

An investigation into factors that hinder access to housing loans: a case study of primary school teachers in Thika Municipality

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Abstract:

The study aimed at analyzing factors that hinder access to housing loans. The objectives of the study included finding out how remuneration, interest rates, collateral, land availability and transfers affect teachers in accessing housing loans. The study was important in that it would help the banks to appreciate their role in facilitating development of housing in Kenya. The government would also be able to develop policies that regulate and promote provision of loans by financial institutions. The study was limited within Thika Municipality. The study adopted descriptive research design. The study population comprised 480 public primary school teachers within Thika municipality. The study used both stratified sampling design and simple random Sampling to select a sample of 120 teachers who were used in data collection. The data was collected using questionnaire. The questionnaire included both open ended and closed ended questions. The data collected was coded and entered into the computer for analysis using SPSS. Data presentation was done by the use of pie charts, bar graphs, percentages and frequency tables. The study found out that majority of teachers do not own the houses they lived in. Teachers were found to earn very low salaries which made them to qualify for low loan amounts. The study also revealed that the high interest rates charged by financial institutions greatly discouraged teachers from accessing housing loans .Land availability was also seen as a prerequisite for accessing loans .Further, the study revealed that teachers transfers were a hindrance to the access to the of housing loans and affected their settling down. Based on the research findings, the study made a number of recommendations. Firstly, the government should consider improving on the teachers' remuneration which will empower them to secure higher loan amounts for housing purposes. Secondly, the financial institutions should consider lowering interest rates to lure more teachers to borrow from them .Thirdly, the banks should not overemphasize the need for collateral as a requirement for credit access. To solve the problem of land availability teachers should form investment groups through which they can purchase huge tracts of land and have it subdivided among themselves .The study also recommended that Teachers Service Commission should abstain from arbitrary transfers of teachers considering the destabilization such a phenomenon can cause.