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WHO CAN MORTGAGE TO BUY FINISHED HOUSING? AN EMPIRICAL ANALYSIS OF A FORMER SOVIET REPUBLIC

Abstract. The housing markets in former Soviet Union countries have undergone substantial transformations since 1991, with mortgage lending emerging as a pivotal instrument driving housing demand and ownership. In Georgia, as in many other post-Soviet states, official data demonstrate a consistent rise in the number of individuals entering the mortgage market to purchase housing, particularly finished housing units. This trend underscores the necessity of understanding the socio-economic factors that influence mortgage uptake among urban residents, particularly in rapidly transforming transitional economies. This study investigates the determinants of mortgage loan acquisition for the purchase of finished housing, using primary survey data collected from a sample of 356 mortgage loan holders in Tbilisi, the capital and largest city of Georgia.

The empirical results indicate that individual income and employment status are the most significant predictors of a household's decision to secure a mortgage. Higher income levels and stable, formal employment significantly increase the likelihood of mortgage loan approval and uptake. In contrast, demographic variables such as age, gender, and education level were found to have limited predictive power in the decision-making process. These findings highlight the critical role of economic security, labor market integration, and reliable income sources in shaping access to housing finance in transitional economies.

This study contributes to the existing literature in three main ways. First, it offers novel empirical insights into the socio-economic characteristics of mortgage borrowers in Georgia, addressing a substantial gap in the regional literature. Second, it provides a foundational assessment of the Georgian housing finance landscape, serving as a reference point for comparative studies in other former Soviet republics, including Armenia and Azerbaijan. Third, the study delivers practical implications for policymakers, financial institutions, and housing market stakeholders by offering data-driven evidence on the prerequisites for mortgage accessibility in post-socialist urban contexts. In doing so, it enhances the understanding of mortgage dynamics within the broader framework of economic transition, institutional development, and urban transformation.

Keywords: *Housing, Housing Demand, Real estate markets, Consumer Research, Mortgages.*

JEL Classification: R21; R31; G21.

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Introduction. The efficiency and effectiveness of the housing delivery system have been identified as major social and economic objectives in many countries (Tan, 2008). Aggregate homeownership rates have significantly increased in many OECD countries over recent decades (Tan, 2008). This issue becomes especially relevant in

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the former Soviet republics. The reasons for that lie on the commercial and growth opportunities that development of mortgage lending entails to the banking sector (Struyk, Roy, Rabenhorst, & Kopeiken, 2004; for the Armenia case). Banking sector outreach has substantially improved over recent years, as reflected in a sharp rise in the number of branches, accounts, and automated teller machines, like in Azerbaijan (Conrad, 2012). More specifically, the housing finance sector has expanded greatly in Georgia since the liberalization reforms following the Rose Revolution in 2003 (Mathema, Salukvadze, & Budovitch, 2016).

Over 80 percent of Georgia's current housing stock was produced in the Soviet period, and much of it was of lower quality than in the Slavic and Baltic States. The units had little variety, and were built cheaply and quickly to accommodate the mushrooming urban population, especially in Tbilisi. The only good quality well-finished housing coming into the market is of the turnkey type, which is often in the premium segment and affordable only to Georgians in the very top income percentiles or to foreign buyers. The more affordable options include core-and-shell housing, characterized as either "black" or "white" frame construction, both of which are often of low quality. Georgia's cities face extremely high ownership rates and underdeveloped rental markets. Georgia's home ownership rate in 2005 was 95 percent. These high levels of home ownership are largely attributed to the mass privatization of state-owned housing after the fall of the Soviet Union (Mathema, Salukvadze, & Budovitch, 2016). Particularly, in Tbilisi, the capital of Georgia, the total number of housings equals 330,610 units (Tbilisi Municipality City Hall, 2018). Dwelling units), The largest share of them were built during 1960-1990, so-called "Soviet-type" residential buildings, of which significant proportion is deteriorated or damaged. In the 90's there was a significant decrease in development, but after this decade residential construction picked up significantly¹.

