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ANALYSIS OF PRIMARY MORTGAGE INSTITUTIONS AND ECONOMIC PERFORMANCE IN NIGERIA

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ABSTRACT
This paper looks at the implication of Nigeria's primary mortgage institutions on the country's economic performance between 1993 and 2023. The Central Bank of Nigeria's 2023 bulletin provided secondary data for the study. This research uses an ex-post facto methodology. The study used GDP as the dependent variable and Primary Mortgage Institutions Investment (PMII), Primary Mortgage Institutions Deposit (PMID), and Primary Mortgage Institutions Loan (PMIL) as explanatory variables. The developed hypotheses were assessed using the statistical estimation method known as Ordinary Least Squares. The outcome shows that investments made by primary mortgage institutions significantly boost Nigeria's GDP. In Nigeria, primary mortgage institutions' deposits significantly boost the country's GDP. The primary mortgage institutions' lending operations have a significantly positive impact on Nigeria's GDP. With a 76% coefficient of determination, the independent variables are able to describe changes in the economy's performance metrics. According to the study's findings, primary mortgage institutions significantly improve Nigeria's economic performance. According to the study, the government should demonstrate its commitment to carrying out its national housing plans and find affordable funding sources that would benefit an average income earned by providing for efficient means of expanding the number of registered primary mortgage institutions and incorporating primary mortgage institutions into its national plan. Given the substantial impact that major mortgage institutions have on the real estate industry, the government should increase funding for these organisations and improve their efficiency.
Keywords: Primary Mortgage, Institutions, Performance, Nigeria.

Introduction

It is impossible to overstate how important major mortgage institutions' investments are to an economy's growth and advancement (Chidoka & Abelun, 2023). Because housing has been a fundamental human necessity from ancient times, people have always looked for a place to live, whether in an urban or rural environment (Adeolu & Hassan, 2022). Since housing is a main pointers of living standard, real estate development appears to have key role in economic expansion. Nonetheless, the possession of cosy lodging or housing amenities improves citizens' health and well-being. Therefore, the housing shortage issue remains unsolvable despite the desperate attempts of Nigerian governments at all levels to create policies and programs that would give housing facilities or shelter to the country's citizens (Oyelowu, 2021).

A rise in GDP is considered economic growth, as it is one of the basic pointers utilised to assess the state of a country's economy, according to Andrew and Ekakitie-Emonena (2021). The housing market effectively adds to GDP in the world's industrialised nations. For example, one of the key drivers of long-term growth in real GDP in the UK economy is the housing market. In actuality, there are a lot of active mortgage institutions, particularly in the mortgage industry.

According to the research by Shuaribu and Aliyu (2018), PMIs play a crucial role in resolving this issue as they can in other nations. However, these organisations face a variety of issues, including a lack of funding, strict regulations, administrative bottlenecks, and low savings, among others. Despite this, many companies have shifted their operating scope and concentration from providing infrastructure for home buildings to other endeavours. Because of this, they find it challenging to provide funding for the construction or acquisition of housing units on more advantageous terms and circumstances. These have made it more difficult for them to operate smoothly, perform well, and contribute to the nation's real estate growth (Shuaribu & Aliyu, 2022). This supports the findings of Udeji and Efiong (2018), who found that political and economic instability, inadequate infrastructure, and inconsistent government policies have left Nigeria's economy still shackled by underdevelopment. The worst thing is that wealthy people only construct homes for those who can afford those (Oyelowu & Dumson, 2022). Even accessible hotels that may be options to people that can pay for them are often reserved ahead for durations ranging from months to years simply for one specific individual to hang up for causes that are only known to them, according to a study by Agbada and Ekakitie-Emonena (2017).

Statement of Problem

It is impossible to overstate how vital housing is to both mankind and the whole economy. Because housing supply is capital intensive and entails significant financial commitments, many families find it difficult to satisfy these requirements, which contributes to Nigeria's growing housing stock shortfall. By establishing mortgage institutions to organise and expedite home financing, delivery, and ownership, particularly among middle and low income earners, the government has attempted to address the expectations of the populace in terms of housing finance throughout the years. Accessibility continued to be a barrier to home ownership and provision for average and low income earners, particularly in spite of all efforts and requirements related to housing financing. The goal of this study is to find out how easily prospective customers may acquire house credit from Primary Mortgage Institutions. There aren't enough empirical research on the implication of mortgage institutions' spending on economic development, thus further research is very necessary. This is important gap this research seeks to address by evaluating the outcome of mortgage institutions on the performance of Nigerian economy.

