16
Business	1	2
Farming and business	38	76
Teacher	1	2
Watchman	1	2
Pension	1	2
None	0	0
Total	**50**	**100**

From Table 4.13, majority of the respondents are engaged in farming and business activities which constitutes 76% of the respondents, 16% of the respondents indicated that their main livelihood activity is farming, 2% indicated business as their main livelihood activity, 2% indicated teaching as their main livelihood activity, 2% indicated watchman as their main livelihood activity while 2% of the respondents indicated pension as their main livelihood activity. A number of households that survive on less than a dollar per day are signs of poverty. This is because such families are more likely not only to fall short of global housing requirements; good ventilation, but are also vulnerable to malnutrition due to lack of money to buy food as a result of loan repayment.

4.5.4 Influence of housing loan repayment on Fluctuation of income

Low income earners' income at times fluctuates due to business or crop failure. This can lead to loan default as they depend on farming and business as their source of income which may at times fail to give enough return to pay housing loan and cater for other basic needs. The findings of the study are shown in Table 4.14.

Table 4.14: Influence of housing loan repayment on fluctuation of income

Influence on fluctuation of income	Frequency	Percentages (%)
Delayed loan payment	11	22
No influence	32	64
Cater for basic needs	2	4
Borrow from others	5	10
Total	**50**	**100**

From Table 4.14, majority of the respondents indicated no influence of housing loan repayment on fluctuation of income since loans were indicated to be repaid regardless of fluctuation of income, this constitutes 64% of the respondents, 22% of the respondents indicated delayed loan repayment as a result of fluctuation of income, 10% of the respondents indicated borrowing from other sources to repay the loan due to fluctuation of income while 4% of the respondents indicated catering for other basic needs as the influence of fluctuation of income therefore leaving no money to repay the housing loans leading to loan default. A diversified income source; business and farming was a factor that had been considered to cater for the challenges caused by fluctuation of income.

4.5.5 Distribution of the respondents by training obtained

The researcher sought to examine the trainings obtained by the respondents as it was an important factor considered in determining whether housing loan will be repaid or not. Trainings are beneficial to the borrowers as it was indicated to help the borrowers plan for their loan repayment through proper budgeting and group activities such as merry-go-round and development projects like the basket weaving in Kisii region which enabled them to increase their income therefore influencing household welfare. Financial literacy training is essential to the borrowers as it determined how the money will be spend and how to make decisions and prioritize their activities based on the needs.Training forms a component part of the Habitat for Humanity, and that is why it is termed as credit and education. Homeowners usually have contacts with the field officers weekly, and during such meetings, they are educated on how to manage their credit efficiently. They are also educated on the benefits of savings and therefore being encouraged to save and also pay back the loan taken on time. The benefits of the training component according to the beneficiaries are that, it motivates members to pay back loan promptly; it helps them acquire literacy skills, enhances their economic activities and the ability to meet the welfare needs of their children

Table 4.15: Trainings obtained by the respondents

Trainings obtained	Frequency	Percentages (%)
Financial literacy	31	62
Health training	0	0
None	12	24
Other	7	14
Total	**50**	**100**

From Table 4.15, 62% of the respondents indicated that they had received financial literacy training, 24% of the respondents indicated that they had not obtained any training from Habitat for Humanity, while 14% of the respondents indicated that they had obtained a group management training. None of the respondents had indicated health training. Without appropriate financial education training, there is a danger that the financial obligations arising from housing loan products will be misunderstood. Families using these products could suffer as a result. Because Habitat for Humanity seeks to help populations that are vulnerable to economic shocks and unequal power relationships, offering financial education in association with housing finance partnerships can build families to make well-informed decisions that reduce risk of falling prey to unwise and unscrupulous lending. Programs delivered in community-adapted settings are essential to reaching people where they are and empowering them with the tools to drive their financial futures.

4.6 Influence of housing loan repayment on affordability of school fees

The researcher examined the influence of housing loan repayment on affordability of school fees. This was an important factor that led to diversion of housing loan to pay the school fees. In this regard the families either make a decision on whether to take their children to school and/or to repay the loan. School aged children at times misses school as a result of loan repayment. Since some borrow up to one hundred thousand Kenyan shillings and are required to repay the loan amount of eight thousand shillings on a monthly basis, this can negatively influence affordability of school fees as the money received is used to repay the loan due to fear of sanctions as a result of loan default.