All buyers face the same two alternatives: to buy a newly-built house or a resale house (Anglin, 1997). As average, unfinished projects costs twice cheaper in Georgia than finished ones, therefore individuals prefer to buy unfinished houses. However, the latter is highly risky as construction is dependent on good will of the people that are prone to scam

and fraud practices to their own benefits². For example, between 2005 and 2007 the Center Point Group boasted an impressive portfolio of some of Georgia's largest housing development projects, which were widely advertised in the local media. In 2008, however, the Center Point Group's financial woes surfaced and the company started to suffer big losses which stalled many of its ongoing projects. In most of the cases, the construction works halted halfway through or did not start at all. As a result, nearly 6.200 families were left without promised apartments or reimbursement despite most of them paying the full or half price for these apartments in advance³. Similarly, another development company (Sveti) announced in early 2016 the launch of large-scale housing projects. To raise a large amount of money, an active advertising campaign was also launched, including through social media, which attracted both local and overseas residents interested in purchasing an apartment. However, the company did not have proper construction permits. As a result, the owners of the company deceived the large amount of money owned by the citizens (Bidzinashvili, 2018). These bad practices are because there are no adequate safeguards and they are poorly functioning. There are no user protection mechanisms yet.

As other former Soviet republics, like Azerbaijan, Georgia is also experiencing problems with illegal settlement and illegal housing (Valiyev, 2014). Some dwellings are built without permission. Consumers trust a company that has an effective advertising campaign. Subsequently, such companies abuse the trust of the customer and use a fraudulent scheme to demand a down payment from the customer and sometimes the full amount of money when the housing is not finished for various reasons. The fear of fraud may lead individuals to choose to buy finished houses despite their higher prices compared to unfinished ones. Moreover, it is also expected that banks prefer to grant mortgage loans for finished houses because of high guarantees in case of default. In our study, we will also find consumers with mortgage loans who are willing to buy a house in a finished project.

Within this broader context, the object of this research is the mortgage market for finished housing in Georgia, while the subject of the research is the set of socio-economic

2 Center Point Group – Georgia's Biggest Construction Scandal. Tbilisi: Transparency International Georgia, 2012.

3 Ibid.

1 Tbilisi Real Estate Market Report. Tbilisi: Colliers International Georgia, 2014.

Table 1. Summary of empirical research

AUTHORS	COUNTRY: UNIT OF ANALYSIS - SOURCE (YEAR)	DEPENDENT VARIABLE (MODEL)	RESULTS
Dan Andrews and Aida Caldera Sánchez (2011)	Suitable household surveys for 12 OECD countries (LIS) (mid-1980s); 6 surveys (circa 2004) for 11 OECD member countries;	Decision to become a homeowner (Logit model)	Age (+) Household size and structure (+) Household income (+) Education (+)
Ping Cheng, Zhenguo Lin and Yingchun Liu (2009)	U.S.: 1,600 observations - Socioeconomic Panel (2000-2004)	Mortgage interest rate (Linear regression analysis)	Gender: Female (+) Search (+)
John V. Duca and Stuart S. Rosenthal (1994)	U.S.: 4,303 households - Survey of Consumer Finances (1983)	Housing tenure (Probit model)	Age: older (+) Marital Status: married (+) Household size: larger (+)
Anna van der Schors, Rob Alessie and Mauro Mastrogiacomio (2007)	Netherlands: 2,223 households aged 50+ (1990-2002)	Home and mortgage ownership (Random effect linear probability model)	Age: Household head (+)
William A.V., Clark Marinus C. Deurloo and Frans M. Dieleman (1984)	Netherlands: 46,500 families - local and federal bureaus in Holland (1980)	Housing consumption (Linear logistic model)	Age: Households (+)
David Aristei and Manuela Gallo (2012)	Italy: 2,817 households - Italian component of the EU-SILC survey ISTAT (2010)	Mortgage delinquency (Sample selection ordered probit model)	Mortgage duration (+) Age: households (+)
Raymond J. Struyk and Sue Marshall (1974)	U.S.: 2,710 households - Census Allegheny and Westmoreland Counties of the Pittsburgh metropolitan area (1970)	Tenure choice (OLS regression model)	Income (+)
Bourassa S. C. (1991)	Australia: 8,530 observations in the HALCS sample (1991)	Probability of ownership (Logit model)	Age (+) Income (+) Household size (+)

Source: author's compilation

and demographic factors that influence an individual's decision to obtain a mortgage loan for the purchase of a finished home.

The purpose of this paper is to analyse the driving factors of holding a mortgage loan to buy a finished house. To empirically address this question we use a sample of 356 individuals surveyed through an own mortgage loan consumer survey in 2019.

