EFFECTIVENESS OF NIGERIAN HOUSING POLICY IN THE DEVELOPMENT OF THE ECONOMY

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Abstract

The main objective of this study was to assess the influence of national housing policy in Nigeria on the economic growth. The paper adopted the ex post factor research design. The data were extracted from the CBN statistical bulletin. Linear regression analysis was carried out on the data set which covered the period 2000 to 2019. The result of the analysis indicates a beta coefficient for housing policy of 0.648. The result further shows that for every 64.8% change in economic growth, the change is caused by housing policy. It was concluded that housing policies contribute significantly to the economic growth of Nigeria and recommended among others that Nigerian housing policies should be re-evaluated in line with international best practices as housing policies drive economic growth significantly.

Key words: Economic Growth, Housing Policy, Investment, Gross Domestic Product

Introduction

In Nigeria, the growing level of industrial and commercial activities in the urban centres has contributed to continuous drift in shortage of residential accommodation, as the existing supply of housing could not match the increasing level of demand. The rate of homelessness and high cost of rent is also alarming. Most urban residents in Nigeria today are living in decrepit houses lacking basic amenities, poor sanitary conditions or running water, most urban areas are the worst as far as infrastructure and housing are concerned, and this commonly is due to disreputable poor maintenance culture.

In Nigeria, several governments since independence have seen housing as a major priority and for that reason has adopted several policies in the past to try to eradicate the housing problems that exist in the country. All such interventions were borrowed from what obtains in the advanced economies and have all failed to yield expected result; as the problem has persisted. It is estimated that more than 50% of Nigeria's population live in slums (Okoye, 1996). Even then, those who could find accommodation in single rooms and in slums were luckier. In most Nigerian towns, a teeming population could be seen sleeping in market stalls, motor parks, and uncompleted buildings and under bridges, as in Lagos. The groups mostly affected are the low-income earners and an army of the unemployed who could hardly afford the escalating cost of accommodation.

Housing is one of the three basic needs of mankind following closely after food, which is the most important factor for the physical survival of man. It is among the important measures of the state of an economy. Housing is considered to be one of the best indicators of a person's standard of living and place in the society (Jiboye, 2009). The concept transcends just providing a roof over one's head (Akinmoladun & Oduwaye, 2000). It forms the base

upon which people could rebuild their lives following the disruptive impacts and trauma of homelessness (Smith, Albanese & Truder, 2014). Aside socio-economic and cultural relevance, housing engenders investment opportunities capable of promoting sustainable growth and development of an economy. Therefore, provision of adequate housing is an important measure of social welfare and economic development in any nation (Igbinoba. 2011).

The main objective of this study was to assess the influence of national housing policy in Nigeria on the economic growth. The study relied on the null hypotheses: There was no significant influence of housing policy on the economic growth of Nigeria between 2000 and 2019.

Highlights of various Housing Policies in Nigeria

A policy is a statement on paper by the government or an establishment as regards the way and manner in which identified problems are to be solved (Sulyman, 2000). To this end, different sectors of the economy have policies that are used in tackling peculiar problems. Hence, the housing policy is a tool that is used in town planning for solving housing problems, and consequently for the achievement of sustainable housing. Housing policies in Nigeria dates to its independence. It has undergone several changes and it can be discussed thus:

Colonial Housing Policies – Before 1960

Significant in the colonial housing era was;

- Provision of staff quarters for expatriates and other indigenous staff of parastatals and organisations.
- the creation of Urban Councils in 1946,
- the establishment of Lagos Executive Board (LEBD) in 1954,
- the formation of Nigerian Building Society in 1955, as well as
- the enactment of Regional Housing Corporation in 1959.

