DISTRESS IN THE NIGERIAN FINANCIAL SECTOR:

A CASE STUDY OF HAPPY HOME SAVINGS & LOANS LTD.

BY

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DEPARTMENT OF BUSINESS ADMINISTRATION
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ZARIA.

DECLARATION

I hereby declare that this project work for the degree of Masters of Business Administration is the true project of my research work. Infact, it has not been previously presented for any degree award. All other source of information has been fully acknowledged by means of references.

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CERTIFICATION

This project work entitled "Distress in the Nigerian Financial Sector; A case study of Happy Home Savings & Loans Ltd". by Usman Abubakar meets the regulations governing the award of the Degree of Masters in Business Administration of the Ahmadu Bello University, and is approved for its contribution to knowledge and literary presentation.

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DEDICATION

This project is specially dedicated to my brother – Alh. A. D. Bukar for being a father to me always.

Also to my wife, Maryam and our two lovely children, Abubakar and Abdullahi.

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ACKNOWLEDGEMENT

I thank the Almighty Allah, the most beneficent, the merciful. Glory be to Allah who made it possible for me to come this far in my educational pursuit and in life.

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ABSTRACT

The financial sector is one of the most dominant sector in the economic growth and development of any nation. The history of the financial sector in Nigeria dates back to 1892 with the advent of commercial banking business during the colonial period. It was not until the 1930s however, that indigenous involvement in banking business started and that period witnessed the first incidence of financial distress in Nigeria.

Distress in the financial sector in recent times, remain one of the greatest challenges facing the industry particularly since 1990. It witnessed the collapsed of banks and non-banks financial institutions. In the mortgage finance sub-sector, 97 out of the 286 licensed primary mortgage institutions (PMIs) had their licenses withdrawn in 1997 due to insolvency, while only 54 are said to be stable and sound. This situation is even worst with the community banks and finance houses.

This research has looked at the fundamental factors that led to the distress situation in the financial industry with particular reference to the mortgage finance sub-sector between 1992-1997. This includes:-

i. Poor capitalization
ii. Bad investment portfolio
iii. Political and economic instability
iv. Mobilization of short term funds and excessive interest rate payments
v. Inconsistent government policies
vi. Inadequate monitoring and control by the regulatory authorities
vii. Management/boardroom problems.

These findings are based on the empirical investigations and observation of the situation in Happy Home Savings and Loans Ltd., the analysis and evaluation of other PMIs. An evaluation of the regulatory framework and policies for PMIs operations shows an inherent inconsistency and lack of adequate capacity to monitor and regulate their activities by the supervising authorities.

TABLE OF CONTENTS

		Page
Cover		i
Title Page		ii
Declaration		iii
Certification		iv
Dedication		v
Acknowledgement		vi

CHAPTER ONE

1.0	**INTRODUCTION**	1
1.1	General Introduction	1
1.2	Statement of Problem & Importance of the Study	3
1.3	Objectives of the Study	4
1.4	Scope of the Study	5
1.5	Research Methodology	5
1.6	Limitations of the Study	5
1.7	Presentation of the Project	6

CHAPTER TWO

2.0	**LITERATURE REVIEW AND THEORETICAL FRAMEWORK**	7
2.1	Introduction	7
2.2	Regulatory framework and policies guiding the operations of PMIs.	9
2.3	An overview of the general PMIs operations in Nigeria.	13

CHAPTER THREE

3.0	**ORGANISATION, OBJECTIVES AND ACTIVITIES OF HAPPY HOME SAVINGS & LOANS LTD. (HHS&L)**	16
3.1	Historical background	16
3.2	Objectives of HHS & L	22
3.3	Organisational structure/Management & Manpower Dev.	23
3.4	Performance/Activities of HHS & L	26

CHAPTER FOUR

4.0	**DISTRESS IN HHS & L**	33
4.1	Causes of Distress	33
4.2	Institutional factors	34
4.3	Economic factors	39
4.4	Government policies	42
4.5	Environmental factors	44

CHAPTER FIVE

5.0	**SUMMARY, RECOMMENDATIONS AND CONCLUSIONS** . .	46
5.1	Summary	46
5.2	Recommendations	47
5.3	Conclusions	48
	References	49
	Appendices	51

CHAPTER ONE

1.0 INTRODUCTION

This chapter looks at the general introduction of the project, the statement of problem, the objectives of project, its importance and scope, as well as the research methodology and limitations.

1.1 GENERAL INTRODUCTION

The financial sector plays a dominant role in promoting and supporting economic growth and development of any country. An efficient and effective financial sector therefore is necessary for a sustainable growth and development of a nation's economy. The financial sector plays a crucial role by mobilizing funds from the surplus spending units into the economy and lending such funds to the deficit spending units for investment purposes. This increase the level of savings and investments within the system and through the multiplier effect, increase the volume of goods and services produced in an economy.

In view of its strategic position, government pay great attention to the financial sector in order to ensure a stable, safe and sound financial system. The evolution of the financial sector in Nigeria dates back to 1892 with the advent of commercial banking business pioneered by expatriates to facilitate colonial administration, as well as trade with Britain. Indigenous participation in banking business started in the 1930s and were faced with the problems of under-capitalisation, poor and inexperienced management and competitive pressures from well established foreign banks.

Given these fundamental constraints, their collapse was eminent with the introduction of the first banking ordinance in 1952. It was the establishment of the Central Bank of Nigeria in 1959 to regulate the practice of Banking that helped in laying a sound and stable financial system in Nigeria.

In 1986, the Government deregulated the financial sector through the introduction of the Structural Adjustment Programme (SAP). This is partly because of the failure of existing financial institutions to be sufficiently responsive to the needs of the various economic units within the system. The liberalizing of the financial system witnessed a tremendous growth in financial institutions. The number of commercial and merchant banks increased from 40 in 1986 to 120 by the end of 1994. Their assets increased from N68 Billion in 1986 to N232 Billion at the end of 1992, a 40% average annual growth rate. The removal of control on interest rates led to the growth in bank deposits from N20.5 Billion in 1986 to N88 Billion by the end of 1992, a 55% annual average growth rate. This phenomenal growth and expansion in banks was witnessed in other non-banks financial institutions.

In the housing finance sub-sector, the phenomenal growth was witnessed because of the desire to provide funds to meet the growing shelter needs of individuals and corporate organizations by channeling funds from savers to borrowers. The need for the provision of adequate shelter for all has remained a global issue. In Nigeria, the policies of successive government underscores housing as an invaluable factor of economic development and social welfare. The demand for housing is basic to all human needs, as one of man's first priorities and also represent the largest single investment for most families. Housing experts generally agree that a reasonable level of housing adequacy is inevitable for nurturing and promoting a feeling of well-being among the various income groups within any society. Hence, the promulgation of the Mortgage Institutions Decree No. 53 of 1989 which seeks to encourage private participation in housing finance.

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In recent times however, the problem of distress is one of the greatest challenge facing the financial industry, particularly the mortgage finance sub-sector. This was the direct result of the rapid expansion in the financial sector occasioned by the introduction of the Structural Adjustment Programme and the lapses in regulation and supervision of the system.

Distress occurs when a Bank/Primary Mortgage Institution or any financial institution cannot meet its obligations to its customers. For a financial company to remain healthy it must have the ability to meet its depositors demand. Inability of any company to meet this obligation as at when due portends a financial problem which could manifest in the form of illiquidity and insolvency. When the problem of illiquidity persist for a very long time, it could lead to distress. Basically distress could be perceived in the following manner: -

1) Inability to meet maturing obligations
2) High incidence of bad debts
3) Assets/liabilities mismatch resulting from poor portfolio management.
4) Illiquidity resulting in increase demand for reserves which cannot be met in the short-run.
5) Inadequate financial and human resources
6) Disproportionately high operating cost resulting from over staffing, over branching, jumbo remunerative packages, inadequate internal controls and erection of prestigious offices.
7) Boardroom and management squabbles etc.

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1.2 STATEMENT OF PROBLEM & IMPORTANCE OF THE STUDY

The incidence of distress has greatly eroded confidence in the financial sector. The growing insecurity of investments and the financial losses suffered has badly affected the economy. This is in terms of savings and investments within the system and because a substantial part of the funds lost were taken out of the country.

The relevance of this study cannot be over emphasized. It is an accepted fact today that individuals, corporate organizations and government agencies have lost substantial part of their investment to distressed institutions and this has greatly affected depositor's confidence and believes in the financial sector, which should remain a veritable engine of growth and development of the national economy.

This study in the belief of the researcher provides addition to the very few academic exploration of the distress phenomenon in the financial sector and more especially in the mortgage finance sub-sector. It is envisaged therefore that the findings arising from this study will be of immense benefit to, not only operators in the system, but to the public and private sector organizations, particularly research institutes.

Furthermore, the researcher is optimistic that the findings and recommendations would open up areas for further academic investigations in the regulatory framework and operations of PMIs. The operators and students of finance would also find it useful, as findings will, it is hoped add new dimensions to the study and understanding of distress in the Mortgage Banking sub-sector.

1.3 OBJECTIVES OF THE STUDY

The objectives of this study is to provide a theoretical framework within which we could understand the growing incidence of distress, particularly in the mortgage banking sub-sector; its causes in terms of institutional, environmental and economic factors and proffer solutions aimed at curbing the distress situation within the industry.

The study also attempts to look at the regulatory framework and policies guiding the operations of PMIs and the limitations it imposed on their activities and the way forward.

1.4 SCOPE OF THE STUDY

This research study is heavily focused on the distress situation in the financial industry, with particular reference to Happy Home Savings and Loans Ltd., Kaduna and limited to the period 1992 - 1997.

