

Effect of Nigerian Mortgage Institutions on Semi-Urban Housing Development in Ogun State, Nigeria

DR (MRS) AKINYEDE O.M (B.Sc, M.Sc. Ph.D)

Abstract

The main objective of this research is to examine the operations of the mortgage institutions on housing development in semi urban area in Nigeria. The study is necessitated by the need to find solution to the lingering problem of housing development in Ado/ota local government and Obafemi-Owode local government Ogun State. The operation of the mortgage institution in Nigeria as revealed by respondents through our questionnaires is characterized by inadequate funding for effective implementation of housing programme. In this regard, concrete identification of the various problems facing the housing sector in the semi urban areas of Nigeria.. It is therefore important that the private housing institution should be encourage to provide funds for housing development and the government should emphasize in creating and enabling environment to stimulate private sector participation in long- term housing financing and is need to enhance the accessibility of mortgage funds by prospective individuals and encourage them to mobilize resources to meet varying housing demand.

Keywords: mortgage institution, housing development, semi urban

1 INTRODUCTION

Housing is said to be one of the basic necessities of man, and it is indispensable but despite the importance being attached to urban housing, there are some constraints militating against the growth of housing in the urban setting (Ugonabo, & Emoh, 2013).

Firstly, it has been affirmed that the central problem confronting cities on every continent – particularly with regards to housing provision, is that of the governance (Jiboye, 2011). The problem of inadequate supply of housing in Nigeria stems from the inability of government to build the required number of housing units for the population, the inappropriate arrangement given by the National Housing Fund (NHF) to the financial and mortgage institutions providing funds for housing development/housing construction, and high cost of building/construction and all these make the provision of shelter for masses difficult both in rural and urban areas.

Secondly, the non-vibrancy of some Primary Mortgage Institutions (PMIs) constitute the loss of focus by some PMIs in favor of non-core activities such as trading as well as the slow disbursement of NHF to the PMIs, made some of them to be competing with the banks in sourcing for funds for purposes other than mortgage financing (Anayochukwu, 2011).. Since the private housing scheme in Nigeria is characterized with ability-to-pay principle which implies that estate allocation or purchase is based on the ability and willingness to pay by the buyer or land user. This makes the acquisition of landed properties and houses to be dominated by the rich who could afford the bills, thereby creating a wider gap between the rich and the poor. Since the government cannot provide housing for all and sundry, the private sector that would have served as the palliative support is highly priced creating no option for the consumers. Consequently, there is increase in the rate of poverty among the poor, street begging, street sleepers, increase in social vices, subjugation of the poor tenants by the landlords, reduction in social status and low standard of living.

Since the government and private sector could no longer solve the housing needs of Nigerians, banks especially mortgage banks surfaced as the solution to the housing needs of Nigerians, the Federal Mortgage Bank operates to grant housing loans to Nigerians and several commercial banks joined in the process but along the way the conditionality of the loan becomes huge burden on the subscribers due to high interest rate and shorter period of repayment (Ugonabo, & Emoh, 2013). Since, banks and Federal Mortgage Bank can still be controlled to support Nigerians with housing scheme; it is therefore worthwhile for this study to investigate the effect of mortgage institution on housing development in Nigeria provided the intervention of the government, bank and private institution on interest rate regulation are effective.

Objectives of the Study

The broad objective of the study is to evaluate the effect of mortgage institutions on housing development in Nigeria, the specific objectives are to:

1. To examine the impact of government mortgage institution on housing development.
2. To examine the impact of private institution on housing development.
3. To determine the role banks plays in housing development.

2.0. LITERATURE REVIEW

The Nigerian Housing Market

There is no how a good discussion will be done on housing without taking a look at Property development. Housing Market an economic activity which involves developing a bare but a ripe site or redevelopment (conversion or

alteration) of a developed site. The provision of accommodation for occupation of the person carrying out the development or for someone else as the basic reason for property development (Gbadeyan, 2011).

The Nigerian housing market is highly untapped and undeveloped despite lot of opportunities that abound in the sector (Akeju 2007). This is basically due to many reasons amongst which include: lack of finance; government policy; lack of infrastructural development and high level of poverty. There is continuous increase in the average price of houses due to increase cost of building materials and inflation in the economy. This has concomitantly, contributed to upward trend in house prices which has significantly affected the number of units of houses constructed annually. The government efforts at addressing the problems have not been successful due to its unsustainable approach of providing houses to the people. These houses are grossly inadequate and unaffordable by the larger proportion of the masses for which they are meant for. There are efforts by the private individuals to help in alleviating this housing problem. The bulk of the housing problem is prevalent in urban cities, but there are lots of unoccupied and dilapidated houses in the rural areas. This is due to migration of people from most of these rural areas to urban centers for greener pastures.

