Habitat for Humanity® | Center for Innovation in Shelter and Finance


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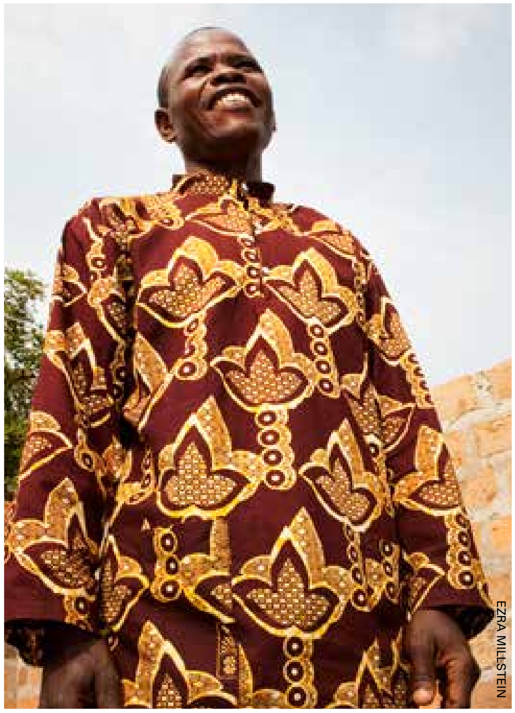
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Building assets, unlocking access: shelter solutions for the poor

A comparison of demographic findings in market research and preliminary information on housing microfinance client profiles

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In partnership with

The MasterCard Foundation

Contents

Acknowledgments

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About The MasterCard Foundation

The MasterCard Foundation works with visionary organizations to provide greater access to education, skills training and financial services for people living in poverty, primarily in Africa. As one of the largest independent foundations, its work is guided by its mission to advance learning and promote financial inclusion in order to alleviate poverty. Based in Toronto, Canada, The MasterCard Foundation's independence was established when it was created by MasterCard in 2006. For more information, please visit mastercardfdn.org or follow it on Twitter @MCFoundation.

About the partnership

Habitat for Humanity Canada, Habitat for Humanity International and The MasterCard Foundation are partnering to enable 16,000 households in Ghana, Kenya and Uganda to access housing microfinance products and housing support services to improve their homes and their lives. Over five years, $6.6 million in support will expand microfinance services to make it easier for families to access funds for the progressive building, maintenance and improvement of their homes.

About Habitat for Humanity

Habitat for Humanity International's vision is a world where everyone has a decent place to live. Anchored by the conviction that safe and affordable housing provides a critical foundation for breaking the cycle of poverty, Habitat has helped more than 5 million people construct, rehabilitate or preserve their homes since 1976. Habitat also advocates to improve access to decent and affordable shelter and supports a variety of funding models that enable families with limited resources to make needed improvements on their homes as their time and resources allow. Habitat for Humanity operates in 15 countries in Sub-Saharan Africa through a number of housing initiatives. It has witnessed a growing demand for financial services that address housing needs among microfinance institutions and clients. To learn more, donate or volunteer, visit habitat.org.

About the Center for Innovation in Shelter and Finance

This project is implemented by Habitat for Humanity's Center for Innovation in Shelter and Finance, or CISF. The CISF was established to serve as a place of knowledge, expertise, advice and innovation, enabling low- and very-low-income families to acquire adequate housing. The CISF team of experts is advancing the development of demand-driven, scalable housing solutions to low-income communities. Currently, they are leading efforts to promote and support vibrant housing finance solutions through advisory services, research, knowledge development and learning exchanges. The goals are:

- To facilitate collaboration among public-, private- and third-sector actors in the market.
- To develop sustainable and innovative housing solutions for those who lack adequate housing.
- To increase access to affordable shelter among lower-income populations.

This document was produced by Habitat for Humanity's Center for Innovation in Shelter and Finance

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Introduction

Around the world, those in poverty often have limited access to the services provided by financial institutions. When financing is available to these segments of the population, generally through informal means, the associated costs are often exorbitant. Microfinance services aim to fill the gap between the needs of poor consumers and their access to affordable financial services that allow them to save, borrow and invest in their futures. Housing plays an important role in household asset building, providing both a place of protection from vulnerabilities and a base from which to be economically productive. Yet formal housing finance markets in Sub-Saharan Africa flounder, reaching less than 5 to 10 percent of households. Meanwhile, market research indicates that the demand for shelter finance is high among households at the base of the pyramid, dwarfing even that of the market for microenterprise financial services. While mortgage markets languish, an opportunity exists to link a supportive progressive shelter process to microfinance services.