Table 4.16: Distribution of respondents by opinions of influence of housing loan repayment on affordability of school fees

The 5-point likert scale	Frequency	Percentages (%)
Strongly Agree	0	0
Agree	15	30
Neutral	5	0
Disagree	0	0
Strongly Disagree	35	70
Mean	**4.1**	
Standard Deviation	**1.39**	

From Table 4.16, the responses were shown using a 5-point Likert rating scale whose numerical values in ascending order ranged from 1-to-5 with decreasing strength of their level of agreement as indicated by their strongly agree-1; Agree-2; Neutral-3; Disagree-4 and Strongly disagree-5.They were required to make their choices as to how they rated each statement with influence of housing loan repayment on affordability of education for school aged children. From the table, majority of the respondents indicated that they strongly disagree with the fact that housing loan repayment influences affordability of school fees which constitutes 70% of the respondents while 30% of the respondents agreed with the fact that housing loan repayment influences affordability of school fees.

4.6.1 Distribution of respondents by the number of school aged children

Number of school aged children was a factor that was considered in determining housing loan repayment. Those with more than three school aged children indicated to be having problems in housing loan repayment when the school opens especially those in upper classes. Making decisions on whether to pay school fees or repay housing loan is an important factor that influences household welfare. A family may decide to forgo school fees and repay the loan amount because of fear of the sanctions put on loan defaulters. This may increase the level of illiteracy as most of the children may not attend school due to lack of school fees. Thus early marriage for girl child.

Table 4.17: Number of school aged children of the respondents

No. of school children	Frequency	Percentages (%)
None	6	12
One	4	8
Two	15	30
Three	13	26
Four	8	16
Five	2	4
Six	2	4
Total	**50**	**100**

From Table 4.17, 30% of respondents had two school aged children, 26% of the respondents indicated that they had three children in school, 16% indicated that they had four school aged children, 12% indicated no school aged children, 8% had only one child in school, 4% had five children in school while 4% had six children in school. Those who indicated to have three or more children in school had difficulties in repaying housing loans, especially when the school opens and at times loan payment is delayed as a result of school fees leading to arrears at risk. As a result of school fees, some of the borrowers had adopted a saving pattern in which they save specifically for school fees through the watano (group of five) groups which brought development to the respondents through school fees kitty programs. The watano groups' main function is to co-guarantee the members during the loan processing.

4.6.2 Distribution of the respondents by influence of housing loan repayment on school fees

The researcher sought to find out the influence of housing loan repayment on school fees of the school aged children. Families usually makes decisions on what is important for them, they either can choose to repay the loan or pay school fees. In this regard school fees at times is affected due to housing loan repayment and at times the children stay away from school due to lack of school fees, as the little money for the family is spent on repaying the loan.

Table 4.18: influence of housing loan repayment on school fees of the respondents

Influence on School fees	Frequency	Percentages (%)
Yes	15	30
No	35	70
Total	**50**	**100**

From Table 4.18, 70% of the respondents indicated that housing loan repayment does not influence school fees. The respondents indicated that loan had to be paid and not even school fees can prevent them from repaying their housing loan. Most of the respondents stated that they feared defaulting therefore they had to work hard in order to pay their housing loans. 30% of the respondents indicated that housing loan repayment influences school fees especially as the money that could have been used to pay the school fees is spent on loan repayment. This has forced them to borrow from other sources in order to pay the loan causing more and more debts.

4.6.3 Distribution of respondents by the number of times the children are not in school

Absenteeism from school is a major challenge for low income earners especially those with loans. Children missing school due to lack of school fees can lead to school drop outs and early marriage especially for girls who are considered not to be patient.

Table 4.19: Number of times the children are not in school due to school fees

No. of times not in sch.	Frequency	Percentages (%)
Once	42	84
Twice	2	4
Thrice	0	0
Four times	0	0
Five times	0	0
None	6	12
Total	**50**	**100**

The research finding from Table 4.19 shows that majority of the respondents children misses only one day in a month which constitutes 84% of the respondents, 12% of the respondents' indicated that they do not have any school aged, while 4% of the respondents indicated that their children misses school twice in a month due to loan repayment. From this research finding, it can be concluded that housing loan repayment influences school fees especially when the loan is being paid. This was noted to force the respondents to miss the payment of school fees and repay the loan due to fear of the sanctions put on defaulters.

