MICROFINANCE:A STRATEGY FOR FACILITATING LOW COST HOUSING IN NIGERIA

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Dedication

This study is dedicated to God Almighty,

My late Father Mr Biola Aturamu

My Entire Family who have stood behind me

May God bless you all.

Declaration

This thesis is submitted under the University of Salford rules and regulations for the award of a PhD degree by research.

This researcher declares that she is responsible for the work carried out in this thesis. Furthermore, she wishes to state that no portion of the work referred to in this thesis has been submitted elsewhere for another degree qualification of this, or any other university

…………………………………………. (Signature)
Oluwatoyin Biobaku Aturamu

…………………………………………... (Date)

Abbreviations

HO	Head Office
MFI	Microfinance Institutions
MFB	Microfinance Banks
CBN	Central Bank of Nigeria
NMRC	Nigerian Mortgage Refinance Company
NGO	Non – governmental organisations
FMBN	Federal Mortgage Bank of Nigeria (FMBN)
NBS	Nigeria Bureau of Statistics
FGN	Federal Government of Nigeria
EFInA	Enhancing Financial Access
GDP	Gross Domestic Product
FHA	Federal Housing Authority
LDC	Less developed Countries
IPO	Initial Public Offering
DMO	Debt Management Office
LEDB	Lagos Executive Development Board
GRA	Government Reserved Area
GB	Grameen Bank

ABSTRACT

Providing financing options for low income earners is one of the most complex challenges faced by developing countries worldwide. Low income earners require finance to meet their basic needs one of which includes housing. However, in developing countries, this remains a critical issue and many households struggle with obtaining finance for housing purposes. Nigeria is no exception and has over the years grappled with huge housing deficit with the situation going from bad to worse and the continuous and rapidly growing population in Nigeria requires an additional one million housing units per year to reduce the housing deficit in order to avert a housing crisis in the country.

One way which has been identified over the years to overcome this housing deficit is by scaling up innovative products like housing microfinance, which have been successfully adopted by other countries with similar macroeconomic indices. These countries have been seen to recognise the role and importance of microfinance and though Nigeria's financial sector is more developed and diversified compared to many other countries in Sub-Saharan Africa, its microfinance sector is still at an infant stage with very few operators of significant scale.

Nigeria despite having over 900 microfinance banks spread across the country, has only 7 national banks which have been identified as having the capacity to provide finance for housing specific activities.This therefore means that the vast potential of housing microfinance to be used as an avenue to facilitate housing is still not being explored and very little emphasis has been placed on the role which microfinance institutions can play in achieving this objective therefore, housing microfinance still exists on a very small scale.

The research adopts a case study approach to explore the perspectives of stakeholders involved in the provision of housing microfinance so as to gain an indepth understanding of their perceptions, opinions and experiences in the research area with the aim of identifying the problems and challenges militating against the scaling up of housing microfinance.

An extensive review of literature on the challenges microfinance banks face that deter them from scaling up their housing finance portfolio was done, with the research focusing on the providers of housing microfinance in the form of some identified stakeholders.

This research identified the factors mitigating against the expansion of housing microfinance and identified the critical success factors necessary to achieve scale. Content Analysis and descriptive analysis was used to expatiate the most crucial factors that deter microfinance banks from scaling up their housing portfolio and the results obtained identified constraints

related to three main variables namely Government Policies, Bank Processes and Public perception. It is recommended that the government implement policies that recognises incremental building through housing microfinance as the option available to low income earners to finance their housing needs and design a housing policy that will recognise this. This will in turn reflect on the processes the banks go through in processing housing loans and influence the perception that the general public have towards housing microfinance.This will enable microfinance banks to scale up their housing finance portfolio and reduce operational cost for the banks thereby translating into lower interest rates being charged and more low income earners being offered housing loans.

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CHAPTER 1. **INTRODUCTION**

1.1. Research Background

To promote a robust economy there has to be a well-focused plan in place that will increase the ability of poor and low income earners to access factors of production and credit facilities especially for housing purposes. Emphasis is being placed on housing because the importance of the housing sector to the economy cannot be over emphasised. It is not only one of the most important basic needs of man but also a need which if adequately provided impacts positively on the productivity of man (Ibem & Amole, 2010).

Housing is classed as being important because it is one of the sources of wealth creation available to the poor in the society (World Bank Report, 2005) and it acts as a reflection of the cultural, social and economic values of the society (Waziri & Roosli, 2013). In Africa, access to finance for housing is often derived from informal sources because most low income groups are ineligible for mortgage to finance their housing needs (Stein & Castillo, 2005). However, these informal methods have not been adequate in providing finance for housing purposes.

For low income earners, adequate housing is one of the most important aspects of their daily survival strategy because housing provides them with a range of benefits such as improved health, increased security and social wellbeing. It also offers security from the effects of unforeseen and unexpected disasters such as floods, landslides storms, wildfires etc. and by investing in their homes, the poor accumulate equity which can be used as a form of collateral to access finance to either start up or expand a small business thereby generating income opportunities (Onibokun, 1985).

The United Nations Human Rights Report of 2000 stipulates that every man, woman, and child has the right to adequate housing where they can live in peace and unity and the United Nations Habitat Agenda (2003) also considers the provision of adequate housing that is safe, accessible and affordable to be a fundamental human right.

In developing countries across the world, the importance of adequate housing facilities cannot be over emphasized especially for low income earners who regard housing as one of the most important aspects of their daily survival needs. Ferguson (1999) in his study observed that low-income households in developing countries give a higher priority to their housing needs more than education and healthcare. However, studies show that despite the importance of housing to the wellbeing of man and the economy as a whole, housing crisis

remains a global problem which affects both the rural and urban residents in most developing countries (Olotuah & Bobadoye, 2009)

Over the years, housing still hasn't received as much attention as it should because of the huge capital needed to either buy, rent or build a house and the many issues arising due to the conflict of interest between stakeholders. While providers of housing finance prefer short term lending to mitigate risks, low income earners prefer long term lending because they can't afford large repayment options. However, with the continuous growth in population, housing shortage will get even worse in the foreseeable future therefore it has become necessary to find better sustainable options for providing and financing housing.

Housing finance for low income earners is a source of deep concern which is common in most less developed countries (LDCs).Various studies have identified the problem of housing finance as a universal one, as virtually all countries (both developed and developing) are often faced with the problem of housing finance.

Nigeria is no exception to this. In Nigeria, housing finance options exist only for a small proportion of the formal sector workers, made up mostly of top civil and public sector workers, either through the direct provision of accommodation or through cash transfers in the form of accommodation allowance. However, the informal economy which constitutes over 65% of the total workforce (National Bureau of Statistics, 2014), do not have access to adequate housing finance options. Mortgage finance is extremely low in Nigeria due to the undeveloped nature of the mortgage system,(Cental Bank of Nigeria, 2012) and the few existing financial institutions that provide housing finance target high-income earners who are employed in the formal sector thereby making the issue of housing finance a critical issue. According to the Central Bank of Nigeria Report 2012, Nigeria lags behind many African countries in the provision of general financial services. As at 2010, 36% of adults in Nigeria were served by formal financial services compared to 68% in South Africa and 41% in Kenya (Cental Bank of Nigeria, 2012). This is because formal financial institutions deny the poor in both urban and rural areas access to financial services. In 2012, the World Bank explored the levels of financial inclusion around the world using the Global Financial inclusion database, 2012 (Global Findex, 2012) and discovered that in Nigeria, only 30% of Nigerians over the age of 15 have an account at a formal financial institution and only 2% of Nigerians over the age of 15 have a loan from a financial institution while only 0.6% have an outstanding loan to purchase a house. The financial sector accounts for about 3% of the GDP and though bank/private lending has expanded significantly in recent years, it is still below average compared to other emerging markets in Africa. Again in 2012,

only an estimated 22 million people, representing less than 20% of the population at that time had bank accounts. Banking penetration can be seen to be well below the average compared to its emerging market peers with total loans to GDP ratio of 32%, compared with other countries such as South Africa which stands at 90% .

Over the years, the Nigerian government established various institutions as well as programmes to enhance financial access. However, these programmes and institutions failed to achieve their objectives due to various reasons such as poor implementation, corruption and a host of other factors. This however did not deter the Federal Government from pursuing its objectives of providing finance for the low income earners and making financial services accessible to the poor.This objective was therefore tackled with the emergence of microfinance banks as an alternative credit system for those classed as low income earners in the society.

All over the world, microfinance which is all about the provision of financial services to the poor and low-income earners has been identified as an effective instrument for promoting financial inclusion and poverty alleviation. With this in mind, the Nigerian government in 2005 launched the National Microfinance Policy with the aim of providing supervisory and regulatory framework that will not only facilitate the growth of privately-owned microfinance institutions but also permit and facilitate the participation of organisations classed as third sector institutions such as market associations, cooperatives, non-governmental organisations, and self-help groups. These institutions remain the major vehicle for the inclusion of the many users of the informal sector where majority of the unbanked exist.

In 2007, the government rolled out a seven point agenda plan to ensure the realisation of a scheme called "Vision 20:2020". This scheme was aimed at making Nigeria one of the top twenty economies in the World by the year 2020 and one of the sectors on which emphasis was placed was land tenure reforms and home ownership.

Housing as we know is however often hindered by various factors such as lack of adequate finance, strict building rules and regulations, lack of formal land title, high cost of land, etc. The Real Estate Sector in Nigeria identified the various challenges faced by the housing sector to include imbalance between supply and demand i.e. demand for housing being greater than the supply, rapid urbanisation, continuous population growth, high cost of construction, lack of housing finance, high cost of building materials, lack of proper planning/building regulations, lack of skills/capacity, poor state of infrastructures, etc. This has resulted into shortages in housing provision resulting into overcrowding, high rents, poor living conditions and poverty (Agunbiade, 1983).

Providing decent housing for its citizens remains one of the key focus points of the current government's agenda however, Nigeria still has a huge housing deficit due to various reasons therefore for the purpose of this research emphasis is being placed on the lack of adequate financing options. In Nigeria there are various financial institutions that provide formal financial services to the population and microfinance institutions make up the bulk of financial institutions in Nigeria as shown in Figure 1.1 below.
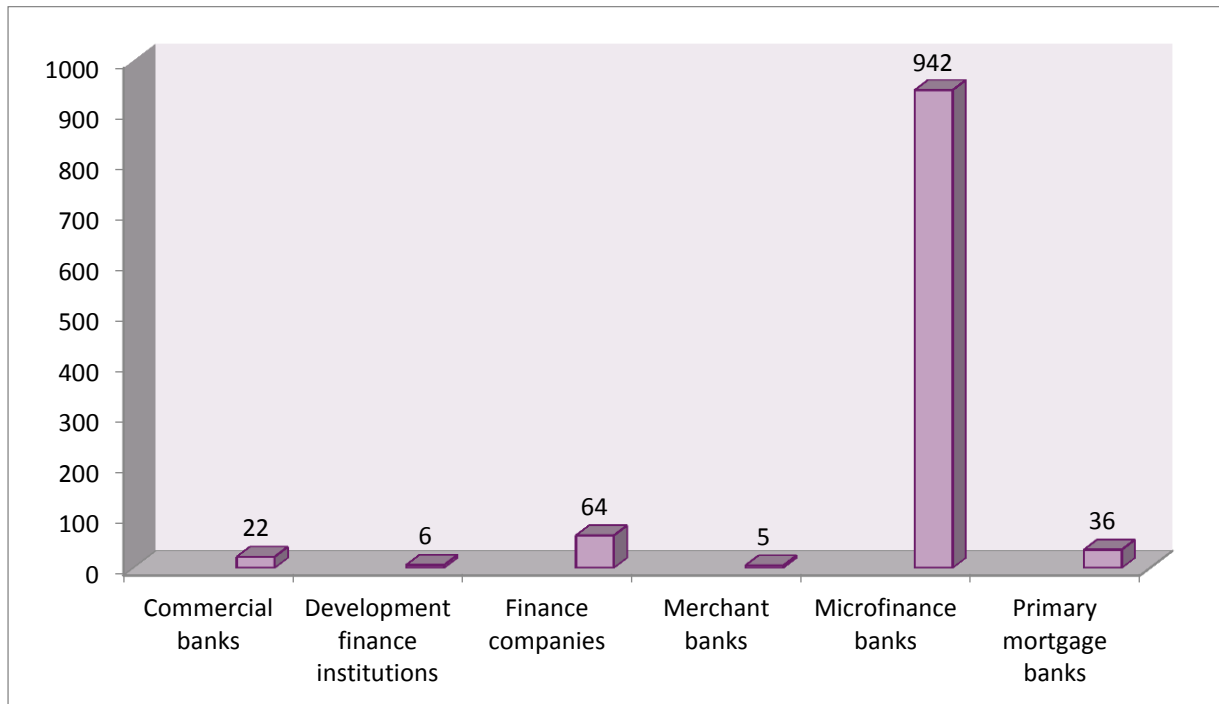
Figure 1-1: Financial Institutions in Nigeria

Source: Central Bank of Nigeria (2016)

In 2006, the Nigerian Government transformed several community banks into microfinance banks (MFB) to strengthen the institutions and reposition them for enhanced service delivery thereby creating a more responsive sub-sector and over the years, the banks have grown in numbers and as at 2016 ,there were 942 microfinance banks existing in Nigeria.

Despite this large number of microfinance banks focusing on low-income earners and their ability to access finance for various reasons such as housing, only 7 of these banks have the capacity to offer housing finance as one of their core products (Mix Market, 2015).These Microfinance banks have survived a decade of turbulent development involving rapid expansion, times of crisis and in certain cases, institutional failure. However, it is still unclear

what future awaits these microfinance institutions in regards to expanding their housing microfinance portfolio.

The market for Housing Microfinance in Nigeria is potentially much larger than the current portfolio suggests as it is estimated that between 10% and 33% of all microfinance loans given is applied to housing in some way whether directly or indirectly as loans taken out for businesses are often diverted into housing needs not by design but by default (Morduch, 1999). This shows that there is a need and a market for housing microfinance and it does have the potential to facilitate housing finance on an incremental basis.

There is a wide consensus that credit from banks and other financial institutions play an important role in generating growth and reducing poverty based on the fact that availability of credit enhances the purchasing power of individuals and households, and this has a multiplier effect on the economy of any nation. Finance as we know connects all aspects of the economy together however, most banks in Nigeria tend to concentrate lending for any form of activity to the upper and middle class group while the low income earners in the society who make up the bulk of the population often face the greatest challenge getting adequate finance from the formal financial sector . Ferguson (1999) attributed this to be due to various issues such as low income groups not being able to afford to pay for the debt service required to finance the cost of any loan taken out and when related to finance for housing, the issues involved is mainly due to the characteristics of traditional mortgage finance not being suitable for the low income earners.

Traditional mortgage requires monthly repayments over a long period of time and requires the household in question to hold the full legal title of the property in question however, low income earners who are often self-employed and their income varies monthly (depending on how much work comes their way in a month) are sometimes faced with unplanned emergencies which require all their resources hence the low income earners can have trouble servicing their loans. This therefore means that the cost of financing adequate housing in Nigeria is beyond the reach of the over 65% of the population classed as low income earners. (National Bureau of Statistics, 2014).

This then makes us question the affordability of housing and shows there is a gap and a need for the study of an alternative source of finance for housing. The major challenge is to expand sources of housing finance to the low income groups by developing a system that makes housing finance accessible, affordable and sustainable to the low income earners in Nigeria.

Onibokun (1983) stipulates that adequate housing is one of the most important aspects of the low income earners daily survival strategy and in some parts of Africa, housing and its

environment is seen to affect ones identity and self-respect. A man is respected more in the society if he owns his own home.Having therefore identified that the Nigerian housing sector needs intervention in all areas to ensure that it functions effectively and efficiently, one of the ways to achieve this is through the use of innovative products such as microfinance, which have been successfully adopted by other countries with similar macroeconomic indices.

However, despite the vast potential of housing microfinance being used as an avenue for facilitating low cost housing in other developing countries, it still exists on a very small scale in Nigeria and therefore has very little positive effect on housing in Nigeria and how to scale it up remains an ongoing challenge within the microfinance sector.

1.2. Statement of the Problem

From all the evidence shown for the existing housing deficit in Nigeria which is estimated to be about 17 million units (World Bank Report, 2014), lack of finance is no doubt one of the major factors. Since 1960, when Nigeria gained independence, the Federal Government has embarked on various housing policies all in a bid to alleviate the housing problems and provide housing for all however, these policies have all failed to meet the objectives they were set up for and there is still a dearth of housing, especially for the low-income segment.

Moss (2001) argues that most of the housing finance initiatives undertaken by governments of developing countries and large financial institutions often end up benefiting the high and middle income earners and Nigeria is no exception to this as well .

The options being offered by the government are not suitable for the low income earners in the country who have very little option than to turn to informal methods of financing. These 65% are often served by the informal financial sector, through Non-Governmental Organization (NGO), microfinance institutions, moneylenders, friends, relatives, and credit unions. These informal sources of finance however still do not favour the low income earners due to its inability to be sustained mainly because they lack any form of institutional recognition or framework and also because they are highly unsecured and small scaled.

Recently in 2014, the Federal Government of Nigeria introduced the Nigeria Mortgage refinance Company (NMRC). This is a key component of the Nigeria Housing Finance Programme which was initiated by the Federal Ministry of Finance (FMOF), the Central Bank of Nigeria (CBN), Federal Ministry of Lands & Urban Development & Housing and the World bank/IFC, with the principal objective of addressing the long-term funding

constraints hindering the growth of the primary mortgage market, and reducing the costs of residential mortgages available to working Nigerians.

Most low income earners finance their housing needs from savings accumulated over time or loans from informal sources and build incrementally (Mukhija, 2004). Incremental building is described as an inverted version of the formal process of building and financing a house. (Ferguson & Smets, 2010). It is an informal method where the house is acquired with only the basic features and is then upgraded in stages at a pace based on the financial capabilities of the families either through savings, microloans or self-help as shown in Figure 1.2 below.

Figure 1-2 : Incremental housing

Source: Jakubowski (2016)

Housing microfinance fits in with incremental housing.This is a process whereby the lender provides finance to the customer for housing development in stages such that the customer is given small loans sufficient to cover a specific housing phase. Daphnis and Ferguson (2004) defined incremental housing as a discrete practice that intersects housing finance and microfinance. It is primarily the provision of unsecured microcredit to meet the needs and demands of low-income households to repair or improve their existing homes or build their own homes incrementally one loan at a time. It intersects both housing finance and microfinance while attempting to fill the gap between government subsidy programmes and the traditional sector by adapting the principles of microenterprise finance. Daphnis and Ferguson (2004) envisaged that the idea behind housing microfinance is to adopt the

principles of microfinance to provide financial services that allow the poor and low income earners finance their housing needs. These principles include:

- Loans are for relatively small amounts and is based on the customers capacity to repay
- Repayment periods are short (especially in comparison to mortgage lending) and are on par with mid- to high-end microfinance individual loans
- Loan pricing is expected to cover the long run operational costs of providing the service
- Loans are not heavily collateralized, if at all, collateral substitutes are often used.
- Loans tend to finance housing needs in an incremental manner, with short repayment periods and relatively low monthly payments and
- Credit services for housing are linked to prior participation in savings or more traditional microenterprise loan services

1.3. Justification for Research

Various Literature provide evidence showing the challenges facing housing supply in developing countries and several researchers have identified different reasons for the shortage of housing. Merrill and Mesarina (2006) identified an unstable macroeconomic condition, a weak legal framework for property rights , lack of mortgage infrastructure and a lack of funds for long term finance while Akinmoladun and Oluwoye (2007) identified limited land supply and acquisition obstacles as major factors affecting housing supply. However, Onu and Onu (2012) discovered that even when there is available supply of land, access to the land is still very difficult due to poor access to credit facilities and finance for low income earners. Merrill and Mesarina (2006) are of the opinion that low income earners don't get access to credit facilities because they don't qualify for formal forms of finance due to reasons such as low income levels, informal sources of income, lack of land title etc.

To therefore improve the access of financing options for low income earners, Ferguson and Smets (2010) identified the incremental building process as a viable option for increasing the provision of housing and one of the crucial ingredients for the success of incremental building is incremental finance which can be funded through housing microfinance.

However, Microfinance banks in Nigerialso tend to have a narrow scope and only offer a limited range of financial services beyond credit and only a few of them are offering housing

finance as a service.With a few exceptions, most Nigerian Microfinance Banks are small in size, region specific (concentrated in the south) and with a limited collective outreach. In addition to the relatively small scale of their operations,

From previous research carried out on housing finance in Nigeria, it is obvious that there is inadequate research evaluation on microfinance as an option for housing finance in Nigeria. Also studies done in the past have concentrated on formal and informal sources of finance for housing delivery however there has not been much research on how to incorporate the best practice of both the informal and the formal sources of finance in the form of housing microfinance to facilitate low cost housing in Nigeria.

In recent years, the microfinance sector has since matured and microfinance banks need to expand their portfolio and credit products not only for microenterprise but also to incorporate housing as well because in Nigeria there exists a huge untapped potential for financial intermediation both at the micro and rural areas of the economy.Also, in other African countries, housing microfinance has been recognised as a way to reach low income individuals who have been excluded from the housing finance markets

However, in Nigeria , there is no detailed guideline or framework on how this option can be scaled up to improve housing finance in Nigeria. The dearth of research specific to the scaling up of housing microfinance especially in Nigeria has warranted the need for this research.

In his research, Creswell (2007) defined a research problem as "The gap that exists in the literature (both in theory and in practice) which has led to a need for the research to be carried out. A research problem aims to answer questions such as "Why there is a need for this study and what problem has influenced the need for this research" or it could be because previous researchers have not studied specific variables or explored the topic with a particular group and population in mind. Based on this, the following reasons have been identified as the purpose for this research to be carried out:

- Firstly, there is huge gap in practice between housing demand and housing supply for low income earners in Nigeria. The formal housing finance market has failed to meet the needs of the poor and low income earners hence there is a need for an alternative housing finance system which will fill the existing gap.

- Secondly, from literature studied, it was discovered that in Nigeria, there is a huge un-served market. There exist a huge gap in the provision of financial services to a large number of low income earners and while there is literature on housing and the

various sources of housing finance available today there is however very limited literature on housing microfinance in Nigeria because it is a relatively new concept and there is no detailed guideline or specification on how the positive characteristics of hosuing microfinance can be applied to scale up housing in Nigeria.

- Thirdly, previous studies have focused mainly on identifying the issues affecting the supply of housing (Rhyne & Otero, 2006), the possible solutions through the use of microfinance (Ferguson, 2003), the design of housing microfinance products and an assessment of its impact and more recently,the mode of operations of Microfinance Banks (Clementina & Gabriel, 2015). However, there is very limited research on how housing microfinance can be scaled up to achieve its potential

For the purpose of this research, the focus will be on how to achieve scale by examining issues limiting outreach. It is crucial for microfinance banks to expand outreach to more low-income earners while the bank remains sustainable and the loans affordable. In this light, it is essential to identify and explore issues militating against the scaling up of housing microfinance. This research on completion developed a framework that can be used by all stakeholders involved in housing finance for expanding the scale of housing microfinance, the awareness, implementation and expansion of this option to finance housing needs.

1.4. Scope of Research

The scope of the study is limited to the three largest microfinance institutions in Nigeria offering housing microfinance . This study was conducted with the aim of gathering data from the perspective of the providers of finance (microfinance banks) hence the impact from the viewpoint of the customers who are the users of this finance will not form part of this research. This is because there has been previous research done in the past (Clementina & Gabriel, 2015; Smets, 2006; Tariq, 2011) which focuses on the factors affecting the demand of housing finance in emerging economies with emphasis on the users of housing microfinance (customers) and not on the suppliers of housing microfinance (the providers of finance). This research has been used to confirm the approach that those classed as low income earners or the poor in the society are actually bankable, and access to credit and saving deposit facilities can contribute towards improved livelihoods and sustainable living (Smets, 2006). The guiding belief with this approach is that access to credit is the driving constraint and not the cost of the finance.

It has been shown that the challenges arising are not necessarily due to the unwillingness of the customers to use housing microfinance but rather from the microfinance banks not scaling up their housing finance portfolio therefore restricting the access that the low income earners have to finance for housing prurposes. As noted earlier, the Nigerian microfinance sector is still developing therefore the availability of data on housing microfinance is also very limited. The primary data for this study was gathered from the headoffice and selected branches of the microfinance banks all based in Lagos state hence the quality of the research finding will not be significantly affected as critical data for the three selected banks were all held at the headquarters.

1.5. Aim

- The aim of the research is to develop a framework that can be used for scaling up housing microfinance approaches and methods to facilitate low cost housing in Nigeria

1.6. Objectives

- To explore the existing housing policies, their constraints, and the barriers to successful housing supply in Nigeria
- To critically review the current practice in the financing of low cost housing in Nigeria and identify the factors limiting the current practice.
- To identify the critical success factors necessary for housing microfinance in other developing countries and determine how these can be incorporated into the core mission of Microfinance banks in Nigeria
- To examine and assess issues affecting the adoption of housing microfinance and identify the critical success factors that impact the expansion of housing microfinance in Nigeria.
- To develop a framework for the adoption and expansion of housing microfinance in Nigeria.

1.7. Beneficiaries and significance of the Study

This research is intended to benefit all the stakeholders in the housing sector with emphasis on microfinance banks and the regulating body (Central Bank of Nigeria). It aims to inform and enlighten the government, developers, financial institutions and other stakeholders

involved in the provision of low cost housing on the significant barriers which limit efforts to expand and increase access to finance for low income earners and provide a framework that can be used to scale up and expand housing microfinance. It will also inform and enlighten financial institutions(emphasis on microfinance institutions) about the existing market and the viability of adding housing microfinance to their current portfolio thereby enabling them expand their portfolio and giving them a competitive edge. More specifically, it will

1. Inform and enlighten financial institutions (emphasis on microfinance institutions) and provide the relevant stakeholders with an improved framework to adopt in providing and expanding housing microfinance to low-income earners in Nigeria

2. Enable policymakers assess various proposals for addressing the factors militating against the expansion of housing microfinance in Nigeria and to consider ways in which the housing microfinance system could be made more effective and efficient in Nigeriae.

3. Provide low income earners with information on the prospects and availability of housing microfinance as an option for financing housing in Nigeria

Finally it will also contribute to the much needed literature specific to housing Microfinance in Nigeria

1.8. Research methods

The study is an exploratory research because it seeks to explore and investigate issues deterring the scaling up of housing microfinance in Nigeria and to identify the challenges militating against housing microfinance in Nigeria. It seeks to determine the critical success factors which can be adopted in scaling up housing microfinance. Housing microfinance exists in Nigeria albeit on a very small scale compared to its potential. This research made use of of both primary and secondary data to answer the research questions.
Primary data was collected through interviews carried out at three selected microfinance banks in Nigeria. The research instrument was in-depth interviews with management staff and field officers of the selected microfinance banks and secondary data such as type of housing microfinance, methodologies and international model cases was collected through review of literature from reports of MFIs in Nigeria, Books, Journals, Articles and working papers from various sources such as Housing Finance International (HFI), ACCION (Americans for Community Co-operation in Other Nations.), Mix Market, CGAP (the Consultative Group to Assist the Poor) etc. Content analysis method was used to analyse the

semi structured interviews using the Nvivio software package to ensure rigor and accuracy in the results

1.9. Limitation of Research

This research is limited to three microfinance banks located in Lagos state which offer housing microloans as part of the bank's portfolio. It mostly relies on literature and opinions of top management staff and loan officers who are experts working in the microfinance sector. The research method adopted also has some form of limitations as well because the data collection process is being carried out by one researcher, the issue of bias in data collection may arise which can influence the outcome or the results derived. Also, because the management staff being interviewed at the microfinance banks are top officials of the bank, the researcher is forced to rely mostly on the willingness of the management staff to participate in the interviews. This might limit the researcher's access to the desired management staff at specific times.

1.10. Structure of the Report

This research developed a framework that can be used for scaling up housing microfinance to improve and expand low cost housing in Nigeria and the structure of the report is shown below:

- Chapter 1 discusses the research topic and this is shown in the introduction and the research background.Chapter 1 focuses on the justification of the research and its aims and objectives. It also includes the expected contribution to knowledge and the significance and beneficiaries of the study.
- Chapter 2 reviews the literature on the importance of housing, sources of housing finance and identifies the challenges facing housing supply in Nigeria while
- Chapter 3 reviewed literature on microfinance, its importance and the link to housing microfinance and also the importance of housing microfinance.
- Chapter 4 looks at the international context of housing Microfinance and identifies the critical success factors of housing microfinance in other countries while discussing the global successes of hosuing microfinance
- Chapter 5 presents and justifies the research design and methodology and the philosophical stance adopted for the study. A detailed discussion of the Case study

approach including the justification of the research method, data collection and method of analysis adopted for the study was also discussed.

- Chapter 6 focuses on the explication of the problem and discusses the selection of the interviewees, the case study selection and a brief history about the selected cases

- While Chapter 7 readdressed the research aim and presents the overall findings from the data analysis leading to the development and validation of the framework

- Chapter 8 looks at the Conclusions and the Recommendations

1.11. Summary

This chapter shows the background of the study with literature review, highlighting the research problem and the need for the study. The research aim and objectives, scope, contribution to knowledge and limitation to research were also presented in this Chapter. An overview of the research methodology is also presented in this chapter. In addition, this Chapter presented the research process and the structure of the report as shown in Figure 1.3 below.

| Chapter 1
Introduction | Provides the Introduction to the research which covers the research background, the research aim and objectives as well as a brief synopsis of the research approach |

Chapters 2, 3 and 4 Literature review	Chapter 2 covers an in-depth exploration Of the importance of housing and identifies the challenges of housing finance in Nigeria
	Chapter 3 discusses microfinance, its importance and the link to housing microfinance while identifying challenges it faces
	Chapter 4 discusses successful global housing microfinance and identifies CSF globally

| Chapter 5
Research Methodology | This chapter covers the methodological approach to the research and the use of Literature review, and the Interviews are justified |

| Chapter 6
Explication of problem | The chapter discusses the interviewees, the case study selection and a description of the selected cases. |

| Chapter 7
Discussion and Findings | This chapter re- addressed the research aim and presents the overall findings from the data analysis leading to the development and validation of the framework |

| Chapter 8
Conclusions and Recommendations | Conclusions and recommendations are presented in this chapter |

Figure 1-3: Research design and schematic diagram of the thesis

CHAPTER 2. **LITERATURE REVIEW**

2.1. **Importance of housing**

In developed economies, housing is financed mainly through mortgage financing and it represents one of the largest components of the capital markets. This can be seen in developed countries such as the United States where mortgage debt has been identified as the largest component of the domestic debt markets. However in developing countries such as Nigeria, mortgage financing is an option that is largely under-utilized and the opportunities in the mortgage sector remain unexploited. Presently in Nigeria, the mortgage sub-sector accounts for less than 10% of Nigeria's Gross Domestic Product (GDP) when compared to that of the USA where mortgage debt accounts for 86% of the GDP (Lead Capital, 2011). In 2010, it was reported that 85% of the urban population in Nigeria lived in rented accommodation and spent more than 40% of their income on rent (NBS, 2012) . Out of these 85% living in rented properties , 90% are self-built incrementally over time due to lack of mortgage financing, and less than 5% have formal title registration. Informal housing is most prevalent in Nigeria as more than 80% of the population live in settlements that are unplanned with poor living conditions.

In his research, Agunbiade (1983) describes housing as a complex product which is important for the development of the economy. It offers one a place to sleep and rest and a place to feel safe. Gardi (1973) opinioned that housing evolved from the culture of the community in accordance with the lifestyle of the people, the materials of construction available and the possibilities open to them while Lawrence (1987) suggests that the design and use of housing is a reflection of certain cultural and social values and ideas .

Aragonés, Francescato, and Gärling (2002) also support the view that house construction and organisation is influenced by the culture in which it develops and may be viewed to reflect the relationship between culture and the environment.We can therefore conclude that because the design and use of houses reflects the cultural values and ideas of the people, different people will desire different types of houses according to their cultural background.

In the past, Adam Smith a scottish economist and philosopher refered to housing as a consumption capital good. He likens housing to consumption goods like clothing and household furniture which produce nothing and generate no income to the economy.However, Kelly (1955) and (Abrams et al., 1964) were in opposition to Adam Smith's view. They argued that housing is both a social and economic good which has a beneficial value to the

society but is often scarce in relation to its demand and the negative characteristics often attributed to housing can have detrimental effects on a child's socialisation practices and offer poor attributes towards education. They are of the opinion that an improvement in housing and housing conditions can generate a beneficial effect on health, education, and social behaviour.

Burns and Grebler (1976) also discovered that improved housing quality leads to higher aspirations, greater efficiency, improved social relationship, improved health and lower absenteeism among workers. They refer to housing as a basic need which has multiple roles in the economy

- It is an investment good from which a number of consumer services flow
- Housing increases productivity in the labour force
- Housing construction is a source of labour absorption and income generator
- Housing forms an important component of capital formation
- Housing investment acts as a counter / cyclical economy management tool.

The importance of housing is also viewed from three different perspectives by Serageldin (1993)

i. Housing as Shelter

Housing is a basic need ensuring a modicum of decency and privacy. Households allocate 10% to 15% of their earnings to shelter and inhabit whatever product this amount can provide them (tent, hut, shack, or discarded automobile body). They locate where they can reside at as long as the site is marginal enough to deter displacement and close enough to transportation so as to permit access to employment opportunities. Even when income rises, households will not spend more than 15% on shelter without some assurance regarding security of occupancy as owners or renters.

ii. Housing as a Commodity

Housing offers financial security and social status. It accounts for over 60% of the total assets owned by low income earners. As renters, families rarely allocate more than 20% of their income to expenditures on housing, despite assurances regarding long-term tenancy rights. However, as property owners, they are willing to invest over 30% to acquire land and build and improve their houses.

iii.   **Housing as an Investment**

Housing offers prospects of lucrative returns. The property can be used to generate revenues while it appreciates in value over time. Two income-generating potentials are frequently observed. The first is housing as a setting for income-generating activities. Land and buildings account for 25% to 45% of the investment required for setting up a micro-enterprise. Low income earners cannot afford to buy or rent space in designated commercial zones. For them, income generation is an integral part of housing development. This allows them to start up activities with minimum inputs and expand operations as their situation permits while the second potential observed is linked to land and housing being seen as income-producing assets. Households generate additional income by renting out space in their building for residential accommodations and commercial micro-enterprises.

At the World Bank 6th annual Global Housing conference held in Washington in 2014, the keynote speaker, Dr Ngozi Okonjo – Iwela highlighted three key benefits of the housing sector to any economy.

1. The housing sector can act as a contributor to economic growth through the multiple effects it has on the broader economy. Presently, the housing sector contributes to Gross Domestic Product (GDP) through two main channels. Firstly, through the private residential investments i.e. construction of new homes and secondly through the consumption which is spent on housing services and also from being used as collateral which is in turn used to stimulate private consumption and investments

2. Housing development creates jobs and supports economic inclusion. From direct to indirect jobs and skilled to unskilled jobs, the impact of housing on job creation is clear. In India, it is estimated that the impact of 2 million new affordable homes would be direct employment for 3 million people working in construction, indirect employment for 24 million people in linked industries and services (wood, steel, paint, electricity etc.), and a 2% growth in gross domestic product (GDP). There would also be a USD 17 billion rise in the demand for credit, a 16 million tonnes demand for cement, while the need for steel would rise by 6 million.

3. The housing sector also provides social benefits through its contribution to the community and the whole nation as a whole. Homeownership often provide citizens with a stake in their communities and this makes them to be concerned about the

provision of public goods in the community such as schools, clinics, security etc. This represents intangible social benefits that the housing sector can indirectly help to generate.

Onibokun (1985) described housing as a unit of the environment that influences the general welfare of the community. It has been identified by various scholars as being one of the basic human needs of man which affects the quality of life and health (Olotuah, 2002). It offers one a place to sleep and rest and a place to feel safe. The World Bank report 2005 also stipulates that housing is important because it is classed as one of the sources of wealth creation available to the poor in the society which has a profound influence on the health, efficiency, social behaviour, satisfaction and general welfare of the community.

Other researchers such as Turin (1978) and Giang and Pheng (2011) hypothesized a relationship between construction activity and economic development with the findings from their research demonstrating the positive and statistical significant relationship between the construction industry and economic growth in developing countries.

Ruddock and Lopes (2006) also corroborated this view and believe that the complexities of the relationship between a country's level of construction activity and its stage of economic development are considerable and this is also supported by Osei (2013) in his research showing that the construction sector when given the needed push in relation to good policy initiatives and regulatory guidelines can act as a stimulant for socio economic development. Drewer (1980) however disagreed with this hypothesis on the basis that the data used for the hypothesis and the method used for the analysis of the data was not reliable. He showed that while some components of the construction industry may stimulate economic growth, others are just consequences that arise from economic growth.

Clapham, Kemp, and Smith (1990) came up with two housing provision models namely the market model which argues against the market and supports the view that social aims are best pursued with as little intervention from the state as possible and the social democratic model which disagrees completely with the market model and argues that state intervention is required to secure a just distribution of the rights of those who support the market view.

In his research, Kemeny (1992) viewed housing provision from two different perspectives as well. In the first school of thought, he sees housing as an economic or investment good and from the second perspective, he sees housing as a social or service good which is used to meet the housing needs of low income groups. He came up with two different models of housing policy which he identified as the non- statist model which argues that if left

unrestricted or unregulated, the market forces of demand and supply will determine housing consumption and the ability of the individual to pay will determine production and provision irrespective of the housing needs of the people while the statist perspective is of the opinion that housing goes beyond just the welfare of the individual but contributes to some greater social good.

In developed economies around the world, housing is financed mainly through mortgage financing and it represents one of the largest components of the capital markets. This can be seen in developed countries such as the United States where mortgage debt has been identified as the largest component of the domestic debt markets. However in developing countries such as Nigeria, contrary to what can be obtained in developed economies, mortgage financing is an option that is largely under-utilized and the opportunities in the mortgage sector remains unexploited.

As at 2010, the mortgage sub-sector accounts for less than 10% of Nigeria's Gross Domestic Product (GDP) when compared to that of the USA where mortgage debt accounts for 86% of the GDP (Lead capital plc, 2011). In 2010, it was reported that 85% of the urban population in Nigeria live in rented accommodation and spend more than 40% of their income on rent (National Bureau of Statistics, 2014). Of these 85% rented accomodations, 90% of these accomodations were built incrementally over time due to lack of mortgage financing, and less than 5% have formal title registration.

In the rural areas, people live mostly in mud buildings with thatched roofs. Examples of this informal urban settlements are visible in the Lagos metropolis and other major cities such as Mowe and Ofada axis in Ogun State (close to Lagos state) which is filled with unhealthy conditions due to overcrowding and lack of adequate infrastructure. The people living in such housing conditions often work in both the formal and informal sector with only a few of them being financially integrated into formal financial institutions. Housing in these settlements is often times built incrementally and completion of buildings can take as many as 10 years.

The formal sector, which constitutes about 15% of the housing market is insufficient to meet the demand in the society. Where supply exists, this is targeted at high-income earners and houses categorised as low cost housing are mainly outside the reach of low-income earners. Based on this, prices of houses and house rents as well are often priced very high. The housing sector is predominantly a seller's market where rents are paid on average two years in advance. The cheapest apartments for sale in the suburbs of Lagos cost between N2 million – N3 million ($13,000 – $20,000).

Housing in Nigeria is characterized by various inadequacies which can be classified into qualitative and quantitative inadequacies (Oladapo, 2006). The quantitative housing problem refers to the inadequate number of existing stock while the qualitative inadequacies refers to the condition and state of the housing stock which can also be equally enormous and complex.

2.2. Housing Demand and Supply in Nigeria

As with all housing markets, the Nigerian housing market is affected by both demand and supply issues. To deal with issues relating to the supply of housing, the Nigerian government through the housing subsidy programme initiated some strategies such as the restructuring of the Federal Mortgage Bank of Nigeria in 1989 to serve as the nation's apex housing finance institution while savings was mobilised through the National Housing Fund (NHF) with the government ensuring the continuous flow of funds to the Federal Mortgage Bank for onward lending to other primary Mortgage institutions. Other institutions such as "The National Housing Finance Corporation (NHFC) and the Rural Housing Loan Fund (RHLF)" were also established in 1996 to provide wholesale finance to non-bank housing lenders, and more broadly to catalyse greater investment in affordable housing in Nigeria. However, these were all discovered to be ineffective in dealing with the identified inefficiencies relating to housing supply in Nigeria.

Globally, the housing sector is seen as a major avenue for job creation and economic stability however the housing sector is falling short of expectations what with supply falling far behind demand. This can be attributed to various issues relating to regulation, a dysfunctional land titling system, lack of finance, rapid urbanisation, continuous population growth, high cost of construction, lack of housing finance, cost of building materials, planning/building regulations, lack of skills/capacity, poor state of infrastructures, under investment in low-income groups to have decent housing accommodation etc. All this have jointly resulted into shortages in housing provision resulting into overcrowding, high rents, poor living conditions and poverty (Agunbiade, 1983). Several studies over the years confirm that there is a dearth in housing provision due to the widening gap between housing demand and supply especially in the urban areas in developing countries (Olotuah, 2002) and in most developing countries due to unclear and often times poorly implemented policies and socio-economic and political factors such as corruption, unstable governments etc., the gap between housing demand and housing supply continues to increase.

Investing in the housing sector encourages the demand for labour in the construction industries which in turn translates to income generation for the economy. Other researchers such as Abiodun (1985) and Folorunso, Khan, and Olowoyo (2012) have also over the years identified factors such as population growth and urbanisation to have put enormous pressure on the demand for housing while other factors such as access to land, access to finance, design and institutional issues, high cost of building materials, lack of adequate information regarding alternative construction technology etc. have put pressure on the supply of housing. In the absence of access to formal financing options, low-income households have consistently relied on informal sources like individual savings, informal loans from friends and relatives, remittances from relatives abroad and disposal of any asset they have (Mukhija, 2004; Stein & Castillo, 2005). This has resulted in the low–income earners in the society building and improving their dwellings incrementally as at when funds become available in what is referred to as incremental building. However, it has been discovered that there is still a need to expand the same access that the upper and middle income earners have to housing finance options to the low income earners in the society by developing a system that will make housing finance accessible, affordable and sustainable to the low income earners in the society.

Okoroafor (2007) stipulates that the supply of housing can be hindered by shortfalls in various factors such as access to land, access to finance, planning, design and institutional issues, high cost of building materials, lack of adequate information regarding alternative construction technology etc. and all this can result into massive shortages in housing provision, overcrowding, high rents, poor living conditions and poverty.

All of these problems put together have complicated and in most cases made the process of providing housing for low income earners virtually impossible. There is therefore a need for a study which looks at alternative sources of finance which is affordable and accessible by the low income earners in the society.

The National Housing Policy (2006) defined housing as the process of providing safe, comfortable, attractive, functional affordable and identifiable shelter in a proper setting within a neighbourhood, supported by continuous maintenance of the built environment for the daily living activities of individuals/families within the community while reflecting their socio-economic, cultural aspirations and preferences. Low cost housing is simply defined as housing which is affordable by people on low incomes. It refers to housing units which are affordable by people in the society whose income is below the median household income. However, studies show that despite the importance of housing to the wellbeing of man and

the economy as a whole, housing crisis remains a global problem which affects both the rural and urban residents in most developing countries (Olotuah & Bobadoye, 2009) and (Ademiluyi, 2010)

Over the years the Nigerian urban population has increased. Hamdi (1991), Ogu and Ogbuozobe (2001) identified two housing models being used as approaches to housing development in developing countries such as Nigeria namely the "provider model" and the "enabling model" and these two models depend on the extent to which the public is involved in housing delivery. The provider model supports the view that public authorities such as the government and any statutory body representing the government should control the production and delivery of housing through provider oriented approaches such as public housing strategies etc. and provider driven strategies such as federal and state housing programs which can be used to reduce housing deficit and improve the quality of housing as well while the enabler model supports the view that encouraging households, small scale builders and corporate firms by facilitating and enhancing their ability to deliver housing will reduce housing deficit. However the provider oriented approach has failed to meet the housing needs of most of the households in Nigeria.

1. The Federal Government firstly did not provide enough housing facilities to meet the needs of all Nigerians so there was a problem with the quantity being provided

2. The houses provided did not meet the needs of the low income earners who mostly require the facility because they did not meet the conditions needed to qualify them for the facility.

In Nigeria, about 35% of the economically active population are being served by the formal sector while the remaining 65% who are excluded from the formal financial sector turn to the informal financial sector for financial services (Olotuah, 2002). The informal financial sector is made up of Non-governmental organisations (NGO'S), microfinance institutions, moneylenders, friends, relatives, credit unions etc. Most low income earners face two major challenges when looking for financial services:

ii. Access (accessibility) i.e. being obtainable and attainable and

iii. Cost (affordability) i.e. is affordable to people on modest and low incomes.

Renaud (1984) asserts that housing finance institutions play only a limited role in financing Housing. He looked at the various options available on how to finance housing. From the

point of view of the household, the problem relates to how to obtain finance at an affordable rate, and from the point of view of the government, it relates to the lack of resources to carry out the housing programmes and from the point of view of the financial institutions, it relates to financial instability and how to maintain confidence in the financial system and how the institution can be sustained.William (2000) also supported the view that access to housing continues to elude the poor because they cannot afford the financial resources necessary to procure these housing units while Olusola et al (2001) identified the lack of soft loans as the major obstacle to housing in Nigeria and Tomlinson (2007) in her research identified three major issues affecting the delivery of housing finance in Nigeria which are stated below.

1. The banking sector not providing enough support to the private sector. Without support, the private sector cannot provide funds to the population. While the common view is that this is the case because of the high reserve requirements that the banks are obliged to hold as deposits by the government, it has also been discovered that the banks tend to be modest in their lending to the private sector because the institutional framework isn't working properly to support lending.

2. In African countries, land ownership is another major obstacle. The Land is either owned on a tribal basis or is owned by the Government which then means that the average man in the population is not able to access and own formal land thereby leading them to live in unplanned settlement.

3. And based on a consensus amongst authors, reports, and various papers researched, it was discovered that finance is often hindered by other factors such as macro instability, adverse institutional, legal and regulatory environment, poor record of public sector banks, building societies and other lenders who specialise in housing related issues, limited availability of long term finance which would have allowed the spread of a house over time etc.

The United Nations Report (2010) stipulates that poor housing conditions is a global problem with the effects of these conditions being most outstanding in developing countries such as Africa, Asia and Latin America where over one –third of the world's urban population live in health threatening homes. The United Nations Department of Housing and Urban development stipulates that for housing to be reasonably priced, the family should not be

spending more than 30% of its income on housing either through rent or building costs. In Nigeria however, housing expenses (either through rent or services) as stated by Eke (2004) is about 60% of the average earners income which goes against the United Nations stipulation thereby making housing unaffordable to the low income earners.

The gap between the demand and supply of housing in Nigeria is still on the increase daily due to supply not meeting up with the demand for housing and over the years, the state of the housing sector in Nigeria has not changed much despite all the policies being put forward by the Federal Government. Nigeria's housing deficit is estimated at about 17 million, with an additional 2 million units needed every year (International Business Times, 2014) and the low income earners in the society who make up over 65% of the population in Nigeria (National Bureau of Statistics 2012) often face the greatest challenges getting adequate finance from the formal finance sector not only because the formal banking sector finds it too risky to provide finance for low income earners (due to the risk involved since they have no collateral to secure the loan) but also because conventional banks are not too keen on offering financing loans to the low income earners (mainly because they have no credit history) and the cost of lending to low income earners is often too high. This therefore shows that there is a need for a study of an alternative source of finance for housing which is affordable, accessible and sustainable by low income earners in Nigeria.

Abiodun (1985) in his research identified the major housing problem in Nigeria to be related to the instability in human needs for housing while Okpala (1986) stipulates that Nigeria's housing problem is due to the significant shifts in the form and design of housing from the rooming form to flats and single family houses. Other researchers such as Olayiwola, Adeleye, and Ogunshakin (2005) are of the opinion that the absence of institutional housing policy with organised stable mechanism and implementation processes is the major flaw in governments' intervention in the housing crisis in Nigeria.They believe that housing problem is more noticeable in relation to low income groups and factors that manifests the housing problems in Nigeria includes high rent in the housing market, lack of access to the mortgage finance etc. This problem of inadequate housing in Nigeria is an ongoing issue right from the oil boom era (Akinmoladun & Oluwoye, 2007).

In the late 1960's as Nigeria regained independence and the national budget shrank, the government devoted less and less of its budget to the housing sector. Various researchers have come up with the issues affecting housing in Nigeria.Olayiwola et al. (2005) view the problem as being both quantitative and qualitative in nature while Tomlinson (2007)

identified the problem to be related to affordability issues and land supply while Olotuah and Bobadoye (2009) see the housing problem to be as a result of the disparity between the price and quantity of housing to the number of households and the money available to them to pay for these prices.

Folorunso et al. (2012) identified various issues affecting housing delivery to include non-availability of public land for housing, high cost of materials, inflation induced decreased purchasing power and lack of public and corporate finance. They all however agree that finance is the major hindrance to the effective production and acquisition of housing especially among the low income earners. Akinmoladun and Oluwoye (2007) also identified the factors and problems which militate against the delivery of housing to include limited land supply and acquisition obstacles, lack of adequate physical planning/development control, high cost of building materials, lack of proper co-ordination of public agencies laws and poor infrastructures.

This then brings us to the issue of microfinance as an option for facilitating low cost housing in Nigeria. The essence of microfinance is to provide banking services to unemployed or low income individuals or groups who would otherwise have no means of gaining financial services without Microfinance. It offers the low income people in the society an opportunity to become self-sufficient and achieve desired goals by providing them with an option of saving and borrowing money and also insurance opportunities.

2.3. Housing Finance Options in Nigeria

Over the years, housing has shifted from being viewed as a social sector to an economic sector and access to finance these houses has become one of the critical issues being discussed all over the world in both developed and developing countries. Okpala (1994) identified two major sources of financing housing in Nigeria to include the institutional sources which is made up of formal sources such as mortgages, commercial banks, etc. and the informal sources also known as non-institutional sources which includes family savings , credit unions etc. The formal sources of finance which are institutionalised as observed by (Adebamowo, Oduwaye, & Oduwaye, 2012) can be divided into two namely the non-specialised institutions which includes employees housing schemes and national housing fund, commercial and merchant banks and insurance companies and the specialised institutions which includes "The Federal Mortgage Bank of Nigeria, Primary Mortgage Institutions, and housing corporations while the informal sources as observed by (Wapwera, Parsa, & Egbu,

2011) includes Esusu and Ajo, age group associations, village development schemes, and traditional money lenders amongst many others.

In Nigeria, housing is often times financed either through formal or informal financing methods and Omuojine (2000) is of the opinion that financing housing through public options is the solution to the housing shortage being experienced in Nigeria . On the other hand, other researchers such as Wahab (1980) and Adegbenjo (2000) are of the opinion that financing through private options will provide financial institutions and capital markets with a solution to the housing shortage in Nigeria. According to Olotuah (2002) there are a few reasons for the poor performance of the Nigerian public sector in housing intervention which includes:

- The wrong understanding of the needs of low income earners by the government which leads to the government providing inadequate and wrong kinds of housing and housing aids for low-income earners
- The government not meeting the needs of the society by providing too few houses which are still too expensive for low – income earners to afford
- The government failing to stimulate and encourage the private sector to participate in housing delivery and
- Poor execution and improper planning of housing policies and programmes

Traditionally, the private sector is more focused on servicing the needs of the higher income segment in Nigeria and most housing finance initiatives has been geared towards providing finance for higher income groups however, the majority of the population in Nigeria earn less than =N=30,000 per month ($83) and most of the new housing units being developed and constructed have been unaffordable to them. Over the years, the Nigerian Government has come up with different approaches to meet the housing needs of the Nigerian population. Access to finance for housing has been difficult to come by for low income earners in Nigeria. A good proportion of the population work in informal sector and this makes it even more difficult for these segments to access finance for housing from financial institutions and access to housing finance by the low income earners is a vital issue affecting most developing countries worldwide. Un-habitat 2010 lists the two major issues affecting housing needs existing today as "affordable housing that is inadequate and "adequate housing that is unaffordable".

Over time, several housing policies have been formulated in the past by the Nigerian Government to deal with this housing shortage however, this still hasn't achieved the objectives it was set up for mainly due to financing. Agbola (1998) defined a policy as a plan

of action, a statement of aims and ideas or a statement of intent made to guide activities in a particular field of endeavour. It therefore means a housing policy can be defined as a guideline provided by the government aimed at meeting the peoples housing needs through a set of appropriate strategies which involves fiscal, institutional, legal and regulatory framework.

2.4. Housing in Nigeria

Nigeria, Africa's largest economy has a population which has grown over the years to about 186 million people as at 2014 of which 46% of this population are living below the poverty line and 51% living in the urban areas (World Bank Report, 2014). 65% of this population is also classed as low- income earners (International Business Times 2014). Nigeria is classed as a low income economy with a population of approximately 186 million people.(World Bank Report, 2014).

Low-middle income economies are defined (World Bank ,2015) as economies with a GNI per capital of between $1,036 to $4,085 and are often referred to as developing countries. Developing countries are characterised by various factors such as low income, inadequate housing, poor health facilities and inadequate public services etc. Shown in figure 2.1 below is an outline of Nigeria showing its 36 states.
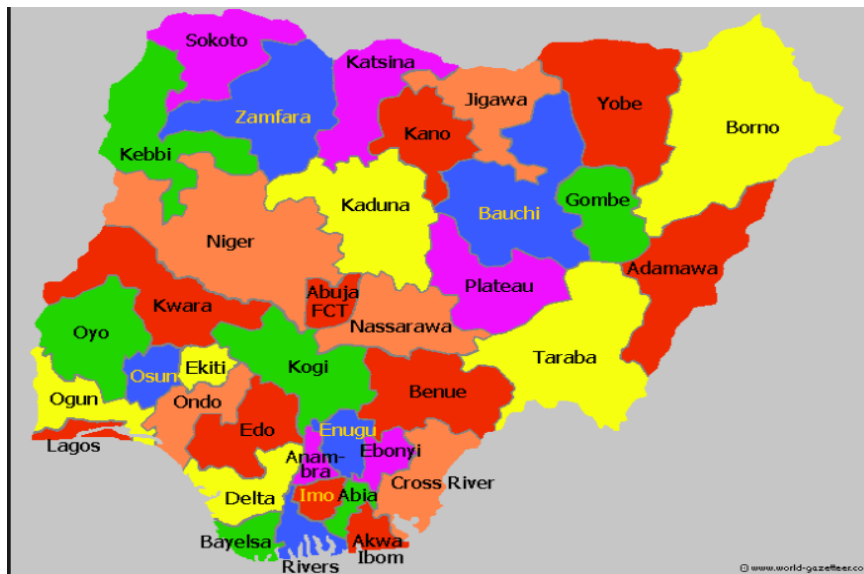
Figure 2-1: Map of Nigeria

Source: National Bureau of Statistics (2014)

Nigeria however trails behind its peers in Sub-Saharan Africa in relation to essential infrastructures such as housing and has high rates of poverty and income inequality with about 65% of this population being classed as low- income earners (International Business Times 2015).

2.5. Growth in Nigerian population

Over the years, the Nigerian population and the urban population of Nigeria has grown considerably and Onwuka (2006) reported that the growth in population in Nigeria outweighs the economic output thereby hindering the capacity of the government to efficiently provide adequate social services such as housing while Agbodike (2010) identified some variables encouraging the accelerated population growth rate in Nigeria can be linked to issues such as increase in birth Rate, decrease in death Rate, illiteracy, Cultural Influences, Migration etc. The reasons for the rapid increase in population also collaborated by the World Bank Report (2015) includes :

1. **Increase in Birth Rate**: Increase in birth rate is one of the causes of growth in population in Nigeria. Nowadays, there are better medical options to combat infertility and this leads to effective solutions regarding issues such as infertility, safer pregnancies etc. Also often times, conception from fertility treatments often times results into multiple pregnancies further contributing to increasing birth rates. Also, in the African culture, children are seen as a sign of prosperity therefore the more children one has, the more prosperous the person is seen to be. This further contributes to the societal pressure to have more children.

2. **Decrease in Death Rate:** Due to advancement in the medical areas, many diseases which were once termed incurable now have cures which translate to a reduction in mortality rate. Due to advances in both preventive and curative medicine, terminal diseases have been reduced and the now has better effective treatments and this translates to a drop in death rates.

3. **Lack of Education:** Another important factor which has contributed to the growth in population is the lack of Education. Those lacking in education find it difficult to understand the need to curb the growth in population. Modern methods used for birth control and family planning often time don't get to the illiterate section of the society.

Furthermore, due to lack of awareness there is resistance in adopting such methods. The illiterate are unable to understand what impact overpopulation can have.

4. **Cultural Influences**: Cultural awareness is another issue contributing to the growth in population in Nigeria. In Nigeria, due to cultural beliefs and religious reasons, adopting some form of birth control is considered a taboo in certain cultures and religions in Nigeria. Some cultures belief that marrying at a certain age or having a certain number of children is considered ideal. Also in most cultures in Nigeria male children are often preferred to female children and only after having a male child is a woman considered to have performed her feminine duties. This therefore means that couples without male children are forced to continue bearing more children until a child of the desired gender in produced. Also, it is believed the more children an African man has, the more prosperous he is. This therefore goes to show that cultural norms influence decisions relating to starting and extending ones family.

5. **Migration:** Migration is also another contributing factor to population growth. People from neighboring countries like Ghana, Togo, Chad, Cameroon etc. migrate to Nigeria while looking for better prospects such as jobs, education, welfare etc. and this also contributes to the growth in population. If the rate of emigration from and immigration to Nigeria do not match it will result into increased population density in Nigeria and the country will become densely populated. Shown in Figure 2.2 below is the Nigerian population and Urban population from 1955 to 2016
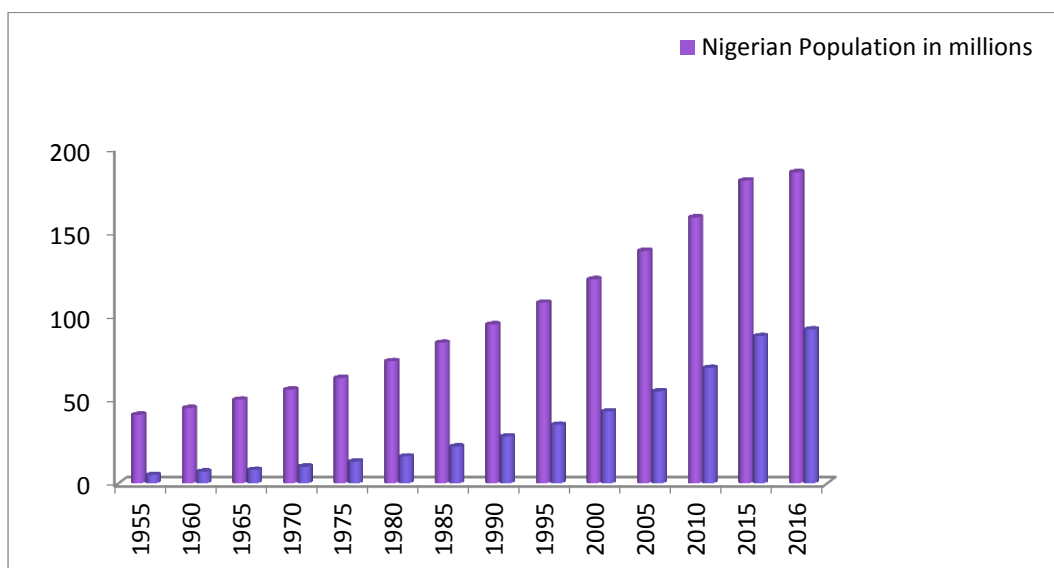
Figure 2-2: Nigerian population/Urban Population from 1955 to 2016

Source: Worldometers (2017)

Generally, most households in Nigeria spend a substantial portion of their earnings on housing. In 2013, housing was the second most important activity that most Nigerians spent money on after food and beverages as shown in Figure 2.3 below.

% of household total consumption 2013

- Food and Beverage — 57%
- Clothing — 4%
- Housing — 13%
- Energy — 2%
- Transport — 6%
- Education — 2%
- Health — 11%
- ICT — 1%
- Others — 4%
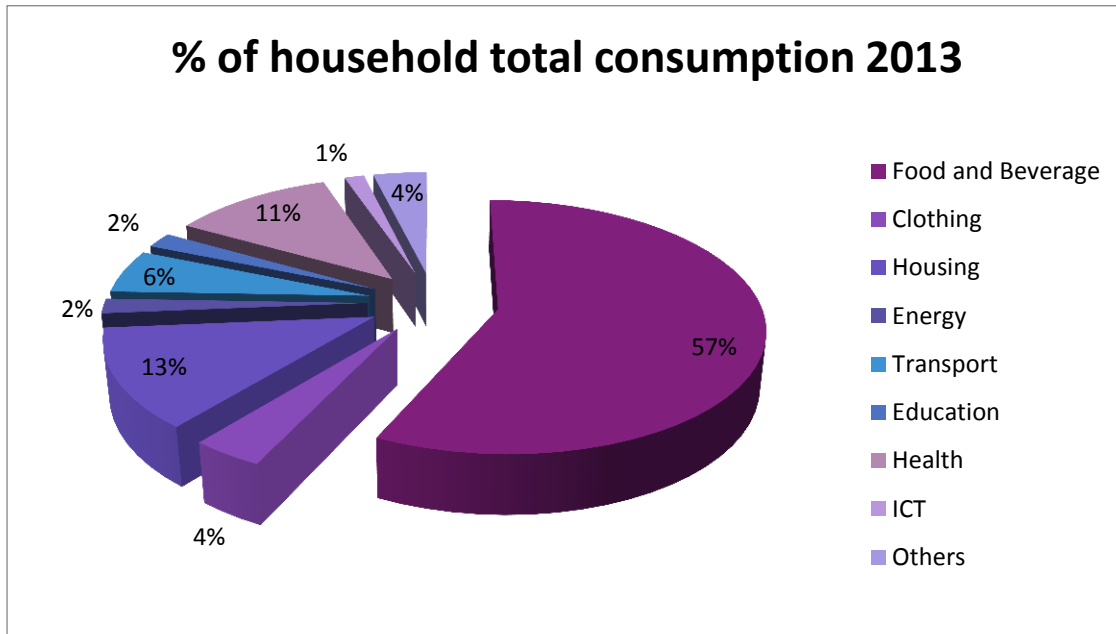
Figure 2-3: Household consumption in 2013

Source : World Bank Report (2014)

Growth in population can also be seen to lead to various social and environmental issues such as increased rates of poverty, crime, increased global warming, natural disasters, loss of housing, pollution etc. For the purpose of this research, emphasis is being placed on the issues affecting housing finance because if well developed and scaled up, the housing sector can serve as an important contributor to economic growth, have a multiplier effect on the broader economy and also be used as collateral to stimulate investment and economic growth (Okonjo-Iweala, 2014). Increase in population has been shown to further enhance the housing deficit and even those households with access to shelter are often subjected to inhabiting woefully deficient structures.The most visible consequence of the rapid urbanisation occurring in Nigeria is evidently the lack of basic housing for majority of the population classed as low income earners.The evident shortage of housing needs, the poor quality of the existing houses and the environment in which they are situated are clear demonstrationsof the existing problem. For majority of Nigerians, mortgage finance is not an option due to the lack of a robust system hence Nigeria continues to have a low homeownership rate of 25%,

lower than that of Indonesia 84%, Kenya 73% and South Africa 56% (Warnock & Warnock, 2008). Presently, the cost of adequate housing in Nigeria is beyond the reach of the over 65% of the population classed as low income earners (National Bureau of Statistics, 2014) and this is shown below in an example of housing prices and the requirements needed to own these houses as provided by First Bank Nigeria Plc (A Nigerian multinational bank and financial services company with the country's largest bank by assets) . This is shown in Table 2.1 below

Table 2-1: Housing Types and Costs in Nigeria in 2015

Available Houses	=N= (Naira)	$ (Dollars)
4 Bedroom Semi Detached Duplex (Shell)	27,500,000.00	138,000
4 Bedroom Fully Detached with BQ (Shell)	35,000,000.00	176,000
4 Bedroom Semi – Detached Bungalow with Pent House	27,500,000.00	138,000
4 Bedroom Terrace Duplex (Shell – Wings)	26,500,000.00	133,000
4 Bedroom Terrace Duplex	25,500,000.00	128,000

Source: First Bank Nigeria (2015)

The requirements to get a housing loan to own the housing types listed above is also listed below: The customer must have

- An account domiciled with First Bank
- Monthly salary domiciled with First Bank
- Be a staff member of a company on the principal companies list
- Make a minimum down payment of 30% of the cost of the house
- The loan tenor will be for 20 years maximum
- Interest to be applied on the loan is 22% per annum

From the above, it is obvious that getting a mortgage for housing purposes is not an affordable option for low-income earners.