In 2012, Habitat for Humanity International, in partnership with The MasterCard Foundation, launched a capacity building project with nine financial service providers in Ghana[1], Uganda and Kenya through its Center for Innovation in Shelter and Finance, with the intent to diversify the product offerings of the institutions by developing scalable housing microfinance products. Central to the partnership is the mission both institutions have of reaching the underserved, marginalized and excluded, emphasizing a sector-building approach to advancing sustainable solutions that enable the poor to save, borrow, invest and build assets toward improving their lives. By leveraging The MasterCard Foundation's resources and Habitat for Humanity's field-tested expertise in affordable housing, this project is in a unique position to create long-term, sustainable solutions with an impact far beyond the pilot areas.

The methodological approach implemented by the CISF in advising financial institutions in the development of housing microfinance products consists of a comprehensive process that includes the following: assessment of the financial institution's readiness, market research with the products' potential target populations in selected geographic areas, design and validation of product prototypes, and pilot planning and implementation.

The following analysis is based on individual market research conducted by the CISF as part of the product development process in locations selected by the partner financial institutions[2], and on client profiles from the two institutions that have begun pilot testing and rolling out their products. The analysis aims to synthesize the patterns and notable findings from the separate reports, and to compare these findings with some typical characteristics of microfinance clients to see if there are outstanding differences between the characteristics of typical microfinance clients and the ones accessing housing microfinance loans.

The purpose of this demographic snapshot is to understand, learn from and ultimately ensure that we are reaching the clients who are excluded, marginalized and underserved in the market. Thus, it is the shared social mission of both The MasterCard Foundation and Habitat for Humanity that drives this learning effort.

1. Project operations in Ghana were shut down after year two because of a downturn in macroeconomic conditions in the country.
2. The synthesis of the reports for Kenya and Uganda can be found at habitat.org/cisf under "publications."

Populations served by microfinance in Sub-Saharan Africa

Demographic data on typical populations served by microfinance interventions in Africa, according to sources such as Microfinance Gateway, show that these populations are generally self-employed, participating in farming or other small-business activities such as food processing and petty trade. They tend to be poor, but with a relatively stable source of income[3]. They generally live just around the international poverty line of US$1.25 per day, and they are mostly female[4]. A study by Gakure, et al, in 2011 considered the characteristics of clients of BIMAS Ltd., a microfinance provider offering a range of loan products in the Embu region of Kenya. The study reported that most clients were male, fell in the 26- to 40-year-old age range, lived in households of four to six members, and had attended at least some secondary school or alternative training[5]. Specific income levels were not reported, but the study found that typical clients were not the poorest of the poor; rather, they generally fell into the segment of economically active poor. Other studies, such as one conducted by CARE International on membership in its Village Savings and Loan programs — informal local groups that play a key role in CARE's "savings-led" approach to increasing access to microfinance services[6] — found that VSL members mainly worked in the agricultural sector. In Kenya and Ghana, this accounted for approximately half of reported employment of members, while the other half ran small businesses or participated in paid labor. The majority of members were female, as women were targeted by CARE's intervention. The vast majority of members were literate and had received at least a primary school education, although far fewer had completed secondary school. Well over half of Kenyan respondents owned some type of livestock, mainly cattle. In Kenya, among those members who had taken out loans in the past year, the largest single categories for which the money was used were income-generating activities (38 percent) and school fees (16 percent). More than 25 percent of the loans were used for "other" purposes.

Market research of the potential target population for the "Building Assets, Unlocking Access" project