4.6.4 Distribution of the respondents by the number of times the loan is repaid

The researcher sought to determine the number of times the loan was being paid as it was an important determinant of loan default. The loan repayment schedule/ pattern was seen as not favourable by most of the respondents. Due to fluctuation of income by most of the respondents, analysis of loan repayment schedule was important since it determined whether the loan will be paid or not and the extent to which loan payment influences payment of school fees. When the school opens, the monthly payment was seen to hinder school fees for respondents with more than three school aged children.

Table 4.20: Number of times in a month the loan is paid

Loan repayment in a month	Frequency	Percentages (%)
Once	46	92
Twice	3	6
Thrice	0	0
Four time	1	2
Total	**50**	**100**

From Table 4.20, majority of the respondents repay their housing loans once a month, which constitute 92% of the respondents, 6% of the respondents indicated that they repay their housing loan twice a month. The respondents indicated that they meet on a weekly basis to save. This savings was indicated to act as a source of income for the beneficiaries. Since savings was seen as a source of income, majority of the respondents stated that monthly repayment of housing loan is a challenge due to the weekly savings which are supposed to be put in a group account every week ;which sum up to four hundred shillings every month

4.7 Security

Household security is an important factor that was considered in determining the reasons for housing loan default. The researcher therefore sought to examine the influence of housing loan repayment on security in order to determine the satisfaction of the respondents in terms of housing condition and size of the respondents. Household security was also studied in terms of savings by individual beneficiary and also co-guarantee by the watano group (group of five people), as well as the contributions by the members when one doesn't repay the loan.

Table 4.21: Distribution of the respondents by the influence of housing loan repayment on security

The 5-point likert scale	Frequency	Percentages (%)
Strongly Agree	0	0
Agree	28	56
Neutral	13	26
Disagree	0	0
Strongly Disagree	9	18
Mean	**2.8**	
Standard Deviation	**1.12**	

From Table 4.21, the responses were shown using a 5-point Likert rating scale whose numerical values in ascending order ranged from 1-to-5 with decreasing strength of their level of agreement as indicated by their strongly agree-1; Agree-2; Neutral-3; Disagree-4 and Strongly disagree-5. They were required to make their choices as to how they rated each statement with influence of housing loan repayment on security. From the table majority of the respondents indicated that they agree with the fact that housing loan repayment influences security which constitutes 56% of the respondents, 26% of the respondents were neutral in their opinion as to whether housing loan repayment influences security, while 18% of the respondents strongly disagreed with the fact that housing loan repayment influences security.

4.7.1 Distribution of the respondents by satisfaction of the size of the house

Satisfaction of the respondents with the size of their house was an important factor that was considered by the researcher in this study. Studying the satisfaction of the size of the house helped in determining how housing loan will be repaid as members who were not satisfied with the size of their house were indicated not to repay their housing loan promptly and that the loan might have been used for other purposes. Those who are satisfied with the size of their house may be motivated to repay the housing loans without any problem.

Table 4.22: Satisfaction with the size of the house by the respondents

Satisfaction with size of the house	Frequency	Percentages (%)
Very Satisfied	4	8
Satisfied	9	18
Neutral	36	72
Dissatisfied	0	0
Not sure	1	2
Total	**50**	**100**

From Table 4.22, majority of the respondents were neutral about their satisfaction with the size of their house which constitutes 72% of the respondents, 18% of the respondents were satisfied with the size of their house, 8% were very satisfied with the size of their house, 2% of the respondents were not sure about the satisfaction with the size of their house, while none of the respondent indicated that they were dissatisfied with the size of their house. From the analysis it can be concluded that majority of the respondents were satisfied with the size of their house since they could not afford bigger loans in order to build big houses.

4.7.2 Distribution of the respondents by satisfaction of the condition of the house

Condition of the house is an important factor that was considered when determining housing loan repayment. Houses with poor conditions may prevent families from performing their daily activities in order to get money to repay housing loans. Breakages as a result of poor quality doors may discourage families from performing their duties thereby not able to pay their loans because of lack of money. Poor roofing condition may also lead to diseases thereby no money to repay the loans as the money obtained is used for health care purposes. The researcher sought to establish the respondents’ satisfaction with the condition of their houses in terms of walls, roofs, floor as well as doors and windows.

