Co-operative Societies and Urban Housing Supply: a study of Lagos, Nigeria

Basirat Oyalowo

Department of Estate Management/Centre for Housing and Sustainable Development. University of Lagos, Nigeria

Abstract. The purpose of this study is to establish the scope of co-operatives’ housing supply activities in Lagos and their potential as alternative housing suppliers in the city accounting for up to thirty percent of the estimated seventeen million housing deficits in Nigeria. This is with a view to ascertaining their capacity to enhance the ability of Lagos State to meet up with the affordable housing targets of the SDGs. This is vital if target 1 of SDG 11 that focusses on affordable housing provision is to be realized. The study adopts an explanatory, sequential Quan-qual mixed-method design. For the quantitative phase, a survey based on a systematic random sampling of four hundred and one co-operative leaders was done with statistical analysis was done. For the qualitative aspect, a focus group discussion was carried out and analysed with a computer-aided qualitative data analysis system (CAQDAS). Findings show that co-operative societies are most active in land acquisition activities but their capacity to convert these lands to housing units is limited, and that co-operative societies are as constrained as other housing suppliers in meeting transaction costs. However, seven crucial success factors for co-operative societies’ involvement in housing supply were discovered in the qualitative phase; which has not been identified by previous researchers in this study. These provide fresh policy directions for the sector.

Background: Affordable, decent housing is beyond mere assemblage of bricks and mortar [1]. Housing’s fundamental linkage to good health, well-being and economic development is evidenced in its inclusion in global and regional development agenda such as the SDGs and before it, the MDGs. However, its high capital requirements has resulted in it becoming a social need that is also often a great sign of economic inequality in most societies [2]. This is why SDG 11, target 1 is specific on the need for countries to provide mechanisms for affordable housing provision and sustainable communities.

Lagos, with a current estimated population of 28 million and an annual growth rate of 3.2% [3]. Economically, Lagos is the largest consumer market in Sub-Saharan Africa [4]. The deficiencies in the institutional capacity to cope with the associated housing needs are already evident. The Lagos State Government estimates a housing supply deficit of 2 million units, in addition to 3 million housing units that need to be upgraded to decent standards in order to improve the lives of close to 70% of Lagosians who reside in several slums across the State [5]. The state government’s policy direction is to ensure multiple sources of supply to address the qualitative and quantitative housing deficits in the state [5]. Co-operative societies could be one avenue to fill this gap, especially as they have been used successfully in a number of countries. Interestingly, while the number of registered co-operative societies in Lagos State rose from 1,040 in 2013 [6] to 2,516 in 2015 [7], there has been limited attempts to evaluate how strongly co-operative societies can contribute to housing supply and hence the attainment of SDG 11.1 in Lagos. Co-operative societies and urban housing: The objective of this study is to ascertain the scope and constraints associated with of co-operative societies’ participation in the Lagos housing supply process and to determine the success
factors of co-operative societies that have successfully carried out housing development. The outcome is to present an impetus for enhancing the capacity of co-operative societies to support the attainment of SDG 11.1 in Lagos and other African cities.

As with the rest of the country, housing supply in Lagos is constrained by lack of long-term financing for developers, high cost of building materials, lack of access to infrastructure, deficiencies in housing finance arrangements, stringent loan conditions from mortgage banks, delays in processing of legal documents and inappropriate government policies to address housing supply. Bureaucratic bottlenecks in regulatory public institutions increase inelasticity of supply by adding to the cost of production through delays in approvals. These transaction and production costs are passed on to house-holds who are unable to afford it. The implication is that developers restrict their supply to upper-middle- and high-income households. It also adds to the informality and illegality in the housing sector by encouraging households to seek abode in settlements where these costs can be avoided.

It is unclear why housing suppliers in Nigeria are not motivated enough to take advantage of the elements of high urbanization rates, growing middle class and a shortage of supply which provide significant opportunities for supply in the low to medium markets [8]. In any case, this calls for the entry of new supply pathways that can appropriately cater for this sector. Extant literature shows that co-operatives have been very crucial institutions for housing supply in several parts of the world but mostly in developed countries. For instance, 15% of Norway’s housing stock, 12% in Pakistan, 26% in Poland, 22% in Sweden, 10% in Germany, are attributed to the co-operative sector [9] [10][11][12]. The sector also contributes to the rental housing stock, providing 15% of Austrian rental housing stock and 10% in France [10][11] [13]. Countries such as Egypt and India have formulated housing policies that strongly promote the use of co-operatives in housing supply [14].

