

# Appraisal of Informal Sector Cooperative Housing Loan Scheme in Jimeta, Adamawa State, Nigeria.

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## ABSTRACT

Housing plays a key role in the socio-economic development of every country but unfortunately, housing supply worldwide has not been able to meet demand. The inadequate housing is one of the biggest challenges facing both developed and developing countries today with finance being a crucial factor. The informal sector is the largest housing supply system but has not been able to meet the increasing demand partly as a result of the inadequate and ineffective financial mechanisms for financing housing in the country. The study therefore appraised informal sector cooperative housing loan scheme in Jimeta. It eligibility criteria for accessing loan scheme and factors which hinder their access to formal+ credit facilities,it also made suggestions to improve access to credit facilities to the informal sector to improve housing delivery. A non-probability sampling was adopted and 15 out of the 63 registered informal sector organisations was selected for data collection. Questionnaires were administered to the informal sector association, federal mortgage bank and cooperatives society. The data collected through the key informant interview was subject to descriptive statistics tools from Statistical Package for Social Science (SPSS). The study came out with some major findings which include the informal sector cooperative housing loan scheme in Jimeta has not been successfully implemented and that the majority of the respondents are not significantly aware of the scheme. It was also observed that constraint in land acquisition is huge challenge to the informal sector cooperative society in their quest to access the loan scheme from the federal mortgage bank. The study recommended microfinance for housing, site and services scheme by the financial institutions and a non-mortgage lending facility for the informal sector if the mortgage market is to thrive and become vibrant.

**Keywords:** Informal Sector, Housing Supply, Housing loan Scheme

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## 1. INTRODUCTION

Housing delivery system in Nigeria is a combination of many interrelated components which include land, infrastructure, building materials, policies, building regulations and more importantly the finance component. Finance in housing delivery is very important because of the huge financial requirement for housing production. Housing is vital to the socio-economic development of every country. The housing sector is generally accepted as one of the most important determinants of the economic and social wellbeing of people. Unfortunately, the provision of housing worldwide has not been able to meet demand. This lag can be attributed to the population surge which has more than doubled in numbers in recent times. Nigeria is experiencing high rates of urbanization, resulting in the increase of unplanned settlements especially in the urban and the peri-urban areas. These unplanned settlements provide homes for both the poor and the middle-class, as affordable housing is simply non-existent (CAHFA 2013).

The lack of healthy mortgage financing system in Nigeria had made the rate of home ownership in the country one of the lowest in Africa. Nigeria's homeownership rate was put at about 25 per cent (UN HABITAT 2006), which is much lower than contemporary countries. This is why Federal Mortgage Bank of Nigeria (FMBN) embarked on drastic measures to ensure that the housing deficit is bridged and this has no doubt, led to the introduction of the informal sector's Cooperative Society Loan Scheme, operators such as farmers, traders and artisans would be able to tap into the benefit from the National Housing Scheme, like those in the formal sector. The FMBN, under the scheme, is now using cooperative societies to benefit a certain group of people operating

in the informal sector category, especially because of the nature and structure of their income, which is not definite or regular.

The loan enables a cooperative society that has acquired a plot of land to develop houses for allocation to its members. The parcel of land would have title in the name of the society which would act as facilitator on behalf of its members in the loan transaction and facilitate construction of the housing units. The root of the title of the estate land would be subleased to the beneficiaries.

This paper seeks to appraise informal sector cooperative housing loan scheme in order to explore the challenges associated with the availability, supply and accessibility of the housing loan scheme in Jimeta and also looks at policy responses in addressing this issue.

### **Statement of the Problem**

One of the major problems facing housing delivery is finance. The unavailability and inaccessibility of housing finance mechanisms has been identified as one of the important hurdles in improving housing delivery in the country. It is very hard, often impossible, for poor people to access housing finance in order to build or buy a house.

Housing developments designed for low-income or no-income households are often “hijacked” by middle-income buyers, who have easier access to finance, because there is also a shortage of available housing for this section of the urban population. As such low-income households are left with only one option to build, buy or rent dwellings of relatively small size, low quality of construction and minimal service provision in an informal settlement. They are also forced to occupy as little space as possible, which leads to very high densities and unhealthy levels of overcrowding in their settlements.

As part of measures to address this problem, the FMBN launched its Informal Sector Cooperative Society Loan Scheme in 2011. The cooperative loan scheme is a product under the umbrella of the National Housing Fund Scheme, designed to accommodate non-salaried informal sector Nigerians through cooperative societies to join the National Housing Fund and avail themselves the opportunity of becoming proud homeowners.

Despite these government initiatives and with the existing housing financing bodies in Jimeta like Federal Mortgage Bank, Adamawa Homes and Savings Limited and Resort Savings and Loans, there is bottleneck in access to informal housing finance by those in the informal sector. Preliminary investigation reveals that, since the inception of the scheme in Yola, only three cooperative societies submitted applications for access to the loans. These are KautalKhairu Multi-purpose cooperative society, JahargalYeso Multi-purpose cooperative society, Aadilaku Multi-purpose cooperative society. Field Survey, (2020)

In addition, these cooperatives up till date could not access the loan because of legal title of the subject land that will be eventually processed and deposited with the bank and evidence of National Housing Fund NHF registration and up to date NHF contribution among others.

## **2. Aim and Objectives**

### ***Aim***

The work aimed at appraising the informal sector cooperative housing loan scheme in Jimeta, with the view of suggesting ways of improving the scheme for the informal sector.

### ***Objectives***

1. To examine the objectives and the design of informal sector housing finance scheme in Jimeta.
2. To analyse the factors that determine access to loan by the informal sector in Jimeta.
3. To propose a framework for access to housing finance by the informal sector in Jimeta.

### ***Area of study Jimeta***

Jimeta is a part of the twin settlement usually referred to as Jimeta – Yola (or Greater Yola in planning parlance). The old town of Yola where the traditional ruler (*Lamido*) resides is the traditional city, but the new city which is about 5 km north western Yola is Jimeta. It lies between latitudes 7<sup>0</sup> and 11<sup>0</sup>N of the Equator and between longitudes 11<sup>0</sup> and 14<sup>0</sup>E of the Greenwich Meridian. It shares boundary with Girei Local Government Area (LGA) at the North and Yola South LGAs at the East, West and South. It is the administrative and commercial headquarters of Adamawa State, Nigeria. It was established to accommodate immigrants into the older Yola Town. Situated at the bank of River Benue, it eventually subjugated Yola commercially, industrially and administratively. Jimeta and few villages constituting the 11 political wards of Jimeta LGA, it covers a total land mass of 2,514,300 metre square with a federal college of education and state polytechnic, but federal and

state secretariat's fall in study area. And has around 36,371 household units, over 109 Hotels, 170 restaurants, 5 markets among so many other things.

#### **Existing land use activity of Jimeta**

The Jimeta metropolitan area is mainly used for housing, related commercial enterprises, administration, and Agricultural activities are predominantly undertaken keeping in mind few available industries, which is the part of income source of the study area.

#### **Relative humidity**

The seasonal variation in RH of the study area, between January and March RH is extremely low (20 -30%). It starts increasing as from April and reaches the peak (about 80%) in August and September. This is due to the influence of the humid maritime air mass which covers the whole state during this time. Relative humidity starts to decline again as from October following the cessation of rains (Adebayo, 1999).

