**EXAMINATION OF THE ROLE OF COMMERCIAL BANKS IN HOUSING DEVELOPMENT IN NIGERIA**

**ABSTRACT**

The relevance of real estate to our economics and social development cannot be over-emphasized not at least in the housing sector, which has a critical impact on Individual and National Welfare. Firstly finance plays a key role in the housing development project and process and this provides the most important element that is been taken into consideration. The objective of this study is to find a suitable source of finance for housing development project. To provide affordable house to household, viability for commercial bank and developers and recourses mobilization for expansion of the sector. This research focuses on Port Harcourt metropolis capital of River State. The source in which data was collected and gathered is through primary and secondary source. This has contributed immensely in producing relevant information that gives extensive investigation on the examination of the role of commercial banks in Port-Harcourt metropolis.  Areas are as follow Iworfre is 45, Rumasen area are 49, Rumokor area are 35, Rumador area are 51, so total are now 200. The techniques stratified random sampling. The technique used for questions. It has equally collected and carefully analyzed data from both primary and secondary sources using percentages.

 **CHAPTER ONE**

 **INTRODUCTION**

**1.1 BACKGROUND OF THE STUDY**

Right from the time, food, clothing and shelter have been the three most basic requirements of man, of all these three requirements food and clothing are the two, which influence man’s life more than housing in which they seek shelter, security, comfort and dignity.  It is in fact where man start and ends his daily activities.

Housing is mainly the most important factor, which determine the nature and from of urban settlements and the quality of human existence is directly related to it.  housing is defined by Oyeyipo (1980) to mean the provision of any form of structure, erection of building which is man made for the purpose of accommodating a person or persons by taking housing to mean only shelter, the definition appears deflective as it ignores all these infrastructural facility, which housing brings along with it.  the World Health Organization Committee on Housing define it as “the physical structure then use for shelter including equipment and devices needed for physical and social wellbeing of occupants” such equipment and devices includes utilities and services like electricity, water supply, and good access roads, sewage and refuse dump facilities.

The fact remains that Port-Harcourt metropolis is occupies mainly by government workers with low income.  These positions make it difficult for them to afford the cost of developing housing for their use. They therefore resort to borrowing from the commercial banks in other to find money for housing development and also Port-Harcourt metropolis is made up of river line areas, swamp ground.

The Questions then “is the existing commercial banks in Port-Harcourt metropolis enough to satisfy the demands for residential housing? Are loans of these low income earners residing in Port-Harcourt metropolis? If not, how can the bank be improved.

This research work therefore intends to exist commercial banks of Port-Harcourt metropolis with a view to find out how efficient it has been performing and proposing how the system could improve.

Housing development is a fundamental and essential features in the urban environment.  Adequate provision of housing development have a great deal of positive impact on both the economic and social life of the urban citizens and its inadequacy has reverse effect.

The shortage of housing development is one of the major problem facing urban centers especially in the developing countries.  Housing development involves large amount of money, which is usually not within the capability of most urban dwellers particularly the medium and low income groups, the rate of housing construction often tend to be small and generally depends on financial resources.  This situation of finance scarcity is made worse by the rigid attitude of commercial banks towards lending for housing development.  Their system of granting loans make it very difficult for the medium and low income groups to benefit the available facility.  The bulk of the mortgage loans goes to the upper class.

This research work intend to look into existing commercial banks in River State urban, to find out if it is adequate to satisfy the housing needs of inhabitants of Port-Harcourt.

**1.2 STATEMENT OF THE PROBLEM**

One problem facing the inhabitants of Port-Harcourt metropolis is the issue of housing supply.  This is as a result of government little interest in housing development in the area.  The attitude of some financial institutions in the insurance of finance to real estate developers and the building societies also mitigate the pace of housing development in the area.

The difficulties encountered by housing developers in obtaining loans from the Federal Mortgage Bank of Nigeria (FMBN) in turn discourages interested developers from investing in housing development as most of them would not want to hang their money on incomplete housing project.  This however, create low supply of housing to accommodate the incessant population of the metropolis and lead to congestion.

As a result of the present economic crunch where equity capital has become inadequate and insufficient for finance housing development, it has been observed that only commercial banks that can help in providing loans with low interest rate to at least encourage developers into the business again.  On this note, we want to undertake an examination of the role of commercial banks in housing development in project of Port-Harcourt metropolis.

**1.3 OBJECTIVES OF THE STUDY**

The major objectives of this study is to examine the roles of commercial banks in housing development project of Port-Harcourt metropolis.  The objectives include:-

(i) To assess the existing commercial banks

(ii) To find ways of improving them on their major functions.

(iii) To identify the role of commercial banks in funding housing development projects with particular focus on Port-Harcourt metropolis

(iv) To make recommendations based on findings.

**1.4   RESEARCH QUESTIONS**

Considering these issues, the study set out to seek answers to the following Questions.

(i) Does commercial banks play a major role in housing development in Port-Harcourt metropolis?

(ii) Are there policies, laws or decrees affecting the operations of the commercial banks involvement in Port-Harcourt Metropolis?

(iii) Does the commercial banking sector contribute to housing development in Port-Harcourt metropolis?

(iv) What are the likely solutions that can enhance their roles?

(v) What are the likely impacts of their effective participation in housing development finance?

**1.5 SIGNIFICANCE OF THE STUDY**

The essence of the study is to enlighten the government, students and researchers on the importance of housing development finance.  The general result obtained from the study is educative, informative and broader the awareness of the public on current sources of housing development finance in the estate.

Estate surveyors and valuers could apply the result of this research work in their future housing development finance planning and their advisory role to the general public.

Also, it is hoped that the project would be a reference point of the academic sector from where ideal information/fact could be easily sourced for knowledge and equally to the commercial banks as a guide in taking investment decision.