Research Hypotheses

The following hypotheses were tested at 0.05 alpha:

1. Primary mortgage institutions investment has no significant impact on Gross Domestic Product in Nigeria.
2. Primary mortgage institutions deposit has no significant impact on Gross Domestic Product in Nigeria.
3. Primary mortgage institutions loan has no significant impact on Gross Domestic Product in Nigeria.

Related literature

Primary Mortgage Institutions

A principal mortgage institution stated by Aldridge (2021) is generally a bank, either commercial or a savings and loan. It may be municipal, privately held, state-owned or a business. It does not matter whether the bank is one out of many in a network or a tiny family enterprise with only one location. The main mortgage firm is the direct lender of the fund that the future homeowner utilises to acquire a house, by paying the mortgage in regular installments to the issuing bank. Primary mortgage institutions earn a substantial amount of the institution's income by charging interest on the money provided to property buyers. The quantity of capital in the bank's reserve is limited, nevertheless. The bank must have funds in its reserve in order to provide more loans. Therefore, it has to raise additional funds in order to boost earnings.

Primary Mortgage Institutions and Nigeria

Following the establishment of the Nigerian Building Society in 1956, the Government of Nigeria formed the Federal Mortgage Bank in 1977. It was Nigeria's only mortgage institution from 1978 until 1985. The Federal Mortgage Bank was established in accordance with Nigeria's constitution to provide homes for all of the nation's residents (Sanusi, 2003).

Overseeing the operations of the primary mortgage lending initiators, it is the nation's leading mortgage financing body. The Olusegun Obasanjo military government established the bank as a wholesale and retail credit institution (Word Bank, 2009) as an initiative to stimulate the Nigerian mortgage market. The financial institution were to make available long-term funding to homebuyers, and building tools companies. The initial idea was to combine long-term deposits from government organisations, mortgage businesses, pension and trust funds, and private citizens to finance the company's credit operations at competitive interest rates. The statute that created the bank took effect in January 1977 and gave it the power to guarantee construction loans financed by private investors. The bank acquired its assets after the collapse of a previous Nigerian building society.

Theoretical Review

The financial intermediation theory of Gurley and Shaw (1967) served as the foundation for the study. The idea describes how bank lending contributes to an economy's expansion and development. According to Ogiriki and Andabai's (2016) research, the role of financial services in contemporary society is to provide a dynamic measure for

transferring money from actors with financial advantages to others in the market who are in need of cash. This suggests that by effectively completing their responsibilities, which include providing financial services to the economy's productive sectors, financial institutions are anticipated to have an essential impact on the economy. In a similar vein, Andabai's (2018) empirical research shows that a liberalised financial system is anticipated to have dependable and well-organized intermediation processes that might support lending and borrowing activities within the economy. Ajugbolu's (2018) study examines the link between financial advancement from a different angle, including bi-directional causality. According to the research, the bi-directional causation theory, which holds that growth and finance are influenced by one another, is in the middle of the supply-leading and demand-following theories.

Empirical Review

Chinwe and Okoli (2018) assessed how markets affected the availability of house loans in a selected nations. The study showed indication that stable and supportive macroeconomic environments, the presence of credit information systems, and efficient legal systems all had a positive impact on home finance systems, with varying impacts across countries. However, they were unable to find any solid evidence that the development of the home finance systems depended on the presence of a sizable government securities market.

Aliyu (2017) used a household survey and panel approach to investigate the determinants influencing mortgage loan availability in Eastern and Central Europe as well as the outcome of household mortgage debt in time of a financial distress. In the countries they investigated, there were indications that mortgage holders were less financially vulnerable in times of significant wage growth. Furthermore, the availability of mortgage loans in EU countries was independent of projected income. However, since the findings were obtained for years before the global financial crisis of 2017, they cautioned against interpreting the data carelessly.

Ogedengbe and Adesopo (2021) explored the concerns connected with funding housing development in Nigeria using survey and descriptive analysis. Rising interest rates and other limitations on loan applications plagued Nigeria's real estate finance, according to the study. Consequently, the study suggested, among other things, that the Nigerian government try to address economic issues like inflation to lessen the difficulties associated with funding investments on housing.

Delson and Egbe (2016) examined the National homes Fund initiative's effectiveness in delivering homes in Nigeria. In order to analyse secondary data, the study used the t-test, percentiles, and correlation. According to the result, there was a substantial disparity among the amounts that mortgagors really applied for and the amounts that were granted, and there were not enough Primary Mortgage Institutions (PMIs).

A study by Udeji and Efiong (2021) examined how primary mortgage institutions affected Nigerian real estate growth. The study specifically looked at the major mortgage banks' contributions to the country's housing supply and the relationship between PMI loans and investments and Nigerian real estate growth between 1990 and 2016.

Methodology

The study applied an ex-post-facto research design. It is an investigation that necessitates the use of variables over which the scholar has no control over the study's direction or status is known as (Onwumere, 2009).