1.5 RESEARCH METHODOLOGY

This study is based on existing literature, secondary data and information collected from primary data by the researcher. The primary data consist of the practical experience of the researcher and information gathered from responses to questionnaire, randomly distributed.

In addition, about 15 persons who are operators in the industry were interviewed, while the former Chief Executive Officer of the PMI studied supplies information on policy and personnel issues. Official documents from CBN and FMBN served as other sources of information. Whereas necessary tables and or graphs as well as diagrams are used to elucidate the points raised.

1.6 LIMITATIONS OF THE STUDY

This research study is limited to Happy Home Savings and Loans Ltd. Kaduna (1992 – 1997), even though a general overview of the distress situation in the industry is given because of the similarities of the factors responsible for the problem.

Time factor and on few occasions difficulty in granting information by the operators were the major constraints that affected the research work.

1.7 PRESENTATION OF THE PROJECT

This study consists of 5 chapters. Chapter One looks at the general introduction of the project itself. The objectives of the project, its importance and scope, as well as the research methodology and limitations.

Chapter Two of this study provides a critical review of relevant literature and regulatory framework and policies for the PMIs operations. It also provides an overview of the general PMIs operations in Nigeria.

Chapter Three looks at the historical background, objectives, structure and activities of Happy Home Savings and Loans Ltd.

Chapter Four provides an evaluation of the causes of distress in Happy Home Savings and Loans. Such causes as institutional factors, environmental factors, economic factors and government policies were analysed and evaluated with a view to understanding the distress situation in this institution.

Chapter Five summarized the study and made useful recommendations which is hoped will contribute in curbing the growing incidence of distress in the financial industry, particularly in the mortgage banking sub-sector.

CHAPTER TWO

2.0 LITERATURE REVIEW AND THEORETICAL FRAMEWORK

This chapter provides a critical review of relevant literature on distress and evaluates the regulatory framework and policies guiding PMIs operations. It also provides an overview of the general PMIs operations in Nigeria.

2.1 INTRODUCTION

Distress occurs when a financial institution cannot meet its obligations to its customers as at when due. Inability to meet obligations could result from a wide ranging factors, but the major factors include high incidence of bad debts, persistent political and economic instability, inadequate financial and human resources, bad management, Board/Management crisis, inadequate regulatory and supervisory capacity etc.

The phenomenon of distress in the financial sector today is traceable to the sudden increase in the number of banks following the introduction of the Structural Adjustment Programme (SAP) in 1986 and the subsequent rise in the number of non-banks financial institutions that cater for high-nominal interest rate expectations. Given the inherent lapses in regulation and supervision of the system, the collapse of some of these institutions was quite expected.

Not much literature exists on the phenomenon of distress, particularly in the mortgage finance sub-sector. Most of the literatures are the result of seminar/workshop materials, Central Bank of Nigeria (CBN), Nigerian Deposit Insurance Corporation (NDIC) and Federal Mortgage Bank of Nigeria (FMBN) reports; as well as business and economic reports by banks, Mortgage Banking Association of Nigeria (MBAN) and Nigerian Economic Society amongst others.

The incidence of distress in the Nigerian Financial sector has been so alarming that no less than 35 merchant and commercial banks out of an estimated 120 banks collapsed between 1993 – 1996. And the phenomenon is not restricted to the banking sub-sector only. Recent reports from the Federal Mortgage Bank of Nigeria (FMBN) indicate that 97 out of the 286 licensed Mortgage Institutions have had their licenses withdrawn in June, 1997 as a result of insolvency, while many of the remaining 189 institutions are at different stages of distress. The situation is even worst with the community banks and finance houses.

Distress in the Nigerian Financial Industry is not a new phenomenon, neither is it peculiar to Nigeria alone. In the pre-independence era, cases of distress were reported in the industry, particularly between 1952 and 1954. By 1954, 21 out of the 25 indigenous banks operating in the country were reported to have collapsed.

Indeed, it was the establishment of the Central Bank of Nigeria (CBN) in 1959 to regulate the practice of banking business that brought about stability in the system. The incidence of distress in the financial industry has been experienced by both developing and developed countries of the world. For example, between 1979 and 1983, 52 out of the 110 banks in Spain were involved in financial crisis leading to distress in the industry. In the United States of America (USA), the savings and loans sub-sector of the financial industry has witnessed serious crisis between 1979 and the banking sub-sector since 1982. Between 1979 and 1987, 1506 thrift banks merged, 111 were terminated and 65 liquidated. In the period between 1982 and 1987, 6 out of the 26 banks, including the largest and second largest commercial banks in Colombia were reported to be distressed. They accounted for about 23.5% of total bank assets in the country. In the United Kingdom (UK), 18 "fringe banks" were restructured or merged into other companies and 8 were liquidated from 1973 – 79. The Chilean banking crisis between 1975 – 85 led to government intervention to resuscitate 13 out of 25

domestic banks and 6 finance companies out of 18 that were distressed. In the Philippines, 182 banks were reported to have collapsed due to distress between 1981 – 87. While in West African Country of Guinea, 6 government owned banks, which accounted for 95% of total deposit of the banking system were reported to have collapsed between 1982 – 85. It is pertinent to note that many other examples of distress in the financial industry exist world-wide.

The current high incidence of distress in the Nigerian Financial sector resulted from the rapid transformation of the industry in the wake of the introduction of deregulatory policies under the Structural Adjustment Programme (SAP) of July 1986. Within a few years of the liberalization of policies, institutional development in the industry grew such that whereas there were just 40 banks in 1986, by 1994 there were 120 banks (commercial and merchant), 752 finance houses, 252 Primary Mortgage Institutions (PMIs), 879 community banks and 271 people's bank branches nationwide. With the lapses in regulation and supervision of the system, the collapse of some of the financial institutions was rather imminent.

Over the years, to curtail the incidence of distress, the regulatory authorities have introduced various measures such as assumption of control over distressed banks, enforcement of holding actions to enable the management of distressed banks to halt and correct unsafe and unsound banking practices, provision of financial assistance and appointment of interim board and management for distress banks etc.

2.2 REGULATORY FRAMEWORK AND POLICIES GUIDING THE OPERATIONS OF PMIs.

The emergence of privately owned Primary Mortgage Institutions (PMIs) followed the promulgation of the Mortgage Institutions Decree No. 53 of 1989,

which provided the legal framework for the establishment of such institutions. PMIs are expected to provide a safe and convenient means of saving for the general public and corporate and un-incorporated organizations to finance mortgages, primarily to those who wish to buy or build their own homes.

The National Housing Policy (NHP) was launched in 1991 for the purpose of facilitating the continuous flow of low-cost funds for long-term investment in housing and to create a conducive environment for a sustainable housing delivery system as well as to encourage private entrepreneurial initiative in housing development. The policy opens up a partnership between government and private sector in working towards an effective housing delivery system. As a practical step towards the implementation of the National Housing Policy (NHP), the Federal Government promulgated the National Housing Fund (NHF) Decree 3 of 1992. The Decree establishing the Fund stipulates its resources to include a mandatory monthly contribution of 2.5% to it by every Nigerian earning an annual basic income of N3,000 and above. The Decree also provides for mandatory contributions by corporate bodies, while providing for the Federal Government to make financial contribution to the fund for its operations.

A contributor may borrow up to N1.5m, increased from the maximum ceiling of N500,000 at inception. The repayment period is up to 25 years and a contributor earns 4% interest on his/her contributions, while on withdrawing from the Fund, a contributor is refunded his contribution and interest due at that time. The mortgage loan attracts an interest rate of 9% - the cheapest long-term loan facilities available in Nigeria.

The Decree also makes Federal Mortgage Bank of Nigeria (FMBN) the manager and administrator of the Fund. It is pertinent to note that, Housing finance in Nigeria has a two-tier arrangement with the Federal Mortgage Bank of Nigeria

(FMBN) as the apex mortgage institution on the one hand; and the multiplication of Primary Mortgage Institutions (PMIs) on the other hand. While FMBN is charged with the responsibility of managing and administering the National Housing Fund (NHF), among other functions, resources of the Fund are channeled through PMIs for on – lending to individual contributors to the Fund.

The statutory backing for the housing finance system under the National Housing Policy can be cited as the Mortgage Institutions Decree No. 53 of 1989, National Housing Fund Decree No. 3 of 1992, and the Federal Mortgage Bank of Nigeria Decree No. 82 of 1993.

The Mortgage Institutions Decree No 53 of 1989 places on the Board of each Primary Mortgage Institution (PMI) the responsibility for ensuring that the investments of its shareholders and depositor are adequately protected. Federal Mortgage Bank of Nigeria responsibility, as the regulator of the system is to promote that protection through defining and monitoring compliance with the criteria of prudent management which PMIs must observe and, which are set out in the Decree and other guidelines issued by the Bank. The Board of each PMI must be ready to satisfy the FMBN that the institution is complying with these criteria, including requirements for the assessment of the adequacy of the security taken for a Mortgage loan, and for accounting records and systems of business control, among others.

The legal and regulatory framework put in place for the housing finance system is designed to promote the development of the system. The regulatory framework being operated by the FMBN has three major objectives:

a) To ensure compliance with the regulations

b) To ensure that PMIs are being managed prudently; and

c) Provide information to Government on an on-going basis about the adequacy and appropriateness of regulations as financial markets change and evolve.

In pursuing these objectives, FMBN requires periodic reports and returns on financial conditions submitted by PMIs and information obtained from on-site examination (or inspections) of these institutions. The periodic reports and returns should serve as an early warning signal or system for the Bank. These returns are designed to disclose the full balance sheet and income (profit and loss) statement of the PMIs and all current loan delinquencies and defaults. The Bank is then able to determine the degree of the institutions compliance with minimum prescribed ratios and to track changes in the condition of each PMI over time by comparing current returns with previous ones.