Despite all the policies being put forward by the Federal Government,the state of the housing sector in Nigeria hasn't changed much. The gap between the demand and supply of housing in Nigeria is still increasing daily due to supply not meeting up with the demand for housing. Moss (2001) in his study discovered that most of the solutions proffered by the Federal Government in the past to solve the housing deficit in Nigeria have not been successful

mainly because the initiatives often end up benefiting only the high and middle income earners as they have access to finance options such as loans, mortgage etc. to finance the construction or outright purchase of housing.

However, the lower income groups do not have access to the same sources of housing finance or the provision of facilities for housing as in most cases, they do not meet the required criteria for getting mortgages which is further worsened by high interest rates applicable rather they have access to funds through informal methods such as traditional methods and some also finance their housing needs from savings accumulated over time or build incrementally over a period of time (Mukhija, 2004)

Ferguson and Smets (2009) defined incremental housing as an inverted version of the formal process of building and financing a house and Onwuka (2006) in his research reported that the growth in population of Nigeria outweighs the economic output and this has hindered the capacity of the government to efficiently provide social services such as employment, medical services, housing etc. The World Bank Report of 2014 reported that the real estate and building market in Nigeria contributed about 11.14% to GDP in the year 2013 of which the real estate market contributed 8.02% and the building industry contributed 3.12% as shown in Figure 2.4 below
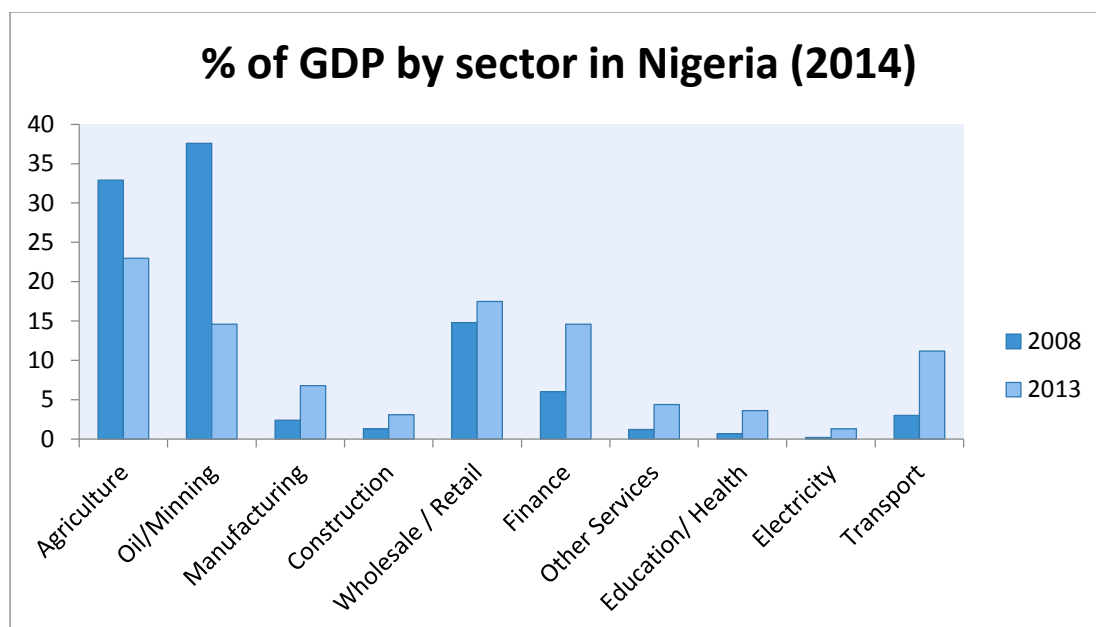
Figure 2-4: Nigeria GDP by Sector 2013

Source : (World Bank, 2013)

The housing backlog is estimated at 14 million units and it will require about N49 trillion ($326 billion) to bridge the housing deficit of 14 million units based on an estimated average cost of N3.5 million ($23,333) per housing unit. (IFC 2010). In 2010, it was reported by the International Finance workshop (2010) that eighty-five percent of the urban population lived in rented accommodation, spending more than 40% of their income on rent. Of these, 90% are self-built incrementally mainly due to lack of adequate financing options, and less than 5% have formal title registration. The Housing National Technical Working Group Report (2009) reports that informal housing is most prevalent in Nigeria as more than 80% of the population lives in settlements that are unplanned with poor living conditions.

In the rural areas, people live mostly in mud buildings and thatch roofs. The formal sector, which makes up about 15% of the housing market in Nigeria, is insufficient to meet the demand. Where supply exists, this is targeted at high and middle income earners, while houses categorised as low cost housing are mainly outside the reach of low-income earners.The Federal Government of Nigeria has a social responsibility to provide adequate, affordable and sustainable housing for its citizens however, irrespective of all efforts by the government to address the housing challenges through its various housing policies, there is still a gap between the demand and the supply of affordable housing .

2.6. Why there is a problem

The United Nations Report (2010), states that poor housing conditions are a global problem however, these conditions are worst in developing countries where over one –third of the world's urban population live in health threatening homes. The effects of these threats can be felt most in Africa, Asia, and Latin America because they have the fastest growing population. Globally, the housing sector is a major avenue for job creation and economic stability however the housing sector is falling short of expectations what with supply falling far behind demand. Agunbiade (1983) is of the opinion that this is due to various issues such as over regulation, a dysfunctional land titling system, lack of finance, rapid urbanisation, continuous population growth, high cost of construction, lack of housing finance, cost of building materials, planning/building regulations, lack of skills/capacity, poor state of infrastructures, under investment in low-income groups to have decent housing accommodation.

All these have jointly resulted into shortages in housing provision translating into overcrowding, high rents, poor living conditions and poverty. Also the United Nations

Department of Housing and Urban development stipulated that for housing to be reasonably priced, the family should not be spending more than 30% of its income on housing either through rent or building costs. In Nigeria however, housing expenses (either through rent or services) as stated by Eke (2004) is about 60% of one's income which goes against the United Nations stipulation thereby making housing unaffordable to the low income earners.

Nigeria went through a rebasing exercise in April 2014 and emerged as Africa's largest economy with a GDP estimated at $502billion however, despite this, Nigeria is still being plagued by various issues such as inadequate power supply, lack of infrastructure, delays in enforcement of legislative reforms, an inefficient property registration system, restrictive trade policies, inconsistent regulatory environment, corruption etc.

Over the years, there have been various policies, organisations and regulations put in place by the Nigerian Government however, housing shortage still persists especially for the low income sector which makes up over half of the Nigerian population. In Nigeria, the income levels of the majority of the population prohibits them buying a house outright and even if mortgage financing was available, their income levels would still not make them qualify to get finance. Akinmoladun and Oluwoye (2007) are of the opinion that the issue of inadequate housing in Nigeria is an on-going issue starting from the oil boom era in the late 1960's when Nigeria regained independence and the national budget shrank, the federal government devoted less and less of its budget to the housing sector.

In Nigeria, informal housing is the most popular because more than 80% of the population live in unplanned settlements with poor living conditions. Housing in these unplanned settlements is built incrementally and could take over 10 years to complete because only a few of the inhabitants have access to formal financial institutions. They instead have access to informal sources of finance. These informal sources of finance however still do not favour the low income earners due to its inability to be sustained because of a lack of institutional recognition and framework and also because they are highly unsecured.

Various researchers such as Omirin (1998) opinioned that lack of finance and escalating cost is the greatest constraint of housing in Nigeria while William (2000) also supported the view that access to housing continues to elude the poor because they cannot afford the financial resources necessary to procure these housing units.

More recently, Tomlinson (2007) identified three major issues affecting the delivery of housing finance in Nigeria which are stated below:

- The finance sector does not provide enough support to the private sector. Without support, the private sector cannot provide funds to the population. While the common

view is that this is the case because of the high reserve requirements that the banks are obliged to hold as deposits by the government, it has also been discovered that the banks tend to be modest in their lending to the private sector because the institutional framework isn't working properly to support lending.

- In African countries, land ownership is a major obstacle. The Land is either owned on a tribal basis or is owned by the Government which then means that the average man in the population is not able to access and own formal land thereby leading them to live in unplanned settlement.

- Housing finance is often hindered by other factors such as macro instability, adverse institutional, legal and regulatory environment, poor record of public sector banks, building societies and other lenders who specialise in housing related issues, and limited availability of long term finance which would have allowed one spread the cost of the house over time

At the 4ᵗʰ National Council on Lands, Housing and Urban development in December 2014 in Nigeria, the stakeholders of the housing sector (which includes banks, development finance institutions, private sector players, and public sector partners like the Ministry of Lands, Housing and Urban Development, and the Federal Mortgage Bank) identified three major issues affecting Housing in Nigeria. This includes land administration, housing finance and affordable housing delivery. It was reported that due to inadequate funding, once again the supply of housing was again lower than the demand of housing in 2014. The solution proposed to counter this problem was for the Federal Mortgage Bank of Nigeria (FMBN) to be recapitalised to raise enough funds as it does not presently have enough funds to carry out its business activities.

In January 2014, the Nigerian Mortgage Refinance Company (NMRC) a private sector company with a public mission was inaugurated by the Federal Government to take care of housing finance . It was structured to be privately owned with limited public sector stake and a shareholder mix up which is made up of financial institutions (made up of mortgage, commercial banks, development finance institutions, public sector and government sponsored institutions). Its main objective was to provide an enabling environment for mortgage refinancing. However, the benefits to be expected from this venture still doesn't translate to direct benefits for the low income unsalaried citizens in Nigeria because they still do not meet the required criteria for mortgage finance and continue to use other options to improve their living conditions as observed by (Ferguson & Haider, 2000).

Other researchers such as Abiodun (1985) and Ikejiofor (1997) have also over the years identified factors such as population growth and urbanisation to have put enormous pressure on the demand for housing while other factors such as access to land, access to finance, design and institutional issues, high cost of building materials, lack of adequate information regarding alternative construction technology etc. have put pressure on the supply of housing. In the absence of access to formal financing options, the low-income households have consistently relied on informal sources like individual savings, informal loans from friends and relatives, remittances from relatives abroad and disposal of any asset they have (Mukhija, 2004; Stein & Castillo, 2005). This has resulted in the low–income earners in the society building and improving their dwellings incrementally as at when funds become available in what is referred to as incremental building.

However, it has been discovered that there is still a need to expand the same access that the upper and middle income earners have to housing finance options to the low income earners in the society by developing a system that will make housing finance accessible, affordable and sustainable to the low income earners in the society. For low income earners, adequate housing is one of the most important aspects of their daily survival strategy because housing provides them with a range of benefits such as improved health, increased security and social wellbeing. It also offers security from the effects of unforeseen and unexpected disasters such as floods, landslides storms, wildfires etc. and by investing in their homes, the poor accumulate equity which can be used as a form of collateral to access finance and income to either start up or expand a small business thereby generating income opportunities.

However, the lower income groups do not have access to the same sources of housing finance or the provision of facilities for housing as in most cases, they do not meet the required criteria for getting mortgages and this is further worsened by high interest rates which the low-income earners cannot afford to borrow at rather they have access to funds through informal methods such as traditional methods and some also finance their housing needs from savings accumulated over time or build incrementally over a period of time (Mukhija, 2004).

This results in a waiting period till the final step is finished to obtain the completed house which further leads to more housing deficiency because the demand outweighs the completion/supply of the housing unit. All of these problems put together have all complicated and in most cases made the process of providing housing for low income earners virtually impossible. There is therefore a need for a study which looks at alternative sources of finance which is affordable and accessible by the low income earners in the society.

Over the years, various scholars have come up with different solutions to the housing shortage in Nigeria. Wahab (1980) and Adegbenjo (2000) were of the opinion that financing housing through private options, financial institutions and capital markets will offer a solution to the housing shortage in Nigeria while Omuojine (2000) was of the opinion that financing housing through public options is the solution to the housing shortage being experienced in Nigeria. Traditionally, the private sector is more focused on servicing the needs of the higher income segment in Nigeria and most housing finance initiatives has been geared towards providing finance for higher income groups however, the majority of the population in Nigeria earn less than =N=30,000 Per month and most of the new housing units being developed and constructed has been unaffordable to them. Over the years, the Nigerian Government has come up with different approaches to meet the housing needs of the Nigerian population. Access to finance for housing has been difficult to come by for low income earners in Nigeria.

A good proportion of the population work in informal sector and this makes it even more difficult for these segments to access finance for housing from financial institutions and access to housing finance by the low income earners is a vital issue affecting most developing countries worldwide. Un-habitat 2010 lists the two major issues affecting the housing needs of low income earners today to include "affordable housing that is inadequate" and "adequate housing that is unaffordable".

Presently, the state of Nigeria's housing market can be linked to three major issues

1. Expensive property registration
2. High Cost of constructions
3. Lack of access to Housing Finance Options

To consider the quality and quantity of housing, one major determinant of these still remains finance, which is not readily available in both developed and developing countries. Listed below in Figure 2.5 below is a list of factors identified by various researchers that affects housing supply in Nigeria.
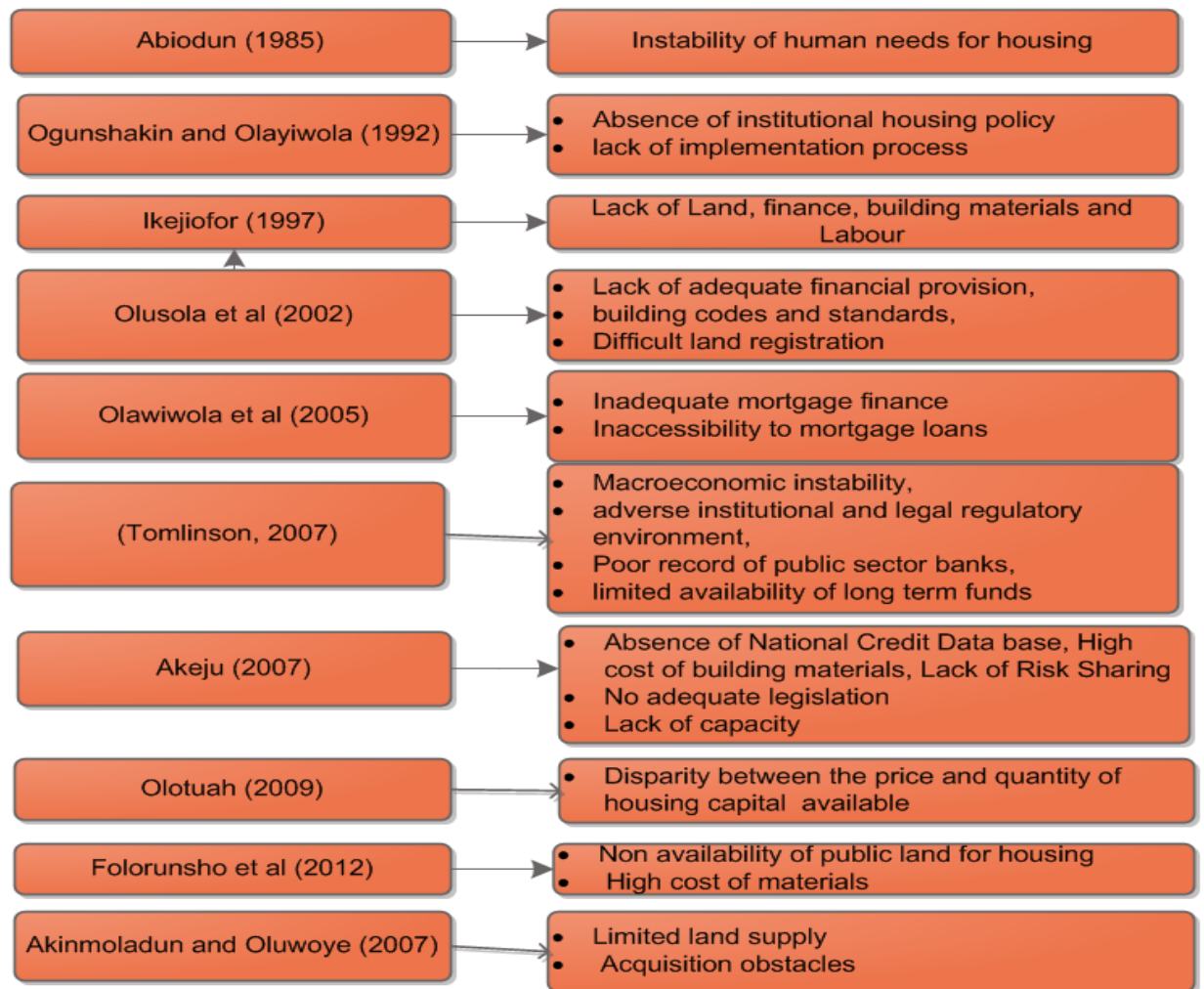
Figure 2-5: Factors affecting Housing Finance

Source : Various Researchers

One of the key factors mentioned by most researchers is the inadequate access and availability of finance for housing available to the low-income groups in the soceity. Though housing and housing finance has taken centre stage in many policy debates regarding poverty reduction, asset creation, health & sanitation, livelihood and financial exclusion it has not yet reflected in terms of meeting the challenge of housing shortage, especially, in regional and group perspective. Some of these issues have been addressed in new housing policy measures in recent years. One of the regulatory controls that the Central bank of Nigeria can use to ensure that the banking system is efficient and operationally effective is the regulation of bank capital base through capital requirement policy. According to (Oleka & Mgbodile, 2014) , recapitalization of the Nigerian banking industry can serve as an antidote to the poor performance, unprofitable operations and weak asset base of banks .They also recommended

that the CBN can use its regulatory power to increase the present minimum capital base of banks so as to stimulate greater efficiency and ensure that the banks still generate sufficient profit for their shareholders

Soludo (2004) identified the major problems that banks in Nigeria face, especially those seen as weak, to be linked to issues relating to persistent lack of liquidity, high and unprofitable operations cost and poor asset base while Ikpefan and Oligbo (2012) opinioned that Nigerian banks find it difficult to play a major role in financing economic activities due to challenges arising from inadequate capital which has led to a lack of confidence in the banks thereby leading to banks suffering from losses and failure especially in the areas of lending. This therefore shows that the soundness, safety and profitability of a bank affect the quality of its loan portfolio.

To ensure that the banking system (microfinance banks inclusive) in any economy is efficient and operationally effective, the government needs to be able to exert some regulatory controls. One of such control is the regulation of bank capital base through capital requirement policy. This is because, according to (Oyedokun, 2013), the existence of a solid financial base will assist banks to withstand fluctuations in the liability portfolio and be able to absorb some unexpected losses due to asymmetric information from their customers

The strategy often utilized to strengthen banks in Nigeria and save them from financial distress is capital regulation by the central bank of Nigeria (CBN). According to Bakare (2011) with this recent recapitalization policy, banks that cannot meet the required amount will have to merge with the bigger or stronger ones. Following the implementation of the policy, an unprecedented process of recapitalization has taken place in Nigerian banking sector shrinking the number of deposit money banks from 89 to 21 banks

The scenario of banking in Nigeria has been characterized by low capitalization which consequently affected their financial performance. While re-capitalization of Nigerian banks may address this concern, the effect of the exercise on banks performance remains an empirical one. The aims of bank capitalization are to resolve the problem of unsound banking and to enhance efficient management in the banking system (Clementina & Isu, 2013). Capitalization is an important component of reforms in the Nigerian banking industry, owing to the fact that a bank with a strong capital base has the ability to absolve losses arising from non performing liabilities. Attaining capitalization requirements may be achieved through consolidation of existing banks or raising additional funds through the capital market. According to (Adegbaju & Olokoyo, 2008), recapitalization involves increasing the debt stock of the company or issuing additional shares through existing shareholders or new

shareholders or a combination of the two. It can also take the form of merger and acquisition or foreign direct investment. Whichever form it takes, the end result is that the long term capital stock of the organization is increased substantially to sustain the current economic trend in the global world.

Presently, there are about 10.7 million houses in Nigeria and despite the policies, institutions and regulations which the Nigerian government has put in place since independence in 1960, there is still a dearth of housing, especially for the low-income segment. The Housing National Technical Working Group Report (2009) reports that Informal housing is most prevalent in Nigeria as more than 80% of the population live in settlements that are unplanned with poor living conditions. In the rural areas, people live mostly in mud buildings with thatched roofs. The informal urban settlements are most visible in the Lagos metropolis and other major cities and examples of these includes the Mowe and Ofada axis in Ogun State (the outskirts of Lagos state). In these type of settlements, houses are built incrementally and completion of buildings could take as long as 10 years to complete using informal sources of finance. These informal sources of finance however still do not favour the low income earners due to its inability to be sustained because of the lack of institutional recognition and framework and also because they are highly unsecured however, the formal sector, which makes up about 15% of the housing market in Nigeria, is insufficient to meet the demand. Where supply exists, this is targeted at high and middle income earners, and even houses categorised as low income is still outside the reach of low-income earners. In 2010, IFC reported that the housing backlog was estimated at 14 million units and it will require about N49 trillion ($326 billion) to bridge the housing deficit of 14 million units based on an estimated average cost of N3.5 million ($23,333) per housing unit.

More recently, at the 4th National Council on Lands, Housing and Urban development in December 2014 in Nigeria, the stakeholders of the housing sector (which includes banks, development finance institutions, private sector players, and public sector partners like the Ministry of Lands, Housing and Urban Development, and the Federal Mortgage Bank) identified three major issues affecting Housing in Nigeria and this includes:

1. Land administration
2. Housing finance and
3. Affordable housing delivery.

It was reported that due to inadequate funding, once again the supply of housing was again lower than the demand of housing in 2014.The solution proposed to counter this problem was for the FMBN to be recapitalised to raise enough funds as it does not presently have enough funds to carry out its business activities. In January 2014, NMRC a private sector company with a public mission was inaugurated by the Federal Government to provide housing finance .It was structured to be privately owned with limited public sector stake and a shareholder mix up made up of financial institutions (mortgage banks, commercial banks, development finance institutions, public sector and government sponsored institutions).Its main objective was to provide an enabling environment for mortgage refinancing. However, the benefits to be expected from this venture doesn't apply to the low income unsalaried citizens in Nigeria because they still do not meet the required criteria for mortgage finance hence microfinance is being proposed as a strategy for facilitating housing finance and low cost housing in for low income earners.

In Nigeria, one of the most populated countries in Africa, getting everyone decent accommodation is one of the key focuses of the incumbent governments Seven Point Agenda which is a vision aimed at catapulting Nigeria into the league of the first global twenty economies by the year 2020. Several housing policies have been formulated in the past to improve the housing situation in Nigeria however, these haven't achieved the objective it was set up for mainly due to financing.

The state of the housing sector in Nigeria has not changed much despite all the policies being put forward by the Federal Government. The gap between the demand and supply of housing in Nigeria is still on the increase due to supply not meeting up with the demand for housing in Nigeria and because housing has been identified as one of the indices used in measuring the standard of living,housing development often occupies a prominent place in the policy making decisions and budget outlays of most governments around the world particularly those of developing nations. (Manoj, 2010; Sanusi, 2010).

Ferguson (1999) however observed that the great bulk of housing finance in developing countries comes from other sources besides financial banks and institutions. Many household uses their personal savings, sweat equity, and barter arrangements to build their houses incrementally over time.

This is mainly because other formal sources of housing finance such as government housing programme,mortgages etc. have all failed to meet the needs of the masses and financing houses through mortgage lenders and housing developers are scarce and where available are often unaffordable and mostly focus on the middle and upper market segments therefore

housing microfinance has been identified as an option that can have a tremendous potential to solve this housing problem.

2.7. Housing Delivery Methods in Nigeria

Over the years, housing has shifted from being viewed as a social sector to an economic sector and access to finance these houses has become one of the critical issues being discussed all over the world in both developed and developing countries.

Okpala (1994) identified two major sources of financing housing in Nigeria. This is made up of the formal sources of finance which includes commercial and merchant banks, insurance companies, state housing corporations, mortgage institutions and the Federal Mortgage Bank of Nigeria (FMBN) while the informal sources include Esusu or Ajo (Yoruba's), Etoto (Igbos) and Asusu (Hausas), age group associations, village development schemes, and traditional money lenders amongst many others (Wapwera et al., 2011) as shown in Figure 2.6 below.
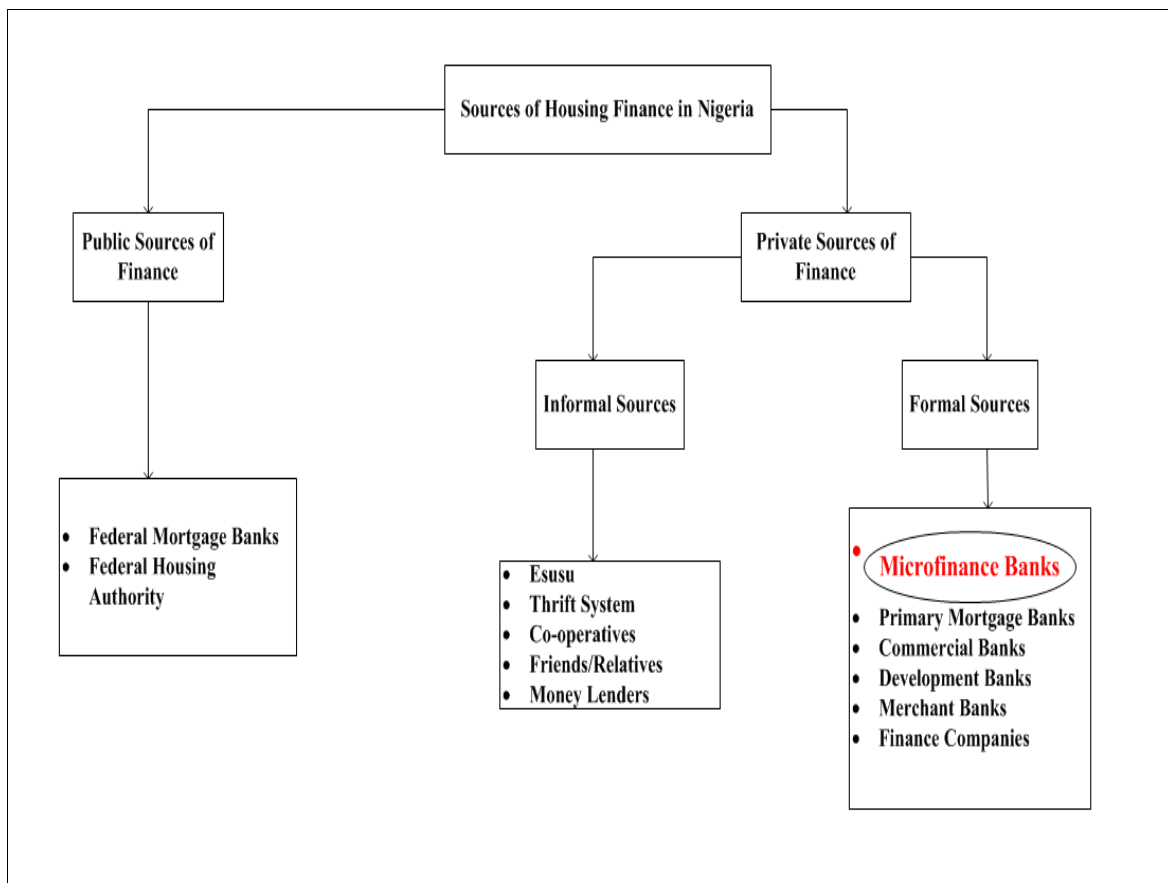
Figure 2-6: Sources of housing finance in Nigeria

Source : Adedeji and Olotuah (2012)

However, in Nigeria, informal housing is the most popular because more than 80% of the population live in unplanned settlements with poor living conditions. Housing in these unplanned settlements is built incrementally from informal sources of finance and could take over 10years to complete because only a few of the inhabitants have access to finance from formal financial institutions. They instead have access to informal sources of finance. These informal sources of finance however still do not favour the low income earners due to its inability to be sustained because of a lack of institutional recognition and framework and also because they are highly unsecured. The informal sources of finance caters to the needs of the poor and low-income households who often work in the informal sector of the economy and have been excluded from formal sources of finance, hence rely on the informal sources.However, the impact of these informal sources cannot be properly quantified because they are largely uncoordinated, scattered and varied in scope and operational depth and it lacks any institutional recognition and framework hence it cannot be sustained and they are highly unsecured. Ferguson and Smets (2010) identified a weak monitoring system, corruption, poor enforcement of internal rules, low repayment rates and high arrears as some of the issues which have complicated the informal sources of finance.

However, even the formal sources of finance are plagued by various issues which have made them unsuccessful in meeting the housing needs of low income earners in Nigeria.

Low income earners are defined by the Nigerian National Housing Policy (FGN, 2004) as all formal employees and self-employed persons whose annual income is N100,000 ($278) and below (i.e. the equivalent of salary grade level of 01-06 within the civil service). Presently in Nigeria, a large portion of workers working either in the public or private sector are classified as low income earners .For the purpose of this research, low income earners will be classified into two main groups

- The low income earners who work in the informal sector or are self-employed undertaking one or more jobs in order to sustain themselves and who live in either the urban or rural areas and have variable unsalaried incomes
- The low income earners who are gainfully employed in the formal sector but whose wages are low and range between N5,000 ($14) to N18,000($50) per month with N18,000 ($155) being the minimum wage in Nigeria (NBS, 2014)

Identifying a low income earner is a relative term which depends on the location, cost of living, employment status of the individual and their expenditure characteristics. For the purpose of this research, the focus will be on low-income earners who are either self-

employed,undertaking one or more jobs or are working in the informal sector earning variable incomes below N216,000 ($600) per month. These low income earners include factory workers, semi-skilled and unskilled construction workers, self-employed persons such as petty traders, drivers, laborers, carpenters, fitters, farmers, fishermen, commercial drivers etc. The major challenge is to expand housing finance that explicitly targets the income profiles of the mentioned group (low income earners) by developing a system that makes housing finance accessible, affordable and sustainable to the low income earners in Nigeria.

With the exception of Namibia and South Africa, housing finance is only available on a limited scale in most African countries. In Mali, Rwanda and Senegal, available housing finance amounts to about 2% of GDP while in Ghana, Tanzania, and Uganda, it is equivalent to 1% , a significant difference from other developing economies, such as Chile, Malaysia and Thailand, where housing finance accounts for 15% to 21% of GDP (Isern et al., 2009).

Other researchers who have identified other reasons for the shortage of housing in Nigeria includes, Akinmoladun and Oluwoye (2007) who identified limited land supply and acquisition obstacles as major factors affecting housing supply in Nigeria while (Merrill & Mesarina, 2006) are of the opinion that low income earners don't get access to credit facilities for housing purposes because they don't qualify for formal forms of finance due to reasons some of which incldes low income levels, informal sources of income and lack of land title.. However more recently, Onu and Onu (2012) discovered that even when there is available supply of land, access to the land is still very difficult because of poor access to credit facilities and finance. In all this, one common factor stands out: lack of access to financing options.

The National Housing Policy (2011) defined housing as the process of providing safe, comfortable, attractive, functional, affordable and identifiable shelter in a proper setting within a neighbourhood, supported by continuous maintenance of the built environment for the daily living activities of individuals/families. Within Nigeria, housing types vary from one location to the other and the type of house one lives in depends on two main factors: Affordability and the desired need. Over the years several housing policies have beenset up all in a bid to address the challenges of housing shortage in Nigeria such as formulating national housing policies, strengthening existing institutions and creating new housing institutions to scale up housing supply, credit facilities, production of building materials and training of personnel for human settlements management, and the review of existing legislative frameworks and regulatory machinery to augment land supply

In the last fifty years, the Nigerian National Housing policy has evolved three times. The objective of the housing policy was to improve the housing and living conditions of Nigerians generally and it set out to achieve these objectives by redeveloping the slums in Nigeria and supporting various housing construction programmes and projects however, the provision of housing to the poor continues to pose a major challenge for the policy makers. Major problems of public housing programme in Nigeria include:

- Housing programmes in general are neglected by the state and federal governments

- The general publics participation in the programme is very poor

- House-sites given to the poor are many times far off from the cities and located in the villages which are not often times connected by any road and without basic infrastructure.

- Most of the rural houses constructed with government assistance are local houses using urban-based materials and skills, and therefore they do not have a favourable impact on the rural economy and finally,

- Houses have high recurring costs.

Over the years, there have been various responses by the Federal Governmnet to the challenges facing housing in Nigeria such as the introduction of Low Cost Housing by the government. Low Cost housing is housing that is built, owned and managed by the government. It is sometimes also referred to as social housing, public housing, state housing, welfare housing non- profit housing, affordable housing mass housing, etc. depending on its geographical location (Ilesanmi 2010). However for the purpose of this research, low cost housing will be used to refer to a form of housing provision which emphasises the role of the government and private sector in providing housing for the poor and low income earners in the society (Van Vliet 1990).

In Nigeria, there are three main forms of housing delivery namely,

2.7.1. Public Housing Delivery

This category often provides housing funds for mainly the middle income groups, civil servants and government workers through specialised and non – specialised housing finance intermediaries. However, these public sources of finance have often failed to reach the poor. Jaiyeoba and Amole (2002) described this to be due to the finance for housing being seen as a supportive approach rather than a provider approach. Those eligible for this finance option

typically operate within the formal economy, possess basic home ownership capacities, and have some access to capital. Public programs attempting to target lower income groups have been plagued by challenges such as lack of political will, nepotism, corruption (leakage of funds to ineligible groups) etc.

The Federal and state government began intervention in the housing sector during the colonial period in the form of public housing construction known as GRA'S (Government reserved areas).In the early 1920's before colonisation, due to the outbreak of the bubonic pledge in Lagos state, the government established the Lagos Executive Development Board (LEDB) to help combat the poor and unhealthy living conditions which were in existence in Lagos state at that time.

The main focus of the LEDB was to regulate town planning and housing development in Lagos state and emphasis was being placed on the provision of staff quarters for expatriate staff and some indigenous staff working in specialised occupations like the railway service, police, armed forces, marine etc. rather than on the construction of houses for the general public. This was the beginning of public housing intervention in Nigeria. The idea behind this was to provide accommodation for expatriate staff that came into Nigeria and for the houses to be comparable to what was applicable in their respective countries where they came from.

These houses were made as comfortable as possible with the necessary services and amenities necessary for all comfort. By 1960, Nigeria gained independence and was divided into three main regions namely: Eastern,Western and Northern Regions. The regions established respective housing corporations in 1964 with the aim of developing Estates and at the same time providing mortgage for the people to build houses and pay back over the years. An example of such an Estate developed is Bodiga Estate in Ibadan (NHP, 1991). The Federal Housing Authority (FHA) was established in 1973 to assist the Federal Government in making decisions relating to housing and infrastructural services and implementing the decisions which were approved by the government. Example, the government proposed the construction of 15,000 housing units in different locations in Nigeria (FGN 2004) with the Federal Housing Authority being assigned the responsibility of overseeing the programme.

The FHA was also mandated to develop and manage real estate on both commercial and profitable basis for the Federal government by providing site and services scheme for all income groups in Nigeria and though emphasis was placed on providing for the low income groups, the goal of providing housing on profitable basis hardly accommodated the target group which was the low income groups in the major states in Nigeria. By 1991, another National Housing policy was launched by the Federal Government of Nigeria to serve as a

platform for providing better housing for Nigerians. The goal of the National Housing Policy was to ensure that all Nigerians own or have access to decent housing and accommodation at affordable costs by the year 2000 and in order to achieve this, the Federal Government came up with the following objectives

- To encourage and promote active participation in housing delivery at all levels of Government
- To strengthen institutions within the system so as to make them more responsive to demand and encourage the participation of the private sector in housing development

However, once again the goals set were not met and in 1992 the Federal Government again formed the National Housing Fund (NHF).The NHF is a policy instrument aimed at workers who are having difficulties providing shelter for themselves due to the economic recession. Once again, the emphasis was mainly on the low-income households.

2.7.1.1. Issues affecting Public Housing:

- Housing programmes in general are neglected by the state and federal governments
- People's participation in the programme is very poor
- House-sites given to the poor are many times far off from the village, and are not connected by any road and without basic infrastructure.
- Most of the rural houses constructed with government assistance are local houses using urban-based materials and skills, and therefore they do not have a favourable impact on the rural economy
- New housing technology, construction .materials, financial help, etc., are not always forthcoming to the poor without proper arrangement for basic sanitation and drinking water and separate arrangement for keeping animals and finally
- Houses have high recurring costs.

According to Olokesusi and Okunfulure (2000), most government housing programmes in Nigeria have been frustrated by issues such as corruption, politicization, insufficiency of technical staff, lack of infrastructure and the unstable state of the government while (Akeju, 2007) is also of the opinion that the Nigerian housing market is highly untapped and underdeveloped despite it having a lot of opportunities however, the government should focus on providing a favourable environment and investment climate rather than concentrating on building houses.

2.7.2. Private Housing Delivery

The private sector comprise of commercial banks, insurance companies, real estate developers, corporate organizations and building societies that provide housing credit mainly for the upper income groups and ignore the poor who have no form of collateral or regular income and are deemed as high risk customers. Private financial institutions often avoid providing finance options for low-income earners mainly because they do not have a steady monthly source of income and cannot provide any collateral to guarantee their loans, and the perceived default risk and the transaction cost involved is often very high.

In 1992, the government then set up a committee to review the existing housing policy because the policy failed to achieve the goal it was set up for and after the review, some significant changes were made .The Federal Government moved from the role of facilitator to the role of enabler. This simply means the government moved from building the houses to facilitating access to finance to build the houses privately. It moved from the public sector housing provision to the private sector housing provision. Under the new policy, there was an increase from 25 to 30 years period in which a loan can be repaid and interest rates charged on the loans were reduced to 4% from 5%. Between 2000 to 2004, another housing policy was again formulated and was focused on using the private sector as the main catalyst for housing delivery in Nigeria leaving the government to focus on providing basic infrastructures needed for the development housing. Nigeria's housing shortfall is estimated by the World Bank to be between 14-17 million units and the World Bank proposes that Nigeria needs to produce about 720 000 units annually for the next 20 years to begin to solve the problem. Nigeria's 2020 development strategy includes a vision to build 10,398,650 housing units, between 2012 and 2020. To better understand the scope and profile of the housing deficit the Ministry of Land, Housing and Urban Development announced in July 2013 that it would be undertaking a housing census. The Federal Housing Authority (FHA) was established in 1973 with the intention of driving a mass housing delivery program.

The private sectors contribution to the housing sector in Nigeria has mainly been in the form of individual efforts, co-operative associations, corporate bodies, estate agents, non-governmental organizations/charity organizations and foreign investors (Gbadeyan, 2011). Most experts believe that private housing delivery through the private individual developers is the biggest single group of housing providers in Nigeria.Private sector participation in housing dates back to the early 1990's when the national housing policy was produced (FRN 1991).

The aim of the government was to provide direct public houses to the masses while also stimulating the private sector to do the same . In 1992, the government then set up a committee to review the existing housing policy because the policy failed to achieve the goal it was set up for and after the review, some significant changes were made .The Federal Government moved from the role of facilitator to the role of enabler.

This simply means the government moved from building the houses to facilitating access to finance to build the houses privately. It moved from the public sector housing provision to the private sector housing provision. Under the new policy, there was an increase from 25 to 30 years period in which a loan can be repaid and interest rates charged on the loans were reduced from 5% to 4% . Between 2000 to 2004, another housing policy was again formulated and was focused on using the private sector as the main catalyst for housing delivery in Nigeria leaving the government to focus on providing basic infrastructures needed for the development housing. These private individuals finance housing units either from their personal savings or by borrowing from money lenders or co-operatives to fund the housing project and once done they are then rented out to the low income earners in the society.However, the private sector has also not achieved the goal it was set up for due to various issues some of which are listed above

2.7.2.1. Issues affecting Private Housing delivery

- Private developers often times do not adhere to time frame given for completion of the project
- The houses provided by the private sector is most often only affordable by the high and middle income earners because private developers are only interested in profit maximisation therefore houses are generally not for the masses
- The housing loans given out are only operated on short term basis
- Cost of the houses is extremely high and therefore unaffordable by low income earners.

2.7.3. Public – Private Partnership housing delivery

Again, the private sector and the public sector (PPP) went into partnership in order to enable the private sector to produce mass houses for sale to low and medium income earners at affordable prices . However, Ukoje and Kanu (2014) discovered the scheme did not produce the expected results because the planning and implementation of the scheme and the two bodies didn't seem to have the capacity to pull off the scheme. The housing units being

produced were still very expensive thereby making it unaffordable to the targeted group the low income earners. However, though the Public Private Partnership (PPP) is being hailed by the United Nations Centre for Human Settlement Developpment (UNCHS) and the United Nations Human Settlement Programme (Un-Habitat) as the framework for resolving the needs and demand gap in housing provision, this has failed to address the problem it was formed to resolve because the houses produced by PPP is still highly priced thereby making it unaffordable to the low – income earners (Ukoje & Kanu, 2014). The way the public private partnership works is through the federal government who allows large parcels of land to be granted to private sector real estate developers at low prices. The private sector is then issued with a letter of intent (LI) which permits them to source for funds from financial institutions to carry out the development and construction of these homes. It also allows them to defer the payment of charges relating to the land till after the development has been completed and handed over to the beneficiaries' .These developers are then meant to construct houses/estates at affordable prices however this still hasn't been successful.

2.7.3.1. Issues affecting PPP Housing delivery

- Some housing projects may be more politically or socially challenging to introduce and implement than others especially if there is an existing public sector workforce that fears being transferred to the private sector, if significant tariff increases are required to make the project viable, if there are significant land or resettlement issues, etc.

- There is no unlimited risk bearing – private firms (and their lenders) will be cautious about accepting major risks beyond their control, such as exchange rate risks/risk of existing assets. If they bear these risks then their price for the service will reflect this. Private firms will also want to know that the rules of the game are to be respected by government as regards undertakings to increase tariffs/fair regulation, etc. Private sector will also expect a significant level of control over operations if it is to accept significant risks

- Private sector will do what it is paid to do and no more than that, therefore incentives and performance requirements need to be clearly set out in the contract. Focus should be on performance requirements that are out-put based and relatively easy to monitor

- Government responsibility continues because the citizens will continue to hold government accountable for quality of utility services. Government will also need to retain sufficient expertise, whether the implementing agency and or via a regulatory

body, to be able to understand the PPP arrangements, to carry out its own obligations under the PPP agreement and to monitor performance of the private sector and enforce its obligations

- The private sector is likely to have more expertise and after a short time have an advantage in the data relating to the project. It is important to ensure that there are clear and detailed reporting requirements imposed on the private operator to reduce this potential imbalance

- Given the long-term nature of these projects and the complexity associated, it is difficult to identify all possible contingencies during project development and events and issues may arise that were not anticipated in the documents or by the parties at the time of the contract. It is more likely than not that the parties will need to renegotiate the contract to accommodate these contingencies. It is also possible that some of the projects may fail or may be terminated prior to the projected term of the project, for a number of reasons including changes in government policy, failure by the private operator or the government to perform their obligations or indeed due to external circumstances such as force majeure.

2.8. Housing Policies in Nigeria

Over the years, several housing policies have been launched by the Federal Government of Nigeria to meet the challenges of housing shortage in Nigeria. In the last fifty years, the Nigerian National Housing policy has evolved three times with the main objective of the housing policy each time being to improve the housing and living conditions of Nigerians generally.

Government intervention in the housing sector began during the colonial period when the Federal and state government began intervention in the housing sector in the form of public housing construction known as GRA'S (Government Reserved Areas).In the early 1920's before colonisation, due to the outbreak of the bubonic pledge in Lagos state, the government established the Lagos Executive Development board (LEDB) to help combat the poor and unhealthy living conditions which were in existence in Lagos state at that time. The main focus of the LEDB was to regulate town planning and housing development in Lagos state and emphasis was placed on the provision of staff quarters for expatriate staff and some indigenous staff working in specialised occupations like the railway service, police, armed forces, marine etc. rather than on the construction of houses for the general public.

This was the beginning of public housing intervention in Nigeria. The idea behind this was to provide accommodation for expatriate staff that came into Nigeria and for the houses to be comparable to what was applicable in their respective countries where they came from. These houses were made as comfortable as possible with the necessary services and amenities necessary for all comfort.

By 1960, Nigeria gained independence and was divided into three main regions namely: Eastern, Western and Northern Regions. The regions established respective housing corporations in their separate regions with the aim of developing Estates and at the same time providing mortgage for the people to build houses and pay back over the years. An example of such an Estate developed is Bodiga Estate in Ibadan (NHP, 1991).By 1973, the Federal Housing Authority (FHA) was established to assist the Federal Government in making decisions relating to housing and infrastructural services and implementing the decisions which were approved by the government.

Previously, the federal government of Nigeria, proposed the construction of 15,000 housing units across different locations in Nigeria with the Federal Housing Authority being assigned the responsibility of overseeing the programme. The FHA was also mandated to develop and manage real estate on both commercial and profitable basis for the Federal government by providing site and services scheme for all income groups in Nigeria and though emphasis was placed on providing for the low income groups, the goal of providing housing on profitable basis hardly accommodated the target group which was the low income groups in the major states in Nigeria. Again in 1979, the then president of Nigeria President Shehu Shagari initiated the policy on affordable housing however once again, this policy was unable to meet the housing needs of the masses because the policy was based on the tenet that houses will be provided by the government but this was not a feasible project because the government couldn't sustain it. By 1991, another National Housing policy was launched by the Federal Government of Nigeria to serve as a platform for providing better housing for Nigerians.

The goal of the National Housing Policy was to ensure that all Nigerians own or have access to decent housing and accommodation at affordable costs by the year 2000 and in order to achieve this, the Federal Government came up with two main objectives:

- To encourage and promote active participation in housing delivery at all levels of Government and

- To strengthen financial institutions within the system to make them more responsive to demand and encourage the participation of the private sector in housing development

However, once again the goals set were not met and in 1992 the Federal Government again formed the National Housing Fund (NHF). The NHF is a Federal Government scheme aimed at workers who have difficulties providing shelter for themselves due to the economic recession. Once again, the emphasis was mainly on the low-income households. The objective of the housing policy was to improve the housing and living conditions of Nigerians generally and it set out to achieve these objectives by redeveloping the slums in Nigeria and supporting various housing construction programmes and projects however, once again the objective was not met (Olokesusi & Okunfulure, 2000) attribute the failures of these federal government housing policies in Nigeria to be due to issues such as corruption, politicization, insufficiency of technical staff, lack of infrastructure and the unstable state of the government while (Akeju, 2007) attributes it to the fact that the government has no business building houses in the first place but should focus on providing a favourable environment and investment climate. Akeju (2007) agrees with previous researches done that the Nigerian housing market is highly untapped and underdeveloped despite it having a lot of opportunities.

The private sectors contribution to the reduction of housing problems in Nigeria has mainly been in the form of individual efforts, co-operative associations, corporate bodies, estate agents, non-governmental organizations/charity organizations and foreign investors (Gbadeyan, 2011) and most experts believe that private housing delivery through the private individual developers is the biggest single group of housing providers in Nigeria. These private individuals finance housing units either from their personal savings or by borrowing from money lenders or co-operatives to fund the housing project and once done are then rented out to the low income earners in the society.

Private sector participation in housing dates back to the early 1990's when another housing policy was launched (Federal Republic of Nigeria 1991) by the government with the aim of providing direct public houses to the masses while also stimulating the private sector to do the same. By the year 2000, the government changed its role from that of a provider (i.e. direct provision of housing) to that of enabler and regulator (i.e. by supporting the private sector in the direct provision of housing). However, once again, the houses produced were unaffordable by the target group who are the low and medium income earners and the private

sector does not adhere to the time frames given.With continuous increase in population and the fast growth rate of cities (urbanisation) a lot of pressure has been put on the housing facilities available and the government is unable to match demand for housing with the supply of adequate housing and infrastructure (Ajanlekoko, 2001).

Under the new policy, there was an increase from 25 to 30 years period in which a loan can be repaid and interest rates charged on the loans were reduced to 4% from 5%. Between 2000 to 2004, another housing policy was again formulated and was focused on using the private sector as the main catalyst for housing delivery in Nigeria leaving the government to focus on providing basic infrastructures needed for the development housing. Nigeria's 2020 development strategy includes a vision to build over 10million housing units between 2012 and 2020. As at 2012 however, it had only built 37,000 houses for 167 million Nigerians, less than 1,000 units per annum. Given this poor performance, proposals towards the restructuring and full commercialization of the Federal housing Authority (FHA) were introduced in 2013, and the process is currently still in progress.

2.9. Challenges affecting housing in Nigeria

In Nigeria, one of the major setbacks to housing delivery and construction is the lack of funds as opined by Wapwera et al. (2011) and housing construction requires a huge capital outlay which makes it a mirage to the average Nigerian who cannot afford it. Finance for housing in developing countries is often classified under three main groups (Unicef, 2000) .The first group is from the private sector made up of insurance companies, real estate developers, corporate organisations, building societies and commercial institutions who provide credit for the upper income groups and ignore the poor who have no form of collateral or regular income and are deemed as high risk customers while the second source is from the public sector which is funded by the Government. This category often provides funds for the middle income groups, civil servants and government workers through specialised and non – specialised housing finance intermediaries. In most developing countries, the public sources of finance cater for the needs of the middle income who operate within the formal economy and possess structures that can be used as collateral and have access to capital and the final source is from informal sources such as savings, informal loans from friends and family, group lending etc.

This source is mainly used to cater for the low-income households who often work in the informal section of the economy and have been excluded from formal sources of finance by

both the private and public sectors and hence rely on the informal sources. This therefore creates a gap between the high and middle income earners and the low income earners and to fill this gap in the economy, microfinance is seen as a potential to address the housing problem. This research work will examine how microfinance can be used as a strategy to finance the provision of housing to low income earners through incremental construction. (Ferguson & Haider, 2000) view microfinance to be beneficial to housing from three major angles and these areas will be explored in relation to Nigeria. Also, the critical success factors which will impact the implementation of a framework for microfinance as a source of housing finance will be examined and documented.

The Federal Government of Nigeria has a social responsibility to provide adequate, affordable and sustainable housing for its citizens however, irrespective of all efforts by the government to address the housing challenges through its various housing policies; there is still a gap between the demand and the supply of affordable housing.

Over the years its urban population has increased. (Hamdi, 1991; Ogu & Ogbuozobe, 2001) identified two housing models being used as approaches to housing development in developing countries such as Nigeria namely the "provider model" and the "enabling model" and these two models depend on the extent to which the public is involved in housing delivery.

The provider model supports the view that public authorities such as the government and any statutory body representing the government should control the production and delivery of housing through provider oriented approaches such as public housing strategies etc. and provider driven strategies such as federal and state housing programs which can be used to reduce housing deficit and improve the quality of housing as well while the enabler model supports the view that encouraging households, small scale builders and corporate firms by facilitating and enhancing their ability to deliver housing will reduce housing deficit. However the provider oriented approach has failed to meet the housing needs of most of the households in Nigeria.

The Federal Government firstly did not provide enough housing facilities to meet the needs of all Nigerians so there was a problem with the quantity being provided and secondly the houses provided did not meet the needs of the Low income households who mostly require the facility because they did not meet the conditions needed to qualify them for the facility.In Nigeria, about 35% of the economically active population are being served by the formal sector while the remaining 65% who are excluded from the formal financial sector turn to the informal financial sector for financial services. (Olotuah 2000). The informal financial sector

is made up of non- governmental organisations (NGO'S), microfinance institutions, moneylenders, friends, relatives, credit unions etc.

Abiodun (1985) in his research identified the major housing problem in Nigeria to be related to the instability in human needs for housing while Okpala (1985) stipulates that Nigeria's housing problem can be due to the significant shifts in the form and design of housing from the rooming form to flats and single family houses. Ogunshakin and Olayiwola (1992) are of the opinion that the absence of institutional housing policy with organised stable mechanism and implementation processes is the major flaw in governments' intervention in the housing crisis in Nigeria. Olawiwola and Adeleye (2005) believe that housing problem is more noticeable in relation to low income groups and factors that manifests the housing problems in Nigeria includes high rent in the housing market, lack of access to the mortgage finance etc. The problem of inadequate housing in Nigeria is an ongoing issue right from the oil boom era (Akinmoladun and Oluwoye 2007).

In the late 1960's,Nigeria regained independence and the national budget shrank because the government devoted less and less of its budget on the housing sector. Okoroafor (2007) and Makinde (2012) observed that housing problems can be both quantitative and qualitative in nature with the qualitative housing problems relating to the concept of decent accommodation while quantitative problems considers the number of housing units being provided over time.

To consider the quality or the quantity of housing, one major determinant of these remains finance, which is not readily available in both developed and developing countries. This then brings us to the issue of microfinance as an option for facilitating low cost housing in Nigeria. The essence of microfinance is to provide banking services to unemployed or low income individuals or groups who would otherwise have no means of gaining financial services without Microfinance. It offers the low income people in the society an opportunity to become self-sufficient and achieve desired goals by providing them with an option of saving and borrowing money and also insurance opportunities.

2.10. Summary

This section examined the importance of housing and the sources of housing finance in Nigeria. It also examined the issues affecting housing finance in Nigeria and examined the Nigerian housing policy over the years and the reasons why it hasn't been successful in providing adequate housing for the low income earners in Nigeria and though the Federal government has put in place several institutional arrangements and policies to address these

problems, not much has been achieved. It is therefore, hoped that with the adoption and expansion of other housing strategies such as housing microfinance, the housing deficit will be addressed thereby making low cost housing more affordable and available to the vast majority of the low-income groups. Listed in Table 2.2 below is a list of constraints and challenges identified by various researchers facing housing supply globally and they are all shown to be important and inter-related. These are all similar worldwide irrespective of whether its relating to a developing or a developed economy.

Table 2-2: Constraints identified deterring housing supply globally

Macro-economic and political environment: • High inflation rate and High interest rates   • Low per capita income   • Low investment in housing over the years   • Low priority given to housing by Governments   • Land tenure and ownership   • High population growth and increasing urbanisation   • Lack of adequate regulation and legislation for housing,
Building materials and costs: • Lack of acceptability of new construction practices   • Choice of technology   • Resistance in accepting new materials   • Imported materials which are expensive   • Lack of adequately qualified construction managers and skilled artisans
Finance: • Lack of adequate and appropriate financial products especially for low/ moderate-income households   • Lack of adequate financial support from Government, banks and donor community

Source: Various Researchers

CHAPTER 3. MICROFINANCE

3.1. What is Microfinance

Microfinance is a form of financial services for poor and low-income groups. More broadly put, microfinance refers to a movement that envisions a world in which low-income households have permanent access to a range of high quality financial services to finance their income-producing activities, build assets, stabilize consumption, and protect against risks. These services are not limited to credit, but include savings, insurance, and money transfers. In practice, the term is often used more narrowly to refer to loans and other services from providers that identify themselves as "microfinance institutions" (MFIs). These institutions tend to use various methods developed over the last 30 years to deliver very small loans to unsalaried borrowers, taking little or no collateral. The methods used includes group lending and liability, pre-loan savings requirements, gradually increasing loan sizes, and an implicit guarantee of ready access to future loans if present loans are repaid fully and promptly.

3.2. Origin of Microfinance

Microfinance has been in existence as far back as the 19th century and what is being referred to now as microfinance was being performed by local money lenders in the community who informally provide the people with loans and savings. It is a combination of financial services made up of savings, credit, insurance, and money transfers offered to the poor or low income earners who are mostly unsalaried and have limited or no access to formal financial products. The idea behind micro financing is to provide low income earners and the poor with financing options through a wide range of financial services to enable them find a way out of poverty and to grow and expand.

Microfinance evolved from informal sources in the early eighteenth and nineteenth century as a form of banking geared towards the poor in the society. In the past, village banks, co-operative credit unions, state owned banks and social venture capital were prevalent in providing funds for the poor. This was what the informal institutions were made up of. It was a tool used by different groups to fight poverty and improve the standard of living of the poor. However, most people classed as poor or low incomed who were served by the informal sector through moneylenders were charged very high interest rates.

Before microfinance came into existence, various informal sources of finance were in existence in various countries across the world. In China, what was in existence is known as "Hui", in India it is operated as "Chit Funds",while in Indonesia, it is known as "Paluwagan"(Seibel, 2005). Across Africa, in South Africa it is known as "Stokvel" while in some parts of West Africa, it is known as "Esusu or Susu"(Wapwera et al., 2011). Stokvel operates through a common group scheme whereby group members meet monthly to deposit a certain amount of money into a common fund which is then paid out to one of its members while Esusu works as a fund to which a group of individuals make fixed contributions of money at fixed intervals and the total money collected is then assigned to one person.

In the early 1800's when the benefits of giving small loans to entrepreneurs and farmers as a way out of poverty was discovered, Jonathan Swift a political pamphleteer, initiated the Irish Loan fund to provide small loans without collateral to rural people in Dublin as a way out of poverty. He started this loan funds on a charitable basis however it continued to grow and by 1823, a special law was passed which turned the charities into financial institutions authorised to collect interest bearing deposits and charge interest on loans given out. The idea quickly spread to involve over 300 institutions in Ireland however, this became a threat to the position of commercial banks who then reacted by getting the government to put a cap on the interest rates being charged..

By 1846, a German mayor and cooperative pioneer known as Fredrich W.Raiffeisen who pioneered rural credit unions did not however buy into Jonathan Swift's idea and was of the opinion that charity did not provide a solution to poverty. He therefore committed himself to finding a way to combat poverty and came up with a different approach called the "self-help" approach where he brought together a group of poor farmers to help themselves and each other by creating a savings and credit co-operative whereby the members of this co-operative can put in their savings and anyone who needed money was able to borrow at an advantageous rate. This was how the concept of the credit union was developed and the first co- operative lending bank was created with local independence. This structure mirrors the informal type of finance present in most developing countries today. Dr. Akhtar Hameed Khan, a prominent figure mostly known for his work on the Comilla Model of rural development in the 1960s began a scheme in Pakistan whereby group oriented credit was distributed. He used a model known as "Comilla Model" where credit was distributed mainly through community based projects. This project however failed due to two main reasons: the over involvement of the Pakistani government in the scheme and the creation of hierarchies

whereby certain members began to exert more control over the loans than others.(A. R. Khan, 1979).

More recently in the 1970's, the concept of microfinance was formally introduced in Bangladesh by Professor Muhammad Yunis who went on and founded the Grameen Bank which is often referred to as the first microcredit institution with the aim of providing small loans to the poor in the rural areas to reduce poverty. The Grameen Bank in Bangladesh, was founded by Muhammad Yunis in 1976.Yunis lent using the borrower group model with the aim of giving those classed as low income earners or the poor access to credit while also teaching them necessary financial skills. The act of understanding banks and loans is very important for these individuals as it helps them avoid falling prey to unscrupulous moneylenders. The Bank provides low interest rates on loans and attractive rates for deposits, and based om this, repayment and savings rates are often times very high. 97% of Grameen Bank's members are women and 65% of its members have crossed the poverty line, according to the Bank's website. Grameen Bank functions as the model for microfinance banks around the world, and many other private microfinance banks have emerged in that region.

3.3. Definition of Microfinance

Various researchers have come up with different definitions of microfinance. Otero (1999), defined microfinance as the provision of financial services such as savings, credits and other financial services such as insurance and payment services to low income earners while Robinson (2001) defined it as "small-scale financial services made up primarily of credit and savings provided to people who operate small enterprises while Schreiner and Colombet (2001) defined microfinance as the attempt to improve access to small deposits and small loans for poor households neglected by financial institutions. Conroy (2003) defined micro financing as the provision of financial services to poor and low income households without access to formal financial inclusion while the World Bank report of 2004 defined microfinance as the provision of financial services to low income earners and entrepreneurial poor including consumers and self-employed people who traditionally lack access to banking related services.

Microfinance generally involves the provision of services such as savings, loans and insurance to poor people living in both rural and urban areas who are unable to obtain these financial services from the formal sector. Entrepreneurial poor here refers to people who have

the ability to increase their incomes through economic activities but are constrained by lack of resources.

For the purpose of this research, the definition given by Robinson (2001) as cited in Ogunleye (2009) will be used where microfinance is defined as the provision of financial services such as loans, savings opportunities, insurance, money transfers and other financial services targeted at the poor and low income earners in the society. Akanji (2006) identified three main features of microfinance which differentiates it from other financial products to include:

- Loans are relatively for short terms, with immediate regular weekly or monthly repayments which are often disbursed quickly after approval. Loans are usually quite small to begin with and as borrowers regularly repay their loans and demonstrate their creditworthiness, they become eligible for larger loans.

- The traditional lender's requirements for physical collateral such as property are usually replaced by a system of collective guarantee (or solidarity) groups whose members are mutually responsible for ensuring that their individual loans are repaid. Alternatively, borrowers may be requested to find one or two personal guarantors – often these are respected local community leaders.

- Loan application and disbursement processes are designed to be helpful to low income borrowers by being simple to understand, locally provided and quickly accessible with minimal paperwork. It maximizes the benefits that come with the simplicity of its operations.

The idea behind microfinance is to provide individuals and small businesses access to a wide range of financial services to enable them find a way out of poverty and to grow and expand. It works by providing credit to the poor either through joint liability group lending or through individual based lending. While the individual based lending is similar to the traditional form of banking which involves a direct relationship between the financier and the individual, the joint liability group lending approach is based on loans being made to a group of borrowers. The joint liability group lending however has the advantage of eliminating the middleman who would have acted as the agent to verify the suitability of the borrower thereby reducing the the cost of the loan to the group.

