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Kesinro, Olalekan Rasheed
Department of Administration &
Management, Crawford
University, Igbesa, Ogun State,
Nigeria

Oguntuase, Ruth Olayemi
General Studies Unit, Crawford
University, Igbesa, Ogun
State, Nigeria

Adenugba, Adesoji Adetunji
Department of Accounting &
Finance, Crawford University,
Igbesa, Ogun State, Nigeria.

Correspondence:

Kesinro, Olalekan Rasheed
Department of Administration &
Management, Crawford
University, Igbesa, Ogun State,
Nigeria

Housing Finance and Mortgage Service Delivery in Lagos State Nigeria

Kesinro, Olalekan Rasheed, Oguntuase, Ruth Olayemi, Adenugba, Adesoji Adetunji

Abstract

The paper examines housing finance and mortgage service delivery in Lagos State, Nigeria. The descriptive survey research design was adopted while the simple random sampling technique was used to draw a sample of 180 respondents that are senior management staff from the mortgage banks in the state. Questionnaire was the main instrument for data collection, measured on a 5-point Likert Scale. Data collected were analyzed using the descriptive statistical techniques of Percentiles and Pearson Correlation with the aid of Statistical Package for Social Sciences (SPSS) software for editing and encoding. The result shows that there is a strong positive relationship between joint effect of housing finance, housing cost and government housing policy and mortgage service delivery ($R = 0.845$, $p < 0.05$). The study recommends that Mortgage Finance Institutions/Managers should recognize that the synergy among all the stakeholders to enhance adequate provision of housing infrastructures across the state and the entire country at large.

Keywords: Mortgage Banks, Housing Loan, Housing Cost, Mortgage Service Delivery.

1.0 Introduction

The Nigeria mortgage system is still underdeveloped and could not effectively drive homeownership as more than 90 per cent of new homes were built with funds from personal savings. The sector is plagued by dearth of long term funds for mortgage financing, low level of awareness of mortgage products, poor income and credit profile of potential mortgagors and many more. The sector is plagued by dearth of long term funds for mortgage financing, low level of awareness of mortgage products, poor income and credit profile of potential mortgagors and many more.

The mortgage portfolio generated 100, 000 transactions from 1960 to 2009 and 181, 519 transactions from 2010 to 2016 (Johnson, 2016). This is far below expectation for a nation with an estimated population close to 180million (Nigerian Census, 2015) and a housing deficit of about 17million and for a country that ranked 20th in the world in terms of purchasing parity. Mortgage finance as of date had only generated 1percent of the nominal Gross Domestic Product which is 582.986billion (Johnson, 2016) while 80% of the gross domestic product of the United States came from the housing sector which is the highest financial assets class in the world. Hence, the creation of a viable mortgage system can be used to improve Nigeria economy significantly (Emefiele, 2016)

Why has the mortgage finance institutions performed so dismally in provision of funds for housing construction in Nigeria? This critical question has engaged the attention of several scholars and researchers across the country. Various studies have, at different times, revealed the problems of housing production (Anthonio, 2000; Bichi, 2000; Chionoma, 2000; Mogbo, 2000) recognized finance as part of housing problems but ranked land and building materials higher.

Ezimuo, Onyejiaka and Emoh (2014) examined the sources of funds available to the PMIs namely deposit mobilization and drawing from the National Housing Funds (NHF), which they considered to be highly restricted and limited. Nubi (2016) consequently called for re-engineering in housing finance, suggesting savings mobilization through securitization of

real estate financing, which imply conversion of illiquid assets (e.g. bank loans) into readily tradable financial assets.

1.2 Statement of Research Problem

Accessing funds from primary mortgage finance institutions remains a major bottleneck in the quest for provision of cheap and affordable housing for the teeming and ever growing population of Lagos State in southwest Nigeria. This problem has engaged the attention of Federal, State and Local Government officials. It has also elicited the interest of the organized private sector, particularly estate developers and building societies. But much remains to be done as the demand for housing has continuously grown faster than the supply. Consequently, the problem of destitution and its associated risks are on the increase in the State, particularly in the mainland and high population density communities like Ajegunle, Mushin, Oshodi and Ikorodu.