Table 4.23: Satisfaction with the condition of the house by the respondents

Satisfaction with the condition of the house	Frequency	Percentages (%)
Very Satisfied	4	8
Satisfied	9	18
Neutral	36	72
Dissatisfied	0	0
Not sure	1	2
Total	**50**	**100**

From Table 4.23, majority of the respondents were neutral about the satisfaction with the condition of their house which constitutes 72% of the respondents, 18% of the respondents were however satisfied with the condition of their house, 8% of the respondents were very satisfied with the condition of their house, while 2% of the respondents were not sure about the condition of their house. The condition of the house was looked at in terms roofing, walling, flooring as well as the condition of the doors and windows. The respondents who indicated the condition of their house to be neutral since they were not satisfied with the walls, doors or windows as it was not up to the required standards. Poor housing condition was indicated to lead to poor health condition. Breakages were also indicated to be results of poor housing conditions which were indicated to cause fear by the respondents.

4.7.3 Group lending as housing loan security/collateral

Group lending mechanism is whereby, members of a particular group come together in order to obtain a loan. Small groups of five people are used in order to obtain a loan through co-guarantee by group members and group officials. The researcher sought to establish group lending aspect as a way to determining housing loan repayment by the respondents. Individual lending had been stated to encourage loan default by the borrowers. Most microfinance institutions have resorted to group lending mechanism as a way of facilitating repayment of the loans. It was important to study group lending mechanism as it was seen as overburdening the borrowers if one or more borrower doesn’t pay.

Table 4.24: Group lending as housing loan security/collateral

Group lending as collateral	Frequency	Percentages (%)
Co-guarantee	13	26
Contributions by the others	28	56
Sanctions	1	2
Other businesses/ Development	6	12
Trust/Cohesion	2	4
Total	**50**	**100**

From Table 4.24, 56% of the respondents indicated that group lending mechanism is important as the members of the group of five are able to contribute in case one members doesn't pay the loan, 26% of the respondents indicated that group lending mechanism is important since the group members are able to co-guarantee each other through signing of the application documents before one receives a loan, 12% of the respondents indicated that group lending is important as the members of the group of five are able to engage in other activities not necessarily within the organization but development of their future like starting a development project which was indicated by the respondents to help those who are not able to repay back the loans, 4% of the respondents indicated trust and cohesion as the importance of group lending mechanisms as members were able to trust one another to an extent of signing to guarantee the loan, while 2% of the respondents indicated sanctions to be the importance of group lending mechanism. Members who do not fulfill their promises of repaying their housing loans are deprived off their assets in order to recover the loan balance.

Table 4.25: Summary of the responses on housing loan repayment

Variables	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	S.D
1**. Affordability of health care services**	0	7	7	0	36	4.3	1.16
a) Number of visits to the hospital	20	5	23	2	0	2.14	1.39
b)Loan default on health	9	36	5	0	0	1.92	0.81
Grand Total	**29**	**48**	**35**	**2**	**0**	**8.36**	**3.36**
2. Household income	0	13	5	0	32	4.02	1.35
a)Income before loan	33	12	3	1	1	1.5	0.86
b)Income after loan	19	24	6	0	1	1.8	0.81
c)Main livelihood activities	8	1	38	1	2	2.78	1.08
d)Fluctuation of income	11	32	2	5	0	2.02	0.82
e)Trainings obtained	31	0	12	7	0	1.9	1.2
Grand Total	**102**	**82**	**66**	**16**	**36**	**14.02**	**6.12**
3. Affordability of school fees	0	15	0	0	35	4.1	1.39
a)Number of school aged children	15	13	10	8	4	2.46	1.5
b)Does loan repayment influence affordability of school fees	15	35	0	0	0	1.7	1.39
c)Number of times not in school	42	2	6	0	0	1.28	1.64
d)Number of times loan is paid	46	3	0	1	0	1.12	0.48
Grand Total	**118**	**68**	**16**	**9**	**39**	**10.66**	**5.01**
4. Security /collateral	0	28	13	0	9	2.8	1.12
a) Size of the house	4	9	36	0	1	2.7	0.71
b) Condition of the house	4	9	36	0	1	2.7	0.71
c) Group lending as/collateral	13	28	1	6	2	2.12	1.06
Grand Total	**21**	**74**	**86**	**6**	**13**	**10.32**	**3.6**

4.8 Summary of the findings on influence housing loan repayment on household welfare

As shown in Table 4.25 above, the responses were shown using a 5-point Likert rating scale whose numerical values in ascending order ranged from 1-to-5 with decreasing strength of their level of agreement as indicated by their strongly agree-1; Agree-2; Neutral-3; Disagree-4 and Strongly disagree-5. From the analysis above, majority of the respondents agreed with the fact that housing loan repayment influences household welfare. The first question on the influence of housing loan repayment on affordability of health care services was well distributed in the responses with a mean of 7.44 and standard deviation of 4.36.