Ashta and Hudon (2009) also identified two microfinance business models namely:

- The non- profit Grameen Bank model and

- The commercial for profit Compartamos Banco model.

The fundamental difference between these two models is their funding methods. While both institutions are primarily concerned with reducing poverty and providing funding for the poor and low income households, their funding methods are quite different .The Grameen bank funds its microloans from deposits made from savings while Compartamos Bank operates more like the traditional commercial banks deriving its funds by engaging in initial public offerings(IPO'S) to raise capital. IPOS refers to a process whereby the stock of a private company is offered to the public.

The microfinance industry has since evolved over the years and is still evolving and with it comes some challenges such as claims that the industry is abandoning its mission to serve the poor (Dichter & Harper, 2007). Other challenges identified by Nobel Peace Prize winner Muhammad Yunus, who is regarded as the pioneer of microfinance includes the challenges arising based on the fact that customers who are financially better off crowd out poorer customers in most credit scheme (Christen, Drake, & Rhyne, 2002). Microfinance institutions (MFIs) are established with the aim of providing banking facilities to the poor in the society who are often regarded as "unbankable" by regular financial institutions. These MFI's lend small amounts to those classed as poor borrowers or low income earners. However, if mission drift occurs, the MFIs outreach to poor customers and the depth outreach is weakened (Schreiner, 2002). However, if the MFI is more cost efficient, the effect of this mission drift can be neutralized.

With the increasing rate of commercialization of the microfinance sector, most discussions by MFI's now centre on issues such as profitability, sustainability and risk reduction. Commercialization has been shown to allow greater opportunity for MFIs to fulfil their social objectives thereby increasing access to a range of demand driven microfinance products and services to the poor (Charitonenko & Afwan, 2003). Again, this has resulted into two camps that broadly represent two different approaches to microfinance namely the Welfarist and Institutionalist approach.

i. Institutionalists are of the opinion that microfinance institutions should operate on a commercial (profitable) basis because subsidized lending is not sustainable and restrictions on funding limits the potential of the microfinance institution and can result into increased costs. It also supports the view that commercialization offers the MFI the

opportunity to increase outreach and sustainability while delivering social benefits at the same time while

ii. Welfarists oppose commercialization and argue that the introduction of the profit motive into microfinance distorts the actual mission of microfinance institutions which is to reduce poverty and potentially degrades an organization's commitment to the poor, who will be crowded out by less poor clients (Christen et al., 2002). Welfarists believe that many of the poor households who participate in microfinance programmes are not capable of bearing the burden of commercial loans which carry market interest rates especially since market rates for the target sector can be excruciatingly high.

It is therefore not possible to achieve these two opposing objectives simultaneously. First, ensuring profitability on the part of MFIs by charging an interest rate which could cover all operational and financial cost and provide profits as well while secondly ensuring poverty reduction. Since this is not simultaneously possible, the profit motive will often time take priority over the service motive if profitability is emphasized more than the outreach and poverty eradication on the part of microfinance institutions (Woller, Dunford, & Woodworth, 1999) and according to the welfarist approach to microfinancing, subsidies and donor funding are the only way to accomplish the poverty-reduction objective.

In Nigeria, the Microfinance sector is seen to be shifting more towards commercialization. Most of the non-profit organizations are transforming into regulated and profit-driven Institutions. The key principle behind commercialization is that "poor households require access to credit, not necessarily "cheap credit" (Morduch, 2000). Supporters of commercialization regard a business-oriented approach as a necessary step to providing high 'quality' financial services to the poor. This group believes that the success of microfinance, both in terms of poverty reduction, through reaching a maximum number of poor households, and in terms of its sustainability, depends on its ability to adopt principles of commercialization in all its operations (Robinson, 2001).

3.4. Microfinance and Economic development

A lot of studies have been carried out on the relationship between financial development and economic growth. Greenwood and Jovanovic (1990) suggested that the relationship between financial development and economic growth is mutual while King and Levine (1993) are in support of the view that financial development leads to economic growth therby concurring with the work of Joseph Schumpeter which points out that banking institutions through their

provision of funds for productive investments are of great importance to economic growth. This is in agreement with the study by Otero (1999) who also supports the view that microfinance promotes financial development from three different avenues:

1. The ability to reach the poor: Microfinance addresses the main constraint faced by the poor which is the shortage of capital.It creates access to productive capital by working with both human and social capital thereby enabling the poor to move out of poverty. It serves as a liquidity tool that helps the poor to smooth their consumption pattern and reduce how vulnerable they are to risk.It also increases the capital available to the poor and strengthens the sense of dignity that they possess (i.e. the poor).This in turn helps to empower the poor to participate in the economy. When a poor person has a steady source of income, he/she can provide for his family and make plans for the future.

2. Building institutions: Microfinance creates institutions which provide financial services to the poor. These institutions become channels for providing capital needs for the poor. Microfinance creates sustainable private institutions that specialize in developing financial services to the poor. These institutions become the channel needed to incorporate the low income earners into the economy.

3. Deepening the financial systems reach: It is known that a healthy financial system is important for the development of any economy. When the microfinance institution becomes a regulated institution, it creates an avenue for the institution to access the capital market to fund its lending activities and this aids in increasing the number of poor people that they can reach. By being part of the financial sector in any country, microfinance institutions deepen the reach for power.

Arestis and Demetriades (1997) explained this even further and support the view that economic growth creates financial development which in turns helps in sustaining growth while Khan and Qayyum (2007) support the view that direct finance has a significant positive relationship with economic growth by making available funds to the poor which in turn increases production and output. This in turn leads to an increase in the demand for more financial services (micro-savings and micro-insurance) which positively affects financial development and sets the economy on the path of growth (Luintel et al., 2008).It can then be

said that availability of funds generates enterprise, enterprise generates finance flow, finance flow generates financial development, while financial development generates economic growth. De Gregorio and Guidotti (1995) also argued that financial development leads to improved economic growth, especially when funds are efficiently invested. However, Kemal, et al.,(2004) do not regard finance (micro-finance inclusive) as an important determinant of economic growth and Lucas (1988) even referred to it as overstressed, while Levine (1997) sees financial institutions as more harmful to a nation's economic growth. This led to a call for redefinition and the use of appropriate measure of estimation of the relationship between financial development and economic growth and development of financial intermediaries by (Bencivenga & Smith, 1991).

The main objective of Microfinance is to raise income, by encouraging private sector activity through the provision of micro-credit to micro and small scale entrepreneurs (Armendáriz de Aghion & Morduch, 2000). In a study conducted by (Chua et al., 2000), they noticed that the impact of microfinance services on income and consumption is dependent on the initial endowment of the household and the length of time they have been clients of the institution. It is also affected by how efficient they are in the management of the sourced resource,the profitability of the sector they invest in and the availability of social amenities and a cheaper source of factors of production also influence income. According to Akanji (2002), the poor make effective use of credit facilities and not only are they willing to pay high interest rate on loans, they are also willing to make enough returns to run a savings account with the MFI. It should be noted that the conversion of the poor who were formerly economic liabilities into profit making micro-entrepreneurs can have a positive impact on the financial system and consequently lead to economic growth by bringing its full physical and human resources into productive use .Therefore though over the years, there have been various definitions of Microfinance by different groups, in different regions however, irrespective of all the various definitions available, one thing remains constant and that is "Microfinance can be used as an effective avenue for providing financial services to the poor and unsalaried individuals who are at the bottom of the economic pyramid and have no access to formal banking services. Recent developments in microfinance offer a promising alternative. Microfinance institutions have long observed that customers use microenterprise loan proceeds to improve their living conditions. These customers tend to use their business loans for housing needs in response to the lack of access to housing finance. Typically, a microenterprise loan has been shown to offer a better repayment term than informal sources of money lending, and such a loan can serve as a supplement or alternative to saving towards housing improvements. This suggests

that microfinance has potential beyond income-generating uses (enterprise) and can be applied to personal asset building activities such as investments in housing. This therefore assumes that economically active poor people can finance their habitat needs in a manner that is incremental and affordable, and under conditions that allows the finance provider to cover all related costs.

3.5. Microfinance in Nigeria

In Nigeria, Microfinance began on a small and informal scale. In southern Nigeria , it began as what's called "Esusu" where a group of people come together to save money jointly. This practice is still very much in existence across the whole country but is known by different names to various ethnic groups e.g. "Adashi", "Ajo", "Esusu", etc (Wapwera et al., 2011). By 1950, the government modernized what was known as Esusu to become community banks and over the years more changes and reforms have been made to the microfinance institutions. In 2005, the central bank of Nigeria formally transformed a network of several community banks to microfinance banks to deepen the access that micro – entrepreneurs had to financial services. The aim of this was to empower the small and medium sized enterprises to contribute to the economic growth of the economy, provide financial services to the economically active poor, create employment opportunities and enhance the standard of living of the poor, mobilise savings for rural development etc.

The (Cental Bank of Nigeria) regulatory and supervisory guidelines for microfinance banks in Nigeria (MFBs), defined a microfinance bank as "Any company registered to carry on the business of providing microfinance services, such as savings, loans, domestic funds transfer and other financial services that are needed by the economically poor, and low income earners, micro, small and medium enterprises to conduct or expand their businesses as defined by these guidelines". The objectives of microfinance banks in Nigeria include:

- Make financial services accessible to a large segment of the potentially productive Nigerian population which otherwise could have little or no access to financial services.
- Promote synergy and mainstreaming of the informal subsector into the national financial system.
- Enhance service delivery by microfinance institutions to micro, small and medium entrepreneurs.

- Contribute to rural transformation and Promote linkage program between universal banks

Access of micro entrepreneurs to financial services is expected to boost, expand and or modernize the operations of their businesses so that this class of entrepreneurs can be economically empowered and thus be able to contribute to national economic growth and development. The Microfinance policy presented a blue print for the emergence of a regulated microfinance subsector in Nigeria under the supervisory purview of the CBN and with deposit insurance cover provided by the Nigeria Deposit Insurance Corporation. Inter alia, the policy provided guidelines for the establishment of Microfinance Banks, as well as migration of the existing Community Banks and NGO-MFIs to Microfinance Banks. The policy also directed Community Banks that were unable to convert to MFBs to cease to operate.

The apex bank gave the following reasons for the formulation of the Microfinance Policy:

1. **Weak Institutional and Network Capacity**: The prolonged sub optimal performance of many erstwhile community banks, microfinance and development finance institutions is as a result of incompetent management, weak internal controls and lack of deposit insurance schemes. Other factors include poor corporate governance, lack of well-defined operations and restrictive regulatory / supervisory requirements.

2. **Weak Capital Base**: The weak capital base of the existing microfinance institutions could not adequately provide a cushion for the risk of lending to micro enterprises.

3. **The Existence of a Huge Unserved Market**: The size of the un-served market by the existing financial institutions is large. For instance in 2005, the aggregate microcredit facilities in Nigeria accounted for about 0.2 per cent of Gross Domestic Product (GDP) and less than one percent of total credit to the economy. This revealed the existence of a huge gap in the provision of financial services to a large number of the active poor and low income groups.

4. **Poor Banking Culture and Low level of Financial Literacy:** The primary target of microfinance initiative includes people who have never had any banking relationship in their lives either due to poor financial literacy, remoteness from bank locations or complete ignorance of what banking entail. Most of these people equate microfinance

with micro credit see banks and other fund providers not as partners in business but mere sources of loans and advances.

5. **Economic Empowerment of the Poor**: Globally, micro small and medium enterprises (MSMEs) are known to contribute to poverty alleviation through their employment generating potentials. As people become gainfully employed they are able to earn some income from which basic needs of life are met. In Nigeria, however, the employment generation potentials of small businesses have been seriously constrained by lack of access to finance to either start, expand or re-engineer their present scope of economic activities in order to generate employment.

6. **The increasing interest of local and international investors in Microfinance**: Many local and international investors have expressed interest in investing in the country's microfinance sector.

7. **Urban Bias in Banking Services**: Most of the existing banks are located in urban centers and several attempts in the past at encouraging them to open branches in the rural areas did not produce the desired results .With a high proportion of the Nigerian population still living in the rural areas, it has become absolutely imperative to develop an institutional framework to reach the unserved population.

With over 900 MFBs licensed by the Central Bank of Nigeria in Nigeria, the microfinance banking sector is very large but still quite young. The regulations set by the CBN define a microfinance bank as an institution that provides financial services to microfinance clients. Microfinance clients are defined as economically active low-income earners, low-income households, the unbanked and underserved, micro-entrepreneurs, informal sector operators, and farmers. Thus, the CBN clearly defines that MFBs are licensed based on what is globally understood to be the objective of microfinance; i.e. the provision of financial services to the underserved or unbanked.

As at the 31st December 2016, the total industry credit and asset of MFBs in Nigeria stood at a meager N214.32billion ($594million) and N365.51billion ($1,011million) respectively and this is considered grossly inadequate given Nigeria's population of over 186 million people which largely comprises of people at the bottom of the social pyramid who constitute a veritable target market for Microfinance Banks. The microfinance industry in Nigeria is highly concentrated and unevenly distributed with the top seven out of the existing 942

Microfinance Banks accounting for over 40 percent of the industry's total loans, 37 percent of the total deposits and and 39 percent of assets respectively as at 31st March 2016 (Cental Bank of Nigeria, 2017). The sector is dominated by a high spate of distress and failures with many institutions, particularly unit Microfinanec Banks theoretically insolvent or inactive resulting in business closure.

Microfinance loans in Nigeria are defined as micro loans less than 500,000Naira ($1,560). The regulator,the Central Bank of Nigeria (CBN) prohibits the provision of unsecured loans exceeding 50,000 Naira ($139) and group and third party guarantees are qualified by the CBN as proper collateral for microfinance loans. However, in practice MFB's generally require additional asset collateral from their clients. All loans greater than 500,000 Naira($1,560) are defined as Small and medium Enterprise (SME) loans of which only 20% of the MFB's total portfolio can be composed of (Cental Bank of Nigeria, 2012).

Nigeria has a potentially huge microfinance market, as an estimated 110 million people are still living below poverty line despite the policies of past governments to improve their welfare. According to the World Bank, a person is considered as poor if his or her income level falls below some minimum level necessary to meet basic needs and this minimum level is usually called the "poverty line". Being the world's seventh most populous country with the population standing at over 186 million in the year 2016 (Worldometers, 2017), poverty alleviation and the provision of basic services such as adequate housing remains one of the country's biggest challenge, particularly in the rural areas where poverty is seen to be more severe.

Microfinancing has been identified as a promising instrument to achieve financial inclusion in Nigeria. The provision of microfinance has been the focus of successive governments in Nigeria with the 2005 National Microfinance Policy creating a positive policy environment with a regulatory framework that has facilitated not only the growth of privately-owned microfinance institutions but has also facilitated the participation of third sector institutions, cooperatives, non-governmental organizations, and self-help groups in the microfinance model. The framework was reviewed and revised again in 2012 and since then, there has been an upsurge in the number of microfinance institutions in Nigeria and this has ensured that there is at least one Microfinance bank in every local government in Nigeria.

Two main methods of credit delivery are being used by microfinance institutions in Nigeria and this is based on how loans are being delivered and guaranteed. This includes:

3.5.1.1. Individual approach

This is a straight forward credit lending model where micro loans are given directly to the borrower. It does not include the formation of groups, or generating peer pressures to ensure repayment. It simply involves the provision of credit facilities to individuals who are not members of a group. As it is asset based, lending is provided to individuals based on their ability to provide the Micro finance Institution (MFI) with assurances of repayment and some form of collateral or be able to provide a guarantor or a co-signer for the loan.

3.5.1.2. Group based approach

The Group Model approach is used to overcome the shortcomings and weaknesses of the individual approach by taking advantage of the collective responsibility and security afforded by the formation of a group of individuals. The collective coming together of individual members is used for a number of purposes: educating and building awareness, collective bargaining power, peer pressure security etc. It involves lending to a group of people or to individual members of a group who guarantee each other's loans or lending to a group which then sub-lends to its members. The formation of a group is essential to group based lending approach and the use of peer pressure from other group members acts as a substitute for collateral and as a repayment incentive. Group lending also reduces transaction costs and risks as well because the internal group members would have carried out monitoring and screening of each other prior to the formation of the group. Group based approach could take different forms such as:

- Group acting as a financial intermediary i.e. Self Help Groups (SHG): Here the loan is made out to the group and because of the homogeneity of members, default risk is reduced.
- Group acting as guarantors of loans: Here 4 to 7 group members guarantee each other's loans thereby replacing traditional collateral requirements.
- Lending to individuals in a group: Access to loans is phased and no collateral is required because group members guarantee each other.

3.6. Classification of Microfinance Banks in Nigeria:

In Nigeria, there are three (3) categories of Microfinance banks as shown in Table 3.1 below:

Table 3-1: Microfinance Banks in Nigeria

	Microfinance Banks in Nigeria	Paid up Capital (N)	Paid up Capital ($)
1.	Unit Microfinance Bank	20 million	55,560
2.	State Microfinance Bank	100 million	278,000
3.	National Microfinance Bank	2 billion	5,555,600

Source : Cental Bank of Nigeria (2017)

These three microfinance banks are so categorised based on the following definition of terms

1. Unit Microfinance Bank

A Unit Microfinance Bank is authorized to operate in one location. It is required to have a minimum paid-up capital of N20 million ($55,560) and is prohibited from having branches and/or cash centres.

2. State Microfinance Bank

A State Microfinance Bank is authorized to operate in one State or the Federal Capital Territory (FCT). It is required to have a minimum paid-up capital of N100 million ($278,000) and is allowed to open branches within the same State or the FCT, subject to prior written approval of the CBN for each new branch or cash centre.

3. National Microfinance Bank

A National Microfinance Bank is authorized to operate in more than one State including the FCT. It is required to have a minimum paid-up capital of N2 billion ($5,555,600), and is allowed to open branches in all States of the Federation and the FCT, subject to prior written approval of the CBN for each new branch or cash centre.

3.7. Housing Microfinance

Housing microfinance which will be refered to as HMF in this research is a subset of microfinance designed to meet the housing needs and preferences of low-income families especially those with little or no access to the banking sector and formal mortgage loans. Housing Microfinance works for low income earners who build, improve or expand their dwellings, often incrementally. It includes a range of service offerings such as loans, savings and insurance products that support informal shelter improvements and works where mortgages are unavailable.

Generally, there are three tiers of housing microfinance operators. The first tier consists of commercial banks and microfinance banks. The second tier encompasses non-banking microfinance institutions that offer credit only, as well as HMFIs and cooperatives while the third is made up of unregulated entities such as informal money lenders, community-based savings group and mutual entities. It is a demand-driven, affordable product for low income households and it recognises housing as a process in which low income households should be decision makers and drivers. This product which is not a consumer loan, mortgage loan, productive loan or subsidized housing achieves the double bottom-line of profitability and social performance. Typical, the features of HMF product includes:

- A shorter loan term of up to three years
- Incremental disbursements based on performance
- Frequent repayments and secure property tenure.

It also includes other features such as

- Social guarantees or alternative collateral
- Smaller loan amounts than traditional mortgages
- Sometimes high interest rates.

These loans can either be granted to individuals or groups for the purpose of home improvement or incremental building. However, based on the fact that housing loans involve large capitals which is often repaid over longer periods than business loans and doesn't produce income immediately, group lending is found to be less suited to housing loans than to microenterprise loans because holding a group collectively liable for all members repayments of large sums of money over long periods of time creates a higher risk which will be less acceptable to both the lenders and the borrowers.

These two methods stated above are similar to what is applicable in the traditional informal sources of finance which is already in existence with the only difference being that it is highly unsecured and lacking the magnitude of funds required for large investment outlays such as housing projects hence the proposal of housing microfinance using the individual lending approach in supplying housing finance.

Housing microfinance is an affordable option that can be used to facilitate not only home improvements but also new housing delivery. However in Nigeria, the existing housing policy does not encourage this and is at times seen to be hostile to an incremental housing delivery process. For housing microfinance to fulfil its full potential as a strategy for meeting Nigeria's housing shortfall, the constraints that actively and passively deter the growth and expansion of HMF as a key component for low-income housing delivery must be overcome and the critical success factors which can help in scaling up housing microfinance need to be identified and implemented. Most importantly, there has to be an acceptance and support of incremental housing delivery and incremental housing finance as an effective route through which low-income households can meet their housing needs

3.7.1. Definition of housing Microfinance

There are various definitions of housing microfinance. According to Daphnis and Ferguson (2004), housing microfinance is defined as a discrete practice that intersects housing finance and microfinance. It is "any micro financial tool that can be used to support investment in the components of housing, including land purchase or access, provision of or improvement to services, full or incremental house construction and renovation of maintenance for low income earners. Low income earners are identified by Daphnis and Ferguson (2004) as people who often lack access to formal financial institutions and these are the people identified as the main customers of housing microfinance . He also defined issues relating to the design of financially viable housing microfinance services to include the customer's capacity to pay, loan repayment period, pricing, affordability, construction assistance, security requirements, land issues and capital adequacy.

The Housing finance information Network (HOFNET) also defined housing microfinance as the provision of financial services such as unsecured microcredit , savings, remittances and micro insurance to meet the demand of low-income households to repair or improve their existing homes or build their homes incrementally one loan at a time while

Ferguson and Haider (2000) defined housing microfinance as small loans given to low/moderate income households typically for self-help home improvement and expansion and also for new construction of basic core units. It is said to lie at the intersection between microenterprise finance and mortgage finance because it shares the same characteristics with both microenterprise finance and mortgage finance. This relationship is shown in Figure 3.1 below as it shows the intersection between housing finance and Microfinance

Housing Finance

Housing Miro Finance
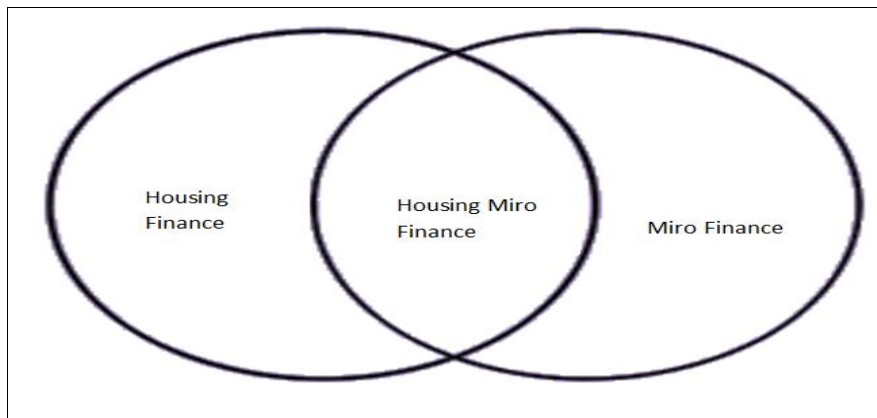
Miro Finance

Figure 3-1: Relationship between Housing and Microfinance

Source: Daphnis and Ferguson (2004)

Basically, housing microfinance is primarily the provision of unsecured microcredit, to meet the demand of low-income households to repair or improve their existing homes or build their own homes incrementally one loan at a time. It intersects both housing finance and microfinance while attempting to fill the gap between government subsidy programmes and the traditional sector by adapting the principles of microenterprise finance. Housing microfinance fits in with incremental housing whereby the lender provides funding for housing related issues such that the customer is given small loans sufficient to cover a specific housing phase.

Ferguson and Haider (2000) also support the view that housing microfinance lies at the intersection between microenterprise finance and mortgage finance because it shares the same characteristics with both microenterprise finance and mortgage finance. It involves giving out loans at unsubsidized interest rates for short terms, relative to mortgage finance. Daphnis and Ferguson (2004) envisaged that the idea behind housing microfinance is to adopt the principles of microfinance to provide financial services that allow the poor and low income earners finance their housing needs. These principles are listed in Table 3.2 below

Table 3-2: Principles of Microfinance

• Loans are relatively small amounts and are based on clients' capacity to repay
• Repayment periods are short (especially in comparison to mortgage lending) and are on par with mid- to high-end microfinance individual loans
• Loan pricing is expected to cover the long run operational costs of providing the service
• Loans are not heavily collateralized, if at all, collateral substitutes are often used.
• Loans tend to finance habitat needs in an incremental manner, with short repayment periods and relatively low monthly payments

Source: Daphnis and Ferguson (2004)

Ferguson and Smets (2010) have identified the incremental building process as the best hope of increasing the supply of housing in developing countries while Smets (2012) also identified housing microfinance as a viable option for housing finance.

Innovative housing finance options such as housing microfinance has been developed to enable the poor and low income earners gain access to 'formal' housing finance. This has been shown to work successfully in other countries such as India (Mehta, 1994) and Latin America (Ferguson, 1999) where an increase in housing finance has been noted over the years. Conventional housing finance however does not reach majority of those classed as low income earners adequately due to some identified reasons such as complex procedures and insufficient financial resources, the inadequacy and sparse coverage of the banking network and the inadequacy of housing standards prescribed by banks for eligibility for lending. Even when the low income earners are able to obtain a housing loan, they face problems of accessibility due to cultural, informational and physical barriers. Most importantly, the formal financial institutions consider the low income earners as high-risk borrowers (Ferguson, 1999). This risk is shown in the high interest rates charged which are often times not affordable by the low income earners.

Much research still needs to be done to understand what type of organizational and governance structures are most appropriate to scale up Housing microfinance. The inability to develop the appropriate policy and processes for offering and testing HMF by microfinance banks has been one of the major challenges identified from literature which hinder the development of housing microfinance and housing products for low income earners. Other

issues identified by various authors globally that affect housing microfinance are shown in Table 3.3 below

Table 3-3: Issues affecting Housing Microfinance Globally

Author	Issues Identified
Boleat (1985)	Affordability for the households, Viability for the financial institutions, Resource mobilization for the expansion of the sector.
Latourte (2003)	Limited access to medium and long-term capital. Insufficient understanding of the relationship between subsidies and financial services. Insecure land tenure.
Ehigiamusoe (2005)	Funding Issues Land Title and Collateral Construction Technical Assistance Repayment problem Inadequate experienced credit staff Internal Control challenge
Martin (2008)	The perceived risk of the market, The perceived risk of the product methodology The bank's operations
Smets (2006)	Affordability issues, Viability issues and the Effect on the economy
Nwanyanwu (2011)	Operating Cost, lack of credit collateral, Repayment Problem Inadequate Experienced Credit

Globally, housing microfinance is a fairly new concept. The growth in importance of financing issues relating to housing emerged from the 1996 UN Conference on Human Settlements Habitat II. The conference redefined the role of the 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 more of the majority of the population.

As we know, low income earners prefer to build their own houses incrementally over time as the funds become available rather than rent or renovate old houses. A majority of the financing for this is from sources other than financial institutions. The general constraints on housing delivery in Nigeria, coupled with the lack of financing options have put low income earners in a desperate position regarding their housing needs.

Microfinance for enterprise has been largely regarded as successful in lending to the poor. According to the World Bank, microfinance can help the poor increase their income, build viable businesses, and reduce their vulnerability to external shocks. It is also a powerful instrument for self-empowerment because it enables the poor, especially women, to become economic agents to change. Thus, by providing access to financial services, microfinance plays an important role in the fight against the many aspects of poverty (CGAP). However, despite the fact that microfinance for enterprise provides credit to those in some kind of business venture, research shows that it is not uncommon for part of these loans to be diverted to home improvements and expansions.

The Grameen Bank of Bangladesh, one of the renowned microfinance institutions, having recognised this fact and provides its customers with housing loans.As at the year 2015, the interest rate charged on the loans was 8% and was lower than that charged on business loans. Borrowers can borrow up to $500 but the average loan size is $350. However, despite these impressive achievements of the Grameen Bank in the rural areas, it has not been easy to replicate such success in the urban areas.

Research done by the USAID and Harvard University in the year 2000, found two types of housing Microfinance programmes namely the MicroCredit for Housing Finance (MCHF) programmes and the Shelter Advocacy to Housing Finance (SAHF) programmes.

- MCHF programmes was initially started as micro credit programmes for enterprises which recognises the strong connection between the home as a place of shelter and a house for income generating activities and they tend to provide housing loans as part of their loan portfolio while

- SAHF programmes on the other hand, arose out of an original advocacy agenda for defending the right of the poor to equitable access to resources, particularly land and shelter, as well as adequate infrastructure and services. The main objective of this was

to empower disenfranchised community members, particularly squatters and the homeless.

However, whichever type of housing microfinance is established, the industry faces some challenges. Some of the key challenges considered here are the small amount of loans given, the market interest rates, collateralisation and technical issues.

As mentioned above, the incremental process used by low income earners can result in low quality houses. Just the provision of credit as suggested by the minimalists would not necessarily solve the problem of poor quality houses. To avoid problems such as poor quality houses and the development of slum areas, technical assistance will be required. This may increase the costs of providing the loans and there are issues as to who will pay for and provide the technical assistance. Many institutions providing housing loans contract out a construction or architectural firm to train the MFIs credit analysts over a period so that they will be able to assess cases with comparable data (Ferguson, 1999). Some institutions also have a specialised architect on ground to make site visits and review construction plans. Technical assistance is important if housing finance for low/ moderate-income households is to be successful.However, the issue of who provides and pays for the increased costs is crucial and needs to be addressed.

In 2004, the Consultative Group to Assist the Poor (CGAP) made up of a global partnership of more than 30 leading organizations that seek to advance financial inclusion identified some major challenges of housing microfinance which still needs to be addressed in order achieve sustainability and this also includes:

- **Customers lack of apathy and drop-out**

This again relates to the culture of the customers. Improper customer services and delivery strategies often leads to customer drop out which eventually leads to bad debt. Once the customer drops off , the loan stops being serviced and will eventually be classesd as a bad debt.

- **Internal Control challenge**

Large transactions and informal operational approach pose serious internal control challenge. Operational procedures can sometimes be breached at disbursement and collection points. High cash transaction which is a feature of microfinance banks can be a source of temptation for fraudulent practices.High operational costs are sometimes seen to plague microfinance banks as well

- **Limited access to medium- and long-term capital.**

The major challenge that most microfinance banks face in providing housing loans is the availability of capital. Housing loans should be funded with capital that matches their longer term structure however, most microfinance banks funding tends to be short-term ie a year or even less. So, while some housing microfinance providers capture savings, they rarely collect enough savings to cover the demand for housing loans. Adequate funding instruments would enable microfinance banks to expand their portfolios and avoid a mismatch between the source and use of funds.

- **Lack of understanding of the relationship between subsidies and financial services.**

There are good reasons for governments to subsidize low-income housing. Housing microfinance can complement subsidies, but financial services should be kept distinct from the subsidy element. Most MFBs' comparative advantage lies in providing financial services, not administering subsidies and MFB usually weaken themselves when they try to do both.

- **Insecure land tenure.**

In most developing countries, low income earners do not possess formal proof of land ownership. While formal land titles are not necessary in housing microfinance, land security is essential. Households are more likely to invest in their homes when they know they will not be evicted. This security is also seen to be important for the risk management of financial institutions.

Again these challenges were also collaborated by Nwanyanwu (2011) who also identified these challenges to include:

- **High operating Cost**: Small Units of services increases the challenges of high operating cost, several loan applications to be processed, numerous accounts to be managed and monitored, and repayment collections to be made from several locations especially in rural communities. The cost of finance is the total expenses associated with securing financing for a project or business arrangement. Financing costs for housing microfinance banks includes costs relating to cost of funds (interest, financing fees charged by intermediary financial Institutions), operating cost (Personnel and administrative expense), risk of default as provision for bad debt is often a regulatory requirement for intermediary financialinstitutions which finance

MFIs and as well for regulatory authorities.Also Daphnis (2004) supports this view that microfinance banks incur costs not only in sourcing for funds and disbursement of these funds to microfinance customers but also in promotion and monitoring of microfinance customer groups and development of processes for improving efficiencies of service delivery . This high operating costs and capital constraints within the MF industry impacts the pricing of housing microfinance services making it to be several times higher than traditional consumer or mortgage loans of banks. The risks and cost are different. High interest rates represent the price of access to non-collateralized lending for a riskier clientele (low income earners) that generally lack alternatives. MFBs justify high rates in terms of the need to cover higher financial and operational costs (CGAP, 2009).

- **Lack of credit collateral** : (formal land or property title for housing loans) This also constitutes major difficulties for microfinance banks interested in financing economically active poor / low income people with their housing needs. This is because the operational costs associated with providing this service often seems to make the entire process unfeasible: cost such as additional site inspections; specialized staff with construction knowledge; agreements with building material vendors or even contractors etc.

- **Repayment Problem**: Loan default is a major threat to microfinance banks sustainability. It often cripples the operation of the banks. It demoralizes staff and deprives beneficiaries of further valuable services. However it can also be seen as a symptom of poor leadership

- **Inexperienced Staff**: Micro financing is more than dispensing loans. To be viable, microfinance banks require experienced and skilled personnel. As a growing industry, there is a dearth of experienced staff for planning, product development and effective engagement with clients. Most employees of microfinance banks are seen to be on their first jobs and are highly inexperienced. This can also limit the expansion and institutional performance of the bank.

Also, Martin (2008) identified the factors which limit the expansion of housing microfinance globally to be mainly due to the risks involved..This includes the "perceived risk of the market", the "perceived risk of the product methodology", and the bank's operations while Mesarina and Stickney (2007) identified that the most important argument managers made to explain their reluctance to expand their housing microfinance portfolio is that this product is

not explicitly part of their business or social mission. The institution's core business and mission is defined around the concept of financial services for microenterprises whereas HMF is defined not as a loan for productive microenterprise purposes, but as a consumer loan. In his research, Smets (2006) identified three major issues to consider with regards to housing microfinance as a strategy for financing low cost housing. These can be classified into three main issues as shown in Figure 3.2 below

Housing Microfinance

- Affordability - For the low income earners
- Viability - For the financial institutions
- Resource Mobilisation - For the government for the expansion of the housing sector and economy at Large
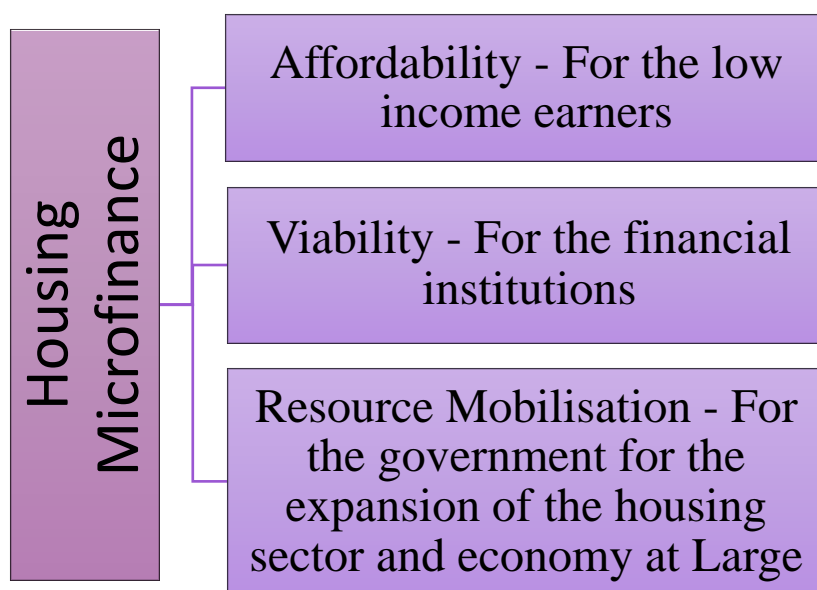
Figure 3-2: Major issues affecting housing microfinance

Source: Smets (2006)

According to Markowski (2002), MFIs have a dual mission: a social mission "to provide financial services to large numbers of low income persons to improve their welfare", and a commercial mission "to provide those financial services in a financially viable manner". However, Simanowitz and Walter (2002) argue that microfinance is a compromise between this social mission and commercial mission.

3.8. The Micro Finance Triangle model

The triangle of micro finance is a conceptual framework developed by Zeller and Meyer (2002) which seeks to give a better understanding of the existing trade-offs and synergies between the overall objectives of the micro finance business which is financial sustainability, outreach to the poor and the welfare impact. These three objectives are shown in the triangle of microfinance shown in Figure 3.3 below
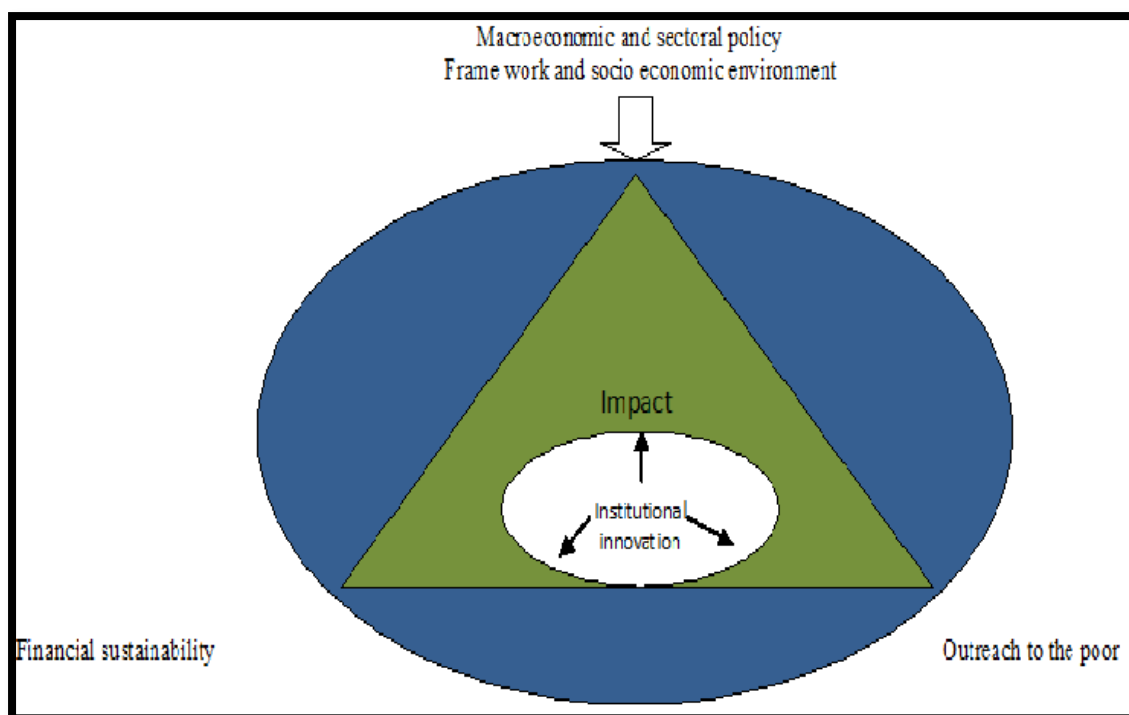
Figure 3-3: The triangle of Microfinance

Source : Zeller and Meyer (2002)

The inner circle represents the many types of institutional innovations that contribute to improving financial sustainability, impact and outreach. These innovations include methods by which the microfinance bank can reduce operating costs such as the cost of information systems (financial sustainability), or designing demand-oriented services and training of clients (impact), and methods of operating a more effective targeting mechanisms or lending methodologies to improve scale (outreach).

The outer circle represents the external socioeconomic environment as well as the macroeconomic and sectoral policies that affect the performance of the financial institutions. The outreach of the institutions is made up of various population, whose level of exclusion from financial services may vary and whose distance from the poverty line in their respective regions may also differ. Outreach can be defined as the social value of the output of the Microfinance bank in terms of depth, worth to users, cost to users, breadth, length, and scope. Depth of outreach relates to how far down the poverty scale of the target population the bank is aiming to reach and the breadth of outreach relates to the number of customers the bank wants to finance. How much its worth to the customers relates to how much the borrowers are willing to pay for the loan and this depends on the loan contract,constraints and opportunities to the customer. The cost of outreach to the customers is the cost of a loan,

while to the bnak , the cost includes both the price and transaction costs. The length of outreach is the time frame in which the MFB is willing to provide the laon for and the scope of outreach is the number of financial services ofered by the MFB. There are also potential collaborations between the three objectives of the triangle.

Financial sustainability can be seen by the bank customers (low income earners) as an important factor when becoming a customer of the bank and can therefore improve the outreach of the MFB. This is especially important for micropfinance banks intrested in approaching potential and new customers. A bank which is concerned about financial sustainability becomes very sensitive to customers demand and therefore tends to improve its products and operations. This in turn generates better financial services which generates greater economic benefits for the customers and thus greater impact (Zeller & Meyer, 2002)

There are three major types of costs which a microfinance bank needs to cover when it makes a microloans.

1. The first relates to the cost of the money that it lends ,
2. The second relates to the cost of loan defaults which are often times proportional to the amount lent.
3. The third type of cost is known as the transaction costs

However, if these costs are not proportional to the amount lent, the MFB then often times have to charge rates that are higher than normal banking rates to cover these costs and keep the service available. This does not mean that all high interest rates charges by MFBs are justifiable. Sometimes MFBs are not aggressive enough in handling transaction costs. This then results into the Bank passing on unnecessary high transaction costs to the borrowers (the customers). Sustainability can be achieved by cutting costs as much as possible, not just by raising interest rates to whatever the market can bear. Another method that can be used to reduce cost is through the use of new and modern technology and the expectation is that bank rates will continue dropping as institutions become increasingly efficient at delivering services to poor people (CGAP, 2009).

According Harris (2010), regulation has many obvious advantages however it can come at a price such as cost of supervision, control of interest rate and capital requirement. The breadth and diversity of the microfinance industry can lead to difficulties and great expenses in order to administer and monitor all of the MFB's. Regulatory authorities will need to supervise the growing number of MFIB's in Nigeria. Given the variety of MFI types and the different regulatory requirements and standards for each, supervision can be costly. These costs are

partly passed on to the MFB in the form of licensing fees, making it more expensive for the MFb to operate. Regulatory institutions can impose interest rate caps. MFBs naturally bear high costs as they provide small loans, and have a large customer base sometimes in remote areas. Limiting interest rates can prevent usurious lending however it can also limit the customer base and the geographical scope for the MFB. Also, enforcing a minimum capital requirement can also limit entrance into the industry or expansion of the microfinance bank to other geographical locations. These requirements can limit the startup of a new MFB to service clients and can limit existing MFB's in terms of how widely they can operate

3.9. Incremental Housing

Based on their level of income, low income earners finance their building incrementally from various sources such as "individual and group savings, sweat equity, small loans from neighbourhood money lenders, barter arrangements, communal self-help, and remittances from family living abroad (Ferguson, 1999). However, Ferguson also argues that these sources are unreliable and fluctuate with the general economic trends. What is obvious is that incremental building practices are linked with the survival strategies of the low-income households. Low-income households tend to avoid debts as much as possible and whenever they do incur debts they opt for keeping their period of indebtedness as short as possible to be able to cope with other pressing needs such as food, education of the children, travel to the place of work and medicines (Smets, 1999)

The National Centre for Health Statistics (2005) is of the view that low-income earners cannot afford the payment of a complete loan with the high interest rate charged on such loans, but are more likely to afford the small repayment of small repeat loans with relatively small interest rates. Smets (2006) also supports this view and is of the opinion that incremental building often requires incremental financing especially when some degree of security of tenure exists, so that the low-income households can invest these funds in improving their dwellings. He therefore argues that incremental building practices requires small loans with shorter short repayment terms.

Instrumentalism is a method, which involves many small, often unplanned, incremental changes rather than taking a few comprehensively planned large steps (Quinn, 1978). Incremental housing facilitates access to housing opportunities through a phased process Hasan (2010) whereby borrowers complete the construction of their homes through a series of small loans. With this kind of financing, young families can begin improving their housing

sooner because they don't have to wait until they can afford a whole-house mortgage, and they pay less in total interest costs. Accion services, (2011).

In 2015 at the African Union for Housing Conference (AUHF), It was discovered that incremental building accounts for over 70% of all housing investments in Africa. Building incrementally allows a household to piece together its shelter needs, step by step as the finance becomes available.

Housing microfinance fits perfectly with incremental building. It fills a real finance gap and adds value to the housing process of low income households. Small home improvement or home construction loans can easily be applied to various incremental building activities, such as roofing, finishing units, extending and other tasks. For housing microfinance to be effective, it must be able to achieve a level of scale that allows it to be implemented sustainably. This is feasible in an environment where there is a vibrant informal housing sector with people already building incrementally as shown in figure 3.4 and 3.5 below:

Figure 3-4: Incremental building in Progress   **Figure 3-5: Incremental building completed**

(Smets, 2006)

Incremental building is defined by Smets (1999) as the process by which shelter is constructed step by step and improved over a period of time in terms of quality and size. Smets (2006) further argued that this type of building process depends much on the individual household priorities and available income, and changes in accordance to the family cycle. It is a household-driven building process for acquiring, extending, improving or servicing a dwelling or group of dwellings over time, and thereby improving the quality of the household members" and maximising their choices of housing design and housing needs. The incremental or progressive building or development can also be refered to as the process

by which low-income households make incremental investments in housing as their income permits (Hansen & Williams, 1988).

Over the years, it has been observed that the poor and the low income earners all over the world build their houses incrementally. In the absence of any realistic formal housing options, majority of low income households around the world build their homes progressively. Whether starting with a small unit and extending or building a larger unit slowly over time, incremental building is in its essence a housing finance strategy used by low income households to manage their housing process. Houses are constructed as funds become available and the structure itself becomes a savings mechanism. This supports the essence of housing microfinance whereby the primary use of HMF is for progressive housing improvements, rather than for home purchase or whole home construction. Also, Incremental housing provides an opportunity to regulate ongoing informal (illegal) urban development processes.

3.10. What it is and why it works

Incremental housing is a step-by-step process. It goes by different names (starter house, phased-development house, owner-driven house), but fundamentally, incremental housing is an integral development process, building housing process often used by for low income earners. It is not quick, immediate or complete, but the choice remains with the owner. It starts with a starter core shelter. The starter core may be a kitchen/bathroom unit or just a bare lot with utility connection potential or it could be a multi-purpose room with basic kitchen/bath facilities. The owner control the expansion of the house based on the immediate need and the available resources. Incremental housing is an affordable way to rapidly resettle many families at a minimum housing and services level by linking the energy of families with the large-scale city planning. It provides secure title and maximum flexibility in housing decisions. City expansion becomes predictable and effectively uses limited funds and administrative capacity. Often times though, incremental housing is much more than housing. It also builds citizens and helps the communities develop social networks that can support services and small-scale commercial opportunities. Shown in Figure 3.6 below is an outline of how housing microfinance loans are used for incremental building
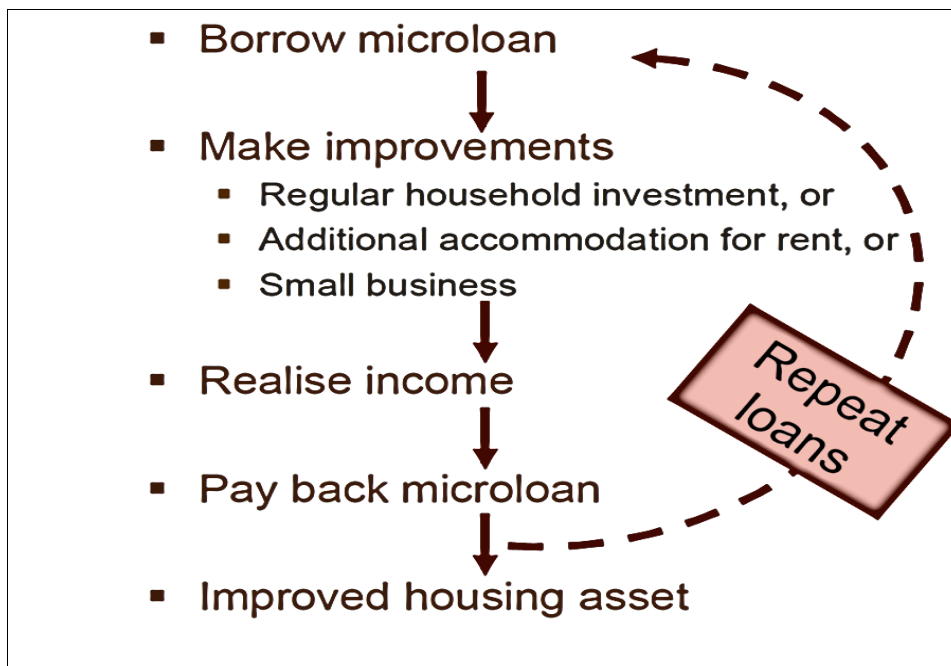
Figure 3-6: Outline of housing Microfinance

Housing microfinance is also identified as being important because it can be used to counter both the quantitative and qualitative housing problems identified by (Okoroafor, 2007) and Olayiwola and Adedokun (2014) who observed that housing problems can be either quantitative or qualitative in nature. Housing microfinance can be used to facilitate new construction of houses (i.e. the quantitative aspect which relates to the number of housing units been provided in relation to the population) and also the qualitative aspect, (i.e. improving the housing conditions). This can be done by either building a house incrementally over time while relying on small loans or by upgrading the present homes by either improving the existing state of the homes through renovation or by adding basic facilities such as electricity, water supply etc. in the home which makes life easier for the occupants.

In respect to the microfinance banks, Habitat for humanity (2010) also identified two important reasons why microfinance banks across the developing world include housing microfinance as part of the bank's portfolio. This he listed to include:

- **Portfolio diversification**: The advantage of diversification is to distribute risk and to provide a method of cross-subsidizing products. Portfolio diversification allows housing loans to be offered at lower interest rates, and be featured as an additional option for those that have previously completed loan cycles with the MFI. Examples

of MFIs that have introduced loans for this reason include BancoSol in Bolivia and Grameen Bank in Bangladesh.

- **Response to Competition**: Competition from other MFIs or local banks often gears the microfinance banks to provide new products and services to retain a loyal client base as well as attract new clients. Housing loans offer a targeted product and longer loan term and both of these characteristics appeal to clients seeking varied financial services. Financial viability, the impact on poverty and portfolios at risk depends on country and organization specific contexts. These contexts also affect variables such as loan terms, loan amounts, interest rates and the collateral required. However, one thing remains clear: housing microfinance products are becoming an integral part of MFIs' portfolios in developing countries.

3.11. Importance of Housing Microfinance

Ferguson (2004) identified the importance of housing microfinance which can be seen from two perspectives:

- Firstly, housing microfinance can be effectively used to meet the housing needs of low income earners in emerging countries and
- Secondly, it can contribute to the business development strategy of financial institutions which have low income earners as their target clientele particularly microfinance institutions.

From literature reviewed above , we can see that housing microfinance can be used for financing housing needs and housing we have identified to be important because:

- It is a basic human need that helps ensure personal safety and health. Housing microfinance offers small, incremental loans that fit with the way poor people build: progressively and over time.
- It is a personal asset that usually appreciates in value over time. Thus, home improvement not only enhances living conditions, it is an investment.
- Micro entrepreneurs often use their homes as productive assets in generating income. The home can provide a work space, a place to produce goods, store inventory, and conduct business.

3.12. Issues affecting Housing Microfinance:

Several issues have been identified as deterring microfinance institutions from scaling up the provision of housing microfinance. It has been observed that most microfinance institutions operate on a small scale and are only focused on housing improvements because they need a larger credit base especially for the land acquisition component. Moreover, apart from incrementally built houses, for infrastructural development the organizations require collective action and technical expertise, which further increases the associated costs (Ferguson, 1999). Bertrand Renaud, the former senior housing finance adviser for the World Bank in 2012 identified the continual challenges faced by housing microfinance institutions to be the need to reconcile three particularly conflicting objectives:

- Affordability for the households,
- Viability for the financial institutions,
- Resource mobilization for the expansion of the sector.

For housing microfinance to work, it has to respond to the needs of those in the informal economy. Originally, housing microfinance emerged out of the realization that microloans could be a useful tool for responding to the needs low income earners to build their homes incrementally or improve its conditions. For a microfinance institution to operate successfully, it must be sustainable. Ehigiamusoe (2005) opined that for a microfinance institution to attain sustainability, it must first of all operate efficiently. He argues that only efficient institutions can reach large number of people to make any impact on their standard of living. Six main issues have been identified as the major challenges militating against the provision of housing microfinance and these include:

3.12.1. Funding Issues:

One of the largest constraints of housing microfinance is funding issues. Most financial institutions are often reluctant to lend for housing because of the risk involved. Most microfinance institutions tend to regard housing loans as consumption loans and most banks are unwilling to lend for consumption purposes because there is no immediate return on the loan. As a matter of fact, the capital base of microfinance banks operating in Nigeria is nothing to go by. In as much as the minimum capital base for national microfinance banks was N2 billion, most of these microfinance banks depend on deposits from the public sector. Worst still, many of them appear to have abandoned their essential intermediation roles of mobilizing savings and inculcating banking habits unto un-bankable households and micro

enterprises, (Akinbola 2006). The implications of this that the resource base of some of these banks are very weak and volatile, rendering their operations highly vulnerable to any swing in the government revenue arising from fluctuations in the international price of oil. Structurally, in Nigeria the microfinance sector is highly concentrated, as the seven largest banks account for about 65% of the industry's total assets/liabilities and most of them have a capital base of less than $10 million far below what was obtainable in South Africa and in other developing countries. Some of these microfinance banks have branches in few commercial centres and this had led to very high average cost for the industry. This in turn has implications for the cost of intermediation and the spread between deposit and lending rates has put undue pressures on these microfinance banks to engage in other sharp practices as means of survival hence the recommendation to recapitalize the banks so as to be able to finance big projects and compete favourably with foreign ones.

For microfinance banks to be able to scale up their operations, the banks need to be able to stand tall and compete favourably with foreign banks amidst the on-going financial and business globalization. This therefore means there needs to be an increase in shareholders' funds of the banks. In 2004, the then Governor of CBN, Professor Chukwuma Charles Soludo announced a 13-point reform agenda for Nigerian Commercial Banks. The reforms were designed to enable the banking system develop the required flexibility to support the economic development of the nation by efficiently performing its functions as the pivot of financial intermediation, (Nwude, 2012). The concept of recapitalization refers to the move by which CBN compelled all the commercial banks operating in Nigeria to raise their capital base from N2 billion to N25 billion on or before 31st December 2005. According to Soludo (2004) the idea was to ensure a diversified, strong and reliable banking industry where there is safety of depositors funds and re-assurance of the banks continual playing of the active intermediation role in the economy. This will in turn help Nigerian banks compete favourably on the on-going globalization of financial institutions. This is necessary as pointed out by Oleka and Mgbodile (2014) who showed in their work that recapitalization is necessary for a bank to have a strong capital base and a bank with a strong capital base has the ability to absorb losses arising from non-performing loans and advances

3.12.2. Land Title and Collateral

The highest and safest form of legal title over landed properties in Nigeria is the one conferred by the Certificate of Occupancy issued by the government. Majority of low income

earners do not have the legal title to the land the wish to build on. Access to formal sources of housing finance in Nigeria is often limited by the ability of the customer to show evidence of legal title and formal employment. Low income earners who live in informal settlements often times never have formal legal titles. This limits the ability of the microfinance banks to provide financial intermediary .Though for microfinance institutions, lack of land title and collateral is not necessary to process housing loans however most banks still request for this so that a form of security will be had against the risk of default loan

3.12.3. Construction Technical Assistance:

The benefit of providing construction assistance in the construction process is often viewed as a setback. This is because it results into increased administrative costs which are often passed down to the customer. However, the benefit of construction assistance cannot be over emphasised. It has the potential of yield various benefits one of which is the increased likelihood of completing the construction process through enhanced efficiency

3.12.4. Repayment problem:

Loan delinquency is a major threat to institutional sustainability. It can be described as a deadly virus which afflicts MFBs. It demoralizes staff and deprives beneficiaries of valuable services. However it can also be seen as a symptom of poor leadership.

3.12.5. Inadequate experienced credit staff:

Micro financing is more than just dispensing loans. To be viable, MFBs require experienced and skilled personnel. As a young and growing industry, there is a dearth of experienced staff in planning, product development and effective engagement with clients. Most credit staff of MFBs in Nigeria is on their first jobs and is inexperienced. This can also limit the expansion and institutional performance.

3.12.6. Internal Control challenge:

Large transactions and informal operational approach pose serious internal control challenge. Operational procedures could be breached at disbursement and collection points. High cash transaction which is a feature of micro financing is a source of temptation for fraudulent practices

Latourte (2003) identified the challenges facing the expansion of housing microfinance to include:

- **Limited access to medium and long-term capital.**

Housing loans should be funded with capital that matches their longer term structure. Yet much MFI funding tends to be short-term—a year or less. And while some housing microfinance providers capture savings, they rarely collect enough to cover the demand for housing loans. Adequate funding instruments would allow institutions to expand their portfolios and avoid a mismatch between the source and use of funds.

- **Insufficient understanding of the relationship between subsidies and financial services.**

There are good reasons for governments to subsidize low-income housing. Housing microfinance can complement subsidies, but financial services should be kept distinct from the subsidy element. For example, in a slum improvement program, loans to individual slum-dwellers should be managed separately from state subsidies for infrastructure and sanitation. Most MFIs' comparative advantage lies in providing financial services, not administering subsidies. MFIs usually weaken themselves when they try to do both.

- **Insecure land tenure.**

In most developing countries, poor families do not possess formal proof of land ownership. While formal land titles are not necessary in housing microfinance, land security is essential. Households are more likely to invest in their homes when they know they will not be evicted. This security is also important for financial institutions' risk management.

Yunus (2011) who is known as the founder of the first microfinance bank called Grameen Bank identified seven major fundamentalflaws with microfinance banking in Nigeria. This includes:

1. Microfinance in Nigeria is not for the people it was intended for. It is not for the poor or the low income earners in the society. Rather it is for traders, suppliers and importers and this explains the cut throat interest rates Nigerian MFBs charge. Yunus said, "We should remember where microfinance came from; it is banking for the poor. There is banking for the rich but the complaints we hear is that banking is too

restricted to the rich and that was the gap that microfinance was meant to be filling and that was the main reason why it was started to reach out to the low income earners and the poor in the society. This is the most important part of it and this is the beginning of the whole idea and movement called microfinance. So while conventional banks provide finance for the rich, microfinance provides finance for the low income earners

2. Secondly, because the microfinance banks in Nigeria have already missed the purpose of microfinance hence is meant for commerce, microfinance banks in Nigeria are predominately in the cities and urban areas, a sharp contrast to the rural based nature the what microfinance banks were incorporated for. Again , Conventional banks go to the cities, particularly the big banks, they have the largest branches, while microfinance banks are meant to go to the rural areas , the villages, and the most remote villages. This can be seen in the example of Grameen Bank. Grameen means rural and the bank was being set up, the law that set it up incorporated a clause that says the bank would never work in an urban center.

3. Thirdly, Nigerian microfinance banks insist on collateral and they don't lend to start a new business. According to Yunus, this is not microfinance. Microfinance dismisses the idea of collateral. Conventional banks require collateral and the more collateral one can provide the more excited conventional banks are but with regards to microfinance banks, the less collateral people have, the less willing the microfinance bank is to offer credit. "Conventional banks ask the borrower, how much do you know about this business". The more he or she can convince the conventional banks he or she is an expert in the business the more excited the conventional banks while with microfinance banks, it's the opposite

4. Fourthly, microfinance banking according to its founder is women oriented and focused. In Nigeria that is not the case. It is whoever can pay the interest rate. So while Conventional banks tarhet both men and women, micrtofinance banks tend to focus on women.

5. Fifthly, Nigerian microfinance banks are owned by the rich hence the minimum capital base of N20 million.But according to the founder it should not be so, it should be owned by the poor who are also its customers. "The idea for microfinance banks is that the bank should be owned by the poor and low income earners with a practical example being the Grameen Bank which is owned by poor / low income earning women.

6. The sixth flaw is that microfinance banks are allowed to charge any interest rate. But in the Gremeem Bank concept, the interest rate is capped at 10% margin between the cost of funds and interest rate. Yunus said the highest interest rate which is for income yielding activities is 20% simple interest and for housing loan it is 8.0% simple interest. For its education loan, given to children of the poor, the interest rate is 5.0 % simple interest and they don't start paying until they graduate from school and start working. To achieve this interest rate, Yunus said Grameen Bank bounded itself never to allow its cost of operations to exceed the ten per cent interest margin. And this is done by doing most of the banking at the door step of their customers. He said "We believe that people should not go to banks, rather banks should go to people. Hence there is no need for expensive offices and this helps reduce our running cost". In Nigeria, it is the opposite. Microfinance banks have expensive, tastily furnished offices that can easily pass for the head office of a conventional bank.

7. Finally, the greatest flaw with microfinance banking in Nigeria is that it is profit oriented. The promoters saw it as a cheap access to owning a bank and making money. Hence they set target for staff and management. Grameen Bank on the contrary, according to Yunus was founded to solve a problem-poverty. "Microfinance is a social business; it is not for profit but to help people out of poverty. This is because poverty is the fault of the society, the individual is just a victim of poverty", In the words of Yunus , which is echoed by Professor Ibidapo " the current microfinance banking framework in Nigeria cannot work, it can't achieve the cardinal objective of poverty eradication. Thus far it has only produced micro-commercial banks, and no matter the amendments and adjustments, it would not produce anything different or near Grameen Bank. The solution is to scrap the framework and design a new one. This of course requires a lot of humility on the part of the leadership of the Central Bank of Nigeria.

3.13. Risks and constraints affecting the supply of HMF

Various factors have been identified which constraints the supply of housing microfinance by the microfinance institutions and these listed below

3.13.1. Land Security

Access to land and security of tenure continues to be one of the major problems affecting the low-income earners in developing countries. These problems are arise due to the inability of the governments to regulate land markets, confront land speculation and as well as adopt and implement adequate development plans (Vance & Geoghegan, 2004). In many developing countries, urban development plans are discriminatory in nature, and the poor or low-income earners often cannot afford the price of houses located in the heart of the city. In addition, cumbersome administrative procedures due to complex set of laws, customs and practices, high land prices and rapid urbanisation limits the legal access to land and housing for the low-income earners developing countries (Farvacque & McAuslan, 1992).

Again, Daphnis and Ferguson (2004) identified land tenure security as one of the major impediment to expanding existing services for housing finance institutions that serve the low-income earners. He also noted that land tenure affects HMF from a legal and risk point of view. From the legal point, MFIs must determine whether regulations allow them to lend to clients without legal right or ownership of land. If there are no legal restrictions to lending to people without title, then, from the risk standpoint, MFIs should establish that, the client has some level of land security that they will not be evicted while the loan is still being repaid.