Private sector's contribution towards alleviating this housing problem has been in the forms of Individual efforts, Cooperative associations, corporate bodies, Estate Agents, Non Governmental Organisations/Charity organizations and foreign investors

The problem with the Estate developers is that the cost of their housing units is higher than those constructed by Individuals or Cooperatives. This may probably be due to the fact that most of the materials used for the construction are imported and they also used modern facilities. This therefore makes the housing unit not to be at the reach of low income earners who are definitely going to find it difficult in affording to pay for such houses. According to Nubi (2000) the overall housing problem is so enormous that the impact of Estate developers has been so insignificant in addressing the situation.

2.2 Roles of Housing on Economic Development in Nigeria

Many economic theories indicate that house price changes should have real effects on the economy (Miller, 2006). Economists propose more mechanisms through which house price changes may affect the economy. Aoki, Proudman and Vlieghe (2002), Lustig and Nieuwerburg (2004), and Ortalo-Magné and Rady (2004) argue that house price increases may help relax borrowing constraints and thus increase consumption

A number of sectors of the economy stand to benefit greatly from increased housing provision. The most obvious beneficiaries would be the construction and home renovation/repair industries, though several others benefit substantially as well, including durable goods firms, who sell 'durable' goods with a relatively long life-span such as appliances or furniture, removal companies, home furnishing businesses, and, eventually, real estate agents, surveyors, notaries, and bankers. Re-mortgaging or mortgage equity withdrawal mechanisms are only a couple of the ways in which a housing loan system has potential to create capital in an economy, and even these mechanisms have worth far beyond increasing consumption of goods related to housing. A housing loan system culminating in ownership of reserve homes by individual entities will provide the means by which private capital can be formed and accumulated by individuals within the economy.

On-reserve employment is boosted in a number of ways through increased housing, some of which have already been mentioned. The development of the construction and renovation/repair industries through increased housing, for example, would likely involve the recruitment of more workers. More generally, the expanded size of the economy, generated by the impact of a housing loan system on consumption, investment, and business creation, will result in a higher level of employment. This employment in turn reinforces increased consumption and economic activity. Housing also affects the labour market as all workers require some form of housing to carry out their job effectively (even remote and tele-workers need home-based offices). The evidence on the effect of how housing supply operates on labour mobility is complex. However, the evidence is that mobility is far lower among owner-occupiers than among those in the private rented sector. The way housing links to the labour market is also through its role in place competitiveness. There is a lack of firm quantitative evidence on the role of housing quality on place competitiveness. This is almost certainly due to the complexity of the impact of quality of life (of which housing plays one part) on economic competitiveness at a regional, city or local level.

The economic role of housing is in relation to the more enduring impact it has on human capital formation and life chances. Put simply, families living in poorer quality, less desirable housing stock face lower life chances and health costs associated with poorer quality stock itself. The role of social housing policies and, in some cases the operation of private market, also tends to lead to a sorting process and greater neighbourhood segregation by income and social class. Home ownership is a measure of household wealth and GDP. It is generally accepted that the standard of housing in a nation indexes its effective economic development; standard of living and its height of civilization.

The housing sector has the potential to generate employment, increase productivity, raise standard of living and alleviate poverty. Therefore, the housing sector of the economy has a tremendous impact on job creation, employment, security, socio-political stability, effective economic growth and development of societies.

2.3. Empirical Review

Series of studies have been conducted in relation to the analysis under study. Gbadeyan (2011) concluded that The Private sector has no doubt made significant contributions to the development of the Nigeria Housing Market despite those constraints that are serving as challenges to its tangible efforts. There are a lot of opportunities in the Nigeria housing Market if the Private sector is ready to explore and make the best use of them. The study result reveals that Estate agents appeared to be making the most significant contributions to the development in the Nigeria Housing Market and one of the major problems facing these Private developers was the lack of finance to embark on meaningful housing delivery services amongst others. It is recommended that Government housing policy need to be proactive, most especially in respect of addressing delay in getting title registration on lands. The Government should also focus its attention on the problem of poor infrastructural facilities; this is believed is necessary for more developments to take place in the real property market in Nigeria

Rahman (2009) concluded it can be said that the formal mortgage market can expand its lending operations to middle-income households by improving efficiency, mobilising additional resources for housing lending from long-term investors, and redirecting present mortgage subsidies tied to government programmes and institutions towards demand-oriented programmes that can be implemented through the public and private mortgage lending sector. At the same time, non-collateralised housing credit can be expanded by the professional MFIs through increasing access to funds earmarked for housing, reducing the need to provide internal cross-subsidies for housing loans, broadening the target population to rural entrepreneurs and urban lower-income households in specific geographic locations, and developing more varied and professional housing finance products