Post-Independence Housing Policies

- Improvements in housing provision during the First National Development Plan period (1962-1968)
- The second National Development Plan 1970-1974).
- Specifically, the formulation of the National Council on Housing in 1971 led to further improvement in housing delivery. The
- Third National Development Plan (1975-1980) made further improvements on housing programmes, policies and delivery in Nigeria.
- The transformation of the Nigerian Building Society into Federal Mortgage Bank of Nigeria with the promulgation of Decree No 7 of 1977.
- The Land Use Decree (LUD) of 1978 was promulgated in order to guarantee access to land by all Nigerians.
- Also, during the era, the constitution of the Federal Republic of Nigeria (1979) laid emphasis on the importance of local building materials and the relevance of labour

and construction industry.

- Promulgation of the Employees Housing Scheme Decree No 54 of 1979. This decree made provision for staff housing and housing estates.

Housing Policies in the Military Era

The military era witnessed further improvements in housing policies and delivery.

- This was facilitated by the promulgation of the Mortgage Institutions Decree No 53 of 1989. The decree promoted the realization of the major and specific objectives of the National Housing Policy.
- This was closely followed by the promulgation of the Urban and Regional Planning Decree 88 of 1992 as well as the National Housing Fund (NHF) Decree No 3 of 1992. The NHF was saddled with the responsibility of ensuring continuous flow of fund for housing construction and delivery.

Post Military Housing Policy

- Prior to the millennium, the policy of 'housing for all in year 2000' was formulated. This policy was rigorously pursued, but it was besieged by administrative bottlenecks which made the policy difficult to be realized by the year 2000.
- Nevertheless, in year 2002, the Housing and Urban Development Policy was formulated.

Economic growth in Nigeria

The term economic growth is described as the positive and sustained increase in aggregate goods and services produced in an economy within a given time period. When measured with the population of a given country, then economic growth can be stated in terms of per capita income according to which the aggregate production of goods and services in a given year is divided by the population of the country in the given period. Economic growth can also be stated in nominal or in real terms. Hence, when the increase in the aggregate level of goods and services is deflated by the rate of inflation, we have the real economic growth, otherwise when measured without deflating, it is called nominal economic growth. Shamsuddin (1994) defines economic growth as an increase in the production and consumption of goods and services.

The process of economic growth is a highly complex phenomenon and is influenced by numerous and varied factors such as political, socio-economic factors and cultural factors. One of such factors is the housing and accommodation situation of the country. The housing need of the masses can affect their output in the economy, as housing is an integral part of human existence.

Housing policies and Economic Growth in Nigeria

The housing policies of government before 1960 were facilitated by the colonial masters. The period which was characterised by enactment of Regional Housing Corporation in 1959, gave the footing for the development of the housing industry in Nigeria. The creation of the housing corporation implied that the development of houses were regulated and supervised which was needed for the efficient running of the colonial government.

The impact of the housing policies in the post-independence era was significant because of the influence the 1979 constitution which laid emphasis on the use of local building materials during construction. This singular action encouraged local manufacturers, thus improving the economy of the country. The Employee Housing Scheme Degree 54 of 1979 which saw the development of staff housing and housing estates contributed immensely to economic growth because the housing estates improved the living standard of government employees.

The military made efforts to improve the living condition of Nigerians through their various intervention programmes which witnessed the development of various housing policies. The post military era in which we are in is characterised by the activities of the Federal Mortgage Bank and National Housing Fund as well as numerous Federal and State Housing Schemes.

The various policies were developed to strengthen the economy and improve the standard of living of Nigerians. The nexus between the much-desired economic growth and housing policies in Nigeria is still a matter that requires adequate investigation by the academics.

Theoretical Review

Reasoning along with the productivity theory of housing investment developed by Burns Leland and Grebler (1976) as cited in Chatterjee (1981), there is a direct relationship between improved housing quality and higher aspirations, greater efficiency, improved social relationships, improved health, and lower absenteeism among resident workers. The theory in translating social benefits into economic benefits, advanced the claims of residential construction on national resources from a perspective of economic efficiency, and questioned the validity of the simple capital-output ratio as a device for allocating investment. The theory claimed that conventional measures of output were inadequate because externalities or indirect benefits that accrued to the economy from increases in labor productivity were unaccounted for.