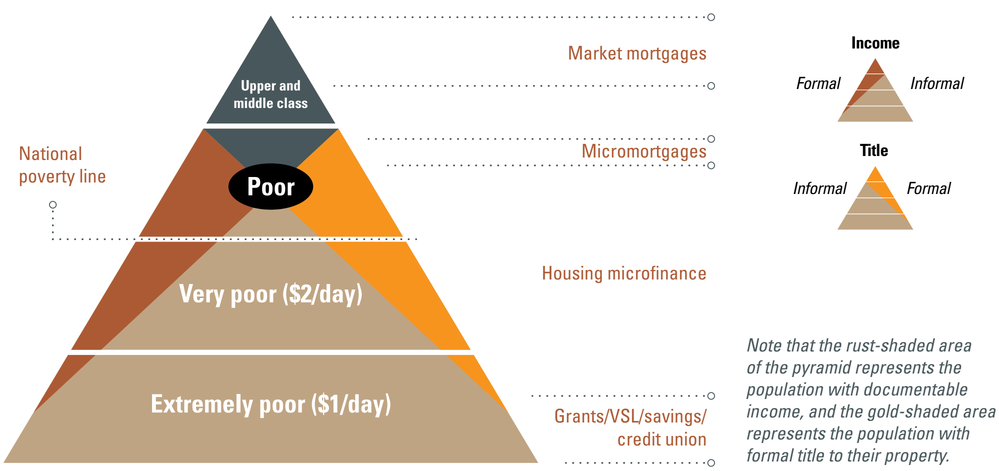
Seven of Habitat for Humanity International's partner institutions in the "Building Assets, Unlocking Access" project — uniCredit Ghana Ltd.; Kenya Women Microfinance Bank Ltd., or KWFT; KCB; Stima SACCO; Centenary Rural Development Bank Ltd.; Opportunity Bank Ltd.; and Pride Microfinance Ltd. — underwent market research on target populations in areas where they intend to offer housing microfinance

3. Microfinance Gateway. "Who Are the Clients of Microfinance? FAQ by Microfinance Gateway." EvanCarmichael.com. N.p., n.d. Web. 14 Sept. 2015.
4. "Microfinance Gateway - CGAP." Microfinance FAQs. CGAP, n.d. Web. 14 Sept. 2015.
5. Gakure, R. W., Simon Maina Waithaka, Ken Wanjau, and Bernard Omboi. "Research on Humanities and Social Sciences." Research on Humanities and Social Sciences 2.9 (2012): 26-31. International Knowledge Sharing Platform. Web. 16 Sept. 2015. iiste.org/Journals/index.php/RHSS/article/view/3123/3164.
6. Odell, Marcia Larson. "2011 I Microfinance in Africa: State-of-the-Sector Report Closing the Gap." Rep. CARE International, 2011. Web. 14 Sept. 2015.

products. Data from these market research reports begins to paint a picture of the demographics of the potential target populations for the products designed through the project.

The peak age range of respondents across the market research reports was 30-45 years old, with the exception of KCB, where the peak age range was 50-59. In Uganda specifically, all respondents in the market research reports were between 20 and 59 years of age, while the range for KWFT in Kenya was slightly wider, including some respondents over age 60. Overall, most respondents were male, with the exception of respondents at KWFT, as the institution reaches the household through the woman. Market research respondents in Uganda lived in households of six to eight people on average, while households in the KCB study in Kenya most frequently included five people, and often had a significant number of adult members. The most common livelihood activities found in the market research were trade, farming and salaried employment. Across all three countries, the peak income brackets of respondents' households were under US$10 per day: in Uganda, respondents made an average of US$6.82 per day, while in Kenya, the largest single income bracket was 10,000-20,000 KES per month (about US$100-200 per month, or $3.33-$6.67 per day). The peak income range at uniCredit in Ghana was 500-1000 GHS per month (about US$7-14 per day). When divided by the number of people living in the households, it appears that members of these households live on approximately 66 cents to US$1.33 per person per day in Kenya and Uganda, which is within the poorest 50 percent of the population in both countries[7] and is within the range of incomes generally served by housing microfinance, as illustrated in Figure 1.