**1.6   SCOPE AND LIMITATION OF THE STUDY**

The research work covers most of the roles commercial banks in Port Harcourt metropolis capital of River State plays in assisting housing development in the state.  The study equally looks into some of the problem encountered by commercial banks in granting of loans for housing developments.

In the cause of the study, the researcher encounters some limitations which limited the scope of the study;

**Staff Reluctance:** In most cases the staffs of the selected commercial banks in Port Harcourt metropolis capital of River State often feels reluctance over providing required information required by the researcher. This result in finding information where the structured questionnaires could not point out.

**Researcher’s Commitment:** The researcher, being of full time student spent most of her time on other academic activities such as test, class work, assignment, examination etc which takes average focus from this study.

**Inadequate Materials:** Scarcity of material is also another hindrance. The researcher finds it difficult to long hands in several required material which could contribute immensely to the success of this research work.

**Financial constraint:** Insufficient fund tends to impede the efficiency of the researcher in sourcing for the relevant materials, literature or information and in the process of data collection (internet, questionnaire and interview).

**1.7 Definition of Terms**

(a) Housing development can be defined as a residential area of similar dwellings built by property developers and usually under a single management.

(b) Metropolis examines contemporary life through design-architecture, interior design, product design, graphic design, crafts, planning, and preservation.

It could also be seen as a large and densely populated urban area; may include several independent administrative districts; “Ancient Troy was a great city”.

**1.8 ORGANIZATION OF THE STUDY**

This research work is organized in five chapters, for easy understanding, as follows Chapter one is concern with the introduction, which consist of the (overview, of the study), statement of problem, objectives of the study, research question, significance or the study, research methodology, definition of terms and historical background of the study. Chapter two highlight the theoretical framework on which the study is based, thus the review of related literature. Chapter three deals on the research design and methodology adopted in the study. Chapter four concentrate on the data collection and analysis and presentation of finding. Chapter five gives summary, conclusion, and recommendations made of the study.

 **CHAPTER TWO**

 **REVIEW OF RELATED LITERATURE**

* 1. **INTRODUCTION**

Housing accommodation has been universally recognized as one of the most essential necessities of human life and is a major economic asset in every nation. Adequate housing provides the foundation for stable communities and social inclusion (Oladapo, 2006). Gilbertson et al. (2008) have observed that there is a significant association between housing conditions and physical and mental health of an individual. People’s right to shelter is thus a basic one and the provision of decent housing to all requiring them should be the hallmark of every civilized society and one of the criteria for gauging development.

Proper financing is all-important to successful property investment and development. Various forms of finance on varying terms from diverse investing agencies are available to the property market. The principal field where various forms of investment finance are employed is that of development where every loan has to be specially tailored for an individual scheme and the particular stages within the scheme. Since property development in particular involves huge capital expenditure, finance is therefore an essential input, the nature of which is to provide capital to enable the enterprise operate commercially. The cost and availability of finance for real estate development can influence the viability of such project. In spite of the importance of development finance in property development, there is dearth of information on the amount of funding that takes place, by whom, or the method used.

The major issue in real estate development and investment is finance. There is no iota of doubt that funding is an important factor in real estate development and investment. The complexity and to a large extent, its capital intensive nature demands proper and adequate funding to make it realizable. The terms and availability of the needed funds determine the trend of estate operation. Availability and easy accessibility of estate finance in sufficient quantity will definitely accelerate all forms of property development. Estate financing is concerned with the production of finance for building houses and office complexes which are basic necessities in a growing economy like Nigeria.

The sourcing of funds for investment in real estate development poses a great deal of problem for the developer. This is largely due to economic instability and stringent measures imposed by most financial institutions. This is compounded by the fact that the interest rate structure has had an unfavorable impact on funding the development of real estate. Since the financing of real estate development is a long term project, it has necessitated the high interest rate that is being charged on the funds provided for such development purposes. Hines (1995) revealed that six major real estate financing methods are used across the world namely; Joint Venture, Equity and Debt Financing, Sale-lease Back Financing, Advance Payment of key money and Sale of Securities.

The housing sector plays a more critical role in a country‟s welfare than it is been always recognized, as it directly affects not only the well being of the citizenry but also the performance of other sectors of the economy. Housing which is more than shelter for it include utilities and community services like electricity, water supply, good access roads, sewage and refuse disposal facilities and access to health and educational facilities is perhaps the most important factor that determines urban form (Pius, 2012). Adequate housing provision has since the 1970‟s consequently engaged the attention of most countries, especially the developing ones for a number of reasons. The first reason is that, it is one of the three most important basic needs of mankind, the others being food and clothing. Secondly, housing is a very important durable consumer item which impacts positively on productivity, as decent housing significantly increase workers well-being and health, and consequently growth. Thirdly, it is one of the indices for measuring the standard of living of people across societies.

In Nigeria, the housing problem can best be described as endemic. From the1970‟s crude oil began to play a major role in the growth of the economy, resulting in extensive urban migration and worsening housing problem. This challenge needs strength from both the public and private sectors. Despite the federal government‟s access to factors that can engender housing production, only about 4.0 percent of annual housing requirements are met. The public and private sectors are expected to play major roles in housing development and support federal government efforts. Available statistics from the national bureau of statistics (NBS) formerly known as federal office of statistics (FOS),indicates that 80.0 percent of Nigerians population housing requirements are met through private sector efforts, while governments at the three-tier levels provide the remaining (NBS, 2013).