Cross-country statistics showed that Nigeria is a peculiar country where mortgage finance as a share of Gross Domestic Product (GDP) is extremely low. It is barely 0.5 per cent, compared with 80 per cent in the United Kingdom, 77 per cent (United States), 31 per cent (South Africa) and two per cent in Ghana. The housing and construction sector accounts for only 3.1 per cent of Nigeria's rebased GDP. Housing production is at approximately 100,000 units per year while 800,000 units are needed yearly. As a result of this lack of a robust mortgage financing system, Nigeria's rate of home ownership is one of the lowest in Africa at 25 per cent. Statistics showed that Nigeria's home ownership rate is much lower than countries like Singapore (90%), Indonesia (84%), Kenya (73%), USA (70%), Benin Republic (63%) and 56% in South Africa (Nweze, 2016). Even Benin Republic rated higher than Nigeria in home ownership delivery.

1.3 Objective of the Study

To examine the effect of housing finance on mortgage service delivery in Lagos State Nigeria.

1.4 Research Question

To what extent has housing finance affected mortgage service delivery in Lagos State, Nigeria?

1.5 Research Hypothesis

H₀: Housing finance does not significantly affect mortgage service delivery in Lagos State, Nigeria.

2.0 Literature Review

Ojo (2009), in "The Role of Secondary Mortgage Facility in Expanding the Availability of Funds for Mortgage Finance in Nigeria" alluded that one of the major challenges facing housing financing system in Nigeria is the mismatch which currently exists between sources and application of fund in the sector. He went further to state that, since mortgage securities are backed by mortgage loans there must be an accurate and timely recording of the lender's interest in the collateral. Recording of liens must involve modest cost as well. In fact, stamp duty and capital transfer tax waiver to some extent will help to reduce documentation costs. He recommended that a properly structured secondary market can provide significant

benefits to housing finance system, and ultimately to the entire economy. The primary benefit is an increase in the availability of funds for housing.

This was buttressed by Nubi (2002), that in nations where mortgage banking is efficient, the PMI's grew alongside secondary mortgage institutions-the much needed second wing required by the eagle of housing finance system to fly. He identified the urgent need to redesign the erstwhile conventional mortgage practice between FMBN and PMIs to conform to viable global funding strategies through secondary mortgage market development. In all FMBN and Primary Mortgage Banks in Nigeria have not fully engaged in modern mortgage financing options.

His research work was exploratory and typically the research method engaged by the scholar was that of qualitative research method. His data collection was done through existing literatures, journals and publications. Since there were no adequate materials from Nigeria he resolved to internet material which was a limitation to his study. However, I have been able to address this limitation by sourcing robust and relevant literature here in Nigeria.

Oduwaye et al, (2008) using survey analysis and secondary data highlighted that the National Housing Fund policy, land use act, structure of primary mortgage institutions, high interest rates were some constraints to mortgage financing in Nigeria.

Ezimuo, Onyejiaka and Emoh (2014) in "Sources of Real Estate Finance and Their Impact on Property Development in Nigeria": A Case Study Of Mortgage Institutions In Lagos Metropolis; expressed that the federal government should subsidize the prices of building materials which may make the objective, "housing for all" achievable.

They identified lack of awareness of mortgage existence as a problem to housing finance and stated that allocation under the Land Use Act of 1978 has made land acquisition, consent and title perfection more difficult. The delay in getting Certificate of Occupancy is a major problem and that government should review or repeal the Act to allow for a seamless land acquisition and title perfection by individuals.

This was supported by Nubi (2007) in "Demystifying the Affordable Housing Debacle in a Transiting Economy" posited that, Government should hasten action to review the Land Use Act of 1978 with a view to simplifying access to land titling, transfer and foreclosure. He went further to mention that, government should reduce consent fees. Efforts should be made to see that consent fees are not more than what is required to be paid in alternative transaction like stocks. He stated that Government should accelerate its effort towards developing the Geographical Information System (GIS) support to ease Land administration.