Figure 1: Financial product segmentation



Sample developing economy country profile

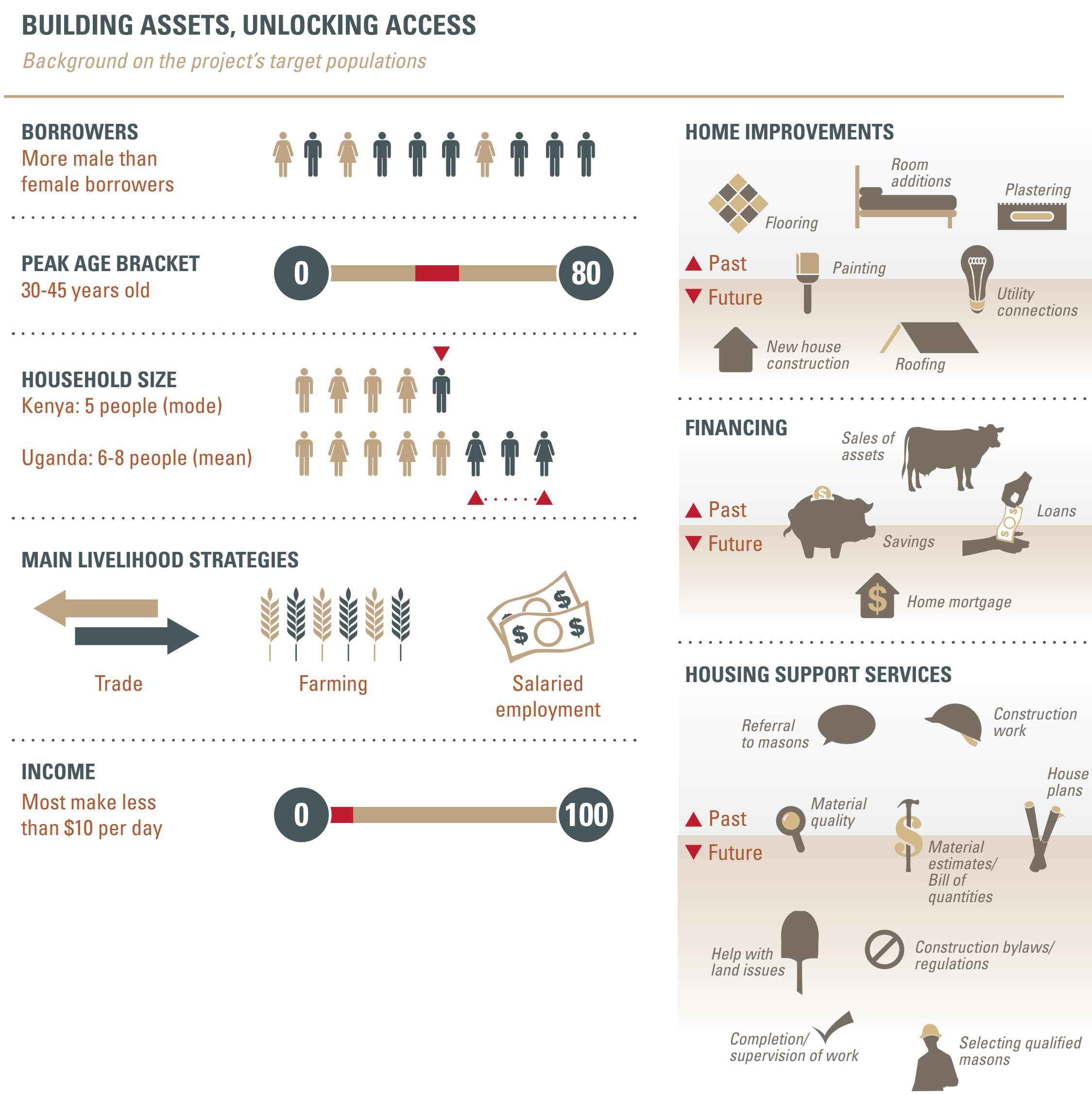
Many of those interviewed during the market research had completed past work on their homes. This mainly included connecting to utilities, adding rooms, flooring, painting/plastering, ceiling work and roofing. Plans for future projects included roofing, painting, room additions, utility connections, flooring improvements, or construction of a new or "dream" home. Across all seven market research reports, respondents had used savings to fund their past projects, sometimes in combination with other forms of financing. In six of the seven reports, the use of loans (in some cases diverted from other purposes) was a means of financing past projects, and in four reports, respondents mentioned using the sale of assets

7. Poverty and Inequality Statistics. Knoema, July 2014. Web. 23 Sept. 2015. knoema.com/WBPS2014Jul/poverty-and-inequality-statistics-july-2014?country=1000780-kenya.

for past financing. Respondents intend to use savings, loans or a home mortgage for future projects. Past sources of construction advice were community masons/artisans, material suppliers, family/friends, architects and contractors, who mainly offered advice on quality and quantity of materials, house plans, costs, completion of work, and referrals to good masons. In expressing the information needs they have for completing future projects, respondents cited interest in similar guidance: designing house plans, estimating materials needed, determining material quality, addressing land issues, completing/supervising work, understanding regulations, and selecting qualified masons.

The infographic in Figure 2 aims to summarize the notable patterns found across the seven market research studies in Ghana, Kenya and Uganda.