**2.2 CONCEPT OF DEVELOPMENT**

When defining Development, it is the process of carrying outworks involving a change in the physical use or in the intensity of an existing use of land or buildings (Balchin et al., 1988).The term ‘development’ as defined in section2(1) of the Nigerian Town and Country Planning ordinance 1948, states that “development in relation to any land includes any building or rebuilding operation and any use of land or any building thereon for a purpose which is different from the purpose for which the land or building was previously being used” .In his own view, Lichfield (1956) pointed out that among the Architects, Planners, Engineers and Surveyors, the word development generally means “the process of carrying out construction involving a change in the intensity of the use of land or with a re-establishment ranging from the humble addition of a bedroom or a garage to a private house or the ambitious re-development of a city centre”.Development can also be seen as the application of capital, labor, managerial skill and entrepreneurial ability to land resources for the purpose of improving its productive capacity. Forms of property development include residential, commercial, industrial and office properties. The development of a particular piece of land is a process, which involves much than the mere carrying out of constructional works. It starts before, perhaps many years before, works and buildings are designed; and lasts, perhaps well beyond the time when the new works are completed, until the new accommodation is fully occupied and used. Development generally means the process of carrying out the constructional works, which area associated with a change in the use of land or of land with its buildings, or with a change in the intensity of the use of land, or with a re-establishment of an existing use.

**2.2.1 CONCEPT OF REAL ESTATE/PROPERTY**

Property connotes land or immovable as it is sometimes called and other objects known as chattels or movables (Megarry, 1982). Legally, these are known as real property and personal property respectively. Property is the exclusive right to possession, enjoyment and disposition of anything which can be the subject matter of ownership; and it also includes the exclusive right to the future benefits of an economic good, be it material or non-material, as determined by law. The above rights constitute a bundle of rights (Denman, 1968). Real property refers to the interests, benefits and inherent right in the ownership of the physical land (real estate).But for the purpose of this study real property means land and buildings, which are categorized into different types according to the various uses to which they are being put and for which they are designed. These include residential, commercial, industrial, agricultural, recreational properties etc.

**2.3 HOUSING DEVELOPMENT SITUATION IN NIGERIA**

The housing situation in Nigeria is characterized by some inadequacies, which are qualitative and quantitative in nature (Oladapo, 2006). While the quantitative housing problem could be solved by increasing the number of existing stock, the qualitative inadequacies are enormous and complex. Despite Federal Government access to factors of housing production, the country could at best expect 4.2% of the annual requirement from her. Substantial contribution is expected from other public and private sectors. Various studies have, at different times, revealed the problems of housing production. Teufic and Ural (1978) Ogundele (1989) Agbola (1987) Okpala and Onibokun (1986) recognized finance as part of housing problems but ranked land and building materials higher. Their findings influenced government housing policies and subsequent establishment of some relevant programmes and institutions like the Site and Service Programme and the National Institute of Road and Building Research. The drought of information and working knowledge of housing finance operation is a major problem today. In a tight money market, housing is the first area to suffer, since neither the builder nor the consumer can readily obtain finance for housing. Actually, many builders have difficulty obtaining capital for their projects even in normal times. Two of these problems – the high interest rates that contribute to the high cost of housing and the difficulty in obtaining capital for home construction. According to Onabule (1996) 245 Primary Mortgage Institutions were established under the NHP within 1991-1996. Unfortunately, only 54 are now operating, mainly in South West part of the country and Abuja. According to Abiodun (1999), National Housing Fund collected about 4 billion naira from the Mandatory Saving Scheme. Out of N300 million loan approved by FMBN, only N100million was advanced.

**2.3.1 HISTORICAL BACKGROUND OF HOUSING FINANCE**

According to Arilesere (1997), Abiodun (2000) and Okupe et al (2000), the history of housing finance in Nigeria had been an appalling one. The sudden leap from Agro-based to Petro-Naira based economy did not help matters. The assertion that “money was not our problem but how to spend it” accredited to one of our Heads of state, is a summary of a Nation that lacked focus in the formative years. This situation together with unprecedented population growth has remained unchecked ever since. Housing finance, during the colonial days was limited to the expatriate staff and few selected indigenous senior civil servants in the urban countries. The establishment of Lagos Executive Development Board (LEDB) in 1928; Nigeria Building Society (NBS) in1956; formation of State Housing Corporations between 1956 and 1960; National Council of Housing 1971 and, Federal Mortgage Bank of Nigeria (FMBN) 1977 are very familiar developments in our history. The failure of these incremental housing production programs and the ever-increasing housing needs led to the promulgation of National Housing Policy of 1991.

**2.4 REAL ESTATE FINANCE**

Real estate finance can be looked at, as the fund needed to Cary out real estate development and other related operations. It is an essential ingredient in modern day real estate development and most large-scale development would not take their present scale without substantial credit. The housing finance system in Nigeria is not viable and this makes mobilization of finance and credit for housing development difficult. Finance constitutes a fundamental centerpiece any real estate development; the ability of developer to mobilize enough funds for the project determines largely, the success of the project. Finance is an all-important factor, a sine-quan on and very crucial ingredients to projects, no matter their nature. It is basically the fulcrum, which sustains the lever for development projects. The performance of any housing finance system will depend primarily on the volume and nature of funds within the economy and the proportion of it that can be spread, mobilized or even dedicated for housing. Real estate finance can be viewed as the borrowing of money to carryout real estate development.