This paper makes three noteworthy contributions to the literature on mortgage loans and homeownership. Firstly, the analysis provides information on the socio-economic status of mortgage loan holders in Georgia, which had not yet been done. Secondly, this paper fills the lack of basic information on the housing sector (Mathema, Salukvadze, & Budovitch, 2016) which also will be essential for former Soviet republics like Armenia, Azerbaijan, etc. Thirdly, scientists interested in housing market

research will find the proper information to use in their purpose.

The rest of the paper proceeds as follows. Section 2 reviews the main empirical research. Section 3 describes the data and the methodology. Section 4 presents the descriptive findings and multivariate analysis, discussing the main results; and section 5 ends by summarising the concluding remarks.

Literature Review. There is an extensive theoretical and empirical literature related to the mortgage loan determinants. Although we did a thorough search of papers, no study has analyzed the decision of holding a mortgage loan for buying specifically a finished housing. Then, the relevant studies to this research are those ones that focus on the relationship between mortgage loans and the driving factors to become a homeowner. Table 1 summarizes the results of some of the

most recent and relevant empirical studies on these topics.

Previous empirical studies indicate that a set of socio-demographic factors is important determinants of mortgage loans. Based on the literature review, we identify a set of individual characteristics that might influence holding mortgage loans to buy finished houses in Georgia. Georgia does not yet have an open access database that allows researchers to characterize mortgage borrowers by age and gender. Accordingly, the author aimed to compile a questionnaire and obtain information from specific users through the face-to-face interview method in a confidential manner. The questionnaire included all the variables that, according to various scientific studies, affect mortgage ownership.

Age

It is not surprising that households at different stages of the life cycle consume different amounts of housing (Clark, Deurloo, & Dieleman, 1984). Thus, household's tenure choice decision is influenced by its demographic and socio-economic characteristics. Results show that the probability of homeownership increases with age (Andrews & Sánchez, 2011).

In the real estate literature, there is substantial evidence that the down payment affects mortgage availability and the timing of home purchase of young individuals (Chiuria & Jappelli, 2003). Thus, Aristei and Gallo (2012) find that a large share of recently granted mortgage loans on the main dwelling is likely to be held by households with younger heads, observed at the early stages of their working life and characterized by a higher financial vulnerability. Drawing on previous literature, the following hypothesis is established:

H1: Youth are more likely to take mortgage loans to buy a finished housing.

Household size and marital status

Literature on mortgage loans has often related household size in general, and marital status in particular, to homeownership. According to the Lansing and Kish (1957), the life cycle approach shows a sharp drop in the proportion of homeowners among older single people as compared to older units where both husband and wife are still present. The desire or need for a larger dwelling is an important triggering a family's housing career (Clark, Deurloo, & Dieleman, 2000). Duca and Rosenthal (1994) find that households are

more likely to live in owner-occupied housing if family size is larger. Researchers indicate that families who are expecting a child or who have had a child recently, have a greater probability of moving around the time of the child's birth (Clark, Deurloo, & Dieleman, 2000).

According to Andrews & Sánchez (2011) couple households are more likely to be homeowners than single-person households. The financial costs of homeownership are easier to bear for couples than for singles, because they can pool resources. This is particularly true for couples who earn two incomes and who do not (yet) have to bear the cost of children (Mulder, 2006). According to Doling (1976), young married families with children were more likely to have owned a previous house than those without, and they were able to use the profit made on its sale to finance the purchase of a larger, more expensive house. Researchers Yilmazer and DeVaney (2005) indicate that married couples are more likely than single male heads of households to hold mortgage debt.

From an empirical approach, we propose the following hypotheses:

H2: Big households are more likely to take a mortgage loan to buy a finished housing.

H3: Married people are more likely to take a mortgage loan to buy a finished housing.

Income

It is generally acknowledged that homeownership requires from individual or household to have a sufficiently high and stable income. Besides income, a certain amount of wealth is often needed as well to cover the costs of the down payment and the decoration and furnishing of the home (Mulder, 2006). The income concept relevant in the tenure decision is normal or permanent income. Regardless the size of family, the increase of income increases the probability of homeownership at a decreasing rate (Struyk & Marshall, 1974). Transitory income continues to have a positive and significant marginal probability of ownership (Bourassa, 1995).