3.13.2. Loan Security

Housing microfinance has been defined as housing finance loans that are not backed by asset collateral. It uses several strategies to secure its housing loans because low-income earners lack the paper title to use as collateral . Daphnis and Ferguson (2004) noted that using asset collateral on a home for a small loan amount will over collateralized the loan and underutilize the client asset. These problems have led to the development of alternative collateral for HMF loans such as the use of co-signers, collective security or joint liability and savings. However the major risk is that the loans are unsecured as the lender relies mainly on the borrower's integrity and trust that the debt will be paid (Vance & Geoghegan, 2004). This risk increases as the loan amount increases over time

3.13.3. Loan diversion

Loan diversion arises when customer use part or all their loans for purposes other than the intended purpose. How a client uses his or her loan will affect the outcomes or impact that it can have. The Microfinance banks' ability to determine how a client uses his or her loan will help determine whether the loan is meeting the clients actual needs. Understanding the clients' needs is important so that services can be tailored, risks managed and impact maximised (Nelson, 2000). While loan diversion may be a serious risk to the microfinance bank, with regards to housing microfinance, it will distort the incremental building process hence lead to default of loans because housing does not produce income in the short term.

3.13.4. Term mismatch and interest rate risk

Long-term loans contribute to credit risk, because the longer the term of the loan, the higher the probability of borrowers to default .Financing long-term assets like housing, can lead to term mismatch especially when MFIs rely on deposits as their source of funding. This is especially true in developing countries which experience macro-economic instability, such that within a long loan term, inflation can rise and therefore may call for increase in interest rates to offset effect. Unfortunately, most microfinance institutions are not well equipped to be able to offset interest rate risk. This risk is made even greater due to the fact that most microfinance institutions often do not have enough funds to finance long-term liabilities and the capacity to vary interest rates within loan repayment. Even when they have the capacity to vary the rates, they run into further risk of increase in default rate because the low-income earners may not have sufficient income to service inflation-adjusted housing loan repayments (Ferguson & Haider, 2000).

3.13.5. Technical assistance risks

Incremental builders require technical assistance to be able to meet the minimum safety standards as may be required by law. HMF lenders may therefore need to offer these assistances as part of their loan package. This technical assistance may include evaluation of home improvement plans and cost, land title registration and verification, construction monitoring, and construction inspections for incremental financing (Ferguson & Haider, 2000). This risk is however two fold and relates to who bears the cost of providing this assistance. If the MFIs bear the cost, it will impose substantial cost on the institution such that it might not be sustainable in the long run and if passes this cost over to the borrowers it will increase the default risk as they may not be able to pay for this service. However, if the MFIs include technical assistance in its HMF programme it stands to benefit since, it can help

minimise the project risks associated with self-help housing. A distinct product development process for HMF, with a resulting clearly defined HMF product, remains a gap in many microfinance institutions approach to housing microfinance.

A few unique characteristics of Housing microfinance have been identified as characteristics that could lead to an increase in the perceived risk among microfinance banks. These include the lack of formal land title or security; limited capacity of borrowers to correctly estimate loan amounts required for the home improvement (which could lead to an unfinished improvement, and unsatisfied client, and subsequent delinquency); and the ultimate quality of the improvement and the client's satisfaction with it (again, potentially leading to increased delinquency).

Generally, most banks and providers of formal financial services do not typically extend credit to individuals whose income cannot be documented or to individuals who have irregular or informal sources of income. Further, the lack or the inadequacy of credit collateral (or of formal land or property title for housing loans) also constitute enormous hurdles for banks interested in financing economically active poor people. This is true for all microfinance clients, and is made even worse for HMF. The operational costs associated with these hurdles such as additional site inspections, specialized staff with construction knowledge, agreements with building material vendors or even contractors; etc. seem to make the entire process of financing housing unfeasible. These factors make microfinance banks reluctant to offer housing microfinance, despite the fact that practical solutions are available. The best practices of microfinance are based on non-collateralized loan methodologies and these Mechanisms can often be put into place at relatively low cost to reconcile home improvement estimates with the loan value, and to reinforce that the client is ultimately responsible for construction quality (unless the lender becomes involved in construction assistance, in building material provision, or in actual construction, as well). However, despite these available solutions, the perceived risk of the market, the product methodology, and the bank's operations continues to limit further microfinance institutions expansion of housingmicrofinance.

3.14. Summary

This section examined the importance of housing and the sources of housing finance in Nigeria. It also examined the issues affecting housing finance in Nigeria and examined the

Nigerian housing policy over the years and the reasons why it hasn't been successful in providing adequate housing for the low income earners in Nigeria .It also examined housing microfinance as an option to overcome these isses and identified the challenges and constarints facing hosuing microfinance in Nigeria. These issues classified into three main isues are shown in Figure 3.7 below
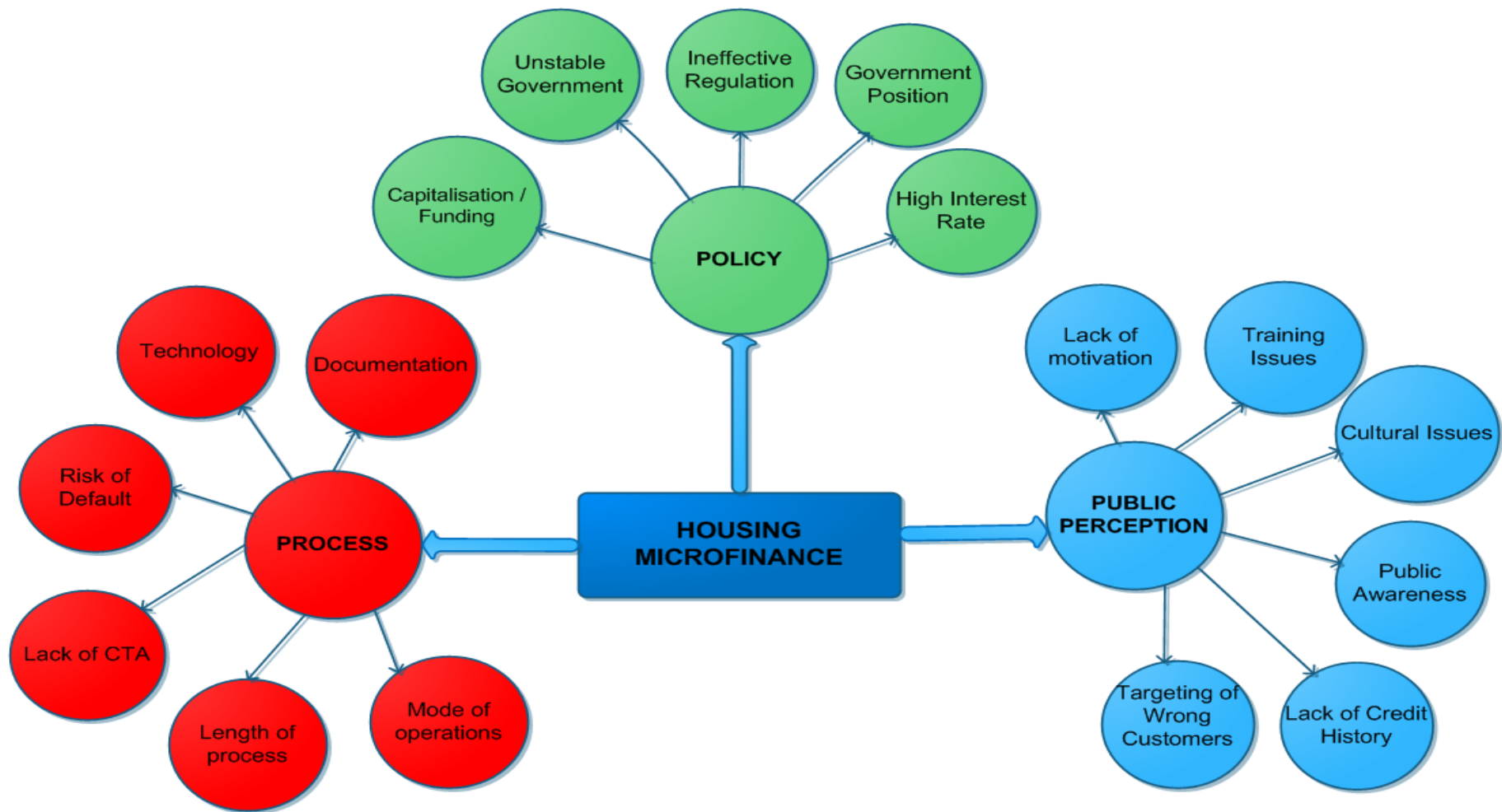
Figure 3-7: Constraints deterring scaling up of Housing microfinance

CHAPTER 4. SUCCESSFUL GLOBAL HOUSING MICROFINANCE

4.1. Global housing Microfinance

Globally, microfinance Institutions have yet to demonstrate the capacity to deliver housing microfinance (HMF) loans effectively. However, there has been an increase in the significant interest among global financial markets, international development organizations and agencies, and housing advocates in the developing world to involve and expand microfinance institutions activities in this sector. In order for microfinance institutions to reach economies of scale in the provision of Housing microfinance options, they must first have access to more advanced financial and human resources which most MFIs typically do not have. This is in contrast to the average conventional banks which have high levels of skilled human capital, sophisticated back-office operations and also have access to capital markets and the capacity to provide a broad menu of financial services, including housing finance.

A number of MFIs throughout the developing world have introduced housing microfinance as part of their product lines. Some MFIs, like Mexico's FUNHAVI, offer housing loans as a stand alone product while others such as South Africa's Kuyasa fund offers housing loans as one of the products in its portfolio .

Microfinance institutions introduce housing products/loans for various reasons such as:

• **Portfolio diversification**: The advantages of diversification are to distribute risk and to provide a method of cross-subsidizing products. This often allows housing loans to be offered at lower interest rates, and be featured as an additional option for those that have previously completed loan cycles with the MFI. Examples of MFIs that have introduced loans for this reason include BancoSol in Bolivia and Grameen Bank in Bangladesh.

• **Emergency or Disaster Relief**: Informal housing bears the brunt of natural disasters because of poor construction and lack of durable materials. Thus, when disaster hits a region in which a microfinance bank operates, their clients are invariably in need of cash to patch or rebuild their homes. Examples of these includes CALPIA, in El Salvador

• **Response to Competition**: Competition from other MFIs or local banks often gears the microfinance banks to provide new products and services to retain a loyal client base as well as attract new clients. Housing loans offer a targeted product and longer loan term and both

of these characteristics appeal to clients seeking varied financial services. Financial viability, the impact on poverty and portfolios at risk depends on country and organization specific contexts. These contexts also affect variables such as loan terms, loan amounts, interest rates and the collateral required. However, one thing remains clear: housing microfinance products are becoming an integral part of MFIs' portfolios in developing countries.

From literature, the following observations about entering the market were observed :

- Majority of Microfinance institutions are wary of HMF because of the overall complexity of housing issues especially in developing countries, and the subsequent perception of risk. They therefore tend to first and foremost provide their customers with more of the "traditional" well-tested microenterprise products in order to develop a relationship and credit history before developing HMF products.

- Microfinance banks tend to avoid the provision of construction assistance, specialized loan officers, and other services that increase the costs and complexities of their business and in order to scale this products, banks tend to standardize these products, so they prefer that HMF products adhere to traditional microenterprise product methodologies.

- When entering the MF market and developing HMF products, microfinance institutions often prefer to distance themselves from "boutique" products. This has led to experiments with several organizational structures and types, but it is too early to tell which works best and under which conditions.

- A strong commitment among bank management is necessary to break the traditional conceptions of both housing finance and microfinance, and the risk perception of both. An overview of the existing current practice, however, suggests that the potential for HMF to become incorporated into the operations of all microfinance banks is primarily a function of these banks interest in developing an overall microfinance portfolio, rather than a specific interest in HMF.

To be successful, the microfinance banks that provide services and generate domestic resources must have the capacity to meet high performance standards. They must achieve excellent repayments options and provide access to clients. The must also work towards

operating and financial self-sufficiency and expanding client reach. In order to do this, microfinance institutions need to find ways to do two major things.

- Firstly, cut down on their administrative costs and
- Secondly, broaden their resource base.

Cost reductions can be achieved through simplified and decentralized loan application, approval and collection processes .This allows the loan officers to handle many more clients and hence reduce costs (Otero & Rhyne, 1994). Microfinance institutions can also broaden their resource base by mobilizing more savings, accessing capital markets (capital market is the part of a financial system concerned with raising capital by dealing in shares, bonds, and other long-term investments) loan funds and effective institutional development support.

A logical way to tap into the capital market is securitization through a corporation that purchases loans made by micro enterprise institutions with the funds raised through the bonds issued on the capital market. Savings facilities make large scale lending operations possible. Savings mobilization also makes financial institutions accountable to local shareholders. Therefore, adequate savings facilities both serve the demand for financial services by the customers and fulfil an important requirement of financial sustainability to the lenders. Microfinance institutions can either provide savings services directly through deposit taking or make arrangements with other financial institutions to provide savings facilities to tap small savings in a flexible manner (Barry, 1995) Convenience of location, , liquidity, and security of savings are essential ingredients of successful savings mobilization (Chriseten, Rhyne, & Vogel, 1994). Once microfinance institutions are engaged in deposit taking in order to mobilize household savings, they become financial intermediaries.Also, prudential financial regulations is also necessary to ensure the solvency and financial soundness of the bank and to protect the customers who are the depositors.

However, excessive regulations that do not consider the nature of microfinance institution and their operation can hamper also their viability. In view of the small loan size, microfinance institutions should be subjected to a minimum capital requirement which is lower than that applicable to commercial banks. On the other hand, a more stringent capital adequacy rate (the ratio between capital and risk assets) should be maintained because microfinance institutions provide uncollateralized loans.

The Governments should also provide an enabling legal and regulatory framework which encourages the development of a range of institutions and allows them to operate as recognized financial intermediaries subject to simple supervisory and reporting requirements.

Usury laws (regulations governing the amount of interest that can be charged on a loan) which set caps on the maximum amount of interest that can be levied on customers) should be repelled or relaxed and microfinance institutions should be given freedom of setting interest rates and fees in order to cover operating and finance costs from interest revenues within a reasonable amount of time.

Across the world, various countries such as Bangladesh, India, Mexico, Asia, Uganda, Tanzania and Kenya have embraced the concept of housing microfinance with some positive responses across the world. This chapter will take a look at how housing microfinance operates successfully in some of these developing countries. Housing microfinance has been successfully practiced in some African countries such as South Africa, Kenya and Uganda.The success of this comes from the use of different approaches and techniques such as emphasising incremental building and the group lending approach, an enabling economy , government commitment and an appropriate legal and policy environment. Some countries with the most vibrant housing microfinance institutions around the world are examined below.

4.1.1. Uganda

Uganda is seen as the country with the most vibrant and successful microfinance industry in Africa (Carlton & Wien, 2001) and though it doesn't yet serve as many customers as what is applicable in Asia and Latin America, the microfinance industry in Uganda has been able to sustain itself and its outreach and coherence is unmatched in other parts of Africa (Okumu, 2007). The evolution of microfinance in Uganda came about as a result of the failure of past attempts by government and rural credit programmes to reach poor families within the rural areas (Arthur et al 2013). The success of microfinance in Uganda is narrowed down to two major reasons namely "An Enabling Economy and Governmnet commitment". Uganda features favourable social conditions , macroeconomic stability and government commitment which supports the microfinance industry by providing an appropriate legal and policy environment and also favourable government Commitment: The Government of Uganda is committed to the development of the private sector. It supports the microfinance institution by providing an appropriate legal and policy environment.An example is Ugafode Microfinance Ltd which is a partnership between Habitat for humanity Uganda and the Uganda agency for development to reach out to low income communities with housing finance products that are affordable and flexible through home improvements loans and microfinance. The products provided include micro-mortgage loans, individual loans, group loans, housing loans etc.

The environmental conditions in which the Ugandan microfinance industry has thrived over the past years can generally be described as favourable with macroeconomic stability,strong and competent MFIs, practitioners and donors committed to best practices, MFIs with international alliances, and large supportive government and a constructive cooperation among stakeholders. The microfinance industry was also able to overcome the results of former instability and bad practices mainly because these MFIs have applied their methodologies in a very disciplined way and put a lot of emphasis on building an effective repayment culture among their clients. Its success is linked to government commitment through an enabling economy and staff training to ensure HMF distinction.

In Uganda, microfinance banks enjoy government commitment which provides them with an appropriate legal and policy environment. The banks enjoy favourable social conditions, macroeconomic stability and government commitment. The Government of Uganda is committed to the development of the microfinance industry. The Governments created a legal and regulatory environment that encourages market entry and competition in microfinance. The finance ministries, central banks, and other government bodies recognize microfinance as a legitimate financial activity within the financial system and the government maintains macroeconomic through appropriate monetary and fiscal policies. Finally the government also involved the private sector in formulating poverty reduction strategies and explicitly recognized the leading role of the private sector in financial sector development, including microfinance. The active participation of the private sector therefore helped to embed microfinance firmly within financial systems, with private and non-governmental actors taking the lead (as opposed to government bodies, such as ministries of agriculture and health, and local authorities).

4.1.1.1. Successful aspects of the approach

It is widely accepted that the establishment of an enabling environment by the Government of Uganda (GoU) has played an important role for the development of a healthy national microfinance industry. Like in other countries where microfinance emerged robustly, macroeconomic stability and serious financial sector reforms set the stage. In addition, with microfinance becoming a constituent part of the financial sector and emerging as an instrument of poverty reduction, the GoU has over the past years developed a special interest and expertise in it.

Compared to most other African countries, Uganda stands out for a relatively strong and effective coordination among stakeholders of the microfinance industry. While the consolidation of practitioner, government and donor interests has not been without frictions, the general willingness to listen to each other, learn from each other and coordinate and cooperate is widely acknowledged as one of the key reasons for Uganda's success in microfinance.The Nigerian Housing sector lacks these favourable social conditions and there is no major commitment from the government to support the banking sector in providing facilities to low income earners

4.1.2. South Africa

The Microfinance industry in South Africa is well established and the Housing microfinance industry is a sub-set of this. It is effectively regulated by the National Credit Regulator however, a critical barrier to the growth of HMF in South Africa has been the dominant role of the housing subsidy in the housing process for low-income people.

Kihato (2014) noted that South Africa has a number of important advantages relative to other countries which makes its potential very high. These include:

- The microfinance industry has good coverage;
- South Africa has well-developed capital markets which is important for raising funding
- It has a relatively well developed and evolving legislative framework for microfinance and
- It has a dedicated state funding at a whole-sale level intended to support Housing microfinance.

South African Housing Microfinance products have some defining features. Firstly, there is extensive use of building merchants to disburse loans, facilitated by the extensive network of building materials franchises across the country. Loan sizes are of average size, with amounts ranging from R 10,700 ($785) and the upper limits can be as high as R 100,000 ($7300). Interest rates are also comparable, ranging from 20 to over 40%. However, given the lower interest rate regime in the country, spreads are much higher and HMF lending is unsecured, with no collateral required, though lending is exclusively to employed people with regular incomes. An example is the kuyusa fund in South Africa. The Kuyasa fund is a South African Microfinance Institution which focuses solely on the provision of housing loans. (Finmark

Trust, 2010). It was launched in response to the shortfall in available finance to low-income earners in South Africa. This product has proved to be suitable in helping to bridge the gap, provide demand led and short term loans to finance incremental building in South Africa. Attached to appendix 2 is a brief history and format of its operations. Secure tenure was fundamental to success, as was concurrent financial training of the (mostly) women's groups that received the loans.

The Kuyasa Fund uses microfinance as a tool for improving the housing conditions of the low income earners and the poor communities in South Africa. It does this by providing microfinance services to South Africans who are excluded from formal finance, in the belief that improving the quality of housing adds essential social value and also because there is no other appropriate source of housing finance available to the low-income households in the society. South Africans, who earn under R3 500 a month (approximately £190 per month) or are informally employed, are able to access loans of up to R10,000(approximately £545) for use in improving their housing situation. (Finmark Trust, 2010). Microfinance institutions fear entering the low-income market because of the perceived risk however, the Kuyasa Fund has demonstrated that by taking advantage of an existing group savings culture, microloans can be an effective way for low-income unbanked or underbanked families, including those headed by women, to improve their home. Its Success is linked to the effective regulation by the National Credit Regulator and the ability to access client information based on the use of technology

4.1.2.1. Successful aspects of the approach

A key area of innovation and success factor in housing microfinance in South Africa is the use of information technology to enhance HMF lending. Example is Lendcor's Wozani Nonke , an interactive store terminals making the process of assessing loan qualification for potential clients simple and quick. Kuyasa adapted this process of information technology for its purposes and implemented the use of mobile technology in the field. Every loan development officer and Customer Service Centre representative is therefore equipped with a mobile phone, which remotely connects to Kuyasa's servers. It allows the field staff to access client information, in real time, along with the ability to print receipts on the spot.

 However, once again, the housing microfinance sector in Nigeria falls short of this as microfinance institutions in Nigeria tend to target the wrong customers (Clementina & Gabriel, 2015) and the microfinance institutions in Nigeria are more focused on small

enterprise lending and consumer lending despite some of these loans being diverted to housing needs.

4.1.3. Kenya

Kenya is among the most advanced countries in sub-Saharan Africa in the establishment and development of micro-finance institutions. Four innovative micro-finance institutions that have touched on the edges of housing, or what is known as housing micro finance, are: The Kenya Rural Enterprise Programme (K-REP), Faula Kenya, the National Association of Cooperative Housing Unions (NACHU), and Jamii Bora Trust. K-REP, now largely urban in outlook and focus, began as a non-governmental organization and transitioned into a commercial community bank and an advisory service consulting firm. The International Finance Corporation and major commercial banks operating in Kenya now hold equity investments in K-REP that have, together with over 30,000 depositors, capitalized the bank at over 1.6 billion Kenya Shillings ($20 million). The bank offers housing micro-finance loans to depositors who have taken out small loans with K-REP and thus established a credible track record. K-REP does not offer a mortgage product as such, but rather a multi-purpose loan that borrowers elect to use to improve or construct housing. The term of the loan is fixed at 2 years. In Kenya, there are various successful housing microfinance institutions another which is Nachu, one of the largest microfinance institutions in Kenya (Finmark Trust, 2010). One of NACHUs aims is to provide affordable and decent housing to Kenyans within the low and modest income communities. Presently, NACHU is the leading microfinance institution in Kenya that provides housing micro-finance for low income earners in the society. It uses a holistic approach to provide housing microfinance services combined with advocacy and technical services to the poor and low income earners in the society. Attached to appendix 3 is a brief history and format of its operations. NACHU provides housing support products and services to its clients. This has been proven to reduce the diversion of loan funds, supports housing development for occupancy and for rental incomes, and has mitigated the risks inherent in housing microfinance. It has also increased client satisfaction levels and encouraged steady loan repayments which have improved the overall performance of NACHU's loan book.Its success is linked to the provision of technical services and the provision of housing support services by the financial institutions

Also, compared with other countries in East Africa, Kenya has a strong regulatory environment for microfinance institutions. It has a good system that has a tough and well-

utilised legislation governing cooperatives which encourages good internal governance. The government increasingly consults with the stakeholders in policy formulation. NACHU (National Association of Cooperative Housing Unions) one of the innovative micro-finance institutions that have touched on the edges of housing provides professional services directly and indirectly. NACHU selects and contracts professional consultants (for example town planners, architects and engineers) from their panel and supervises their work. It also advises groups on house construction and assists their members with selecting builders and artisans like plumbers, electricians and carpenters. NACHU supervises the construction process and all the contractors involved. It provides advice on the selection of material suppliers and on material procurement (quantities and quality of materials needed, cost estimates) however, the customers select the suppliers based on the quotations, place orders and take delivery of materials directly

Also, In Kenya, The Government recognizes that greater access to, and sustainable flow of financial services, particularly credit, to the low-income households and microenterprises is critical to poverty alleviation. Therefore, an appropriate policy, legal and regulatory framework to promote a viable and sustainable system of microfinance in the country has been developed via the proposed Deposit Taking Micro Finance Bill. Also , a full-fledged microfinance unit has been established in the Ministry of Finance (the Treasury) and the Central Bank of Kenya to formulate policies and procedures to address the challenges facing microfinance institutions, especially in the rural areas, and to also build a database to facilitate better regulation and monitoring of their operations (Omino, 2005).

4.1.3.1. Successful aspects of the approach

NACHU's training, advice and guidance combined with the disbursement approach of 50% upfront and 50% after an assessment of progress successfully addresses loan diversion. Client integration and brand loyalty has been achieved by complementing the provision of finance with the provision of housing support services and products. NACHU uses the cooperative model for organising and elements of the savings and credit cooperatives and the microfinance model for financing incremental housing. These models are proven to work well in building social and financial capital amongst low-income earners.

4.1.4. Bangladesh

The success of microfinancing in Bangladesh is linked to the use of innovation as a critical success factor (CSF) in directing microfinance (Hartungi, 2007). One of the innovative

methods used by microfinance banks in Bangladesh is the lending approach i.e. collateral free lending system and group monitoring system etc. are the innovation and designs of Grameen Bank. Grameen Bank (GB) offers new information technology, a technological innovation, which has extended the effectiveness and feature of micro financial service. It has adopted Automated Tellers Machines (ATMs) and computerized administering system which make easy the transaction such as loan payment, money transfer, saving account controlling etc. and help to obtain information quickly. Moreover, (Kabir Hassan, 2002) depicted an innovation of GB which is group-based lending and this has contributed a key success of micro-finance in Bangladesh. GB introduced an exclusive group lending technique through offering the basic and flexible loan, hence increased flexibility for its borrowers and eased peer pressure among the groups (Noelle & Busse, 2008). It also integrated the benefits of group lending, thereby having an attempt to minimize the restrictions and disadvantages of micro-finance.(Hulme & Moore, 2006). Likewise, Bancsol also replicated the Grameen group lending system. As a consequence, they depicted that group lending could be one the success factors of micro-finance which permitted GB to implement the management of the particular tasks such as screening and group monitoring for loan repayment from borrowers, thereby assisting the GB to enable for allocating the micro-credit. The key implementation has been a well-designed strict administrative structure of GB, thus contributing to expand micro-finance especially in Bangladesh. (Hulme & Moore, 2006). Due to the effectiveness and efficiency of MFI, it was able to increase the service delivery of micro-finance. Grameen Bank a renowned micro-finance provider, commenced to create a well-designed human resource development structure for the training and development programme of staff in order to generate effective field workers and field level managers. (Hulme & Moore, 2006) also indicated that GB supervises its clientele's by field staff that assisted to ensure the repayment of loan.

In order to reach those most in need and/or those most able to effectively utilise credit to alleviate their own poverty, Bangladeshi MFIs have adapted combinations of direct targeting, using an effective indicator-based means test (e.g. a combination of effective landlessness and involvement in manual labour combined with being female), and indirect targeting, through self and peer-selection. Bangladeshi MFIs allow for self-selection through a combination of initially small loans with market-level interest rates and strict repayment conditions, as well as time-consuming and potentially stigmatising membership obligations such as compulsory attendance at meetings . Its success linked to the training of loan officers in construction pricing to improve loan assessment and reduce risk and also the production of

a product that met client needs, developed relatively low cost delivery mechanisms and generated resources that permitted it to survive and expand.An example of successful microfinance in Bangladesh is the Grameen Bank and there are many explanations of why the Grameen model worked.

4.1.4.1. Successful aspects of the approach

One of the critical success factors in Bangladesh is that many of the institutions offering this product do a rough assessment of the intended construction proposal to minimize the risk of unfinished construction, and several are training their loan officers in construction-pricing and techniques to improve assessment and monitoring of housing improvement loans. In Bangladesh, Grameen Bank's loans are available to those clients with a good repayment track record, and loans are available for a range of activities from home repairs to home construction or land purchase. Loan amounts and terms are larger than for the micro-enterprise loans, interest rates are lower, and a member must provide legal documentation of land ownership when a house is to be built. While borrowers are responsible for the design of the house, it must meet minimum Grameen health and safety standards, for example, having a pit latrine. Again this is another

4.1.5. Latin America

Microfinance began in the 1970s in Latin America with the foundation of local banks affiliated with the Acción International network. The strong financial performance of larger MFBs in Latin America is linked with a trend towards commercialization of microfinance in the region (Hirth, 2006). In 1992, Banco Sol became the first case of a non-governmental organization (NGO) transformation to a commercial bank and thus became the first regulated microfinance bank. Banco Sol surpassed other Bolivian microfinance institutions than on any other deposit-taking institutions In the beginning, the Bolivian intervention was typically urban rather than rural, less concerned with poverty and more focused on micro-enterprise. It targeted the 'economically active poor'—people with established businesses that needed capital to grow from the start, Bolivian microcredit was itself seen as a business, potentially as a branch of commercial banking" (Rutherford, 2003). Many of these differences still characterize the industry in today.

With almost 70,000 active borrowers, Mibanco is one of the largest microfinance institutions (MFIs) in Latin America (Ferguson & Navarrete, 2003) and although Mibanco's entry into

housing finance is recent, it has successfully provided housing microfinance and its experiences are of interest for a number of reasons:

- Use of "Progressive build" lending versus traditional mortgage lending;
- Application of "best practice" microenterprise methodology to housing finance;
- "Minimalist" approach to construction assistance ie keeping things very simple;

Management staff of the bank designed a product for market-rate finance of home improvement, called MiCasa. Management decided that the MiCasa loans be offered through the same branch network with the same staff as their other loan products. The core part of the credit process – the evaluation of the client's capacity to repay would be essentially the same for housing as the bank's micro enterprise loans. There were two targets for MiCasa loans: MiBanco's traditional customer base of micro entrepreneurs, and low-income, salaried workers living in the same communities. By adding low income workers to its target market, it ended up serving poorer households than the micro-enterprise portfolio of the institution. Loans are secured mainly by co-signers, personal collateral, and temporarily taking custody of households' proofs of ownership until credits are paid off.Thus, assiduous methods of loan collection and maintaining good credit in order to get access to more finance constitute the main incentives for repayment.

Mibanco devised a variety of products and services to meet the diverse needs and cultures of the population in Peru. There were specific products for housing, agricultural purposes, working capital and other necessities. Each product was based on a model that would ensure the loan was repaid on time and also aimed to improve the lives of the poor. The process for all of the products was the same, and the business advisors stayed close to the clients to ensure the money was used for the intended purpose e.g.,Mi Casa was used for home improvement or Mi Local used for business improvement

Also, Mibanco charged higher interest rates on loans compared to the market average in Peru. It demanded higher rates because of the higher risk of the MSE market compared to the traditional banking system. Mibanco's creditors demanded higher rates on the money lent to the bank, which in turn was passed on to its customers. However, despite this perceived risk, Mibanco had a lower bad debt ratio than the market average. The company attributed this to the strength of relationship between the business advisors and the clients.

4.1.5.1. Successful aspects of the approach

Mibancos success is based on the the strength of relationship between the business advisors and the clients .The business advisors stayed close to the clients to ensure the loan was used for the intended purpose and not diverted to anyother use. Also the bank makes use of a marketing strategy using both multiple and unconventional methods of communication. This marketing strategy used multiple and unconventional methods of communication such as advertising with posters and flyers in the neighborhoods where offices were located , giving out prizes and public recognition to clients making payments on time etc. The success of Mibanco lies in the ability of the bank to compete with other banks. Mibanco emulated the decentralized structure of the NGOs, skipping long processes that could delay loan approvals. Reflecting on its need to remain competitive, the bank created a marketing department to help Mibanco communicate its message to the target market.

Finally, Mibanco devised various products and services to meet the diverse needs and cultures of the population in Peru. There were specific products for housing, agricultural purposes, working capital and other necessities

The microfinance sector in Nigeria falls short of this as microfinance institutions in Nigeria tend to add products to its portfolio mainly to increase profitability without carrying out any market assessment or survey to determine what the customer actually needs.

4.1.6. Mexico

Mexico's FUNHAVI's was founded in 1996 to provide Housing microfinance loans to the low-income populations in Mexico with a long term objective aimed at:

1. Improving the lives of low-income earners by enabling them to construct safe and healthy homes

2. Improving the availability of housing to low-income families through providing technical assistance and access to credit, so that these families can and will construct their own houses through a self-help model

3. Developing a sustainable financial institution that can be expanded to additional cities

The target market for Funhavi is primarily maquiladora workers, (low income earners working in factories across the border) who make up about three-quarters of its clientele. This target includes the economically active poor and low income earners in the city. The main product offered by FUNHAVI is for home improvement loans however, there are plans to

introduce new build housing loan products. (Daphnis et al., 2002) identified that three-fifths of Funhavi loans go toward room additions, while two fifths are intended for the rebuilding of homes originally constructed from cardboard, wooden pallets, and other scrap material. Loan amounts are based on the estimated value of the improvement as well as the borrower's capacity to pay and the loan amounts range from $500 to $2,500 while the borrower's monthly repayment does not exceed one-third of his net monthly household income. They charge varied interest rated depending on the net monthly household incomes of the customers. Funhavi relies on co-signers—as opposed to tangible collateral—to secure its loans. They use the individual lending methodology and require that, clients must be earning some income and are able to show documents of proof of land ownership and a co-signer who earns similar income and also owns land. FUNHAVI's results are based on a simple and streamlined three-step process that includes technical assistance, the innovative use of partners, and the necessary safeguards to minimize credit diversion and misuse of funds. The loan preparation process lasts no more than 15 days. Households must demonstrate a monthly income twice the minimum wage (Goldberg & Palladini, 2010). No savings or credit history is required, but the client must be able to show recent pay stubs, provide the name of a guarantor and offer proof of land (a less stringent requirement than formal land title). In addition, the community where the house is located must be stable

4.1.6.1. Successful aspects of the approach

Funhavi includes in the loan , the use of technical assistance. It does this by contracting an architect to provide technical advice and the cost is borne by the borrower. It also Funhavi relies on co-signers—as opposed to tangible collateral—to secure its loans. FUNHAVI also works in partnership with local building materials suppliers. When an applicant loan is approved, he is issued with a voucher to purchase construction materials from specific suppliers identified by FUNHAVI. This is to ensure that clients use quality building materials thereby reducing the risk of defaulting on the loan.

4.2. Critical Success Factors (CSFs) For Scaling up Housing Microfinance

Critical success factors are those variables which management can influence through its decisions that can affect significantly the overall competitive position of the firm or industry. These factors are seen to vary from industry to industry.(Leidecker & Bruno, 1984) also defined it as those characteristics, conditions, or variables that when properly sustained,

maintained, or managed can have a significant impact on the success of a firm competing in a particular industry. Rockart (1979) also defines the critical success factors as the key areas of activity in which favourable results are absolutely necessary for a particular manager or organisation to reach his or her goals .

In Nigeria, despite the unprecedented challenges that microfinance banks seem to be facing, there are a number of lessons that can be learnt from other comparable nations who have successfully included housing microfinance in their portfolios. Many MFIs in other markets have experienced a sizable growth in their portfolios and are looking to reach new customer groups and the following key areas which have been vital to microfinance banks making inroads into the HMF market can be addressed in Nigeria.

4.2.1. Construction Technical Assistance

From literature reviewed Brown (1980) in his research showed that offering Construction technical assistance services can increase customer satisfaction and enhance loan quality.The success factor of housing microfinance in India is linked to the provision of technical assistance in the form of construction related assistance and training programs.This is provided to borrowers if needed. An example is Mahila Housing SEWA Trust which has facilitated the formal registration of Community Based Organizations (CBO's) in the Parivartan slums. Members can attend the SEWA Academy where they are taught the necessary skills to work for SEWA in their communities.

In the scheme called "My Own Home Scheme," participants save a fixed amount every month towards repairing, upgrading or buying a home. Typically, prior to obtaining a housing loan, SEWA members live in semi-permanent structures with mud walls and floors with thatch or tiled roofs. With a SEWA housing loan, members can incrementally transform their temporary structures into permanent brick dwellings, plastering the interior walls, upgrading flimsy roofs with concrete, tiling the floors, and/or installing windows for light and ventilation.Advising customers on the selection of building materials, construction techniques, and innovative methods and interventions that address issues such as heavy rains, heat waves, sanitation, ventilation, and energy efficiency etc. can be seen as an effective way of adding value to the banks customers and boosting sales. Combining the loan offered with construction technical assistance will definitely help raise awareness about safe construction, reduce the cost of future repairs, and ultimately improve the quality of the loan.

As none of the selected microfinance banks in this study has any affliation with any engineering company, attracting and retaining qualified technical officers will be an added

advantage. This is one of the critical success factors in Kenya and Mexico where there are various successful housing microfinance institutions one of which as discussed earlier is Nachu, one of the largest microfinance institutions in Kenya (Finmark Trust, 2010).

Presently, NACHU is the leading microfinance institution in Kenya that provides housing micro-finance for low income earners in the society. It uses a holistic approach to provide housing microfinance services combined with advocacy and technical services to the poor and low income earners in the society. NACHU provides housing support products and services to its client's .This has been proven to reduce the diversion of loan funds, supports housing development for occupancy and for rental incomes, and has mitigated the risks inherent in housing microfinance. It has also increased customer's satisfaction levels and encouraged steady loan repayments which have improved the overall performance of NACHU's loan book

4.2.2. Establishment of an Enabling Environment

One of the success factors of housing microfinance in Uganda is the establishment of an enabling environment by the Government of Uganda (GoU).This has greatly influeneced the development of a healthy national microfinance industry. Also, based on the importance placed on this factor by the the government of Uganda,microfinance has since become a constituent part of the financial sector and it has emerged as an instrument of poverty . In Uganda, microfinance banks enjoy government commitment which provides them with an appropriate legal and policy environment. The banks enjoy favourable social conditions, macroeconomic stability and government commitment. The Government of Uganda is committed to the development of the microfinance industry. The Governments created a legal and regulatory environment that encourages market entry and competition in microfinance. The finance ministries, central banks, and other government bodies recognize microfinance as a legitimate financial activity within the financial system and the government maintains macroeconomic through appropriate monetary and fiscal policies. Finally the government also involved the private sector in formulating poverty reduction strategies and explicitly recognized the leading role of the private sector in financial sector development, including microfinance. The active participation of the private sector therefore helped to embed microfinance firmly within financial systems, with private and non-governmental actors taking the lead (as opposed to government bodies, such as ministries of agriculture and health, and local authorities).

4.2.3. Extensive Staff Training.

Most of the Banks customers are new to housing loans and lack sufficient financial literacy as well as construction knowledge. Educating customers on the housing microfinance product, the lending process, and importance of construction techniques therefore becomes a critical responsibility for both loan officers and technical officers. It is very important to provide adequate training to all staff, especially new staff, in all branches of the banks so that they are aware of what housing microfinance entails and regular training on housing microfinance topics, updates and new developments within the microfinance banks should be provided for loan officers working in the field. Given that it was not always feasible to provide face-to-face training for all loan officers, other means of communication, such as newsletters and conferences can be implemented to ensure frequent communication with the regions.

The three banks reported in-house, on-the job training for its loan officers. This specialized training is costly, but is a necessity. All banks need their staff to be familiar with microfinance technologies and operating systems and procedures, and they should hold meetings clearly articulating the institutional mission in micro financing however, loan officers often lack the financial and analytical skills needed to assess a customers business and also sometimes get influenced by neopotism and corruption. Of the three sampled banks, Bank A had the most highly-developed training program. To maintain a staff strength of over 6,000, the bank has five regional training centres at which approximately 5,000 employees are trained each year. The bank has expanded rapidly, ranking among the most successful originators and adapters of new microfinance technologies in Nigeria. All the banks need to have a strong staff training program as a catalyst to incorporate these technologies successfully and the can also draw on specialized foreign assistance.

In order to increase the efficiency of those employed, the function of the technical officers can be adjusted to focus more on appraising/assessing projects which includes structural changes or improvements rather than cosmetic or minor construction techniques, discuss innovative housing upgrades, and monitor quality. Loans for minor (non-structural) projects, such as painting and plastering, can be assessed and monitored by loan officers instead of technical officers. The microfinance banks can either hire a full-time senior technical officer who can be based at its head office, and will be responsible for training and coordinating with other technical officers at the branch levels or in areas where technical officers are not available, basic training can be given to loan officers on conducting technical evaluations

4.2.4. Extensive Marketing Strategy

A precise marketing strategy is important for effective customer outreach.This is important to ensure broad customer outreach. Marketing strategy, both internal and external, should be structured to fit the characteristics of the targeted audience (the low income earners) in order to achieve maximum effectiveness. This has been shown to be one of the critical success factors in Bangladesh where many of the institutions offering this product do a rough assessment of the intended construction proposal to minimize the risk of unfinished construction, and several of this banks train their loan officers in construction-pricing and techniques to improve assessment and monitoring of housing improvement loans. In Bangladesh, Grameen Bank's loans are available to those clients with a good repayment track record, and loans are available for a range of activities from home repairs to home construction or land purchase. Loan amounts and terms are larger than for the micro-enterprise loans, interest rates are lower, and the customer must provide legal documentation of land ownership when a house is to be built. While borrowers are responsible for the design of the house, it must meet minimum Grameen health and safety standards for a housing loan to be approved.

Based on the relative newness of microfinance best practice in Nigeria, it requires continuous sensitization. The programmes should capture the "why" "what" and "how" of housing micro financing and market them in such a way as to attract the attention and patronage of investors, managers, promoters and clients. The Central Bank of Nigeria as a lead stakeholder in microfinance will need to continue to invest in necessary campaigns at national levels. Development partners can also support such programmes with their resources and technical know-how. In addition, each institution should endeavour to inform and educate its customers on the existence and importance of the products it offers such as housing finance

4.3. Summary

This section compared the success factors in other countries with what is applicable in Nigeria.It examined the methods of credit delivery in Nigeria and examined the relationship between Microfinance and housing microfinance. It looked at the link between housing microfinance and incremental building and examined the importance and challenges of housing microfinance in Nigeria. An overview of the risks and constraints affecting the supply of housing microfinance was also presented in this chapter.

Having examined the structure of the housing finance and housing microfinance market in Nigeria, and identifying the factors that contribute to their inefficiencies, this chapter also examined the housing microfinance system in some selected economies which share similar characteristics with Nigeria in order to draw on lessons on housing microfinance can be scaled up. It undertakes a review of housing microfinance interventions in five developing countries which have embraced the concept of housing microfinance and have had some positive impact on housing supply across the world. The three African countries examined above have the most vibrant housing microfinance institutions in South, East and North Africa while Bangladesh, India and Mexico were also examined because they are all developing countries with similar microeconomic features to Nigeria.

CHAPTER 5.   **RESEARCH METHODOLOGY**

5.1. Research Philosophy

Brannick and Roche (1997) refer to the research methodology as the systematic, planned approach to a research project that ensures that all aspects of the project are consistent with one another.Crotty (1998) refers to it as "the strategy, plan of action, process or design which influences the choice and use of specific methods to achieve the desired outcome. The aim of this chapter is to outline the research approach selected while considering the research philosophy, which describes the belief associated with this research and the research strategy adopted as against other strategies. It will outline the research approach providing justification for the qualitative research approach adopted for the research and the Case study method chosen as the best fit outlining its characteristics and the adopted process that will be systematically followed to achieve the research aim.

Bryman (2012) refers to the research philosophy as an ideological way in which an enquiry into a paradigm is resolved. There are three renowned philosophical stances explored in any theoretical belief namely, Axiology, Ontology and Epistemology. Pathirage, Amaratunga, and Haigh (2008) refer to the research philosophy as the epistemological, ontological and axiological assumptions that guide an inquiry in a research study. In general, epistemology describes 'how' the researcher knows about the reality and assumptions on how knowledge should be acquired and accepted while Ontology explains 'what' knowledge is and assumptions about reality while axiology reveals the assumptions about the value system. These epistemological undertakings, ontological assumptions and axiological purposes about the nature of the world complement the formulation of the research philosophy, thereby influencing the selection of the appropriate research approach and methods.

The research methodology is seen as an overview of the process that will be used for the research study. It highlights the concepts of the research, research philosophy, its approach, methods and the proposed data collection and analysis technique to be applied to achieve the research aims and objectives. The research paradigm adopted by a researcher influences the way the researcher perceives the world while the research philosophy refers to the abstract ideas and beliefs that inform the research. From Literature studied, it is shown that philosophical assumptions are typically the first ideas in developing a study. It is here that the overview of the process of research compiled by (Denzin & Lincoln, 2011) helps us to place philosophy and theory into perspective in the research process. On the other hand, Cohen,

(2002) defined the research philosophy as the broad framework which consists of perceptions, beliefs and understanding of several theories and practices which can be used to carry out a research. Lewis (2011) also defined the research philosophy as the development of the research background, knowledge and its nature. The research process begins with the researcher considering what is brought to the inquiry, such as personal history and views on the phenomena. It is therefore important for a researcher to understand the philosophical assumptions that underlie the research to be able to articulate them in the research study.

5.1.1. Axiology

According to Creswell (2012) the role value plays in research qualifies the findings, indicating whether it is value free or value laden. This is determined by the objective criteria or human belief and experience depending on the reason adduced to identify what truth pattern to follow. Pathirage et al. (2011) opined that different people have different viewpoints and thus have their different opinions due to their experiences and beliefs on what the truth should be. This value belief is divided into Value-free or Value-laden and it is required that a research is based on either one of them. For the purpose of this research, the case study option adopted leans towards the value laden axiological judgement because the researcher supports the view that humans experience the world from different perspectives and the contents of an individual's experiences vary greatly with the individual's perspective which is affected by his or her personal situation.

5.1.2. Ontology

This philosophical stance explains the different views of the nature of reality (Creswell & Clark, 2007). It is a form of metaphysics, which raises questions on how researchers view the world and assumptions on how the world operates and its commitment to a particular observation (Saunders et.al. 2009). In addition, Blaikie (2009) states that ontological assumptions are ways of answering the question: 'What is the nature of social reality and these assumptions are concerned with what exists, what it looks like, what units make it up and how these units interact with each other. There are two broad divisions of ontological stance namely the Objectivists and the Subjectivists. According to Knight and Ruddock (2009), Objectivists believe that social phenomenon exists independently from social actions.This implies an action exists without biases of social factors. It is a position that holds the view that the goal of knowledge is simply to describe the phenomena that we experience,

while Subjectivist ontology assumes that what is taken as reality is an output of the human mental process since human mental process is continually changing due to social actions as a constant phenomenon . It is a position proclaiming that objects are created from insights and consequent actions of social factors responsible for their creation (Saunders, et.al. 2012).

5.1.2.1. Objectivism

This refers to the belief that social entities exist in a real world external to and independent of the social aspects (Saunders & Lewis, 2009).It believes that a social phenomenon exists independent of social actions and it also believes that the goal of knowledge is to describe the phenomenon that we experience (Knight & Ruddock, 2009). It is a principle drawn from a positivism that allows researchers remain distanced from what they study so that findings depends on the nature of what was studied rather than the personality beliefs or values of the researcher.

5.1.2.2. Subjectivism

This refers to a position that argues that entities are created from the perceptions and consequent actions of social actors which are responsible for their creation (Saunders, Lewis, &Thornhill, 2009). It supports the view that objects are created from insights and the consequent action of social factors (Mark Saunders et al.) Subjectivism holds that truth, in effect, resides only in the mind. For a subjectivist, a particular statement can be true for one person and false for another, based solely on one's mental choices, subjective processing, or emotions. Truth" amounts to whatever one believes, and there is no such thing as "knowledge" of reality only some sort of "experience" inside one's own mind.

5.2. Epistemology:

In simple terms, this refers to how knowledge is derived or arrived at. It is concerned with the study of the method used in acquiring knowledge. It answers the question, "How do we know?" This is the broadest and most used philosophical stance in the research process and is often used by the social sciences, sciences and behavioural sciences. It is simply described as the theory of knowledge and tries to understand issues such as the nature of knowledge and what is regarded as acceptable knowledge. It is the theory of knowledge focusing on ways of acquiring knowledge, how such knowledge is used to distinguish between reality and fiction.

There are different epistemological assumptions made by different researchers such as Positivism and Realism, Interpretivist and Constructivism and a Pragmatic position (Creswell & Clark, 2007). Table 5.1 below shows the position of the case study in the three philosophical assumptions and based on the research adopting a case study research method the essential traits of the case study can best be justified within the epistemological foundations of Constructivism.

Table 5-1: Philosophical Assumptions and the place of Case Study

Research believe	Positivist	Interpretativsm/ Constructivism	Case Study
Ontology	Support the view that that there is only single reality, Knowable, Probabilistic	Multiple realities, socially constructed	Researchers embrace the idea of multiple realities and report on these multiple realities by exploring multiple forms of evidence from different individuals' perspectives and experiences.
Epistemology	Objective; dispassionate, Detached observer of truth	Subjective (i.e., values and knowledge emerge from the researcher participant interaction)	Researchers try to get as close as possible to participants being studied. Subjective data is assembled based on individual views from research conducted in the field.
Axiology	Truth: universal and beautiful; prediction	Understanding: situated and description	Researchers make their values known in the study and actively report their values and biases as well as the value-laden nature of information gathered from the field.

Source: Creswell (2012)

5.3. Constructivist Position:

According to (Creswell et al., 2007) constructivism is a new paradigm gaining importance in the last few years with a philosophical underpinning which enables knowledge to be derived from a problem. This is a philosophy which relates to the study of social phenomena in their natural environment (Saunders & Tosey, 2015). Its emphasis is on conducting research amongst people rather than on objects while adopting an empathetic stance so as to understand the social world and the meaning being given to it. Constructivism is also defined as "the view that all knowledge and therefore all meaningful reality is contingent upon human practices, being constructed in and out of interaction between human beings and their world , developed and transmitted within an essentially social context." Thus, meaning is not discovered, but constructed.

A constructivist approach to research aids with the intention of understanding "the world of human experience (Cohen,Manion,&Morrison, 2013) and suggesting that "reality is socially constructed" (Mertens, 2007). The constructivist researcher tends to rely upon the "participants' views of the situation being studied"(Creswell et al. 2003) and recognises the impact on the research of their own background and experiences. Constructivists do not generally begin with a theory (as with post positivists) rather they "generate or inductively develop a pattern of meanings" throughout the research process. The constructivist researcher is most likely to rely on qualitative data collection methods and analysis or a combination of both qualitative and quantitative methods (mixed methods). This philosophical stance (constructivism) aligns well with the case study method as it allows the researcher investigate the issue (scaling up housing microfinance) in depth and provide an explanation that can help cope with the complexity and subtlety of real life situations to solve a problem.Constructivists believe that truth is relative and that it is dependent on one's perspective. Constructivism is built upon the premise of a social construction of reality (Searle, 1995). Based on the nature of the study and the description of the philosophical assumptions, this research study will follow a constructivist position.The decision of approaching this research from a constructivist perspective was based on the researcher's Epistemological stance. Based on knowledge gained from reconnaissance observation and prior research, housing is understood to be a complex and personal phenomena which has different meaning and values to different people who need it. To some, housing is a social good (Olotuah, 2000) while to others housing is an economic good (Kemeny, 1992) while even to some others, housing is a consumption good. (Aragonés et al., 2002) stated that

housing construction and organisation is influenced by the culture in which it develops and may be viewed to reflect the relationship between culture and the environment .This goes to show that housing will have different meanings to different people based on their different culture and environment and the value placed on housing will also be different for different people. Example for someone whose house is also the source of income (i.e. trades from the same building they live in) the importance of housing will be very different from someone who sees housing just as a social good (i.e. the house just shows the social status of the owner).

5.4. Research Strategy

According to Remenyi, Bannister, and Money (2004), the research strategy provides the overall direction of the research including the process by which the research is conducted. Saunders & Lewis, (2012) defined research strategy as "the general plan of how the researcher goes about answering the research questions while Bryman (2006) acknowledged research strategy as "a general orientation to the conduct of research" however, Johannesson and Perjons (2012) noted that investigating a practical problem requires an adoption of an overall strategy that helps provide solution. In selecting a research strategy, the connection between theory and the research brought about by the research question needs to be considered because this has an influence in selecting the appropriate research strategy. Both quantitative and qualitative research differ from each other (Bryman, 2006).

With Qualitative research an inductive approach is taken whereby theory is generated from the research while with Quantitative research, a deductive approach is taken whereby the research is used to test a theory. Both quantitative and qualitative research represents different epistemological position. Qualitative research comes from an interpretivist perspective which is concerned mainly with interpreting and understanding a phenomena based on the meanings that people attach to them (Greenhalgh et al, 2010) while Quantitative research comes from a positivist approach which supports the view that knowledge can only be derived from direct observation or Experience (Robson, 2002). Also both quantitative and qualitative research hold different ontological positions so while the qualitative research approaches are constructivist (i.e. reality is socially constructed) meaning that social phenomena/problem is created by social interaction between individuals ,Quantitative approach is objectivist meaning that social phenomena exist independent of individuals

(Bryman, 2006). Shown in Table 5.2 below is a comparison of the different research approaches:

Table 5-2: Comparison of Quantitative, Mixed and Qualitative Approaches

Research	Quantitative approach	Mixed approach	Qualitative approach
Scientific method	Deductive or "top-down" Test hypothesis and theory with data	Deductive and Inductive	Inductive or "bottom-up" Generate new hypotheses and theory from data collected
Most common research objectives	Description Explanation Prediction	Multiple objectives	Description Exploration Discovery
Focus	Narrow-angle lens Testing specific hypotheses	Multi-lens	Wide and deep-angle lenses examine the breadth and depth of phenomenon to learn more about them
Nature of study	Study behaviour under artificial, controlled conditions	Study behaviour in more than one context or condition	Study behaviour in its natural environment or contact

5.5. Research method used

Research is a systematic investigation to find answers to a problem through methodical processes that address the theoretical arguments surrounding the problem and provide justifications for the methods used to collect and analyse data from which answers are found (Hughes, 2012). The methodical process of collecting data to answer research questions to achieve the objective of a research exercise depends on the type of research (quantitative or qualitative) and the nature of the data to be collected.

The qualitative research method will be adopted for this research. The qualitative paradigm aims to understand the social world from the viewpoint of respondents, through detailed

descriptions of their cognitive and symbolic actions, and through the richness of meaning associated with observable behaviour (Hughes, 2012) . In this paradigm, which rejects both a cause-and-effect construct and universal laws devoid of any socio-historical context, the separation between researcher and respondent is diminished (Kvale, 1996).

Atkinson et al. (2005) refered to qualitative research as an 'umbrella term' and a number of different approaches which aim at the in-depth understanding of a phenomenon within its framework. Researchers use the qualitative approach to explore the behaviour, perspectives, feelings or experiences of people in relation to any issue of interest. The basis of qualitative research lies in the interpretive approach to research . Central to the qualitative paradigm is the belief that people assign meaning to the objective world, that their valued experiences are situated within a historical and social context, and that there can be multiple realities (Denzin & Lincoln, 2011). Therefore in greement with (Strauss & Corbin, 1998) and (Hughes, 2012), the researcher embraces the conviction that realities cannot be studied independently from their contexts. Therefore the reseracher will adopt the qualitative research method to investigate the perception of three levels of bank staff on the issues deterring microfinance banks from scaling up their housing finance portfolio in Nigeria.

5.5.1. Qualitative Research Approach:

Qualitative research was chosen as a suitable approach for the research and is informed by the work of Denzin and Lincoln (1994) who defined qualitative research as research that is multi-method in focus, involving an interpretive, naturalistic approach to its subject matter. This means that qualitative researchers study things in their natural settings, while attempting to make sense of or interpret phenomena based on the meanings people bring to them. Qualitative research involves the use and collection of a variety of empirical materials such as case study, personal experience, introspective, life story interview, observational, historical, interactional, and visual texts-that describe routine and problematic moments and meaning in individuals' lives. Also, Creswell (2012) defined qualitative research as an inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem. The researcher builds a complex, holistic picture while analysing words and reports detailed views of informants while conducting the study in a natural setting. Qualitative research is the approach usually associated with the social constructivist paradigm which emphasizes the socially constructed nature of reality. It is about recording, analysing and attempting to uncover the deeper meaning and significance of human behaviour and experience, including contradictory beliefs, behaviours and emotions.

Qualitative researchers are interested in gaining a rich and complex understanding of people's experience and not in obtaining information which can be generalized to other larger groups. The goal of any qualitative research interview is to see the research topic from the perspective of the interviewee, and to understand how and why he or she comes to have this particular perspective.

Over the years, there have been various studies regarding housing finance but they have mainly focused on statistics/numbers in developed and developing countries. However though having identified the problem using statistics showing lack of finance as being prevalent, there is limited information on why this trend keeps occurring and despite various policies, institutions and regulations put in place by the Federal Government to alleviate the housing problems in Nigeria, there is still a dearth of housing supply, especially for the low-income segment.

Without understanding why this trend keeps occurring, it is difficult to find a sustainable solution. Therefore, as a qualitative researcher, the aim will be to go behind the statistics to understand the issue and the trend, why the issue is still prevailing,why the proffered solutions not working, what the providers of housing microfinance believe is the cause of the problem, what difficulties are encountered by financial providers when providing housing microfinance,what critical success factors are necessary for scaling up housing microfinance by microfinance institutions and also to determine how to deepen the market for housing microfinance. In a qualitative research, epistemological assumptions deal with subjective evidence that is collected from field studies.Researchers try to get as close as possible to participants being studied and subjective evidence is assembled based on individual views from research conducted in the field.

This study will be both exploratory and descriptive in nature and will lean more towards adopting an inductive approach because the aim is not to test a theory but rather to develop a pattern of meanings" so as to understand and interpret the phenomenon. In a descriptive-based phenomenological methodology, the focus of the research is to describe, understand, and clarify human experiences.This means that the participants will be chosen because they can offer fertile examples of the theme under study. As the unit of analysis is experience and not the individuals or groups, the participants are chosen in accordance with specific criteria, in order to make important contributions to the relating to the structure and experience under investigation (Polkinghorne, 2005). These assumptions limit the representativeness of the sample, and more important than the number of participants is the data gathering procedures and the variety of evidence that these can produce.

The aim of this research is to develop a framework for scaling up housing microfinance in Nigeria by using the experiences, perceptions and views of a sample of professionals and experts in the field to determine how this can be acheieved and how housing microfinance can be used to overcome the challenges encountered by low income earners in financing their housing needs.There are four main traditional flexible research strategies for qualitative research and this includes:

Case Study: This involves the development of detailed intensive knowledge about a single case or a small number of related cases. Its features include the selection of the case/cases, study of the case in context and the collection of information via a range of data collection techniques such as observation, interview and documentary analysis. It is an approach to research that facilitates the exploration of a phenomenon within its context using a variety of data sources ensuring that the issue is not explored through one lens, but rather a variety of lenses which allows for multiple facets of the phenomenon to be revealed and understood

Ethnography: This seeks to capture, interpret and explain how a group / organisation or community live, experience and make sense of their lives and their world. Its features include the selection of a group or organisations and involve the researcher becoming embedded in ongoing relationships with research participants for the purpose of observing and recording talk and behaviour. It involves the researcher immersing himself in that setting and uses participant observation to try to answer questions about those specific groups. It's all about answering questions about the life of a particular group.

Grounded theory: This is a methodology developed by Strauss & Corbin (1990) that seeks to generate theory from data collected during a study. It is particularly useful in new applied areas where there is lack of theory and concepts to describe or explain what is going on. Data collection, analysis, theory development and testing are carried out throughout the study. Its features include it being applicable to a wide variety of phenomena. It is commonly interview based and is a systematic but flexible research strategy which provides detailed prescription for data analysis and theory generation.

Phenomenology: This seeks to describe how individuals experience a specific phenomenon. It characterises individuals lived experiences through gathering extensive narrative data from

a small number of participants with the goal of generating a deeper understanding of the essence or meaning of a particular phenomenon from the individuals perspective

## 5.6. Justification for using the Case Study Design

In line with Noor (2008), this study adopts a case study research approach because case studies are useful where there is a need to understand some particular problem in great depth with identification of case study areas rich in information. Yin (2009) defines case study as "an empirical inquiry that investigates a contemporary phenomenon in-depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident". Case studies can either be a single or multiple case studies, can include quantitative evidence, rely on multiple sources of evidence and benefit from the prior development of theoretical propositions (Bryman, 2012). One of the advantages of this approach is that it promotes a close collaboration between the researcher and the participant, while enabling participants to tell their stories (Crabtree & Miller, 1999) and through these stories, the participants are able to describe their views of reality. This therefore enables the researcher to better understand the participant's views and actions (Robottom & Hart, 1993). Many researchers in the school of built environment rely on various methods such as case study which investigates in detail one specific case of the general phenomenon under investigation, painting a rich picture of a single object or situation as a basis for obtaining a deep and comprehensive understanding of some general phenomenon (Johannesson & Perjons, 2012) or Ethnographical study which requires the researcher to be on ground and be part of the story being told or the issue being researched on Pink and Leder Mackley (2014) and grounded theory which is an inductive approach involving a systematic set of procedures to arrive at a theory about a social process with its usefulness beings based on the transferability of theories from one study to another (Toles & Barroso, 2014). However, the most ideal option for this research work is the Case Study approach. This case study approach supports a deeper and more detailed investigation that is normally necessary to answer "how and why" questions. These questions can be investigated through documents analysis, archival analysis, surveys and interviews. Three major factors determined using a case study as the best research methodology for this research work:

1. The type of question to be answered
2. The degree of control which the researcher holds and

3. The focus which is on contemporary issues (present problems)

Based on this, the case study approach provided an opportunity to explore the particular problem statement within a local context. A common critique of the case study is the limitations for generalising (Sarantakos, 2005). Case study research has often been criticized on the grounds that its findings are not generalizable, especially by comparison with those of survey research. This limitation is countered by using multiple case study to enable the researcher to explore differences within and between cases and also to increase the scope of generalisation (Stake, 2013; Yin, 2003) with the goal being to replicate findings across cases. A multiple case study design was chosen to promote the richness, depth and complexity that will be drawn from multiple events which will help in understanding the phenomenon of interest that is shared among the diverse cases (Anaf, Drummond, & Sheppard, 2007) However, a multiple case study has also been seen to sometimes reduce complex cases to a few comparable variables, resulting in the loss of the peculiarity of individual cases.(Stoecker, 1991)

To mitigate this risk, Creswell (1998) suggests that no more than four cases be examined to allow individual cases to be adequately explored. In line with this, of the 7 micro finance banks offering housing specific loans in Nigeria, three of these will be selected as case studies. Nigeria has 986 microfinance banks that are licensed by the CBN to operate within the country (Mix Market, 2011) with Lagos state (the second most populated state in Nigeria) having by far the most MFBs, (177 banks) and a population of over 9.1 million people (National Bureau of Statistics, 2014) as shown in Figure 5.1 below
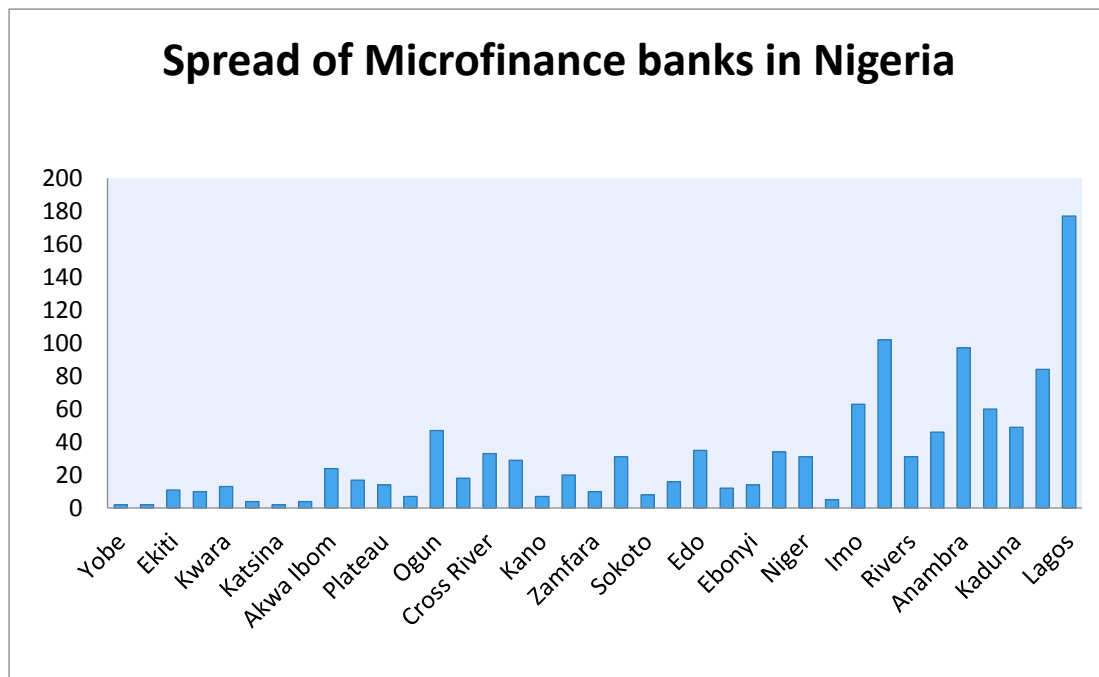
Figure 5-1: Spread of Microfinance banks in Nigeria

Source: (National Bureau of Statistics, 2014)

However, though Kano State has a slightly larger population of 9.4 million, it only has 6 MFBs, vs. the 177 licensed in Lagos. This is mainly due to Kano state being a predominantly Muslim state, north of the sharia line and the Islamic religion forbids lending with interest. (Riba). To comply with Sharia, any loan must be Qard (free of profit/interest) and this isn't a feasible option for microfinance.This therefore leads to Kano state having less microfinance institutions than Lagos state.

