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IMPACT OF PRIMARY MORTGAGE INSTITUTIONS' INVESTMENTS ON ECONOMIC GROWTH IN NIGERIA (1995-2017)

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ABSTRACT: *The study examined the impact of primary mortgage institutions' investments on economic growth in Nigeria; for the period 1995-2017. Secondary data were used and collected from Central Bank of Nigeria Statistical Bulletin. The study employed Gross Domestic Product as proxy for Economic Growth and used as the dependent variable; whereas, Primary Mortgage Institutions Investment, Primary Mortgage Institution Deposit, Primary Mortgage Institutions' Loan and used as the explanatory variables. Hypotheses were formulated and tested using Ordinary Least Square econometrics techniques. Primary mortgage institutions' investments had asignificant impact on Gross Domestic Product in Nigeria. Primary mortgage institutions' deposithad a significant impact on Gross Domestic Product in Nigeria. Primary mortgage institutions' loan had a significant impact on Gross Domestic Product in Nigeria. The coefficient of determination indicated that about 68% of the variations in economic growth can be explained by changes in primary mortgage institutions' investments variables in Nigeria.The study concluded that primary mortgage institutions'investments had a significant impact on economic growth in Nigeria.The study recommended that the Federal Mortgage Bank of Nigeria should relax some of the regulations guiding the operations of the PMIs and liberalize the subsector for more effective performance. The primary mortgage institutions should redirect major parts of their loan able funds to building and renovation of residential buildings instead of concentrating on commercial buildings and neglecting residential properties. Such redirection is expected to increase their impact on provision of housing and enhance their contributions to real estate development in Nigerian economy. Allocation under the Land Use Act of 1978 that has made land acquisition more difficult should be readdressed. The delay in getting Certificate of Occupancy is a major problem. Government should review or repeal the Act to enable easy land acquisition by individuals.*

KEYWORDS: Primary Mortgage, Institutions, Investments, Economic, Growth, Nigeria.

INTRODUCTION

The contributions of primary mortgage institutions' investments to the growth and development of an economy cannot be over-emphasized (Adeolu & Hassan, 2018). Because, housing is one of the basic needs of man, since from the ancient days till now, that is why human beings always seek for an abode from the rural settings to the urban areas (Adeolu & Hassan,2018). Thus, real estate development seems to have constituted a major or significant part of economic growth; because, one of the major indices of standard of living is shelter. However, the ownership of comfortable accommodation or housing facilities increases health and the wellbeing of the citizenry. Thus, government in Nigeria at all levels have made frantic efforts by designing programs and policies to provide housing facilities or shelter to the Nigerian populace yet the problem of housing deficit is still insurmountable (Oyelowu & Dumson, 2018).The study by Shuaribu and Aliyu (2018) stated that the role of the PMIs in

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solving this problem as obtainable in other countries of the world is paramount. However, these institutions are confronted with a number of problems such as paucity of funds, regulatory policy rigidity, bureaucratic bottlenecks in administration, and poor savings among others. This aside, these firms have diverted their operational focus and scope from the provision of facilities for house development to other ventures. This makes it difficult for them to make funds available at more favorable terms and conditions for development and or purchases of housing units. These have impeded their smooth operations, performance and their contributions to real estate development in the country (Shuaribu & Aliyu, 2018).

This corroborates the work of Udeji and Efiong (2018) which reveals that the Nigerian economy is still struggling under the shackles of under-development as a result of political and economic instability, infrastructural inadequacy and inconsistency government policies. The most unfortunate thing is that the rich build mansions only for those who can afford such expenses (Oyelowu & Dumson, 2018). Study by Agbada and Ekakitie - Emonena (2017) showed that even available hotels that may serve as alternatives to those who can afford them are always booked in advance for periods ranging from months to years just for one particular person to hang up for reasons best known to them. It is worthy to state that residential accommodation goes for bait especially for the young jobless female graduates who move into towns newly. In some cases, houses are found in environments with very high security risk, unkempt and very untidy places with no basic infrastructural facilities such as roads, electricity and portable water, among others. This is why housing provision deserves special attention. It is one of the most important basic needs of mankind, and exerts serious impacts on productivity, as decent houses significantly increase worker's health, wellbeing and growth (Ogedengbe & Adesopo, 2018).