Ukwaiyi, Eja, Ojong, & Otu, (2012) assessed Housing Delivery in Nigeria using the Federal Mortgage Bank Scenario. In recent times the federal mortgage bank in spite of its role in housing delivery has recorded little or no success which is the major concern of this paper to critically assess the extent to which the federal mortgage bank has recorded success in housing delivery in Nigeria. Information on the extent of housing delivery was obtained from federal ministry of statistic and federal mortgage banks. However, findings indicate that in 2002 to 2005, the mortgage finance bank was able to mobilized N19.175 billion compared to 1992 to 2002 with a value of N11.451 billion showing a growth rate of 82%. It was discovered that the bank granted loan value of N4.531 billion to 4,151 national housing fund to its contributors to either build or renovate their houses. Nevertheless, the mortgage finance bank has recorded little or no success but has appreciably improved in terms of fund mobilization which has aided increase in housing delivery in Nigeria.

Ezimuo, et al (2014) investigated the sources of Real Estate Finance and their impact on property development in Nigeria using case Study of Mortgage Institutions In Lagos Metropolis. The study found that real estate investment has been observed to require huge initial capital outlay which can be obtained from various sources. It is often difficult to finance large scale investment in real estate solely from personal savings. Hence, the need for other sources of finance such as equity or self-financing, commercial banks, merchant banks, insurance companies, mortgage institutions among others. However, in the light of this study, particular attention was given to the analysis of the performance and contributions of Mortgage Institutions in Lagos Metropolis in the provision of housing for all in Nigeria. The development, prospects, challenges, successes and failures of these institutions form the background of the study. 50 mortgage institutions in Lagos metropolis (50) were also examined to determine their performance and impact in terms of property development.

3.0 RESEARCH METHODOLOGY

The research design used for the purpose of this research work is the descriptive survey. The population of this study is made up of Ikeoluwa community landlords who are located in ADO-ODO/OTA local government, Ogun State and the Adesan/ mowe community of Obafemi-Owode local government in Ogun state. The population is seen to yield reliable results as most housing development scheme are utilized by dwellers of semi-urban and rural area than urban areas due to overpopulation in the urban area. It is from this population that the sample for this study was selected.

The sampling procedure used by the researcher was based on stratified sampling or systematic sampling and then probability sampling. Therefore, the sample size comprised of at least 200 respondents from the two local government area.

The primary data for this study was obtain through the administration of questionnaire. A self-designed questionnaire was the main instrument used for the purpose of collecting primary data from house owners (landlords) who have full information of housing loan. The questionnaire is used to gather information about the background of the respondents and to capture major information needed for the analysis.

3.1 Hypothesis testing

Three hypothesis were tested in the research and they are stated in the null form has

H₁: Government institution has no impact on housing development.

H₂: Private institution has no impact on housing development.

H₃: Banks has no role on housing development.

Regression analysis method was used to test the research hypotheses to decide the effect of mortgage institution on housing development.

This is because, it is one of the most suitable method of testing the level and type of relationship between an independent variable and dependent variable. Independent variable is mortgage institution and dependent variable is housing development.

The simple regression model specified for the purpose of the study is stated below

$$HD = \alpha_0 + \alpha_1 GHI + e_i \dots\dots\dots 1$$

$$HD = \alpha_0 + \alpha_2 PHI + e_i \dots\dots\dots 2$$

$$HD = \alpha_0 + \alpha_3 BK + e_i \dots\dots\dots 3$$

Where:

HD= Housing Development

GHI= Government Housing Institution

PHI = Private Housing Institution

BK= Bank

α_0 – intercept

α_1 - α_3 = Regression Coefficient

e_i =Standard error

4.0 DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

In testing the hypothesis the regression statistical analysis was used by the researcher with the aid of statistical packages for social science (SPSS).

Hypothesis1: Government institution has no impact on housing development.

Result Summary of impact of government on housing development

		constant
R	0.856 ^a	
R Square.	0.732	
Adjusted R Square	0.730	
F	287.156	
t	16.946	-1.575
Sig.	.000	.118
B	.785	-.266
Std. Error	.046	.169

Source: Researchers computation 2015

Interpretation:

The regression table which is the model summary shows the regression result of 0.856 which is 85.6%, this shows a strong positive linear relationship between the dependent and independent variables. The R squared of 0.732 illustrates the level of how Government has impacted housing development in Nigeria

The F ratio 287.156 indicates the model is highly significant at the 0.000 level .The value is less than 0.05 which is the level of significance.