**2.5 HOUSING IN THE NATIONAL ECONOMY**

Why emphasis is being placed on housing is that it is man’s basic needs, housing arguably, constitutes and indeed poses the greatest challenge. Secondly, a vigorous and buoyant housing sector is an indication of a strong programme of national investment and are indeed the foundation of and the first step to future economic growth and social development. The gross housing delivery is therefore a major factor in the nation’s gross domestic product (GDP) and indeed this reflects the mirror and the barometer of the state of health of the Nation. Economic activities is well known to encompass all aspects of human endeavour that are directed towards the creation of wealth. It is also known that one of the basis of human needs is to seek to enhance our self-worth by improving our living standards. Economic growth is therefore a natural pursuit in any human set-up as such improvements is expected to lead to increased wealth and prosperity both for individuals and the whole nation. In order to moderate the acute shortage of shelters in the country, the NHP for the period spanning 1994 to 1998 was expected to build 121,000 housing units. In addition, the number of Licensed Primary Mortgage Finance Institutions (LPMFI) rose from 251 in 1993 to 276 in 1994. However, by the end of 1998, it has declined to 115. Similarly, the Federal Government capital expenditure on housing increased by over 500 per cent to N4818.3 million in 1995 from N776.7 million in 1988, but declined slightly by about to per cent to N722.0 million in 1998 (CBN 1994 and 1998). The Federal and the State Government were expected to spend N2.7 billion on housing provision during the 1996-98 NRP. Over N3.0 billion was expected to be spend by the two levels of governments during the 1999-2001 NRP (NPC, 1998 and 2000) Despite all these interventions and huge investments in housing provisions since the colonial times and to date, Nigeria’s housing problems still remain intractable. In fact, access to decent shelter has worsened for increasing segments of the urban population in Nigeria. For instance, it was reported that out of 121,000 housing units slated to be built between 1994 and 1995, only 1,014 houses were completed (CBN, 1994 and 1998; and Vision 2010 Main Report). Also, it was estimated that about 85 per cent of urban population live in single rooms, and the number of occupants per room range from 8 to 12 with adverse effects on sanitation and health. The deteriorating housing situation in Nigeria, especially at the urban centres is too critical to leave for government to redress alone. Nigeria is the 6th largest producer of crude oil in the elite league known as OPEC, whose members account for over two –third of the world’s total supply of this commodity. Also the country’s estimated reserves of natural gas runs into billions of metric tonnes and the first train of the liquified Natural Gas (LNG) has recently being shipped out with the production all fully committed to purchase’s from abroad. In terms of revenue earning capacity and potential, it is worth mentioning that Nigeria to date has realized over US200 billion from crude oil sales. For a country that could boast of such huge amount of resources, it is very saddening and disturbing to note that very little of the earnings have been put into use to boost the fortune of the Housing Industry and infrastructure. The industry should have seen a lot more activity and government support, in large scale development schemes, and improvement and providing of infrastructure; provision of large scale social housing, creating and expanding new towns.

**2.6 HOUSING NEED AND DEMAND**

The number of housing units needed in an urban area may be considered as substantially equivalent to the number of households or family group or combined families economically competent to occupy separate dwelling units (Lawal, 2002). Vagale (1978) observed that, housing arises when the quality and quantity of existing accommodation fall below that required by individual household at minimum or higher standard, irrespective of its ability to pay. While effective demand for housing is the ability of a number of households to pay for their dwellings. Mosaku (2000) stressed that the problems associated with meetings the housing need and demand concern the identification of households and the determination of type and standard accommodation required by the various group of households thus identified. He said that more often than not, the numbers of housing units to be built are sometimes neither based on any scientific evidence nor on any logical reasoning. In many instances therefore, houses have been provided but not occupied either due to the fact that the need was not there in the first instance or the demand has not been met. If dwellings are to be made homes for families and if family are to be enabled to live as stable communities, then it is axiomatic that dwellings of various sizes must provide to meet the needs of families of various sizes.

**2.6.1 HOUSING IN NIGERIA AND THE NATIONAL ECONOMY**

Nigeria is a developing country, with a fast growing economy. It is ranked the most populous country in Africa with an estimated population of over 140 million, which grows at an estimated rate of 2.8% per annum (NPC, 2006). The rate of urbanization in Nigeria has witnessed tremendous increase in the last two decades. Census in the early fifties showed that there were about 56 cities in the country and about 10.65% of the total population lived in those cities (Ajanlekoko, 2001). This rose dramatically to 19% in 1963 and 24.5% in 1985. Debates on housing in Nigeria before now was argued by Agbola (2004) to have revolved primarily around programmatic alternatives. He said housing in Nigeria has suffered from poorly articulated problems, short-lived policy formulation process, ill-conceived legislation and unsustainable program objectives. The consequence therefore is ultimately policy somersault. The problem of housing in Nigeria, as indicated by many experts, is obviously enormous and complex particularly in terms of quantity and quality. The uncontrollable growth of the urban settlements and the development of uncoordinated polices encourage the emergence of slum (Gumel, 2000). Obviously, housing palaver has been one of the major challenges at all levels, various researchers have been carried out to offer solution to the problem. Babajide (1994) suggested the possible ways for Nigeria to attain seventy five percent self-sufficiency in housing delivery. Soyingbe et al (2007) proposed the system based approach as the best alternative to the traditional approach. Since, the approach aimed at minimizing cost and time and maximizing quality of housing stock at the same time. Oladapo (2001) proposed a frame work for the cost management of low cost housing development.

**2.7 OVERVIEW OF HOUSING FINANCE IN NIGERIA**

Next to land and building materials, housing finance is an important factor in housing production and may even be considered the most important given that adequate finance can help in the purchase of land and building materials. Indeed, the extent to which housing finance is available and the proportion of the population that can obtain it is a major influence not only on housing cities. (Ogayemi, 2006) Prior to the colonial era, many methods of housing finance were adopted in Nigeria. Amongst these was Village Development Scheme, Social Club Contributions Loans from traditional money lenders e.t.c. All these methods were successful in the provision of finance of housing and its delivery in the traditional setting. Ndasu (2007) affirmed that the growing complexity in economic activities has faded away those methods and now replaced by modern methods.