Theoretical Framework

The study anchored on the Gurley and Shaw (1967) financial intermediation theory. The theory explains the functions of bank credit in the growth and development of an economy. The work of Ogiriki and Andabai (2016) revealed that the business of financial services in any modern economy is to provide a vibrant mechanism to draw financial flows from financially exceeding agents to those having a financial need in the economy.This means that the financial institutions are expected to have a significant influence on the economy by efficiently carrying out its resposibilities, among which is the provision of financial services to the productive sectors of the economy. Similarly, the empirical work conducted by Andabai (2018) reveals that a liberalized financial system is expected to have an efficient and effective intermediation processes that could facilitate the business of lending and borrowing in the economy.

The study carried out by Ajugbolu (2018) considers financial development and growth relationship from another direction such as bi-directional causality. The bi-directional causality hypothesis, according to the study is somewhere between these two (the supply-leading hypothesis and demand-following hypothesis) in that it claims mutual impact of finance and growth. The concepts surrounding financial deepening also occurs due to an expansion in government expenditure. Study by Ogbede and Chinde (2017) opined that in order to reach full employment, the government should inject money into the economy by increasing government expenditure. This implies that an increase in government expenditure increase aggregate demand and income, thereby raising demand for money. However, disequilibrium is usually the result of reducing private investments resulting from higher interest rates. Because, since higher interest rates lower private investment; consequently, an increase in government expenditure promotes investments and increases private investments concurrently.

Empirical Review

Chinwe and Okoli (2018) investigated the impact of marketson the provision of housing finance across a sample of countries. They found evidence that efficient legal systems, existence of credit information systems,stable and conducive macroeconomic environment had a positive effect onhousing finance systems with varying impact across countries. They, however,found no supportive evidence that the presence of a large governmentsecurities market was critical in developing the housing finance systems.

Aliyu (2017) employed household survey and panel approach to examine thedeterminants of access to mortgage finance in Central and Eastern Europe aswell as consequences of household mortgage indebtedness in the event of afinancial crisis. They found evidence that mortgage holders were lessfinancially vulnerable during periods of high income growth in the countriesexamined. In addition, accessibility of mortgage finance was not based onexpected income in EU countries. However, they advised for caution in theinterpretation of findings since results were obtained for periods prior to the2017 global financial crisis.

Ogedengbe and Adesopo (2018) examinedthe problems of financing real estate development in Nigeria through theadministration of questionnaires and a simple descriptive analysis. The studyrevealed that high interest rates and several other requirements for loanapplication bedeviled the financing of real properties in Nigeria. The studytherefore recommended, among others, that the Nigerian Government should endeavour to solve economic problems, such as inflation, in order tominimize the problems that plague the financing of real estate development.

Delson and Egbe (2016) investigated theperformance of the National Housing Fund Scheme in terms of housingdelivery in Nigeria. The study adopted secondary data and employed the useof percentiles and t-test as well as Pearson Product Moment of Correlation forthe purpose of analysis. The result indicated that the Primary MortgageInstitutions (PMIs) were not adequate in number and that there was a widedifference between the amounts the mortgagors actually applied for and theamounts approved.

Udeji and Efiong (2018) evaluated the impact of Primary Mortgage Institutions on real estate development in Nigeria. Specifically, the work sought to assess the role of primary mortgage institutions in housing delivery in the country, and to establish the relationship that exist between the investments and loans granted by the PMIs and real estate development in Nigeria from 1990-2016.

Agbada and Ekakitie - Emonena (2016) analyzed Primary Mortgage Institutions (PMIs) Fundamentals and Gross Domestic Product Increase; in other words, economic growth in Nigeria. The (PMIs) fundamentals in the new PMIs guidelines include Mortgage finance, Investments and Deposits taking. Thus, PMIs Loans, PMIs Investments and PMIs Deposits are adopted as the explanatory variables and served as proxies for PMIs fundamentals to explain Gross Domestic Products (GDP). Data used for empirical estimation were sourced from CBN statistical Bulletin, 2011 and 2013 and analyzed using Multiple Regression technique parameters.

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METHODOLOGY

A research design is a model that allows the researcher to draw inference concerning relation among the variables under investigation.The research design employed is the ex-post facto design. An *ex-post-facto* research design is a systematic empirical inquiry that requires the use of variables which the researcher does not have the capacity to change its state or direction in the course of the study (Onwumere, 2009).The study employed secondary data, obtained and collected from the Annual Reports of the Central Bank of Nigeria (CBN). The data covers a period of twenty-threeyears, from 1995 to 2017.