The second question on the influence of housing loan repayment on household income was strongly supported by majority of the respondents. This was also noted on the third question on the influence of housing loan repayment on affordability of school fees for the school aged children. Most of the respondents were neutral on their responses on the influence of housing loan repayment on security as some of the respondents agreed with the fact that housing loan repayment influences security. From the analysis, it can be concluded that housing loan repayment influences household welfare of the borrowers.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings, the conclusions and recommendations of the study based of the objectives of the study. The specific objectives of this study were: to establish the influence of housing loan repayment on affordability of health care services of the benefactors, to determine the influence of housing loan repayment on household income of the benefactors, to examine the influence of housing loan repayment on affordability of school fees for the school- aged children of the benefactors and to determine the influence of housing loan repayment on security of the benefactors. Finally recommendations are given.

5.2 Summary of findings

From the research findings, it came out that housing loan repayment influences affordability of health care services, household income, and affordability of school fees for school aged children and household security.

5.2.1 Housing loan repayment on affordability of health care services

Housing loan repayment was noted to influence affordability of health care services when one or more member(s) of a family is sick and that families with one or more members suffering from chronic disease were noted to divert the loan amount to cater for the hospital bills. This was also in regard to the fact that housing loan was taking much money that could have been used to cater for health care services. Loan default was also noted to influence borrowers' health. The respondents were noted to avoid loan default since it was seen as a major cause of stress and heart diseases. Majority of the respondents noted that they only visit the hospital when they are sick since the hospital costs are high and may make them not to pay the loans adequately.

5.2.2 Housing loan repayment on income

Majority of the respondents indicated that they had diversified income which enabled them to repay their housing loan on time thereby avoiding loan default and as a result of crops failure; they were noted to use money from the business to repay the loan. The respondents indicated that loans were supposed to be repaid therefore members who had fluctuation of income were forced to borrow from other sources in order to repay the loans. Borrowing from other sources was found to bring more debts which when accumulated may lead to future loan default. Some of the respondents indicated that their income decreased as a result of loan repayment thereby hindering the affordability of other basic needs.

5.2.3 Housing loan repayment on affordability of school fees

Housing loan repayment was noted to influence affordability of school fees for school aged children, since the money that could have been used to pay school fees was used to repay the loan. However it was indicated by the respondents that loan has to be repaid regardless of school fees. Number of school aged children was seen as hindrance towards loan repayment as those who had more than three children in school were found to have difficulties in repaying their housing loans, especially when schools open. Number of times the loan is repaid was also another factor that determined housing loan repayment. Monthly repayments were seen to be strenuous when school opens as the respondents indicated that they had to choose between school fees and housing loan repayment.

5.2.4 Housing loan repayment on security/collateral

Security/collateral was a factor that was noted by majority of the respondents to help members recover the housing loans from loan defaulters. Group lending mechanisms was found to act as security towards loan repayment as the members were seen to contribute to the others who were not able to repay their housing loans. Satisfaction with the size and condition of the house was a determinant of housing loan repayment. On the other hand, group lending mechanism was seen as not viable for the beneficiaries who have to struggle to pay for the defaulters thereby making them poorer and poorer. The respondents who were satisfied with the condition and size of their houses were found to repay their housing loans on time.

5.3 Discussions

From the research findings, housing loan repayment was noted to influence affordability of health care services especially when one or more member of a family is sick and families with members suffering from chronic diseases were noted to be loan defaulters as most of the money was used to pay the hospital bills. However according to Long (2003), depending on the family values and their needs for that month, housing loan repayment might be missed so that a child can visit the doctor or pay for medication. Long (2003) also noted that in hardship times, many families choose to sacrifice their health care costs in order to pay loans. This proposition supports the findings in this study. The research findings show that, since loans are supposed to be repaid every month, a family member may forgo health care services in order to repay the loans and that those families with a member who has chronic disease may forgo loan payment in order to cater for health care costs. As Yates et al. (2007) indicated that housing loan repayment causes stress that can impact on health and family well being through pressure on household budgets. The research findings also indicated that the influence of loan default is stress which was noted by majority of the respondents to be the major influence of housing loan repayment, which constituted 58% of the respondents.