#### **Sunshine**

The monthly distribution pattern shows that the period from January to April has a mean monthly sunshine hour of 220. There is a decline in sunshine hours between May and September due to increasing cloudiness all over the state (Adebayo, 1999). The mean during this period is about 207 hours. The mean sunshine hours increase again to 255 for the period between October and December. The number of sunshine hours is 2750per annum.

#### **Soil and Vegetation**

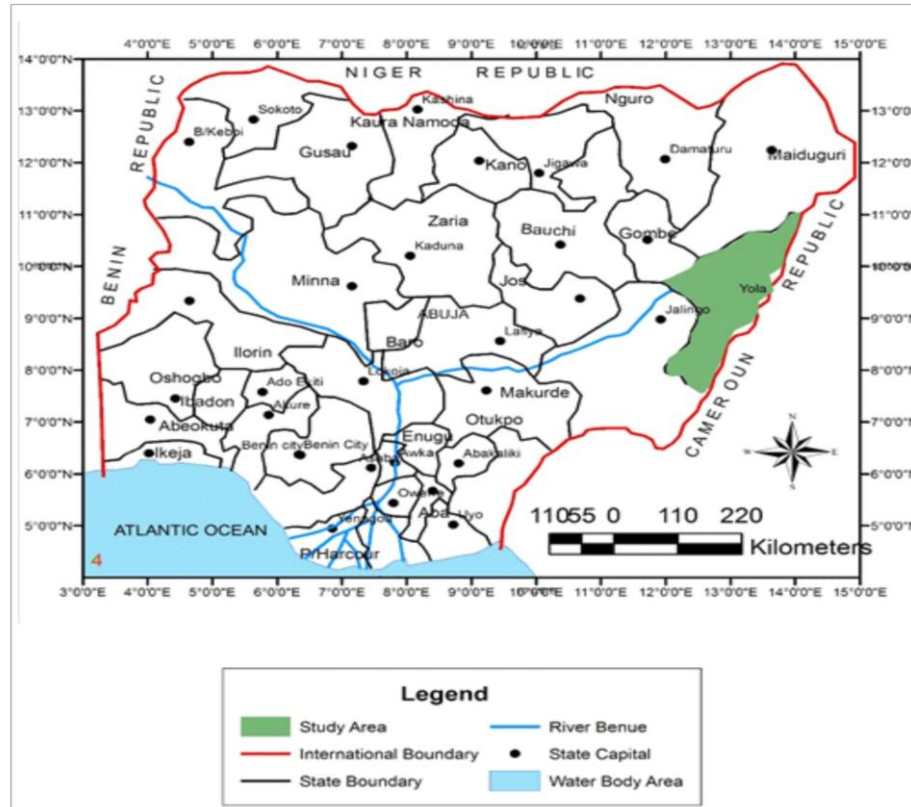
Like most areas in northern Nigeria, the soil of Yola-North is derived from the basement complex rock, however, there is some alluvial soil along the Benue flood plains. The soil of the study area is loamy and it drains easily when it rains. The vegetation consists of short, medium and shrubs, more especially in the months of August and September during which the area records higher amount of rainfall.

#### **Topography**

The topography of Yola North (Jimeta) is generally plain, rising from 95m to 190m above sea level, with River Benue, running from East to South of the study area.

#### **Existing Infrastructural Facilities**

Infrastructure which is seen as the basic facilities, services and installations needed for the functioning of a community or town can be said to be available within the study area. This is because Jimeta is both the administrative capital and commercial centre of Adamawa state.



*Figure 1: Map of Nigeria Showing Adamawa State*

Source; Ministry of Land and Survey Yola (2020)

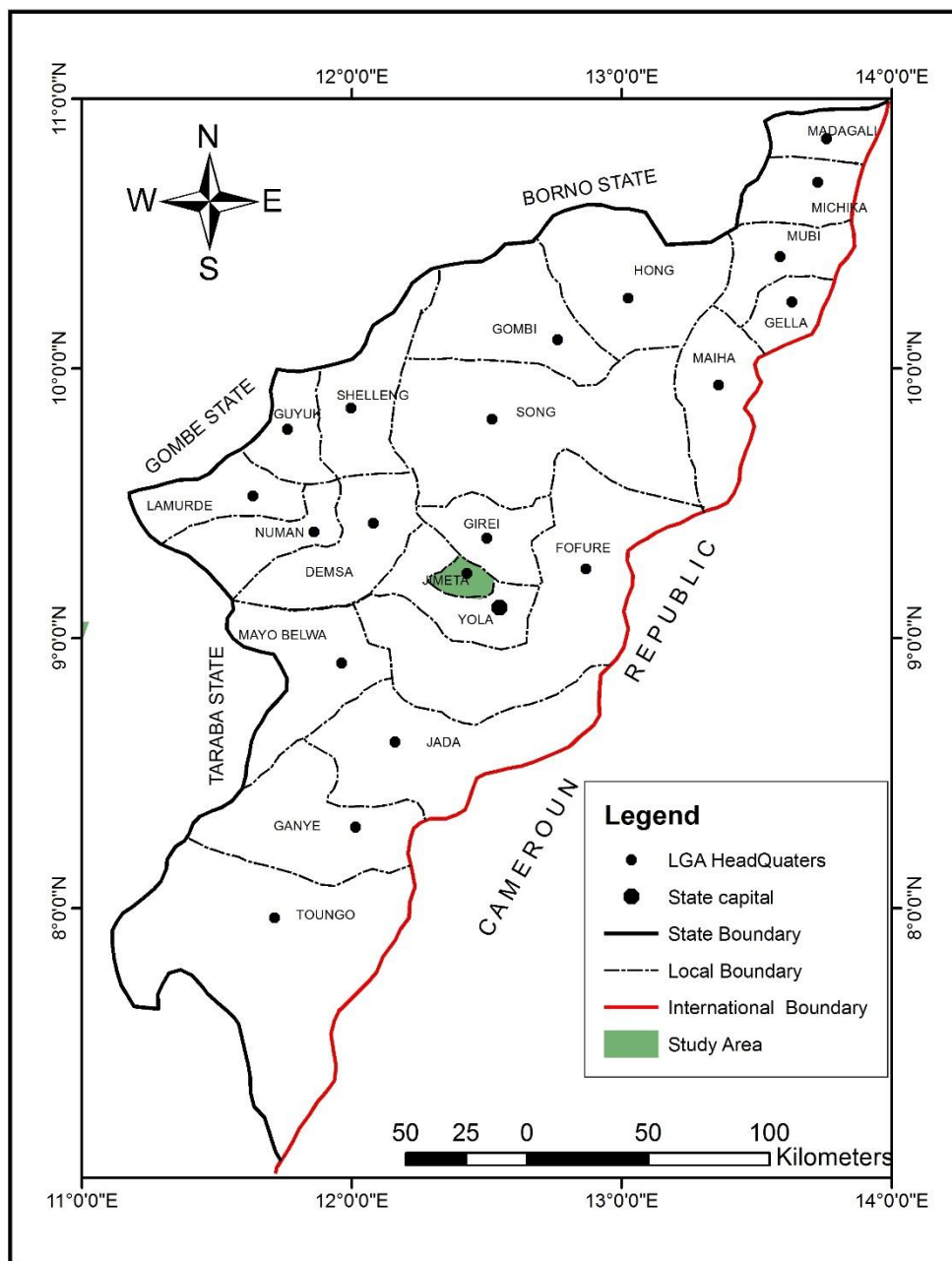


Figure 1.2 Map of Adamawa State Showing Study Area

Source; Ministry of land and Survey Yola(2020)