Given the rationale for setting up co-operative societies, the socio-economic importance of housing and its high capital outlay, there is a logical assumption that they should be involved in addressing the housing supply challenges in Lagos, but this has not happened. This study addresses the need for an empirical grounding to ascertain the constraints that has limited their participation in the Lagos Housing sector.

Theoretical Underpinning: This work was influenced by the transaction cost economic model. Pioneered by Coase in 1937 and later by Williamson in 1975, it argues that organization’s transaction costs reflect the costs of using the price mechanisms and that though these costs cannot be eliminated, they can be reduced [15]. Transaction costs are the non-direct costs of production associated with establishing, maintaining and enforcing a business relationship between market players [16]. Examples are regulatory costs, fees, charges; search and information costs, bargaining and decision costs as well as policing and enforcing contracts. These costs have been significant enough to increase housing supply inelasticity in developed countries [17], [18], [19]. Like other housing suppliers, co-operative societies are expected to select the institutional arrangement that reduce their transaction costs. In countries such as Egypt, Canada and Austria [20], amongst others, government and other external support institutions have been known to facilitate this for the co-operative sector, and hence their relative success in housing supply. In this study, transaction costs variables are hypothesized to be constraining factors, with a view to identifying the specific costs that constraint housing supply by co-operatives societies in Lagos.

Method: The study utilized a sequential QUAN-qual mixed method design. Its study population were the 2,516 co-operative societies obtained from the 2015 directory of registered co-operative societies in Lagos State. The sampling units were co-operative leaders. For the quantitative study, sample size determination was calculated as 334 with 95% confidence level and 5% margin of error. However, the sample size was increased by 80%; so that a total of 600 questionnaires were distributed to co-operative leaders who had been chosen through a systematic random sampling exercise. Of these, 450 were retrieved with 403 being considered fit for analysis. The qualitative study involved the use of a workshop styled focus group discussion with 14 co-operative leaders identified through purposive sampling. On behalf of their co-operatives, they answered questions on the amount of land held, the depth of housing related activities, experience in and constraints to housing development. Proceedings were transcribed and analysed using Computer aided qualitative data analysis system (CAQDAS).
Descriptive Analysis and Findings for Quantitative Data: In ascertaining the current activities of co-operative societies across three levels (land acquisition, loan finance and housing construction) of the housing supply value chain, it was found that up to 25% of co-operatives had a high participation in loan finance to their members, 27% of co-operatives responded that their activities was high in land acquisition and only 1% had a high activity in housing construction activities. This was ascertained through descriptive analysis. Similar analysis shows further details on land holdings for housing activities for 71 co-operatives that provided this information. Here, 40.9% have up to 10 hectares of land in their possession, 21.1% had up to 20 hectares of land, 12.7% had up to 30 hectares. Similarly, 12.7% had up to 40 hectares, while 8.4% had up to 50 hectares, and 4.2% had over 50 hectares of land. It has been estimated that with this amount of land owned by co-operative societies, over six hundred thousand housing units can be released into the Lagos housing market [7].

Statistical Analysis and Findings for Quantitative Data: A 7 point Likert Scale was used to collect data that is subsequently analysed. The reliability test conducted on the instrument using the Cronbach Alpha measure yielded an acceptable rate of 0.709.

The differences in the level of constraints experienced between the two categories of societies was ascertained, using Independent Sample t-tests ran for 6 transaction cost items: searching cost, security cost, cost of paying agents, cost of site infrastructure and cost of enforcing contracts. These cost items were established from the literature and localised through the experience of the researcher. Results show that the null hypothesis is accepted for searching cost, (t = 0.85, df = 396, p = 0.933 > 0.05), security cost, at (t =1.484, df = 396, p = 0.139 > 0.05) and cost of paying agents, (t = -0.019, df = 396, p = 0.985 > 0.05). The null hypothesis is also accepted for cost of site infrastructure at (t = 0.337, df = 395, p = 0.737 > 0.05) and cost of enforcing contracts at (t = -0.935, df = 395, p = 0.350 > 0.05). Thus, there are no statistically significant differences between the two groups of co-operatives in their experience of the identified transaction cost items as constraints.