Diversified income; farming and business were noted to enhance housing loan repayment. On the other hand, income of the respondents was also noted to decrease as a result of housing loan repayment. However for members who have received financial literacy training, their income was noted to have increased due to financial management skills received. This was supported by Khandler (2001) who noted that by providing housing loan and education to low income earners, the service providers help them to improve their productivity and management skills. Fluctuation of income was indicated not to be a major challenge in housing loan repayment as majority of the respondents which constitutes 64% indicated no influence of housing loan repayment on fluctuation of income. This was based on the principle that loan has to be paid regardless of the source of income. This led to borrowing from different sources in order to repay the loan.

From the research findings, it was noted that housing loan repayment influences affordability of school fees. On the other hand those who had more than three school aged children, housing loan repayment was noted to influence affordability of school fees especially when the school opens and during loan repayment period. In this study 70% of the respondents indicated no influence of housing loan repayment on school fees. This was indicated by the number of times a child misses school. Those who indicated no influence of housing loan repayment on school fees had their loans repaid on time. This is however not the case according to Yates et al.(2007) who noted that children were missing out on school activities in order to pay loans.

From the research findings, housing loan repayment was noted to influence security. With poor housing condition as a result of using the loan amount for other purposes, the respondents were noted to fear breakages thereby making them not to perform their daily activities; business and farming in order to pay the loan. Group lending (joint liability) was also found to enhance housing loan repayment by the respondents. This study finding however is supported by Ghatak (1999) who noted that group lending mechanisms enhances loan repayment since the members are given loans in group of five people. Failure by any group member to repay the loan, all the other members are liable to that loan amount.

5.4 Conclusions of the study

This study sought to examine the influence of housing loan repayment on household welfare: A case of Habitat for Humanity project in Kisii region, Kenya. The research finding shows that housing loan repayment influences affordability of health care services, especially when one or more member of a family is sick and that families with members having chronic diseases were noted to divert the loan amount to repay housing loan so as to avoid loan default. The study also found out that since it was the obligation of the beneficiaries to repay the loan, other factors like health care services were ignored in order to repay the loan. Diversified income was a factor that influences housing loan repayment. The increased income of the respondents was noted to influence housing loan repayment. On the other hand, low income/decreased income as a result of housing loan repayment were also noted as the influence of housing loan repayment on income. The study found out that when the school opens, housing loan may be paid leaving the children not to attend school.

Group lending mechanisms was noted to enhance housing loan repayment since the members of a particular group were expected to contribute in case one or more members fail to pay. They were also noted to co-guarantee one another by signing the required documents before one obtains a loan. Based on the findings, it was concluded that housing loan repayment influences household welfare thereby hindering the affordability of other basic needs. The study thus recommended that other sources of income generating activities should be introduced to the beneficiaries in order to help them increase their income lost as a result of housing loan repayment. This can be done through trainings such as financial literacy education which will enhance proper planning and budgeting.

The study also recommended that individual loaning systems should be adopted since group lending mechanisms are strenuous to the borrowers who have to pay for the others in case they fail to pay. Finally the study recommended that repayment period should be re-scheduled in order to give the beneficiaries more time to repay their housing loans.

5.5 Recommendations for further study

Taking the limitations and delimitation of the study, the researcher makes the following recommendations for future study;

1. A study should be carried out on loan defaulters to establish factors that are leading to loan default.
2. A study should be carried out to determine the reasons why loan default and loan diversion are common among low income earners in developing countries.

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APPENDICES

APPENDIX I: Letter of Transmittal

Lilian Awuor Omollo
University of Nairobi
P.O. Box 30197-00100
Nairobi.
lilianomollo@gmail.com
0729614127

Dear Respondent,

RE: **Influence of housing loan repayment on household welfare, a case of habitat for humanity projects in Kisii region, Kenya**

I would first wish to thank you for willingness to participate in this research. I am a Masters of Art in Project planning and management Student at University of Nairobi. I am carrying out a research on the influence of household welfare on housing loan repayment in Kisii region, Habitat for humanity housing project.