To ensure that the information it received is accurate, on – site examinations (inspection) is being undertaken on a consistent and regular basis. The programme of examinations is such that every PMI should be examined at least once during every 18 months. The period has since been shortened to one calendar year. However, the Bank has the authority to examine any PMI more frequently, if necessary. In order to facilitate more effectiveness of the regulatory regime of the Bank, the law governing the operations of PMIs was reviewed to allow for more stringent penalties to be imposed on PMIs for non-compliance with regulations, submission of inaccurate, misleading or falsified reports and returns as well as range of actions that could be taken by the FMBN to require compliance.

2.3 AN OVERVIEW OF THE GENERAL PMIs OPERATIONS IN NIGERIA

Primary Mortgage Institutions (PMIs) have been described as institutions basically providing safe and convenient means of saving and applying such funds to make loans on mortgage, primarily to those who wish to buy or build their own homes. PMIs depends for their continued existence on obtaining money from their investors and lending the larger part of such funds to borrowers on the security of the title documents. Thus the new National Housing Policy thrust was to widen the role of the private sector as the chief means of addressing the shortages of funds and materials, with government as an enabler and facilitator. The focus of the policy is the facilitation of the accumulation of huge amounts of cheap funds mainly by the private sector through the establishment of a two-tier institutional structure, with primary mortgage institutions (PMIs) as primary lenders and FMBN as apex institution. The idea is for private enterprise to establish PMIs to mobilize household savings for their loan making operation, while FMBN is to regulate and supervise their operations as well as to perform the role of a secondary lender to them. The National Housing Fund is essentially a window for soft loans, which would complement the volume of savings freely mobilized by the PMIs to increase the resources available. The interest rate structure on the NHF operation was deliberately made low (on both the contributions and the loans to be granted) to make housing loans cheaper. Thus the voluntary and mandatory sources of funds are private sector based; and they offer the advantage of insulating the lending system from the fluctuations that had charaterised the past reliance on government patronage.

To date, 1997, a total of 286 PMIs have been licensed since the first licenses were issued in 1991. But the system has not been without its teething problems, particularly in the first two to three years of their emergence. Some of these problems were principally the following: -

i) Activities undertaken outside the scope allowed by the enabling Decree guiding operations in the industry. Some PMIs at inception patterned their operations after commercial banks (some even believed they were miniature commercial banks).

ii) Under-capitalisation leading to the use of depositors funds to finance fixed assets and pre-operational expenses which normally should have been funded with shareholders funds.

iii) Payment of month-watering interest rates on savings and acceptance of wholesale tenured deposit which were clearly unsuitable for long term lending, leading to defaults in meeting obligations to depositors and other creditors.

iv) Borrowed funds presented to and deposited with the Federal Mortgage Bank of Nigeria as shareholders contributions. Such funds have to be repaid to the lenders soon after issuance of licence. The registered shareholders thus have no stake in the new institution having to start business on a shaky ground and with no working capital.

v) Ineffective machanism for monitoring and control.

vi) Management team made up of inexperienced personnel having no requisite experience or knowledge of the specialized business of mortgage finance.

vii) Derived distress resulting from placement of funds with other financial institutions which later failed to meet their obligations at maturity.

In order to stem the observed inadequacies and to sanitise the system, the FMBN introduced a number of measures at various times in the past. These included the increase of the minimum share capital from N5million to N20million; the introduction of the Certificate of Standard; guidelines on the minimum liquidity standard expected of the PMIs, as well as the frequency and regularity of Returns to be rendered on their operations.

Flagrant and continuous disregard of fundamental prescriptions, which PMIs are licensed led to the withdrawal of the operating licenses of 97 PMIs in June, 1997 by the FMBN. These institutions were found to be irredeemably bad cases. Appendix VI shows the list of PMIs whose licences were withdrawn.

In aggregate terms. the performance of the PMIs has continued to improve over the last three years. As at December, 1996 their total assets stood at N4.339 billion, an increase of 5% on the previous year's and 43% over 1994. Their savings postfolio stood at N2.49 billion, an improvement of 31% on 1995 and 138% on 1994. However, because of the structure of the funds available to the PMIs and the economic milieu, mortgage assets created by the PMIs were only N0.43 billion.

The NHF scheme had by June, 1997 mobilised some 1.6million contributors and collected almost N4billion into the Fund. While about N155million was approved and disbursed as mortgage loan to 245 contributors out of 580 applications for N462m received since 1997.

The first PMI to accessed the Fund was Cooperative Building Society, Ibadan on Wednessday 25 June, 1997. A total sum of N1,230,912 (One Million, two hundred and thirty thousand, Nine hundred and twelve Naira) for seven beneficiaries was disbursed at that historic occassion. More applications are being considered, while 54 licensed PMIs have so far been accreditaed to access the National Housing Fund. The accreditation is a continuous process. Appendix VII shows the list of accredited PMIs to access NHF.

CHAPTER THREE

3.0 ORGANISATION, OBJECTIVES AND ACTIVITIES OF HAPPY HOME SAVINGS & LOANS LTD. (HHS & L)

This chapter looks at the historical background, objectives, ownership and management structures, products range and performance of HHS & L between the periods 1992 – 1997.

3.1 HISTORICAL BACKGROUND

Happy Home Savings and Loans Ltd. (Mortgage Bankers) is registered and licensed by the federal supervision bank, Federal Mortgage Bank of Nigeria (FMBN) under the Mortgage Institution Decree No. 53 of 1989 to carry out mortgage banking business in Nigeria. They are permitted under the law to source savings and deposits from the public to finance primary and secondary housing market activities.

The Head Office is at No. 20 Alkali Road, Kaduna. At inception in August, 1992 the company's authorized share capital was N10million and over 6.7million was fully paid up. The authorized shareholding was increase to N20million and N12million was allotted, while N7.8 million was paid up by December, 1994. The shareholding structure of the company is as shown in table 1 below and reflects hundred percent Nigerian ownership. The ownership profile includes: Architects, Engineers, retired Generals, Chief Executive of successful companies, Accountants, top flight civil servants and politicians

Table 1.

1) HRH Maj. Gen. Sani Sami (Rtd.)
2) Arc. Mohammed Dewu
3) AVM Usman Muazu (Rtd.)

4) Alh. Usman Sani Sami
5) Engr. Hamman Tukur
6) Alh. Dahiru Mohammed
7) Arc. Modibbo Siddiq
8) Engr. Abdulkadir A. Kure
9) Alh. Ibrahim Aliyu
10) Alh. Hassan Umar
11) Engr. Ibrahim Usman
12) Alh. Abubakar H. Girei
13) Alh. Bashir Tukur
14) Engr. Banabas Gemale
15) Dr. I. O. Osamwunyi

The shareholding register as at 31st October, 1993 are shown in Appendix IV. Appendix V gives details of the shareholding structure as at December, 1995.

The share inadequacy and deteriorating housing finance situation in the country underscores the need for additional efforts in the housing sector. Housing finance in present day realities, represent one area where special intervention is imperative going by the sheer enormity of the problem. The increasing trend in population growth, urbanization, and concomitant demand for housing services has further accentuated the problem especially when compared with the very limited resources and technology available for any reasonable response. The result is the demand gap for houses – i.e. in excess of supply. This is coupled with high cost of building due mainly to both cost-push and demand-pull inflation.

The initiative to address the housing problem in Nigeria was taken in 1957 by the Colonial (later Commonwealth) Development Corporation (CDC), which established the Nigerian Building Society as a fully owned financial institution.

A year later, the membership was broadened by the acquisition of shares by the Federal Government and the Government of Eastern Nigeria as follows: -

C. D. C.	60%
Federal Government	31%
Government of Eastern Nigeria	9%

This pattern of ownership continued until 1972 when the Federal Government bought over the interest of the C.D.C and thus acquired 91% of the equity of the Nigerian Building Society.

The Nigerian Building Society (NBS) modeled on similar institutions existing in the United Kingdom where building societies were formed in the period of the industrial revolution was aimed at helping their members to purchase their own homes. Self-help was considered a cardinal principle, thus any member seeking the help of the society was expected to have saved a considerable amount himself. The society receives deposits of savings from members and out of this loans are made to members.

The Federal Government lent money to the NBS and continued to be its principal supplier after the CDC withdrew. In 1975, such loans attracted very low interest of 3% for 20 years with two years moratorium on interest and capital amounted to N23.4million. However, the resources available to the Building Society was no where sufficient to make any meaningful impact to the supply of housing. The general opinion was that the attitude of the original owners and major

shareholders until 1972 emphasised on profitable return of their investment rather than on subsidized housing.

As a result, support for building was therefore concentrated in urban areas where the realizable value on the investment was essentially high unless where an applicant had impeccable credentials.

Over the years, the Federal Government has made serious efforts at national level to address this socio-economic challenges posed by housing. Emphasis was placed on the four yearly development plan as a vehicle for economic growth. Ironically, the housing sector suffered from abandonment in the first two plans. The housing situation was further worsened during the civil war period especially in the wars affected areas.

Conscious of the unprecedented growth in population, a national housing programme was inculcated in the second National Development Plan. Through an enabling decree, 59,000 dwelling units with 15,000 in Lagos and 4,000 in each of the other 11 state capitals were ear-marked for construction. To this effect, the Federal Housing Authority (FHA) was created in 1973 to co-ordinate the nationwide programme. Before now, there was the African Staff Housing Scheme whose function was taken over by the newly established Housing Board for the purpose of granting loans to Civil Servants.