Among these are:

**i. Federal Mortgage Bank of Nigeria (FMBN):** It started its operations in 1977 and provides long term credit facilities to mortgage institutions in the country (Nigeria), provide long term loans to individual and property developers for house building, provide a saving facilities and carrying out research on mortgage finance.

**ii. Commercial Banks:** Retail Bankers, which only lend on short-term bases because they have to meet up without request at the short notice. According to the researchers’, finding has not been compatible with housing finance which requires long term finance. This has limited their success in housing finance.

**iii. Specialized Development Bank:** This category includes the Nigerian Industrial Development Bank (NIDO), Urban Development Bank. e.t.c. They are established to grant long-term finance for up to 25 years for industrial, commercial agricultural and housing development.

**iv. Insurance Companies** according to Jinadu (2008), insurance companies have a great potential role to play in the housing capital market even though the opportunities are yet fully explored in Nigeria. Section 5.8 noted that a substantial proportion of insurance fund should be devoted, which are active and effective in mortgage business than commercial banks.

**v. Pension Fund Administrators (PFAs);** Pension Fund Administrators (PFAs) collect funds from employers and employees towards their retirement. This gives the PFAs access to long-term funds and puts them in a good position to finance housing development. They are allowed to offer loans on long-term basis to mortgage institutions and building societies. As at December 2008, the pension fund’s investment in the real estate sector was N125 billion ($833 million) representing 11.39% of the total assets under management. This amount includes both residential and commercial real estate development. There are indications that PFAs may consider increasing their investment in real estate as a result of the stock market crash.

**vi. Primary Mortgage Institutions (PMIS):** According to Sanusi (2003), the promulgation of Mortgage Institution Decree No.33 of 1989 provides the regulation frame work for the establishment and operation of PMIS by private entrepreneurs. Under the decree, they are to mobilize savings from the public and grant loans to individuals.

**vii. The Federal Mortgage Finance Limited (FMFL):** It is responsible for housing finance services, while Federal Mortgage Bank of Nigeria became the nation`s apex Mortgage lending agency. It provided long-term credit facilities to mortgage and institutions in Nigeria, collect, manage and administer contributions to the National Housing Fund (NHF) in accordance with the provision of the NHF Decree No.3 of 1992. Sanusi (2003).

**viii. National Housing Fund (NHF):** According to Sanusi (2003), NHF was established subsequent to the promulgation of the National Housing Fund Decree No. 3 1992 as mandatory contributor scheme to mobilize affordable and long-term for housing credits.

**ix. State/Municipal Governments Financing:** Sanusi (2003) also stress that State/Municipal government have also been known to be involved in Mortgage Finance, albeit (Reluctant), on a limited scale. The sources of such fund usually include budgetary allocation complimented with facilities from development institutions. Such funds are often channeled through the state development finance institutions such as the Housing Corporations or investment and Property Development Corporations for on-lending to individuals for residential building construction.

**x. Cooperative Societies** are also involved in the provision of credit for housing to their members. Loans are advanced to their members from the resources they pool together.

**2.8 NATIONAL HOUSING POLICY**

The poor performance of the National Housing Policy in meeting its set goals and objectives led to a comprehensive review, which culminated in the Housing and Urban Development Policy of 2002. The new National Housing Policy was proposed in 2002, and its first draft was published in January 2004. The major thrust the Housing and Urban Development Policy is to meet the quantitative needs of Nigerians through mortgage finance. This involves the restructuring, strengthening and recapitalization of the following institutions (Ebie, 2004):

1. Federal Mortgage Bank of Nigeria (FMBN);
2. Federal Mortgage Finance Limited (FMFL);
3. Federal Housing Authority (FHA); and
4. Urban Development Bank of Nigeria (UDBN).

The National Housing Fund was transformed into a Trust Fund, with a board of trustees, and the FMBN as the fund manager under the direction of trustees. The fund is known to be the National Housing trust fund, which can now be used for estate development by the private sector and housing corporations. The housing reforms also involved the establishment of the Federal Ministry of housing and Urban Development, which was empowered to mobilize contributions and enforce collections into the fund. The Ministry (now defunct) was also to supervise the Mortgage Bank of Nigeria, especially in the disbursement of loans from contributions into the National Housing Trust Fund. A new Federal Ministry of works and Housing has recently been created by the present federal government. Government is to facilitate an enabling environment for private-sector driven construction of houses. It will however provide funds for specials low-income and rural housing. The need for the establishment of primary Mortgage Institution in every state and city in the country is recognized in the housing Policy. This is to facilitate greater accessibility to the fund by the generality of the people. The new strategy on housing provision is hinged to mortgage financing, with the Federal Mortgage Bank having to play a critical role. The bank has been restricted into a secondary mortgage institution, with its merger with the federal Mortgage Finance Limited.

 **CHAPTER THREE**

 **RESEARCH METHODOLOGY**

* 1. **INTRODUCTION**

This chapter deals with the method used in collecting data required in carrying out this research work it explains the procedures that were followed and the instrument used in collecting data.

* 1. **SOURCES OF DATA COLLECTION**

Data were collected from two main sources namely:

1. Primary source and
2. Secondary source

**Primary source:**

These are materials of statistical investigation which were collected by the research for a particular purpose. They can be obtained through a survey, observation questionnaire or as experiment, the researcher has adopted the questionnaire method for this study.

**Secondary source:**

These are data from textbook Journal handset etc. they arise as byproducts of the same other purposes. Example administration, various other unpublished works and write ups were also used.

* 1. **POPULATION OF THE STUDY**

Population of a study is a group of persons or aggregate items, things the researcher is interested in getting information for the study examination of the role of commercial banks in housing development in Nigeria. The researchers randomly selected 200 staffs of some commercial banks in Port Harcourt metropolis capital of River State as the population of the study.