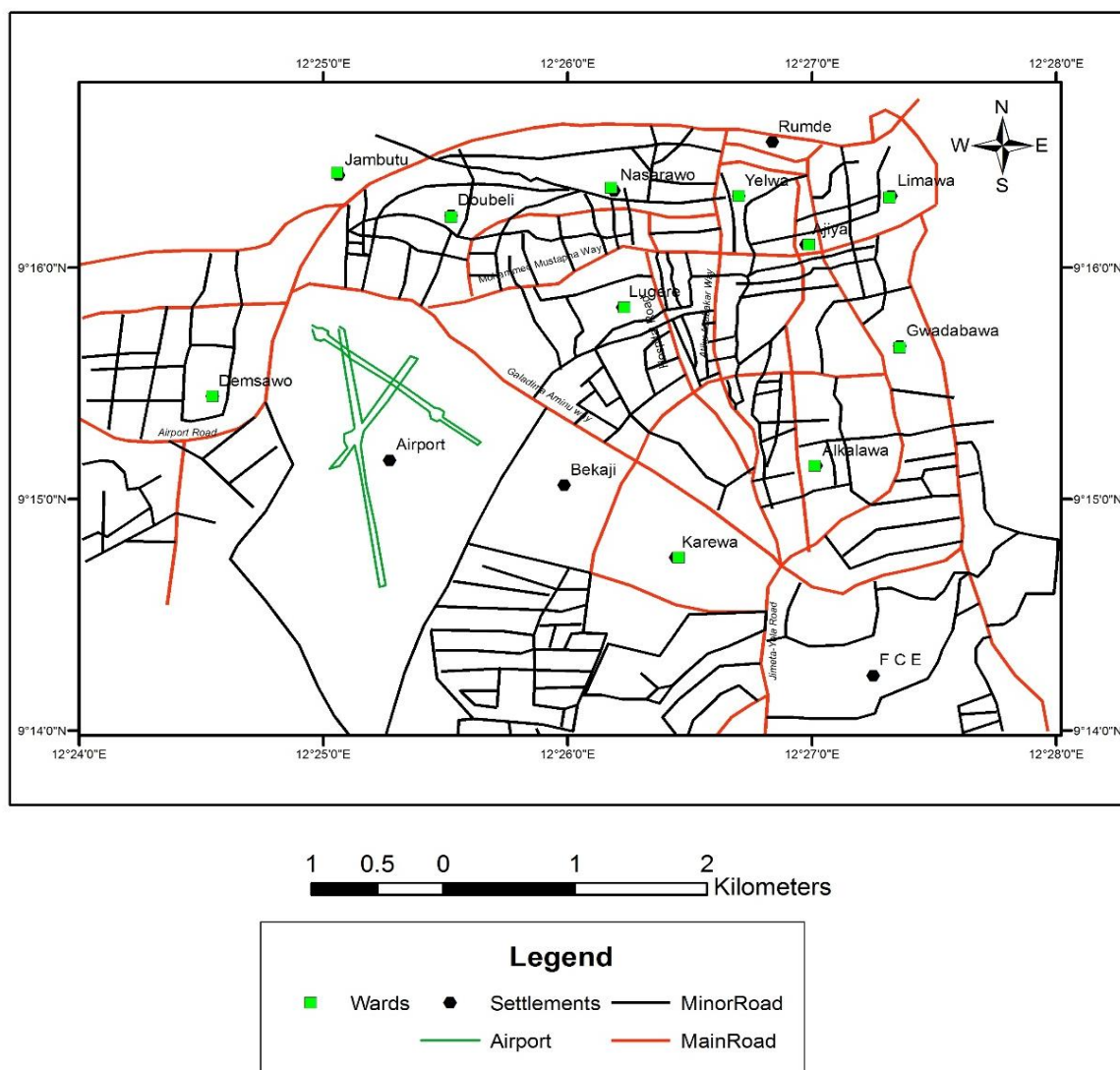


Figure 1.3: Map of Jimeta Showing The Study Area

Source ;Ministry of land and Suvery Yola

(2020)

### Concept of Informal Sector

The original use of the term ‘informal sector’ is attributed to the economic development model put forward by W. Arthur Lewis in the early 1950’s. The later usage of the term was by Hart (1971) following a study of Ghana. The concept is generally used to describe employment or livelihood activity primarily within the developing world that falls outside of the sector. The ‘traditional sector’, the “survival” sector, the ‘unregulated sector’, etc, are all terms that are used to describe the informal sector, to encompass production activities of small size, including handicrafts, which have a “domestic or unorganized character” and may also be part of the “non-monetary” sector of the economy (Hugon, 1990). Bromley (1978) considers the sector to be the spin-off of the dual economy literature, originating with Lewis (1955), which conceptualized economic development as the emergence and growth of the manufacturing sector (modern) through the absorption of labor being freed from agriculture (the ‘traditional’ sector) due to the more efficient means of production in the former. Whereas the dual economy (the ‘modern-traditional’ dichotomy) literature mainly addressed the sectoral differences in terms of the technology applied, a somewhat later related literature focused more on the organization of the sectors (Sethuraman, 1976).

Participants in the informal economy generally lack employment security, work and social security. Definitions of the informal sector also imply a lack of choice or agency in involvement, and participation may also be driven by a wish to avoid regulation or taxation. This may manifest as unreported employment, hidden from the

state for tax, social security or labour law purposes, but legal in all other aspects. Edgar (1989) further sees the informal economy from the perspective of non-compliant behavior to an institutional set of rules. Faruqi, (1990) also argues that circumvention of labor market regulations specifying minimum wages, working conditions, social security, unemployment and disability benefits as giving rise to an informal economy that deprives some workers of deserved benefits while conveying undeserved benefits to others.

The term Informal Sector is also useful in describing and accounting for forms of shelter or living arrangements that are similarly unlawful, unregulated, or not afforded protection of the state. In their conditions, informal developments are generally considered to be poor quality of depressed value and unhealthy for habitation. Because informal developments are considered 'illegal', most are of temporary materials. The informal sector is largely characterized by several qualities including; ease of entry, lack of stable employer-employee relationships, a small scale of operations, and skills gained outside of a formal education. The type of work that makes up the informal economy is diverse, particularly in terms of capital invested, technology used, and income generated. The spectrum ranges from self-employment or unpaid family labor to street vendors, shoe shiners, and junk collectors.