On finance, Nubi (2007), averred that about 80% of the PMIs rely on their equity to fund loans while only about 10% have accessed the National Housing Fund (NHF). But the nature of such transaction is to sell their portfolio to FMBN, which is more or less a pseudo-secondary market. This only ensures liquidity but still requires the PMIs to do initial loan funding. Some of the PMIs have criticized this requirement of FMBN that places a condition of existence of mortgage blocks on access to funds. The research here was explanatory and essentially the research method engaged by the scholar was a mixture of quantitative and qualitative approach. Data collection was done through

questionnaires, direct interviews of a focus group coupled with existing literature, and publications in journals both local and international.

3.0 Methodology

The study adopts survey design to enhance a comprehensive examination of independent and dependent variables. The target population is the 290 management staff of the 29 active mortgage banks registered in Lagos State, Nigeria (Federal Mortgage Bank of Nigeria Website, 2017) with average of ten senior managers each. The simple random sampling method is used to select 180 individuals that are not less than the position of senior management in the mortgage banks in Lagos State, Nigeria.

A structured questionnaire was used in collecting the required primary data from the respondents. The questionnaire was divided into two parts A and B. Part A contained items on the demographic variables and Part B contained items to measure the active variables of Housing Finance (independent variable) and Mortgage Service Delivery (Dependent variable). The questionnaire was rated on a 5-point Likert Scale of Strongly Agree (5), Agree (4), Undecided (3), Disagree (2), and Strongly Disagree (1). The Percentile, Correlation and Regression Analysis statistical techniques were used to aggregate the responses and test the hypotheses

4.0 Results and Analysis

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.845 ^a	.714	.706	1.370

a. Predictors: (Constant), GHP, CHSD, HF

Table 1 shows that there is a very strong positive relationship between joint effect of housing finance, housing cost, government housing policy and mortgage service delivery with correlation coefficient of 0.845 and the adjusted R square is 0.706. The coefficient of

determination is 0.714, indicating that about 71.4% variation in mortgage service delivery is accounted for by the joint effect of housing finance, housing cost and Government policy

Table 2: ANOVA^a

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	542.978	3	180.993	96.391	.000b
	Residual	217.813	116	1.878		
	Total	760.792	119			

Table 2, is used to test the validity of the model under consideration and it gives F-value of 96.391 and p-value of 0.000 indicating that the model is adequate and sufficient

and can be used to relate the relationship between housing finance, housing cost, Government housing policy and mortgage service.

Table 3: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.478	1.106		7.666	.000
	HF	-.728	.127	-.991	-5.712	.000
	CHSD	.558	.107	.647	5.202	.000
	GHP	.864	.095	1.160	9.092	.000
a. Dependent Variable: MLS						
b. Predictors: (Constant), GHP, CHSD, HF						

From the coefficient table (Table 3) shows the contribution of the parameters. The model is:

$$MLS = 8.478 - 0.728HF + 0.558CHSD + 0.864GHP$$

Where:

MLS represents Mortgage Loan Supply

HF represents Housing Finance

CHSD represents Cost of Housing Service Delivery

GHP represents Government Housing Policy

The result from the model indicates that housing finance contributes negatively to mortgage loan supply while cost of housing service delivery and government housing policy contributes positively to mortgage loan supply. All the independent variables are significant with p-values less than significance level of 0.05. Hence, we therefore accept the alternative hypotheses for the three hypotheses and conclude that there is significant relationship between housing finance institution and mortgage loan access, housing cost, government policy and mortgage service

delivery in Lagos State.

Conclusion

The general findings of the study show that housing finance significantly affect mortgage service delivery in Lagos State. This implies that there is significant relationship between housing finance institution and mortgage loan access; housing cost and mortgage service delivery; government policy and mortgage service delivery in Lagos State. The study therefore recommends that Mortgage Finance Institutions/Managers should recognize that the synergy among all the stakeholders to enhance adequate provision of housing infrastructures across the state and the entire country at large.

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