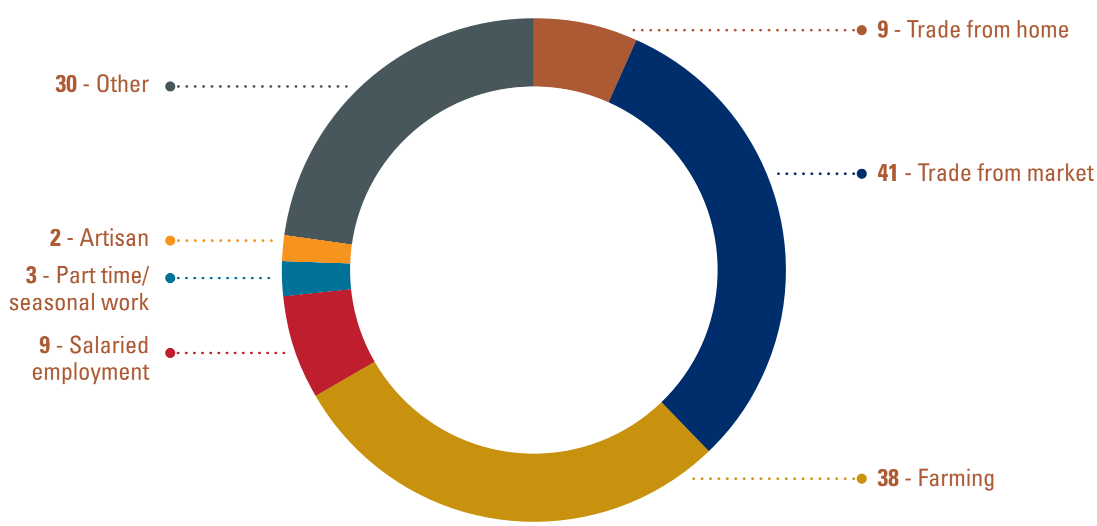
Figure 2: Population profile infographic



Client profiles of populations being served by the "Building Assets, Unlocking Access" project

Partner institutions in Kenya and Uganda have begun to offer the products designed through the project. At the time this analysis was compiled, 89 client baseline surveys had been conducted at the two institutions that had launched their pilot products. These baseline surveys are being used to generate profiles of the clients taking up housing microfinance products with housing support services. Client surveys conducted to date show an age range of 18-75 years old, with a median age of 38. Because client profiles in Kenya are currently available only from KWFT, which serves households through the woman, all clients there are female, while profiles of clients in Uganda show that thus far, 30 percent of clients are female (7 out of 23). The available client profiles show that household size ranges from one to 13 people living together, with an average of five people per home and a mode of four people per home. Trade and farming played significant roles in the livelihood strategies reported by housing microfinance clients: trade was the predominant form of employment, followed by farming. Sixty-seven percent of the clients profiled had completed past work on their homes before receiving the housing microfinance product. The most common activities included beginning construction on a new home, flooring, cosmetic updates and roofing. Clients intended to use the housing microfinance product for projects that included roofing, painting/plastering, installing doors and windows, flooring, and starting a new build.

Figure 3: Main economic activities reported in client profiles*



**Numbers refer to responses. Respondents were permitted to give more than one response.*

Comparisons between the client profiles and potential targets of the "Building Assets, Unlocking Access" project with profiles of typical microfinance clients in Sub-Saharan Africa

Comparing demographic data from the various sources helps to better understand the populations served through the "Building Assets, Unlocking Access" project, and to identify patterns and areas of divergence between typical microfinance clients, local potential target populations, and those who are actually accessing the products. Based on the client baseline data, the age range of current clients is comparable to the age range reported in the market research, and the median age of clients (38 years old) falls within the peak age range of 30-45 years old of respondents in the market research. This range is slightly higher than the age range of general microfinance clients in the BIMAS study (26-40), but this is not entirely surprising considering that populations are likely to access some forms of credit (business loans, for example) at a younger age than that at which they borrow for home improvements[8]. While typical microfinance clients are mostly female, clients in both Habitat for Humanity International's CISF market research and client profiles were mostly male, with the exception of clients at KWFT, which reaches the household through the woman. This is likely a matter of targeting by the institutions; while many microfinance initiatives target women for reasons related to empowerment or because they are seen as a gateway for improving well-being within the household, the ownership of land assets to be improved through housing microfinance efforts is controlled largely by men[9]. Even at KWFT, the majority of focus groups and individual interviews conducted during market research included males, as husbands play a key role in house construction or improvement. While the overall range of household sizes reported in the client profiles is identical to that reported in the market research conducted in Uganda (ranging from one to 13 people living together), it appears that, in general, the clients using the housing microfinance products live in smaller households than those in the market research, and slightly smaller than the households of general microfinance clients in the BIMAS study.