The study also determined the differences between employment based and nonemployment based co-operatives with regards to access to external support. The Independent Samples T Test was carried out on the five external support variables. The null hypothesis was accepted for regulatory barriers, (t = -1.100, df = 394, p = 0.272 > 0.05), activities of land-owning families (t = -0.026, df = 394, p = 0.979>0.05), access to collaboration with banks (at t = -1.448, df = 394, p =0.148 > 0.05) and lastly, with respect to access to cheaper federal government loans (t =-1.790, df = 394, p = 0.074 > 0.05). However, with respect to access to political support, the null hypothesis is rejected, since (t = .0028, df = 394, p = 0.028< 0.05). The mean difference for this statistic, shows that employment-based co-operatives enjoyed higher access to political support compared to nonemployment based co-operatives.

Qualitative Analysis and Findings: The transcribed proceedings from the Focus Group Discussion was coded using NVivo 11. The word count query was used to identify the most frequently occurring themes in the discussion. These are: “members”, “land”, “housing”, “problems”, “loans”, “development” and “government”. Further analysis using the word tree diagram showed that these are constrain factors. A manual coding showed that there were a few co-operative societies that had successfully provided housing to their members, and had done this through seven strategies, which are: Provision of regulated start-off construction loans to members to reduce loan diversion by members, Creation of internal land markets by co-operatives so that members that are not ready to build on their lands can sell back to the co-operative. Others are upfront and group payments of transaction costs to reduce the burden to individual families. The fifth strategy is the creation of Internal building material supply systems so as to reduce the cost of housing construction. Another is the using internal expertise of members so as to reduce transaction costs related to hiring professionals and finally the continuous supervision of construction projects using professionals to provide support to members constructing their houses.

Key Findings: The qualitative study showed that co-operative members constitute constraints to housing development when they fail to develop on their allocated land and that the societies face significant constraints in land assembly. Inability of members to service loans is also a constraint that affects funds and governments regulatory delays also work to limit housing supply.

The quantitative survey revealed that co-operative societies are exposed to transaction costs such as security cost of preventing encroachment on co-operative land, cost of searching for land to purchase, cost of
procuring site infrastructure needed both during and after construction processes and cost of enforcing contracts. As these constraints are related to the land acquisition stage of the housing development process, it could have the impact of reducing the willingness of co-operatives to enter into the housing market. Co-operative societies also experience constraints with regards to obtaining external support from regulatory agencies, dealing with land owning families, collaboration with banks, access to federal government loans, and also a dearth of technical support from construction companies, building manufacturers, professional bodies and State Agencies whose portfolio is related to housing construction. However, employment based co-operative societies are able to access political support, perhaps owing to their higher level of organization. This means that co-operatives are constrained from access to supportive networks that could reduce the impact of transaction costs. These limits further, their ability to enter into the housing market and their situation differs significantly from co-operatives involved in housing supply in other countries that enjoy significant external support as reported for Germany [10], India and Egypt [14].

**Conclusion:** The study strongly recommends the integration of co-operative societies into the framework of housing supply in Lagos state, with provision for immediate tapping into the land resources of societies that already possess such. This is because they have enough land in their possession to lift over six hundred thousand households to home-ownership. This means that in a drive towards attaining SDG 11.1, co-operative societies must be regarded as partners. There would be a need however to create support networks to enable them operate more efficiently, as is being done internationally. This would see the connection to, and linkage of co-operative societies with housing construction input suppliers such as building materials, connection with local professional bodies and association to facilitate access to professional services, and linkage with other government ministries whose activities relate to housing. This would reduce production and transaction costs in the housing sector. Since there is an Office of the SDGs in Lagos State, the implementation of these action can be given greater impetus. For African cities facing similar housing challenge as Lagos, support networks for co-operative sector should also be considered. This is because co-operative societies have been found to perform better in countries where they enjoy some form of government and institutional support. The capacity of co-operative societies to release affordable co-operative housing to low income households in African cities considered to be highly significant if they are formally declared as affordable housing providers and supported as such.

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