Model Specification

Multivariate linear regression model is used to test the null hypothesis formulated for this study: There is no significant impact of primary mortgage institutions' investments on economic growth in Nigeria economy. A model is adapted from the work of (Aliyu & Bakere, 2018).

The model is stated as: GDP = *f*(PMII, PMIDEP, INTR).

Where:GDP = Gross Domestic Product as proxy for Economic Growth; PMII=Primary Mortgage Institutions Investments; INT = Prime Lending Rate; PMIDEP = Primary Mortgage Institutions Deposits. The above model is modified in this study by introducing Primary Mortgage InstitutionsLoan as proxy for interest rate and was employed as independent variable

REGDP =*f*(PMII, PMIDEP, PMIL) ....(1)

The econometric form is as follows:

$RGDP= \delta_0 + \delta_1 PMII + \delta_2 PMIDEP + \delta_3 PMIL + \mu$………(2)

Where:REGD = Real Estate contribution to Real Gross Domestic Product

PMII = Primary Mortgage Institutions Investments

PMIDEP = Primary Mortgage Institutions Deposits

PMIL = Primary Mortgage Institutions Loans

δ_0 = Constant Term,δ_1-δ_3 = Coefficient of Independent Variables, μ = Stochastic Error Term.

DATA PRESENTATION AND DISCUSSION

The variables considered in this work are: Primary Mortgage Institution Investment, Primary Mortgage Institution Deposit, Primary Mortgage Institution Loan and Real Estate Contribution to Gross Domestic Product in Nigeria as indicated in appendix 1. Table 1 shows the summary of descriptive analysis results for all the variables in the study in terms of the mean, the median, maximum, minimum, the standard deviation and the number of observations etc.

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Table 1: Summary Descriptive Results

	REAL_ESTATE_GDP	PMI_DEPOSIT	PMI_INVESTMENT	PMI_LOAN
Mean	2778.167	6705.364	3382.000	4394.200
Median	2168.330	5155.000	1878.000	6600.000
Maximum	5264.700	1869.500	1490.900	1308.800
Minimum	1292.350	1040.000	4610.000	1210.000
Std. Dev.	1386.532	68.31526	39.89334	54.15648
Skewness	0.580408	0.564792	1.237584	0.662455
Kurtosis	1.799514	1.746057	3.870522	1.611096
Jarque-B	2.904857	2.967011	7.171106	3.837961
Probability	0.234001	0.226841	0.027721	0.146756
Sum	69454.17	1676.341	845.5000	1085.300
Sum Sq.	46139281	112007.4	38195.49	70390.19
Observs.	23	23	23	23

Source: Author Computation using E-view 8.0

The descriptive statistic presented on table 1 shows the mean, minimum, and maximum of real Estate Gross Domestic Product, primary mortgage institutions' deposit, primary mortgage institutions' investments and primary mortgage institutions' loan for the period under review. The table revealed a mean real Estate Gross Domestic Product, primary mortgage institutions' deposit, primary mortgage institutions' investments and primary mortgage institutions' loan of ₦2,778.167 billion,₦ 6,705.364b, ₦3,382.000b and ₦4,394.200respectively, with minimum of ₦1, 292.350b,₦1,040.000b,₦4,610.000b and ₦1,210.000b respectively, with a maximum of ₦5,264.700b, ₦1,869.500b, ₦1,490.900b and ₦1,318.800brespectively.The descriptive analysis also reveals that all the variables are positively skewed.

Unit Root Test

The test for stationary of the variables was done using the Augmented Dicker Fuller (ADF) Unit Root Test. The result in **table 2** shows that all the variables are integrated at levels i.e. 1(1) at the 5% or 1% level of significance.

Table 2: Unit Root Test Analysis

Variables	ADF test Statistics	Mackinnon critical vale @ 5%	No of the time difference	Remark
RGDP	5.7464538	-5.764536	1(1)	Stationary
PMIDEP	-3.7845638	-1.326436	1(1)	Stationary
PMIINV	-5.1675994	-2.214368	1(1)	Stationary
PMIL	3.1963719	-2.123464	1(1)	Stationary

Notes: (1)1% level of significance, 5% level of significance, 10% level of significance. The tests accepted at 5% level of significance. Decision rule -The critical value should be larger than the test statistical value for unit root to exist.