Review of Empirical Literature

Research on the influence of housing policy on economic growth is Nigeria is very scanty. Several researchers focused on various factors that influence housing policy. The few that have made effort assessed the impact of economic growth on housing policy were; Okwu, Ntsoane, Tochukwu and Obiwuru (2017), Olawale, Lawale and Alabi (2015) among others.

Okwu et al (2017) examined housing sector-economic growth relationship in Nigeria during 1980-2015. They used the following variables; real estate business services (REBS), building construction investments (BCI), property rights index (PRI) and human labor (L) engaged in the sector. Graphical and econometric techniques were employed to analyze the data sets. Their results showed that housing services delivery had long-run relationship and significantly spurred growth of the economy.

Olawale, Lawale and Alabi (2015) assessed the Nigerian housing policies from1999 till 2015 vis-à-vis the place of the low -income earners in the policy in having access to affordable housing and decent accommodation as entrenched in the National Housing

Policies. The researchers used existing pool of data that has been on by varying number of authors and other literature material published and unpublished. It was discovered that despite the laudability of housing policies in Nigeria, the policies are structurally deficient as there exit no categorical statements that can adequately help the poor in meeting their housing needs.

Festus and Amos (2015) evaluated housing policy in Nigeria as a tool for national development. The researchers identified that the problems that are associated with the implementation of housing policies in Nigeria are poor administration, inadequate funding, insufficient infrastructural amenities, as well as inadequate housing finance. They went further to recommend that the periodic review of the housing policy, finance of housing policies, encouragement of the use of local materials, as well as the provision of low-cost houses in urban and rural places.

Iheme, Effiong and Ekung (2015), assessed the effect of government policy on housing delivery in Nigeria. Survey research design was used to collect data from 44 respondents. The findings from the study shows that insufficient fund is closely related to other finance related factors identified as barriers to then accessibility of public housing by the low-income group who are non-public servants. Such factors as high interest rate, low per capita income, lack of security of income, lack of collateral and high cost of public houses. The study suggests that the creation of a viable secondary mortgage market, improvement of land registration and allocation, compassionate urban renewal programmes, cost saving house designs amongst others.

Methods

The researcher made use of ex post facto research design. The study made use of panel data extracted from CBN statistical bulletin. The study covers the period 2000 to 2019 (20 years). The independent variable is housing policy in Nigeria which was proxy by the mortgage loans of primary mortgage institutions in Nigeria. The dependent variable was economic growth which proxy by Gross Domestic Product at current basic price. The data was analysed using descriptive statistics and correlation analysis. The null hypothesis was accepted or rejected using the rule: Reject Ho when p-value is greater than 0.05 and vice versa. The model specification is showed thus;

$EG = \alpha_0 + \beta_1 HP + \varepsilon$

Where:

EG = Economic Growth, HP = Housing Policy

β_1 = Coefficient of the independent variables

ε = error term

YEAR	Economic Growth N'billion	Housing Policy N'billion
2000	6,897.48	0.86
2001	8,134.14	1.02
2002	11,332.25	6.60
2003	13,301.56	12.90
2004	17,321.30	6.00
2005	22,269.98	2.10
2006	28,662.47	7.56
2007	32,995.38	40.76
2008	39,157.88	108.53
2009	44,285.56	118.53
2010	54,612.26	132.88
2011	62,980.40	122.81
2012	71,713.94	120.91
2013	80,092.56	132.29
2014	89,043.62	47.68
2015	94,144.96	74.23
2016	101,489.49	81.89
2017	113,711.63	107.95
2018	127,736.83	105.78
2019	144,210.49	89.76

Source: CBN Statistical Bulletin (2019)