In this respect, the literature has consistently found that households with higher levels of income are more likely to be homeowners (Andrews & Sánchez, 2011; Haurin & Rosenthal, 2004). The amount of space used by households also reflects varying income levels. The middle and highest income deciles have slightly declining rates of room shortage over time; and the levels are almost negligible for the highest

income groups and moderate for the middle-income groups (Clark, Deurloo, & Dieleman, 2000). In Georgia, according to the National Statistics Office of Georgia Average monthly nominal earnings of employees in 2019 was 1204 GEL (390 USD). This means that potentially higher income needed in Georgia than in more mature mortgage and housing markets. In the report which was provided from Cushman & Wakefield (a leading global real estate services firm) it is mentioned that after young people graduate from schools in Georgia, they are increasingly delaying marriage, kids and mortgages – decisions that were seen as a rite of passage into adulthood for previous generations. Instead, the youth is flocking to cities in record numbers in pursuit of career opportunities and a better lifestyle. As a result of this urbanization and Westernization demand for apartments has increased (Veritas Brown, 2020). The behavior of individuals in Georgia is similar to the behavior of people in more European countries. Therefore, the following hypothesis is proposed:

H4: Individuals with a high level of income in Georgia are more likely to take mortgage loans for finished housing.

Job

As noted, income is one of the most important factor when it comes to mortgage loans, but also the stability of the employees is relevant for banks in order to grant mortgage loans. The household heads with a temporary permanent employment contract have a lower probability of holding mortgage debt compared to those ones with permanent employment contracts, (Gómez-Salvador, Lojschova, & Westermann, 2011). In a same line of reasoning, Meeks and Zhu (1994) found that employment status of the household head significantly affects the amount of credit outstanding. According to the the study which was prepared by the Institute for Development of Freedom of Information (IDFI) public service remains competitive on the overall job market in Georgia. In the same document it is also mentioned that the main challenge facing the Georgia in this regard is lack of a fair and transparent labor remuneration policy, which requires elaboration of a uniform approach and detailed regulations. Besides, in 2018, the National Bank of Georgia has adopted the regulation on responsible lending to natural persons. The regulation aims to support the stability of Georgia's financial system and facilitates sound lending, which in turn contributes to sustainable development of the economy. According to the main principle of

the regulation a financial institution shall not issue a loan or impose other financial liability on a consumer (e.g. guarantee) without solvency analysis of a borrower. Similar regulations have recently been introduced in several European countries (such as Hungary, Sweden, Denmark, Lithuania, Czech Republic, Estonia, etc.) This means that the commercial banks rely on the individuals who have a stable job.

Therefore, we can expect that:

H5: Individuals who are working in a public sector in Georgia are more likely to take a mortgage loan to buy a finished housing.

Sex

The existence of a gender effect on mortgage loan has widely been researched. Women are more likely to receive subprime mortgages than men (Fishbein & Woodall, 2006). These gender disparities exist across mortgage product lines. Women with the highest incomes have the highest disparities relative to men with similar incomes than women at lower income levels (Fishbein & Woodall, 2006).

Cheng, Lin, and Liu (2009) find that men are likely to pay lower interest rates on mortgages because they tend to search for the lowest rates. Since search is rewarded by the market, the lack of search by women is a plausible reason for them to receive higher mortgage rates. Alesina and Mistrulli (2013) also find that women pay a higher interest rate than men, after controlling for many individual characteristics of the borrower, of the businesses, and of the local credit markets.

In addition, women have lower life-time income and earn less than men. in nearly all developed countries, a stubborn gender pay gap remains (Kunze, 2017). According to the National Statistics Office of Georgia, in 2019, employed man are 12.3% more than women. Therefore, we can expect that women have lower resources to take a mortgage loan. Finally, the stereotype that men are more risk prone than women in their financial behaviours and attitudes is very widespread. Thus, in the literature on this issue, there exists a significant number of studies claiming that women exhibit a less willingness to take risks than men. It is expected that this lower risk propensity of women leads them to buy a finished housing.

Drawing on the argument behind the gender's risk preferences, the next hypothesis is established

H6: Women are more likely to take a mortgage loan in Georgia to buy a finished housing.