### **Significance of Informal Sector to Nigeria Economic Development**

Nigeria with a population of over 198 million people with an average growth rate of 3.0 per cent, National Population Commission (NPC, 2018) has the highest numbers of workers in the informal sector in Africa. According to Arosanyin, Ijaiya, Oludoyi, Ajayi & Ipingbmi, (2011) the informal economy plays a significant role in the Nigerian economy by creating employment and reducing unemployment and poverty. Although, most of the employees of informal economy, work in a precarious situation, with low pay, no social security or safety net, they find the informal sector as a safe haven since government cannot provide them with suitable jobs, working in the informal sector seems to be the last resort. The informal economy is associated with microeconomic activities such as furniture making, woodwork, tailoring, carpentry and tax evasion is predominantly in this sector (Agbuabor and Malaolu 2013).

The informal sector consists of all activities operating outside the official legal and fiscal system, with a resulting lack of reliable statistical information. The sector contributes significantly to production, consumption, employment and income generation in developing countries. It is a source of livelihood to poor majority, skilled and unskilled, socially marginalized and female population and is an important means of survival for people in countries lacking proper social wellbeing (Agbuabor and Malaolu, 2013; Oladayo, Joyce, and Oladimeji, 2014). For example, the informal economy in Nigeria contributes 60% to Nigerian GDP in 2018, while the formal sector compliments it with 40%. Furthermore, it offers various outlets for professional entrepreneurs from the medium and largescale enterprise who desires to be self-employed using minimal capital resources. National Bureau of Statistic (NBS, 2018)

According to NBS report in 2014, the informal sector comprises of over 17 million enterprises and account for more than 50% of jobs generated in the Nigerian economy. The informal sector represents the greatest number of estimated jobs created with 240,359, which is 55.25 per cent of all jobs created in the Nigerian economy.

### ***Evolution of Informal Sector Housing Financing in Nigeria***

The informal sector of housing funding in Nigeria are traditional esusu systems, thrift systems, cooperatives, family sources and individual savings, money lenders, friends among others. This sector is usually local and informal in organization based on trust, love and friendship. The operation of this sector is difficult to quantify as they operate on transfer of cash and kind. These include donations of land, building materials, cash assistance or sometimes any of these could be in form of loan. The informal sector operation also involves direct labour assistance. It is interesting to note that this sector constitutes the larger proportion of housing providers in Nigeria.

According to Adejuna (2011) traditional cooperative societies existed in Nigeria prior to introduction of contemporary cooperative drive which began in England in 1844 during the industrial revolution. The orientation and growth of cooperative societies in Nigeria can be traced to the development of agriculture export sector by the colonial masters on the prospects and desirability of farming cooperative societies in Nigeria.

### ***Government-Initiated Financing Scheme***

#### ***The National Housing Fund of the FMBN***

The NHF, established by a Federal Government Act (1992), is a pool of long-term funds mobilized from statutory deductions and contributions of self-employed and organized private and public service workers which are then on-lent at low and concessionary interest rates to its contributors. It is a closed savings scheme which is

managed by the FMBN. According to the NHF Act, the National Social Insurance Trust Fund (NSITF) and the insurance companies are mandated to invest a minimum of 20 per cent of their non-life funds and 40 per cent of their life funds in real estate development, of which not less than 50 per cent must be channelled through FMBN, at an interest rate not exceeding 4 per cent. These provisions have since been relaxed to allow the pension fund administrators and insurance companies to invest pension funds and huge resources in housing development. In addition, all tiers of government are required to make direct budgetary allocations of not less than 2.5 per cent of their revenue to the national housing scheme.

Nigerian workers, both in the public and private sectors who earn a minimum of ₦3,000.00 per annum are mandated by the NHF Act to contribute to the fund. As at February 2011, the number of contributors to the NHF stood at 3,573,667 cutting across both public and private institutions. This is in contrast to the expected 50 million contributors, (EFInA, (2010)). Each member of the Fund, either by themselves or via their employers, is required to remit 2.5 per cent of their monthly basic salary to the Fund managers. Thus, contributions vary as the contributors' basic salary changes. Currently, the maximum loan limit for a contributory member is ₦15.0 million (US\$96,308) at an interest rate of 6 per cent per annum, payable over a maximum loan life of 30 years and subject to the applicants current age. The purpose and use of the loan are restricted to constructing, renovation, purchase or expansion of houses. (FRN, 1990).

The Fund does not permit direct individual access from the FMBN, but rather through a licensed and accredited PMIs. In order to access the mortgage loan, members are required to provide an equity contribution of the value of the affected property, depending on the amount of loan applied for, and provide certain documentations. These documentations include, approved building plan, property valuation report, evidence of steady income flow, evidence of land ownership, tax clearance certificate and audited accounts, in the case of a firm. Eligibility for the loan is hinged on being a contributory member for a minimum of six (6) consecutive months prior to the loan request. The FMBN also partners with real estate developers and institutional investors to achieve its mandate of housing delivery for Nigerians. Within this framework, the Bank provides wholesale mortgage lending (often referred to as Estate Development Loan, (EDL)) to housing estate developers to construct houses for subsequent sale to contributors to the Housing Trust Fund. Loan terms for real estate developers include an interest rate of 10 per cent over a loan life of 24 months, while the bank also finances infrastructural facilities up to 70 per cent for private developers only. Pre-conditions to qualify for the EDL include membership of the Real Estate Developers Association of Nigeria, (REDAN) approved building and layout plan by the relevant body/authority among others. However, the programme is bedevilled by slow and inefficient application process and non-performing loans by the developers which accumulated to the tune of ₦11.2 billion since 2009 and out of which ₦5.7 billion was reported to have been recovered at end-May 2013. It is hoped that with the implementation of the internal land registry, which allows developers to use their global Certificates of Occupancy as security, and register their global titles with the FMBN, it will result in faster processing time.

### ***Informal sector housing financing strategies in Nigeria***

The FMBN introduced the Informal Sector Cooperative Housing Scheme in 2011 in a bid to integrate Nigerians operating in the informal sector of the economy into the NHF scheme. The informal sector cooperative housing loan scheme is a product under the umbrella of the NHF scheme, designed to accommodate non-salaried informal sector Nigerians through cooperative societies to join the national housing fund and avail themselves the opportunity of becoming proud homeowners. The loan facility under the scheme could be accessed in one of two ways, namely:

#### **The Cooperative Housing Development Loan (CHDL)**

The loan enables a cooperative society that has acquired a plot of land to develop houses for allocation to its members. The parcel of land will have title in the name of the society which will act as the facilitator on behalf of its members in the loan transaction and which would facilitate construction of the housing unit. The root of title of the estate land would be subleased to the beneficiaries. Despite this initiative informal sector cooperative society has not been able to access the facility loan.