According to Johannesson and Perjons (2012) case studies offers the researcher the opportunity to investigate stakeholder needs and requirements as well as their practice in greater depth over an extended period. Also, their real-life holistic nature makes them particularly suitable for exploring a wide range of complex societal issues, processes and their interrelationships (Carcary, 2009). In this regards, microfinance institutions located in Lagos state were selected providing a guide for participant stakeholders to provide information that will help in the further explication of the problem. It also allows the researcher the opportunity to define requirement without heavily replying on respondents in a situation where time allocated to research is limited but providing room for demonstration and evaluation allowing inputs from stakeholders. Defining requirement as stated earlier is the combination of research strategies and methods and for this stage of the research, qualitative methods using interview as data collection techniques was adopted.

In order to achieve the aim and objectives of this research as outlined in Chapter 1 above, a research approach which facilitates an in depth analysis and gathers opinions of professionals in the field is required. Due to the open ended inquiry system used in case studies, it is suitable to uncover patterns, determine meanings, construct conclusions and build theory". Therefore, case study was selected as the most suitable research approach for the study over the other research approaches such as Experiments,Surveys, Action Research, Ethnographical studies.

The following characteristics listed below justify the selection of case study approach for this study:

- Case study facilitates the in-depth study on the selected area
- It allows multiple sources of evidence to be used to increase the validity of the collected data
- It has no control over the subject area hence it does not control/ manipulate the environment under examination (as in the case of experiments, surveys)
- It does not interfere with the attitudes, perceptions or the procedures of the environment (as in the case of action research) and finally,
- It can be used to analyse a contemporary event.

Multiple case studies were selected, as the evidence gathered from multiple cases are often considered more compelling and leads to a healthier and strong study (Herriott & Firestone, 1983). For this study, semi structured interviews were selected as the main data collection technique supported with review of documents derived from the banks and obtained from the Mix market. Case study protocols, consistent interview guidelines, preparation of case study data base etc. were designed to maintain the reliability and validity of the results.

5.7. Justification of the Qualitative Technique for the Research

In-depth interviews are used as a qualitative research technique, to conduct individual interviews to explore experiences, ideas, perspectives, views and situations with a small number of respondents (i.e. individuals from a sample population). In-depth interviews are often used in addition to other qualitative research techniques to provide context and understanding to new emerging data and/or results (i.e. outcome of data), offering a broader picture through exploring an individual's behaviours, experiences, opinions or thoughts. Furthermore, it is also used when wanting to explore new issues or refine questions for further research. An in-depth interview is interactive between a researcher and a research

participant and explores in great detail the individual's experiences, thoughts, opinions, perceptions and views in relation to a particular research matter(s) under investigation (Malinowski, 1932; Miller and Crabtree, 2005). Table 5.3 below shows the six stages of the case study research approach adopted for this study.

Table 5-3: Case Study Process

Step 1	**Plan**	• Identify stakeholders who will be involved • Management staff/loan officers of the 3 selected MFI
Step 2	Develop Instrument	• Develop an interview guide that lists the questions or issues to be explored
Step 3	Data Collection	• Gather all relevant documents and get ethical approval • Seek consent to conduct the interview • Set up interviews with stakeholders • Face to face interviews
Step 4	Analyse data	• Review all interview data • Transcribe data into Themes and codes • Analyse data using descriptive content analysis
Step 5	Disseminate Findings	• Generate results and findings • Develop a framework for scaling up housing microfinance
Step 6	Validate Framework	▪ Validation through Member Checking

Source: Researcher

As explained above the primary aim of this research is to investigate how housing microfinance can be scaled up to facilitate low cost housing in Nigeria.It is therefore necessary to gather different views and opinions regarding the issues limiting the scaling up of relating to housing microfinance and to identify the success factors necessary for the scaling up of housing microfinance by microfinance banks.The research method chosen for data collection should show the opinion of the respondents in relation to the housing policy, the processes involved when processing housing loans and the perception of the public to housing microfinance. As noted by Silverman (2016) , the interviews in social science strive to generate data which giveS an authentic insight into people's experiences. Semi structured

interviews were identified as the most suitable data collection method to achieve the aforementioned requirements. The aim was to select an open ended nature of inquiry but still apply some form of structure and direction to prevent the respondents deviating from the scope of the study and to keep them focused towards the main issues. Listed in Table 5.4 is the characteristics of a case study Approach

Table 5-4: Characteristics of Case Study

A descriptive study	- Data collected constitute descriptions of processes and events, and of the contexts in which they occurred (qualitative data). - Main emphasis is always on the construction of verbal descriptions of behaviour or experience - High levels of details are provided
Narrowly focused	- Typically offers a description of only a single individual, and sometimes about groups. - Often the case study focuses on a limited aspect of a person, such as their expriences and their views
Combines objective and subjective data	- Allows the researcher to combine objective and subjective data: All are regarded as valid data for analysis, and as a basis for inferences within the case study. - The objective description of behaviour and its context.Details of the subjective aspect, such as feelings, beliefs, impressions or interpretations. In fact, a case study is uniquely able to offer a means of achieving an in-depth understanding of the behaviour and experience of a single individual
Process-oriented.	- The case study method enables the researcher to explore and describe the nature of processes, which occur over time. - In contrast to the experimental method, which basically provides a stilled 'snapshot' of processes, which may be continuing over time

Based on the nature of the study and description of all philosophical stances, the graphical representation of the current study is shown in Figure 5.2 below
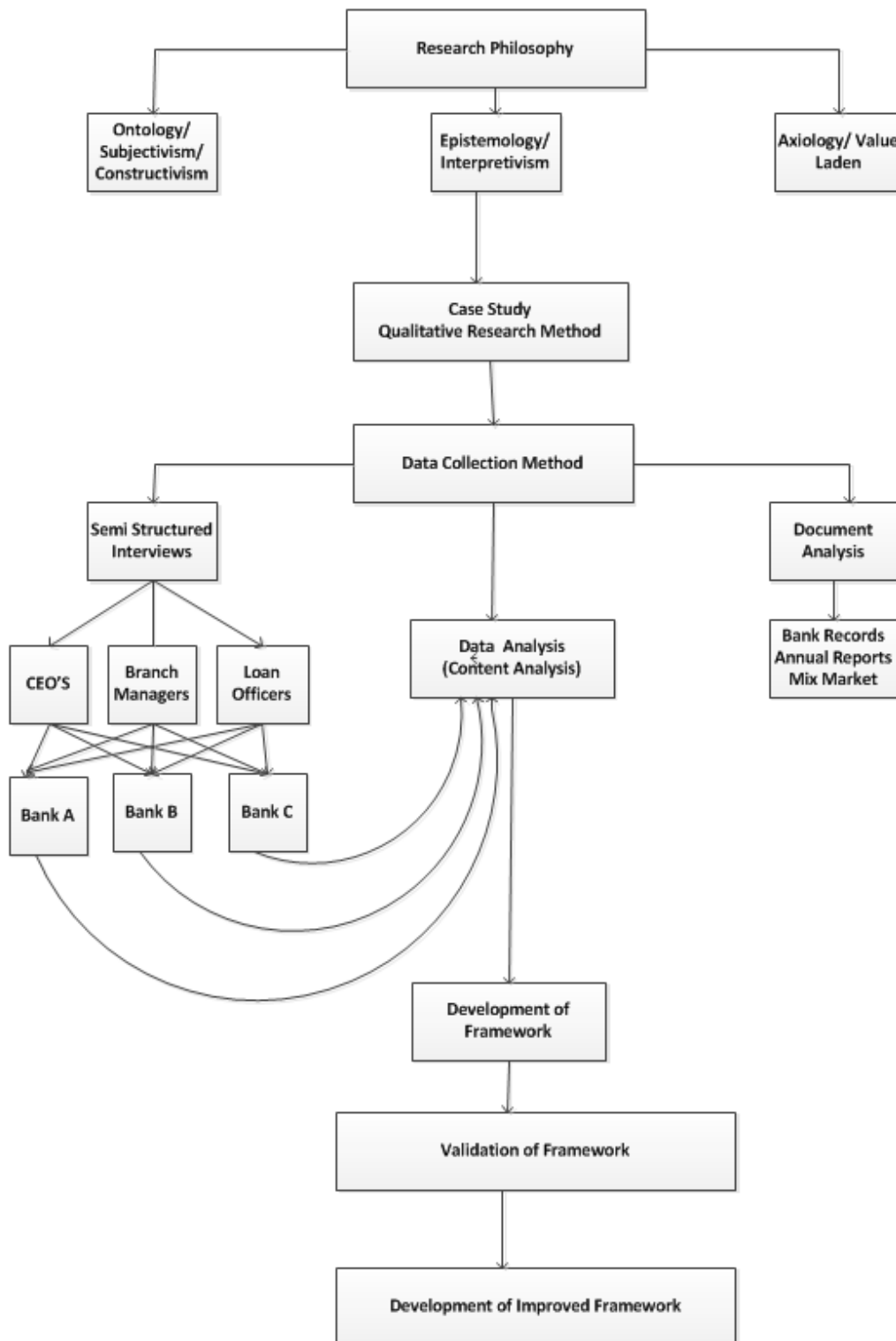
Figure 5-2: Graphical representation of Research structure of current study

5.8. Sample Selection

Qualitative research typically requires a smaller sample size than quantitative analyses (Kihato, 2014). However, the qualitative sample sizes should be large enough to obtain feedback for most or all perceptions. In a research study, it is usually impossible and impractical to collect data from all people or items in the area being studied hence the need to take a sample or subset of the population in question. What is important is making sure that information is derived from those who are expected to be of relevance to produce the most valuable data needed for the study (Denscombe, 2010). Salant, Dillman, and Don (1994) define a sample size as a set of respondents selected from a large population for the purpose of a survey. Morse (1994) recommends that phenomenology's directed towards discerning the essence of experiences should include about six participants because it is generally unnecessary to study every single case to understand the phenomenon under consideration while Sandelowski (1995) believes that determining adequate sample size in qualitative research is ultimately a matter of judgment and experience in evaluating the quality of the information collected against the uses to which it will be put, the particular research method , sampling strategy employed, and the research product intended.

Based on the purpose of this study, the sampling frame will consist of three major stakeholders in the microfinance banks namely the CEO'S,branch managers and the loan officers. The rationale behind this is to select those who are expected to be of relevance to produce the most valuable data needed for the study (Denscombe, 2010) and also to have the views and perspectives of three different levels of staff

i. The management staff are selected because they are primarily responsible for the corporate governance of the bank and they establish strategic objectives, policies and procedures that guide and direct the activities of the bank

ii. The branch managers are selected because they are in charge of implementing the polices and procedures

iii. While the loan officers are selected because the process the loan application and have direct contact with the customers. They act as the middleman between the management staff and the customers. The customers have no direct access to the management staff and vice versa so to determine if a system or process is working or not for the customers, the loan officers will be the most ideal staff to speak to because they are the ones in direct contact with the customers.

Purposive sampling will be employed to select the management staff of each of the three microfinance banks being used as case studies. The purposive sampling technique, also known as judgment sampling enables the researchers choose an informant based on the qualities the informant possesses. It is a non-random technique that does not need any underlying theories or a set number of informants. It allows the researcher decide what needs to be known and sets out to find people who can and are willing to provide the information by virtue of knowledge or experience (Bernard 2002 ; Lewis & Sheppard 2006).

Participants will be selected based on their qualifications, job experience and job specification. It is especially important to be clear on informant qualifications when using purposive sampling (Allen, 1971).Target population for the management staff of the microfinance institutions is the top 3 CEO'S of the selected banks and 5 branch managers of each of the banks (15 in total) and also 5 loan officers of each of the loan officers (15 in total). These staff members were purposively identified as having experienced knowledge of housing microfinance however, the interviews will carry on until saturation occurs.

Based on the opinions of Ritchie, Lewis, and Elam (2003), there is a point of diminishing return to a qualitative sample and as the study goes on more data does not necessarily lead to more information. Obtaining most or all of the perceptions will lead to the attainment of saturation. Saturation occurs when adding more participants to the study does not result in additional perspectives or information and based on the view of (Strauss & Corbin, 1990) who recommend the concept of saturation for achieving an appropriate sample size in qualitative studies, the interviews will carry on until the point of saturation is attained. However to commence the data collection process, table 5.5 below shows the number of staff selected to participate in the research study.

Table 5-5: Sample size

Microfinance Institutions	Total number of staff	Number of Staff
Bank A	• CEO • Branch Managers • Loan officer's	• 1 • 5 • 5
Bank B	• CEO • Branch Managers • Loan officer's	• 1 • 5 • 5
Bank C	• CEO • Branch Managers • Loan officers	• 1 • 5 • 5
Total		33

The management staffs selected are all based at the head office of the banks which is situated in Lagos state. The Head office (HO) denotes the location where policy and decision making pertaining to the bank are made and because Lagos state remains the economic nerve centre of the country with the largest concentration of industries, financial institutions and major sea ports, all three selected Microfinance banks have their head office situated in Lagos state in Nigeria.The head office was selected because the management team in charge of decision making are all based at the head office.

The branch managers were selected based on their job specification and their field of expertise identified while going through the bank records which allows them to give useful and vital information relevant for the research.

The Central bank of Nigeria regulation stipulates that in recognition of the peculiarities of microfinance services and the special skills required to manage a Microfinance Bank, it is required that at least five of the top management staff possesses requisite certification in microfinance management from the Chartered Institute of Bankers of Nigeria (CIBN) hence only the top management staff from each of the banks with the required certification were purposively selected for the interview.

Snowball sampling was used in selecting the loan officers to be interviewed because it can be used to identify characteristics about a population that the researcher doesn't know exists. Snowball sampling is a technique where existing study subjects recruit future subjects from among their acquaintances . In this case the branch managers will be asked to identify the top

performing loan officers at the selected branches.The branch managers were asked to identfy the loan officer who supervises the processing of housing loans at the selected branches.The reason for this selection is that loans are only processed at the branches and loan officers have access to more customers on a day to day basis at these branches.Shown in Figure 5.3 below is an outline of staff selected for the interviews
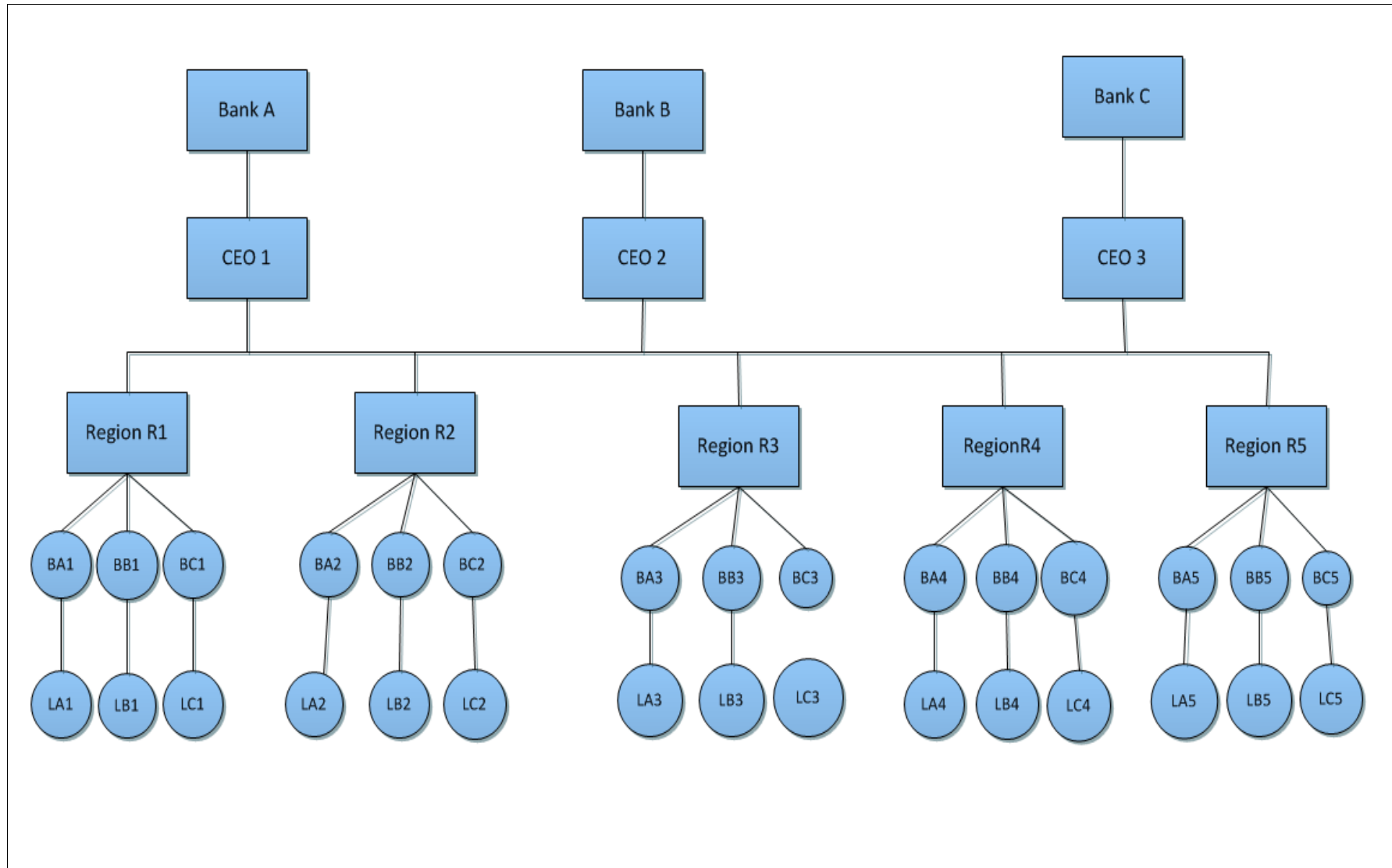
Figure 5-3: List of staff selected for Interviews

Financial options to facilitate incremental housing are under-represented in research and literature specifically for Nigeria. The study intends to extract the perceptions and experiences of the management staff, branch managers and loan officers about the integration of housing microfinance into the core business of the bank and methods of scaling up housing microfinance. This will be done through in-depth interviews. The information generated will enable the researcher to determine the challenges and barriers that deter the microfinance banks from providing housing loans directly or indirectly to low income earners thereby limiting the provision and expansion of housing microfinance.

The scope of this research is limited to 3 of the 7 microfinance banks which provide housing loans and have the largest customer base thereby providing a wider database on the lending and demand pattern of funds of these banks. Information for this selection was obtained from the Mix market. The Mix Market (www.mixmarket.org) is a data hub where microfinance institutions (MFIs) and supporting organizations share institutional data to broaden transparency and market insight.

Majority of articles and books reviewed recommended that the size of purposive samples be established inductively and sampling continue until "theoretical saturation "occurs. However, for research thesis, it is often required to state up front the number of participants to be involved in the study (Cheek, 2000). Waiting to reach saturation in the field is generally not an option and although numerous works were reviewed to explain how to select participants (Guest et. al. 2006) or provide the researcher with factors to consider when determining sample sizes (Huberman & Miles, 1994)

For this research, the sample size will be determined based on the guidelines by (J. W. Creswell, 1998) who recommended between five and twenty-five interviews for a phenomenological study and twenty to thirty for a grounded theory study. Also, Kuzel (1992) tied his recommendations to sample heterogeneity and research objectives, recommending six to eight interviews for a homogeneous sample and twelve to twenty data sources "when looking for disconfirming evidence or trying to achieve maximum variation." actual sample sizes while Bertaux (1981) argued that fifteen is the smallest acceptable sample size in qualitative research. Basically, qualitative sample size may best be determined by the time allotted, resources available, and study objectives (Patton, 1990)

5.9. Triangulation

According to Keen (2005) who identified three main purposes why triangulation needs to be carried out in any research. This includes for completeness, contingency and confirmation. The rationale behind the concept of completeness of triangulation stems from the recognition that any single methodology will have inherent flaws which a second or third methodology might reveal and amend. The contingency rationale refers to the need to have insight into how and why a particular strategy is chosen while the confirmation rationale is based on the premise of having more robust and generalised set of findings.

Given the nature of the problem in this research, the researcher adopted a methodological sequence involving the qualitative phase comprising literature review and face to face interviews. The three main data sources for the research are therefore the review of related literature findings, findings from semi structured face to face interviews with Bank management staff comprising of three levels of management staff namely top management, middle management and lower level management staff of the Banks. The method of analysis was the use of content analysis for the qualitative interview transcripts

5.10. Data Collection

For this study, both primary and secondary sources of data will be utilised. The secondary data will be sourced from publicly available third- party agencies such as MIX (Microfinance Information eXchange), World Bank, and CBN while the primary sources will come from the face to face semi structured interviews with both the management staff who are directly involved in decision making and the loan officers who are directly involved in the operational issues and processing of the housing loans for the bank. It should be noted however that the MIX database has data for only 33 of the 942 licensed service providers in Nigeria which is an indication that the dataset is just a sample of the population.However, it should also be noted that these 33 institutions represent about 60% of the industry in terms of outreach, deposits and international network linkages (Sanusi, 2010). Data from the Central Bank of Nigeria (Cental Bank of Nigeria, 2012) is also used where necessary to highlight issues.

It is always important to have a pre-understanding before beginning a research .The idea is to enter the field with an open mind but with enough knowledge to be able to conduct the study in an effective way. It is important to take in not only facts about the topic of research but also about the organisation and the environment in which the field study will take place. Therefore, secondary data was sourced from books, articles and journals as well as

microfinance websites, such as microfinance gateway, themix.com, MicroLinkAfrica, the mixmarket.org, microlinks.org, etc. Annual performance reports of the three selected microfinance banks was studied and analysed to gain some knowledge about the three selected microfinance banks in this research while primary data is derived from semi structured in depth face to face interviews with the management staff of the three microfinance institutions who are experts in this field and have different professional backgrounds and also the loan officers who process the housing loans for the customers.

 A semi-structured interview system was adopted as the best option for this exercise as it allows the interviewee the opportunity to discuss freely providing a more in-depth understanding of the research problem within a particular context (Mitchell, 2015). In addition in line with (Bryman, 2012) who also noted that it provides flexibility leading to further questions in response to what was earlier perceived as substantial reply.

The primary purpose of the semi structured interview is to allow the selected staff members to describe and discuss issues which they believe and observe are key factors mitigating against scaling up of housing loans and the company's ability to provide these loans and what factors they believe should be put in plcae to enable them scale up their housing finance portfolio.The face to face interview option was selected to enable the respondents to freely express their personal opinion on the research topic and to allow the researcher to explore any complex and ambiguous or incomplete answers that the interviewees may give.The interviews combined with data from the secondary sources will provide information on the current issues affecting housing microfinance in Nigeria as well as the expected future developments that can further enhance the expansion of housing microfinance in Nigeria. It will also provide contextual linkages for explaining behavioral patterns and additional in-depth qualitative data.

Research interviews are conversations with structure and purpose that are defined and controlled by the researcher and interviews allow people to convey to others a situation from their own perspective and in their own words. Although the research interview may not lead to objective information, it captures many of the subjects views on something and this is why the basic subject matter is not,as in quantitative research,object data, but consists of meaningful relations to be interpreted.

Since there are no standard techniques or rules for qualitative research interviews, it is important that interviewers be very knowledgeable in the discipline and common procedures for research interviews.

An interview investigation can be outlined in seven stages: thematising, designing, interviewing, transcribing, analysing, verifying and reporting.

- Thematising involves formulating the purpose of the investigation and describing the concept of the topic to be investigated before the interviews start.
- Designing involves planning the interview, taking into consideration all seven stages. The next stage is the actual interview conducted based on the interview guide and with a reflective approach to the knowledge sought while
- In transcribing, the interview material is prepared for analysis by converting the oral speech into text.
- Analysing involves the extraction of necessary information from the interview material.
- Verifying involves ascertaining the generalizability, reliability and validity of the interview findings.
- Reliability refers to how consistent the results are, and validity means whether an interview study investigates what is intended to be investigated.
- At the reporting stage, the findings of the study and the methods applied are communicated in a form that lives up to scientific criteria while taking the ethical aspects of the investigation into consideration, and results presented

The purpose of the interview method as a qualitative research is to obtain descriptions with respect to interpretations of the meaning of what is described and it is expected that the interviewer does not use ready-made categories but is open to new and unexpected phenomena. The use of semi-structured interviews allows for better understanding of the subject matter as it gives the opportunity for follow-up questions, and it also has the advantage being that what is not being said can also be inferred from body language, facial expressions or the tone of voice of the participant.

5.11. Interviews

In order to obtain a detailed perspective on the issues deterring microfinance banks from scaling up their housing finance portfolio,face-to-face interviews were carried out. Kvale (1996) asserts that, given that interviews are powerful tools for obtaining 'knowledge', the value produced through interviews depends on the context and use of knowledge. The main purpose in conducting organizational interviews was to obtain knowledge about the challenges and constraints that the microfinance institutions face in providing housing

finance in order to develop a framework that can be used to overcome these challeneges so as to scale up housing microfinance thereby increasing the options available to low income earners trying to get access to formal housing market and financial institutions in Nigeria.

To do this, a number of people were interviewed from the microfinance banks.The arrangement of the interviews was made over the telephone and through emails to the selected persons of the respective banks. The time and day of the interview were scheduled with consideration for convenience and their availability. During the interview, the interviewees were given a chance to answer as freely as possible, but within an allowable limit. The average time length for each interview was approximately 30 minutes per person. To make sure no information was omitted, the answers were recorded and short notes were taken on the spot and reports were written in a notebook immediately after the end of each meeting.

5.12. Secondary Data

To supplement the primary data and to triangulate the study, secondary sources of data were also used. Secondary data includes published and unpublished documents collected from the banks and from magazines and journals which are directly or indirectly related to the issues at hand. The most prominent organizational sources of secondary data were Mix Market, central bank of Nigeria and various demographic, socio-economic, housing reports in Nigeria. It was not possible to obtain updated information on a number of issues such as land and how the priority of its distributive mechanism has changed,etc., however this is overcome by means of triangulation whenever applicable, and the reflections of people on those issues. In general, the necessary information and statistical data for this study are collected from unpublished thesis, journal articles, national and international research reports, the internet, and other relevant sources.

5.13. Scope and Limitation

This study focuses on the three largest microfinance banks in Nigeria offering housing loans as one of their core products and the scope is limited to the 3 largest banks situated in the south west region of Nigeria in Lagos State. Lagos state has the most number of microfinance banks in Nigeria (Mix Market, 2015), and over 93% of these microfinance banks have their head office in Lagos state mainly because Lagos state is arguably the most economically important state of the country containing Lagos, the nation's largest urban area hence why it

has the largest concentration of microfinance institutions. It is also the second most populated state in Nigeria and the most economically viable state in Nigeria.

Also, the three microfinance banks selected make up over 86% of the total customer base of all 7 microfinance banks that provide housing loans as a core product(Mix Market).The primary data obtained from these three microfinance banks is a representative sample of microfinance banks that provide housing loans. This selection was based on three different criterions namely the customer base , the number of branches representing outreach and the no of branches.These three banks were selected based on the following criteria:

1. The 3 banks make up over 60% of the total number of customers being served by the 7 banks and

2. The 3 banks have the largest number of customer base and

3. They also have the most no of branches in Nigeria with Lagos state having the most number of branches for each bank.

The three banks selected have three different ownership structure, different sources of funds as shown in Table 5.6 below while Table 5.7 shows some selected institutional characteristics of the three selected microfinance banks

Table 5-6: Ownership structure of selected Microfinance Banks

MFB	Bank A	Bank B	Bank C
Ownership Structure	Local ownership	Foreign Ownership	Subsidiary of Another Bank
Sources of Funds	Grants, loans, savings and Shareholder capital	Shareholder Capital	Loans and Shareholder capital

Source : Mix Market (2015)

Table 5-7: Institutional Characteristics of selected Microfinance Banks

Institutional Characteristics	Bank A	Bank B	Bank C
Gross loan portfolio (USD, millions)	172.01	35.91	21.27
Deposits (millions)	90.97	7.20	6.62
No of active borrowers	868	41	39
No of depositors	2,632	137	144
Assets (USD,millions)	206	52	25
Offices	386	16	48
Personnel	6,183	956	884
Loan officers	3,069	470	456

Source: MIX Market (2016)

Information for this selection was obtained from the Mix market.The Mix Market (www.mixmarket.org) is a data hub where microfinance institutions (MFI's) and supporting organizations share institutional data to broaden transparency and market insight.

This study will gather insights from the banks CEO's, branch managers and loan officers with first-hand experience in Housing microfinance and will be done in two stages.

STAGE1

1. Examine the perception of the interviewees on issues identified as mitigating against the scaling up of housing microfinance

2. To determine the critical success factors of housing microfinance in selected developing countries which share similar characteristics with Nigeria in order to draw lessons on how housing microfinance can be scaled up

STAGE 2

- Assess how suitable and relevant the lessons drawn from the identified countries is for Nigeria. This will be done during the process of validation using member checking.It involves interviewing the top management staff members to validate the developed framework and how this can be implemented and adopted in Nigeria

5.14. Data Analysis

Qualitative data analysis is an iterative and reflexive process that begins as data are being collected rather than after data collection has ceased (Stake, 1995). The analysis of qualitative research involves aiming to uncover and / or understand the big picture using the data

collected to describe the phenomenon and what it means. The questions in the interviews concentrates on the policies, processes and the perception of the public (customers) and is aimed at addressing issues which they believe is militating against the expansion of housing microfinance and also and issues that are imperative to the successful scaling up of housing microfinance in Nigeria. This research is focused on identifying the factors militating against incremental housing microfinance and the impediments to expanding its outreach in Nigeria. Two main methods were used to gather data namely in-depth interviews and document analysis and the details of the in depth interviews are elaborated further below:

5.14.1. Content Analysis:

According to Cavanagh (1997), researchers regard content analysis as a flexible method for analyzing text data. Content analysis is a research tool used to determine the presence of certain words or concepts within texts or sets of texts. Researchers quantify and analyze the presence, meanings and relationships of such words and concepts, then make inferences about the messages within the texts. It starts with some ideas about hypotheses or themes that might emerge, and looks for them in the data that was collected. It involves numbering the system to identify text about the different themes, grouping together ideas and gathering evidence about views on each theme. It is also referred to as a systematic and objective means of describing and quantifying phenomena (Krippendorff, 2004).The Bureau of Justice Assistance (2006) also provide a similar definition by identifying content analysis as a set of procedures for collecting and organizing non-structured information into a standardized format, which enables it to make inferences about the characteristics and meaning of written or recorded material. Krippendorff (2004) one of the seminal authors in the area of content analysis defines it as a research technique to make replicable and valid inferences from text to a context of their use. Content analysis enables the researcher breakdown and organize large amounts of data into categories or codes (Junginger, 1996) which can be words, themes, phrases, concepts or sentences. Such categorization or coding data makes content analysis a useful tool for data analysis as it facilitates it to arrive at manageable and meaningful set of data. Furthermore, content analysis systematically identifies the properties of the categories such as their frequencies of occurrence (Zhang & Kuo, 2001) and this helps to identify the important concepts from the material.

5.14.2. Grounded Analysis

This is similar to content analysis, in that it uses similar techniques for coding. However, in grounded analysis, it does not start from a defined point. Instead, it allows the data to 'speak

for itself', with themes emerging from the discussions and conversations. In practice, this may be much harder to achieve because it requires putting aside what has been read and concentrating on the data.

5.14.3. Social Network Analysis

This form of analysis examines the links between individuals as a way of understanding what motivates behaviour. This type of analysis may be most useful in combination with other methods, for example after some kind of content or grounded analysis to identify common themes about relationships. It's often helpful to use a visual approach to this kind of analysis to generate a network diagram showing the relationships between members of a network.

5.14.4. Discourse Analysis

This approach not only analyses conversation, but also takes into account the social context in which the conversation occurs, including previous conversations, power relationships and the concept of individual identity. It may also include analysis of written sources, such as emails or letters, and body language to give a rich source of data surrounding the actual words used.

5.14.5. Narrative Analysis

Narrative inquiry refers to a subset of qualitative research designs in which stories are used to describe human action (Polkinghorne, 1995). This looks at the way in which stories are told within an organisation or society to try to understand more about the way in which people think and are organised within groups.

5.14.6. Conversation Analysis

This is largely used in ethnographic research. It assumes that conversations are all governed by rules and patterns which remain the same whoever is talking. It also assumes that what is said can only be understood by looking at what went before and after. Conversation analysis requires a detailed examination of the data, including exactly which words are used, in what order, whether speakers overlap their speech, and where the emphasis is placed. There are therefore detailed conventions used in transcribing for conversation analysis.

5.15. Justification for Using Content Analysis

For the purpose of this research, data will be analysed using descriptive content analysis with the aid of NVIVO software. Qualitative content analysis is defined as a research method for

the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns. Content analysis is one of the most commonly used methods for analysing qualitative data. This type of design is usually appropriate when existing theory or research literature on a phenomenon is limited as in the topic being researched "Housing microfinance in Nigeria". Content analysis enables the researcher to sift through large volumes of data with relative ease in a systematic way and it goes beyond merely counting words to examining language intensely for the purpose of classifying large amounts of text into an efficient number of categories that represent similar meanings (Weber, 1990).The goal of content analysis is "to provide knowledge and understanding of the phenomenon under study (Downe‐Wamboldt, 1992). Content analysis also enables the researcher to analysis large amounts of textual information and systematically identify its properties, such as the frequencies of key words, underlying concepts, and to arrive at conclusions.

One of the basic decisions to be made when using content analysis is selecting the unit of analysis. In the literature, unit of analysis refers to a great variety of objects of study, for example, a person, a program, an organisation, a classroom or a clinic (Mertens, 2014) or a community, state or nation (Patton, 1987). For the purpose of this research ,the unit of analysis here is the   perceptions and experiences of the selected stakeholders in the microfinance banks.

5.15.1. Software Adopted for Semi-Structured Interview Data Analysis

According to Saunders (2011), data analysis is a critical stage in data processing because it requires the use of analytical methods and techniques as a tool to attain the goals of the research objectives. Data collected are transformed into files for computer analysis; no matter what form or methods used, they will be transformed into a form appropriate for analysis by computer software built for such purposes (Fowler, 2014). This software includes computer-assisted qualitative data analysis software (CAQDAS) program such as ATLAS, MAXqda, and Nvivo. Nvivo is the latest of the tools for analysing qualitative research with its roots from a Non-numerical Unstructured Data Indexing Searching and Theorizing (NUD*IST) specifically designed for qualitative data management in the 1980's (Zamawe, 2015). Every respondent selected was willing to take part in the study and at each interview section, a minimum of 30 minutes and a maximum of 1hour was spent giving the researcher a large set of data to transcribe code and allocate nodes before further analysing the data. Figure 5.4 below shows a snapshot of the representation of themes and nodes generated from

the use of Nvivo software. It represents the word cloud analysis showing the virtualised data and information as made prevalent during discussions with interviewees. All information discussed more by each participant is made evident by the conspicuousness of the word or phrase, that is, the larger the word or phrase, the more it was used.

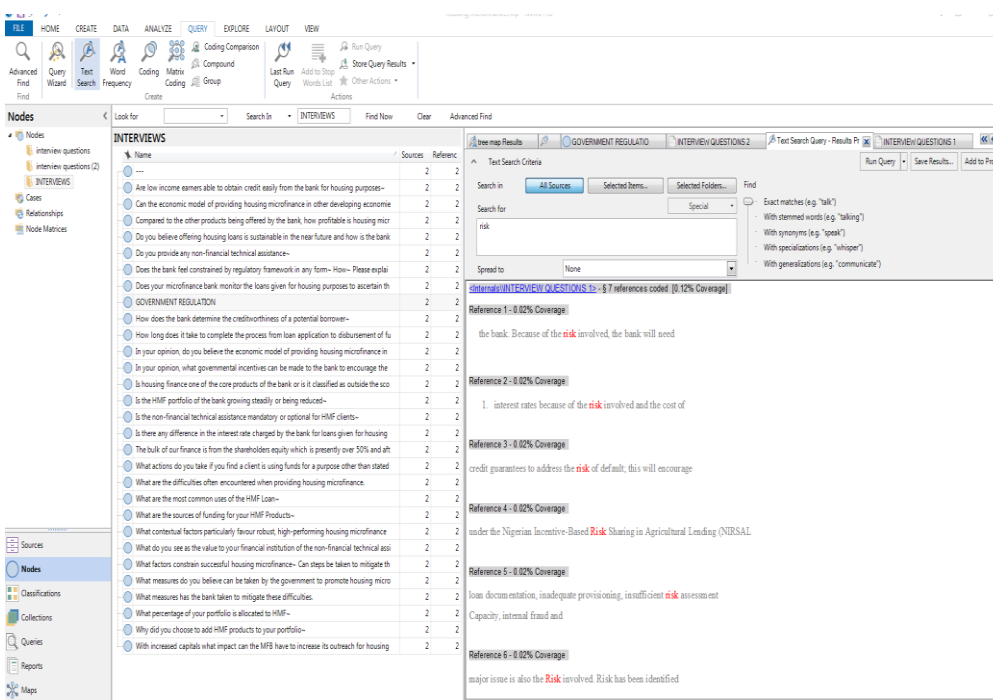
Figure 5-4: Snap Shot of the Map from Transcribed data
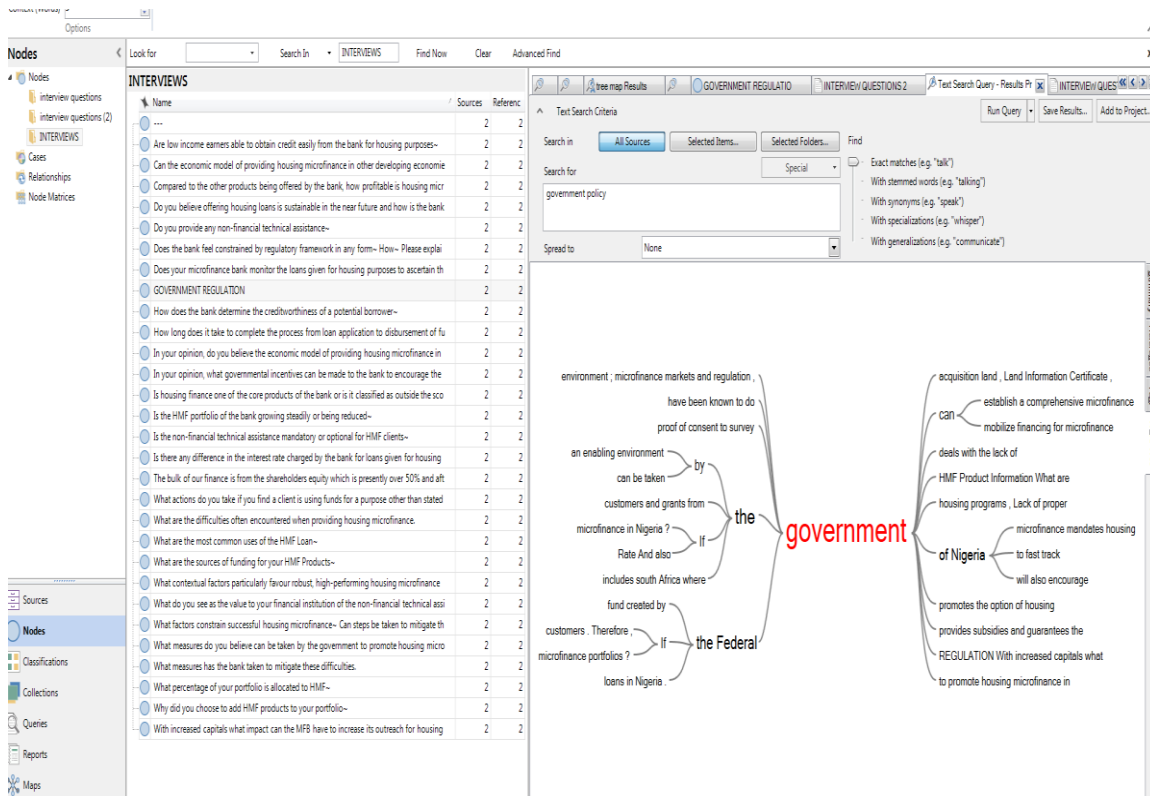

Figure 5-5: Snap shot of Nvivo Nodes

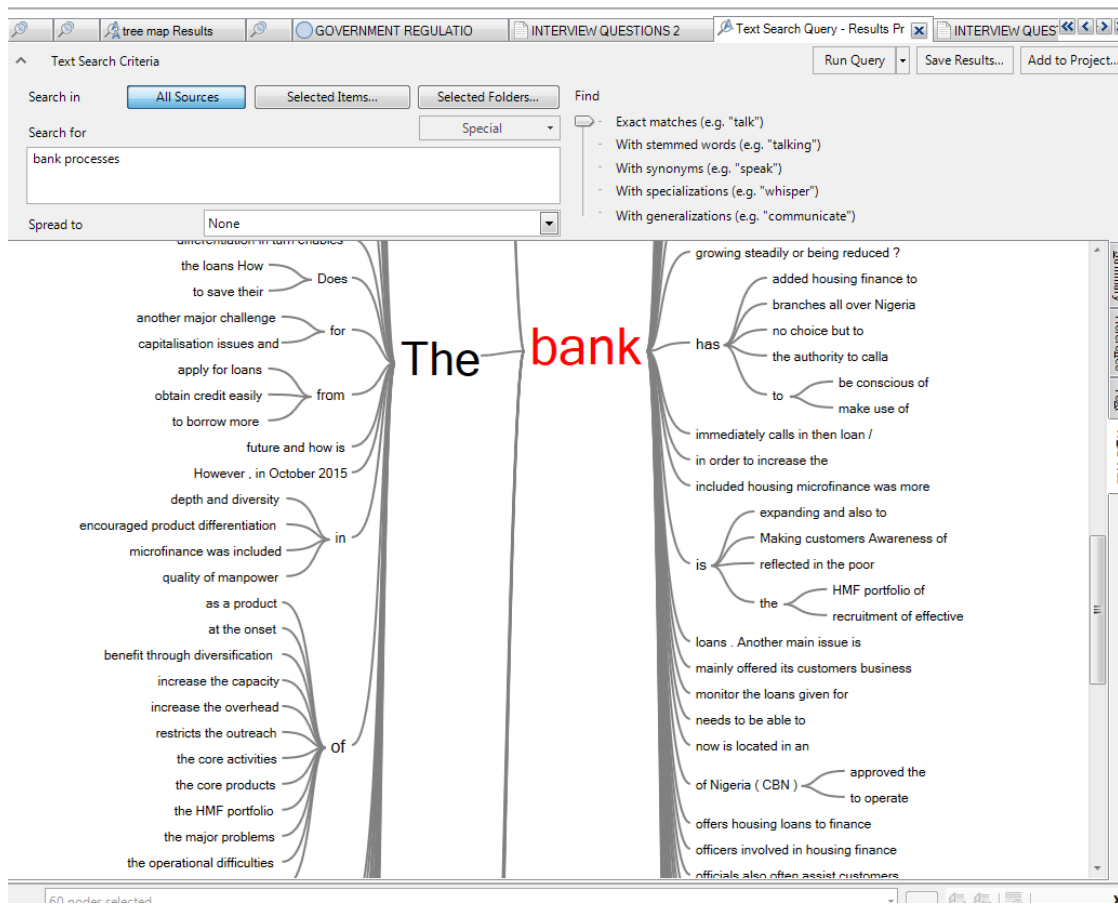**Figure 5-6: Snap shot of Nvivo Nodes**

Figure 5-7: Snap shot of Nvivo Nodes

Figures 5.5, 5.6 and 5.7 also shows some snap shots of the nodes created on the left-hand side and analysis based on the query on the right-hand side of the table. The advantages of Nvivo has been categorised into five important responsibilities namely; management of data, management of ideas, possibility of data querying, modelling virtually and reporting data in a more professional way (Bazeley, 2007). Accordingly, Taylor-Powell and Renner (2003) affirmed that the themes have to be categorised into developing and existing themes. Thus, a mixture of the two types of themes removes any form of bias usually present in qualitative data. Therefore, the research adopted a mixture of both present and developing themes.

The data collected was cleaned of possible errors, and all omissions were corrected and the presentation of findings was done with both graphical methods and descriptive format for ease of interpretation, explanation, and drawing conclusions from findings clearly discussed (Waller, 2013). Furthermore, Saunders (2009) noted that paying attention to such steps has the potential to reduce possible errors and reduce the possibilities of misinterpretations which might lead to the drawing of wrong conclusions from the data analysed.

Therefore, for the purposes of this research, data collected from the interview conducted by the researcher, was inputted into Nvivo. It was codified to reflect each question from the interview and where other themes were generated due to its open-ended nature, new codes, themes and nodes were produced to meet such information.Using Nvivo provides a virtualised structure of information explored in data analysis as an easy way of sharing and communicating data and virtualised through word cloud, word tree, charts, cluster analysis and models

5.16. Coding the Data

According to Gibbs (2007) thematic coding is a form of qualitative analysis which involves recording or identifying passages of text or images that are linked by a common theme or idea allowing the researcher to index the text into categories and establish a "framework of thematic ideas about it. It is the act of assigning numerical values to a set of data in order to make analysis simpler and can be used to quantify both manifest and latent content. The difference between manifest content and latent content is very important. Manifest content is the tangible or concrete surface content (data) while latent content is about the underlying meaning behind this information. Both contents have their advantages and disadvantages .While manifest content has the advantage of the ease of testing and reliability,

it also has a disadvantage relating to its validity. Latent content on the other hand is the underlying meaning of communications, as distinguished from manifest content. An advantage with latent content is that it is designed perfect for tapping the underlying meaning of communication and its disadvantages are its reliability and specificity.So, because manifest coding cannot take the connotations or context of a phrase or words into account, latent coding will be used to capture particular themes, moods, context and implicit communication within the same text (Neuman, 2006). Considering that there is limited literature on the emerging concept, findings, inferences and implications drawn from the research will be linked back to those highlighted from a literature review from both the seminal and ongoing works in each field

5.17. Reliability and Validity

Issues relating to reliability and validity are very important for this research as it involves checking the status of the data collected to determine if they are reliable and valid (Struwig & Stead, 2001).For this research study, in order to ensure the reliability and validity of the research instrument used, a pilot study was first carried out because whatever research methodology is adopted in a study, reliability and validity issues have to be considered. According to Lincoln and Guba (1985) are of the opinion that since there can be no validity without reliability, a demonstration of the former (validity) is sufficient to establish the latter (reliability) while Patton (2005) is of the opinion that with regards to the researcher's ability and skills in any qualitative research, reliability is a consequence of the validity in the study. Bryman and Cramer (2001) explained reliability and validity in research as tests of the trustworthiness of the measurement instruments used in the research.

Reliability of a measure refers to the extent to which a test or measuring procedure yields the same result when tried repeatedly showing that it is consistent and it can either be internal or external reliability. External reliability is the more common of the two and refers to the degree of consistency of a measure over time. Validity on the other hand is the extent to which a measure is actually in line with what the researcher sets out to measure and the extent to which the results can be applied to new settings. A test is considered reliable, according to Gillham (2005), if upon re-testing leads to consistent results. In the case of interview data, the research has to take a surface approach (e.g. using simple descriptive categories) while analysing data in order not to end up interpretively constructing what the interviewee said.

Based on the views of Stern (1989) who observed that no outside expert can possibly know enough about or be immersed enough with the data in a qualitative study to be able to judge the suitability of any categories of the data, the validation of the framework will be achieved through member checking. Also, Morse (1994) noted that outsiders cannot have the insights of the researcher from the limited amount of data and information they are likely to review but they can note if there are any gaps or inconsistencies in the report while Creswell & Miller (2000) defined member checking as a process used to verify qualitative findings through sending the final report on findings to research participants, for them to determine whether they believe that these findings are accurate. During the interviews, participants will be asked to participate in validating the developed framework and based on their responses will be selected for the validation of the framework.

On the other hand, Maxwell (2013) identifies three main types of validity that are especially relevant to qualitative research. These includes "descriptive validity, interpretive validity, and theoretical validity". They are important to qualitative research because description of what is observed and interpretation of participants' thoughts are two diffrerent primary qualitative research activities.

    i.   Descriptive validity: This refers to the factual accuracy of the account as reported by the qualitative researcher.

    ii.   Interpretive validity: This is obtained to the degree that the participants viewpoints, thoughts, intentions, and experiences are accurately understood and reported by the qualitative researcher.

    iii.   Theoretical validity: This is obtained to the degree that a theory or theoretical explanation developed from a research study fits the data and is, therefore, credible and defensible.

When a qualitative researcher speaks of research validity, they are usually referring to qualitative research that is plausible, credible, trustworthy, and defensible. Accordingly, Smith (1984) contends that the traditional quantitative criteria of reliability and validity are not relevant to qualitative research. He is of the opinion that the basic epistemological and ontological assumptions of quantitative and qualitative research are incompatible, qualitative researchers argue that some qualitative research studies are better than others, and they frequently use the term validity to refer to this difference. It is therefore important to note the issue of validity in qualitative research and to examine some strategies that have been developed to maximize validity(Kirk & Miller, 1986; LeCompte & Preissle, 2000).

One potential threat to validity that researchers need to watch out for is called researcher bias. It is often assumed that a qualitative researcher finds what they want to find, and then they write up their results. It is true that the problem of researcher bias is frequently an issue because qualitative research is open ended and less structured than quantitative research. This is because qualitative research tends to be exploratory. Researcher bias tends to result from selective observation and selective recording of information, and also from allowing one's personal views and perspectives to affect how data are interpreted and how the research is conducted.

The key strategy used to understand researcher bias is called reflexivity, which means that the researcher actively engages in critical self-reflection about his or her potential biases and predispositions .Through reflexivity, researchers become more self aware, and they monitor and attempt to control their biases. Many qualitative researchers include a distinct section in their research proposals titled Researcher Bias. In this section, they discuss their personal background, how it may affect their research, and what strategies they will use to address the potential problem.

Another strategy that qualitative researchers use to reduce the effect of researcher bias is called negative case sampling .This means that they attempt carefully and purposively to search for examples that disconfirm their expectations and explanations about what they are studying. If this approach is used , it becomes more difficult to ignore important information, and the researche cn then come up with more credible and defensible results.

Developing a theoretical explanation of the behaviour of group members is also of interest to qualitative researchers, especially qualitative researchers using the grounded theory perspective (Glaser & Strauss, 1967; Strauss & Corbin, 1990). Internal validity is relevant when qualitative researchers explore cause and effect relationships while external validity is relevant when qualitative researchers generalize beyond their research studies. Furthermore, descriptive validity refers to accuracy in reporting the facts while, interpretive validity requires developing a window into the minds of the people being studied.

Interpretive validity refers to accurately portraying the meaning attached by participants to what is being studied by the researcher. More specifically, it refers to the degree to which the research participants' viewpoints, thoughts, feelings, intentions, and experiences are accurately understood by the qualitative researcher and portrayed in the research report. An important part of qualitative research is understanding research participants' inner worlds (i.e., their phenomenological worlds), and interpretive validity refers to the degree of accuracy in presenting these inner worlds. Accurate interpretive validity requires that the

researcher get inside the heads of the participants, look through the participants' eyes, and see and feel what they see and feel. In this way, the qualitative researcher can understand things from the participants' perspectives and provide a valid account of these perspectives.

Some strategies for achieving interpretive validity includes Participant feedback and this is probably the most important strategy. This strategy has also been called "member checking" (Lincoln & Guba, 1985). By sharing the interpretations of participants' viewpoints with the participants and other members of the group, one may clear up areas of miscommunication. So while this strategy is not perfect simply because some participants may attempt to put on a good face, useful information is frequently obtained and inaccuracies are often identified.

A valid piece of research work muct be supported, acceptable and convincing.Validity plays a significant role in a qualitative study as it is a powerful source used to determine the accuracy of the study's findings (Creswell & Miller, 2000). To increase the validity this study, multiple case studies were used to help to overcome the bias and unproductiveness of using a single case.

According to (Polit & Beck, 2010) valid research instruments are valid to the collection of data.For the purpose of this study, the researcher validated the interview questions before the commencement of the data collection.Pilot interviews were conducted with 3 respondents to identify any difficulties that may affect the respondents feedback.The validation exercise also identified any unreliable questions for which respondents had difficulties answering.these questions were then rephrased to limit the difficulties that may be encountered in the final interview process.

5.18. Summary

This section examined different philosophical stances and believes associated with the research strategy and approach. It also elaborated on different research methods and strategies narrowing down to the adopted method, which is the case study process. It also outlines the five steps of a case study research as a process in relation to the research problem as discussed in the next chapter.The issues of relaibilty , validity and bias have been duly considered in relaton to the qualitative methods used. Data was analysed inductively by interpreting the meanings of participants perceptions as the arose. The next two chapters will present   the   findings   from   the   semi   structured   interviews   carried   out.

CHAPTER 6.   EXPLICATION OF PROBLEM:

6.1. Selection of the cases

This chapter focuses on the analysis of findings. It focuses on interviews and qualitative data analysis from the interviews. As stated in chapter 4 this chapter describes the method of data collection used, the data collected and the analysis of the research results. Given the exploratory nature of this research as stated in previous chapters, in-depth interviews were undertaken with the key parties identified in this research (CEO, S Branch managers and Loan officers). The aim of semi structured interviews with key participants is to explore and understand the 'depth and breadth' of the underlying challenges they have experienced which deter the bank from scaling up their housing finance portfolio.

In order to explore and understand the 'depth and breadth' of these underlying challenges, semi structured interviews were carried out with some selected staff members of the banks. The interview process involved the interviews carried out with the identified participants. In addition to presenting the findings from the interview process the chapter concludes by highlighting how the research objectives have been fulfilled and how this led to the next stage of the research.

This section deals with the case study process adopted and provides a step-by-step approach from problem identification, to data collection and the development of the framework for scaling up housing microfinance. Following the review of literature carried out in Chapters two and three above, the factors affecting housing microfinance were identified and are recapped in Figure 6.1 below.
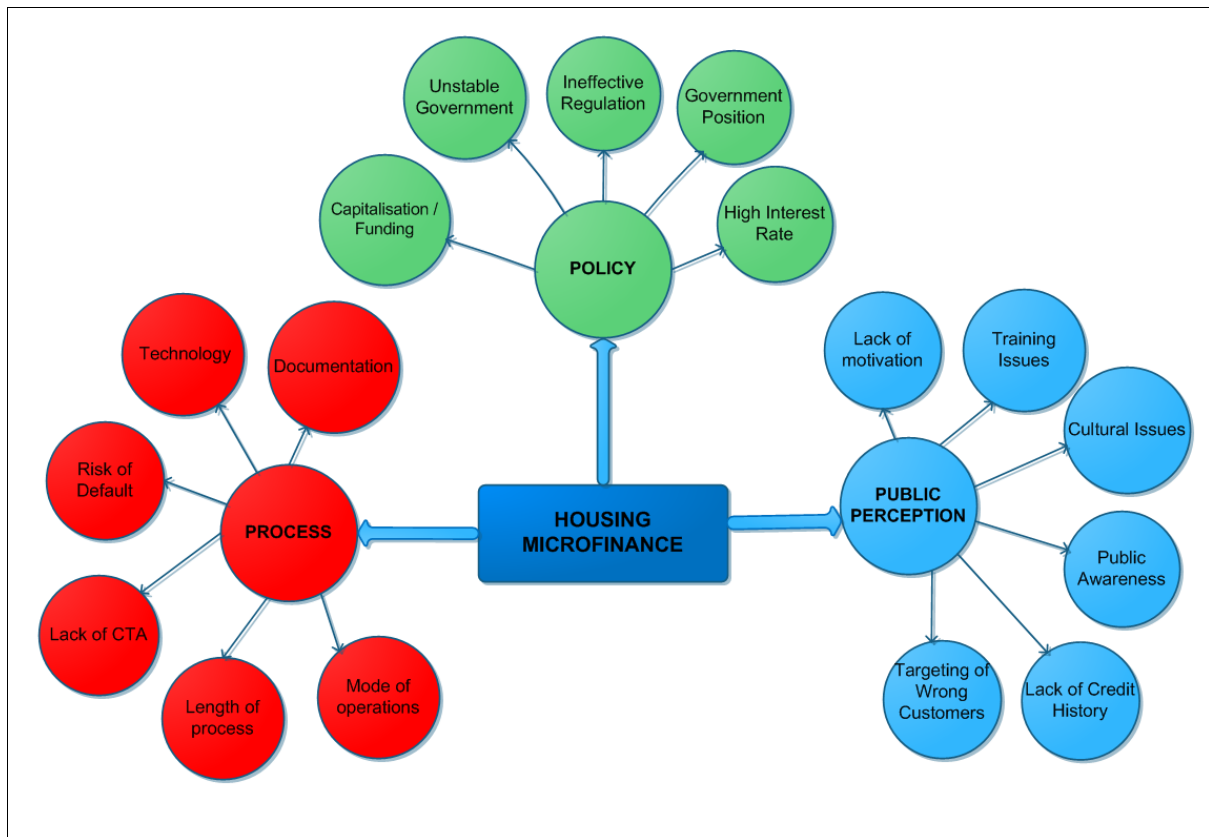
Figure 6-1: Factors affecting housing microfinance in Nigeria

Based on these factors identified above and though housing microfinance has been identified as a viable option which has worked well in other developing nations, it is not available on a scale necessary to meet the needs of the population and the literature reviewed identified these factors to relate to three main issues namely:

1. Issues relating to government Policy
2. Issues relating to the processing of housing microfinance loans and
3. Issues relating to public perception: i.e. how the customers and the general public perceive housing microfinance

To therefore understand how these issues hinder the expansion of housing microfinance in Nigeria and provide a solution that will help reduce its effect and facilitate the scaling up of housing microfinance by the providers of finance (Microfinance institutions), it is important to collect field data and subsequently analyse this data to understand the thoughts and perceptions of professionals involved in the provision and processing of these loans. Listed in table 6.1 below is a list of participants selected for the interviews and the rationale behind the selection.

Table 6-1: List of Selected Participants

Sampling Type	Participant	Rationale
Purposive sampling	Management staff of selected microfinance banks	Responsible for establishing strategic objectives, policies and procedures that guide and direct the activities of the bank,
Purposive sampling	Branch managers	Responsible for implementing banks policies and regulations passed on to them by the Head Office
Snowball sampling	Field/loan officers	Loan officers in charge of processing the housing loan and have direct contact with the customers. They act as the middleman between the management staff and the customers

Following the selection of the participants and the preparation of the face-to-face interview questions, consent forms were sent out to participants in order to obtain their consent to participate in the interviews for data collection (See appendix 9).

The university of Salford code of conducts stipulates that all students must seek for Ethical approval before administering questionnaires or conducting interviews and this was done using the Code of Ethics of the Engineering and Physical Sciences Research Council (EPSRC) in the United Kingdom (See attached approval as appendix 10).

As at 2016, Nigeria has 986 microfinance institutions of which only 7 offer housing microfinance as one of its core products (Mix market, 2016). This represents approximately 0.9% of the total Microfinance institutions in Nigeria. Housing microfinance has been identified to bridge the gap for housing finance for those classed as low income earners. Considering that over 65% of Nigerians are classed as low income earners, it should be expected that the percentage of Microfinance institutions offering housing loans should be higher than the 0.9% currently in place. To therefore understand the factors hindering the

expansion of Housing microfinance in Nigeria, it is important to collect field data and subsequently analyse them to understand the thoughts, views and opinions of professionals operating in that field. This is discussed in the next step of the research

6.2.   In-depth interviews

The in-depth interview is a qualitative research technique that allows person-to-person discussion to take place. Patton (2005) described it as a research technique that can lead to an increased insight into people's thoughts, feelings, and behaviours on important issues.
Based on the fact that the essence of this research is to understand the personal perspective of the selected participants regarding an issue, not all data gathering methods were viewed as perfect or appropriate in this study hence the adoption of the in-depth interview.
Corbin, Strauss, and Strauss (2014) defined interviews as a critical method for obtaining valuable data while (Charmaz, 2006) emphasises the importance of choosing data collection methods that allows the researcher guide interests, sensitize concepts, and follow up with expressed notions within the data. The interview structure therefore allows all of these elements to occur seamlessly in the flow of discussion.
For the interviews, in line with the work of (Mitchell, 2015), a semi-structured interview system was adopted as the best option for this exercise as it allows the interviewee the opportunity to discuss freely providing a more in-depth understanding of the research problem within a particular context. Bryman (2012) also noted that interviews provide flexibility leading to further questions in response to what was earlier perceived as substantial reply. Based on the above, eighteen (18) semi-structured interviews (see appendix 6,7 and 8 for sample of interview questions) were conducted with the management staff of the three selected microfinance banks while 15 was also conducted with loan officers of the she selected microfinance banks. The management staffs were purposively selected based on their experience and qualification while the loan officers were selected through snowball sampling.
Data obtained from the interviews were transcribed, key words coded and phrases marked and placed in categories in a form appropriate for analysis using content analysis. The interview was narrowed down into three main sections to provide data relating to challenges the Microfinance Bank face regarding the policy, process and perception of housing microfinance and the interview questions for the management staff were divided into three main sections where section one (A) deals with perception of interviewees on Housing

policies and how it affects microfinance institutions providing housing loans for low cost housing Section two (B) focuses on the perception of interviewees on challenges encountered in the processing of housing microfinance loans by the microfinance banks while section three (C) focuses on the perception of users/providers of housing microfinance and the perception of the interviewees relating to the sustainability of the microfinance bank in providing housing loans to the low income earners

All the semi structured interviews were tape recorded and transcribed before the commencement of the data analysis. As mentioned in section four above, conceptual content analysis was used for the data analyzing process. All the transcripts were scrutinized carefully with the aim of identifying concepts related to the research questions. While going through the transcripts, they were broken down into meaningful content categories which related to a particular concept. A code was then assigned for each concept identified from the transcripts. When a concept is identified, a code is assigned from the provisional list of codes developed through theory or assigned a new code. This process was carried out in repetitive cycles until no new concept is identified. This process gave the researcher the opportunity to be more familiar with the interview transcripts and to generate new concepts from the text. The coding was done by using descriptive key word where the key words were chosen from the original words, phrases used in the transcripts.