Model Specification

An economic model is an abstraction from reality that represents the fundamental characteristics of an economic phenomena. The information that is currently accessible and pertinent to the research in issue is the basis for model definition. Thus, the functional model: GDP=*f*(PMII,PMIDEP,PMIL) .(1)

The econometric form is as follows:

$GDP= \delta_0 + \delta_1 PMIIV + \delta_2 PMIDP + \delta_3 PMIL + \mu$ (2)

Where: GDP = Gross Domestic Product,
PMIIV = Primary Mortgage Institutions Investments,
PMIDP = Primary Mortgage Institutions Deposits,
PMIL = Primary Mortgage Institutions Loans

Presentation and Analysis of Data

Descriptive Statistics

Table 1 shows the summarised description of the variables considered in the study.

Table 1 Summary Descriptive Results

	PMIDEP	PMILN	PMIINV	GDP
Mean	71.34691	56.31729	40.66724	43272.22
Median	66.03501	12.89556	40.88000	39995.50
Maximum	186.9461	156.2900	149.0900	74694.00
Minimum	1.044200	0.208900	0.610000	19620.19
Std. Dev.	64.17467	60.49862	38.27085	20098.71
Skewness	0.392187	0.366471	0.729714	0.216944
Kurtosis	1.778009	1.380740	3.223466	1.466085
Jarque-Bera	2.547777	3.817375	2.634003	3.070562
Probability	0.279742	0.148275	0.267938	0.215395
Sum	2069.060	1633.201	1179.350	1254894.
Sum Sq. Dev.	115314.9	102482.3	41010.42	1.13E+10
Observations	31	31	31	31

The mean values of PMIDEP, PMILN, PMIINV, and GDP are 71.34691, 56.31729, 40.66724, and 43272.22, respectively, according to table 2. The data shows that the standard deviation of main mortgage institution investments was the lowest at 38.27085, while the standard deviation of gross domestic product was the greatest at 20098.71. All of the variables were positively skewed, according to the skewness statistics, which indicate the degree of asymmetry or deviation from symmetry. Kurtosis is a measure of a distribution's degree of peakiness. We found that PMIINV had a leptokurtic, or relatively high, peaked distribution because its values were greater than three (>3), whereas PMIDEP, PMILN, and GDP had platykurtic, or relatively low, peaked distributions because their values were less than three (<3). At the five percent significance level, the Jarque-Bera statistic finally disproved the normal distribution

null hypothesis. They show that the data is not regularly distributed since their values are higher than the 5% threshold of significance.

Unit Root Test

The ADF unit root test in table 2 indicates that all the variables are integrated at first difference i.e. 1(1) at the 5% or 1% level of significance

Variables	ADF test Statistics	Mackinnon critical @ 5%	No of the time difference	Remark
GDP	6.4278342	-4.652435	I(1)	Stationary
PMIDEP	-3.4276384	-5.423157	I(1)	Stationary
PMILN	-4.6326564	-4.352654	I(1)	Stationary
PMINV	5.2132553	2.253647	I(1)	Stationary

Test for Co-Integration

The co-integration procedure was utilised to assess ROA, non-performing loan (NPL), loan loss provision (LLP), and lending rate (LDR) co-integrated in the same order once it was established that all the variables were stationary at initial difference. Table 3 presents the examination outcomes.

Table 3: Multivariate Johansen's Co-Integration Test Result.

Null hypotheses	Alternative hypotheses	Eigen value	Likelihood ratio	Critical vales 5%	Critical value 1%	Hypothesized No. of CE(s)
r=0	r=1	0.642322	53.321466	53.12	43.08	None **
rd≤1	r=2	0.625341	42.759783	42.22	32.53	At most 1
rd≤2	r=3	0.532638	32.285387	31.42	22.13	At most 2
rd≤3	r=4	0.435263	21.337653	22.25	21.87	At most 3

The investigation included various regression approaches to determine the validity of the hypotheses in chapter one. The research compared the independent variables of nonperforming loans and loan loss provisions, which serve as a proxy for loan repayment failure, with the dependent variable of return on assets. Table 3 above below displays the results of the ordinary least squares analysis.