#### **Condition for Providing the Loan Scheme**

1. The Co-operative Society must be registered with the Registrar of Cooperatives in charge of the area within which it is domiciled
2. The society Must be registered with the NHF Scheme
3. The cooperative society Must be responsible for remitting the contributions of its members
4. The cooperative society Must be accredited by FMBN



5. The cooperative society must have been in existence for a minimum period of twelve months during which membership deals paid by members have been consistent
6. The proposed estate must have good title that can be sub-leased to individual allottees/purchasers of the housing unit therein
7. The tenure of the loan shall be 24 months with moratorium period of 12 months
8. The loan shall be disbursed to a cooperative society at an interest rate of 10 percent
9. The Cooperative shall identify a PMB with which it shall collaborate for the purpose of processing a Cooperative NHF Loan (CNL) for its members
10. The housing units for the proposed project(s) must fall within a target selling price not exceeding N15 million
11. the land upon which the estate is to be built shall have legal title
12. The security for disbursing each tranche of the loan shall be the title document of the estate land
13. The loan shall be disbursed in three tranches to complete the substructure, super-structure, and finishing
14. The FMBN shall finance 100 percent of housing development and 90 percent infrastructural facilities
15. The co-operative society is to develop the housing estate in any of the following ways:
  - a. Engage registered building professionals with a view to managing the projects and completing the housing units to standard
  - b. Use professionals from within its ranks, on submission of proof of technical expertise of members by the society
  - c. Engage an Estate Development company, provided the company is able to deliver the houses at a price affordable to the co-operators
16. All housing units in the estate must be sold to the co-operative society members who are contributors to NHF Scheme

#### **Documentation Required**

Certificate of registration of the cooperative society include inter-alia:

- a) List of trustees (Names, Position, Qualification, Profession and years of experience)
- b) Technical team if different from management staff.
- c) Statement of accounts for the informal sector cooperatives or for the period existence of the cooperative society which must not be less than 1 year.
- d) Approved building plans and site layout plans. (In triplicate copy)
- e) Priced bill of quantities (BOQ)
- f) Proposed selling price of the housing units.
- g) Project work program/plan
- h) Appointment letter to developer to carry out developmental project. (Where a developer is to be engaged)
- i) Submission of tax clearance certificate by the cooperative society.
- j) Resolution at annual (or emergency) general meeting or board of trustees meeting authorizing the cooperative society to borrow, duly executed.
- k) Letter of marketing commitment from a PMB to be responsible for the disposal of the housing units to the co-operators upon completion of construction.

### **3. SUMMARY OF FINDING FROM THE REVIEW OF LITERATURE**

Informal sector housing financing and how low income and urban poor have used it to solve housing problem. One thing readily comes to mind, informal sector housing financing in all its ramifications has had a chequered history around the world where people have put cooperatives to work in solving their daily problems ranging from food to shelter. Though one outstanding feature is that there is something in it for everybody due to its flexibility and factors such as social, cultural and economic background of the people determine the model that is suitable in a given environment.

The situation in Nigeria is not different from what is obtainable in other parts of the world in the areas of challenges confronting the informal sector housing financing, hence it is expected also that the solutions from those other countries could be adapted to suit the environment in Nigeria. Government support in countries such as Ghana, Indonesia and India was overwhelming and resulted in the rapid growth and development of the informal sector housing financing approach. Literature review also identified that housing finance must be seen in the national economy and that in solving the housing problems it has to go hand in hand with solving national



economic problem. It also discovered that the informal sector is always exempted from housing provided in the housing market because of the issue affordability.

#### 4. METHODOLOGY

The study makes use of qualitative research method to cover the range of the objectives and questions being address. and focuses on the eligibility criteria for accessing informal sector cooperative housing loan scheme in Jimeta and how the informal sector is excluded. Hence, the methodology used was to identify the basic criteria and characteristics of the informal sector based on literature. The factors leading to the inability or otherwise of the informal sector households to access the cooperative housing loan scheme in Jimeta was critically appraise.

##### **Types of Data Required**

The sources of data for this study was obtained from the primary and secondary sources of data which are fact certainly known and where conclusion was drawn.

##### **Primary Data Required**

This are the raw information that obtained in the field by means of structure questionnaire, unstructured questionnaire and interview based on the study objectives.

##### **Number of Registered Informal Sector Organisation in Jimeta**

S/N	Informal Sector Organisation
1.	Adamawa State Builders Association
2.	Dubai Textile Marketers Association
3.	Falluja Market Traders Association
4.	Falluja Market Perishable Commodities Association
5.	Hand to Hand Dev. Association
6.	Falluja Yard Market Association
7.	Adamawa State Gold Sellers Association
8.	Animal and Feed Union Association
9.	Gumi Shinkafa Women Association
10.	Rumde Women Farmers Association Cooperative Society
11.	Tie and Dying Association
12.	Gonjo Traders Association
13.	Bags and Shoes Market Association
14.	Fish sellers' Market Association
15.	Association of Skin Sellers Association
16.	Auto Spare Part Dealers Association
17.	Taraba Traders Association
18.	TsohonKasuwa Traders Association
19.	Yam Sellers Association (Doubeli Bye Pass)
20.	Fruits Sellers Association
21.	Yan Hatsi Association
22.	Integrated Traders union
23.	Timber Traders Association
24.	Yan Buhu Association
25.	Hospital Road Multipurpose Society
26.	Fertilizer Trader Cooperative Association
27.	Panteka Traders Association Bye Pass
28.	Cattle Dealers Association
29.	Ram Sellers Association
30.	Dalla DallaCoopertive Society
31.	Adamawa State Vedeo/Firms Owners
32.	Shoping Complex Traders Association
33.	Jimeta Tailoring Multipurpose Association
34.	KayiDamu Thrift and Credit Cooperating Society
35.	JimetaMordan Market Tailors Association
36.	M. Bolo Transport Association
37.	Sailors Concept Transport
38.	Ofuobi Traders Union
39.	Cattle Market Association
40.	Gawi Multi Link Service Limited
41.	Boat Owners Association
42.	Water Ways Union
43.	Tipper Garrage Association Bye Pass
44.	Jambutu Motor Park Traders Association
45.	GSM Repaires and Market Association
46.	Nigeria Automobile Technical Association
47.	Sobo and Pure Water Association

48.	Petty Traders Women Association
49.	Alhassan Women Multipurpose Cooperative Society
50.	Bandirawo Block Business Association
51.	Farang Fish Farmers Association
52.	Aadilaku Multi-purpose cooperative society
53.	Yan Koli Women Association
54.	KautalKhairu Multi-purpose cooperative society
55.	Hududullah Microfinance Bank
56.	Al- Agli Security Guard
57.	Association of Cobblers and Shoe Material Sellers
58.	Khariyyah Women Development Cooperative Society
59.	Al-Mufida Women Livestock Farmers
60.	Duma Youth Traders Association
61.	Hadin Kai Grounut Oil Maaking
62.	Yan Koli Women Association
63.	JahargalYeso Multi-Purpose Cooperative Society

**Source:** Adamawa State Ministry of Commerce and Industry ASMCI (2020)

### Secondary Data Required

- The secondary data was obtained from research materials, review of literature comprising of textbooks, journals, technical reports, newspaper publication, internet and unpublished works, government development plans, policies publications, decrees and other documents on informal sector housing finance, FMBN publication amongst others to establish basic theoretical concept and empirical knowledge of the research.