Data analysis was completed through the use of Content analysis and Nvivo software. In the following analysis, tables were provided to summarize the data, supporting the properties from the interviews that create the "thick description" of the developing categories. The quotations have been provided in support of these categories as applicable. Data gathered in this research is complex and densely laden too because of the personal experiences. As the initial interviews were reviewed and coded for major themes, a high level of commonality was observed and this emerged regarding the participants experiences.However, there was also variability in personal experiences, factors and feelings that was observed in opinion on the level of importance on identified themes. As outlined by (Corbin et al., 2014), "the interview process and sampling is adjusted as needed on the basis of emerging concepts.

6.3. Description of Interviewees

This section gives a brief outline of the staff members who were selected for the interviews at the selected banks. This includes the Bank CEO'S, the branch managers and the loan officers and Table 6.2 below shows the job titles and years of experience in that capacity

Table 6-2: Outline of Interviewees

Case Study	Job Title	Range of Experience (years)
Bank A	CEO	13
Bank B	CEO	7
Bank C	CEO	9
Bank A	Branch Managers	1 - 5
Bank B	Branch Mangers	1 - 5
Bank C	Branch Mangers	2 - 3
Bank A	Loan Officers 1	1- 3
Bank B	Loan Officers 1	2 - 4
Bank C	Loan Officers 1	1 - 4

For the purpose of of the analysis of the interviews the following terminologies shown in Table 6.3 will be used for each of the participants

Table 6-3: Abbreviations of names given to Interviewwes

Branch Managers	Region 1	Region 2	Region 3	Region 4	Region 5
Bank A	BA1	BA2	BA3	BA4	BA5
Bank B	BB1	BB2	BB3	BB4	BB5
Bank C	BC1	BC2	BC3	BC4	BC5
Loan Officers					
Bank A	LA1	LA2	LA3	LA4	LA5
Bank B	LB1	LB2	LB3	LB4	LB5
Bank C	LC1	LC2	LC3	LC4	LC5

With reference to Table 6.3 above, Regions 1 to 5 represents the 5 regions in Lagos state, while A, B and C refers to the 3 selected MFB. Finally, the abbreviations B represents the branch managers while L referes to the loan officers.

6.4. Interview coverage

The overriding aim of this research is about depth, the complexity and the understanding of the challenges being investigated. With this in mind the selected sample is expected to give access to data that will allow the researcher to develop a framework that can be used to scale up housing microfinance in Nigeria. The 3, top management staff interviewed had 29 years combined working experience within the microfinance sector. The interview phase will carry on and will only come to an end when a point of saturation has been reached as demonstrated by analysis of interview transcripts by the use of NVivo management software.

By focusing on these participants in the microfinance banks, the researcher aimed to get insights from key participants who have had significant practical experience in housing microfinance. This is in line with the research aim and objectives which is to get deeper insights into challenges that key participants have encountered with housing microfinance. By focusing on such experienced respondents the researcher wanted to gain as much information and attributes surrounding the key research questions stated in chapter 1.

From the above it can be seen that the number of years of experience of the respondents interviewed is significant and it is quite clear to see that the respondents have a wealth of experience in the microfinance sector. Based on these significant attributes of experience, it can therefore be deduced that the respondents' views are noteworthy as they are key staff members within the microfinance industry in Nigeria. This has added significant insights to this research.The interview was carried out towards the end of calendar year 2016 (October) and lasted for a period of 16 weeks.

33 interviews were conducted with three different levels of management staff selected from the 3 microfinance banks as shown in Figure 6.2 below. These 3 microfinance banks are 3 of the 7 national microfinance banks which have the capacity to offer housing microfinance in Nigeria.
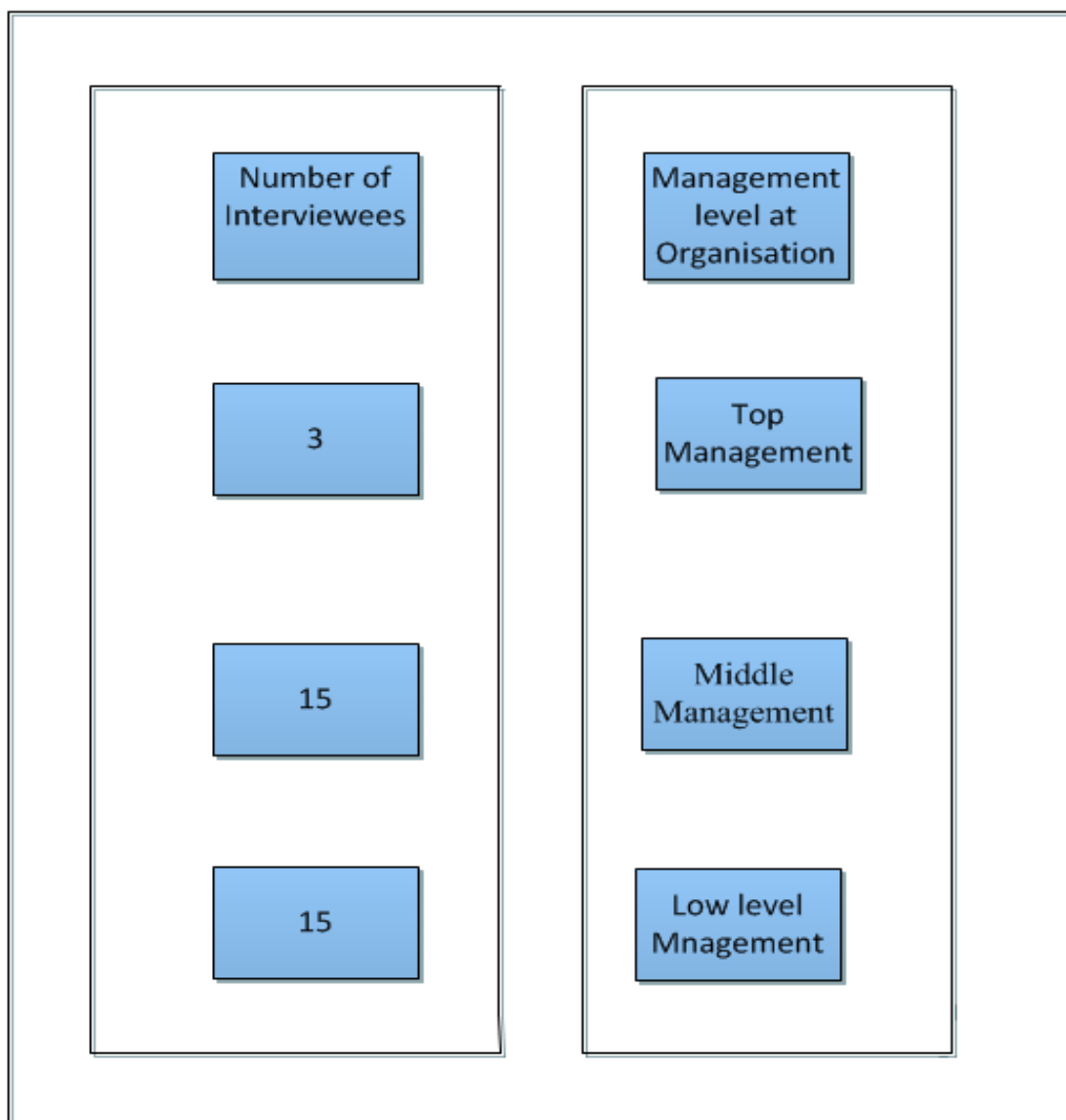
Figure 6-2: Interviewee categorisation

Three of this interviews were with top management staff (CEO'S) in charge of the long term goals of the bank, while 15 was with middle level management (Branch managers) who interpret plans and set actions towards achieving the goals and the final 15 was with lower level management who actually implement the plan.

The interview respondents represent a variety of different management staff in the financial institutions. According to Creswell (2009) , during semi structured interviews, information is gathered from the views of the respondents. Questions which focused on the participant's experience with housing microfinance were asked and the respondents were also encouraged to come up with suggestions which they feel can lead to changes in the either the government

policy, processing of housing microfinance loans and the perception of the people (customers and staff) regarding housing microfinance. All questions asked were intended to serve as an appropriate avenue for discussion.

All interviews were digitally recorded with the participants permission and participants were assured of confidentiality. All recordings were coded with interview numbers rather than participants names to increase confidentiality. All recordings were transferred to the researcher's laptop and all information was also backed-up on the internet. Questions were asked in order to emphasise the challenges and constraints the banks face face relating to the policies, processes and the perception of the people involved in housing microfinance in Nigeria. Using a semi structured interview encouraged the respondent to talk at length about the topic. The respondents were initially contacted via emails and then by telephone to confirm their willingness to participate in the research process. For these interviews, separate thematic questions were outlined for each set of management staff involved.

Appendix A outlines the questions for top management staff while Appendix B outlines questions for middle management staff and Appendix C outlines questions for lower management staff.

For the CEO'S, the interview was aimed at determing the effects that the governments policies regarding housing finance has on the the banks activities regarding issuing of housing loans to its customers while for the branch managers, the interviews was aimed at determining the difficulties the banks face regarding the processing of housing loans to low income earners, and the difficulties and challenges the bank faces in providing these loans and how it can be improved on so as to expand the scale of housing microfinance in Nigeria while the interviews with the loan officers centred on the perception of the customers and staff regarding housing microfinance and the challenges which the loan officers encounter while processing these loans.

The length of the interviews depended on how much the respondent wanted to participate and the information the respondent was willing to share. So as to ensure that the respondents were free to express their opinions, the respondents were not interrupted in any form and they were allowed to fully express all their views.

From the data gathered, themes were developed and brought back to the data and repeatedly reviewed. Presently, data relating to the scaling up of housing microfinance in Nigeria is very limited, therefore this research aims at developing a framework which can be used to both develop and broaden the scale and scope of housing microfinance in Nigeria. The findings from this research are expected to reflect the experiences and views of the people involved in

the provision of housing microfinance in Nigeria and it is expected that the implications of this research will affect both the government and, financial institutions (with emphasis on microfinance institutions) who provide housing microloans and also the suppliers of building materials. It is also hoped the findings will prove to be constructive to the policy makers as they formalize housing policies relating to housing microfinance for low-income earners in Nigeria by providing financial solutions to support incremental construction while also contributing to the increasing body of knowledge on this topic.

Data was analysed to determine common themes among the surveyed institutions, then further examined to identify any distinctions based on their processes, their implementation of policy and the general perspectives of the bank customers and the loan officers processing these loans. Responding interviewees were also given the opportunity to provide commentary alongside their answers, giving the report additional qualitative material to support the findings.

6.5. The Case Study Selection and Process

Firstly, the selection process for the case study is discussed with emphasis on the 3 selected case studies. Secondly, the background of the selected case studies is presented. This explains the nature and business sectors of organisations. Thirdly, the case study phases, stages and key activities are presented. Fourthly, findings of the exploratory phase are discussed. This elaborates the findings on the challenges identified, techniques and CSFs of scaling up housing microfinance in Nigeria. Fifthly, content analysis is then used to identify the relations and classify the challenges and barriers of housing microfinance that were found from the interviews conducted and finally, findings from the exploratory phase are discussed. Tabulated and analysed research findings are presented in this chapter. Some of the respondent replies are used as direct quotations in order to communicate additional insight about participants' thoughts and perspectives. As reviewed in the previous chapter on methodology, data was gathered predominantly in the form of in-depth interviews with three levels of management staff of the selected microfinance banks.

A multiple-case study was selected for the cross-sectional investigation to study a particular phenomenon in a particular time with the aim being to investigate the factors deterring the scaling up of housing microfinance in Nigeria and to determine the critical success factors which are necessary for scaling up housing microfinance in Nigeria. Three case studies were

selected for the cross-sectional investigation in this study (see Section 3.6.8 in Chapter 3) and this section outlines the process of selecting the representative case studies.

In order to select case study projects, initially, a criterion was developed based on the focus of the research. The study focuses on challenges facing microfinance banks that deter them from scaling up the provision of housing microfinance loans to their customers and also to determine the critical success factors needed for scaling up housing microfinance in Nigeria. The first consideration was given to microfinance banks operating within the microfinance industry that offer housing microfinance loans to their customers. Secondly, while examining the portfolio of the banks, the three largest microfinance banks providing housing microfinance loans were selected from the 7 identified national microfinance banks in Nigeria and finally, in terms of outreach as well, the banks with the most number of branches within lagos state were also selected.

6.6. Interviews

The interview conducted was semi-structured, to reveal unknown issues that prevent the microfinance bank from scaling up its housing portfolio. The interview used a process based approach, allowing for any constraints to emerge naturally during the discussion of the different issues identified (process, policy and public perception). The banks processes for giving out housing loans considered issues relating to loan origination, the credit history of the customer, approval process, the monitoring of the loans, documentations needed etc. The interviews relating to issues with the policy was directed to the CEO of the bank. The process map for the interview conducted at the three banks is shown below:

6.7. Case Study

Basic information about the three selected case studies was discussed in previous chapters above. This section describes the research process of the case studies in terms of key phases and activities carried out as shown in Figure 6.3 below
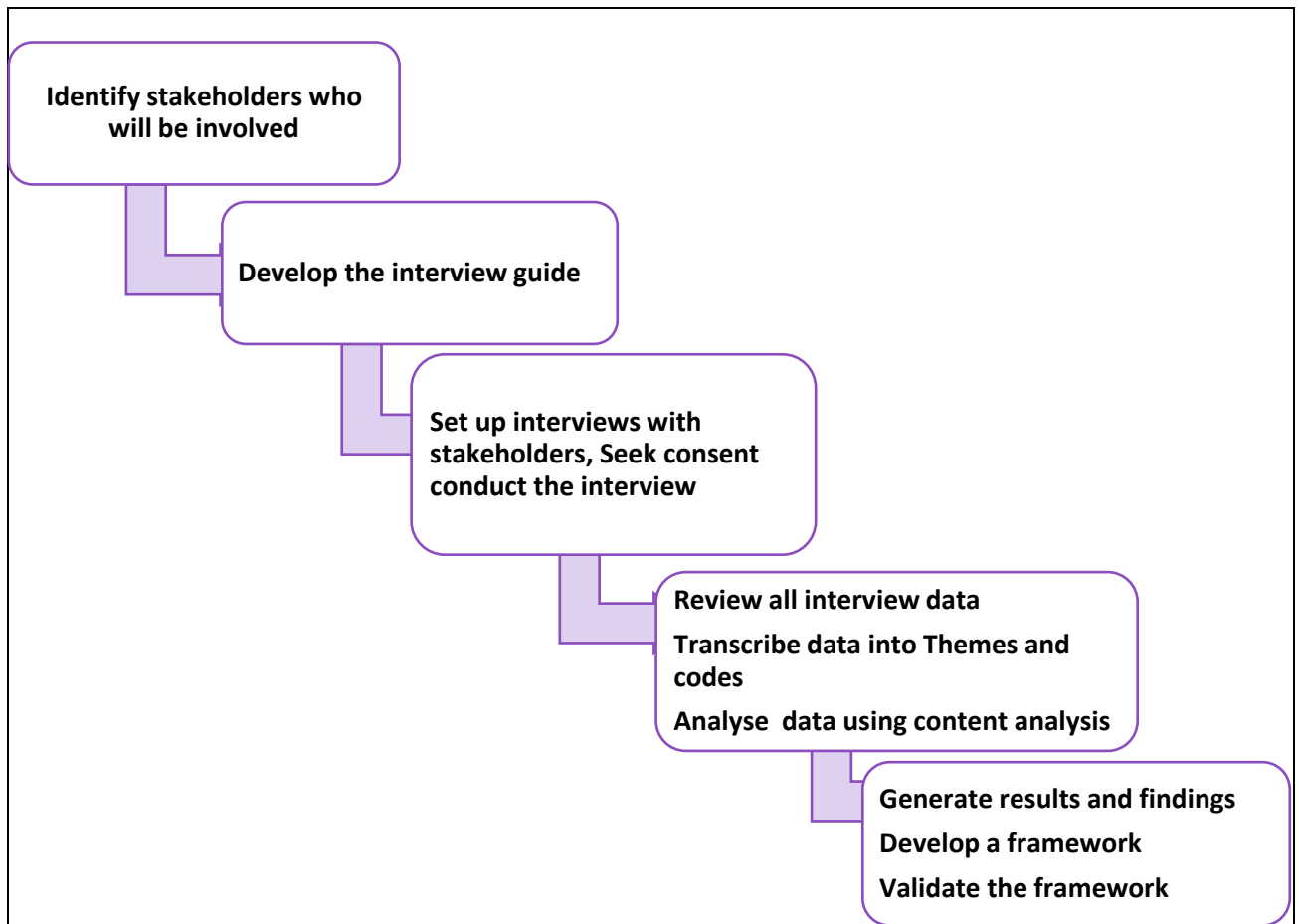
Figure 6-3: Case study phases and Stages

The figure above illustrates the several components of case studies including: phase, stages and key activities. The key activities are listed in chronological order in one phase: an exploratory phase and four stages. First and second stage include preparation, collection and analysis of collected data from the 3 CEO'S of the selected banks based at the head office while the fourth and fifth stage include preparation, collection and analysis of collected data from the branch managers and the loan officers who are based in the branches. During the exploratory stage, the challenges and barriers of scaling up housing microfinance for low income earners were explored. Also, the approaches and techniques that were used by organisations in case studies to tackle challenges were explored. The exploratory phase, which included findings and analysis stages, was sub-divided into three sections: preparation, data collection and data analysis.

The case study research started in October 2016 with the exploratory phase and completed in Jan 2017. This included the preparatory work, data collection and analysis. The preparatory work included initial discussion with the CEO'S of the banks to inform them about the aim,

scope and objectives of this research. This period also included the time for restructuring the interview questions for the branch managers and the loan officers.. Data was collected through semi-structured interview (refer to Sections 3.8 and 3.10 in Chapter 3 for a detailed discussion on data collection techniques):The semi-structured interviews were all transcribed and analysed using content analysis technique with the aid of NVivo software. The findings from these interviews were synthesised to have a better understanding of both the challenges and techniques deterring the scaling up of housing microfinance by microfinance banks.

This section briefly described the overall research approach undertaken within the case studies. The findings of which are presented in the next section.

6.8. Brief description of Selected Case

This chapter discusses and analyses the findings from the interviews conducted.It firstly gives a brief discussion of the selected three microfinance banks who will be refered to as Bank A, B and C in other to retain the anonymosity agreed with the CEO'S of the banks.

6.8.1. Bank A

Bank A is a microfinance Bank committed to the social and economic empowerment of low-income households through the provision of access to responsive financial services on a sustainable basis. At the beginning, the Institution was established in the late 1980s as a Non-Governmental Organization (NGO) in response to the effects of the implementation of the Structural Adjustment Program (SAP) in 1986.The bank embraces the challenge of serving the Micro, Small and Medium Enterprises (MSMEs) with responsive, pacesetting and innovative financial products.The bank also aims at improving the lives of the underprivileged through its pioneering services. It socially empowers its customers through the services to gain self-respect and self-confidence by not only successfully utilizing the loans for the benefit of their businesses and family life but also ensuring the prompt repayment of such loans along with the interest.

Bank A is a limited liability company and it is Nigeria's Largest Microfinance Bank with eight zonal offices, 31 area offices efficiently managed by the Zonal Managers who report to the Head Office. The bank is governed through the Board of Directors and the Management team. In 2010, Bank A obtained approval from the Central Bank of Nigeria (CBN) to operate as a regulated microfinance bank and was licensed as a national microfinance bank in 2012 to undertake microfinance banking activities in Nigeria. With an asset base of over 48 Billion Naira($134m) and shareholder funds in excess of 9 Billion Naira($25m), the bank has

demonstrated speedy growth from inception and has quickly evolved into the leading provider of financial services to over 2 million micro, small and medium enterprises clients in Nigeria. The bank has over 6,000 employees and 386 branches across Nigeria. The Microfinance Bank provides a range of unique financial and social empowerment services to low income households, micro and small businesses. The product range includes:

- Enterprise loans
- Clean energy loans
- Housing loans
- Deposits
- Asset loans
- Agric loans
- Education loans

The bank's Social Impact Deposit (SID) product allows socially responsible individuals deposit funds with the bank based on the understanding that the funds will be disbursed to the economically active poor. Depositors earn interest and also positively impact society. The bank's Clean Energy loan products are carefully designed to provide clients with a soft loan scheme to encourage switching to alternative sources of energy, for example, solar power lanterns and cooking gas alternatives that positively impact the environment while its housing loans are for financing housing needs incrementally over time. The banks engagement in microfinance is much more than business as usual. It is about the development of the people, particularly women. After several years of supporting the businesses of poor women, the bank's aim is to continuously provide women with the capacity to actively participate in the economy and ensure inclusion. The bank's desire is to reach the underbanked and this informs its wide network reach of 386 branches in rural communities. Shown below in Appendix 15 are the performance indicators of the three selected case studies . Bank A successfully added housing loans to its portfolio in the year 2012 when it became a national bank and over the years and in response to a growing demand from its customers, it has steadily increased the proportion of its housing loans to approximately one fourth of the Banks portfolio. By the end of 2012, housing loans totalled N4.64 million ($12,700), awarded to approximately 14,905 of its customers.

Bank A began offering housing, loans in 2012 just two years after its establishment and when it became a national microfinance bank. In 2015, the board of Bank A decided that housing-

related activities needed more specialization and introduced a scheme called "My Own Home Scheme," where customers save a fixed amount every month towards repairing, upgrading or buying a home. With a housing loan, members can incrementally transform their temporary structures into permanent brick dwellings, plastering the interior walls, upgrading flimsy roofs with concrete, tiling the floors, and/or installing windows for light and ventilation.

The maximum housing loan that the bank gives is =N=2,000,000($5,560.00) and as 2016, the bank charges an interest rate of 14.5% on the loans given. Housing loans have to be repaid back over a period of 36 months.

Since most of its customers typically operate home-based micro-enterprises, the Bank allows its customers to obtain a housing loan as their first loan, without requiring prior participation in a micro-enterprise cycle. This arises from the fact that for a wide range of occupations low income earners in the informal sector, their home is a productive asset. It is their workplace, warehouse, sorting place and/or shop.

To become eligible for a housing loan, the borrower must begin by opening a bank account and saving regularly for a minimum of one year. This requirement helps the customers to develop a habit of saving, and the deposited funds can be held as a lien by the Bank against the loan. The customers can then submit an application which is evaluated based on how they have demonstrated their savings pattern, the household income, the depositor's employment/business, the customers ability to make the payments or their successful repayment of previous loans (if any), the proposed use of the loan, and a cost estimate.

The main criteria in the evaluation process is a recommendation from the loan officer based on a visit to the customer's home. The customer must secure two guarantors to co-sign the loan application, one of whom must have a pay slip or income certificate. The Bank uses the previous year's savings to secure the loan and it does not require its borrowers to possess a land title for loan disbursement. However, the bank insists that the housing loan and the ownership of the house must be in the customer's name.

Prior to submitting an approval, the Bank sends a loan officer to conduct a field inspection to verify the application. For loans less than =N=1,000,000 ($2,780), the Managing Director needs to approve the loan based on the loan officers recommendation, but for loans greater than =N=1,000,000($2,780), the Managing Director, two Directors, a Manager, and a Loan Officer must all approve the loan. Once approved, the Bank disburses the loan by making the funds available in the customers savings account

Bank A offers different loan products, such as income-generation loans, education loans, fixed asset loans and housing loans all within the same institutional envelope and being

processed by the same loan officers. Examples includes my own asset loans (for fixed assets), my own loan(small loans for individuals), my own loan plus (larger loans for individuals).The bank however charges the same interest rate for housing and income-generation loans. Shown below in Figure 6.4 below is the the funding composition of the bank
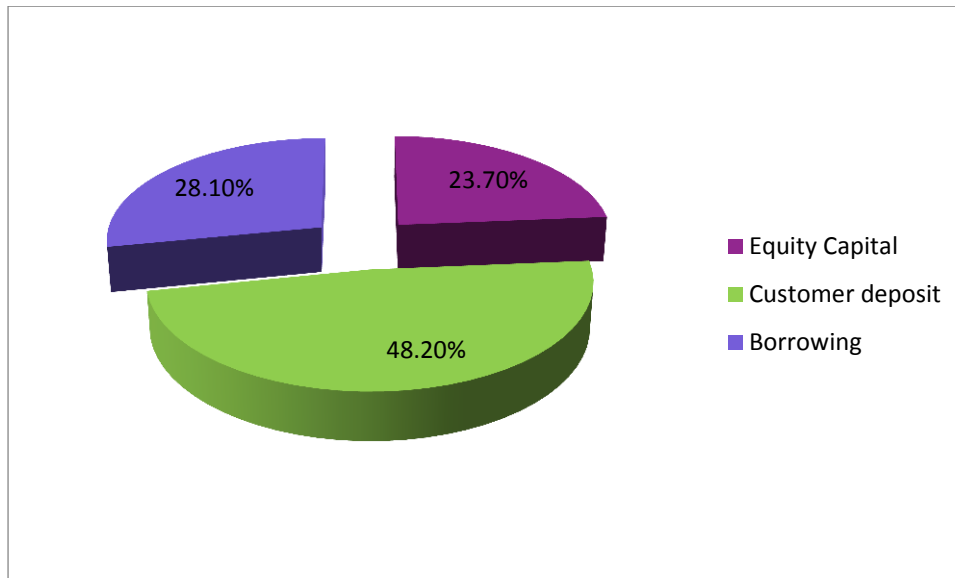
Figure 6-4: Funding Composition of Bank A

Source: Mix Market , 2016

In Nigeria, MFBs funding is statutorily restricted to equity capital, customer deposits, borrowings (debentures/qualifying medium to long term loans), and grants/donations from individuals, organisations, government and commercial funding from international sources (subject to CBN approval). Bank A'S funding structure at FY16 comprised: equity capital (23.7%), customer deposits (48.2%), and borrowings (28.1%). A MFBs deposit mobilisation capacity is largely constrained by stiff competition from deposit money banks (given their stronger brand acceptance and larger branch networks).

In summary, some of the limititations identified which limits Bank A from advancing out more housing loans includes:

- Limited available capital;
- High interest rate charged due to:

i. High cost of funding

ii. High impairments

iii. High operational costs.

Bank A's operational expense ratio is also seen to be slightly lower than that of the other two selected microfinance banks. This is predominantly due to scale – the bank reaches more people thereby attaining a certain scale of operation, in terms of the number of loans, to optimally cover its fixed costs. Bank A with its diversified income stream and much larger size, has the advantage of scale.

6.8.2. BANK B

Bank B is a microfinance Bank which was established in 2007 and began operations in May 2008 on license from the Central Bank of Nigeria. It is a foreign-owned Microfinance Bank Nigeria with its head office based in Lagos state. The bank offers a broad range of financial services to micro, small and medium-sized enterprises and other clients in the lower income strata. It is committed to helping to improve the business opportunities of entrepreneurs by availing them of easy access to affordable loans, as well as improving the general financial status of its customers with its deposit accounts. It is a limited liability company duly incorporated in Nigeria under the 2002 Companies and Allied Matters Act, and is regulated by the Central Bank of Nigeria as a fully-fledged microfinance bank. The bank is governed through the Board of Directors and the Management team. In 2010, Bank A obtained approval from the Central Bank of Nigeria (CBN) to operate as a regulated microfinance bank and was licensed as a national microfinance bank in 2012 to undertake microfinance banking activities in Nigeria.It began to over housing lo

The bank offers loans to provide financing for working capital purposes for micro and small businesses, short to medium term payroll based personal loans, working capital for loyal clients; and asset financing loans for micro entrepreneurs and small business owners to acquire assets.The Bank's loans are primarily based on an assessment of the borrower's repayment capacity. Business loans are the core product of the Bank but over the years the bank has included housing loans as part of its portfolio. The bank builds-up long term business relationships with customers based on responsibility and mutual respect. By doing so it promotes a savings culture and supports borrowers to build-up a credit history. Shown in Figure 6.5 below is the funding composition of Bank B. The bank as at 2016 has approximately about 41,000 active borrowers, 7 million deposit accounts,16 branches and 956 staff members. Its gross loan portfolio was also $36.5m and it had a total deposit of $7.1m
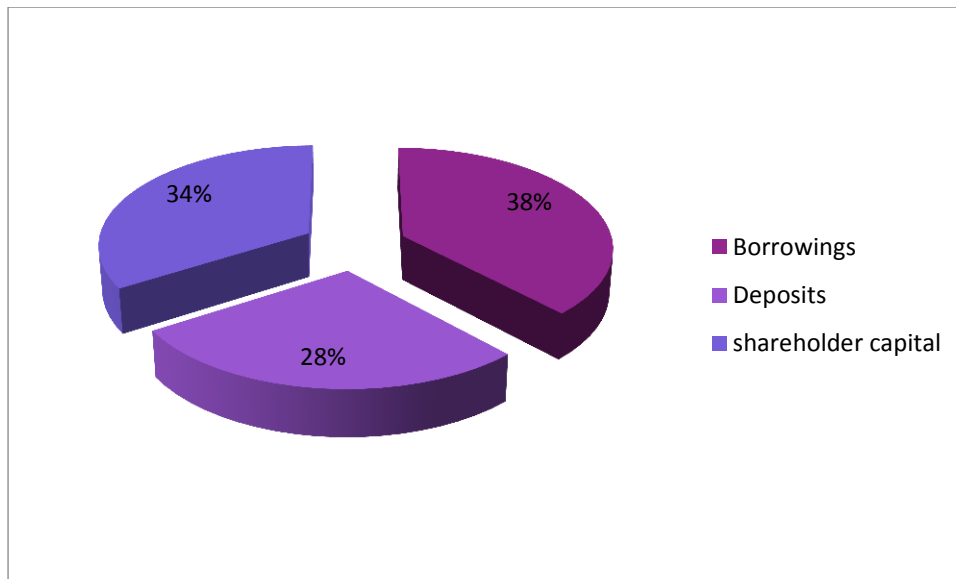
Figure 6-5: Funding Composition of Bank B

Source: Mix Market, 2016

To obtain a loan from Bank B, the prospective customer needs to have been operating a form of business for at least one year, operating from the same location for at least six months.The customer also needs to have maintained a bank account with the microfinance banks for at least 12 months before being eligible for any form of loan.

Every housing loan application requires a Guarantor or Surety. The Guarantor must be between the ages of 28- 59 years and must also have the capacity to repay the loan should the customer default in his loan repayment. The guarantor is expected to provide the following

- 1 recent passport photograph
- Recent utility bill from his residence
- Identification: National ID Card or Valid Driver's License or Valid International passport

The interest rate on its housing loans is 6% on reducing balance and there is a compulsory 2.5% processing fee which covers insurance, VAT and administrative charges. Upon approval of loan amount, the customer and the guarantor must come to the bank to sign offer letter and guarantee letters. All loans require a 20% compulsory deposit of the approved loan amount to be paid after signing the offer letter and it is expected that all loans be repaid before their due date. Loans repayments of N400, 000 ($1,112) and above require post-dated cheques covering the number of loan repayment instalments as well as 2 valid references that

have current accounts. Bank B offers specialized housing loans which are administered under a subsidiary and an affiliated company using different loan officers. The bank however charges different interest rates for the various loans it offers and it has different loan terms and conditions. For example, the Bank offers loans under separate portfolios for income generation, housing repairs, and construction, and some housing and infrastructure portfolios receive below-market rate funding from agencies such as IFC (International Finance Corporation) which is a leading international investor in housing finance, reaching customers in over 46 countries. The bank offers a specialized housing or infrastructure upgrading loans which it operates under different terms than microenterprise loan programs

Loan origination – Bank B originates housing loans only at 3 main branches in Lagos state. The loan is generally classified as housing loans and the purpose of the loan is not important in the credit decision but the decision to issue the loan is based on affordability, while what the loan is used for is left to the discretion of the customer.

Processing and approval – Bank B has very modern IT systems and the loan approval is centralised and decisions are made by a computerised information system. Credit reports and the client's repayment history are automatically used to calculate affordability rations and the affordability decision is based on the lower of Bank B'S affordability ratios or the client's calculation on the application form. The status of the customer's employment forms part of the credit approval decision.

Monitoring and servicing of loans – Bank B only disburses housing loans to existing customers of the Bank and once loans are approved, the customers can then do what they want with the money and the customers receive their loans in their bank accounts directly

Funding – Bank B has a mix of funding. Equity funding is relatively high compared to that of Bank C. Bank B has a policy of not taking wholesale demand deposits. This partially protects them against liquidity risk (the risk that depositors suddenly all try and withdraw their deposits at the same time)

Bank B prices its loans to achieve a target ROE of at least 20%, taking into consideration their cost of funding, the probability of default on the loan and their operational expenses. The ROE target is 5% lower than the target of Bank C and reflects Bank B's larger size and lower risk profile due to its diversified income stream, higher capital, more stringent regulatory supervision and cash levels. The lower ROE target allows Bank B to charge a lower interest rate. Because of the lower interest rates more customers can potentially afford the housing loans. Bank B,s cost of funding is also substantially lower than that of Bank C as

the bank takes deposits and issue bonds at a lower interest rate than Bank C. Also, because Bank B's cost-to-income ratio is slightly lower than that of Bank C, the bank has a wider scale value possibly due to the fact that they have a better IT infrastructure and decision on loan approval is done faster than other banks, the bank also has a diversified income stream and no controls over loan disbursement. This lowers the costs and allows Bank B to charge lower interest rates to their customers. In summary, Bank B advances less HMF loans than it can due to:

1. No controls over disbursement of loans (clients can spend their HMF loan on something else);

2. Limited demand because of the high interest rate charged emanating from the uncertainty created by debt counselling.

6.8.3. BANK C

Bank C is a foreign-owned financial institution, based in Lagos state, which offers a broad range of financial services to micro, small and medium-sized enterprises (MSMEs) and other clients in the lower income strata. It is a limited liability company duly incorporated in Nigeria under the 2002 Companies and Allied Matters Act, and is regulated by the Central Bank of Nigeria as a fully-fledged microfinance bank.

The bank offers specialized housing loans which are administered under a subsidiary and an affiliated company using different loan officers. The bank however charges different interest rates for the various loans it offers and it has different loan terms and conditions. For example, the Bank offers loans under separate portfolios for income generation, housing repairs, and construction, and some housing and infrastructure portfolios receive below-market rate funding from agencies such as IFC (International Finance Corporation) which is a leading international investor in housing finance, reaching customers in over 46 countries. The bank offers a specialized housing or infrastructure upgrading loans which it operates under different terms than microenterprise loan programs

Bank C focuses primarily on housing improvements and new construction. It requires legal documentation of land tenure or occupancy as a prerequisite for obtaining a housing micro-loan, especially for financing new construction. Bank C recognises that its core competence is the provision of microcredit for the poor, and it has opted for specializing and administering its loans in a focused and financially sustainable manner. The Bank limits its involvement in complex and politicized issues such as land tenure and infrastructure provision mainly because their staffs lacks the appropriate skills. Individual loans are

awarded to customers with an eligible savings and loan association and are guaranteed by a usufruct right to the land and collective liability. Shown below in Figure 6.6 below is the source of funds of the bank
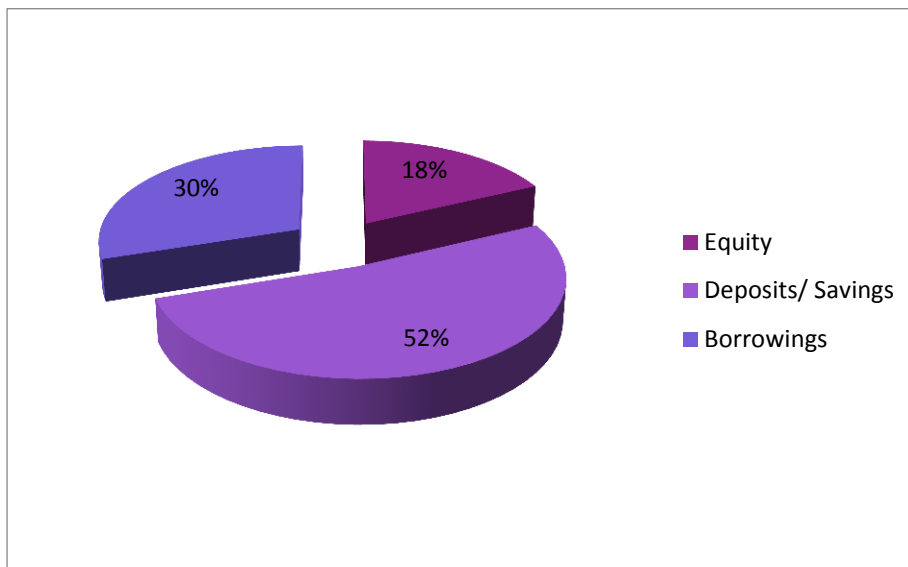
Figure 6-6: Funding Composition of Bank C

Source :Mix Market, 2016

Loan origination – Bank C originates housing loans from any of its branches however, approval of the loan is only done at the head office.The bank encourages the customer to have a building showing the proposed stages in the building of the house. The loan is classified as housing loans and the customer is expected to give a detailed picture of the proposed use of the housing loan.Again ,very similar to Bank B, the decision to approve the loan is also based on affordability

Processing and approval – Unlike Bank B, bank C does not have a modern or centralised IT systems and the loan approval and decisions are not made immediately.The loan application is sent to the headoffice for approval and this tends to delay the processing time of the loans. Credit reports and the client's repayment history are also used to calculate affordability rations and the affordability decision is based on the customers calculation on the application form and the status of the customer's employment also forms part of the credit approval decision.

Monitoring and servicing of loans – Bank C only disburses housing loans to existing customers of the Bank and the customers receive their loans in their bank accounts directly

Funding – Bank C has a mix of funding. Its equity funding stands at (18%),deposits and savings which makes up the bulk of its funding stands at (52%) while its borrowing stands at (30%) as shown in Figure 7.3 above

6.9. Products and Structure

The three selected microfinance banks offer specialized housing products, yet they differ in institutional organization and in loan terms and conditions. From the three different banks, three program types were identified.

- The first bank administers different products such as housing loans, agriculture loans, savings accounts, clean energy loans, education loans, emergency relief loans etc all within the same institutional envelope and by the same loan officers.

- The second bank offers specialized housing programs administered under an affiliated entity using the same staff. Examples include income generation loans, housing repairs and construction loans etc. It offers a specialized housing or infrastructure upgrading program which operates under different terms than microenterprise loan programs. At Bank B, the bank has the ability to use its investment vehicles to link the bank to commercial banks and capital markets. Through equity and quasi-equity investments as well as loan guarantees, the bank is able to expand outreach, strengthen core systems, access innovations, attract deposits, become independent of donor funds and establish financial leverage.

  The third Bank operates by entering into a partnership with specialized housing programs or providers jointly to operate a housing scheme. The bank invites the housing provider or financier to provide housing services to its customers, and use its existing screening process and its loan extension and collection network to facilitate the operation. It often requires legal documentation of land tenure or occupancy as a prerequisite for obtaining a housing micro-loan, especially for financing new construction. It offers business loans, education loans, pay as you go loans and housing loans. All its loans are also being serviced by the same loan officers

Though Housing microfinance has been shown to be a successful product among the three selected microfinance banks in this research, it is not growing as fast as is expected and is yet to achieve scale. This section examines the factors that deter the microfinance banks from growing their housing portfolio to achieve scale. The first interview conducted was done with top management staff (CEO'S) who are in charge of decision making at the microfinance

banks. It examined their perceptions on issues relating generally to policy such as the role of the government in promoting housing microfinance, the housing policy and the effect it has on the banks in relation to housing microfinance.

To guide inquiry and allow for emergent themes, the research questions are aligned in a broad manner in this section. The research questions asked have the ability to narrow the scope to fully represent the codes that emerged during the interviews.

As shown in the tables below,the primary research questions are linked to a case study research design.

Throughout the interview process, all participants discussed their experiences relating to how policy, processes and perceptions affect housing microfinance and incremental housing. Issues relating to government policies and the challenges the bank faces in providing housing microfinance for low income earners are also highlighted and questions asked during the interviews will advance the emerging case study themes.

All respondents interviewed from the selected microfinance banks were asked whether they had prior knowledge of HMF and whether they know of other institutions offering HMF.

52% of respondents indicated that prior to the bank offering housing microfinance, they had no idea what housing microfinance was and did not know of any other banks offering housing microfinance (No/No) while 36% claimed to know what housing microfinance was and knew of other institutions (not necessarily microfinance banks Yes/Yes) providing home improvement/construction loans and the reaming 12% were aware of what housing microfinance represents but were not aware of any institutions offering housing microfinance (Yes/No). Figure 6.7 below shows the percentage of staff response on the knowledge of other MFIs, which respondents have heard provide HMF.

Knowledge of housing microfinance
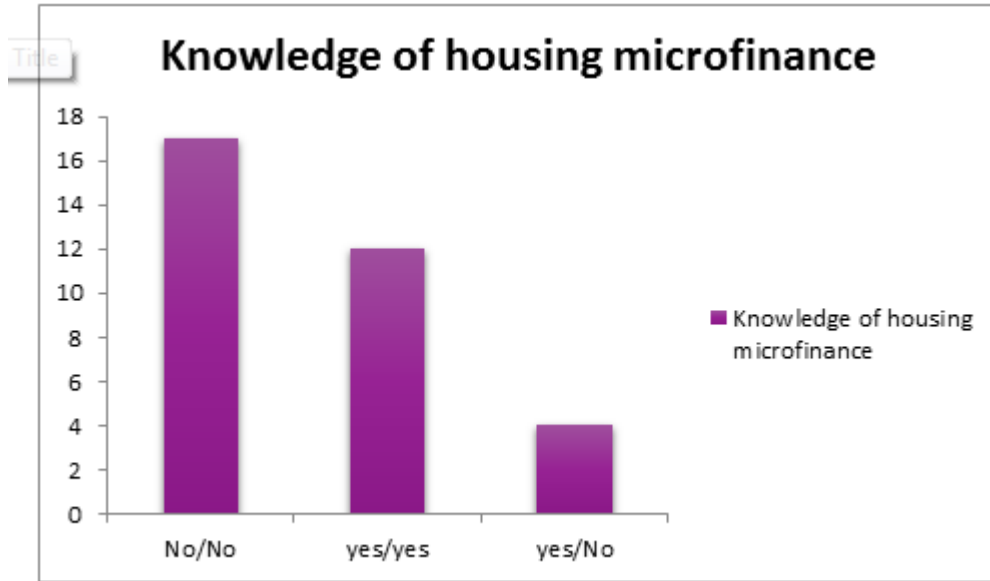
Figure 6-7: Provision of housing microfinance

When respondents were asked if they were aware of customers who have taken business loans and have however diverted these loans to housing needs, some of these respondents have at one time or the other had heard of customers who had taken out personal loans from banks and used it for home improvement and construction, 88% of those interviewed indicated that they are aware of customers diverting other loans to housing needs. This clearly shows that there is a demand out there for housing loans by low income earners.However, the people's knowledge about the operations of HMF in Nigeria is still limited and the introduction of the product in the country is still at its rudimentary stage. One of the most important findings from the interviews was that the portfolio quality of housing microfinance is better than the overall banks portfolio's quality. On the other hand, institutions tend to offer higher interest rates for housing compared with their other loan products. This substantiates the challenge of making housing microfinance more profitable, though it does not seem to affect the institutions plans to scale up providing housing loans or to find ways to offer it in harder to reach demographics further suggesting the perceived importance of housing microfinance from a social impact perspective.

CHAPTER 7. DISSCUSSION AND FINDINGS

7.1. Interviews with Chief Executive Officers (CEO'S)

The first research objective was to explore the existing housing policies, its constraints, and the barriers to successful housing supply in Nigeria. This question was aimed at investigating the current policies regarding housing finance in Nigeria so as to identify the constraints that low income earners face.In order to see the realities of the field, and because the CEO of a company is in charge of implementing policies and planning recommendations to the Board while managing the banks resources within its budget, guidelines according to current laws and regulations,the researcher interviewed the Chief Executive Officers (CEO'S) of the microfinance banks. This section will discuss their views on the housing finance policy and their views on how this affects the scaling up of housing microfinance in Nigeria. This will be done by exploring how they perceive the Nigerian housing policy and its effect on microfinance banks in Nigeria.

The interview design aim and methodology has been presented in chapter 4. Due to the small nature of the sample (3 respondents) the findings from the interviews will be analysed manually. In the analysis that follows, words in italics are direct quotes from the interviewees. Prior to asking the participants, (the CEOs) to identify factors which in their opinion deter microfinance banks from scaling up their housing microfinance portfolio, they were initially asked to define housing microfinance and explain why the banks chose to add HMF products to its portfolio. This was done to find out what they construed to be housing microfinance and also to find out the level of importance given to housing microfinance in order to assess the variability of the purpose of housing microfinance and the rating they would give to it.

Que 1: Definition of housing microfinance

CEO1 defined housing microfinance as

> *The provision of financial products such as loans for housing purposes not backed by mortgages. These loans follow the basic principles of microfinance such as the loan amounts being small, for relatively short terms using alternative forms of collateral. Housing microfinance as we know thrives on incremental building i.e. accessing one loan at a time to build the house one step at a time and the bank offers housing loans mainly for the purpose of building, purchasing, or renovating a residential accommodation.*

CEO2's response is particularly insightful because his definition is the closest to definition of housing microfinance in literature given by the worldbank.

> *Housing microfinance is defined as the provision of progressive loans to the economically active poor and those classified as low income earners to finance both minor and major home improvements and also for the expansion of housing related issues while*

While CEO3 defined Housing microfinance as:

> *Incremental financing for housing purposes ie the application of a microfinance based approach to housing finance*

All management staff interviewed were asked what the understood as housing microfinance. This was to determine if the bank was operating using the Institutionalist approach which operates more on on a commercial (profitable) basis or the Welfarists approach which opposes commercialization and argues that the introduction of the profit motive into microfinance distorts the actual mission of microfinance institutions which is to reduce poverty and potentially degrades an organization's commitment to the poor, who will be crowded out by less poor clients (Christen et al., 2002).

This question was to determine if the bank was more concerned about profit maximization or was actually operating as a microfinance bank which is more about providing financing options for low income earners to fianance their housing needs.The major issue affecting housing in Nigeria is the lack of financing options. Low income earners struggle to get finance for housing because commercial banks see them as high risk customers who have no fixed monthly salries and can therefore not guarantee the repayment of the loans and also have no form of collateral to guarantee any loan the take out and therefore the option of Microfinance which is the provision of financial services such as loans, savings opportunities, insurance, money transfers and other financial services targeted at the poor and low income earners in the society by Microfinance banks comes into play.

Que 2 : Why Housing microfinance

The CEO's were asked why they have included housing microfinance as part of their portfolio.This question was asked so as to dertermine if housing finance was regarded as one of the core products of the bank. All three CEO'S gave similar answers though in different orders to show the most important reason why housing microfinance was included in the banks portfolio and all CEO'S that participated in the interview see housing microfinance as

an important product within their portfolios though not the main focus of any of the banks. It is a product which they have said emerged to meet the needs of their existing customer demands and most importantly allow the bank to retain loyal clients, diversify its portfolio and provide social impact to their local communities. Given in the table below is the various reasons given by the CEO'S on why housing microfinance was added to the bank's portfolio in the order of its importance. From the interviews the following results were deduced. For all three microfinance banks, housing microfinance is not a core product which the bank offers rather it is a product which is added to the bank's portfolio mainly for customer retention. Table 7.1 below reflects the reasons given by CEO1,CEO2 AND CEO3 on why the banks included housing loans in its portfolio.

Table 7-1 : Summary of responses in order of priority

Responses	Codes	Importance
To retain our customers and diversify our products	Customer Retention	1
To remain relevant in the industry and attract new customers while retaining the old ones	Attract new customers	2
We also need to diversify, add new products	Product diversification	3
Benefits the bank hopes to derive such as stability and profitability	Bank stability and profitability	4
Diversification of risk for a portfolio	Risk diversification	5
Lowered administration costs	Lower bank costs	6

Que 3 : Government policies and housing microfinance

The above question was aimed at investigating how various government policies affect the banks provision of housing loans and also explore practices adopted by the microfinance banks in providing housing loans to their customers. CE02's view was that

> *Firstly, the government needs to recognize that 'incremental building (progressive building) is the method by how poor people build, and set policies and regulations in accordance with this.Then the government needs to promote housing by providing the microfinance banks with funds for building institutional capacity, not just for on-lending. Grants or subsidized funds should only be used for initial start-up costs and operating expenditures for a limited time, and based on the performance of financial institutions*

CEO1 also opinioned that

> *The government can encourage microfinance banks that offer housing specific loans by providing these banks with funds for example like what is done in Indonesia where the World Bank is offering a small loan ($5 million) to microfinance institutions that are willing to provide medium term capital and technical assistance to established MFIs wishing to offer housing microfinance loans to new customers because the reluctance of the bank to lend to clients new to the bank is one of the main barriers to scale.*

While CEO3 believes that

> *The government should be able to provide microfinance banks with some form of finance such as a national loan guarantee scheme. This will help to instill more confidence and stability in the microfinance bank and reduce default risks. This will make the bank more willing to lend out money for housing purposes because the know that the government has their back*

Que 4: Housing Portfolio size

When the CEO'S were asked what percentage of the bank's portfolio is allocated to HMF CEO1 replied:

> *27% of the bank's portfolio is dedicated to housing and often times about 75% of these loans are granted without collateral. It's a very small percentage and this is because housing loans are for longer terms than other loans and for the bank to be able to sustain itself it must be liquid.Also, as a bank we cant afford to dedicate more than this to the housing factor because the bank needs to sustain itself and not tie its capital down.Also don't forget, housing finance is risky business.The bank cannot afford to dedicate more than this presently to housing. Maybe in the nearest future,if the Government is ready to help microfinance banks in Nigeria then we might consider increasing lending for housing purposes*

CEO2 replied:

> *Housing microfinance is still a relatively new project for the bank. We haven't been offering housing loans for very long just over 2 years now so we have just a little percentage of our portfolio being specifically allocated to housing loans. Again don't forget that some of the customers apply for business laons and divert this to hosuing*

> *so I cant exactly give you an accurate figure but from our records what is strictly allocated to housing is 8% and only this is allocated strictly for housing purposes.Dont forget the bank is not a charity and needs to sustain itself so really the bank offers housing microfinance not because the bank is interested in providing housing loans to improve housing supply but rather to increase revenue for the bank and also retain the loyalty of their existing customers. At the end of the day it is still a business that needs to declare profit to stay afloat*

CEO3 point of view is that

> *Housing loans is not our major focus.Yes we do offer housing loans but its not part of the business plan for the bank because the bank cannot sustain itself by providing housing loans.Housing loans is for long terms and the bank makes more money from providing small short term loans like business loans.So only a vey small proportion of our portfolio is allocated to housing . Only 8% is assigned to housing specific reasons*

This just goes to show that housing microfinance is not seen as a core product of the bank rather as a by product.From the interviews, it was discovered that Bank A charges less for its housing loans than the other two selected microfinance banks and also pays a lower interest rate for deposits. This makes their loans cheaper thereby resulting in more people being able to afford their loans. This is because Bank A has the adventage of having a larger portfolio for hosuing than the other two banks and therefore has the ability to reduce the rate being charged on the loan because Bank A has the advantage of scale. At the same time, Bank A is of the opinion that given more capital, the bank can increase its lending for housing purposes. Thus, even at current pricing levels, there are potential clients who might be able to obtain HMF loans but cannot because of the constraint faced by the bank due to lack of capital. Why charge less than the other two banks? This is because Bank A has more access to deposit funding due to having more deposit accounts and have an average cost of funding less than the other two selected microfinance banks.

Bank A also pays less intrest rates on its deposits than the other two banks and the reason for the lower interest rate paid on deposits is that deposits are available on demand. Customers with good credit records, who can afford their loans will tend to be partly price sensitive thereby trying to obtain the lowest interest rate possible. These customers can migrate to other banks that consolidate their loans at lower rates if they find any other banks which can offer them a lower rate than that offered by Bank A. Customers with a higher credit risk who

cannot obtain credit anywhere else, stay behind. So providing this housing loan deters customers from going to other microfinance banks that might be offering the service. Of the three banks selected, Banks A and B offer home improvement/construction loans while Bank C provides personal and business loans to its customers while working in partnership with an international company referred to as Company X) which specialises in three major products: cement, construction aggregates, and concrete however what the customers use the loan for is entirely their own decision. Interest rate for home loans at the three selected banks was seen to be higher than that of all other loans.

The CEO'S interviewed indicated that housing loans tend to be less profitable than other loans such as business loans or enterprise loans because business loans have a higher turnover than housing loans. This goes to show that housing loans have not been identified as a core business objective of any of the banks. While the banks are looking for short term investment with profit maximisation, the customers are looking for long term loans with low interest rate to finance their housing needs .

To counter this restrictions, the CEO'S are of the opinion that if the government can include microfinance in the housing policy, prioritise housing related issues and provide subsidies to microfinance banks (like what is presently applicable with agricultural intervention fund which is accessible through commercial banks in Nigeria) this can help reduce any potential loss of capital by the microfinance bank (arising from the risk of default loans) thereby making the banks more willing to give out more housing loans to its customers. Also it will enable the banks reduce the interest rate being charged on housing loans and if the interest rate is low , it will encourage customers to borrow more for home improvement and construction and will boost effective demand for home loans

Que 5: Institutional challenges

When asked what institutional challenges the bank face in providing housing microfinance that deters them scaling up their housing portfolio. CEO1,2 and 3 all had the same answers.CEO'S response was

> *The challenges are very many.The issues I can think about at the present moment includes issues relating to Land and location, socio-political factors, economic environment; microfinance markets and regulation, government policy, Lack of proper documentation, lack of certifiable guarantors, lack of information on the market demand for housing microfinance, very low capacity level to manage current demand and the level of growth, operational challenges such as absence of basic*

infrastructure such as lack of electricity, lack of good roads, lack of modern technology, insecurity of the environment etc.All these compounds the operational difficulties the bank faces.Look outside we have security men we have to pay daily to secure the premises from area boys.This cost increases the banks overhead wich will eventually get transferred back to the customer etc.Yet through all this, the bank isnot even bothered by our survival.We need the government to support and back us up

There was also general agreement among all participants that the main institutional challenge that the bank faces is that the Nigerian government does not identify housing as one of the core needs of the people. When asked about the government's role in housing matters, the replies given by the respondents are listed below in Table 7.2

Table 7-2: Responses from respondents on governments roles in housing matters

CEO Bank A	Government is ineffective in providing support to microfinance banks generally whether we provide housing finance or not.There is no proper regulation at all amongst all the banks thereby leading all banks to operate as the wish because there is no consequences arising from defaulting.most banks have lost their focus.It is all about profit maximisation now
CEO Bank B	The government is not interested in providing support for housing because it doesn't see housing as a major issue in Nigeria. The government concentrates all its efforts on issues relating to oil and gas and agriculture.Even if the governemt starts a project now, what is the assurance the will be here to complete it tomorrow.The government is so unstable therefore we don't trust the governemtn at all hence no point in taking any unnecessary risks at all
CEO Bank C	Housing is not a major concern for the government. The government is not interested in long term projects because the govt. is so unstable. Housing needs time. The govt. changes at any time ,no stability at all .This tends to deter investors who might be intrested in investing in any bank in Nigeria so this limits the banks ability to source for funding thereby limiting capitalisation

All participants interviewed were of the opinion that until the government actually sees housing issues as a major cause of concern, the financing of housing through housing loans will never be recognised as a core product of any bank. An example of the importance the

government places on agriculture was given. Based on the fact that Nigeria is a major food exporter the federal government provides commercial banks with Special credit intervention fund to fast track the development of the agricultural sector. Likewise it also provides Special intervention fund to provide low cost, long tenured funds to MSMEs to enhance their capacity for employment generation, economic development and inclusive growth. However, because the government doesn't see housing as a major issue, there hasn't been any provision of any intervention fund .

Que 6: Government Regulations

All the three ceo's were of the opinion that there should be new governmental housing programs incorporating the existing housing stock. CEO1 and 3 recommended the provision of services and utilities and advocated for an interest-free banking system and some flexibility in government policies.

CEO2 was of the opinion that :

> *If the Interest rate can be fixed at a low rate and the government can provide subsidies and guarantee the loans like what is available with Agricultural loans in Nigeria, this will definitely motivate more microfinance banks to offer housing loans and be more involved in housing microfinance*

Regulations imposed by the Nigerian government such as interest-rate caps, credit restrictions and rules regarding geographical areas of operation by microfinance banks remain some of the more stringent challenges identified by microfinance banks. Also all 3 CEO'S of the three banks are of the opinion that the government regulation with regards to housing in Nigeria appears to be ambiguous and difficult to implement by the relevant authorities in Nigeria mainly because of a lack of policy enforcement mechanism, political commitment, and poor local organisation and coordination framework in Nigeria

CEO3's response was

> *In my opinion, the government regulation has not in any way made it any easier for any microfinance bank to get involved in housing finance for low income earners. The failure of the government to implement housing policy creates uncertainties and risks for microfinance banks thereby making it difficult to provide funds for low income earners to access finance for their housing needs.*

Also when questioned about what they believe the government can do to promote housing microfinance in Nigeria, the responses received pointed out for the government to put in place macroeconomic pre-conditions such as low inflation, stable government finances, financial liberalization and legal foundations to grow and promote housing microfinance.

While CEO1 is of the opinion that

> The performance of the microfinance banks can be boosted up if the government encourages microfinance banks that offer housing specific loans by providing these banks with additional funding options e.g if the bank includes housing finance in its portfolio, the government should reduce the amount of capital reserve the bank requires or allow the banks to become state banks. The government can also encourage microfinance banks that offer housing specific loans by providing these banks with funds for example like what is done in Indonesia where the World Bank is offering a small loan ($5 million) to microfinance institutions that are willing to provide medium term capital and technical assistance to established MFIs wishing to offer housing microfinance loans to new customers because the reluctance of the bank to lend to clients new to the bank is one of the main barriers to achieving scale.

From the combined responses the top two identified constraints includes the lack of supportive institutional framework, policy and regulation issues and a lack of access to long term funds as shown in Figure 7.1 below
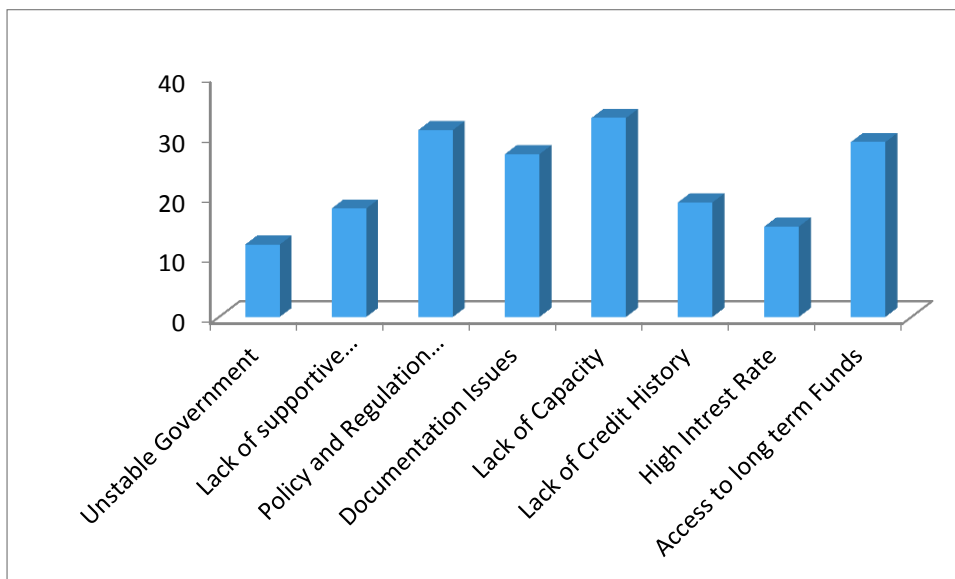
Figure 7-1: Constraints Identified

All respondents mentioned a need for the Federal Government to amend the Nigerian housing policy with reference to Housing microfinance.The three CEO'S identified challenges facing the bank in terms of the difficulties which the encounter while processing the housing loans.

Que 7: Documentations:

All the respondents were in agreement with the difficulties the banks face in obtaining all the necessary documents needed for obtaining a housing loan from the customers. The all believe the process is inefficient.The CEOs defined efficiency in terms of the quality of service rendered and the ease with which customers have access to such service. One CEO identified the challenge in terms of total quality service. Another defined it as service delivery with maximum procedural bottlenecks, while a third CEO identified the challenges in relation to the ease with which customers have access to loans and other services. CEO1 put it this way:

> *I would say another major challenge that the bank experiences is the inability of the bank to process the bank loans in the shortest time possible, thereby affecting how quickly the customers request can be dealt with i.e. loan officers are not able to process these housing loans in the shortest of times and with the minimum procedural bottlenecks imaginable."The loan officers have to chase up the customers for complete documentation.The customers in turn have difficulties getting the complete documentation from the ministry (governemtnt)This makes the whole process drag on for days and makesthe process rather tedious*

CEO2 Aand 3 also mentioned how long it takes for customers to get served or how long it takes to get a loan approved, and CEO1 mentioned the timeliness and speed of operations. Another major constraint identified by all three CEO'S was the issue of official bureaucracy which has been seen to hamper the scaling up of housing microfinance. One CEO felt that government policy with regards to the structure of operation in the industry, where only 3 of the microfinance banks in Nigeria handles over 70% of all the microfinance bank operations in Nigeria and the banks individually handles all the operations involved in the loan origination process, hinders the scaling up of housing microfinance. He advocated for the creation of market segments for different specializations where there would be various units providing various options such as construction technical assistance, affordable construction materials, access to building materials retailers etc. with each unit each playing a different origination role or handling different activities of the loan origination process.

CEO1 and 2 also mentioned the need for policy changes in court and other processes regarding requirements for transfer of title documents (C of O) and legal documents. Two CEOs also mentioned the need for government policy changes with respect to ability to confirm genuineness of title documents at the land registry, which according to CEO1

at present is very cumbersome and can take up to 4 to12 weeks.

CEO1 also mentioned the need to reduce the fees applicable to transfer of titles and legal ownership while CEO3 mentioned the need for changes in policies regarding the communication system.

