

Microfinance institutions seen as way forward to boost housing supply in Kenya

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The World Bank is calling on microfinanciers to fund housing projects in Kenya to meet the high demand for affordable homes in the low-end market.

The Bank said Kenya should take cue from India's housing microfinancing concept that has already seen development of 20,000 homes for low income earners and is looking to deliver 500,000 units in a few years.

Speaking during the launch of the Housing Finance report in Nairobi, Simon Walley of the World Bank said:

"We need to work in parallel on housing solutions for poorer segments of society, particularly those in the informal sector, which represent the majority of the population."

The housing microfinance concept was first launched by Monitor Group in India.

Monitor Group approaches companies and industries whose workers are low income earners and are interested in owning homes— to sign up with them.

They then link them with partner banks such as Axis Bank, SREI Infrastructure Finance Limited and Housing Finance Development Corporation that gives loans to these customers against their salary.

The house is then paid for through monthly deductions.

A customer pays a 20 per cent deposit on his house before commencing construction and pay 35 per cent of monthly income as instalments till the amount is completed.

Depending on the developer, houses are usually built within six months to one year.

"This model is aimed at managing the end price for a customer with limited affordability and unrecorded credit history," said Ashish Karamchandani, a partner in Monitor Group.

Projects by the Monitor Group were displayed by the World Bank as a case study in the power of the new asset class to mobilise investors, financiers, builders and technology partners to ease the housing supply crisis.

The concept has been a success in India with more than 25 developers in the country following suit and have launched such projects in Mumbai, Ahmedabad, Bhiwadi, Haryana, Meerut, Nagpur, Bangalore, Chennai and Pune regions.

World Bank said the demand for low income housing in Kenya requires innovative private sector initiatives and the involvement of all stakeholders, owing to the low uptake of mortgages.

The latest report by the Bank indicates that mortgage uptake in Kenya represents 2.4 per cent of the GDP; while in South Africa it is 32.7 per cent and six per cent in India.