### 5. Method of Data Collection

Data for this study was obtained through the following methods:

- Key informant interview: Primary qualitative data was obtained from structured and unstructured interviews from the Federal Mortgage Bank as well as fifteen (15) registered informal sector association such as Shopping Complex Traders Association, TsohonKasuwa Traders Association, KautalKhairu Multi-purpose cooperative society, Nigeria Automobile Technical Association, Timber Traders Association, Panteka Traders Association Bye Pass, Jimeta Modern Market Tailors Association, Yam Sellers Association Doubeli Bye Pass, Association of Cobblers and Shoe Material Sellers, JahargalYeso Multi-Purpose Cooperative Society, Tipper Garage Association, Aadilaku Multi-purpose cooperative society, Dubai Textile Market Association, Hand to Hand Development Association, Gwanjo and GuminShinkafa Women Association, was visit to elicit information on the level of incorporating informal sector in the Federal Mortgage Bank and other means of financial support for low income housing development project.

### Informal Sector Sampled for the Study

S/N	Informal Sector Organizations	Members	3.5%
1	Jimeta Shopping Complex Traders Association	500	17
2	TsohonKasuwa Traders Association	550	19
3	KautalKhairu Multi-Purpose Cooperative Society	220	8
4	Nigeria Automobile Technical Association	5,000	175
5	Timber Traders Association	150	5
6	Panteka Traders Association Bye Pass	2,000	70
7	Jimeta Modern Market Tailors Association	120	4
8	Yam Sellers Association Doubeli Bye Pass	242	8
9	Association of Cobblers and Shoe Material Sellers	160	6
10	JahargalYeso Multi-Purpose Cooperative Society	200	7
11	Tipper Garage Association Bye Pass	260	9
12	Ad Aadilaku Multi-Purpose Cooperative Society	240	12
13	Dubai Textile Marketers Association	383	13
14	Adamawa State Builders Association	257	9
15	Gwanjo and Gumi Shinkafa Women Association	280	10
	<b>Total</b>	<b>10,562</b>	<b>372</b>

**Source:** Field Survey, (2020)

## **6. Method of Data Analysis**

The data collected from questionnaires and interviews was analysed using descriptive statistics tools from Statistical Package for Social Sciences (SPSS) version 20 to produce graphical summary of the data to explain the results of the study. The software is one of the best tool for data analysis due to high level of accuracy of data analysis, easy interpretation of data, good graphical presentation etc. The raw information was obtained, assemble inform of a coded information and later processes into data. For instance, in a percentage table, the number of the respondent and their responses was done and inference derive from the body of the questionnaires or interview forms.

## **7. Discussion of Finding**

The awareness of the informal sector cooperative housing loan scheme among informal sector in Jimeta is still very low. 84.8 % of the respondents did not know about the scheme which is a true reflection of what is obtainable in other parts of the country. Those who are aware of the scheme do not really have in depth understanding of the scheme. Others show no interest because of the tedious nature of it procedures, 67.8 % for some, it was due to inability to joint cooperative society or association.

This shows the low level of awareness of the public in getting them to join informal sector cooperatives. Only few people have realized the potentials of self-help and informal sector cooperatives in housing delivery. People have not be adequately sensitized and mobilized to form cooperatives to meet their housing needs. Inadequate information among informal sector has resulted in the stunted growth in the informal sector cooperative housing loan scheme in Jimeta.

In many developing countries such as Nigeria, Philippines and South Africa this process of developing the informal sector cooperative housing approach is in its infancy, brought about by the failures experienced in other delivery approaches. UN-Habitat (2006: C).

98.2 % of the informal sector had not approached financial institution for a housing loan facility because of their irregular incomes. According a study in Ghana by Nelson I.D, Asamoah O.R, Solomon B. and Nduro K.A. (2012) have shown that informal sector households are incapable of satisfying the underwriting requirements of lenders. Therefore, the informal sector households may be excluded from the mortgage market by the lenders requirement. Adequate provision of housing cannot be attained if the housing finance needs of the informal sector households are not catered for.

Constraint in land acquisition is huge challenge to the informal sector cooperative. 67 % agree, obtaining well located land as extent to which co-operatives experience difficulties. The process mention above can be deemed by the respondents to be of great difficulty in their quest to access land. The condition that informal sector cooperative present a land (backed by C of O is a serious impediment to accessing the loan scheme as the procedure of obtaining a C of O as contained in the Land Use Act of 1978 is too cumbersome. According to study carry out in in Ghana (2007) shows that the main underlying factor affecting the development of an informal sector cooperative housing in Ghana is lack of secure and transparent titled lands. BOG, (2007)

Constraint of access to funds from the mortgage bank, respondents indicate 67 % strongly agree high interest rate as constraint. The number of potential informal sector cooperative borrowers is reduced by this requirement. People in the informal sector can be termed as seasonal earners. Federal Mortgage Bank and other financial institutions due to the risk involved demand this complex requirement which in turn discourages informal sector cooperative from accessing the housing loans. Interest rates charged by FMB is 10% as such the cost of loan is very high as well. Out of the three informal sector cooperatives society that have applied the scheme, none has benefitted from FMB loan scheme. According to study carry out in South Africa by Jimoh R.A (2012) found out that high interest rates is of the major reasons why the informal sector cooperatives societies are exempted for housing loan as the conditions and requirements are not conducive for them.

Duration of years waiting for the loan scheme, 50 % agree of spending 2 – 3 years in waiting for the loan approval from the mortgage bank. This long time spent waiting for the fund is not encouraging the informal sector cooperative society in accessing the loan scheme. According to a study in Kumasi Ghana, by Gladys A.K (2014) shows that, it takes informal sector less than a year for a housing loan facility to be granted. The difficulty experienced by these informal sector cooperatives is corroborated in the lack success achieved by the scheme nationwide since its inception.

From the above discussion of findings, the criteria used for the informal sector cooperative by the federal mortgage bank as requirement for obtaining mortgage-funding leads to the exclusion of workers within the informal sector. Hence, any attempts to capture the informal sector workers in the mortgage financing area need to design strategies to circumvent the requirements.