This study is aimed at identifying and generating information on the influence of housing loan repayment on household welfare; affordability of health care services, household income, and affordability of school fees as well as security. The finding provided will help enlighten other housing microfinance institutions on how housing loans can provide security and help prevent housing related diseases as well as sustainability of housing microfinance institutions in Kisii region in a better manner in order to avoid default of housing loans. Your genuine response will be highly appreciated and the information obtained will be used purely for academic reasons.

Thank you in advance.

Yours Faithfully,

Sign…………………………………………….
Lilian Awuor Omollo
University of Nairobi

APPENDIX II: Home owners Questionnaires

The purpose of this questionnaire is to gather information about the influence of housing loan repayment on household welfare in Kisii region, housing projects. I request you to feel free and cooperate in this exercise.

Instructions to the Respondent

Please indicate the correct option by putting a tick (√_) against one of the given multiple Choices.

SECTION ONE: General Information

1. Indicate your Gender.

Male [ ]

Female [ ]

2. Kindly indicate your age bracket.

20 Years and Below [ ]   21-30 Years [ ]

31-40 Years [ ]   41-50 Years [ ]

Over 50 Years [ ]

3. Please indicate the marital status.

Single [ ]   Married [ ]   Widowed [ ]

Divorced [ ]   Separated [ ]

4. What is your level of education?

Primary education [ ]   Secondary [ ]

College level/ Diploma [ ]   Graduate [ ]   Any other [ ]

5. What is your current occupation?

Formal [ ]   Informal [ ]

SECTION TWO: Influence of loan repayment on affordability of health care services

6. How many times in a month do you visit local health care?

Once [ ]   Four times [ ]

Twice [ ]   Five times [ ]

Thrice [ ]

Other (specify)…………………………………………………………………………..................................

7. To what extent does loan repayment influence affordability of health care services?
a)…………………………………………………………………………………………
b)…………………………………………………………………………………………
c)…………………………………………………………………………………………

8. How does loan default influence borrowers' health?
a)…………………………………………………………………………………………
b)…………………………………………………………………………………………
c)…………………………………………………………………………………………

SECTION THREE: Influence of housing loan repayment on household income

9. What was your monthly income bracket in Kenyan shillings before receiving housing microfinance loan?

Less than 10,000 [ ]   10,001-20,000 [ ]

20,000-30,000 [ ]   30,001-40,000 [ ]

40,001-50,000 [ ]   Over 50,000 [

10. What is your monthly income bracket in Kenyan shillings after receiving housing loan?

Less than 10,000 [ ] 10,001-20,000 [ ]

20,001-30,000 [ ] 30,001-40,000 [ ]

40,001-50,000 [ ] Over 50,000 [ ]

11. What are your household's main livelihood activities?

a)……………………………………………………………………………………………

b)……………………………………………………………………………………………

c)……………………………………………………………………………………………

12. How does housing loan repayments influence fluctuation of income?

a)……………………………………………………………………………………………

b)……………………………………………………………………………………………

c)……………………………………………………………………………………………

13. Apart from housing loan, which other training have you obtained from Habitat?

a) Financial literacy training [ ]

b) Health training [ ]

c) None [ ]

d) Other (specify)………………………………………………………………………………

SECTION FOUR: Influence of housing loan repayment on affordability of school fees for school aged education

14. How many school aged children do you have?

Name	Age	Class/Form
1.		
2.		
3.		
4.		
5.		

15. Does loan repayment influence affordability of education for school aged-children?

Yes [ ]

No [ ]

Please explain your answer…………………………………………………………………..

16. How many times in a month do your children miss school as a result of loan repayment?

Once [ ] Four times [ ]

Twice [ ] Five times [ ]

Thrice [ ]

Don’t know [ ]

17. How many times in a month do you repay your housing loan?

Once [ ] Thrice [ ]

Twice [ ] Four times [ ]

SECTION FIVE: Influence of housing loan repayment on Security

18. Rate your satisfaction with the size of your home

Very satisfies [ ] Satisfied [ ] Neutral [ ] Dissatisfied [ ]

Not sure [ ]

19. Rate your satisfaction with the condition of your home

Very satisfies [ ] Satisfied [ ] Neutral [ ] Dissatisfied [ ]

Not sure [ ]

20. To what extent does group lending act as security/collateral towards housing loan repayment?

a)…………………………………………………………………………………………

b)…………………………………………………………………………………………

c)…………………………………………………………………………………………