Table 2. Technical data of the study

Universe	Individuals aged 18-65 years
Information collection	Face-to-face interviews using a structured questionnaire.
Sample selection	Simple sampling method. Consumers of the mortgage loans are considered as the sampling unit
Sample size	356 individual face-to-face interviews.
Sampling error	The sampling error for the sample as a whole is $\pm 5.28\%$ for a confidence level of 95% and assuming $p=q=0.5$.
Fieldwork dates	From July 2019 until August 2019

Source: author's compilation

Research Methodology.

The data and the sample

The data used for the analysis are from an own survey on mortgage loan consumer which was conducted in Tbilisi (Georgia) in July and August 2019. Based on the review of empirical and theoretical literature, a quantitative questionnaire was developed including all variables previously mentioned. Structured interview method was chosen for the study, since the content of the questionnaire is the same for each respondent, which allows for aggregation of responses (Bryman & Bell, 2011).

The population was the number of mortgage borrowers. According to the National Bank of Georgia, the number of mortgage loans granted to households in Tbilisi in August 2019 was 61,000. This population has to meet the sampling size of 382 respondents to generate accurate results (Krejcie & Morgan, 1970). In this research, there are 358 questionnaire forms that are returned and can be used for analysis.

Four interviewers who were familiar with survey methods were selected to conduct face-to-face interviews. Interviews were conducted mainly in front of bank branches during the working hours to maximize the exposure of mortgage loan customers. Unemployed people and pensioners were not represented in the sample because, as usual they could not get the mortgage loan in Georgia. According to the National Bank of Georgia, the number of licensed banking institutions in Georgia was 15 units in 2019. Nevertheless, the survey was conducted mainly in two large banks; in the branches of the TBC Bank and the Bank of Georgia. According to the National Bank of Georgia, these banks are in Top 5, loans issued to customers¹. Thus TBC Bank is the largest banking group in Georgia, serving around 83% of the country's adult

population and 38.8% of total loan on the local market². The second largest bank is The Bank of Georgia, taking into account that the total actives were 14.7 milliard GEL In 2019. Therefore, mortgage customers of the two largest banks were identified.

A simple random sampling method was chosen, since at that time each element of the generic set has a known and equal chance of being selectively aggregated. Interviewers asked every third customer whether they had a mortgage loan or not. 358 individuals were interviewed out of which 356 resulted in valid questionnaires (Table 2). In spite of this figure is under the estimated 382 necessary responses, we consider it enough reliable to the empirical study not only because the sampling error is sufficient for practical purposes (± 5.28 with a confidence level of 95%), but also similar data are not still available for Georgian mortgage market. In contrast, most of the data are stored by commercial banks for their internal and private use.

Table 2 shows the technical data of the survey.

The variables and the econometric model

In order to test the proposed hypotheses, the dependent variable is the purpose of holding a mortgage loan. Particularly, the individuals were asked: *"what is the purpose of the mortgage loan you take for? (buying a completed housing; buying an unfinished housing)*. A dummy variable is created taking the value 1 for those individuals that answered for finished housing, and 0 otherwise.

As independent variables, we have selected a number of factors that presumably would influence the decision to hold mortgage loan for buying houses (Table 3). Thus, the individuals' **age** is a categorical variable ranging from 1 to 5 (1. 18-24, 2. 25-34; 3. 35-44; 4. 45-54; 5.

1 Commercial banks' Pillar 3 annual reports. URL: <https://www.nbg.gov.ge/index.php?m=673&lng=eng> (дата звернення: 05.03.2025).

2 Results and Announcements. TBC Bank. URL: <https://www.tbcbank.ge/web/en/web/guest/results-announcements> (дата звернення: 05.03.2025).

Table 3. Statistics of The Independent Variables

Variable	Unfinished housing (295 obs.)		Finished housing (61 obs.)	
	Mean	Std. Dev.	Mean	Std. Dev.
Age				
18-24	0	0	0	0
25-34	0.54	0.50	0.30	0.46
35-44	0.34	0.48	0.34	0.48
45-54	0.10	0.30	0.34	0.48
55-64	0.01	0.08	0.02	0.13
Household Size	3.11	0.65	3.40	0.84
Marital Status: married	0.61	0.49	0.77	0.42
Income				
<600	0	0	0	0
601-1000 GEL	0.02	0.13	0.02	0.13
1001-1400 GEL	0.27	0.45	0.03	0.18
1401-1800 GEL	0.38	0.49	0.08	0.28
1801-2200 GEL	0.19	0.39	0.25	0.43
2200+ GEL	0.15	0.35	0.62	0.49
Extra income: Yes	0.07	0.25	0.27	0.45
Job				
Public sector employee	0.21	0.41	0.13	0.34
Private sector employee	0.69	0.46	0.28	0.45
Private business owner	0.10	0.30	0.59	0.50
Marital Status: married	0.61	0.49	0.77	0.42
Sex: Male	0.61	0.48	0.80	0.40