**Proposed Framework for Access to Housing Finance by the Informal Sector**

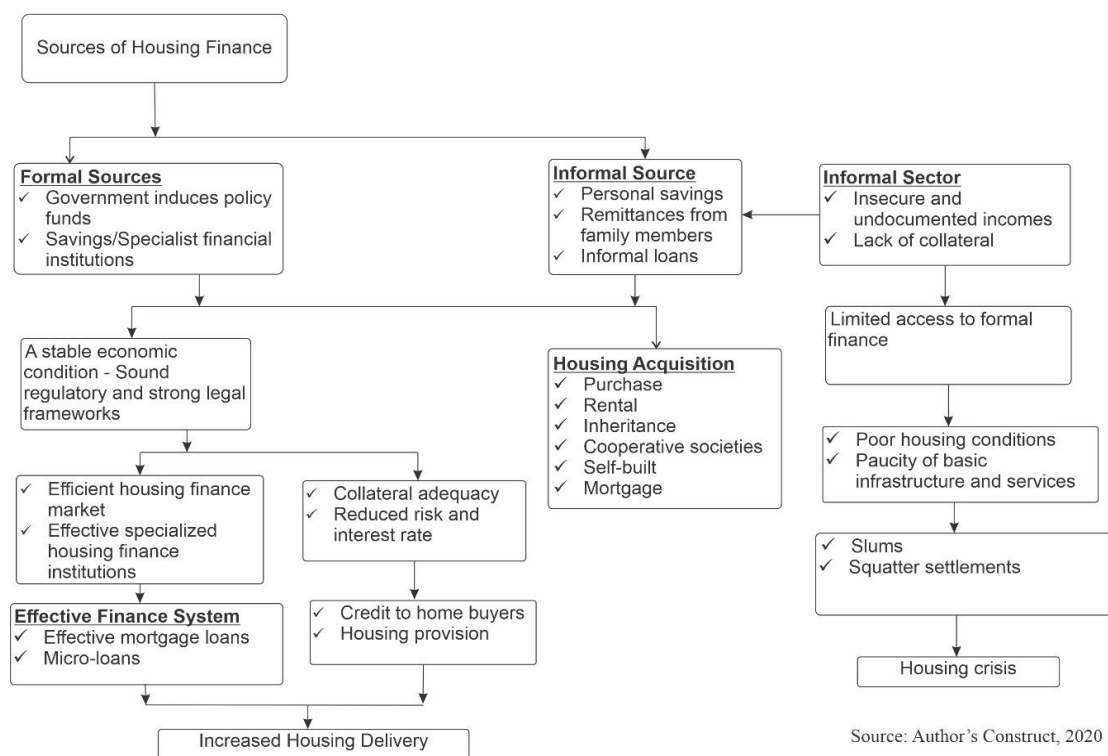
Proposed framework was developed purely from literature, there are formal and informal sources of finance (Moss, 2010). The formal source includes government policy funds and specialist financial institutions. These financial institutions are specifically into housing financing. A typical example in Nigeria is the FMB. The informal sources include personal savings, remittances from family members and soft loans from money lenders, relatives, employers and friends. According to Boleat (1985), housing is acquired through outright purchase, rent, inheritance, cooperative societies or self-help. A stable economic condition and low level of interest rate and inflation coupled with sound regulatory and strong legal frameworks leads to an efficient housing finance market and effective housing institutions (UN-Habitat, 2010).

This leads to an effective finance system thereby increasing mortgage and micro loans and with easy access to housing funds; housing delivery is increased. This also leads to improved forms of housing finance which includes residential, developer and microfinance from the financial institutions. The type and risky nature of jobs in the informal sector disallows them from having easy access to formal credit from financial institutions. This has led to most people using informal sources to finance their housing projects. The results are poor housing conditions and paucity of basic infrastructure and services. The lack and inadequacy of these basic social infrastructure and services and poor housing conditions leads to the emergence of slums and squatter settlements.

**Proposed Framework**

The essence of the framework is to advance the roles expected from the key players and the relationship among the key players in achieving sustainable informal sector cooperatives housing loan scheme. The framework is about who does what, where and the output expected from those actions. The framework are interrelated as shown by the linking arrows.

Figure 5.1: Proposed Framework for Housing Finance Systems



Regulatory and legal frameworks should cover all areas determining the production and availability of affordable housing, including regulatory legal framework addressing housing and affecting the availability of required housing inputs, especially land and finance, that influencing the income-earning opportunities of the poorest sectors of the population, i.e., the demand side of the affordability equation. The legal and regulatory framework should ensure that the housing process is transparent, equitable and regulated by the rule of law and should empower all the actors involved in housing.

There has been a growing concern as to who should play a key role in financing housing with regards to the private sector or the government. Governments in their quest to narrow down the housing gaps have resorted to diverse means through various housing policies and programmes which includes public or social housing (Peters, 2009). State housing finance is whereby the central government is the sole financier of housing delivery and is mostly done through budgetary funding whereby resources for funding are allocated in the state budget.

The growth in importance of financing issues related to housing emerged from the 1996 UN Conference on Human Settlements Habitat II. The conference redefined the role of Government as the facilitator and regulator rather than the direct provider of financing. This opened the way for the use of private sector initiatives to be involved in the provision of housing and more importantly the supply of financial services to make houses available to the majority of the population.

Since it is abundantly clear that government cannot take on the task of building a house for every middle and low-income family in the country (Renaud, 1987) and for government to concentrate on other urban infrastructure, at least a greater percentage of housing delivery has been left for the private sector. The provision of housing has been largely dominated by the non-public sector, which includes the formal and informal private sectors (Keivani and Werna, 2001).

The formal private sector which is made up of real estate developers and cooperative societies are profit-oriented and therefore find it necessary to build for the upper class of the economy. Thus, their houses are only affordable to individuals with very high incomes thereby excluding the poor and the middle-income earners. Consequently because of the risks such as the lower rate of return on investment as compared to commercial ventures, there is avoidance by the private formal sector in that respect because they will want profits or returns on their investments (Peters, 2009).

In most developed countries, subsidies are provided to households who purchase homes. The creation of self-sustaining finance systems to meet the need for affordable finance of the people when purchasing, building or improving their dwelling units has been an important component of national and local policies in order to achieve the goal of shelter for all (UN-ESCAP, 2001).

Over the years, public housing finance institutions in developing countries have become ineffective or have even collapsed. The insufficient flow of new financial resources to compensate interest rate subsidies, poor management and political interference has led to the gradual decline of the value of assets of public funds that are used for this purpose (Derban et al, 2002). Attempts to stabilize inflation through interest rate increases make it more difficult for public housing banks to serve the low-income groups (UN-ESCAP, 2001).

Without proper financing, housing plans and programmes cannot come into reality. This means there should be permanent financial institutions which can properly utilize public funds and private institutions which can generate savings and other resources and channel those savings and resources into housing (Robinson, 1976). This will enable the informal sector to participate fully in housing delivery.

## **8. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

This chapter of the study presents a detailed report of the major findings of the study with respect to the objectives of the study. This being the final chapter provides a summary of the major findings and their implications to development. Attempts have also been made in this chapter with regards to appropriate recommendations and possible areas for further research.

### **Summary of Finding**

After the collection and rigorous analysis of the data collected, the summary of findings of the study in accordance to the set objectives have been presented below.

- The informal sector cooperative housing loan scheme in Jimeta has not been fully implemented. 84.8 % did not know about the scheme. 15.2 % are aware of the scheme, but they did not belong to a cooperative society.
- 67.8 % of the informal sector are not belonging to any cooperative society or association. 32.2 % are the members of cooperative society or association. As it is the basic requirement of the loan scheme.
- 98.2 % had not approached a financial institution for a housing loan facility for various reasons which included: not aware, not needed, not interested, no collateral, improper documentations, high interest rate and unregistered companies among others, where as 1.8 % had approached financial institution for housing loan.
- 50 % and 67 % agree, identification of a suitable land and obtaining well located land, 56 % and 44 % administration and procedures involved in the registration and transfer of the land and lengthy land-use approval process as extent to which co-operatives experience difficulties. 40 % strongly agree all of the above and 40 % disagree None of the above as difficulties.