From the regression coefficient table, the column labeled “Unstandardized Coefficients” reveals the unstandardized regression coefficient for the independent variable, as 0.785. The test whether the regression coefficient is different enough from zero to be statistically significant at the level (0.000). According to above analysis, our null hypothesis is rejected and the alternative is accepted. Thus, indicating that Government institution has a significant impact on housing development.

Hypothesis 2: Private institution has no impact on housing development.

Result summary of the impact of Private institution on housing development

		constant
R	.950 ^a	
R Square.	.903	
Adjusted R Square	.902	
F	974.045	
t	31.210	4.554
Sig.	.000	.000
B	.944	.359
Std. Error	.079	.030

Source: Researchers computation 2015

Interpretation

The regression table which is the model summary shows the regression result of 0.950 which is 95%, this shows

a strong positive linear relationship between the dependent and independent variables. The R squared of 0.903 illustrates the level of how private institution has contributed to housing development in Nigeria.

The F ratio 974.045 indicates the model is highly significant at the 0.000 level. The value is less than 0.05 which is the level of significance.

From the regression coefficient table, the column labeled “Unstandardized Coefficients” reveals the unstandardized regression coefficient for the independent variable, as 0.944. This tests whether the regression coefficient is different enough from zero to be statistically significant at the level (0.000). According to above analysis, our null hypothesis is rejected and the alternative is accepted. Thus, Private institution has significant impact on housing development

Hypothesis 3: Banks has no role on housing development.

Result summary of Banks role in housing development

		constant
R	.946a	
R Square.	.895	
Adjusted R Square	.894	
F	894.120	
t	29.902	1.101
Sig.	.000	.273
B	.848	.099
Std. Error	.028	.090

Source: Researchers computation 2015

Interpretation

The regression table which is the model summary shows the regression result of 0.946 which is 94.6%, this shows a strong positive linear relationship between the dependent and independent variables. The R squared of 0.895 illustrates the level of how banking sector has impacted housing development in Nigeria.

The F ratio 894.120 indicates the model is highly significant at the 0.000 level. The value is less than 0.05 which is the level of significance, denoting that the variances for bank-customer relationship and effective banking service delivery on customer satisfaction are the same. Since the alpha (α) is less than 0.05

From the regression coefficient table, the column labeled “Unstandardized Coefficients” reveals the unstandardized regression coefficient for the independent variable, as 0.848. This tests whether the regression coefficient is different enough from zero to be statistically significant at the level (0.000). According to above analysis, our null hypothesis is rejected and the alternative is accepted. Thus, indicating that banks has a significant role in housing development.

5.0 SUMMARY

The objective of the study is to evaluate the effect of mortgage institution on housing development in semi urban areas of Nigeria. A number of respondents located in Ikeoluwa community landlords who are located in ADO-ODO/OTA local government, Ogun State and the Adesan/ Mowe community of Obafemi-Owode local government in Ogun State., were used as the population sample. The study examined the effect of mortgage institution on housing development in Nigeria. Consequently, programmes of assistance in the area of finance, provision of infrastructure and research have been designed by government to enhance its adequate delivery, the focus on finance has however been very prominent for obvious reason, this is because housing development requires huge capital outlay, which is often beyond the capacity of the medium income/low income groups.

A major area of concern has been mortgage financing, which has been fingered as one of the most formidable constraint in the housing sector. The semi- urban housing development in Ado/Odo ota and Obafemi-Owode local government is to articulate the main issue that must be addressed so as to ensure efficient and sustainable funds to semi-urban housing development.

5.1 CONCLUSION

The study has clearly illuminated the effects of mortgage institution on housing development, the study look into consideration of mortgage institution, which is one of the most formidable constraints in housing sector in Nigeria. The aim of the study was to determine effect of mortgage institution on housing development

The research study was focused around the descriptive survey research design to generate data. Three hypothesis where tested with the aid of the t-test, Correlation and Anova (F-ratio) and the findings revealed that there is a positive relationship between mortgage institution and housing development.

The study examined housing development in Nigeria in relation to the effect of mortgage institution on housing development in relation to mortgage loan given by mortgage institution, banks, private institution and government housing institution. The study has therefore examined the impact of government housing development

there by analyzing the problem associated with funds administration. This study also examined the impact of private housing institution on housing development there by investigating the constraint associated with mobilization of long-term funds for housing development. The impact of banking system on the growth of mortgage sector has been examined in this study and the reason why individual felt discouraged towards mortgage facilities. The study concluded that indicating that Government institution, Private institution and banks has a significant role in housing development.

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