The 3rd National Development Plan (1975 – 1980) contained the most remarkable intervention by government to address the deteriorating housing sector. The Federal Government got actively involved in the provision of housing rather than leaning principally on the private sector.

During this period, a total of N2.6 billion was ear-marked for the construction of 202,000 units comprising 50,000 units in Lagos and 8,000 units in each of other 19 states. But by the end of the plan period, less than 15 percent of the projection had been achieved. During this plan period, the following were created:

- Federal Ministry of Housing, Urban Development & Environment (1975)
- The Committee on Standardisation of house types and policies (1975). This marked the first major attempt by government to recognize the housing problems of the low-income group who earned less than N3,000 per annum.
- The Anti-inflation Task Force (1976) was set up to examine the inflationary trend in the economy and identify their causes.
- Rent Panels (1976) to review the structure and level of rent in the country.
- The Land Use Panel (1977) to examine the various tenure and land ownership systems in the country.
- The Nigerian Building Society was converted in 1977 to the Federal Mortgage Bank.

All these were government efforts towards ameliorating the housing problem. The year 1979 was particularly significant. It marked the beginning of negotiation of the World Bank assisted Urban Development Programme with the major objective of ensuring proper foundation for a national low-cost housing programme and to set in motion, broader urban renewal schemes. Hardly had the projects executed in this regard justified the yearnings of Nigerians.

The 4th National Development Plan (1980 – 1985) saw the Federal Government stepping up its investment in the housing sector. About N1.9 billion was budgeted for housing but by the end of the planning period, an estimated sum of N600 million has been expended on the implementation of the National Low-cost Housing Programme. In spite of this very high level of investment, the impact of

the programme on the overall quantum of the housing market was extremely negligible.

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From the foregoing, it is incontrovertible that the Federal Government has launched commendable programme at national level to address this socio-economic challenges posed by housing. By 1987, based on a chronicle of its experiences, the Federal Government realized it can no longer involved itself in the construction of houses for the generality of Nigerians. Because of the short-coming in the previous targets, the Federal Government de-emphasised its participation by removing housing from the preferred sector of the economy.

In line with the renewal government posture on housing, it promulgated the Mortgage Institutions Decree No. 53 of 1989, which seeks to encourage private participation in housing finance by providing fund much easier. In this regards, the FMBN has assumed the role of the apex housing finance institution in the country to perform only wholesale mortgage function including lending, controlling and regulating all licensed mortgage institutions.

The Federal Mortgage Bank of Nigeria (FMBN) was established by Decree No. 7 of 1977 as a housing development finance agency of the Federal Government, with an authorized share capital of N20 million. This was later increased to N150 million in 1979, and jointly subscribed by the Federal Government and the Central Bank of Nigeria (CBN) in the proportion of 60% to 40%. The bank commenced operations on July 1, 1977 having taken over the assets and liabilities of the Nigerian Building Society which became dissolved on June 30, 1977.

The FMBN is the apex housing finance institution in Nigeria. It is vested with the responsibility of promoting, supervising and coordinating housing development and finance schemes for the country. In this regard, the FMBN has been very

active in creating the environment and institutional framework conducive to mobilisation and channeling of funds to the housing sector.

The lack of credit facilities for housing is recognized increasingly as the primary constraints to the provision of a healthy housing system. This assertion bears on the fact that the availability of finance is a most crucial element in the formulation of policy to solve the housing problem. A close look at the current housing market in Nigeria reveals a very small and restricted housing finance system serving a narrow segment of the population. While the housing needs of the entire rural population and the bulk of the urban population are met by private effort, public housing represents only a small proportion of the requirement in the urban centres. In other words, only the well-to-do are able to finance their housing entirely through the private sector, while the vast majority of urban household comprising low and middle income families have no access to formal housing finance. This strengthened and encourage the establishment of HAPPY HOME SAVINGS AND LOANS LTD. to contribute to the growth of housing finance sector and indeed the national economy.

3.2 OBJECTIVES

Happy Home's objectives at inception was to provide a super market of safe savings and investment schemes through an efficient services, backed with modern technology and highly trained staff and products range that are customer-driven.

Other objectives of the company include: -

a) Identifying with the main theme of the National Housing Policy i.e. ensuring that every Nigerian, rich or poor, young or old, should be able to build his own house or have access to decent accommodation.

b) De-emphasise on the direction of existing housing finance services from the urban cities to the rural area. The aim is to develop and extend Nigeria's housing finance opportunities to the rural areas and better the lot of rural dwellers.

c) Constantly develop and market new financial products to cope with the ever changing and dynamic environment

d) Consciously pursue policies which are capable of protecting the value of shareholders investment and guarantee high returns on such investment

e) Vigorous pursue of staff welfare package that is self-motivational

At Happy Home, the strategic plan focuses on developing product range that are flexible in terms of tenor, negotiable interest rates and access. Thus it has the capacity to response to the needs of individuals and organizations.

3.3. ORGANISATIONAL STRUCTURE/MANAGEMENT & MANPOWER DEVELOPMENT.

The company has a Board of Directors comprising of six persons of integrity, experience and knowledge. The Directors of the Board of the company are as shown in table 2.

Table 2.

- HRH Maj. Gen. Sani Sami (Rtd.)
- Arc. Mohammed A. Dewu
- Arc. Modibbo Siddiq
- AVM Usman Muazu (Rtd.)
- Engr. Ibrahim Usman
- Alh. Bashir Tukur

The organizational structure of the company at inception for the Head Office and branches are shown in Appendices I and II. Appendix III gives details of manpower requirements and projections for year 1 – 5. Appendix XII gives the salary structure and employment plan at inception.

1. **General Manager/CEO**

   He has ultimate responsibility for executing policy decisions of the Board of Directors. Responsible for coordinating all the departments of the company to ensure effective execution of policies, initiating policy matters for Board's consideration. Ensuring effective and profitable running of the business of the company as a whole.

2. **Assistant General Manager (Operational)**

   Responsible for ensuring effective and profitable operation of the Company with his coordinates in the management for ensuring that policy directive of the Board through Chief Executive are carried out. Advising on policy matters relating to mortgage financing for consideration of the Board.

3. **Assistant General Manager (Finance & Admin.)**

   Responsible to the Chief Executive for executing policy decisions on Administrative matters and formulating proper accounting system, budget and keeping of essential records.

4. **Company Secretary/Manager Legal Services**

   Responsible to the Chief Executive for executing policy decisions on purely legal and Company secretarial matters. Preparation of mortgage deed, execution of same and represents the Company on legal matters. Responsible ultimately for advising the Board on company secretarial, as well as legal matters.

5. **Manager Credit**

Responsible for Mortgage Loan evaluation and monitoring. Reports directly to the AGM operations on mortgage loans applications and performance from the branches.

6. **Manager Investment**

Responsible for carrying out investment decisions in line with the position of the Board and Management. Advise on possible investments outlets and profitable instruments. Reports to the AGM operations.

7. **Manager Admin. & Personnel**

Responsible for administrative and personnel matters. This includes recruitment, and training matters. Reports to the AGM Admin./Finance.

8. **Manager Finance**

Responsible for all accounting and financial records and books of the company. Reports to the AGM Admin./Finance.

9. **Manager Corporate Planning, Research & Development**

Responsible for developing the strategic plan of the company by constantly introducing new products that suit the changing needs of individuals and corporate organizations.

10. **Manager Audit**

Responsible for ensuring internal control and monitoring within the company.

11. **Branch Manager**

Ensures day to day operations of the branch. Market the products range of the company to customers and ensures profitability in the branch.

3.3.1 STAFF RECRUITMENT AND TRAINING

Manpower requirement was dictated by the need to:

a) ensure minimum academic qualification sufficient to cope with the day to day responsibilities of a growing and diversifying financial system

b) professional education and training compatible with the envisaged responsibilities.

c) Adoptable, but varied experience

d) Character indicative of honesty and dependability: untarnished historical background and personal interest in finance as a career.

The training programme of the company was based on the fact that training represents a means of assuring the functioning of the different departments and branches and it is not a goal in itself. In other words, it is not just to increase the knowledge of certain categories of the employees, but to prepare and adapt them for their specific tasks as laid down in the job description. Thus as the company develops, the training programme must constantly be kept under review to avoid excesses and deficiencies and to take changing needs into account.

3.4 PERFORMANCE/ACTIVITIES

Happy Home Savings and Loans Ltd., was incorporated in 1992 with the objectives of providing individuals and corporate organizations and government agencies a supermarket of safe savings and investment schemes, as well as qualitative and efficient professional services in the field of mortgage banking business.

At inception, the company developed products range tailored to meet the increasing demand of customers and the challenges of a competitive industry in the most dynamic and innovative way. The company recorded modest performance in terms of deposits level, customership and products creation. For

example, gross earnings by December, 1992 (5 months after the start of operations) stood at N520,415 but by December 1993 it stood at N6,707,935 and dropped to N519,217 by 1994 because of the emerging financial position of the company – high incidence of non-performing investments. Total deposits, individuals and institutions was N1,809,402 for 1992, N11,118,655 for 1993 and N6,993,096 for 1994. Appendix VIII and IX shows the Balance Sheet as at 31st December 1993 and 1994 respectively. Appendixes X and XI shows the profit and loss account for the year ended 31st December, 1993 and 1994 respectively.

The main products range developed includes: -

i) Happy Home Regular/Group Regular Account.

This is an account you can operate without necessarily presenting yourself to the cashier. It can be used as a salary account or even operated as a joint account. It can also be operated by any group of people such as unions, societies, communities and companies.

ii) Happy Home forever account.