All three CEO's mentioned the need for changes in policies relating to physical and operational infrastructure. CEO1 mentioned the need for good roads and the creation by government of long-term funds and government guarantees in order to aid the origination process and to improve efficiency .He observed that looking at the microfinance sector in Nigeria, for the microfinance banks to to run efficiently,

> *We need good infrastructures such as good roads, good and constant electricity systems and a secure environment.The reason the microfinance industry is not running so successfully in Nigeria is because we don't have good roads so we cannot get to the rural areas where microfinance is needed, there is no constant light so we run a 24/7 generator thereby increasing the overhead of the bank, we need police men outside to secure the premises, adding to the already expensive overhead. If all these issues can be looked into and improved, the microfinance industry will improve significantly and the bank will be able to increase its housing loans within six months.*

Que 8 : Funding

All three respondents mentioned that unavailability of long-term finance for operators in the sector poses a serious challenge to their ability to scale up their activities. CEO1 and CEO2 mentioned the non-existence of a secondary mortgage market and CEO3 mentioned the inadequate capital of existing microfinance banks. CEO3 said that:

> *At the moment, most microfinance banks are funded by deposits sourced from customers, and borrowings from financial institutions, and shareholders' equity. These sources cannot provide the volume and duration of funds that can sustain our operations in the long run, so finance is a major issue at the moment."*

While CEO2 also mentioned the lack of intervention funds from the government, unavailability of long-term funds and the lack of a liquidity facility.

7.1.1. Interviews with Loan Officers

The aim of the interviews with the loan officers was to determine from the loan officers what the believe is deterring the microfinance bank from scaling up its housing portfolio . To begin with, each loan officer was asked to define and explain what their understanding of housing microfinance was and if they believe it is one of the major product the bank offers i.e. if it is seen as one of the core products of the bank or if it is classified as outside the scope of the institutional mission.

Que1 : Housing Microfinance

All loan officers confirmed that housing loans were not major products of the banks and the all had the same views regarding housing loans. Listed below is just some of the responses received

LA1 replied:

> *It is definitely not a core product of the bank. For every one housing loan approved, 10 business loans will have been approved. This is because business loans are easier to process and approve. The documents needed for business loans are less than housing loans and because business loans are normally for shorter periods of time the bank deals with more of this than housing loans. So in my opinion, housing finance is definitely not one of the core products of the b*ank while

LC3 replied

> *Housing finance is not classified as one of the core products of the bank just yet mainly because it doesn't have as much of a turnover as other types of loans. Also it is not one of the core activities of the bank.You get promted by your line manager to focus more on business loans because you have targets to meet monthly and processing housing loans is more time consuming you cant afford to focus on that if you still want to stay employed.As long as you meet your target monthly no one is bothered by what products you sold to meet that target.Just meet the target*

LC2 another respondent replied

> *We have targets we have to meet monthly and if you focus on housing loans to meet your target you will never meet that target and might end up getting sacked. This is because housing loans are difficult to process, documentation is laborious, and the time it takes to process one housing loan is like ten times what is needed for a business loan*

It therefore goes to say that commitment at the highest levels is necessary for housing microfinance to be successful. Without this support, microfinance banks will not receive the human and financial resources they require to expand and scale up their housing microfinance portfolio. For most microfinance banks, the issue of commitment is a true constraint. Microfinance banks are so different from conventional commercial banks that they are generally not understood by most staff members. For most bank staff, housing microfinance is often considered a second-class activity. For loan officers, career advancement is generally a function of how many successful loan placements they have been able to achieve and because most of the loan officers have targets they have to achieve to either get their bonus and sometimes to even keep their jobs, housing loans which are often times more difficult to process are often regarded as second class activity. Success with large loan placements is often rewarded with increased delegation of authority to make even larger loan decisions. In this context, a loan officer's portfolio of hundreds of tiny housing loans adding up to a small naira volume is not a sign of success or a promising path for career advancement in the microfinance bank.

Que 2: Lending Methodologies

The first issue identified by 11 of the 15 loan officers interviewed (73%) was issues relating to the lending methodologies. The average time identified by the loan officers to process a housing loan is 25 days. The method by which the housing loans are processed and disbursed was found to be a bit cumbersome and time consuming.

At Bank C, Loan processing and disbursement is handled by the Operations Department with the loan officers acting as front liners. As long as the customers fulfil all the eligibility criteria of the bank and fill out the application forms, the maximum processing time identified so far is 60 days. However, before the bank can even start to process any loan, the customer has to produce documents such as the building permit etc.This can be very cumbersome and time consuming. Figure 7.2 below shows the average time taken by loan officers to process a housing loan. With all three banks, for a customer to qualify for a loan, he has to open an account with the bank and operate same for a minimum of 3 months.

At Bank A, when the customer fulfils all the eligibility criteria, he/she then fills an application form where he/she attaches documents of the land or house he intends to build or improve. Completed loan applications forms are then submitted to a Loan Committee which then reviews the application based on the amount requested vis-a-vis repayment capacity of

the client. This is done using software where the net monthly income of the applicant is inputted and the monthly repayment is automatically generated. In instances where the client's monthly income cannot support the monthly repayment, the loan amount is reduced to an amount which is affordable by the customer .
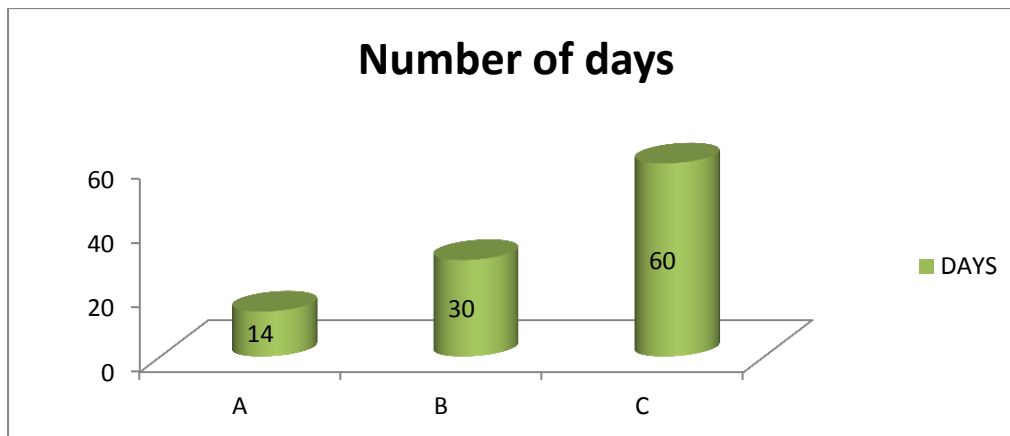
Figure 7-2: Loan Processing Time

When the loan officers were asked how long it took the bank to process the housing loans, Loan officers from Bank A had an average of 14 days, while loan officers from Bank B averaged approximately 30 days and Bank C, 60 days. The main reason for the time difference in the processing times can be attributed to the time frame it took to produce the required documentation and the time it took to verify the information provided by the customers due to lack of appropriate database and technology. The lending method adopted for housing loans by all three microfinance banks is the individual lending methodology where loans are extended to individuals rather than a group. According to the loan officers of all three banks, there was a general consensus that

> *Housing loans are be extended to customers who are eligible for them and whose credit history has been determined based on the premise that these customers have previously been offered microenterprise loans and have been customers of the bank for over 3 months so a history and relationship has already been determined.*

They all jointly agree that if a customer is eligible for an individual microenterprise loan and has the capacity to repay it, then it stands to reason that the same customer will be able to pay for the housing loan as well. It is also jointly believed that because all customers operate in different socio-cultural and economic conditions, it can be tedious getting people with different backgrounds and social setting to come together to form a group.

Also because housing microfinance loans are for larger amounts compared to microenterprise loans and have longer repayment periods, using group lending methodology will not be a viable option because it will involve using peer pressure and group guarantee systems which imply holding the group collectively liable for repayment over a long time. This results into higher default risks as repayment fatigue can set in overtime. This supports the work of Klinkhamer (2000) who opinioned that it is good practice to use individual lending methodology for housing microfinance rather than the group lending methodology due to the risks associated with the group guarantee system especially as loan sizes become bigger.
LC3 opinioned that

Microfinance banks need to upgrade their loan appraisal processes, which is where it starts. If you don't screen out a potentially bad loan just because you want to make business and grow your loan portfolio, you have already created a bad debt at the initial stage, right from the beginning which is already a very bad sign and will probably end up being a bad debt

Over 72% of the loan officers believe that the banks need to up their game when it comes to loan approval process and there should be constant monitoring, you don't give a loan and go to sleep, you have to monitor all your loan beneficiaries constantly. The government can also assist with this and has a part to play because of its fiscal policy. When the economy is booming, businesses are booming and customers can save up some money to finance their housing needs and pay back their loan, but when the economy is down, then survival is the name of the game and its all about survival first before settlement of loans and customers then need to do something more important to take care of themselves and service their loans. So it is believed that the government and bank officials can both play their part by checkmating the rising incidence of bad debt

Que 3 : Eligibility criteria

From the interviews conducted, it was discovered that the criteria to be eligible for a housing loan depends on the customers current financial profile and can therefore not be said to be very rigid. The eligibility criteria simply act as a guideline to ensure that the customers will be able to meet the loan repayment so as to avoid default risk. The eligibility criteria as stated by all the loan officers of all three banks tend to be similar. Information gathered from all three banks shows uniformity in the eligibility requirements of the customers.

- Firstly, all potential customers must have been operating a savings account with the bank for a minimum of 3 months and be able to demonstrate the 5 c's of credit (capacity, collateral, capital, character and condition)

- Customers must be able to provide land documents (C of O) showing the ownership of the land where the proposed house will be built and provide a letter from a guarantor who will stand as surety for the loan when approved. This is to reduce the risk of default loans. This however limits the number of customers who are eligible for housing loans because majority of the customers cannot meet the criteria. One of the principles of microfinance is providing Loans that are not heavily collateralized, and if at all, collateral substitutes can be used. This isn't applicable though in Nigeria because all the banks require some form of collateral if not assets , then surties and guarantors therefore showing that banks are not operating as purely microfinance banks and hence missing their expected targets (low income earners).The repayment terms however vary at all three banks.

- At bank A, three forms of repayment are available daily, weekly and monthly repayments and the customer can select which ever option works best for him

- At Bank B, repayment is fixed at a specific date each month and

- At Bank C repayment was monthly at any time during the month convenient for the customer

One common factor was determined with all the three banks and that is that at all three banks, the repayment terms must not exceed the maximum duration periods agreed by the customer with the bank

Que 4 : Strategy for loan security/underwriting

This question was asked to determine how the bank overcomes the challenge that arises from the lack of credit history. In Nigeria, there is no official credit scoring establishment , it can be quite difficult determing the credit rating/stand of the customer and from the interviews it was discovered that the banks strategy comprises of two two main startegies to secure the loans for home construction and this is grouped into two namely: The use of savings and co-signers. All the three banks provide home construction loans to two main categories of customers: Those self-employed and the salary earners who work either in the public or private sector but are classed as low income earners based on the level of their incomes.

From Bank A, the guarantee required for self-employed customers is that the have some form of savings in their savings account. As part of the eligibility criteria, savings is mandatory for this category of customers and as such a pre-condition for the disbursement of the loan. Potential clients must save at least an agreed percentage (5%) of the loan amount they intend to take and have to continue saving even when they have taken the loan. On the other hand, for salaried workers, the monthly repayment should not exceed 35% of the net monthly income and they are required to provide either co-signers or personal guarantors.

For Bank B, the guarantee required for all customers whether salried or self employed is a bank account with the bank of not less than 6 months and also the provision of a Co- signer

For Bank C, the customer should have saved a minimum of 10% of the amount of the loan with the bank and have a current account that has been in operation for a minimum of 6 months.The potential customer should also have taken out a business loan successfully with the bank in the past and serviced the loan appropriately

Based on the views of the loan officers at the three banks, providing guarantors for the loans helps to locate the customer should in case the customer defaults and decides to either relocate or abscond and the guarantor services the loan by repaying the loan he/she guaranteed should in case the customer absconds

Que 5 : Land tenure and land rights

There were two critical issues mentioned by 12 of the loan officers interviewed when considering processing of housing loans. Loan officers identified issues relating to the *"insecurity of land rights for their customers"* who are also the housing microfinance borrowers and also *"the approach of microfinance institutions"* who tend to require a land title before they can approve the housing loan. These 12 respondents interviewed noted that land title requirements are mostly based on institutional policies regarding collateral. As such, the interviews reviewed the tenure security of the housing microfinance borrowers according to the lending institutions. When asked how the banks assess their housing microfinance borrowers' tenure security, the majority reported that they use various methods such as verification of land ownership with local authorities, title companies and attorneys; land records or other due diligence documents required for the loan. From the data collected, it was noticed that even though most institutions assess their customers tenure security, they do not necessarily require a formal freehold title to extend a housing microfinance loan. The 12 respondents (80%) reported that their institutions require a land title to extend the housing

microfinance loan, yet many of those 15 respondents reported that very few of their customers are able to produce a formal freehold title, and almost none of their clients are unable to produce anything

These banks reported both the lowest percentage of customers able to produce a formal title (60%) and the highest percentage of clients unable to produce any document in lieu of a title (40%). When loan officers were asked "what their title requirements are based on, the consensus amongst these 12 respondents was "*both the government regulations and the banks institutional policy*" and this indicates a large barrier to land rights in Nigeria

Que 6 : Lack of credit history

The lack of credit history and non-existence of functioning credit bureaus is one of the identified challenges. Others include a lack of record keeping which makes it difficult to ascertain the repayment capacity or verify information provided by customers, and the lack of adequate documentation that would provide information from customers. A respondent (LB3) put it this way:

> *One major issue is not having credit history for the prospective customer and then not being able to also clarify or confirm the repayment capacity of the customer, because for quite a number of customers, even if there are documents provided by the customer, one still needs to confirm them from the sources to be sure they are genuine and also there is a need to interview the customer, and then make some further enquiries, but because we don't have credit bureaus in Nigeria ..., and you cannot really go online and get such information.*

Another respondent's (LB4) reference to data inadequacy is:

> *One thing we do most in Nigeria is to make decisions without having sufficient information. This is a common problem all types of banks have all over Nigeria. Not just microfinance banks.We don't have necessary information about the customer or about their circumstances.We cant determine if the are credit worthy or if the are high risk customers and one has to be very careful when asking questions that needs data to substantiate.*

Que 7 : Culture:

Another main issue is the Nigerian Culture**.** In interviewee LB4's opinion,

The Nigerian culture and mentality as one of the major impediment the bank faces. In Nigeria, most people do not like to divulge private information. Details of income and even age are seen as very private information and customers find it difficult to divulge these details, hence it is difficult to rely on information provided by customers and as such difficult to take timely loan decisions. This factor also exacerbates the problem of inadequacy of data in the sector and also affects how quickly the loan can be processed.Every information given by the customer needs to be verified including the documents.

Que 8: Infrastructures

Loan officers LA2,LC3,LB2 and LB5all mentioned the need for the federal government to provide infrastructires such as good road , electricity etc in order to aid the origination process and to reduce the risk to the bank . Loan Officer LA4 reponded by saying that

> *Looking at the housing microfinance industry in Nigeria while comparing it to what is applicable worldwide,one will see that for a microfinance bank to run effectively, it needs good infrastructures such as good roads, good electricity etc. and whether we like it or not, that's the truth. The reason the microfinance banks iare operating more successfully in Lagos state is because compared to the other parts of Nigeria, Lagos state has a fairly good road network and better electricity supply. If the road network and the electricity supply in Lagos can be further improved significantly, housing loans would triple within six months.*
>
> *A customer will prefer to focus on building a low cost house say between, ₦3million and ₦5million down in the suburbs and outskirts of the city if there is good land, good environment, low construction cost, with adequate road linkages and places that take 2 hours or more to commute now with take 20 minutes to drive to, people will look into building their houses there as they will not see these places as too far to commute to and from.*

Que 9: Technology

Eleven of the loan officers interviewed (73%) mentioned various aspects of technology and technological improvements as being necessary and important to enhance the scaling up of housing microfinance. LB4 mentioned the lack of technology for loan appraisal as one of the main constraints faced when processing housing loans and advocated for the increased use of technology and reduction of manual processes. LA3 , LC4 and LB1 all stated the need for online processes commencing with the loan application, the use of origination software,

having an online land and title registry, automating other government processes that have to do with loan origination and processing, and having government support for the deployment of adequate technology.

With reference to technology as a constraint, LC1 officer explained that:

> *I think technology is still a very critical constraint to processing of housing loans. Most of our operations are not automated and that affects how efficient we are. Take credit scoring for instance, we should have a method of credit scoring that is technology based where you can just key in the right inputs or the individual inputs for the customer and then you get what you want, rather than going the manual way of trying to appraise the customer manually. I think technology will help a great deal. This is not about eliminating the physical meetings or engagements that you do with the customer but rather, technology will help in terms of credit scoring, and in terms of underwriting,and will make the whole process a lot faster so that's a major constraint because I don't see any bank doing that yet in Nigeria.*

Que 10 : Mitigate default risk

One of the similarities identified amongst all three microfinance banks is the repayment schedule. All three banks operate using a frequent repayment schedule plan that most banks seem to have adopted for their micro loans. This schedule includes a Bi-weekly, weekly, and even daily repayments which are associated with micro loans in a number of microfinance banks in addition to the more traditional monthly repayments. This shorter time period facilitates monitoring and is usually calibrated to the cash flow in the business. It is noteworthy to mention that many microfinance banks bear part of the transaction costs by going to their borrowers rather than requesting that their borrowers come to the branches, particularly during the loan processing period. Collateral foreclosure in case of default usually encounters lengthy and difficult legal procedures. Hence, many banks avoid foreclosure of collateral on defaulted loans. The microfinance banks implement procedures that have been commonly adopted by many banks such as flexible short term loans, frequent repayment schedules, minimal to no collateral and quick disbursement practices. On the other hand, a good many of these products and procedures are an inevitable consequence of trying to reach low income customers

Que 11: Screening and Monitoring

Typical screening techniques of customers receiving individual loan services involves loan officers making personal reference checks about prospective borrowers from informed individuals in the communities, suppliers in the markets, and with other informal as well as formal lenders in some cases. Inspecting the customers business premises and the present residence are also important means of verifying information and marking permanent locations for the potential borrowers.

Cash flow analysis of their present bussinesses and flow documentation of the household establishes the parameters within which feasible loan repayments can be scheduled. These business and household analyses of cash flow is seen to be a very important and essential features of the lending technology since collateral is less important in screening these customers. In most cases, this screening process is done on an individual basis.

Nevertheless, in the case of Bank A, housing loans made to the customers are screened in a batch processing format where the loan officer verifies information with market suppliers and other lenders for a whole list of borrowers at the same time. Loan repayments are also used as an indicator in screening for repeat borrowers. At Bank B and C, once a customer has fully repaid two to three loans on time, the customer will be able to get access to an automatic line of credit thereby reducing lending costs substantially for this repeat borrower. Borrower monitoring techniques are largely aided by daily, weekly, bi-weekly or monthly repayment schedules generated by computerized loan tracking systems. Most of the loan officers stated that an effective software computer technology is essential to track and monitor loan repayments once the housing loan portfolio grows beyond a rudimentary scale of activity. Loan officers conduct follow ups through telephone calls and personal visits in case of even one-day delinquencies. These measures are taken very seriously since many housing loans are granted with little to no collateral.

7.1.2. Interviews with Branch Managers

To understand the main reasons why the three selected microfinance banks included housing microfinance as part of the banks portfolio, all staff interviewed were asked to identify the reasons why their institution introduced housing loans as part of its porfolio and to disclose the sources of funding of housing microfinance products. From the information gathered from the interviews, all the banks implementing housing microfinance have struck a balance between meeting client demand and contributing social impact. All three banks ranked "customer retention as one of the top reasons for introducing a housing microfinance product,

alongside "portfolio diversification , diversification of risks and retention of loyal customers of which "customer retention and and diversification of risks are the top two selected responses. As such, housing microfinance is offered to over 83% of the banks customers who are able to provide the required documentation and housing microfinance is used to cross-sell or markets their other loan products to these new clients. A summary of this is shown in Figure 7.3 below

Figure 7-3: Reasons for including housing portfolio

Various reasons have been identified by various respondents on why the bank decided to add housing microfinance to its portfolio. In a direct question, all participants were asked about why the need to provide housing loans. The dominant reasons given was" to attract new customers while retaining the old ones, keep up with competition, diversify, add new products, and increase the portfolio of the bank

BA2 respondent said

> *In order to remain relevant in the industry and attract new customers while retaining the ones we already have, it was necessary for us to include housing loans*

BA3 described how the housing loans can be used as a by-product to retain customers while attracting new ones.He replied

The bank offers more of business loans but often time's business loans are diverted to housing so why not just offer housing loans and service as housing loans

Respondent BB3 , BB4 na BB5 all responded that

The bank included housing microfinance to keep up with competition in the environment. In order to remain relevant in the industry and attract new customers while retaining the ones we already have, it was necessary for us to include housing loans.

Que 1: Use of housing loans

The branch managers interviewed were also asked to list in the order of priority what they believe the customers use the housing loans they are given to purchase. There was also a general consensus on the perceived priorities that their customers have towards incremental building as opposed to outright home purchase. Listed below in table 7.3 is the various reasons identified for taking out a housing microfinance loan and this use has been ranked in the order of which is the most important.

Table 7-3: Identified Use of Housing microfinance Loans

Rankings	Use of housing microfinance loans
1.	For basic home repairs such as basic structures, foundations, walls, roof, utilities etc.
2.	For the use of incremental building and expansion of housing sections such as the addition of extra space or rooms.
3.	Addition of rooms and spaces for business use
4.	Construction of an additional floor or level leading to expansion of the house
5.	Construction of a Full house on an existing property/ land
6.	The purchase of land
7.	The purchase of an already built house

Que 2 : Size of the housing finance portfolio

All 3 selected microfinance banks are national microfinance banks. A National Microfinance Bank is one authorized by the federal government of Nigeria to operate in more than one

State including the Federal Capital Territory (FCT). It is required by the governing body to have a minimum paid-up capital of N2 billion ($5.56m), and is allowed to open branches in all States of the Federation and the FCT, subject to prior written approval of the CBN for each new branch or cash centre . Shown below in table 7.4 is the licence category and basic features of the three categories of microfinance banks in Nigeria

Table 7-4: Microfinance banks licence, categories and basic features

CATEGORY	NUMBER IN NIGERIA	CAPITAL REQUIRED	RESTRICTIONS
Unit MFBs	843	N20m($0.06m)	Operations limited to one location (prohibited from having branches/cash centres).
State MFBs	92	N100m($0.28m)	Operations limited to one state or the Federal Capital Territory ("FCT") and authorised to have branches/cash centres within the same state or the FCT.
National MFBs	7	N2bn ($5.5m)	Authorised to open/operate branches and cash centres in any state and the FCT
TOTAL	**942**		

Source : Central Bank of Nigeria Report 2016)

The three selected microfinance banks are all national banks and represent various sizes in terms of assets and portfolio. Shown in figure 7.4 below is a comparison of institutional capacities of the three selected microfinance banks while figure 7.5 shows the portfolio size of the 3 banks as compared to its housing microfinance portfolio and Figure 7.6. shows the number of branches each bank has across Nigeria
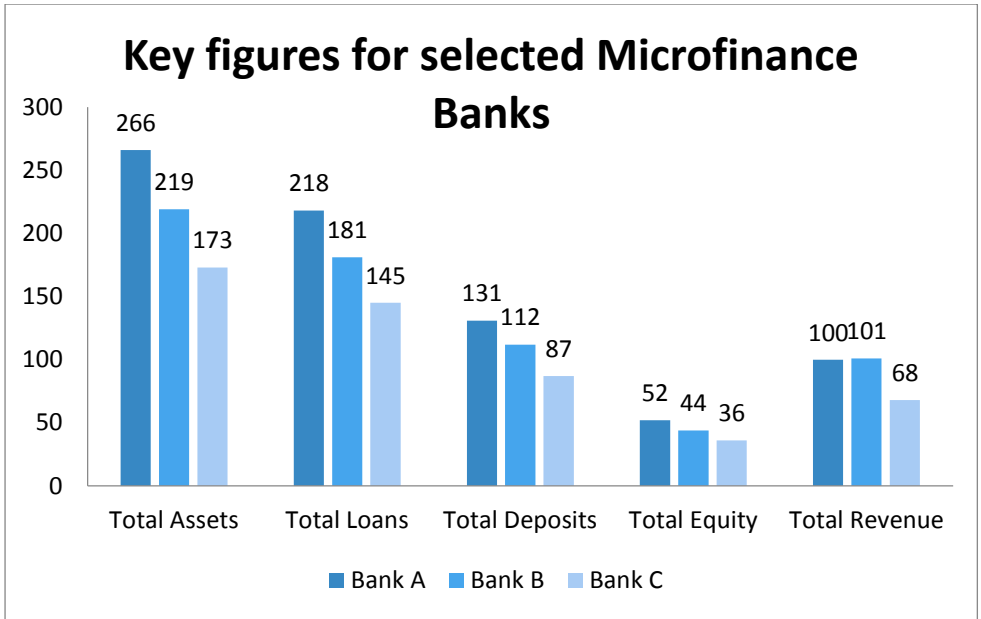
Figure 7-4: Institutional Capacites of selected Banks

(Figures in USD million and Based on local currency)
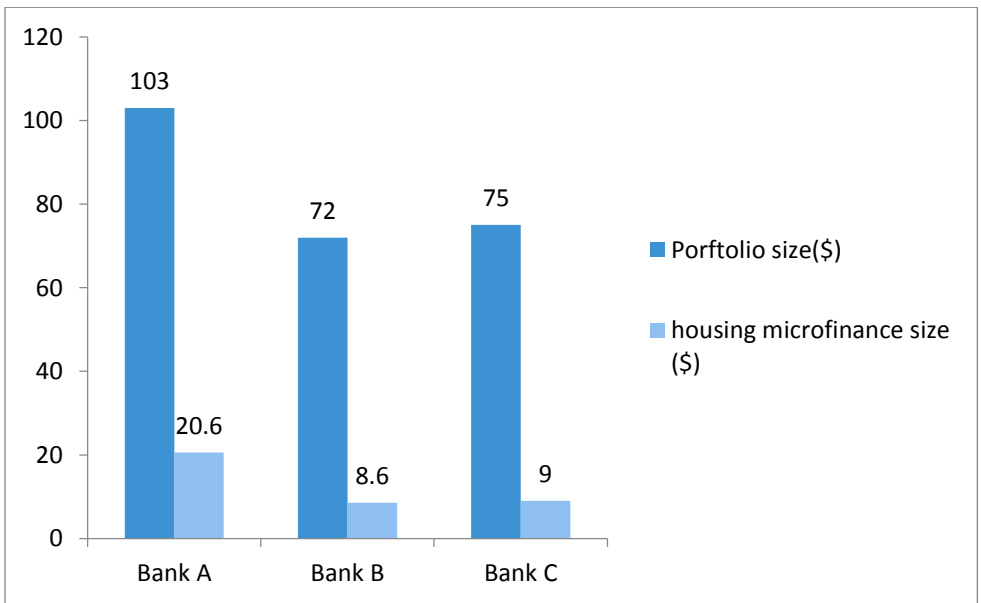
Figure 7-5: Portfolio size of selected banks

(Figures in USD million and Based on local currency)

Figure 7-6: Number of branches of selected Banks

Que 3 : Average size of housing loan

Loan size is one of the major indicators which measure the depth of outreach, where smaller loan size corresponds to greater depth. The changes in loan size also have important repercussions for low income earners. It is seen to be "important for economic growth but also for social equity, as it improves the distribution of income and wealth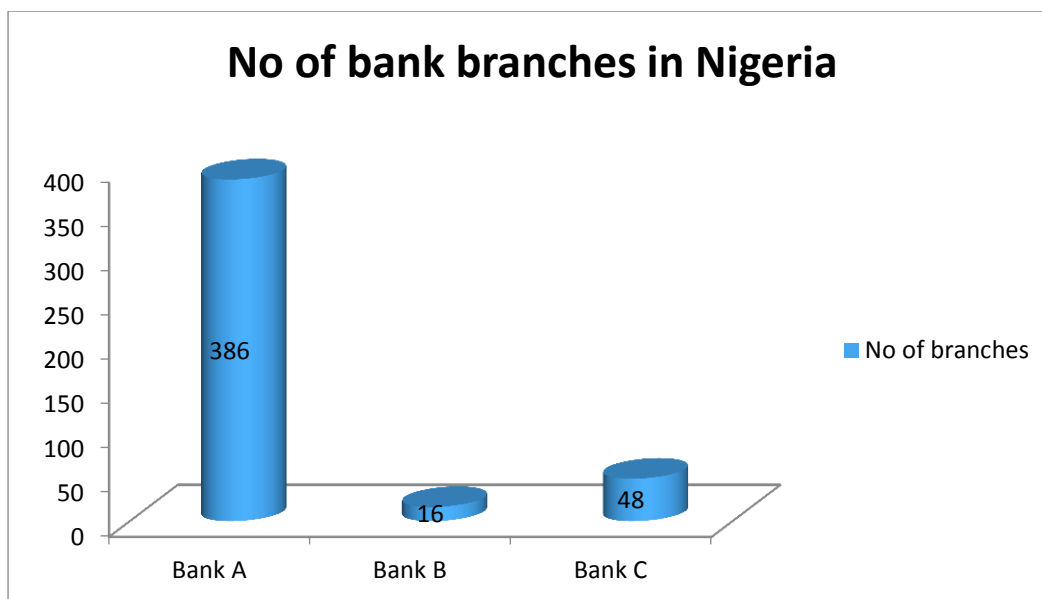, improves access to economic opportunities and upward social mobility, and helps to establish the foundation of a market economy" (Rosengard, 2004). However, if the size of the loan is high, this highlights the issue of approaching fewer poor clients and this could potentially lead to the drifting of any microfinance mission related to poverty alleviation and the upward. Social mobility of the poorer groups of society. The Minimum sizes of all loans given out for both housing microfinance and other types of loans were beneath =N=180,000 (US$500) threshold, with two of the banks offering loans below =N=36,000 (US$100). Maximum loan sizes offered for the general loan product exceeded =N=3,600,000 (US$10,000) range for all the banks. However, for housing microfinance, the highest amount offered by any of the three banks was =N=1,000,000 (US$2,778). All three banks were asked to provide the average loan size. Two of the microfinance banks reported that their average loan size for both general products and housing microfinance products is in the range of N=360,000 (US$1,001) to =N=722,000 (US$2,000) range while the third bank ranges from =N=722,000 ($2000) to =N=938,000 ($2600) range as shown in Figure 7.6 below.
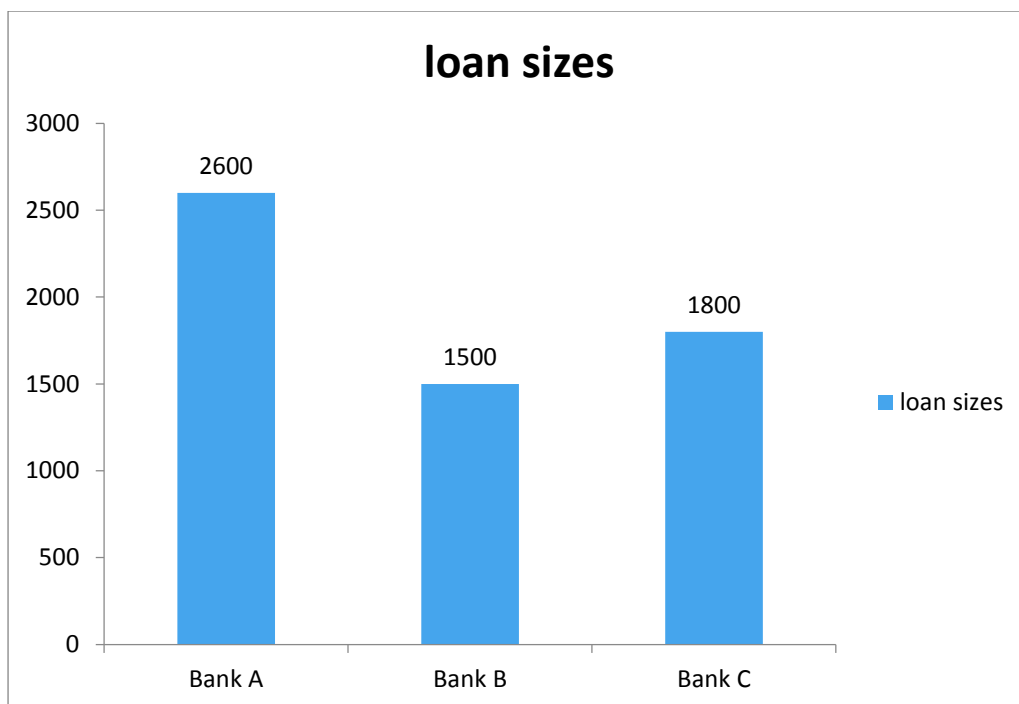
Figure 7-7: Loan Sizes of Selected Banks

(Figures in USD million and Based on local currency)

Que 4 : Basic information about loans

Some distinctions were found in the lengths of the loans and interest rates of the different products offered by the three banks. From the interviews carried out, housing microfinance products have longer loan tenors than other general loan products offered by all the banks. Two of the three banks reported that their housing loans tenure ranges from 18 months to 30 months for housing microfinance products while the third Banks housing loan does not exceed 18months. For other loan products, the banks tend to offer shorter tenors ranging from 12 months to 24 months.

Que 5 : Motivation

Data gathered from the branch managers shows that loan officers tend to target more of salaried staffs who are classified as low income earners based on the amount they earn because it's easier for them to meet the criteria for the loans than unsalaried workers. This goes to show that the microfinance banks are still not targeting the right set of customers. They believe the risk of targeting the self-employed will be too high. However, the essence of microfinance is to provide financing options for the low income earners.The correspondent was of the opinion that

There is a lack of awareness on technical skills required for providing housing microfinance in Nigeria.

Affordable housing for the poor requires a flexible and responsive strategy which differs from what is presently available to commercial banks that provide mortgages and it takes time and resources to build this required competences. These loan officers are not employed based on any background relating to housing issues rather they tend to be trained on the job (learn on the job).

This section examines the factors that either contribute to or detract from the growth of housing microfinance. The findings described here are drawn from interviews with branch managers relating to factors which deter the bank from scaling up its housing microfinance portfolio.

Que 6 : Customer Demand

The general perception of branch managers interviewed is that the demand for housing finance is far greater than the supply of the same. They are of the opinion that the supply side is still very minimal compared to the demand. There was a general consensus across the board that housing microfinance has much greater growth potential than mortgage financing among the low-income earners in Nigeria. However, the government polices limits the bank from scaling up the supply of housing loans. According to the microfinance managers, the opportunity for home improvement lending responds more to the market situations in Nigeria: Prior to including housing loans as part of the bank's portfolio, the mangers were aware that some customers often diverted some or all microenterprise working capital loans to home improvement. However, the market opportunity became more obvious when the bank began to offer housing specific loans

Que 7 : Sources of Funding

To fund housing microfinance, responding institutions largely depend on equity and savings deposits as their source of capital as shown in Figure 7.8 below
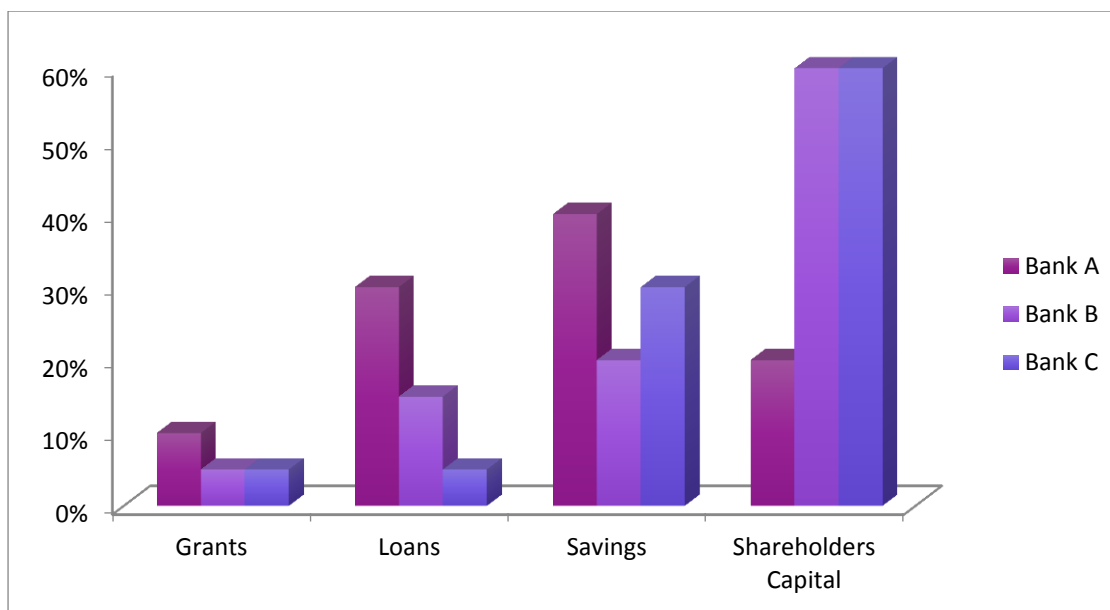
Figure 7-8: Banks sources of Funds

Que 8 : Financial requirements

There was a similarity between the financial loan requirements by all selected microfinance banks with the most selected choice of requirement being that the customer must be "self-employed with a regular source of income. This financial loan requirement was a mandatory requirement selected for both general loan products and housing microfinance loan products by all the respondents. For guarantee and collateral, the top two selected answer choices for both the general loan product and the housing microfinance product were "credit history" and "co-signor or guarantor" . For the general loan products, the respondents selected "refer-ences" as another popular form of collateral. For housing microfinance loans, the third most popular answer choice was "land title or land purchase agreement," which was selected by 61 percent of the responding institutions. Responses differed amongst the three selected banks with some respondents selecting "land title or land purchase agreement" as the top collateral/guarantee requirement.

Que 9 : Disbursement processes and repayment practices

At bank A, the loan process typically takes less than two weeks from application to disbursement, regardless of whether the product is a housing microfinance loan, and the method of disbursement is to give the full amount in cash to the borrower with a monthly repayment plan put in place. Repayment sources are also very similar for both sets of

borrowers: "local business income" is the most common source of repayment, followed by "salaries. Two of the banks Bank A nad Bank B confirmed uniformity in their practices for both housing microfinance and other loans by reporting that housing microfinance loans are administered by multiproduct loan officers .Only Bank c has specialized loan officers dedicated only to housing microfinance. One of the respondents (BA3) interviewed was of the opinion that

The bank cannot afford to have staff dedicated to only housing loans because that will increase the overhead for the bank and that will translate to higher interest rate being charged by the bank

Part of the follow up process done by all three banks is to follow up to ensure the housing microfinance loan is used for its stated purpose. To conduct this follow-up, the loan officers carry out monthly field visits and on-site monitoring. They monitor the loan by corresponding regularly with the customer on the progress made in the construction process and this is often confirmed during the monthly site visit. The loan officers were of the opinion that if technical assistance was a mandatory option while applying for the loans then the can monitor the loan's use through the technical assistance program and construction support.

Que 10 : Construction Technical Assistance (CTA)

The provision of loan products alongside other nonfinancial components has been a common practice within the microfinance sector. Those providing advisory services to financial institutions in the development of housing microfinance products have promoted a variety of nonfinancial technical assistance services to increase the quality of the home improvements being made with housing microfinance loans.

From the interviews, it was discovered that construction technical assistance is an optional choice offered to the customer and not mandatory. Therefore the customers tends to opt out of taking on construction technical assistance. The reason for this is because it is an added cost that can push up the cost of the loan.

Technical assistance though typically is an optional service, 63% of all loan staff interviewed are of the opinion that for housing microfinance loans it should be made mandatory. When asked about their opinion on the value of construction technical assistance, the loan officers

believe that construction technical assistance should be made a condition attached to the housing loan. In their perspective, this will help in the monitoring of customers housing projects and help keep the customer in check.

Monitoring of customers was found to be quite difficult because the bank staff saw it as extra work load which they had to do without any extra incentive. So rather than go from house to house checking up on the progress which the customers have made on their houses, they simply fabricated up results. They believe that if construction assistance was made compulsory, there will be an expert on ground to give advice and monitor what the customer is building and the progress being made. In hind sight, technical assistance is offered for the most part as a free service to customers. When asked what type of free construction technical assistance they believe the bank can offer that will beneficial to the customers, some of the options given includes "blueprint drafting, construction advice, budgeting, personal finance education (mainly focused on repayment of loan), home maintenance skills, legal advice/education on home ownership/land title etc.

Of all the responses given the most common option they believe should be given to the customer is construction advice with budgeting and personal finance education following closely behind. Other technical assistance services that can be offered to the customers includes educating them on the quality of building materials to be used, the importance of using a builder in the preparation of plans, and also assistance in processing and obtaining the title of the property.

Sometimes, customers who are educated and enlightened value the informal advice given them in regards to construction techniques because it helps them to reduce the cost they incur on construction and it also helps them improve the quality of the structures.

As technical assistance is a service that is often tailored to individual customers and their needs, it can be costly and difficult to implement. This qualitative feedback confirmed that technical assistance is highly valued yet complicated to deliver. One of the branch managers interviewed (BA2) emphasized the need for technical support for microfinance banks and cooperatives. He mentioned that

> *The soft technology of mass housing is reaching maturity in other countries and regulatory jurisdictions, and Nigerian microfinance banks can learn from these experiences. Technical assistance focus should be on mobilization of potential beneficiaries,assessment of the need and structuring of loans and repayment schedule," he stated.*

Que 11 : Data Inadequacy

In relation to data inadequacy, constraints were identified with respect to different aspects of the operations of microfinance banks. A prominent one is the lack of credit history and non-existence of functioning credit bureaus. Others include lack of record keeping in the informal sector, which makes it difficult to ascertain the repayment capacity or verify information provided by customers and the lack of adequate documentation that would provide information from customers. BA1 put it this way:

> *part of the problem is that the bank does not have any credit history for the prospective lenders and then not being able to verify or confirm the repayment capacity of the customer, because for quite a number of people, even if you have documents provided by the customer, you need to confirm them from the sources to be sure they are genuine and you need to also interview the customer, and then make some further enquiries, but we don't have credit bureaus in Nigeria and one cannot go online to get such information*

Another respondent's reference (BC2) to data inadequacy is:

"One thing we do most in Nigeria is to make decisions without having sufficient data. This is the same problem we have all over Nigeria, we don't have data.

7.2. Discussions relating to Public Perceptions

The purpose of the loan, security and Risk mitigation is a major key issue that should be considered when providing housing micro loan. This corresponds with the work of Daphnis and Ferguson (2004) who are of the opinion that companies can mitigate risks by ensuring that the clients have guarantees and collateral and the profession of the customer should also be taken into consideration when offering the customer a housing micro loan. This corroborate with the work of Kihato (2014) who stated that it was important for MFIs to consider the profession of the customer and their source of income.

Also from the findings, it was revealed that the cost of funds and the administration cost incurred by the banks in offering housing loans was an important determinant of the cost of the loan. According to (Daphnis, 2004), high operating costs and capital constraints within the MFI industry impact the pricing of housing microfinance services. The findings also reveal that the risk associated with the borrowers guarantees and collateral on the transaction were also determinants of pricing to a great extent.

Different Microloans have different rates and thus different risks. Daphnis (2004) stated that in order for MFIs to cushion themselves against these risks, the demand for collaterals and guarantees from the clients.All the 3 MFIs are governed and supervised by the same body (CBN). Since the microfinance act became operational in 2008, all MFIs are governed and regulated by the Central Bank of Nigeria and the findings revealed that the laws imposed various costs on the microfinance banks such as licensing fees, interest rate caps and expenses in the monitoring and administration of the required regulations across all the branches. Harper and Arora (2005) highlighted that microfinance banks face administrative and operational costs in trying to implement the regulatory laws across its different branches and it has been shown that government policies contribute to the sustainability of the institution. The findings revealed that all the institutions did not enjoy any form of subsidy from the Nigerian government or the regulatory authorities.This aligns with the work of Nawaz (2010) who was of the opinion that microfinance banks need to perform without subsidy finance in order to be able to expand as the market conditions permit.

The findings showed that all three microfinance banks have different numbers of branches, customers, loan officers and members of staff. According to Farrington (2000) the number of customers, members of staff and monitoring officers are among the variables that are used in measuring the efficiency of an MFI.The efficiency of the MFB we have seen determines the ability of the bank to scale up its housing microfinance portfolio thereby increasing capacity and outreach.

The findings showed that the number of customers that the microfinance banks have influences the efficiency of the institution to a very great extent. Havers (1996) in his research was of the opinion that one of the measures of a microfinance banks efficiency was its number of clients and the quality of the Loan Portfolio .This has been seen to affect the efficiency of the microfinance bank to a large extent. According to Havers (1996), the loan portfolio of any MFI is an indication of the status of the product design and also an indication of the banks efficiency. Other factors that were revealed to affect the efficiency of the MFI to a great extent were Level of Recovery Performance and the Profitability of the bank. One of the parameters of measuring the efficiency of an MFI according to Farrington (2000) is the profitability of the organization. The management performance also affects the efficiency of the MFIs to a great extent and the cost of funds as well. Daphnis (2004) concluded that MFIs incur costs not only in sourcing funds and the disbursement of these funds to their customers but also in promotion and monitoring of microfinance customers and in the development of strategies for improving efficiencies of service delivery.

The influence of operation and administration expenses is to a very great extent a major determinant off the banks efficiency. High operating costs of running the operations of MFIs are a reflection of an inefficient system. Daphnis (2004) cited that MFIs need to come up with measures to reduce the high operating costs incurred. Subsidies and technical assistance from donors tend to influence efficiency moderately while the geographical coverage of the Institution also influences efficiency to a great extent.

Technology and the qualification /Motivation of Staff is also another factor that has been found to influence the ability of the b ank to scale up its housing portfolio to a very great extent. One of the variables used to measure the efficiency of a firm is the members of staff. Highly qualified and motivated members of staff have been shown by Farrington (2000) to increase the efficiency of the service delivered to customers.

7.3. Discussions relating to Processes

From the the interviews with the loan officers, it was shown that its quiet straightforward and easy for customers to have access to housing microloans from the banks and the often used this loans to reduce their housing related expenditure. According to CGAP (2009) access to micro loans from the MFIs help the customers in the reduction of the costs. The finding also reveals that the loan officers are of the opinion that majority of the customers who had access to housing loans often accessed the loans from different sources of income for the loan repayment. About 30 % of low income households have regular sources of income that can pay off a monthly amortizing housing loan (NHBI, 2011). The study also establishes that there are various factors that affect the accessibility of loans.

The findings revealed that non- availability of formal housing loans influences the customers access to housing loans. The respondents agreed that inadequate quantity of formal loans and non-availability of loans for housing purposes affected the loan accessibility options of their customers.

In his work, Farrington (2000) established that low income earners who lack all the necessary collateral and may also need help in all aspects of construction,may encounter challenges accessing housing loans because this combination makes a challenge to get approved for a housing loan. The study also revealed that delays in Loan processing and disbursement also influences accessibility. The study further revealed that in respect to factors that limit the accessibility of loans, the most prominent limitations relates to the issue of guarantors, documentations and high interest rate and these are the three top factors that influences the

accessibility of loans. Also, Kihato (2009) established that the tenure of the loan repayment period is key in granting the loan to the customers so as to enable profitability of the firm. From the interviews carried out, it was established that lack of regular income/fund influences accessibility to loans. According to Chiquier and Lea (2009) low income earners who lack regular income often find it hard to access loans due to the lack of collateral and guarantors. From this research, it was established that problems relating to land ownership and lack of collateral/ Guarantor for loan influences the accessibility of loans These findings are consistent with those of established that very few microfinance banks reach down to finance low income household. Low income households may not have enough collateral such as land and may also lack guarantors and thus MFIs are not willing to take this risk on them. The study concludes that microfinance banks should conduct surveys to understand the customers behaviours before launching their housing product.

The study also reveals that microfinance banks should take into account the purpose of the loan, the risk mitigation, the profession of the client, the loan tenure and the economic conditions when designing their housing product. The cost of funds to the institution, operations and administration costs, risks associated with the borrower and the loan tenure are factors that needs to be considered in determing the price of the loan.

The study concludes that all MFIs are governed by the same body (CBN) and are members of bodies that conduct supervision on the MFIs. The study also concludes that the law and regulatory requirements impose costs on the institutions. The study concludes that the government policies also enhance the sustainability of the finances and that the MFIs enjoy subsidies and technical assistance from the regulatory authorities.

The study also shows that that the number of customers and employees enhances the efficiency of the MFI. The study also concludes that the quality of the loan, the profitability and management performance of the MFIs. The study also concludes that the cost of funds operation and administration expenses technology and the qualification of the staff also enhance the efficiency of the firm. The study also concludes that accessibility of the loans had reduced the expenditure on the customer. The study also concludes that the high interest loans, lack of formal housing loan, loan repayment period, lack of collateral, landless and problems related to land ownership were factors that constrained the accessibility of loans.

7.4. Discussions relating to Policy

Questions 1 to 3 was asked to address the first objective of the study which was to review the current practice in the financing of low cost housing in Nigeria. It was to determine what the management view as housing microfinance and to determine if they have the appropriate knowledge of what hosuing microfinance entails

Interview findings reveals that the management staff have adequate knowledge of what housing microfinance is and what it entails however, from the responses in question 3, we can see that housing finance is not one of the core activities of the bank. These findings here align with the findings of Dichter and Harper (2007) in their literature who have confirmed that microfinance institutions are abandoning the mission it was set out for which is to serve the poor and low income earners with financing options to meet their basic needs of which housing is classed as one of the 3 most important basic needs of man .In the words of Schreiner (2002), if mission drift occurs, the MFIs outreach to poor customers and the depth outreach will be weakened .In Nigeria, the Microfinance sector is seen to be shifting more towards commercialization. Most of the existing microfinance banks are non-profit organizations which transformed into regulated and profit-driven institutions and the CEO'S interviewed support commercialization and regard a business-oriented approach as a necessary step to providing high quality financial services to the poor. This can be seen from the responses derived from the loan officers who show that they are set monthly targets which they have to achieve (sales) which shows its more about profit maximisation rather than poverty reduction. Again this also confirms the views of Robinson (2001) who in his literature found that the success of the microfinance banks both in terms of poverty reduction through reaching a maximum number of poor households, and in terms of its sustainability, depends on its ability to adopt principles of commercialization in all its operations (Robinson, 2001).

Also we can see this again supports the view of Mesarina and Stickney (2007) who identified that the most important argument managers made to explain their reluctance to expand their housing microfinance portfolio is that this product is not explicitly part of their business or social mission.The institutions core business and mission is defined around the concept of financial services for microenterprises whereas HMF is defined not as a loan for productive microenterprise purposes, but as a consumer loan.

Findings on facilitation of housing microfinance shows that all the management staff are of the opinion that for housing microfinance to be facilitated, the governement needs to

recognise incremental housing and make relevant changes to its housing policy to support this. The manangement staff believe that the government should provide support for microfinance banks , priortise housing related issues and provide ways to manage issues relating to land documentation, lack of basic infrastructures etc.This supports the work of (Daphnis & Ferguson, 2004) who identified land tenure security as one of the major impediment to expanding existing services by microfinance banks that serve the low-income earners. This is also confirmed by Vance and Geoghegan (2004) who identified that these problems arise due to the inability of the governments to regulate land markets, confront land speculation and adopt/ implement adequate development plans.

Futher to the responses to the issues relating to constraints, CEO1 mentioned that the constraints the bank faces can be classified into two categories – constraints from external sources which cannot be controlled and those from internal sources: The factors considered as external include legal impediments, unfavourable legislation such as inefficient land registry system,unavailability of data etc while those deemed to be internal relates to issues such as the length of time for the loan origination process, and the availability and use of modern technology. This conceptualization of constraints as internal and external factors is a view that is supported by Fiestas and Sinha (2011) who in their research highlighted seven constraints that affect the survival and growth of firms in general.

Majority of the respondents understood the meaning of housing microfinance and the importance of incremental building to low income earners. According to Daphnis (2004),for the product to meet the needs of the customers in question, the bank needs to understand the behaviour of their customers and the specific needs of the customer and this can be done through a market assessment. This as shown as one of the success approaches used by MIbanco in Latin America as shown in Chapter 4 above.

From these findings, it has been shown that the product design impacts the cost of the loans to a great extent. The product design is used to define how a new product is to be sold by a business to its customers and Daphnis (2004) noted that a very important factor in HMF product design consists of guarantees and collateral based on the high costs incurred by the institution in its operations. The findings also showed that the extent of the capacity and source of repayment of the loans by the customers is very important in designing the housing micro loan to a great extent and market assessment is a very crucial factor that should be carried out by all microfinance banks wishing to offer housing specific loans because market assessment tests can be used to identify the customers' ability to make the loan repayment .

From this research, we can see that the major challenges to scaling up housing microfinance by the banks have remained unresolved during the past years. All these problems are further made worse by the lack of housing finance for the majority of Nigerians.

Currently, the supply of housing loans by microfinance banks is very limited given that low income earners have over the years demonstrated a significant demand for housing finance loans which they have satisfied by resorting to various means such as micro-loans, borrowing from relatives and friends, or using their savings. Despite the recognition of a sizeable untapped housing microfinance market, microfinance banks still do not consider the environment conducive to either develop a significant housing microfinance practice or increase their housing microfinance portfolio. Similarly, microfinance banks are concerned about housing affordability given the calibre of customers the attend to (low income earners) with their low incomes. MFBs are also concerned about their ability to assess clients and make projections about their income, which is another major issue for providing longer term loans for housing purposes.

From this research conducted, the following observations about microfinance banks entering the market has been revealed:

- Microfinance institutions are wary of HMF because of the overall complexity of housing issues in developing countries and the accompanying risk. They therefore tend to first and foremost provide their customers with more of the "traditional," well-tested microenterprise products in order to develop a relationship and credit history before developing HMF products.

- Banks standardize products in order to scale them, so they prefer that HMF products adhere to traditional microenterprise product methodologies. They tend to avoid the provision of construction assistance,using specialized loan officers, and other services that increase the costs and complexities of the business

- A strong commitment among bank management is essential to break the traditional conceptions of both housing finance and microfinance, and the risk perception of both. An overview of the existing current practice, however, suggests that the potential for HMF to become incorporated into the operations of all microfinance banks is primarily a function of these banks' interest in developing an overall microfinance portfolio, rather than a specific interest in HMF.

- The analysis in Chapter 5 led to the conclusion that housing microfinance providers mediate other emergent categories through an understanding of how participants

involve other sources of finance and deal with barriers during the incremental construction experience. The management staff interviewed offered valuable suggestions relating to government policy on one hand and the microfinance banks itself on the other hand. As agreed by the loan officers interviewed, there was a general consensus that the culture and religion influence the practice of incremental housing and microfinance in several ways. Incremental construction, with or without microfinance, must overcome barriers which includes the lack of awareness about availability of housing microfinance and the increased costs and difficulties in transporting construction materials. Such problems are aggravated by procedural complications when applying for loans from the banks. The loan officers discovered that sometimes due to illiteracy, the customers want to build a house way bigger than the can afford so tend to combine their loan amount with other sources of finance from the informal sector such as ajo

- Also the loan officers discover that the lack of technical knowledge about construction and inadequate housing support from government has made incremental building harder to practicalise. In many instances it was discovered the customers tend to face many forms of hardships while returning the loan amount and some end up becoming loan defaulters. The loan officers therefore recommend an upgrading of housing policies which identifies low income earners. After integrating all of the suggestions run during the interviews, a framework is being proposed for low-income incremental house building through housing microfinance and this is shown below.

7.5. Development of the framework

Figure 7.9 below presents the framework for scaling up housing microfinance. It aims to provide a set of useful and practical actions that need to be done by the two major identified stakeholders in the housing microfinance market in Nigeria. These two identified stakeholders include the Government and the microfinance banks themselves. It seeks to offer a pragmatic approach that clarifies the understanding gained from the research study.

The main purpose of the framework is to provide all stakeholders in the microfinance market with a guide which can be used in scaling up the housing microfinance portfolio of microfinance banks in Nigeria. It highlights the critical factors that need to be taken into account for housing microfinance to be successfully used as an avenue for financing housing for low income earners in Nigeria. Housing microfinance copies the informal sector's

features of affordability, simple procedure, and rapid delivery in developing countries such as Nigeria to provide low income earners with fiannacing options for their basic needs and as confirmed earlier on, home ownership is one of those basic needs.

It is therefore important for low income earners in the society to be encouraged to invest in housing as long as their investment appears to be secure. Very few people will invest in property if there is any doubt about the legality of their title or the physical safety of the asset. Research shows that once the legal title of a land can be confirmed, microfinance banks are more willing to provide funds incrementally and in phases for the construction to be done.

To therefore achieve these purposes listed above, the Federal government and the Microfinance Banks each have individual roles which they have to play as shown in the developed framework shown in Figure 7.9 below:

Figure 7-9: Framework for Scaling up Housing Microfinace in Nigeria

Sections of this proposed framework and its use/ benefits to identified stakeholders

1. **Key challenges faced by stakeholders involved in providing housing microfinance**

Findings from literature reviewed identified key challenges that have been presented in Chapter 3 , Figure 3.7. Findings from the interview conducted corroborated with the initial findings from the literature reviewed and this is presented in Chapters 3 and 4.Also , in addittion to the challenges identifies in the literature, the interview conducted identified new challenges and helped to emphasis the issues that mostly deter microfinance banks from scaling up their housing portfolio.more importantly, the interviews conducted was able to provide further information on the sub-categories of challenges faced by the microfinance banks

2. **Seperation and categorisation of challenges deterring microfinance banks from scaling up housing portfolios and the identified enablers**

The challenges identified were classified into 3 main issues (processes, policy and perception). This categorisation was based on the main features from the identified challenges and enablers.Chapter 7 presents a more detailed discussion on the identified challenges that deters microfinance banks from scaling up their housing portfolio .the developed framework therefore portrays this categorisation and the synthesis of the identified challenges and key enablers emanating from the research findings

3. **Critical Success Factors (Enablers) of successful housing microfinance**

As detailed in Chapter 1, this research was carried out in order to identify challenges which deters microfinance banks from scaling up their housing finance portfolio in order to be able to provide more finance for low income earners for housing related issues.Chapter 4 presented the factors (enablers) necessary for scaling up housing microfinance as shown by other developing countries where it has been successfully used. The developed framework therefore presents not only the challenges that deters microfinance banks from scaling up their housing portfolio but also identifies and shows the enablers (CSF) necessary to address each of the noted challenges.

To finance the housing needs of low-income earners in Nigeria through housing microfinance provided by microfinance banks, there is a need to broaden the platform of microfinance banks providing housing finance loans. No single microfinance bank contains the range of

products and services necessary to support incremental housing comprehensively. This developed framework highlights the challenges identified and the function of the enablers in overcoming this identified challenge. In addition, it emphaises infrastructures and social services like construction technical assistance and most importantly educates the end users of microfinance of the viability of housing microfinance for incremental building. Housing is the greatest financial asset available to most low income earners in developing countries, including Nigeria. Houses have been seen to have more value as collateral for borrowing and is seen as a form of investment because it produces a a higher price when sold. At the same time, home ownership provides social security and status to its owners.Therefore, low income earners prefer to invest in housing as long as their investment appears to be secure.

Few people will invest in property if there is any ambiguity in the legality of their title or the physical safety of their asset is in doubt. Research reveals that where land tenure security is confirmed, most low income earners are happy to invest their time, energy, and resources to extend and improve their house and its surroundings. This then goes to show that this framework is an appropriate package that can be used successfully by all stakeholders in the housing sector to create alliances between identified stakeholders such as the government, microfinance institutions, building materials suppliers, incremental house builders, technical professionals (architects and civil engineers) and international agencies. The overall objectives of this framework include:

- To stimulate all microfinance banks to scale up their housing portfolio so as to meet the needs of the low income earners in the society and this can be done by including housing microfinance in their portfolios.

- To encourage the upgrading of microfinance banks to become national banks found in approved locations and in sufficient quantities to provide housing finance funds to meet the needs of the low income earners in the society.

- To suggest partnerships between the microfinance banks and building materials suppliers in order to bring affordable housing solutions to the low-income earners

- To develop and support capacity building for incremental development and maintenance, including the development of partnerships between the bank and its community.

The framework is composed of areas that three key microfinance stakeholders need to focus on. They are starting points for scaling up housing portfolio by microfinance banks and because these steps are all interdependent, they can be encountered in a nonlinear sequence.

To adequately meet the needs of low income earners in Nigeria, there is a need for more moremicrofinance banks to include housing finance in their portfolios as no single bank currently has the entire range of products and services necessary to support incremental housing comprehensively. The recommended framework is developed to guide microfinance banks in scaling up their housing finance portfolio and also for the regulating body(CBN). It is a practical, nonprescriptive tool, designed to summarize and organize the challenges identified and the critical success factors necessary for housing microfinance to be effectively included in any banks portfolio and subsequently scale up housing microfinance in Nigeria.To increase the scale of housing microfinance , there has to be more MFB willing to offer housing finance and this can only be done firstly by microfinance banks increasing their capital base. It is necessary for the regulating body (CBN) to broaden the platform of all stakeholders involved in the housing microfinance sector. Incremental housing as explained earlier on

7.5.1.2. The Role of the Federal Government

The framework is a guide/strategy that can be adopted to enhance the scaling up of housing finance portfolio with emphasis placed on two principal stakeholders in the sector –finance providers (microfinance banks) and the government.

Policy suggestions made by the providers of finance covers three broad areas – legal and regulatory issues, financial issues and infrastructure issues. Drivers identified for scaling up housing microfinance and the constraints to the scaling up of housing microfinance as identified in this research have significant implications for microfinance banks which are important entities within the microfinance sector and the country at large. Key issues that warrant attention from the policy perspective includes the necessity to create an appropriate system of land administration and tenure security that facilitates housing microfinance and policy reforms that encourages incremental building.There also needs to be an elimination of threats to tenure security and the provision of incremental step by step acquisition of land title as well as housing infrastructure.

- **Legal/regulatory issues:**

The Federal government as we know plays a unique role in creating a facilitative policy and adequate regulatory environment for microfinance banks to thrive.For there to be a demand for housing, low income earners need to be allowed to build in the way that is affordable to them which is incrementally over time and financial insitutions (Microfinanec banks) will not be able to supply financing options as well if these institutions are restricted by

unfavourable laws leading to legal constraints and the will fail to innovate because their will be no competition in the market at all.The government needs to focus on major issues such as the minimum capital requirements, depositors protection, ownership structures, institutional soundness and sustainability etc.These issues all need to be reviewed because the are all relevant to the scaling up of housing microfinance in Nigeria . To enhance the scaling up of housing microfinance portfolio by the microfinance banks, the various management staff interviewed suggested policies which they believe can address the issue of scaling up their housing finance portfolio. They are of the view that there needs to be a development of strong property and security rights, addressing the lengthy rigid and ineffective method of getting documentation and approval for the construction of housing and the creation of an effective framework for the microfinance industry in Nigeria.They also suggested the creation of policies by the Federal Government to address issues relating to the reduction of cost in land/property transactions and strengthen the statutory verification and certification processes involved in title documentation.