Source: Researcher's Estimation using- E-views 8.0

Table 3: Ordinary Least Square Regression Result

Dependent Variable: Real Estate GDP
Method: Least Squares
Date: 17/10/18 Time: 03:45
Sample: 1995-2017
Included observations: 23

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1868.798	189.4240	9.865687	0.0000
PMIDEP	-9.361162	7.875295	1.188674	0.0078
PMIINV	9.049537	9.354361	0.967414	0.0043
PMIL	28.35652	5.609625	5.054975	0.0001

R-squared	0.682186	Mean dependent var	2778.167
Adjusted R-squared	0.641955	S.D. dependent var	1386.532
S.E. of regression	663.5752	Akaike info criterion	15.97881
Sum squared resid	9246972.	Schwarz criterion	16.17383
Log likelihood	-195.7351	Hannan-Quinn criter.	16.03290
F-statistic	7.992764	Durbin-Watson stat	0.674777
Prob(F-statistic)	0.000000		

Source: E-view Output version 8.0

The analysis on table 4,the coefficient of determination (R^2=0.682186) indicates that about 68% of the variations in economic growth can be explained by changes in primary mortgage institutions'investments variables (PMII,PMIDEP,PMIL) in Nigeria. This implies that a significant portion of economy is explained by primary mortgage institutions'investments determination variables. F-Test: Decision Rule: Reject H_0: If p- value < 0.05 and accept H_0 if p- value > 0.05. The result on table 4 reveals that the impact of primary mortgage institutions'investments on economic growth in Nigeria has a F-statistic of 7.992764; and, with a probability value of 0.000000, which is lower than the level of significance of 0.05, which means, the impact is statistically significant. The null hypothesis is therefore rejected. That is to say that primary mortgage institutions'investments have asignificant impact on economic growth in Nigeria. This is also confirmed by the F-probability which is statistically zero.

CONCLUSION AND RECOMMENDATIONS

The study concluded that primary mortgage institutions'investments have a significant impact on economic growth in Nigeria.This corroborates the work of Gabriel and Adamu(2018) which reveals that real estate development constitutes a major or significant effect ongrowth and developmentthe Nigerian economy.The study recommends that regulatory authorities such as the Federal Mortgage Bank of Nigeria should relax some of the regulations guiding the operations of the PMIs and liberalize the subsector for more effective performance. Also, they should be compelled to focus more on the provision of housing facilities instead of diversifying into non-housing businesses. The Primary Mortgage Institutions should redirect major parts of

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their loanable funds to building and renovation of residential buildings instead of concentrating on commercial buildings and neglecting residential properties. Such focus redirection is expected to increase their impact on provision of housing and enhance their contributions to real estate development in Nigerian economy.Allocation under the Land Use Act of 1978 that has made land acquisition more difficult should be readdressed. The delay in getting Certificate of Occupancy is a major problem. Government should review or repeal the Act to enable easy the land acquisition by individuals.

Contribution to Knowledge

The study was able to modify the model, expand the existing literature, empirical review, geographical spread and updated data that will enable researchers and scholars to use it for further studies. The study concluded that primary mortgage institutions'investments have a significant impact on economic growth in Nigeria.

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APPENDIX 1

Impact of Primary Mortgage Investment onReal GDP in Nigeria (1995-2017)

Years	Real Estate GDP(N' Billion)	PMI investment(N' Billion)	PMI Deposit(N' Billion)	PMI Loan(N' Billion)
1995	1,430.72	0.92	1.1	0.39
1996	1,445.02	2.81	2.49	0.75
1997	1,536.91	2.1	4.17	0.74
1998	1,628.65	2.27	4.34	0.79
1999	1,690.33	2.47	4.6	0.92
2000	1,756.08	2.37	4.47	0.83
2001	1,843.82	2.88	1.35	1.02
2002	1,899.13	18.28	34.48	6.6
2003	1,956.11	2.4	36.14	12.9
2004	2,168.33	32.29	64.58	6
2005	2,408.82	40.88	78.04	2.1
2006	2,690.07	40.36	82.93	7.56
2007	3,005.42	149.09	155.91	40.75
2008	3,359.76	69.83	166.281	108.53
2009	3,727.34	61.19	148.1	118.59
2010	4,127.99	66.99	186.95	132.88
2011	4,145.87	89.7	163.2	122.81
2012	4,379.94	99.42	171.8	120.91
2013	4,904.64	83.34	164.93	132.29
2014	5,155.73	18.78	51.55	61.92
2015	5,264.70	23.99	73.72	102.01
2016	4,903.60	30.44	66.04	102.91
2017	4,645.45	31,32	14,63	2.,32

Source: Central Bank Nigeria Statistical Bulletin, 2017.

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