Table 4: Regression Result

Dependent Variable: GDP

Method: Least Squares

Date: 10/30/24 Time: 04:55

Sample: 1993 2023

Included observations: 31

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	26142.65	2217.250	11.79057	0.0000
PMIDEP	-150.5781	58.59976	-2.569602	0.0165
PMILN	313.7618	40.21021	7.803039	0.0000
PMIINV	250.8809	85.16921	2.945676	0.0069

R-squared	0.763767	Mean dependent var	43272.22
Adjusted R-squared	0.741419	S.D. dependent var	20098.71
S.E. of regression	7850.892	Akaike info criterion	20.90208
Sum squared resid	1.54E+09	Schwarz criterion	21.09068
Log likelihood	-299.0802	Hannan-Quinn criter.	20.96115
F-statistic	5.893622	Durbin-Watson stat	2.857851
Prob(F-statistic)	0.000000		

With a coefficient of -150.5781, table 4's regression analysis shows that major mortgage institutions' deposits have a detrimental effect on GDP. Nonetheless, with coefficient values of 313.7618 and 250.8809, respectively, main mortgage institutions' loans and investments have a favourable effect on GDP.

Hypotheses Testing

Hypothesis One: From the result PMIDEP -150.5781 $p = 0.0165 < 0.05$, we therefore accept the alternate hypothesis and reject the null hypothesis and settled that, primary mortgage institutions deposit has a positive significant impact on Gross Domestic Product in Nigeria.

Hypothesis Two: From the result PMILN 313.7618, $p = 0.000 < 0.05$ we therefore reject the null hypothesis and accept the alternate hypothesis and settled that primary mortgage institutions loans have a positive significant impact on Gross Domestic Product in Nigeria.

Hypothesis Three: From the result PMIINV 250.8809, $p = 0.0069 < 0.05$ we therefore reject the null hypothesis and accept the alternate hypothesis and settled that primary mortgage institutions investment has a positive substantial implication on Gross Domestic Product in Nigeria.

Again, from the F-stat value of 5.893622 and a probability value of $0.0000 < 0.05$ alpha, the study settled that the model is significant.

Conclusion

According to the study's findings, key mortgage institutions have a big influence on the expansion and advancement of the Nigerian economy. The study's conclusions have shown the importance of the different factors pertaining to major mortgage institutions. Thus far, it has confirmed that the principal mortgage institution's investment has made a substantial contribution to the Nigerian economy's performance. To sum up, this empirical data indicates that the key mortgage institutions' investments throughout the studied period had a major influence on the expansion of the economy of Nigeria.

Recommendations

Accordingly, the study suggests that primary mortgage institutions should be considered in national plan by the government and provide for efficient means of expanding the number of registered primary mortgage institutions. This will demonstrate the government's dedication to carrying out its national housing plans and provide a source of affordable funds that would be advantageous to an average income earner. Since main mortgage institutions have an influence on real estate, the government should spend more on PMI and make them perform successfully.

Again, mortgage firms should establish measures to mobilise additional deposits and guarantee appropriate distribution of housing finance, notably for the low-income earners. One of these tactics is raising money from the capital market via savings accounts, housing financial instrument, and cooperative society loans.

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Appendix 1: Primary Mortgage Institutions and the Economy from 1993-2023

Year	Primary Mortgage Institutions Deposit (#,bill)	Primary Mortgage Institutions Loans (#,bill)	Primary Mortgage Institutions Investment (#,bill)	Gross Domestic Product (#.bill)
1993	1.10	0.39	0.92	20,353.20
1994	2.49	0.75	2.81	21,177.92
1995	1.10	0.39	0.92	20,353.20
1996	2.49	0.75	2.81	21,177.92
1997	4.17	0.74	2.1	21,789.10
1998	4.34	0.79	2.27	22,332.87
1999	4.60	0.92	2.47	22,449.41
2000	4.47	0.86	2.37	23,688.28
2001	1.35	1.02	2.88	25,267.54
2002	34.48	6.60	18.28	28,957.71
2003	36.14	12.90	2.4	31,709.45
2004	64.58	6.00	32.29	35,020.55
2005	78.04	2.10	40.88	37,474.95
2006	82.93	7.56	40.36	39,995.50
2007	155.91	40.76	149.09	42,922.41
2008	166.23	108.53	69.83	46,012.52
2009	148.10	118.59	61.19	49,856.10
2010	186.95	132.88	66.99	54,612.26
2011	163.20	122.81	89.7	57,511.04
2012	171.08	120.91	99.42	59,929.89
2013	164.93	132.29	83.34	63,218.72
2014	51.55	61.99	51.94	67,152.79
2015	73.72	102.01	62.31	69,923.93
2016	66.04	102.91	63.75	67,931.24
2017	103.06	156.29	64.4	68,490.98
2018	98.20	155.98	64.05	74,694.00
2019	91.28	132.85	43.96	72,094.08
2020	100.96	102.67	56.65	70,800.54
2021	122.29	146.81	48.98	77,094.23
2022	132.96	156.67	56.65	79,822.52

2023				
	143.94	176.75	58.63	79,9763.73

Source: Central Bank of Nigeria Statistical Bulletin, 2023