This account can be opened to achieve any personal target e.g. asset purchase, marriage, retirement etc. The period options are for three, five or more years. The monthly deposit is fixed and the minimum is N100

iii) Happy Home Junior Account.

This account can be opened by parents or guardian for their children or wards who are below 18 years with a minimum of N100.

iv) Happy Home Short Target Account.

A special account of 12 or 24 months tenor for various festivals such as:

- Pilgrimage, Christmas, Sallah, Easter, Vacation, House rent etc.

v) Happy Home Trust Account.

This account is for any individual who wants to invest a minimum amount of N10,000 for stated beneficiary for various reasons.

vi) Happy Home Ownership Account.

This is a contract savings account where you save for at least two years and you are entitled to triple your savings as mortgage loan.

vii) Happy Home Individual/Institutional Investment Account.

This account is for high net-worth individuals who want to make lump sum investments for various contractual periods at negotiable fixed rates or deposits from institutions such as insurance companies, banks, local governments, ministries and parastatals, pension fund etc.

viii) Happy Home Mortgage Administration Deposit Scheme.

This is a housing fund management scheme for employers of labour.

ix) Happy Home Real Estate Investment Series.

This is a special series of funds allowing small savers to pool funds together for investment in real estate.

Towards the end of 1993, the company was faced with a most difficult situation occasioned by the political crisis of that year and a stagnated economy that resulted in the collapse of many conventional banks, primary mortgage institutions and finance companies. The fundamental problems was the inability to recover matured investment with other financial institutions, particularly finance companies. Table 3 shows institutional placements as at 31/10/93.

Table 3.

INSTITUTIONAL PLACEMENTS AS AT 31/10/93

	INSTITUTION	VOLUME	INT.	TOTAL	TENOR	EFF. DATE MAT. DATE	INT. RATE
1.	FORUM BUS.	76329	23671	100000	180DYS	22/10/92-19/4/93	48% UP. F
2.	BANCTRUST	210000	90000	300000	180DYS	6/1/93-4/7/93	5% FLT UP F
3.	SECURE T & F	745000	255000	1000000	90DYS	26/3/93-23/6/93	8.5%FLT UP
4.	SECURE T & F	745000	255000	1000000	90DYS	2/4/93-30/6/93	8.5%FLT UP
5.	21st CEN. F	745000	255000	1000000	90DYS	23/4/93/-21/7/93	8.5%FLT UP
6.	VALUE-ADDED	1314000	486000	1800000	90DYS	5/5/93-3/8/93	9%FLT UP. F
7.	PICKLE F.	730000	270000	1000000	90DYS	5/5/93-3/8/93	9%FLT UP. F
8.	BRIDGE F.	730000	270000	1000000	90DYS	12/5/93-9/8/93	9%FLT UP. F
9.	SECURE T & F	1460000	540000	2000000	90DYS	13/5/93-11/8/93	9%FLT UP. F
10.	NISL	1095000	405000	1500000	90DYS	26/5/93-24/8/93	9%FLT UP. F
11.	PEMO INV	300000	44384	344384	90DYS	28/7/93-25/10/93	60% PA
		8150329	2894055	11044384			

The ridiculous and unrealistic interest rate regime led to placement of funds in weak and questionable financial organizations which resulted in the lost of over N10 million principal investment between August 1992 and December, 1993. For instance most of the institutions offered as high as 9% flat upfront per month for the placement. Table 3 above shows the interest rate regime applicable.

The political uncertainly in the country then, coupled with the fraudulent activities of the Chief Executives and Directors of many finance companies who fled the country with customers and investors funds caused distress within the industry particularly in the mortgage finance sub-sector because of the expensive nature of their funds. Table 4 below shows the major liabilities of the company based on the fixed deposits accounts as at 17/12/93.

Table 4.

MAJOR FIXED DEPOSITS AS AT 17/12/93

	SOURCE	VOLUME	INT.	TOTAL	TENOR	EFF. DATE MAT. DATE	INT. RATE
1.	KIFC Ltd.	2000000	187397	2187397	90Days	8/9/93-6/12/93	38%PA
2.	KADA MF	1000000	143014	1143014	90Days	13/9/93-11/12/93	58%PA
3.	NACB Ltd.	3000000	157808	3157808	60Days	12/11/93-10/1/94	32%PA
4.	NACB CFC	1000000	147945	1147945	90Days	25/10/93-22/1/94	60%PA
5.	NACB CFC	800000	118356	918356	90Days	21/11/93-18/2/94	60%PA
		7800000	754520	8554520			

The company was faced with a number of fundamental problems. From the bad days of 1994 and to some extent 1995 with its unprecedented and unrivalled collapse in the banking and finance sub-sector, the company miraculously survived. The situation was quite bad, indeed so bad that customer's withdrawals of as little as N200 (Two Hundred Naira Only) could not be met, not to mention the inability of staff to draw their salary value for onward of eight months. Withdrawals were then highly rationalized to a ridiculous level. It was a situation of uncertainty, hopelessness, and threats – real and imagined. It was that bad.

The company had to sale some of it assets, while diversifying the operations of the company. The main assets of the company was the plot for the proposed Happy Home Barnawa Estate, which was meant for the construction of an estate comprising Two-Bedroom semi detached, Three-Bedroom Bungalow, and Four-Bedroom Bungalow. All design drawings have been approved for work to start before the financial crisis set-in. A total sum of N3,610,000 was realized from the sale of 49 plots and 2 corner plots.

The proceeds from the plots sold was used to honour customers demands, repayment of institutional deposits, salaries and overheads, commodity trading and the granting of credit facilities to create new money.

The dwindling financial position of the company and the need to create new money to stabilize the institution and remain in business forced the company to go into areas of non-conventional operations like commodity trading, project financing and the granting of short-term credit facilities. This was the survival strategy developed by the company in order to be able to pay salaries, incur overheads, satisfy customers demand etc. and still keep their doors open.

In addition, the company looked at the options of re-capitalization by shareholders since it became quite obvious that the placements in Lagos remain largely lost. This is because most of the institutions have closed their offices and the Police Federal Intelligence and Investigation Bureau could not make any headway. The lack of enthusiasm and willingness by shareholders/directors to invest more funds frustrated the attempt towards overcoming the problems of the company. The attempt to bring in new shareholders failed because of the inherent difficulties in getting people to come and invest considering the liability position of the company.

The problems became so compounded. There is the inability to pay depositors funds, particularly institutional depositors, rent for the office, staff salaries and overheads; as well as increasing threat of court litigations. The company remains largely distress since it cannot honour its obligations to its customers, staff, government and others.

It is important to note that since late 1993 the individual deposits position with the company has been on a very steady decline. This is partly because of the

multiplier effect of the collapse of finance and conventional banks, and partly because of the prevailing economic situation in the country at that time with its attendant low financial resources by individuals and organizations. The total individual deposits liability as at December 1995 was N1.2million, but by December, 1997 it was down to N350,000. The balances in this account are mostly dormant.

The outstanding institutional depositors are:

Table5.

	NAME	PRINCIPAL AMOUNT
1.	NACB Ltd.	3,000,000.00
2.	NACB CFC Ltd.	1,800,000.00
3.	KIFC Ltd.	2,000,000.00
		6,800,000.00

NACB Ltd. got judgement against the company in November, 1995. The Court granted them judgement in the sum of N3,292,438.33. They are yet to enforce that judgement as at December, 1997.

NACB CFC Ltd. has liquidated, while Kaduna Industrial and Finance Co. Ltd. (KIFC) is still mounting pressure to get back its investment. In line with the realities of low finance and unproductive activities, Happy Home Savings and Loans Ltd. has since rationalized its staff position, through compulsory leave, suspension and resignation. The staff strength was reduced to 6 by May, 1996. Today, the staff position is three (3) made up of a Manager, who acts as the Acting General Manager and two security guards.

CHAPTER FOUR

4.0 DISTRESS IN HAPPY HOME SAVINGS & LOANS LTD (HHS&L)

This chapter provides an evaluation of the causes of distress in Happy Home Savings and Loans Ltd. Such causes as institutional factors, environmental factors, economic factors and government policies were analysed and evaluated with a view to understanding the distress situation in this institution.

4.1 CAUSES OF DISTRESS

The total number of licensed Primary Mortgage Institutions (PMIs) as at December, 1995 was 283, of which only 147 could be regarded as being in operation. In pursuit of its supervisory role, the Federal Mortgage Bank of Nigeria (FMBN) monitored the activities and examined the records of most of the PMIs and observed the following common weaknesses: -

- Poor capitalization
- Non-rendition of returns within the stipulated period
- Wrong classification of accounts
- Non-compliance with operational guidelines on assets ratio, annual accounts preparation and publication, submission of staff exit forms, notification of changes on board composition and management team.
- Non-existent or weak internal control system
- Bad investment portfolios
- Branch expansion, office relocation and office closure without obtaining prior approval.
- Concentration on mobilization of short-term funds as against grassroots savings.
- Maintenance of inadequate statutory cash reserve inspite of repeated demands
- Non-adherence to interest rates guideline.

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- Flagrant disregard for enabling laws e.g. engaging in direct construction of houses rather than granting mortgage loans, operation of current accounts with cheque books issued to customers and granting of overdraft facilities on savings accounts, among others.
- Inability of PMIs to meet obligations to customers as and when due which has led to series of litigations against the PMIs with FMBN joined as co-respondents.