- **Financial Issues:**

The Federal Government needs to do carry out a review of the existing allocation of greater funds to the microfinance sector. The Government needs to improve the access that microfinance banks have to long-term finance, in particular by deepening the liquidity of the housing finance market .Stakeholders interviewed suggested the reform of the microfinance act to encourage more contribution from the government and other institutional contributors such as banks and insurance companies. They further suggested the creation of a secondary market and enactment of policies to reduce interest rates and inflation. The stakeholders also suggested the provision of subsidies for low- and middle-income earners, and intervention funds for finance providers like what is presently applicable for Agriculture in Nigeria where the government set up a scheme in 2014 which was financed from the proceeds of a N200 billion($556million) three (3) year bond raised by the Debt Management Office (DMO). The funds should be made available to microfinance banks for financing housing specific loans. The policy suggestions made by respondents agree with those of other studies such as (Boleat, 1985), (Chiquier, Hassler, & Lea, 2004), (Chiquier & Lea, 2009), (Oyalowo, 2012), and (Warnock & Warnock, 2008) who are of the opinion that housing should be specifically identified by the Federal Government as a priority and any legal constraints deterring the microfinance banks from operating with maximum efficiency should be removed.These legal

constraints are listed below and the functions which is believed the Federal government can perform in scaling up housing microfinance for low income earners in Nigeria are also listed below:

- **Provision of Land Tenure**

During the research, it was discovered that all three banks only give out loans to customers who are intrested in building incrementally or who are already engaged in incremental construction. People living as tenants tend to hesitate to construct or improve the house they are living in. Also, the banks only offer loans to those who have legal title to the land in question. Therefore improving tenure rights is very important to increasing improvements in housing standards. People with legal documents for their land and propert are more willing to invest larger percentages of their income to acquire land and build or improve their houses. A key role for government in this framework is the acquisition of suitably located land for low-income groups. As government agencies in Nigeria have the ability and authority to allocate public land for housing,the government is encouraged to acquire the land from private (illegal or legal) owners, or work with owners to develop the land for low-income housing.

- **External Infrastructure Development**

The stakeholders (staff members) also suggested that policies to make land available and affordable would also go a long way to enhance the availability and affordability of housing finance to low income earners in the society. External infrastructure development relates to issues such as the supply of water,electricity, and primary road network. These tasks are often undertaken by the relevant government agencies.

- **Incentives to Microfinance Institutions (MFIs)**

Most of the research participants suggested that to support low-income housing in the country, it is necessary for the government to incorporate new programs in existing public housing and urban development programs. As one of the CEO'S observed, "Government should develop new schemes and provide already constructed houses to low-income people, because an ordinary person does not have the expertise and finance to build a house on his own. Government should consider low income earners for issuing loans and should encourage the microfinance banks to lend more to low income earners for housing purposes.A sound government policy is an important pre-condition for establishing a

conducive environment for microfinance institutions. The Nigerian government should set policies that stimulate financial services for low income earners in addition to maintaining macroeconomic stability. Further, the government should also improve the housing microfinance environment.

- **Recognise the "Incremental Building" paradigm for low income earners**

Building codes and financial laws are often based on the assumption that people aquire their homes by purchasing a fully constructed house. In Nigeria, building codes are designed for the construction of complete houses thereby making incremental building unlawful. However, as we know in Nigeria , incremental building is the only option available to the over 65% of the population who are classed as low income earners.The government of Nigeria needs to develop a comprehensive housing policy strategy that will support housing microfinance as one of the principal tools available for the expansion of housing finance in Nigeria.

- **Intergration of housing microfinance into the financial system**

This is a necessity for microfinance banks to achieve the proportions required to finance housing needs. This in turn means there has to be an evolution of a sound structure of financial institutions and development of their operational links with government policy, especially financial policy. To enhance housing finance for low income earners in the society, housing microfinance needs to be promoted.

- **Reduction in risks stemming from the institutional and legal environment**

As identified by Ngozi Okonja Iwela in 2016, one of the issues deterring banks from lending more for hosuing purposes is the risk involved. These risks need to either be removed permanently or at least mitigated. It is necessary to develop a microfinance policy which makes provisions for orientation with market incentives and solutions. For the issue of the lack of long-term funds to be effectively dealt with, there is a need for macroeconomic stability in the economy, a stable banking sector, working legislation, a clear definition of government involvement in the microfinance sector. The Federal Government needs to maintain conducive macroeconomic policies, which provide for stable and low inflation, low interest rates, and stable exchange rates .There also need to be an emphasis on the legal, institutional and macroeconomic framework for the effect of housing microfinance to be felt

in the society. If there is a functioning and reliable framework in place and there exists an efficient microfinance market, financing techniques will emerge since borrowers and lenders will be able to take informed decisions on the risks of long-term obligations.

7.5.1.3. The Role of Microfinance Institutions

Through this framework, Microfinance banks can be encouraged to offer various multiple services to the low income earners to build incrementally over time.These services are outlined below:

- **Disbursement of Housing Micro-loans**

The financial needs of low-income families engaged in incremental building differs significantly from those seeking funding (a mortgage) in conventional supply-driven housing. Incremental building requires flexible,relatively small, short-term loans that are responsive to the intermittent demands of the low income earners. For instance, many months may elapse between the different stages of house building and small loans may be needed to waterproof a roof and larger ones may be required for building a second floor. Housing loan products tailored according to specific needs of incremental building is an important function of the microfinance banks.

- **Provision of Technical Assistance**

Before disbursing housing loans, other activities have to take place, such as surveying of the land for the building, training and educating the customers regarding needed technical skills for house construction,and organizing community groups that will also participate in the building process. The main difference between business micro-loans and housing micro-loans is that the former does not have technical assistance associated with it. Lack of appropriate technical knowledge in house construction was one of the major issued identified by one of the research participants, who felt that people do not have sufficient education or knowledge to practice incremental construction, resulting in unplanned and unhygienic conditions within a house.

- **Creation of Microfinance banks branches in rural areas**

Setting up of locally managed banks in rural areas to aid in community building, particularly for low-income eareners engaged in incremental house building is very important. Having access to banks for savings is important because not only can regular savings of very small

amounts of money generate significant capital funds for borrowing, but the process of collecting, banking, lending, and recovering loans in a community is a powerful means of community building and the development of grassroots collective management capacities for the future years to come

- **Processing time for housing loans and its efficiency**

The Federal Government should provide options on how to simplify transactions in land registration and foreclosure processes and the processing time for housing loans and how efficiently its done constitutes one of the major factors deterring the microfinance banks from scaling up their housing portfolio. The implication of this for practice is that concerted efforts by the regulating body (CBN) to educate lenders and borrowers as well on the importance of efficiency in the loan origination process and their operations generally is very important. The CBN needs to set up new standards for efficiency and develop relevant performance indicators to measure and assess the adherence of microfinance banks to these industry standards. Microfinance banks have the advantage of familiarity with their customers, knowledge of microfinance lending methodologies and already existing network of branches.This creates a platform for the housing microfinance market.The experiences of the microfinance banks already offering housing microfinance needs to be monitored to ascertain key success factors and also to identify potential pitfalls that may cause problems for housing microfinance lending by other microfinance banks.

- **Develop a stricter and more uniform standard**

The government needs to commit to simplifying property registration processes and implement a standardized building law and assign dedicated government officials to liaise with microfinance banks on this initiative.Also , to reduce loan defaults, microfinance banks need to develop a more strict and uniform standard that can be used by all microfinance banks in Nigeria. They also need to integrate financial planning and asset management into their operations.

- **Expand sources of capital rather than over reliance on the savings**

Microfinance banks tend to over rely on savings capital from their customers and borrowings for a significant proportion of the capital requirement for the banks. However, with proper capitalization, it is believed that the bank will be able to correct this in the nearest future.

- **Shift in the loan Origination Process**

From the findings of this research, evidence shows that that with respect to housing microfinance loan originations, the bank officials tend to place a far greater focus on the speed of the origination process and the volume of loans originated within a specified period. While this is not bad in itself, an undue emphasis on quantity, to the detriment of quality, will ultimately damage efficiency of the process. Microfinance banks need to pay attention to the quality of loans they originate to reduce default loans. The response of LA1 one of the interviewees (loan officers) captures the implication of the quality of loans originated for housing microfinance by saying that

"We have targets we have to meet monthly and if you focus on housing loans to meet your target you will never meet that target and might end up getting sacked. This is because housing loans are difficult to process, documentation is laborious, and the time it takes to process one housing loan is like ten times what is needed for a business loan

There is an urgent need for microfinance banks to re-organise their loan origination processes and to strive for a faster operation that is focused on speed, accuracy and quality. While the main issue lies on the banks themselves, the supervisory oversight provided by the external regulatory bodies can help to provide the necessary impetus the banks need to adjust and improve on their operations.

- **Credit utilization and debt repayment culture in Nigeria**

Many Nigerians (especially those classed as low income earners) do not have a culture of debt, and only a small percentage of Nigerians use credit. The implication of this though is that while the microfinance banks might be willing and able to offer housing loans,the people (low income earners) may still shy away from obtaining them. Some people deliberately avoid taking out loans, and those that do would rather prepay their housing needs rather than risk losing their homes and going through the social stigma of repossession.The few who do take out these loans often show a lack of discipline and most of them do default on these loans mainly because of the poor or non-existent savings culture of the average Nigerian. This poses a big challenge to the microfinance industry. These cultural tendencies if not effectively handled, may have serious negative implications on the sector. The government

and the industry regulators need to educate the masses on the advantages of utilizing credit, especially for financing housing, through the use of mass media and other avenues. This in addition to encouraging Nigerians to use housing microfinance will also help to advertise the usefulness of financial banks especially microfinance banks.

- **Long-term Funding**

Access to long term funds is a major constraint to the scaling up of housing microfinance in Nigeria. This study has shown the necessity of an efficient financial market that can be used to generate long-term funds.The importance of this cannot be overemphasized. The Nigerian microfinance sector is growing but still needs to undergo many adjustments before being capable of meeting the growing needs of the low income earners in the society. In order to scale up the housing portfolio of microfinance banks, the microfinance banks need to overcome its complex multi-sectoral challenges rooted in institutional legacies and real economy inefficiencies and also overcome the complex multi-sectoral challenges rooted in institutional legacies and real economy inefficiencies.

7.6. Validation of Framework

In a qualitative research, some form of member validation is considered common practice. Morse (2002) referred to this by an alternative term such as member verification checks. This practice includes activities that allow stakeholders or case members to verify and possibly influence the case descriptions or interpretations. These activities can be conducted in several stages throughout the data collection and analysis, and may take on different forms. Examples of different forms of member validation includes the distribution of interview transcripts to informants for verification, presentation of case study report/summary to key stakeholders for approval prior to publication, and/or group meetings with informants for discussing different interpretations of the case material.

Bygstad and Munkvold (2007) believe that from a practical viewpoint, member validation is justified by the common-sense wisdom of asking the source of information to verify that it is exact and complete. Sometimes, this can also be an explicit requirement for gaining access to the field in the first place. Also, sometimes, this may be because the researcher feels an ethical obligation to report results back to the practice field where data was gathered however, in research terms, the aim of member validation is to increase the reliability and the validity of the research findings.

Sometimes also, the nature and objective of member validation vary significantly for research conducted under different paradigms. In positivist qualitative research, member validation basically serves the purpose of verifying factual information in order to confirm that the researcher understands the studied phenomenon as presented in the case report or similar account is "correct" in an objective sense, to increase validity (Yin, 1994) .

Based on this, member validation is often treated with caution and even sometimes with scepticism in methodology research literature considering that it can sometimes be regarded as a potential risk for undue influence from case participants on the outcome of the research study. However, in phenomenological and interpretive research, case members play an active role beyond merely being "informants". Boland (1986) describes the methodological implications of phenomenology by explaining that "When the phenomenologist studies a person, he or she does not look at the person in question but at the situation with them in a dialogue searching for understanding. Therefore understanding comes step by step, layer by layer, as preconceptions, prejudices, and assumptions are recognized and seen through. Therefore relating to an interpretivist qualitative research, member validation constitutes a natural part of the dialogue between the researcher and the informant and the development of an inter-subjective understanding of the phenomenon under study

This section focuses on the validation of the framework. The framework was produced from the analysis of research data, however, the framework still needs to be validated. This research adopted the use of member checking for the validation of the framework. This was used to obtain feedback and comments on the developed framework.

The validation was conducted through the use of unstructured interview. This method was intentionally adopted to allow the respondents feel comfortable enough to let down their guards down and potentially reveal something that they normally wouldn't have done .The interview questions were distributed to experts who were already pre - selected during the data collection

The experts used for the validation were the 3 CEO'S from the 3 microfinance banks who had been informed that they will be contacted for validation purposes and had already given their consent during the data collection process.

The interview questions for the validation asked the respondents to review the developed framework. Each expert received a set of questions via email. Attached to the email was the developed framework with a full explanation of how it was developed and what it represents

The experts were asked to give their opinion and comments on the framework in terms of:

- Applicability and practicality of the Framework to be used by selected stakeholders

- Further clarification on any section or point of the framework

- Any modification that they feel should be done on any areas of the framework

The responses received from the respondents were analysed to incorporate their suggestions and comments in order to produce a revised and improved framework. All the feedback received from the respondents was positive and they all agreed on the applicability of the framework. However, there was a slight modification that the CEO of Bank A felt needed to be done to improve and increase the understanding of the framework for scaling up housing microfinance.

7.6.1. The applicability of the Framework by stakeholders

All respondents were in agreement on the applicability of the framework for scaling up housing microfinance in Nigeria. According to CEO1,

"The framework presented is simple and understandable. It clearly states what needs to be done by the government and also by the microfinance banks as well. It's a joint venture. Both parties need to make some changes for housing microfinance be used effectively to provide financing options for low income earners in Nigeria. The Government cannot do it all alone and neither can the banks do it without the help of the government".

While CEO 2 and 3 collaborated this view with CEO 2 replying by saying

It is a framework that will be useful to both the government and all financial institutions in Nigeria especially microfinance banks, but as a CEO, I believe the framework will be more useful to the government because for any changes to happen from the side of the MFB, the government first needs to change its perspective and recognise incremental housing so in my opinion, there has to be collaboration between the federal government and the microfinance bank.

7.6.2. Clarification on any section or point of the framework

All the respondents agreed with the applicability of the framework and were happy with the explanation of how it was developed and what it represents. However, CEO1 was of the opinion that the section highlighting the views of the customers was not necessary because the issues identified (cultural issues and training of staff) were issues that needed to be reviewed by both the government and the microfinance banks.

He was of the view that

"I believe cultural issues are issues that need to be dealt with by the government. This has to do with educating the masses. The people cannot educate themselves. It's down to the banks and the government to credit awareness but more importantly the government should build awareness, educate the people, provide leaflets to educate the average Nigerian whether educated or not and for those not educated who normally make up those classed as low income earners, the government should embark on campaigns to create awareness, TV adverts, Promote the idea through adverts on TV and radios, Use alternative means such as religious leaders who tend to meet a lot of people in churches, mosques and other places of worship to educate the people, etc.

Regarding the training of staff, CEO1's response was that
"The training of the staff members should be the responsibility of each individual bank and not the people or the government. The loan officers perception first needs to be changed through adequate training and once their perceptions change, they can also help in changing the perception of the customers. The will be able to adequately advise the customers and explain the benefits of using housing microfinance to build affordable houses incrementally over time

7.6.3. Modification of the framework

CEO2 was of the opinion that the framework is adequate and has successfully reflected the processes that needs to be embarked on by both the government and the microfinance banks in order to scale up housing microfinance.In his opinion, there was no need to modify any section in the framework because it is simple and understandable. However, as mentioned above, CEO 1 and 3 were of the opinion that the training of staff should be carried out by the microfinance banks while the government needs to educate the masses to deal with the cultural issues identified. Based on these recommendations, the framework was modified and Fig 7.10 below represents the revised Framework for scaling up housing microfinance.
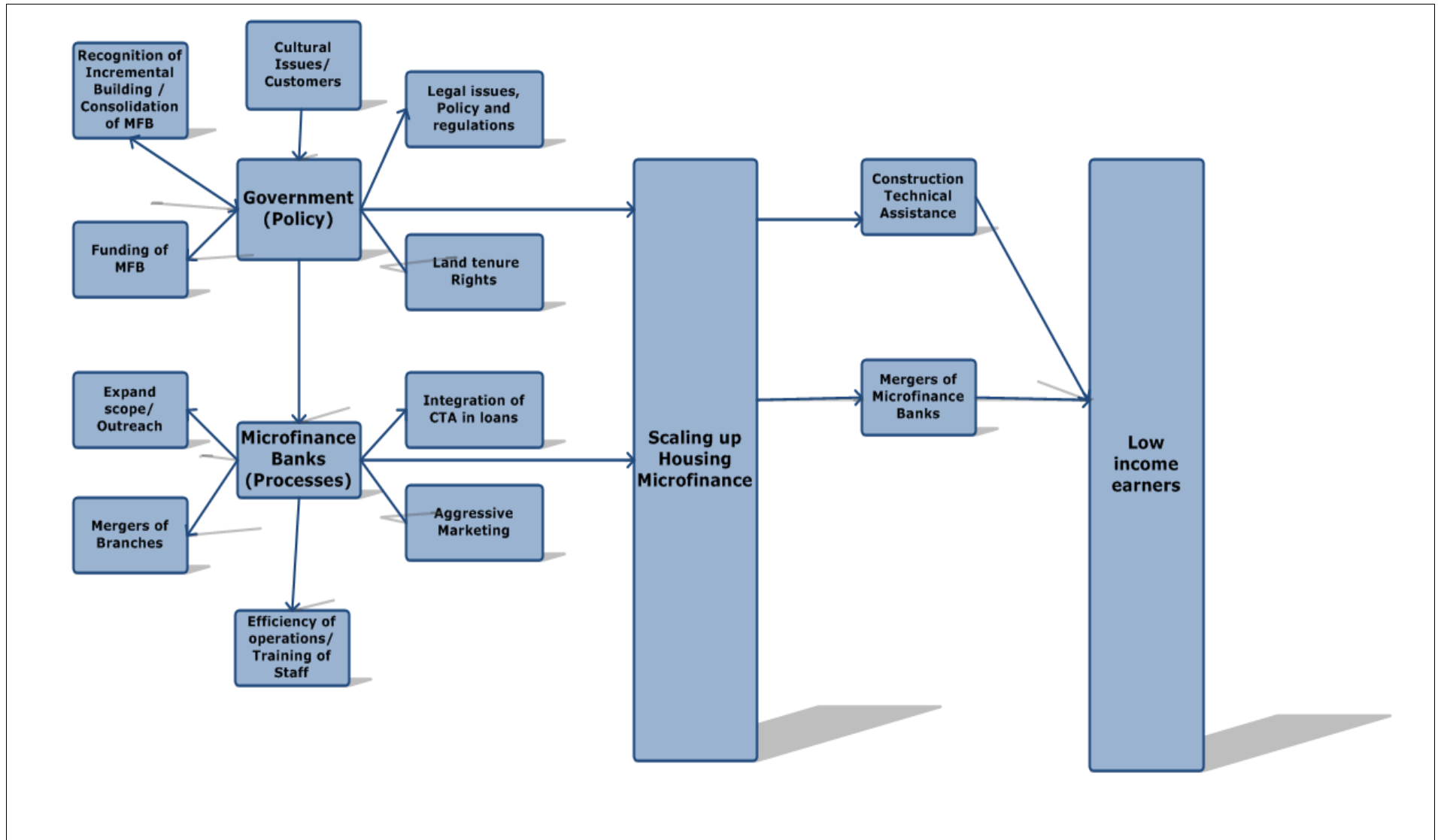
Figure 7-10: Revised Framework for Scaling up Housing Microfinance in Nigeria

7.7. Summary

This chapter presented the framework of recommendations in the form of guidelines developed for scaling up housing microfinance for the financing of hosuing by low income earners in Nigeria. It highlights the need for the government to set up a financial policy that recognises incremental building and also the need of the microfinance banks to integrate construction technical assistance in the cost of the housing loans while remaing as efficient as possible so as not to increase the cost of the loan. For each of the identified challenges , this framework has presented a guideline on what the identified stakeholders (the government and the microfinance banks) should do to successfully enable the scaling up of housing microfinance in Nigeria.

CHAPTER 8.   RECOMMENDATIONS AND CONCLUSION

8.1. Introduction

The aim of this research as stated in Chapter 1 is to develop a framework that can be used for scaling up housing microfinance in Nigeria and this was done by examining the effects that factors such as government policies, bank processes and the public perspective have on the scaling up of housing microfinance by microfinance banks in Nigeria. This chapter revisits the research process from synthesis of the literature review, research methodology and the result gathered from the collected data, through semi-structured interviews. The research aim and objectives are also summarised. Furthermore, the contribution of this research to knowledge are highlighted as well as the limitations of conducting this research. Finally, the areas for further research are also recommended.

8.2. The Research Process

Chapter 1 explained how the research was conducted by reviewing and synthesising the literature sources identified and discussed the research problem, aim and objectives while

Chapter 2 presented the literature discussed on housing and its importance both in Nigeria and Globally as well. It explained the problems affecting the demand and supply of housing in Nigeria. It also identified the various methods of housing delivery in Nigeria and the factors challenges the face which makes them in effective in meeting the demand and supply of the housing needs of the low income earners in the Nigerian society. Thus, it was required to identify the approaches, techniques, challenges, barriers affecting housing finance in Nigeria. Identifying these factors helped to identify the proposed solution which is housing microfinance

Chapter 3 and 4 gives an outline for the proposed solution, microfinance. It discussed the various definitions given to microfinance and how housing microfinance can be used to facilitate low cost housing in Nigeria. It identified the various challenges which deters the scaling up of housing microfinance in Nigeria while chapter 4 examines the success of housing microfinance in other nations

Chapter 5 identified the methodology adopted to achieve the aim and objectives of this research and also meet the requirements of the research questions. The philosophical approach, including epistemology, ontology and axiology, taken for this research was respectively; constructivism, subjectivism and value laden. The case study was selected as the

appropriate research strategy for conducting this research. The data collection method adopted for conducting this research was semi-structured interviews with experts in the field A total of thirty-three experts from three selected microfinance banks were selected for conducting the interviews (detailed in Chapter 5) and three case studies were selected including thirty three interviews with 3 different levels of management staff at the selected microfinance (refer to Chapter 5). The collected data was analysed using content analysis to identify and summarise the relationship between identified themes Furthermore, an online experts member checking was used to validate the developed framework (refer to Chapter 6). The framework was emailed to the 3 CEO'S of the selected microfinance banks and all three replies were received.

Chapter 6 identified those selected for the interviews , the case study selection and a brief outline of the selected case studies

Chapter 7 readressed the research aim and presented the overall findings from the analysis of the data thereby leading to the development and validation of the framework

Chapter 8 addresses the conclusions deduced from the research and presents recommendations for all stakeholders involved in hosuing finance

8.3. Revisiting the Research Process

Based on the policy suggestions made by respondents, the following recommendations are proposed to address some of the constraints and barriers, which prevent Microfinance Banks in Nigeria from growing to scale, and to enhance its efficiency. The recommendations that directly relate to the issue of policy will be addressed first as it was discovered that this is the major factor which acts as the determent for microfinance banks. Recommendations that relate to other aspects of the sector, such as the constraints arising from processing of the housing loans and the perspectives of those that both issue the loans (bank staff) and those that use the loans (customers) will also be made as well.

8.4. The Research Conclusions

This section presents the conclusions from the research study while reviewing how well the aim and objectives set out in Chapter 1 above has been achieved

Research Aim

The aim of the research is to develop a framework that can be used to increase the adoption of microfinance approaches and methods to facilitate low cost housing in Nigeria.The framework was developed and is shown in Figure 7.10 above. This framework was developed from the findings from the analysis of qualitative data collected.The framework provides a set of useful and practical actions that can help stakeholders in the microfinance industry (providers of finance ie microfinance banks and the Federal Government) improve the process of housing microfinance so as to scale up the proovison of low cost housing in Nigeria

Research objectives

The main conclusions drawn from the research study based on the research objectives as highlighted in Chapter 1 are presented below

Objective 1: To explore the existing housing policies, its constraints, and the barriers to successful housing supply in Nigeria.

This objective was addressed through an indepth review of existing literature on the issues affecting the supply of housing and the the concept of housing in Nigeria.The literature highlighted the importance of housing in Nigeria especially for those classed as low income earners . It examined housing in Nigeria over the years and highlighted why there is a shortage of housing supply and why the government policies haven't worked over the eyars. Chapter 2 looked at the methods of housing finance (both the informal and formal methods) and the review provided a foundation for understanding the need for an alternative method of housing finance which can meet the needs of the low income earners in Nigeria

Objective 2 : To critically review the current practice in the financing of low cost housing in Nigeria and identify the factors limiting the current practice.

This objective was addressed by examining the current methods of housing finance in Nigeria. It looked into the formal sources of finance and identified the challenges all the formal methods of finance face that deters them from successfully financing the housing needs of low income earners. It also examined the informal sources and identifies the reasons why this option cannot also be used to successfully provide housing finance for low income earners in Nigeria. From all the factors identified from the literature review, a viable option which has

been used successfully by other comparable nations was then introduced. Chapter 3 identified microfinance as a viable option that can be used to finance housing for low income earners. It identified the importance of microfinance and how it can be used for economic development. The review of literature highlighted why housing microfinance would work and it examined the importance of housing Microfianance. The findings from the review of literature showed the issues affecting Housing microfinance and the risks and constraints that limits the scaling up of housing microfinance in Nigeria

Objective 3: To identify the critical success factors for housing microfinance in other developing countries and determine how can this be incorporated into the core mission of Microfinance banks in Nigeria.

This objective was addressed in Chapter 4 through an indepth review of existing literature on the Global Concept of housing microfinance.It examined how some selected countries with similar and comparable socio-econmic factors as Nigeria have successfully used housing microfinance to provide gousing finance for low income earners.

The findings from the review of literature identified some CSF's from different countries.some tof the CSF's revealed in the literature review includes; the establishment of an enabling economy, the use of information technology, Extensive training of staff, Extensive marketing strategy, doing an assessment to minimise risk,close monitoring of customers , use of Construction technical assistance (CTA) etc.The findings conclude that for housing microfinance to be scaled up in Nigeria , these factors first need to be examined by microfinance banks.

Objective 4: Examine and assess issues affecting the adoption of housing microfinance and identify the critical success factors that impact the expansion of housing microfinance in Nigeria.

As discussed in Chapter 5, the importance of Housing microfinance has been highlighted in literature and this is evident in this research.The qualitative evidence gathered from the interviews revealed that the majority of the interview respondents stressed that the issues deterring them from scaling up their housing portfolio can be linked back to the government and its policies.From the interviews conducted, over 80% of all interview respondents are of the view that housing microfinance can be used to successfully provide low income earners

with financing options for their housing needs.This can be done through the recognition and inclusion of incremental building in the Nigerian housing policy. It also acknowledges that for housing microfinance to be scaled up , the constraints identified need to be tackled successfully and removed and some CSF'sneed to be added to the housing loans to reduce the risks accuring to the microfinance banks thereby encouraging them increase their housing finance portfolio

Objective 5: To develop a framework for the adoption and expansion of housing microfinance in Nigeria.

It will be recalled from Chapter 1 above that the aim of the research is to develop a framework for the adoption and expansion of housing microfinance in Nigeria**.** Using evidence from the reviewed literature in Chapers 2, 3 and 4 and the findings from the interview data in Chapter 5, the research framework was developed as seen in Chapter 7. Using the challenges and the enablers identified from the qualitative phase of the research, a framework that is intended to help stakeholders (the government, the microfinance banks and the customers) was developed to assist these identified stakeholders improve on the processes involved in the provision of housing microfinance thereby scaling up of housing microfinance in Nigeria.

From the research findings on the challenges identified, it would appear that the respondents from the three selected banks face similar challenges and these challenges are linked in an intricate pattern that appears to centre on the three major challneges identified namely, the govt policy, the processes and the people themselves and the proposed framework has therefore been developed to mirror this categorisation.

On the basis of the findings from this research and the accomplishment of the objectives stated in Chapter 1, the following conclusions have been drawn from the exploration of the experiences encountered by key participants on scaling up housing microfinance.

- ✓ **Increase in the Capital base requirement**

Capacity building is necessary to address three major issues: capital requirement, efficiency of operations, and expansion of coverage.The government through the central bank needs to increase the capital base of Nigerian microfinance banks. From over 900 microfinance banks

in Nigeria only 7 are national banks and only these 7 banks have the capacity to finance housing.This has previously been done with other banks.

 In 2011, the CBN mandated all operating mortgage institutions to increase their working capital from N100 million($277,000) to N5billion ($13,850m) to enable them to operate effectively and in 2005, the Central Bank of Nigeria increased the minimum capital base of commercial banks to N25 billion ($69,250m) as the minimum capital base of the bank leading to a remarkable reduction in the number of banks from 89 to 24 in 2005.

Capitalization is an important component of reforms in the Nigeria banking industry, owing to the fact that a bank with a strong capital base has the ability to withstand losses arising from non-performing loans. Attaining capitalization requirements can only be achieved through consolidation of existing banks through mergers and acquisition or raising additional funds through the capital market which is the market for long term funds therefore an increase in the capital base requirement of the Nigerian microfinance banks is recommended and this can be done through recapitalization or consolidation of the banks.

This is necessary as pointed out by (Oleka & Mgbodile, 2014) who showed in their work that recapitalization is necessary for a bank to have a strong capital base and a bank with a strong capital base has the ability to absorb losses arising from non-performing loans and advances.

✓ **Efficiency of operations**

 Once capitalisation has been done, another recommendation is to streamline the activities of the microfinance banks. The government can mandate microfinance banks to dedicate a percentage of their capital base to housing finance activities alone. Based on the present capital capacity of the 7 national microfinance banks, the statutory functions of these banks relating to housing finance includes granting of loans and advances for the purchase or building of houses incrementally, improvement or extension of a dwelling or commercial house, acceptance of savings and deposits, etc.

After capitalisation, the banks can be mandated to streamline a percentage of their capital to housing finance specific activities. This will hopefully encourage microfinance banks to become more focused and effective, and ultimately lead to increased scope

✓ **Expansion of scope and coverage**

With the activities of most microfinance banks being restricted to mainly business enterprise,it is proposed that the central Bank and other regulatory bodies should refocus the

scope of operations of microfinance banks to enhance the generation of funds through more deposits. This can be achieved in different ways such as allowing micropfianace banks to aggressively publicize what the offer in regards to housing finance thereby creating more awareness.

✓ **Integrating housing microfinance into the capital market**

Non-linkage of housing finance and housing microfinance to the capital market is one of the factors that continues to hinder the generation of long-term funds for housing. The following are proposed to aid the integration of housing microfinance to the capital market

✓ **Establishment and sustenance of a secondary mortgage market:**

This will provide a viable avenue for Microfinance banks to access the capital markets and other institutional investors for long-term funds for onward lending to customers. Consequently, the enormous burden on Microfinance banks to provide longer loans length for housing purposes will be alleviated.To promote access to long-term housing funds for low income earners in the society and among all levels of income earners in Nigeria,establishing a secondary mortgage market is imperative. While efforts to establish a viable secondary mortgage market is underway, the CBN should standardize all loan instruments and underwriting methods, and provide measures to mitigate credit risk such as credit risk sharing by government.

✓ **Conducting Pilot Studies for Risk Assesment**

The study recommends that Microfinance banks that do not conduct pilot surveys to test their products should do so in order to ensure that the product design fits the needs of the customer. This is important to reduce any losses that might arise from launching a product that is not relevant to the customers.

The study recommends that Microfinance banks and policy makers should come up with strategies and subsidies that will see a reduction in the costs incurred from the implementation of the regulatory laws.

The study recommends that the relevant governing bodies (CBN) conducts regular supervisions of the Microfinance banks so as to ensure that they conform to the requirements of the law. Also, the study also recommends that Microfinance banks embrace new

technological developments so as to ensure the serve their customers in a better , faster and more efficient manner.

Finally, the study recommends that microfinance banks should endeavour to organise adequate and relevant training for their employees so as to improve their qualifications and equip them with the relevant skills needed to improve their performance.

8.5. Research Limitations

This study considers limitations as any factors that was present during the study and affected the achievement of the objectives of the study. Although the aim and objectives of this research were all met, there were still still limitation encountered in the process of achieving the aims and objectives and these limitations are listed below:

1. The main focus of the research examined processes, perceptions and meanings that were not tested experimentally in terms of quantity, there was unequal representations in the sample size that was used for the three categories of respondents during the interviews.

2. The study also only examined experiences and perceptions from key participants (CEO's, Branch managers and loan officers) This type of study might need significantly more time to undertake and additional resources which are outside the capacity of the current research to undertake and therefore futher research can be undertaken in future to cover more participants

3. As the research is based solely on key participants experiences and perceptions, these challenges identified tend to change from time to time and can be impacted by other social, economic and technological factors. The results of this research may not necessarily be reflective of the challenges experienced by stakeholders of other microfinance banks in the near future.Further research should therefore be carried out to review how the constant interplay of challenges and their underlying factors will affect the scaling up of housing microfinance

4. This research focus has been the experiences of identified key participants of micro finance banks classed as National Banks. It hasn't included the experiences of other categories of microfinance banks in Nigeria namely the Unit and the State Microfinanec banks. Given that the microfinance banks in Nigeria are all goverened by the same

regulating body and are viewed as one global unit, it will be intresting to undertake this type of research in the other categories of microfinance banks in Nigeria and identify trends and patterns of the challenges experienced by stakeholders of housing microfinance.

5. Finally, there was also the limitation as regards respondents confidence that the information provided would not be misused but used for the purpose for which it was meant. To overcome this challenge, the researcher assured the respondents that the information they provided would be treated with confidentiality and used for academic purposes only and also made sure that the three selected banks and staff members interviewed were addressed anonymously. Also, some of the employees at the MFBs were on a very tight schedule and thus could not provide an elaborate response but went straight to the point in their responses. To overcome this challenge, the researcher emailed the respondents with the interview questions and asked that if they had any more information they wished to share to send back responses via email

8.6. Expected contribution to Knowledge

The literature identifies housing microfinance as a viable option to improve housing finance for low income earners in developing countries. However, there are no detailed guideline on how housing microfinance can be scaled up in Nigeria. It is expected that this research study will provide relevant stakeholders especially the providers of finance (microfinance banks) and the regulating body (Central Bank of Nigeria) with a detailed framework for scaling up housing microfinance in order to facilitate low cost housing in Nigeria. In order to introduce a new product or to expand on an existing product, there has to be sufficient information on the nature and challenges of the existing product and the critical success factors also identified.

8.7. Recommendation for Future Research

This study sought to establish the factors deterring microfinance banks from scaling up their housing finance portfolio in Nigeria. This study concentrated only on the 3 largest microfinance banks presently offering housing microfinance in Nigeria. This study recommends that in future a similar study be conducted with other microfinance banks that don't offer housing loans at all to determine the factors that deter them from including housing finance as part of their portfolios. The study also recommends that in future a study

be conducted on factors that hinder the accessibility of credit by microfinance banks in Nigeria. This will be effective in ensuring that microfinance banks come up with products that are tailor made specifically for low income earners thereby increasing the low income earners accessibility to housing finance in Nigeria

8.8. Conclusion

The findings show that the lack of an appropriate housing finance mechanism in Nigeria has led to a situation where majority of the housing is being financed informally through incremental building practices. This method of housing finance takes several years to complete and has contributed to the current housing deficit in the country. To overcome this , there has to be a review of actions by two major stakeholders in the housing microfinance market.The microfinance banks and the Government of Nigeria.

The government needs to urgently recognise the role played by low income households in increasing housing supply in the country and aim to develop a viable institutional system that will provide appropriate housing finance to low income earners who build incrementally. It needs to encourage all microfinance banks in Nigeria to develop housing microfinance products and increase their housing portfolio so as to provide financing options for the low income earners to enable them improve or build their homes incrementally.The main objective of this research was to examine microfinance banks in Nigeria and determine the factors that deter them from increasing their housing finance portfolio. It was also aimed at identifying the critical success factors needed to encourage the other microfinance banks to also include housing finance as part of their portfolios.

The research method used was a case study, and background literature research. The main findings from the research shows that though the concept of housing microfinance is known in Nigeria, it is still relatively new and the market for it can best be described as new and emerging market with associated high risks factors. So far in Nigeria, housing microfinance has not had any significant impact on housing supply mainly due to the risk aversion nature of the microfinance banks that are not willing to take additional risks by expanding their portfolio to housing finance.

Presently, the demand for housing is far in excess of supply and hence a huge housing deficit. Housing supply is largely driven by low income earners who build their houses in stages through the incremental building process. However the current demand is limited to low income households who have started the process of owning homes by purchasing land and

have started or are intending to start building their housing in Nigeria. There is therefore the need for aggressive marketing of housing microfinance by all the stakeholders involved. Also, there is also a need for institutional orientation for the present suppliers and potential suppliers of HMF. Once HMF has been recognised as a major product of microfinance banks in Nigeria, everything should be done to make it succeed mainly because a good performing HMF product helps the bank to diversify its portfolio. This research examined the constraints that microfinance banks face in Nigeria that limits them from scaling up their housing finance portfolio. It shows that the main constraints are related to the government policy, the processes the follow and the perception of the public. We then examined the state of finance for housing for low income earners in Nigeria. The analyses confirm that houses are indeed expensive and out of the reach of most Nigerians.

In addition, the characteristics of the microfinance banks in Nigeria does not suit the conditions of low income earners and receiving a loan from the microfinance bank involves a lot of documentation, small loans for short periods and the provision of a form of collateral. These are conditions that are not easily met by low income earners. High transaction costs and fluctuating economy makes microfinance banks' lending to low income earners risky and unprofitable in the long run.

Despite these conditions, housing is still a basic human need that needs to be provided either by the Government or the market forces. This research examined the concept of housing microfinance which provides small loans to low income earners for repairing, upgrading and incremental building for the construction of new houses and though there are over 940 microfinance banks in Nigeria, MFB still face various challenges if it is to succeed in lending to the low income earners in Nigeria.

While the small step loans will fit the incremental building process used by many low income earners, very high market interest rates may not be suitable for housing loans even though they are considered as consumption loans and therefore may attract high interest rates due to increased risk. The traditional group lending method used as collateral in microfinance for enterprise may not work for housing loans, and in Nigeria the difficulties arising from issues such as land registration, lack of credit bureaus and lack of modern technology make collateralization difficult. Lastly it has been shown that the provision of technical assistance is crucial to the success of housing microfinance however it is costly and ways need to be found for its effective provision.

This research therefore proposes a way forward. The whole community is affected directly or indirectly by the lack of housing. As a result only an integrated approach which involves

collaboration between key stakeholders can deliver an effective and cost effective housing microfinance programme in Nigeria.

The key stakeholders involved includes the Government, the financial institutions (microfinance banks) , the private sector and the international community. These key players will provide the support needed for scaling up housing microfinance. The government can set up a parastatal that would administer a revolving loan fund like what is available at the moment for Agriculture in Nigeria. This revolving loan fund can provide microfinance banks with loans for new housing and renovations. Another critical success factor of housing microfinance is the provision of technical assistance. The microfinance banks can team up with suppliers of building materials and serve up an experimental ground for local building materials, construction practices and designs that can considerably cut down the cost of building affordable houses for low income earners.

The earlier developed framework can work for Nigeria, however, there is the need for more research into how these collaborations will work, and also to assess the demand for some of the products proposed. The basic needs of the people have to be satisfied and as been shown earlier, housing is a basic need and there is the need for support and help from all key stakeholders in the microfinance market to make housing affordable to all.

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APPENDIX 1: TYPES OF CASE STUDIES

Case Study Type	Definition
Explanatory	This type of case study is used when one is seeking to answer a question that seeks to explain the causal links in real-life interventions that are too complex for the survey or experimental Strategies. During evaluation language, the explanations would link program implementation with program effects (Yin, 2003).
Exploratory .	This type of case study is used to explore those situations in which the intervention being evaluated has no clear, single set of outcomes (Yin, 2003)
Descriptive	This type of case study is used to describe an intervention or phenomenon and the real-life context in which it occurred (Yin, 2003).
Multiple-case studies	A multiple case study enables the researcher to explore differences within and between cases. The goal is to replicate findings across cases.(Yin, 2003)
Instrumental	Is used to accomplish something other than understanding a particular Situation. It provides insight into an issue or helps to refine a theory. The case is often looked at in depth, its contexts scrutinized, its ordinary activities detailed, and because it helps the researcher pursue the external interest. The case may or may not be seen as typical of other cases (Stake, 1995)
Intrinsic	Stake (1995) uses the term intrinsic and suggests that researchers who have a genuine interest in the case should use this approach when the intent is to better understand the case. It is not undertaken primarily because the case represents other cases or because it illustrates a particular trait or problem, but because in all its particularity and Ordinariness, the case itself is of interest. (Stake, 1995).
Collective	Collective case studies are similar in nature and description to multiple case studies (Yin, 2003)

Source :(Baxter & Jack, 2008; Stake, 1995)

APPENDIX 2: THE KUYASA FUND IN SOUTH-AFRICA:

The Kuyusa fund was established as a microfinance institution in Western Cape providence in South Africa. It is a social development organisation that uses microfinance as a tool for improving the housing conditions of South African. It provides microcredit to low-income families who already have title deeds to their property and have benefited from a housing subsidy but do not have access to formal-sector financial institutions. The microcredit funds enable them to upgrade their house to better meet their needs and increase its value.

The Kuyasa Fund draws on a culture of group savings, which is prevalent throughout the region. Individuals, mostly women, come together voluntarily at periodic meetings to contribute and pool their savings and receive cash pay-outs. The fund does not collect savings, but Kuyasa loan officers train groups in practices such as recording members' savings and ensuring good group governance. The fund also conducts workshops on savings mobilization for groups and on financial-life skills and homeowner budgeting for families.

The fund makes microloans for housing upgrades to members of the group who have saved regularly for at least six months. Although employment is not a prerequisite, borrowers must have a regular income. When available, clients provide their title deeds, which are retained by the fund until the loan is fully paid off.

The Kuyasa Fund	
Type of institution	Kuyasa is a provider of housing microfinance.
Sector	A non-profit non-government organisation registered with the National Credit Regulator.
Target market	The lower end of the microfinance market. Clients have combined household incomes of less than ZAR 3780 (USD 489) per month and at least 46% earn less than ZAR 1707 (USD 221) per month. Clients include women, female-headed households, pensioners and those who are not formally employed (76% are women; 16% pensioners and only 24% are formally employed. 83% are above 40 years old).
Loan book size	Overall outstanding loan book at the 2009 financial year end was ZAR 24m (USD 3,104,787).
Number of outstanding loans	At the 2009 financial year end there were 5700 outstanding loans. Since its formation in 1999 Kuyasa has issued ZAR 76m (USD 9,831,824) in 15 200 loans.
Housing microfinance as a % of loan book	100%
Annual turnover	Turnover as at 2009 financial year end was ZAR 9m (USD 1,164,295)
PAR[60]	As at December 2009 PAR 30 was 18%.
Bad debt write-off	3% of portfolio
Average loan size	Kuyasa's average loan size is ZAR 6,000 (USD 776)
Brief Description of loan product	Kuyasa loans are most frequently used for finishes and home improvements (such as extensions, plastering, painting, installation of ceilings or hot water heaters, etc.). • Loans for a maximum of ZAR 10,000 (USD 1,294). Repayment period: 30 months • Interest on the declining loan balance is charged at 35% pa • A pilot project also offers loans for renewable energy products such as solar water heaters, energy efficient lighting and ceiling insulation

Housing Support Products and Services Offered

Source: Finmark Trust, 2010

APPENDIX 3: NATIONAL CO-OPERATIVE HOUSING UNION (NACHU) IN KENYA

Nachu was launched in the early 1980's but its housing micro-loans was first piloted in the early 1990's.it provides low income earners with products and services using the incremental housing finance options. One of the products it offers is the Hatua loan which is loan provided for new house construction or house extension through incremental housing.

National Housing Cooperative Housing Union (NACHU)	
Type of institution	A provider of housing support products and services and microfinance.
Sector	A non-profit non-government organisation and registered cooperative under the Cooperative Societies Act (Cap 490) which enables NACHU to take savings deposits.
Target market	Members of NACHU affiliated cooperative societies (typically people, especially women, with very low and moderate incomes below KES 25,000 (USD 333) from rural and urban Kenya). Occasionally other organisations and people also access NACHU's housing support services.
Loan book size	Overall outstanding loan book after loan loss provision at the 2009 financial year end was KES 47,568,361 (USD 634,245).
No. of outstanding loans	At the 2009 financial year end there were 187 outstanding loans.
No. of active savers	At the 2009 financial year end there were 2401 active savers (1,178 men and 1,223 women).
Total value of savings	Total value of savings as at the 2009 financial year end was KES 41,192,887 (USD 549,238).
Housing microfinance as a % of loan book	97%
PAR[64]	At the 2009 financial year end PAR 60 was 3%.[65]
Brief description of loan product	NACHU provides a range of savings products, including the following housing microfinance loan products are: • Cooperative Housing Mortgage Programme for purchasing land and constructing new housing. Loans are for a maximum of KES 500,000 (USD 6,667). • Housing Rehabilitation Scheme for improvements to semi-permanent structures on land owned by the cooperative or their members. Loans are for a maximum of KES 200,000 (USD 2,667). • Resettlement Programme for people facing eviction to purchase land and resettle. The maximum loan value is not stipulated. • Infrastructure loans for installation of basic infrastructure (for example, drainage, water and toilets). No stipulated maximum value. • All these loans are repayable over 48 months. Loans are only advanced to members of affiliated cooperatives registered with the Registrar of Cooperative Societies.

Housing Support Products and Services Offered

Source: **Finmark, 2010**

APPENDIX 4: CATEGORISATION OF DIFFERENT HMF LENDERS IN AFRICA

Category	Description	Examples in Africa (not a comprehensive list)
Third Tier (generally unregulated)		
Informal, locally established (susu, umpato)	Savings based, locally defined. Approach and use of funds defined by group: individual or collective loans.	All countries
Community based shelter Funds	Usually donor supported (i.e. Slum Dwellers International) largely collective loans, targeted at most poor.	* Trust Fund of the Housing People of Zimbabwe[2] * Mata Masu Dubara of Niger * WAT Human Settlements Trust in Tanzania; and other examples in Angola, Namibia, Kenya,
Second Tier (regulated as non-banks)		
Cooperatives and credit unions (Saccos)	Individual loans for housing often a coincidental focus; else explicitly established for housing.	* NACHU in Kenya * WAT SACCOs in Tanzania; other examples in Namibia, Zambia

Category	Description	Examples in Africa (not a comprehensive list)
Non-bank micro lenders (credit-only)	Origins in housing delivery / local shelter NGOs that saw housing microfinance as the next progression	* Kuyasa Fund in South Africa * Zambia Low Cost Housing Development Fund
	Origins in micro credit for SMMEs; housing the next progression. Individual loans for those with secure tenure.	* Uganda Microfinance Limited * Jamii bora in Kenya * PRIDE in Tanzania * Blue in various countries; * Malawi Rural Finance Company * FAULU Kenya; and other examples in Angola, Ghana, Namibia, Tanzania, Zambia
First Tier (regulated as banks)		
Microfinance banks (deposit taking and lending to members and sometimes non-members)	Usually, when micro lenders convert to banks to access capital – a focus on housing loans usually comes later.	* Kenya: Equity Bank, K-Rep * Zambia National Building Society * Pulse Holdings in Zambia * South Africa: Teba Bank * Capitec Bank; African Bank
State owned banks offering micro loans	Trend is now moving away from these as many sustained losses.	Examples in Ghana, Tanzania, Guinea, Uganda
Commercial banks offering micro loans	SA banks have offered unsecured loans for some time. The National Credit Regulator in SA, for example, estimates that 10-30% of these are used for housing.	* South Africa: ABSA , Standard Bank, First National Bank, Nedbank * Zambia: Indo-Zambia Bank * Angola: Banko Novo

Source: Rust, 2007

APPENDIX 5: RESEARCH OBJECTIVE AND RELEVANT DATA COLLECTION METHODS

Research Objectives	Literature Review	Document Analysis	Interviews
To critically analyse the current practice in the provision and financing of low cost housing and identify the factors affecting its expansion	✓		
To analyse from literature the existing housing policies, its constraints, and the barriers to successful housing supply in Nigeria	✓		
To evaluate how microfinance can be applied to housing through incremental housing	✓		✓
To evaluate the critical success factor (CSF) that impact the implementation of microfinance for housing in Nigeria		✓	✓
Investigate and assess issues affecting the expansion of housing microfinance in Nigeria and the possible solutions	✓	✓	✓
Develop and validate a framework for improved awareness and implementation of microfinance as a tool for facilitating and expanding low cost housing in Nigeria	✓	✓	✓

APPENDIX 6: INTERVIEW QUESTIONS

Loan Officers

Name of Microfinance Institution:

Interviewee's Job Title and Role:

Number of years in the profession/occupation:

GENERAL INFORMATION:

The aim of this section is to have general background information of respondents and their knowledge of the research intent:

The aim of this section is to understand the perception of interviewees on the perception of the loan officers wh deal with processing of housing microfinance loans:

1. In your opinion, is Housing microfinance one of the core products of the bank?
2. How does the lending methodology applied by the bank affect housing microfinance
3. What is the average processing time it takes to com[lete a housing loan and how does this timimg affect the scaling up of housing microfinance
4. What is the eligibility criteria necessary for a customer to get a housing loan
5. What is the strategy used for loan security/Underwritting
6. What effect does the issue of land ownership have on scaling up of housing microfinance by the microfinance banks
7. How does the bank assessthe housing microfinance borrowers tenure security
8. What does the bank do to mitigate or reduce risk
9. What requirements are needed for the screening and monitoring of housing microfinance customers

APPENDIX 7: INTERVIEW QUESTIONS

Management Staff

Name of Microfinance Institution:

Interviewee's Job Title and Role:

Number of years in the profession/occupation:

GENERAL INFORMATION:

The aim of this section is to have general background information of respondents and their knowledge of the research area.

1. When did the bank introduce housing microfinance products to the organisation
2. Why offer housing microfinance loans
3. From what sources do you get your funding for your operations
4. Who are your target group for the housing microfinance product
5. What criteria do you use to identify this target group

The aim of this section is to understand the perception of interviewees on Housing policies and how it affects microfinance institutions providing housing loans for low cost housing.

1. What is your understanding of Housing microfinance?

2. Why was housing finance added to the banks portfolio?

3. What are the effects that government policies have on the bank and its housing portfolio

4. What percentage of the banks lending portfolio is directed specifically towards housing?

5. What are the institutional challenges the bank faces regarding lending for housing

6. What effects does government regulations have on the banks lending portfolio for housing?

APPENDIX 8: INTERVIEW QUESTIONS

<u>Branch Managers</u>

Name of Microfinance Institution:

Interviewee's Job Title and Role:

Number of years in the profession/occupation

The aim of this section is to understand the perception of interviewees regarding the processes involved in providing housing loans to low income earners.

2. Why did the bank include houinf finance in its portfolio

3. Is the provision of housing loans part of the core business objective of the bank and in your opinion, what do you believe the customers take out housing loans for

4. What is the size of the banks housing finance portfolio

5. What is the average size of your housing loan

6. How many branches does the bank have in Nigeria

7. How long does it take for the bank to process a housing loan and what are the financial requirements needed for a customer to be approved for a housing loan

8. What is the disbursement and repayment process of the bank

9. Does the bank offer construction technical assistance and how important is it

APPENDIX 9: CONSENT LETTER

University of Salford,

School of Built Environment

Salford

Manchester

M5 4WT

Tel: +447886033732

Email: o.b.Aturamu1@edu.salford.ac.uk

11th September 2015

Dear Sir/Madame,

Invitation to Participate in a PHD Research Project

I am a Postgraduate research student at the School of Built Environment, University of Salford, United Kingdom. I am undertaking a research study which is specifically tailored towards "Microfinance: A Strategy for Facilitating Low Cost Housing in Nigeria and the aim of this research is to develop a framework for the expansion and implementation of housing microfinance in Nigeria.

I write to invite you to participate in this research based on your knowledge and experience in the area being researched. I am seeking your consent to participate in this research as part of the process towards achieving the above mentioned aim. The data collection method will be semi structured face to face interviews with the management/loan officers of the bank and is estimated to last for about one hour while open ended questionnaires will be administered to customers using convenience sampling to gather relevant information and this is also estimated to last for about 10 – 15 minutes to complete.

Your kind participation will contribute immensely to the timely completion of my PhD Studies and will also hopefully facilitate the production of an improved framework which will lead to the expansion of housing microfinance as an option for facilitating low cost housing in Nigeria

May I also assure you that this study will not disrupt your working environment in any way and any data obtained from your organisation shall remain confidential and highly protected

and the identity of your organisation and staff would remain anonymous and it will remain so in any publication which will be carried out in future.

All data will only be stored in archives for the duration of the research and will be accessible only by the researcher and thereafter securely destroyed by shredding. Also, during the analysis of the data (using computer software), data obtained from the interviews and questionnaires will be protected with passwords to ensure anonymity.

You are also within your rights to withdraw from the research process at any time without any reasons given as this is a voluntary activity.

For further inquiry or clarifications, you can contact me through the above address or my supervisor Dr Gerard Wood (G.D.Wood@salford.ac.uk)

Yours faithfully,

Oluwatoyin B. Aturamu

APPENDIX 10: ETHICAL APPROVAL FORM

Academic Audit and Governance Committee

Science and Technology Research Ethics Panel

(CST)

University of
Salford
MANCHESTER

MEMORANDUM

To   Aturamu Oluwatoyin Biobaku (and Dr Gerard Wood)

cc: Professor Hisham Elkadi, Head of School of SOBE

From   Nathalie Audren Howarth, Research Support Officer

Date   5/10/2015

_____

Subject: Approval of your Project by CST

Project Title: Microfinance: A strategy for facilitating low cost housing in Nigeria

REP Reference: CST 15/44

Following your responses to the Panel's queries, based on the information you provided, I can confirm that they have no objections on ethical grounds to your project.

If there are any changes to the project and/or its methodology, please inform the Panel as soon as possible.

Regards,

Nathalie Audren Howarth

Research Support Officer

APPENDIX 11: RESEARCH PARTICIPATION CONSENT FORM

Title: Micro financing: A Strategy for Facilitating Low Cost Housing in Nigeria.

Name of Research: Oluwatoyin B. Aturamu

Tick as appropriate (√)

S/N		Yes	No
1	I confirm that I have read and understood the information sheet for the above study and what my contribution will be		
2	I have been given the opportunity to ask questions about the study		
3	I agree to take part in the interview		
4	I understand that the information provided will only be kept for the duration of this research		
5	I understand that the information provided will be confidential and any information about me will not be disclosed to a third party		
6	I agree to the interview being tape recorded		
7	I understand that my participation is voluntary and that I can withdraw from the research at any time without giving any reason and any information provided destroyed immediately		
8	I agree to digital images being taken during the research exercises		
9	I agree to take part in the above study		

Name of participant …………………………………………………..

Signature of participant ………………………………………………….

Date ……………………………………………………………………

APPENDIX 12: COLLATION OF RESPONSES FROM INTERVIEWS

1. 70% of the loans taken for housing purposes by customers are for incremental building rather than for home improvement

2. Conditions customers have to meet to be approved for the housing loan is quite tedious (5 c's of credit – character, capacity, collateral, condition, capital)

3. Level of income is difficult to determine and ascertain. Customers tend to give false information about their status so they can be approved for the loan and there is no way for bank officials to verify information given because there is no data base with customer information. Credit officers have been known to rely on information gathered from the grapevine and word of mouth which can be misleading and false

4. There are no extra incentives given to bank staff for the processing of housing loans. This makes the loan officers to be demotivated. Enterprise loans are easier to process as they are more familiar with them.

5. There is currently no direct supervision regarding the processing of housing loans. Rather the staff are given a monthly target which they are expected to meet .This therefore puts additional pressure on the staff hence they tend to focus more on enterprise loans which is easier and faster to process to enable them meet their targets.

6. Factors identified which limit the capacity of the bank in providing housing loans includes: Funding issues, Documentation issues, Processing of land title by the government sometimes can be very lengthy and tedious, Housing loans affects the market portfolio of the bank due to inadequate capital

7. Loan officers are not given any form of extra training .They are expected to process housing loans based on the knowledge they have from processing enterprise loans. This will affect the level of outreach of the bank because if the loans ae not being properly processed, it will affect how many people get approved for the loans

8. Once the loans have been approved and disbursed, customers tend to be left on their own. Bank officers do not need to monitor its customers as long as the loan is being serviced. This can be very risky for the bank because this will invariably lead to loan default because once customers realise the loan is not being monitored , the loans can then be diverted to other uses rather than for housing purpose for which it was approved

APPENDIX 13: ANALYSIS OF DATA

What is the main use of housing loans taken out by customers? Is it for home improvement or for progressive building	Key words picked out
• Most of our customers apply for housing loans because the genuinely want to either buy a house of improve the conditions of their present houses	• Buy a house • Improve condition of house
• Our customers apply for housing loans to complete the houses they have already started building. You find out that most customers have already started building their houses from contributions (ajo) that the collect from their age groups etc.	• Complete the house
• Customers borrow loans for both new building and for extension of their present houses	• New buildings • Extension of present house

2. What measures do you believe can be taken by the government to promote housing microfinance in Nigeria?

| The government can provide subsidies like agriculture intervention funds, this will help the banks mitigate their risks which will lead to lowering of interest rates .It will also reduce the risks involved in lending to low income earners. The government needs to restructure the housing policy to include housing microfinance
The government needs to regulate the sector more and penalise defaulters. Most | Key words

provide subsidies

restructure the housing policy |

microfinance institutions are not catering to the needs of those they should. They operate as commercial banks and the government is turning a blind eye due to corruption	regulate the sector penalise defaulters
The government needs to make the economy and the country more stable. To get funding from other countries is very difficult.no one wants to invest in Nigeria now due to unstable government, unstable economy, terrorism, etc.	make the economy and the country more stable

3. What factors can you identify to be affecting the ability of the bank to lend to more customers?

None-repayment of loan by the customers High Interest rate Poor management of the institutions	Default loans Interest rates Management
Government policies Lack of adequate funding Capitalisation	Govt. policies Funding Funding
	Cost
The capacity of the bank Cost of processing Loan default	Loan default

4. What percentage of the bank's portfolio is marked for housing micro financing?

Housing microfinance accounts for about 20% total lending	20%
Housing microfinance accounts for about 30% of total lending	30%
Housing microfinance is not differentiated from other loans so it's at par with other loans. Its referred to as a business loan rather than housing loans	Not specific

Why the bank did chose to add housing microfinance to its portfolio

Housing microfinance was not added to the bank's portfolio rather it was added to the commercial bank portfolio	Increase Bank portfolio
	Increase Profit
For Increased profitability	
To retain our customers. Customers tend to stay with the bank if they believe the will be approved for housing loans in the future	Retain customers
	Diversification
Product diversification	Competition
To match our competitors	
To increase our customer base	
To increase profit	Increase customer base
To bring in new products to the bank	Increase profit
	Portfolio diversification

APPENDIX 14: RESEARCH TECHNIQUE ADOPTED FOR RESEARCH.

This section elaborates on the differentresearch methods and strategies narrowing down on the adopted method, which is the case study method supported by (Yin, 2013). The figure below outlines the steps taken in order to achieve the research objectives

Objective 1 Critical review of the current practice in financing low cost housing in Nigeria and Identify factors affecting it	Identify from literature the Research problem,	**Secondary data** Literature Review to identify aims and objectives
Objective 2 Analyse the existing housing policies ,its constraints and barriers to successful housing supply in Nigeria	Literature Review	**Secondary data** Literature Review
Objective 3 Evaluate how microfinance can be applied to housing and investigate global best practice of housing microfinance	Literature Review	Literature review
Objective 4 Investigate the critical success factors that impact the implementation of housing microfinance in Nigeria	Data collection	Primary Data - Case study Secondary Data - Document Analysis
Objective 5 Investigate and assess issues affecting the expansion of housing microfinance in Nigeria and possible solutions	Data collection	Literature Review Interviews Document Analysis
Objective 6 Development of the framework	Data Analysis	Descriptive Content Analysis

APPENDIX 15 : MICROFINANCE BANKS IN NIGERIA

States	Population	No of MFI	% of Total MFI'S
Abia	2,845,380	22	2%
Abuja	1,406,239	57	6%
Adawama	3,178,950	7	1%
Akwa Ibom	3,902,051	9	1%
Anambra	4,177,828	82	9%
Bauchi	4,653,066	18	2%
Bayelsa	1,704,515	3	0%
Benue	4,253,461	10	1%
Cross River	2,892,988	12	2%
Delta	4,112,445	22	3%
Ebonyi	2,176,949	7	1%
Edo	3,233,366	18	2%
Ekiti	2,398,957	12	2%
Enugu	3,267,837	19	2%
Gombe	2,365,040	4	1%
Imo	3,927,563	28	4%
Jigawa	4,361,002	10	1%
Kaduna	6,113,503	18	2%
Kano	9,4O1,288	6	1%
Katsina	5,801,584	4	0%
Kebbi	3,256,541	4	0%
Kogi	3,314,043	17	2%
Kwara	2,365,353	24	3%
Lagos	9,113,605	321	25%
Nasarawa	1,869,377	5	1%
Niger	3,954,772	16	2%
Ogun	3,751,140	46	6%
Ondo	3,460,877	15	2%
Osun	3,416,959	28	4%
Oyo	5,580,894	48	6%
Plateau	3,206,531	12	2%
Rivers	5,198,716	18	2%
Sokoto	3,702,676	7	1%
Taraba	2,294,800	5	1%
Yobe	2,321,339	3	0%
Zamfara	3,278,873	5	1%
Total		942	100%

APPENDIX 16: PERFORMANCE INDICATORS OF SELECTED MICROFINANCE BANKS

Performance	2006	2007	2008	2009	2010	2011	2012	2013	2014
Bank A									
Depositors	88,430	134,264	245,144	243,055	355,502	518,187	756,904	1,038,340	1,414,964
Active borrowers	84,006	129,269	200,115	195,016	303,882	421,126	559,227	685,138	800,611
% of active borrowers	95%	96%	82%	80%	85%	81%	74%	66%	57%
Bank B									
Depositors	0	1,501	20,305	32,598	47,071	66,035	95,128	122,787	86,665
Active borrowers	0	1,076	8,712	7,660	9,473	12,454	14,426	21,997	34,523
% of active borrowers	0	72%	43%	23%	20%	19%	15%	18%	40%
Bank C									
Depositors	0	0	0	-	13,750	28,350	44,336	66,089	88,785
Active borrowers				2,953	9,255	16,930	21,825	30,346	37,927
% of active borrowers					67%	60%	49%	46%	43%