* 1. **SAMPLE AND SAMPLING PROCEDURE**

Sample is the set people or items which constitute part of a given population sampling. Due to large size of the target population, the researcher used the Taro Yamani formula to arrive at the sample population of the study.

n= N

 1+N(e)2

n= 200

1+200(0.05)2

= 200

1+200(0.0025)

= 200 200

1+0.5 = 1.5 = 133.

**3.5 INSTRUMENT FOR DATA COLLECTION**

The major research instrument used is the questionnaires. This was appropriately moderated. The branch managers were administered with the questionnaires to complete, with or without disclosing their identities. The questionnaire was designed to obtain sufficient and relevant information from the respondents. The primary data contained information extracted from the questionnaires in which the respondents were required to give specific answer to a question by ticking in front of an appropriate answer and administered the same on staffs of the financial institutions: The questionnaires contained about 16 structured questions which was divided into sections A and B.

* 1. **VALIDATION OF THE RESEARCH INSTRUMENT**

The questionnaire used as the research instrument was subjected to face its validation. This research instrument (questionnaire) adopted was adequately checked and validated by the supervisor his contributions and corrections were included into the final draft of the research instrument used.

* 1. **METHOD OF DATA ANALYSIS**

The data collected was not an end in itself but it served as a means to an end. The end being the use of the required data to understand the various situations, it is with a view to making valuable recommendations and contributions. To this end, the data collected has to be analysis for any meaningful interpretation to come out with some results. It is for this reason that the following methods were adopted in the research project for the analysis of the data collected. For a comprehensive analysis of data collected, emphasis was laid on the use of absolute numbers frequencies of responses and percentages. Answers to the research questions were provided through the comparison of the percentage of workers response to each statement in the questionnaire related to any specified question being considered.

Frequency in this study refers to the arrangement of responses in order of magnitude or occurrence while percentage refers to the arrangements of the responses in order of their proportion.

The simple percentage method is believed to be straight forward easy to interpret and understand method. The researcher therefore chooses the simple percentage as the method to use. The formula for percentage is shown as.

% = f/N x 100/1

Where f = frequency of respondents response

N = Total Number of response of the sample

100 = Consistency in the percentage of respondents for each item contained in questions.

 **CHAPTER FOUR**

 **PRESENTATION ANALYSIS INTERPRETATION OF DATA**

**4.1 INTRODUCTION**

Efforts will be made at this stage to present, analyze and interpret the data collected during the field survey. This presentation will be based on the responses from the completed questionnaires. The result of this exercise will be summarized in tabular forms for easy references and analysis. It will also show answers to questions relating to the research questions for this research study. The researcher employed simple percentage in the analysis.

**DATA ANALYSIS**

The data collected from the respondents were analyzed in tabular form with simple percentage for easy understanding.

A total of 133 (one hundred and thirty three) questionnaires were distributed and 133 questionnaires were returned.

Question 1

Gender distribution of the respondents.

**TABLE I**

|  |
| --- |
| **Gender distribution of the respondents** |
| Response | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Male | 77 | 57.9 | 57.9 | 57.9 |
| Female | 56 | 42.1 | 42.1 | 100.0 |
| Total | 133 | 100.0 | 100.0 |  |

From the above table it shows that 57.9% of the respondents were male while 42.1% of the respondents were female.

Question 2

The positions held by respondents

**TABLE II**

|  |
| --- |
| **The positions held by respondents** |
| Response | Frequency | Percent | Valid Percent | Cumulative Percent |
| **Valid** | Marketers  | 37 | 27.8 | 27.8 | 27.8 |
| Cashiers  | 50 | 37.6 | 37.6 | 65.4 |
| Management staffs  | 23 | 17.3 | 17.3 | 82.7 |
| Auditors  | 23 | 17.3 | 17.3 | 100.0 |
| Total | 133 | 100.0 | 100.0 |  |

The above tables shown that 37 respondents which represents 27.8% of the respondents are Marketers, 50 respondents which represents 37.6 % are Cashiers, 23 respondents which represents 17. 3% of the respondents are Management staffs, while 23 respondents which represents 17.3% of the respondents are Auditors.

Question 1

Does commercial banks play a major role in housing development in Port-Harcourt metropolis?

|  |
| --- |
| **commercial banks play a major role in housing development in Port-Harcourt metropolis** |
| Response  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Agreed | 51 | 38.3 | 38.3 | 38.3 |
| Strongly agreed | 31 | 23.3 | 23.3 | 61.7 |
| Disagreed | 23 | 17.3 | 17.3 | 78.9 |
| Strongly disagreed | 28 | 21.1 | 21.1 | 100.0 |
| Total | 133 | 100.0 | 100.0 |  |

In the table above, the researcher asked the respondent if commercial banks play a major role in housing development in Port-Harcourt metropolis, it can be seen that 51 respondents which represents 38.3% of the respondents agreed to this fact that commercial banks play a major role in housing development in Port-Harcourt metropolis, 31 respondents which represents 23.3% of the respondents strongly agreed to this fact, 23 respondents which represents 17.3% of the respondents disagreed to this fact, while 28 respondents which represents 21.1% strongly disagreed.

The researcher therefore concludes that commercial banks play a major role in housing development in Port-Harcourt metropolis.