These fundamental weaknesses as observed by the FMBN led to the distress situation in most PMIs. In the case of Happy Home Savings & Loans Ltd., the distress situation were the direct result of some of these weaknesses and much more. The causes of distress in the institution are discussed under the following factors:

- Institutional factors
- Economic factors
- Government policies and
- Environmental factors

4.2 INSTITUTIONAL FACTORS

A number of institutional factors contributed significantly to the distress situation in Happy Home Savings and Loans Ltd. This includes: -

1) **Poor Capitalization**

The greatest weakness of the company is the inability of shareholders to re-capitalised, faced with an ever-changing environment and increased competitiveness within the industry.

It has been discovered that PMIs of any reasonable size would need an initial capital of far more than the mandatory N5 million required by the

supervising authority to meet its set-up costs and have a reasonable funds as working capital to commence some level of mortgage business. At the time the minimum paid up capital was fixed for N5million, it was discovered that some of the promoters borrowed funds from the market and present same to the FMBN as shareholders contributions for participation in the formation of the PMI. This is in total disregard to the consequences of borrowing such funds at very high costs. The institution thus started from a weak position and had to use depositor's funds to finance its operations.

At inception, the authorized share capital was N10million, but only about N6.7 was paid up as at 31st October, 1993. Attempts to remedy the capital inadequacy by raising the share capital to N20million in 1994 was met by a very marginal increase in the paid up share capital to N7.8million even at the threat of the revocation of the operating licence of the company. This was at the height of the distress situation in the industry and the widespread incidence of non-performing investments, which had eroded the capital base of the company. The paid-up share capital and owner's resources had not only been completely eroded by bad and doubtful investments and operating losses, but also the depositors funds had been eaten to the extent of the capital deficiency.

The FMBN issued a directive for PMIs to increase their share capital to N20million. It is expected that this directive would have been complied with by all PMIs not later than 31st December, 1994. The Bank was determined to ensure that the new capital requirement was in fact contributed by registered shareholders of the institution and that the contributions or fresh injection of funds are made in such form and mode that could be certified as having improved the liquidity position or

improved the assets quality of the institution. A situation where the increase in share capital is contributed through transfer of fixed assets (such as buildings, land, equipment, etc) that could be regarded as non-income yielding will not be acceptable.

The establishment and maintenance of capital requirements is a crucial element of the legal and regulatory system. The PMIs capital is the first line of defence against impairment of the institution's ability to fulfill its obligations to depositors and other creditors. A minimum capital requirement would need to be maintained, regardless of the range of risks to which the PMIs are exposed.

II) **Bad Investment Portfolio.**

The central issue in financing private residential property development is the mobilization of savings to overcome the shortage of long-term funds. In the case of HHS & L, the intermediation activities were not guided by strict prudential policies, which minimizes risk associated with portfolio mismatch. The funds management approach allows short-term volatile funds to be placed with finance companies. This bad investment decision led to illiquidity reflected in the inability to meet customer's cash withdrawals.

On the whole, the company lost over N12 million principal amount to non-performing investments. Several efforts geared towards recovering the amount, including litigation could not yield any appreciable result. This is because the loan recovery drive has not been vigorously pursued with all enthusiasm and even when it was done it was unnecessarily delayed. By then most of the institutions have closed shop and the management and directors have fled the country.

III) **Mobilization of Short-term funds and excessive interest payments.**

The ability of the mortgage finance system to mobilize savings as long-term funds for investment in housing depends on the economic environment, i.e. the level of economic development, the rate of inflation and financial policies and regulations. PMIs are operationally required to mobilize savings and financial assets for housing. However, their savings mobilization activities are in direct competition with the commercial banks, merchant banks and finance houses, which are noted for their numerical strength, their extensive branch network and wider operational scope. As a consequence, the ability of PMIs to compete with banks have been seriously constrained, and more especially with the interest deregulation regime which operated until recently and under which commercial and merchant bank were able to fix relatively higher deposit rates than what PMIs could normally attempt to offer. In order to remain competitive, they offered interest rate regime of as mush as 50 – 60% p.a. This greatly affected their operations.

It is inconceivable that mortgage institutions can offer ridiculous rates of interest just to attract funds, knowing fully well the attendant risk in that practice. Linked with this, is the practice of paying interest up-front and the introduction of such fees as the "finder's fees" and brokerage which all add to the cost of funds. Apart from mobilizing funds at very high rates of interest, it has also been revealed that deposits were taken without adequate plans for the use to which such funds are to be put.

PMIs by their activities are expected to concentrate their deposit mobilization efforts in the personal sector. Savings by individuals are stable and can be regarded as long – term in nature. In mobilizing

individual household savings for housing, the company developed various savings schemes, which are tailored to the needs of individuals.

With the cut-throat competition within the industry however, the trend became that of concentrating on the mobilization of short-term large volume placements from corporate and other big investors. Such funds are volatile in nature and not ideal for a meaningful mortgage lending operation. This probably accounted for the inability of the company to direct attention to the creation of real mortgages.

IV) **Management/Boardroom problems**

Excellent managers are a pre-requisite for competitive organizations in a very changing and dynamic environment. The more dynamic the environment, the more critical the quality of staff and the more fundamental the need for the right person in the right job. For management to achieve its objectives, the appropriate staff with the requisite experience, qualifications, age and personality need to be employed. The company suffered by not having the correct people in the right appointments resulting in inefficiency and in time-consuming morale and staff problems.

Prior to recruitment, a job specification should be produced for all posts. This not only covers the major responsibilities for the post, but also describes the key competences which will be required of the person appointed. Selection processes are designed to explore the applicant's competence. In order to highlight specific areas of competence, much more flexible and creative techniques are required than the conventional, formal interview. Before the commencement of operations, the recruitment and selection process were aimed at employing only the best, but the processes were abandoned and never adhere to.

The quality of management constitutes no doubt, an important difference between sound and unsound financial institution. Experience revealed that poor bank management manifest in excessive risk taking, excessive operating expenses, weak internal control systems, overtly aggressive growth policy, interest rate speculation and poor judgement.

The unhealthy and often unfriendly relationship in the board also contributed to the distress situation in the company. Often times, members take opposing views in issues that affects the future of the company not because it was a wrong decision, but because it was introduced by a different camp. The deliberate refusal by directors to attend Board meetings for well over two (2) years between 1994 and 1996, only compounded the problem. Several attempts to convey board meetings were all in vain and even laudable decisions taken in the past, like the issue of re-capitalization and others, they were never adhered to. The directors and shareholders, except for some few, seen to have lost hope in the company having invested without reaping any dividend. It has been a situation of absolute uncertainty and hopelessness, even for staff.

It is pertinent to note that, the ownerships structure reflects a diverse and resourceful background. No one institution can be as lucky as Happy Home to have such diverse ownership. But instead of the company benefiting from the goodwill they have build up in their public and private lives, it became a liability of some sort.

4.3 ECONOMIC FACTORS

Nigeria has an estimated population of 120million with an estimated growth rate of 3.2% per annum, a total land area of 941,849 KM^2 and an estimated Gross Domestic Product (GDP) of N14.20 billion in 1991 and per capital income of less

than $50. Nigeria today is considered among the world's poorest nations with under developed economy despite her huge potential resources.

The Nigerian economy moved from a state of buoyancy in the 1960s to that of drastic depression by the end of 1970s. The Oil boom and its consequent dependent syndrome focused all the national economic effects on oil revenue to the neglect of other productive sectors, particularly agriculture which was the main stay of the economy and contributed 56% of the GDP from 1960 – 1969, dropped to 23% in 1980 and the major sources of foreign exchange earning. By 1980, the oil sector had replaced agriculture as a primary source of foreign exchange earnings, accounting for over 95% of foreign exchange earning to the country.

The other productive sector such as manufacturing, real estate etc. have not faired well since the 1980s. Available data shows that manufacturing sector accounted for only 5% of the GDP in 1960, 9% in 1978 and only 8.5% in 1985. The above poor performance of the sector has been attributed to numerous factors. Capacity utilization is presently estimated at below 20%

The picture is very clear that the Nigerian economy is in a state of serious depression. Given the inability of the productive sector to grow and absorb the growing labour force, the resultant effect has been increase in the level of unemployment, which by 1985 was estimated at 6.5% and 7% by 1987. Inflation rose from 9.9% in 1980 to 38.3% in 1988 and 50% in 1989. The National debt by the end of 1993 was $28.3 billion and $4.395 billion is expected to service the debt in 1994.

It was on account of these structural problems that government adopted the Structural Adjustment Programme (SAP) covering a period of 1986 – 1993. SAP

supported the promotion of an internationally competitive market-oriented and diversified economy.

In 1994, the new government introduced the policy of selective regulation in areas that she felt was critical to economic well being of the citizens. In her annual budget speech, the Federal Government pegged the exchange rate to N22 to a Dollar. Interest rates were also pegged (12-15%) for savings deposit as against the previous rate of 40% or over, whereas the lending rate was fixed at 21% as against an all-time high rate of 60%. She also reverted to foreign exchange allocation based on needs identified through application.

The current government macro-economic policies would have afforded investors in both manufacturing, agriculture and real estate the leeway to borrow at a relatively low rate and thus boost output, but other government policies and structural rigidities have hampered its realization. With the withdrawal of petroleum subsidy in October, 1994, inflationary rate has shifted from 68.1% in June to an all-time high of about 200% by the end of the same month. Foreign exchange formula was greatly abused and the productive sector resorted to buying at "black markets," pushing the exchange rate to N100 to a Dollar and N150 to a Pound Sterling, coupled with the unstable political environment and discouraging investors in all sectors. Industrial capacity utilization fell so low compounding the problems of unemployment. The Nigerian business environment is therefore characterized by high level of uncertainty.