Source: author's compilation

55-64). The **household size** is measured as a continuous variable indicating the family members. As for **marital status** we use a dummy variable taking value 1 for people who are married and 0 - otherwise. The individual's **income** level is measured as a categorical variable ranging from 1 to 6 according to his/her answer to the following question: "Which is the current monthly net income?" Therefore, value 1. Up to 600 GEL; 2. 601-1,000 GEL; 3. 1,001-1,400 GEL; 4. 1,401-1,800 GEL; 5. 1,801-2,200 GEL; 6. 2,200 GEL and more. Also, the income level of the individuals is measured by using a dummy variable (**extra income**) taking the value 1 if the person has an extra income and 0 – otherwise. The employment status which we define as variable **job** is also a categorical variables ranging from 1 to 3 (1. Public sector employee; 2. Private sector employee; 3. Private business owner). To show the differences between gender we use a dummy variable (**sex**) taking the value 1 for male, and 0 for female.

This paper is aimed to analyse the driving forces of the decision to hold a mortgage loan to buy a finished house. To accomplish

this objective, probit regression estimates are used to model a non-linear relationship between the dummy dependent variable and a set of independent variables.

The probit model specification is:

$$\begin{aligned} \text{Probability}(Y_i = 1) = \Phi(\beta_0 + \beta_1 \text{Age}_i + \\ + \beta_2 \text{Householdsize}_i + \beta_3 \text{Maritalstatus}_i \\ + \beta_4 \text{Income}_i + \beta_5 \text{ExtraIncome}_i + \\ + \beta_6 \text{Job}_i + \beta_7 \text{Sex}_i) \end{aligned} \quad (1)$$

The dependent variable (Y_i) quantifies the individual's probability of holding debt to buy a finished housing, i is the index of the individual, and Φ denotes the standard normal distribution function.

Main Results.

Descriptive analysis

Table 3 shows the statistics of the independent variables across two subsamples (buying a finished and unfinished house). As mentioned, most of individuals (83%) hold a mortgage loan to buy an unfinished housing. Only 17% of them have loans for finished ones.

As we can see from the Table 3, most of

Table 4. Estimated marginal effects

	m1	m2	m3	m4
Age: 35-44 [r.c. 25-34]	0.049	-0.06	-0.03	-0.03
	(0.06)	(0.05)	(0.05)	(0.05)
45-54 [r.c. 25-34]	0.084	-0.03	-0.02	-0.01
	(0.10)	(0.07)	(0.07)	(0.06)
55-64 [r.c. 25-34]	-0.05	-0.10	-0.10	-0.07
	(0.13)	(0.10)	(0.09)	(0.10)
Household Size	0.006	0.016	0.004	0.001
	(0.03)	(0.03)	(0.03)	(0.03)
Marital Status: married	-0.04	-0.04	-0.06	-0.10
	(0.05)	(0.06)	(0.05)	(0.06)
2.income: 601-1000 [r.c.2200+]		-0.134*	-0.09	-0.172***
		(0.06)	(0.08)	(0.02)
3.income: 1001-1400 [r.c.2200+]		-0.297***	-0.206**	-0.220***
		(0.04)	(0.06)	(0.05)
4.income: 1401-1800 [r.c.2200+]		-0.307***	-0.176*	-0.179**
		(0.04)	(0.07)	(0.06)
5.income: 1801-2200 [r.c.2200+]		-0.128***	0.006	-0.01
		(0.04)	(0.07)	(0.06)
extra income: Yes				0.381***
				(0.07)
2.job Private Sector	-0.05		-0.04	-0.01
	(0.05)		(0.05)	(0.05)
3.job Private Business	0.353***		0.224*	0.241*
	(0.10)		(0.11)	(0.10)
Sex	-0.05	0.02	0.018	-0.01
	(0.04)	(0.04)	(0.04)	(0.05)
Obs.	354	354	354	354
Wald X² (d.f.)	65.60 (8)***	71.90(10)***	82.03 (12)***	104.12(13)***
Pseudolikelihood	(127.44)	(122.94)	(117.53)	(101.03)
Hosmer-Lemeshow X² (8 d.f.)	7.87	3.27	7.52	5.3
R² Mcfadden	0.21	0.24	0.27	0.37