Question 4

Are there policies, laws or decrees affecting the operations of the commercial banks involvement in Port-Harcourt Metropolis?

|  |
| --- |
| **there are policies, laws or decrees affecting the operations of the commercial banks involvement in Port-Harcourt Metropolis** |
| Response  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Agreed | 51 | 38.3 | 38.3 | 38.3 |
| Strongly agreed | 31 | 23.3 | 23.3 | 61.7 |
| Disagreed | 23 | 17.3 | 17.3 | 78.9 |
| Strongly disagreed | 28 | 21.1 | 21.1 | 100.0 |
| Total | 133 | 100.0 | 100.0 |  |

In the table above, the researcher asked the respondent if there are policies, laws or decrees affecting the operations of the commercial banks involvement in Port-Harcourt Metropolis, it can be seen that 51 respondents which represents 38.3% of the respondents agreed to this fact that there are policies, laws or decrees affecting the operations of the commercial banks involvement in Port-Harcourt Metropolis, 31 respondents which represents 23.3% of the respondents strongly agreed to this fact, 23 respondents which represents 17.3% of the respondents disagreed to this fact, while 28 respondents which represents 21.1% strongly disagreed.

The researcher therefore concludes that there are policies, laws or decrees affecting the operations of the commercial banks involvement in Port-Harcourt Metropolis.

Question 5

Does the commercial banking sector contribute to housing development in Port-Harcourt metropolis?

|  |
| --- |
| **the commercial banking sector contributes to housing development in Port-Harcourt metropolis** |
| Response  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Agreed | 51 | 38.3 | 38.3 | 38.3 |
| Strongly agreed | 31 | 23.3 | 23.3 | 61.7 |
| Disagreed | 23 | 17.3 | 17.3 | 78.9 |
| Strongly disagreed | 28 | 21.1 | 21.1 | 100.0 |
| Total | 133 | 100.0 | 100.0 |  |

In the table above, the researcher asked the respondent if the commercial banking sector contribute to housing development in Port-Harcourt metropolis, it can be seen that 51 respondents which represents 38.3% of the respondents agreed to this fact that the commercial banking sector contribute to housing development in Port-Harcourt metropolis, 31 respondents which represents 23.3% of the respondents strongly agreed to this fact, 23 respondents which represents 17.3% of the respondents disagreed to this fact, while 28 respondents which represents 21.1% strongly disagreed.

The researcher therefore concludes that the commercial banking sector contributes to housing development in Port-Harcourt metropolis.

 **CHAPTER FIVE**

 **SUMMARY CONCLUSION AND RECOMMENDATIONS**

**5.1 INTRODUCTION**

It is pertinent to note that this research was aimed at cross examining the contributions of financial institutions in housing development in Nigeria, thus the topic “examination of the role of commercial banks in housing development in Nigeria”.

In the preceding chapter, the relevant data collected for this study were presented, critically analyzed and appropriate interpretation given. In this chapter, certain recommendations made which in the opinion of the researcher will be of benefits in addressing the challenges associated with housing development in Nigeria.

**5.2 SUMMARY**

The study reveals that the interest rates being charged by the lenders (commercial banks) are usually very high. Other sources of finance for housing development apart from the equity capital include insurance companies and pension funds, Government Bonds and the various commercial, merchant and mortgage banks in Nigeria. The problems being encountered by housing and estate developers in the quest for fund include bureaucratic bottlenecks in the financial institutions thereby making funds difficult to reach the developers on time. Collateral security and certificate of occupancy as demanded by most of these commercial banks are source of problems for developers in getting finance for housing development. As a result of inflation, the real value of loan collected normally reduced making it impossible for the project to be completed with the arranged finance. The conditions under which loans are given particularly the short-term loans are usually too stringent and times developers find it difficult to meet such terms. There is always dearth of information on the amount of funding that takes place, by whom, or the methods used. This is because there is no physical focal point where the funding business can be transacted, the market is an abstract aggregation of separate, unrelated and uncoordinated funding transactions and the market is diverse and complex. The resultant effect of these is problem of getting real estate finance. There is always non-availability of fund to finance real estate development partly because of inflation and the huge capital required. Loan repayment is always very difficult due to the high cost of servicing the loan by the developers. The dwindling economic situation in the country is taking its toll on the construction industry thereby reducing the availability of loanable funds for real-estate development. As a result of long gestation period for the development of real estates, most investors and lending institutions are normally discouraged.

**5.3 CONCLUSION**

The study examines the role of commercial banks in housing development in Nigeria. Based on the results obtained in this research, the following conclusions were drawn.

i. Funding from commercial banks is the most frequently used source of finance by housing and estate developers.

ii. The findings reveal that housing and estate developers only on occasional bases seek for ways to enhance their finance base, this will affect the housing sector negatively.

iii. On the issue of a very high Interest rate charged by commercial banks the implication is that the final cost of housing will be high.

iv. Most of the respondents affirmed that they are not granted more than sixty percent of their total loan applications; this means that little funds will only be available for housing development.

v. With regards to the duration of processing loans, the implication is that only few applications for loans can only be processed, meaning few numbers of private estate developers will be granted loan.

vi. Finance and land are least available housing construction inputs available to private estate developers in Port Harcourt, Nigeria.

xxiii. The militating factors against fund availability will affect the level of progress of work on housing development negatively. The study concludes that finance is not readily available to private estate developers in Abuja, Nigeria. Funding and land are the major challenges in the Nigerian housing market. The high interest rate, not granting the total amount of loans requested are the characteristics of the market, which are a reflection of the source of funds which is predominantly short tenured. The inadequate capital base of most primary lenders limits their ability to provide needed finance to meet market demand. For a sustainable development to be achieved there is the need for a responsive housing financing policy which must therefore concur with the existing national and socio-economic realities of the country. For this, relevant urban and housing development strategies should be formulated and integrated to form part of existing housing policy.

**5.4 RECOMMENDATIONS**

1. It is hereby recommended that record of past transactions regarding borrowing and lending of finance for real estate development should be kept so as to assist others who would want to go into such transactions in future.