The state of the economy as enumerated above provides a weak base for the successful implementation of the National Housing Fund (NHF). In an economy where the productive sector such as agriculture, manufacturing and real estate sector are rendered unproductive due to the lack of basic requirements and high level of unemployment, it is difficult to realize the objective of mobilization over

N3billion which is required for funding of the initial take-off of the NHF. The current state of the economy and the political instability make it difficult for individuals and organizations (especially private one) to register in the NHF. In addition, the unwillingness by employers to remit the 2.5% deductions from worker's pay undermined the success of the National Housing Programme. Even the organized labour union is opposed to the deductions.

In summary, the economic down-turn witnessed since the early 1980s manifested in high inflation, fiscal deficits, a heavy debt burden and slow growth arising from the uncertainty in the economy, many borrowers have been unable to service their loans thereby making many financial institutions to developed a distress situation.

4.4 GOVERNMENT POLICIES

The greatest threat facing the company just like most financial institutions is the unstable government economic policies which makes forward planning and projections very difficult. The inconsistency in government policies have discouraged savings and adversely affected the prospect of the National Housing Programme in its soul objective to provide shelter for all by the year 2000. With interest rate on deposit changed from 40% to between 12-15%, most Nigerians diverted their funds to other uses, thereby creating scarcity of loanable funds in most financial institutions. The crisis in the banking industry in which Mortgage Institutions were more adversely affected has also contributed to flight of funds. The Government initiated the collapse of the Mortgage Institutions due to the conflicts on both conception and objectives and inconsistency of the National Housing Fund Programme. At inception, most PMIs were licensed with the understanding that there is going to be "soft funds" – the NHF, which they are going to draw from for the purposes of creating Mortgages for individuals and corporate organizations. That was why when the government changed its policy

and in addition increase the capital base of PMIs from N5million to N20million, many institutions were forced to closed shop. Such policy inconsistency and delay in the administration of the NHF has created so much doubt in the minds of Nigerians because they are not sure whether the next regime will continue with the policy, given the fact that policies usually changed with government. This has created suspicion in the minds of investors making them skeptical about dealing with any primary mortgage institution. The contributions to the NHF so far has been from individuals, the banks and insurance companies have refused to invest in the Fund as required by the Decree, because they argued it will put them at a financial loss. The government cannot sanction them because of the inherent contradictions in the programme.

The competition for deposit mobilization is very high in the Banking industry and PMIs. Since the near total collapse of the banking industry, it became difficult to differentiate banking function as required in an ideal situation. The inflationary rates, Value Added Tax (VAT) and other taxes introduced by government have mopped up all sources of excess funds for savings and the discouraging interest rates. It is therefore difficult for PMIs to mobilise funds except to take expensive funds and lend out which, to break even is quite difficult.

The efforts of PMIs in the provision of shelter and assisting the NHF to realise its objectives are supposed to be complemented by other sectors of the economy, but as earlier indicated these other sectors are also suffering from these fundamental problems and could not venture to go into real estate. The private sector will prefer to provide loans to their employees to construct houses rather than starting deducting monthly contributions to be paid to the Federal Government which they may not realise in future. The workers in the private sectors have shown very little enthusiasm with regards to the NHF due to the numerous factors

enumerated above. In the previous housing policies, the other sectors depended on government constructing the houses and then sell to them at a subsidized rate. The success of the present NHF will depend largely on the co-operation of other sectors such as agriculture and industry to deduct and submit monthly contribution of workers regularly. Government should apply sanctions to defaulting organizations if at all the policy must succeed.

One fundamental problem that led to distress particularly in the mortgage finance sector was the utter lack of effective and efficiency regulatory and supervisory capacity by the FMBN. The objective of supervision is to promote monetary stability and sound financial system. Stability in the financial sector of any country is essential to the stability of the overall economy. Banking supervision therefore, whose primary objective is to forestall and prevent bank failures is crucial to the survival of the financial and economic systems.

Unfortunately, FMBN from inception lacks the capacity to carry out this very vital function. PMIs were supposed to be inspected at least once every year in addition to the monthly returns and reports they sent. The law governing the PMIs operations was even reviewed to allow for more stringent penalties for non-compliance with regulations, submission of inaccurate, misleading or falsified reports and returns, but the FMBN failed to ensure compliance in any way. Between 1992 and 1997, the FMBN examiners visited the company only twice and even when returns were not being rendered they could not take any action. They therefore ignored the early warning signs of financial distress and wait until it is rather too late.

4.5 ENVIRONMENTAL FACTORS

The business environment in Nigerian is very unfavourable to the NHF programme and the possibility of realizing its set objective is very doubtful. The

current unprecedented urbanization, an unfavourable international economy, stagnation in other sectors of the economy, run-away inflation, severe financial constraints, fiscal and monetary policy indiscipline, external debts, cost of lands, delays in obtaining rights to properties, and apathy to local materials make the successful implementation of the programme difficult.

There is also the reality of an operating environment in which the company operates, that is conservative with a poor banking habit. Not until quite recently, the banking culture around the North remains largely conservative and undeveloped. People prefer keeping their money at home, partly because of the dominance of trading activities and high network cash transactions. Couple with this is the institutional restrictions that hinders the operations of deposit account by big companies, government ministries and parastatals with companies like them.

They are also faced by identity problem of whether they are a bank or a finance house. Most individuals and even corporate organizations see them as a finance company rather than a specialized Mortgage bank inspite of the fact that they operate an effective banking hall and diversed savings accounts. This problem is further compounded by the collapsed of a good number of finance companies and conventional banks in the last two years. This is already attracting negativity to the peoples banking culture, which has all the while been low.

CHAPTER FIVE

5.0 SUMMARY, RECOMMENDATIONS AND CONCLUSION.

This chapter summarised the study and made useful recommendations, which is hoped will contribute in curbing the growing incidence of distress in the financial industry, particularly in the mortgage banking sub-sector.

5.1 SUMMARY

This project has examined the Nigerian financial system with particular reference to the Mortgage banking sub-sector and the emerging distress syndrome afflicting the industry in the last few years. There has been a phenomenal growth in the number of financial institutions, particularly between 1986 and 1992 when as part of the Structural Adjustment Programme (SAP), the process of licensing financial institutions was liberalised. The phenomenal growth in the industry regrettably was not matched by growth in skilled manpower and effective and efficient regulatory and supervising capacity of the supervising authorities.

The period between 1992 and 1995 witnessed an unprecedented and unrivalled collapse of banks and non-banks financial institutions, which are the direct result of the uncertainty in the economy occasioned by the political climate.

The main thrust of this study is the attempt to understand the nature, extent and causes of distress in the financial industry, with particular reference to Happy Home Savings and Loans Ltd. In doing this, we have evaluated the theoretical framework of PMIs operations and the historical background and performance/activities of HHS & L.

5.2 RECOMMENDATIONS

1. Government has to create a favourable climate which requires consistency in policies.
2. The FMBN should step up its regulatory and supervisory machinery to ensure regular examination of PMIs to promote the development of the system. This is meant to ensure compliance with regulations, to ensure PMIs are managed prudently and to assess the adequacy and appropriateness of regulations as financial markets change and evolve.
3. The future strategy is to increase the equity base from N20million to N100million in order to meet up to the challenges of our very dynamic environment in the most competitive and innovative way.
4. Another strategy is to develop an aggressive branch expansion network with a view to consolidating its position within the Mortgage banking sub-sector.
5. The company should also seek to improve the quality of their services in line with the changing demands of customers, while staff should be further motivated for increase productivity.
6. The NHF is a laudable programme and if properly implemented, will be the bedrock of a sustainable housing programme. The programme is to provide the funds with which primary mortgage institutions will be able to assist the allottees to build houses. To facilitate the realisation of the NHF objectives, government must ensure the full participation of the private sector and monthly remittance of all deductions from workers salaries.
7. The directors and shareholders alike must work conscientiously with all the dynamism and innovation to turn around the institution. No one institution can be as lucky as Happy Home to have people of diverse and resourceful background as shareholders.
8. PMIs should desist from mobilizing funds at ridiculous rates of interest. Interest rates should be reasonable. The practice of paying up-front should

be stopped. Adequate plans should be put in place to ensure effective and profitable utilization of funds mobilized.

9. Finally, recovery efforts of the huge outstanding debts should be redoubled and all internal controls and checks vital for the scrutiny of credit and advances should be strengthen.

5.3 CONCLUSIONS

The future of Mortgage banking business is indeed promising inspire of everything. Of the 147 Primary Mortgage Institutions operating as at December 1997, only about 54 can be said to be really functional and healthy. Bad as the situation looks, there are over 300 pending applications for Mortgage banking licences with the FMBN as at December, 1997. This is how very reassuring the future is.

Happy Home vision should be that of a right-sized company which would remain highly profitable, solid in its operation and managed in ways that would inspire the highest level of customer confidence, while maintaining a position as a cornerstone of mortgage banking.