- Constraint of access to funds from the mortgage bank 67 % and 50 % strongly agree and agree high interest rate, unfavourable repayment period as constraint. 47 % and 38 % agree unwillingness of the banks to grant mortgage loans and undue interference by other agencies also as constraint.
- Duration in years for the approval of housing loan scheme. 50 % and 38.9 % spent 2– 3 years and 4 – 5 years in waiting for the loan approval from the mortgage bank, 11.1 % spent 6 – 7 years in waiting.
- 33 % and 50 % remained neutral position, disagree and strongly disagree on statement; high interest rates, tenure of the loan, evidence of membership and none of the aboveasconstraints perceived to hinder informal sector cooperative housing loan scheme in Jimeta. 33 %, 57 % and 60 % indicate strongly agree and agree on statement; land title,insecure Income, lack of collateral asconstraints hindered accessed to the loan scheme,
- 67 % and 75 % agree and strongly agree on statement; availability of land, certificate of registration of the cooperative society, resolution of the board of trustee of the society 50 % neutral agree and strongly agree on statement; Detailed profile of the co-operative society as constraints in housing finance, 50 % strongly disagree lack of Bye-laws of the co-operative society as constraint.

### **Conclusion**

The study seeks to proffer solution to the challenges faced by the informal sector organization in accessing housing loan in Jimeta. Since the inception of the scheme in Yola, up till date none of the cooperative society that have submitted their application access the loan scheme. It was realised that majority of informal sector are not aware of the scheme and also their inability to joint cooperative society or association prevent majority them from benefiting the loan scheme. The conditions such as title of land, registration with the NHF Scheme and the interest rate of 10 percent set by the federal mortgage bank also prevent the informal sector from accessing the loan facilities. This has contributed to the high housing deficit in the country because the informal sector accounts for majority of housing delivery.

A set of recommendation has been given to help improve the existing housing finance mechanism so that the informal sector cooperative can fully participate in housing provision since they constitute the highest provider for housing. The recommendation included microfinance for housing, sites and services. The informal sector accounts for majority of housing provision and with the appropriate, effective and efficient measures in place will be able to curb the housing deficit situation. The study gives room for further research to be done on how to sustain the formal credit facilities for the informal sector.

### **Recommendations**

Based on the research findings, the focus of the recommendations is based on the areas identified by the informal sector cooperatives society as major challenges confronting informal sector cooperative housing loan scheme in jimeta. These are classified into two: constraint in land acquisition, constraint of access to funds.

- i. In section 21 subsections (a and b) of The Land Use Act of 1978 prohibits the alienation of statutory right of occupancy without the due consent of the Governor. The condition that informal sector cooperative society present a land backed by certificate of occupancy (C of O) is a serious impediment to accessing the loan as the procedure of obtaining a C of O as contained in the Land Use Act of 1978 is too cumbersome. The Act has become an obstacle to making land available for housing. It has been blamed for the prolonged bureaucratic process of obtaining the certificate of occupancy, the document that confers ownership of the land to the individual from the government. Unfortunately, this is a major document required by the FMB before mortgage loan can be approved for informal sector cooperative society. There is a need for administrative amendments of these section of the Land Use Act to delegate endorsement of consent to Commissioners. At the national level, a director of lands should do this. Simplification of land title registration and revision of procedures and cost structure. Revised fee schedule should be capped at 0.5%. Subsequent land transactions should not require Governor's Consent but mere registration of title.
- ii. The demand for land title from the informal sector cooperative society should be review. It should not necessarily mean the informal sector cooperative society should have title land before a mortgage will be given. the FMB would find it easier and more convenient dealing individual trader. Literature review shows in Kenya that the trader required to own a plot within any municipality in the country to qualify informal sector housing loan scheme. The traders will also be required to come up with their desired designs be approved by the financier. Once this has been done, the bank through its evaluation facilities will be engaging the trader in the modes financing the construction. The loan repayment period is estimated to be between 15 and 20 years, with options available for early repayment with no penalties. "Once the trader has satisfied the bank on the requirements, we engage the contractor, legal experts and the local authorities to save the trader from the hassles. They need to concentrate on their business as we do the construction. Already, the bank says, it is

engaging the government and local authorities to ensure the product is tax exempt. The construction of the house is envisaged to take only six months, then it is handed over to the owner.

iii. Microfinance for housing: It has been realized that the model of complete developer-built houses purchased through long term mortgages, is not attractive to low-income households. Low income households are wary to commit to long term financial obligation such as the typical mortgage loan of 15 to 30 years because of uncertainty about their future income.

From Ferguson and Smet (2001), Microfinance for housing is defined as the provision of small loans to low or moderate income households to construct, improve or expand their homes. This is a way to help low and moderate income households meet their shelter requirements.

Microfinance for housing can provide the steady flow of credits in steps, which suits the incremental building process. The informal sector can adapt easily to this step lending feature of housing finance. In this case when the former loan is repaid, a borrower becomes eligible for another and often larger loan. Each step loan can be used to finance a particular stage of the house. This will be more affordable and favourable to the people in the informal sector. The financial institutions should have a credit risk management guideline with policies, procedures and methods for measuring, monitoring and controlling borrowers. To ensure its affordability, financial institutions should come into terms with their clients as to the loan amount they can manage and arrange feasible terms of payment which will suit them.

iv. Non-mortgage lending to the informal sector: Since the informal sector plays a major role in housing delivery, emphasis should be made on increasing their efficiency through suitable finance systems which is unlike the current mortgage arrangements. The characteristics of the finance system must include sustainability at any level of demand, ability to accept collateral which is not real estate, and lending periods of no more than a decade. With the job insecurity of the informal sector, payments will be difficult if the lending period is over a decade coupled with instability of the economy which may cause interest rates to rise. Since most homeowners build incrementally, the loans should be released in stages for the purchase of the land lease and financing the various stages of building. This will reduce the debt burden to a minimum during the building process.

v. Site and services schemes from the financial institutions: Sites and Services schemes are the provision of plots of land, either on ownership or land lease tenure, along with a bare minimum of essential infrastructure needed for habitation. It has been realised that providing a complete serviced house cannot be afforded by most low and middle income households. Therefore, focus from supplying a fully serviced house to that of providing only serviced land will be a lot better to improve the housing situation in Kumasi Metropolis. Financial institutions can go into this form of arrangement instead of mortgage loans. An example of this kind of arrangement is the habitat scheme and cooperative schemes where individuals are provided with a serviced land and pay a small percentage in the beginning and subsequently the remaining amount in instalments. The financial institutions can also partner with real estate developers to provide serviced plots and affordable housing opportunities for their clients.

vi. Review of National Housing Policy: Currently, the nation does not have a housing policy that covers the informal sector. Over the years government focus has been on the mass construction for the low and middle income earners which have failed abysmally. It is high time the government focused on formulating and implementing a comprehensive housing policy that will suit the informal sector since they constitute the majority in housing delivery in the country. The housing policy should streamline cumbersome and insecure land acquisition procedures. This is because these bureaucratic processes take a chunk of the funds for housing project even before it begun.

vii. Formation and Empowering Community-based groups: Community-based groups should be formed and strengthened to help improve housing delivery. Individuals in communities can organise themselves into groups such as social club contributions and community schemes to develop, rehabilitate and manage the housing stock in an efficient and professional way. Individuals in these groups make contributions and lend their expertise to support each other in carrying out housing projects.

viii. The federal mortgage bank should provide the platform to explain all relevant information to the informal sector cooperative society. This will eliminate the perception that the mortgage housing system is for the elite or high-income earners in Nigeria and would take cognizance of the poor and those operating in the informal sector. This would go a long way to mitigate some of the problems faced by the informal sector in securing mortgage from the financial institutions.



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