Main livelihood strategies reported in both the market research and client baseline surveys show similarities to those of typical users of microfinance. Both farming and trade played central roles in income generation across reports. However, salaried employment, which was a central livelihood strategy reported in the market research, appeared to play a substantially smaller role in the livelihood strategies of the current housing microfinance clients, as reported in the early findings of client baselines. The populations targeted by market research for the "Building Assets, Unlocking Access" project often have incomes comparable to those of typical microfinance clients, around US$1.25 per day.

8. Center for Financial Inclusion. "Looking Through the Demographic Window - Center for Financial Inclusion." Looking Through the Demographic Window - Center for Financial Inclusion. ACCION, January 2013. Web. 23 September 2015. centerforfinancialinclusion.org/fi2020/mapping-the-invisible-market/demographic-window.
9. Ledgerwood, Joanna. "Microfinance Handbook: An Institutional and Financial Perspective." N.p.: World Bank Publications, 2014. Web. 16 Sept. 2015. books.google.com/books?id=ciFt3kcRYGIC&pg=PA37&lpg=PA37&dq=client microfinance characteristics&source=bl&ots=vWVg8jlyUI&sig=D0ZB7yd_qmKL9868PIl4k17RCWI&hl=en&sa=X&ved=0CC4Q6AEwAjgKahUKEwiW3t_h1fvHAhWGdD4KHVOCD6A#v=onepage&q=client microfinance characteristics&f=false.

Market research and client baseline survey data overlap substantially in the areas of past and future home improvements, but some differences can be seen. For example, utility connections do not appear to make up a significant portion of past work by clients, and, while the profiled clients had often begun new construction in the past, the respondents in the market research more often highlighted expansions to their current homes. The profiled clients stated intentions for the use of their new loans that included similar activities to those found in the market research (roofing, painting/plastering and flooring), but also intended to install doors and windows. Both market research and client baseline data include predominantly the types of "small, cost-effective, progressive home improvements" that are considered typical in housing microfinance[10]. Interestingly, utility connections did not emerge as a priority in the client baseline, possibly because the majority of clients were working on the structural aspects of their homes (e.g., starting a new build, walls, roofs). Baseline data suggests that utility connections will be needed, as 46 percent of clients lacked in-house electricity and 24 percent did not have a water source on their property (though most had access to water within 500 meters of their plots).

Conclusion

Overall, the demographic profiles revealed that the project is reaching the underserved, marginalized and excluded clients at the bottom of the pyramid as intended by the partnership. There were significant similarities between typical microfinance clients, the potential target populations of the "Building Assets, Unlocking Access" project, and the project's current clients. Despite this, differences were noted in certain areas: gender data matches only partially (likely as a result of an intentional focus by some institutions on female clients); the clients profiled had slightly smaller households than the target population in the market research; and, while there were a number of overlaps in the past and planned projects of market research respondents and current clients, a number of differences also appeared.

As the housing microfinance products continue to be pilot tested and rolled out by institutions participating in the "Building Assets, Unlocking Access" project, client baseline data will be added to what is currently available, and comparisons will continue to be made among the market research, client baseline data and data on typical microfinance clients (as depicted by available research data). For example, one area for future data collection and analysis will involve comparing income ranges of clients with those of respondents in the market research and with statistics on GNI per capita in order to better understand the population segments served by the project. In the same way, sources of income generation will be further analyzed in order to understand the implications for financial institutions when it comes to expanding outreach to clients who are outside the typical informal sector served by microfinance products but who are still unable to cover their housing needs. Another topic for further research and analysis may be consideration of the types of projects completed and the clients' motivations for taking on these projects. Examination of any significant findings uncovered by ongoing data collection will be carried out with the intention of informing the direction of future similar projects and financial sector partnerships that aim to learn from and empower the underserved, marginalized and excluded clients who are the focus of "Building Assets, Unlocking Access."

10. Daphnis, Franck. "Product Design: HMF." Housing Finance for the Poor. Development Innovations Group, 2007. Web. 23 Sept. 2015. housingfinanceforthepoor.com/web/page/554/sectionid/541/pagelevel/2/interior.asp.

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