2. Many problems plaguing the success of real-estate financing in Nigeria can be solved if our economic problems are solved since most of these problems are due to the inflationary economy that Nigeria faces.

3. Government should intervene in this financing by instructing these financial institutions to slack their stringent rules for lending loan to developers. From the foregoing discussion, it can be concluded that finance plays a vital role in real estate development hence; it should not be handled with levity by both government, financial institutions and the real estate developers.

**References**

Atterberry, W.: Modern Real Estate Finance. Ohio GridPublication (1980).

ABIODUN A. (1999): Housing Finance under National Housing Fund: An appraisal. Paper presented at the General Meeting of the Nigeria Institute of Town Planning.

ABIODUN A. (1999): Housing finance under National Housing Fund: An appraisal. Paper presented at the General Meeting of the Nigeria Institute of Town Planning.

ABRAMS C. (1964): Mans struggle for shelter in an Urbanizing world, published by Massachusetts Institute of Technology Cambridge, Massachusetts, and London, England.

AGBOOLA T. (2000): Housing, Poverty and Environment – The Nigerian situation. A seminar Paper presented at a workshop on Effective approach to Housing delivery In Nigeria. Organized by the Nigerian Institute of Building, Ibadan, Nigeria.

 AKANJI O. (1998): Informal finances sector in Nigeria, Bullion. Publication of the Central Bank of Nigeria, 1998, Volume 22 N0 3

ANTHONIO J. (2000): Critical issues and obstacles to Housing Finance & Procurement. A Seminar Paper presented at National Workshop on Financing and Procurement of Housing and Infrastructure, Organized by Nigerian Institute of Quantity Surveyor. Abuja.

ARILESERE D. (1997): Housing Finance in Nigeria: A paper presented during NIOB Organized workshop on Affordable Housing. Lagos.

BICHI K. (2000): The Role of Federal Mortgage Bank of Nigeria in the Financing and Procurement of Housing and Infrastructure in Nigeria, National workshop Organized by Nigerian Institute of Quantity Surveyor. Abuja. Balchin, Pn, Kieve, J.L. and Bull: Urban Land Economics. Cooper, J.R.: Real Estate Investment Analysis. LexingtonBooks (1974).

Cassils, J A. (1993) The Financial Services Industry and Sustainable Development: Managing Change, Information and Risk. National Round Table on the Environment and the Economy, Ottawa.

CERES. (1997) 1996 CERES Report Standard Form. Coalition for Environmentally Responsible Economies, Boston, Massachusetts.

Chan-Fishel, M. (1996) Risk Exposure: Revealing Environmental and Political Risk to private Financiers. Friends of the Earth, Washington, D.C. Denman, D.R.: Land Use: An Introduction to Land Use. Analysis. The Estate Gazette Ltd., London (1968).

Daramola, S.A (2009). “Private Public participation in Housing delivery in Nigeria”, paper presented at a business luncheon organised the Royal Institute of Surveyors (RIS) in Chinese restaurant, Palm-groove, Lagos. 15th April.

Diogu J. O. (1989). Housing problem in Nigeria Low Income Housing Survey, Housing Today. Ibadan: Nigeria

Diogu J. O. (2002). A Survey of the Characteristics of High Income Housing In Owerri and Port Harcourt Urban Areas, Proceedings of the Millennium Conference, Building in the 21st Century, Department of Building, Ahmadu Bello University, Zaria, Nigeria.

Dwyer, D. J. (1990). People and Housing in third World Cities- Perspective on the problems of spontaneous settlement. Longman, London (UK). Pp 12 - 45 Economist (1994). “Briefing Inflation in Emerging Economies”, The Economist, May 24th -30th, Vol. 387 No 858, PP 101-104. National Housing Policy. Abuja.

Edwards, J and K. Fischer (1994). Banks, Finance and Investment in Germany, Centre for Economic Policy Research, Cambridge University Press.

Encarta, (2008).The Encarta Encyclopedia. Microsoft Corporation, New York (USA).

Falegan S.B. (1985) “Housing Finance and Funding: The Nigeria Experience” In(ed) Onibokun, Poju; Housing in Nigeria (A book of reading) NISER.

Federal Office of Statistics (FOS) (1994) Social Statistics in Nigeria FOS; Abuja

Federal Office of Statistics (FOS) (1997) Social Statistics in Nigeria, FOS, Abuja Federal Office of Statistics(FOS) (1999) Poverty profile for Nigeria (1980-1996) FOS; Abuja

Federal Ministry of Works And Housing (2001) Publication in Policy News Journal June 4, 2001.

Gerald, B.R.: Property Investment and the Capital Markets. E & F N Spon, London (1991). Lewis, M.G.: When Real Estate Becomes Big Business: Mergers, Acquisitions and Joint Ventures.

Cahners Publishing (1974).Lichfield, N.: Economics of Planned Development. The Estates Gazette Ltd., London (1956).

McCarthy, J.F Highway Financing by the Toll System. Bureau of Public Administration, University of Califonia, Berkeley (1954).Megarry: Manual of the Law of Real Property 6th Ed.Stevens & Sons Ltd., London (1982).Oprenheim, P.:

Property Financing Methods, The Estate Gazette Ltd., London (1973).Paish, F.W.: Business Finance. Report of Committee on Finance and Industry. Macmillan (1953).

Ratcliff, R.U.: Real Estate Analysis. McGraw Hill, NewYork (1961).Ratcliffe, J.: An Introduction to Urban Land Administration. The Estate Gazette Ltd., London (1978).

Rics: Finance in Property. Royal Institute of Chartered Surveyors (1977).Ruddock, L.: Economics of Construction and Property. Edward Arnold, London (1992).