Source: author's compilation

Notes: Table 4 shows the probit estimates of holding mortgage loans. Namely, the marginal effect of each estimate is identified. The levels of significance are given by † for 10%, * for 5%, ** for 1%, and *** for 0.1%. Robust standard errors are enclosed in parentheses. d.f. stands for the degrees of freedom. r.f. denotes reference category.

people holding mortgage loans for unfinished housing are 25-34-year-old individuals (54%) and for finished ones, 35-44 age groups (34%).

As we found out, majority of individuals, who hold mortgage loan for unfinished housing has as average income between 1400-1800 GEL (38%), which is more than the average monthly nominal earnings of employees in Georgia (1,204 GEL), according to the National Statistics office of Georgia¹ in

2019. We have a different result for finished housing, as we can see, the monthly income of the individuals in this case are more than 2,200 GEL (62%).

According to our results, 69% of individuals who hold mortgage loans for unfinished housing are working in private sector. We have a different picture in the finished housing. Majority of the individuals (59%) who has a mortgage loan for buying a finished housing has their private business.

The average household size who hold the mortgage loan varies from 3.1 to 3.4. According to the National Statistics office of

1 Wages. National Statistics Office of Georgia. URL: <https://www.geostat.ge/en/modules/categories/39/wages> (дата звернення: 05.03.2025).

Georgia, from the last General population census results the average household size is 3.3 in Georgia¹.

Majority of people who hold a mortgage loan to buy an unfinished and finished housing are married individuals, accordingly 61% and 77%.

Multivariate analysis

To analyse the driving forces of holding a mortgage loan to buy a finished house, we estimate different empirical models. Table 4 presents the estimated marginal effects. We have consistently found that such decision is positively related to the income level and the employment status of individuals, whereas the other variables (sex, age and family size) were not statistically significant.

As mentioned, in our models significant variables are income and job (employment status).

The results confirm the *Hypothesis 4*. Individuals with higher levels of income, or those ones having an extra income, are more likely to be homeowners. Extra income in Georgia is simply the higher income from other sources. Our findings are consistent with those by Andrews & Sánchez (2011), Bourassa (1995), Haurin & Rosenthal (2004) and Struyk and Marshall (1974). The estimate coefficients suggest that the higher the income level, the more likely to be granted with a mortgage loan for buying a finished housed (more expensive).

Conversely, the results are the opposite to the expected in the *Hypothesis 5*; that is, the estimates show that individuals working in public sector are less likely to take a mortgage loan to buy unfinished housing. In other words, the owners of private business are more likely to buy finished housing. In developed countries, this finding could be considered counterintuitive. However, in transition economies, such as the Georgian economy, working in the public sector often means low salaries compared to those working in the private sector or being owners of private businesses. Moreover, being a civil servant is not synonymous with more job stability in Georgia, since there are higher rotation rates of people who abandon their public positions to search for better-paid jobs in the private sector. According to the study prepared by the Institute for Development of Freedom of Information, even though the law regulates employment in the public service, an important part of state-funded public sector

employees remain outside its coverage. The private sector remains competitive and can attract qualified candidates² (IDFI, 2017).

Surprisingly, none of the other explanatory variables showed to be significant in the estimated models of the individuals' decision of holding a mortgage loan to buy a finished housing. The author's best knowledge one reason for this is the small sample size. Another reason is also that the Georgian mortgage market is not as developed as Europe. Therefore, the market regulations, consumer needs, and loan percentages are specific in Georgia. Along with salary and career growth, people in Georgia want to buy a separate apartment.

Taking together, previous results indicate that the level of income and job status are only relevant factor in explaining the decision to take a mortgage loan to buy a finished housing in Georgia. In other words, the supply-side of credit market is what really matters in the decisions of choosing a finished housing. As banks cannot observe the household's capacity of meeting debt repayments, they consider observed household income and job stability as a signal in the screening process; the higher level of income, the higher capacity to repay obligations (Coibion *et al.*, 2014; Loschiavo, 2016). In sum, the banking system decides who can buy a finished housing.