The data is presented in Table1. The data were extracted from the CBN statistical bulletin for the period 2000- 2019.Economic growth was measured using gross domestic product (GDP) while housing policy was measured using primary mortgaged loans. From the data set show in Table 1, descriptive analysis was carried out and the result is presented in Table 2

Table 2: Descriptive Statistics

	GDP AT CURRENT BASIC PRICES (N'billion)	MORTGAGE LOANS (N'billiion)
Mean	58204.71	66.05200
Median	49448.91	78.06000
Maximum	144210.5	132.8800
Minimum	6897.480	0.860000
Std. Dev.	42616.21	51.70242
Skewness	0.483480	-0.117502
Kurtosis	2.046387	1.347566
Jarque-Bera	1.536991	2.321471
Probability	0.463710	0.313256
Sum	1164094.	1321.040
Sum Sq. Dev.	3.45E+10	50789.66
Observations	20	20

The descriptive statistics of this study is presented in Table 2. The statistics were mean, maximum, minimum, standard deviation, kurtosis and skewness. It is recorded in Table 4.2, that the minimum Gross Domestic Product (economic growth) of Nigeria was N6,897.48 billion while the maximum value was N144,210.5 billion. The result also showed that the average GDP (economic growth) was N 58,204.71 billion. The distribution tilted towards the right tail of the normal curve as the skewness value was at 0.483480. The distribution of the data set for GDP (economic growth) was leptokurtic as the kurtosis value was 2.046387.

It is recorded in Table 4.2, that the minimum mortgage loan (housing policy) of Nigeria was N0.860 billion while the maximum value was N132.88 billion. The result also showed that the average mortgage loan (housing policy) was N 66.052 billion. The distribution tilted towards the left tail of the normal curve as the skewness value was at -0.117502. The distribution of the data set for mortgage loans (housing policy) was leptokurtic as the kurtosis value was 1.347566.

Table 3. Correlations

		Economic Growth	Housing Policy
Economic Growth	Pearson Correlation	1	.869**
	Sig. (2-tailed)		.000
	N	20	20
Housing Policy	Pearson Correlation	.869**	1
	Sig. (2-tailed)	.000	
	N	20	20

The null hypothesis of the study states that there is no significant influence of housing policy on the economic growth of Nigeria. Based on the decision rule of the study, the null hypothesis of the study is rejected and the alternate accepted because the p-value of 0.000 shown in Table 3 is less than 0.05.

The result shows that economic growth and housing policy have a positive and significant relationship. This was deduced from the correlation coefficient (r) of 0.869 shown in Table 3. Evaluating the coefficient of determination (r^2) we have 0.755 which implies that 75.5% of the variation in economic growth is accounted for housing policy. The result further shows that for every 75.5% change in economic growth, the change is caused by housing policy. This finding indicates that if the government and other stake holders improve on the provision of affordable houses in Nigeria, the multiplier effect is that the economy will grow by 75.5%. It can thus be concluded that there is a significant influence of housing policy on the economic growth in Nigeria. This finding is in agreement with the finding of Okwu, Ntsoane, Tochukwu and Obiwuru (2017) who explored housing sector-economic growth relationship in Nigeria during 1980-2015. Their results showed that housing services delivery had long term relationship and significantly spurred growth of the economy.

Recommendations and Conclusion

Based on the findings of the study, it can be concluded that housing policies contribute significantly to the economic growth of Nigeria. Based on the findings of the study; the following recommendations were made;

i. The Nigerian housing policies should be re-evaluated in line with international best practices as housing policies drive economic growth.
ii. Government should create an enabling environment for housing development by granting tax rebate on production of building materials and importation of building material available locally should be discouraged which would drastically reduce the cost of construction.
iii. Elimination of administrative and procedural delay in loans facilitation by the Federal Mortgage bank of Nigeria should be given an utmost priority.
iv. The Nigeria Building Research Institute (NBRR1) should he properly funded to embark on modern researches on building materials.

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