

## Chapter 44

# Creating a Development Bank to Finance Affordable Housing in South Africa is a Timely Catalyst to Address Demand and Supply Challenges

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### ABSTRACT

*The twin problems of affordability and accessibility that hamper the progress of housing in our country need to be addressed on a sustainable basis and the state needs to take on the role as a facilitator to create the enabling environment to encourage greater private sector participation. As a consequence, it is quite opportune to establish the Human Settlements Development Bank (HSDB). The mortgage finance affordability challenge is also attributable to key essential drivers, namely; house price index, disposable income, and the mortgage interest rates.*

### 1. INTRODUCTION

#### 1.1. Conceptual Framework

The article is underpinned within the model of the Keynesian theorists which is a direct alternative to the neo-classical theory. Advocates of neo-classical economics assume that markets are harmonious, self-regulating mechanisms and, in addition, postulate that market forces operate more freely and effectively when unregulated. The fundamental principle of Keynesian theory was developed by Keynes (1936) during and after the Great Depression which advances the need for government intervention as a corrective for economic instability (Keynes, 1936).

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Proponents of Keynesian theory assume that government intervention is necessary to ensure an active and vibrant economy.

According to the underlying principles of this model, government should stimulate demand for goods and services in order to encourage economic growth. Keynes (1936) advocates general public sector participation in assisting the economy. The basis of Keynesian doctrine is the justification of government intervention in the economy through public policies and legislative instruments aimed at achieving full employment and price stability. The author found the principles underpinning the Keynesian theoretical model to be of most significance relative to the problem statement of the article.

The application of Keynesian theoretical assumptions and suppositions appear to have a pragmatic value as Keynesians maintain that in order to maintain equality the government must step in to regulate markets in general. This, according to Keynesians, will lead to poverty eradication and the lessening of inequality between members of society. The markets will be transformed and more responsible towards consumer needs. This in turn suggests that consumer interests will be justly realised and thus, proportionately influence consumer behaviour, market conduct and trading trends. The author concurs that in the absence of effective government regulations and interventions, the market imbalances and even distribution of resources will remain thus perpetuating stagnancy of real estate market activity.

## **2. RESEARCH METHODS**

This section focuses on the methodological approach within which this research located. The section elaborates on the research methods and techniques employed in this write-up. The analytical methods presented in this article are informed by the qualitative research inquiry. The Inferences, insights and sequent analyses and interpretation that emerged are a result of a clinical examination of literature review material and extensive body of work which is underpinned by qualitative research techniques.

Qualitative research, according to Bailey (1982), refers to measured attributes that are not numerical but instead have labels or names assigned to their respective categories (Bailey, 1982). Methods of qualitative research include observation and immersion, interviews, open-ended surveys, focus groups, content analysis of visual and textual materials, and oral history. The Thought Company states that qualitative research is designed to reveal the meaning that informs the action or outcomes that are typically measured by quantitative research.

Meaning, qualitative researchers investigate meanings, interpretations, symbols, and the processes to produce descriptive systematic analyses. Through the application of this method, the philosophical argument for a creation of a state-owned bank in South Africa is substantiated.

## **3. PROPERTY SECTOR SYSTEM IN SOUTH AFRICA**

The size of the property sector in South Africa is overwhelming. The South African property sector was valued at R5.8 trillion<sup>1</sup> in 2016. In the same year the South African Reserve Bank estimated the total value of all fixed capital stock, i.e. property, machinery, transport to be at R7.6 trillion. This means that property constitutes 78% of all fixed capital stock in the country. The largest property sub-sector is Residential worth about R3.9 trillion. The Residential property sector contributes R68 billion to the GDP and R23 billion contribution to taxes.

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