Conclusion. The purpose of the current study was to determine the main factors that influence the consumer's decision to take a mortgage loan for buying a finished housing in a former Soviet republic. After interviewing 356 mortgage loan holders, the findings indicate that only income and job are statistically significant when it comes to mortgage loans for buy a finished housing. Other variables, such as age, household size, marital status and sex were not significant. The basic principle of responsible lending by the National Bank of Georgia remains unchanged: loan service should not create financial difficulties for the borrower, as the loan is issued to those who have adequate income. there are no any reluctance on the side of people themselves not to take a loan, because for example, if they are uncertain of the future, they tend to rent housing and thus earn extra income.

This paper presents two major limitations. First, while this work provides the first socioeconomic information of the mortgage loan holders in Georgia, several aspect could not being measured such as the

1 Households. URL: <http://census.ge/en/results/census1/households> (дата звернення: 05.03.2025).

2 Challenges of the Georgian Bureaucratic System. IDFI. Tbilisi: United Nations Development Programme, 2017.

risk aversion of individuals or how fraud and advertisement affect consumers behaviour. From experience and this study we can see that despite the people lost their housing because construction companies did not finish the projects, consumers are still making mortgage loans in unfinished housing. It means that fraud doesn't affect consumer's decisions in the long term. Secondly, it only considers customer for two banks. Future research will benefit from including customers of 15 banks that operates in Tbilisi.

Although the current study is based on a small sample of participants, the findings suggest that it is important to study the relationship between the job status and mortgage loan probability more deeply and to find other relevant reasons. Further research needs to examine more closely the links between individuals driving factors (education, ethnicity, advertisement) and mortgage loan probability.

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ХТО МОЖЕ ВЗЯТИ ІПОТЕКУ НА ПРИДБАННЯ ДОБУДОВАНОГО ЖИТЛА? ЕМПІРИЧНИЙ АНАЛІЗ НА ПРИКЛАДІ КРАЇНИ КОЛИШНЬОГО РАДЯНСЬКОГО СОЮЗУ

Ринки житла в країнах колишнього Радянського Союзу зазнали значних трансформацій з 1991 року, коли іпотечне кредитування стало ключовим інструментом, що стимулює попит на житло та право власності на нього. У Грузії, як і в багатьох інших пострадянських країнах, офіційні дані свідчать про постійне зростання кількості громадян, які виходять на іпотечний ринок з метою придбання житла, зокрема, готового житла. Ця тенденція підкреслює необхідність розуміння

соціально-економічних факторів, які впливають на використання іпотеки міськими жителями, особливо в перехідних економіках, що швидко трансформуються. Це дослідження вивчає детермінанти отримання іпотечних кредитів на придбання готового житла, використовуючи дані первинного опитування, зібрані з вибірки 356 власників іпотечних кредитів у Тбілісі, столиці та найбільшому місті Грузії.

Емпіричні результати свідчать про те, що дохід і статус зайнятості є найбільш значущими предикторами рішення домогосподарств щодо отримання іпотечного кредиту. Вищий рівень доходу та стабільна офіційна зайнятість значно підвищують ймовірність схвалення та отримання іпотечного кредиту. На противагу цьому, демографічні змінні, такі як вік, стать та рівень освіти, мають обмежену прогностичну силу в процесі прийняття рішення. Ці висновки підкреслюють вирішальну роль економічної безпеки, інтеграції ринку праці та надійних джерел доходу у формуванні доступу до житлового фінансування в країнах з перехідною економікою.

Це дослідження робить внесок в існуючу літературу трьома основними способами. По-перше, воно пропонує нове емпіричне розуміння соціально-економічних характеристик іпотечних позичальників у Грузії, заповнюючи суттєву прогалину в регіональній літературі. По-друге, воно надає фундаментальну оцінку грузинського ландшафту житлового фінансування, слугуючи відправною точкою для порівняльних досліджень в інших колишніх радянських республіках, включаючи Вірменію та Азербайджан. По-третє, дослідження має практичне значення для політиків, фінансових установ та учасників ринку житла, пропонуючи засновані на даних докази щодо передумов доступності іпотеки в постсоціалістичних містах. Таким чином, воно поглиблює розуміння динаміки іпотеки в більш широкому контексті економічних перетворень, інституційного розвитку та міських трансформацій.

Ключові слова: *житло, попит на житло, ринки нерухомості, дослідження споживачів, іпотека.*

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