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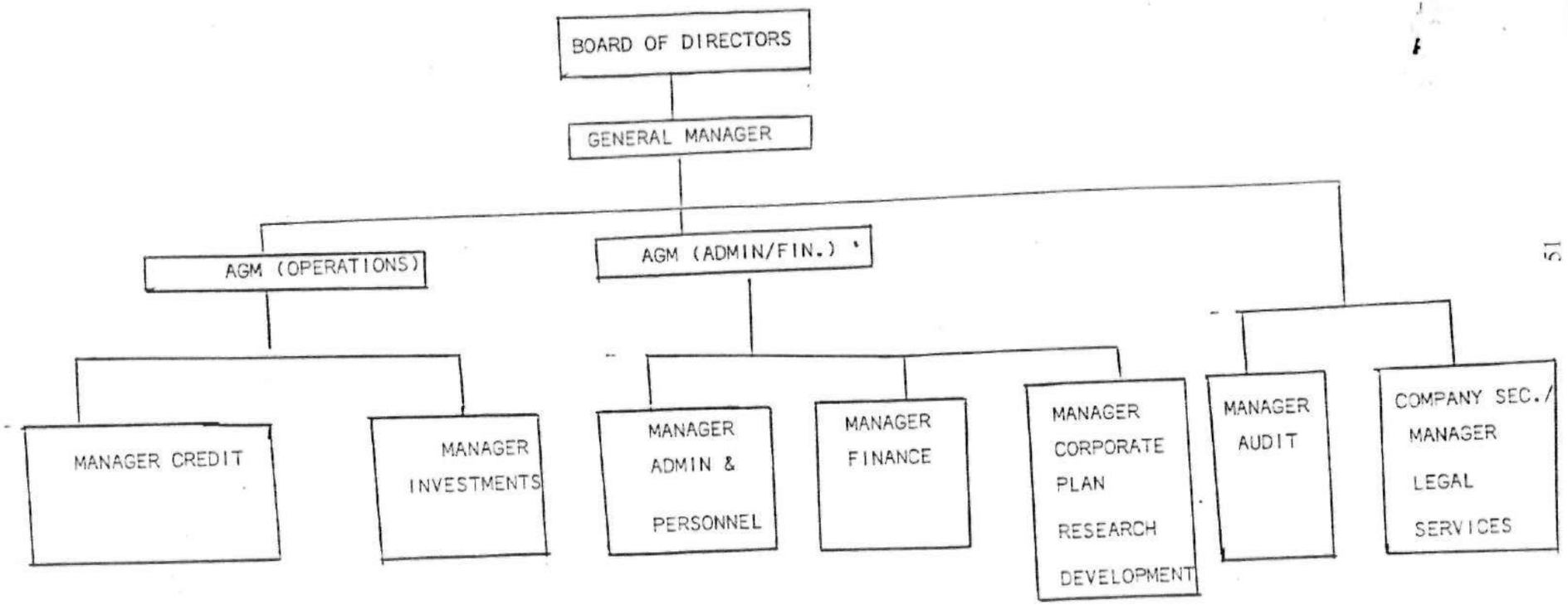
25. Address by Alh. Kassim Musa Bichi at the meeting with Chairmen & Chief Executives of PMIs (14/3/96).

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Appendix I

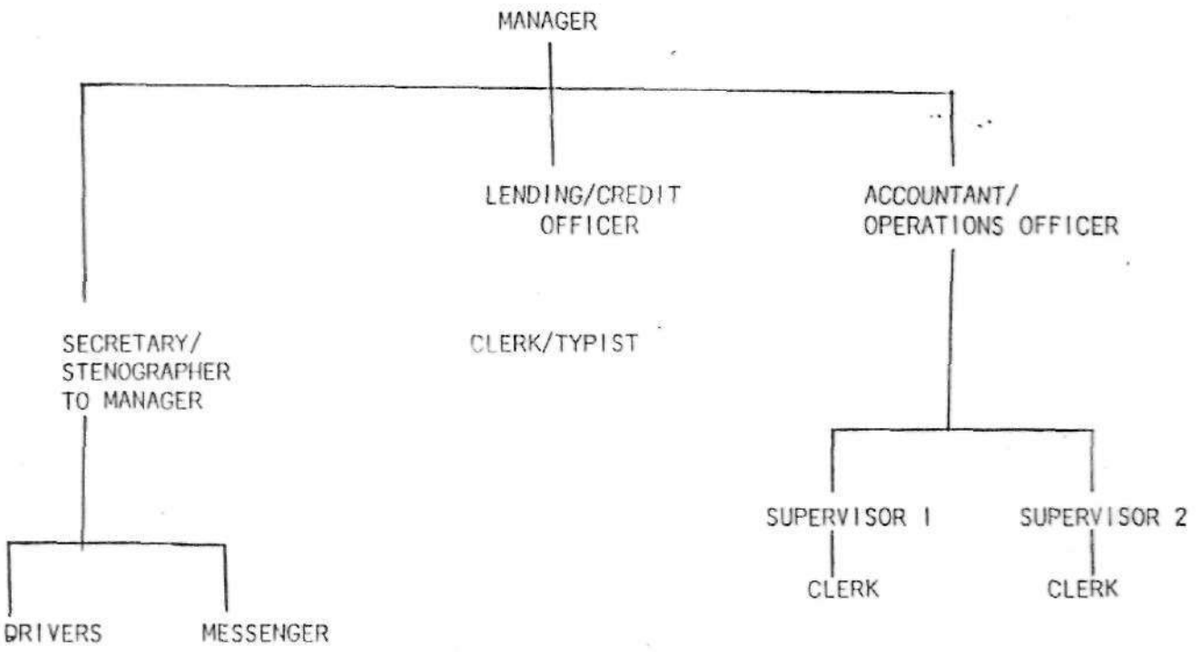
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ORGANISATIONAL STRUCTURE



APPENDIX II

ORGANISATION CHART - BRANCHES



APPENDIX III

PROPOSED HAPPY HOME SAVINGS & LOAN CO. LTD.

MANPOWER PROJECTIONS - YEAR 1 - 5

S/NO.	POSITIONS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
1	General Manager	1	1	1	1	1
2	Asst. General Manager	-	1	-	2	2
3	Manager Investment	1	1	1	1	1
4	Manager Audit	1	1	1	1	1
5	Manager Research Corporate Planning	1	1	1	1	1
6	Manager Loans & Credit	1	1	1	1	1
7	Manager Admin & Personnel	1	1	1	1	1
8	Manager Legal	1	1	1	1	1
9	Asst. Manager	0	1	1	1	1
10	Officers	2	5	8	10	10
11	Confidential Sec/ Stenographers	1	2	3	3	3
12	Supervisors	2	3	3	3	3
13	Clerks/Cashier/Typists	5	5	5	5	5
14	Messengers/Drivers	4	4	4	4	4
15	Gardeners/Cleaners/ NYSC	4	4	4	4	4
	Annual Staff Strength	25	32	37	39	39

APPENDIX IV

SHAREHOLDERS REGISTER AS AT 31ST OCTOBER, 1993.

	NAME	VALUE	PAYMENT (=N=)
1.	Maj. Gen. Sani Sami (Rtd.)	1,000,000	610,000
2.	Arc. Mohammed Dewu	1,000,000	418,500
3.	AVM. Usman Mu'azu	750,000	450,000
4.	Mallam Dahiru Mohammad	500,000	400,000
5.	Arc. Modibbo Siddiq	500,000	319,000
6.	Engr. A. A. Kure	750,000	522,000
7.	Alh. Ibrahim Aliyu	250,000	210,000
8.	Alh. Hassan Umar	750,000	310,000
9.	Alh. Ibrahim Usman	500,000	400,000
10.	Alh. Abubakar Halilu	500,000	400,000
11.	Engr. H. A. Tukur	500,000	422,000
12.	Alh. Bashir Tukur	500,000	400,0000
13.	Engr. Banabas Gemade	1,000,000	750,0000
14.	Alh. U. Sami	1,000,000	1,000,000
15.	Dr. I. O. Osamwonyi	250,000	80,000
			N6,701,500

SHAREHOLDER REGISTER AS AT DECEMBER, 1995.

S/N	NAMES OF SHAREHOLDERS	ALLOTTED ₦	AMOUNT PAID ₦	BALANCE ₦	PERCENTA-GE SHARE HOLD
1.	Maj. Gen. Sani Sami (Rtd.)	1,000,000	644,000	356,000	5%
2.	Arc. Mohammed Dewu	1,000,000	428,500	571,500	5%
3.	AVM Usaman Mu'azu (Rtd.)	1,500,000	720,000	780,000	7.5%
4.	Alhaji Usamn Sani Sami	2,000,000	1,500,000	500,000	10%
5.	Engr. Hamman A. Tukur	1,000,000	722,000	278,000	5%
6.	Mallam Dahiru Mohammed	500,000	400,000	100,000	2.5%
7.	Arc. Modibbo Siddiq	500,000	319,000	181,000	2.5%
8.	Engr. A. A. Kure	750,000	522,000	228,000	3.75%
9.	Alhaji Ibrahim Aliyu	250,000	210,000	40,000	1.75%
10.	Alhaji Hassan Umar	750,000	310,000	440,000	3.75%
11.	Engr. Ibrahim Usman	500,000	400,000	100,000	2.5%
12.	Alhaji Abubakar H. Girei	500,000	400,000	100,000	2.5%
13.	Alhaji Bashir Tukur	500,000	400,000	100,000	2.5%
14.	Engr. Banabas Gemade	1,000,000	750,000	250,000	5%
15.	Dr. I. O. Osamwonyi	250,000	80,000	170,000	1.75%
		12,000,000	**7,805,500**	**4,194,500**	**60%**

APPENDIX VI

REVOCATION OF OPERATING LICENCES
LIST OF PRIMARY MORTGAGE INSTITUTIONS

1. AGFC BUILDING SOCIETY LIMITED
2. AIDEASBANC SAVINGS AND LOANS LIMITED
3. ALPHA MORTGAGE FINANCE LIMITED
4. AREWA MORTGAGE COMPANY LIMITED
5. ARMOUR SAVINGS AND LOANS LIMITED
6. BANCROLL SAVINGS AND LOANS LIMITED
7. BROAD BASED MORTGAGE FINANCE LIMITED
8. BULLION BUILDING SOCIETY LIMITED
9. CAL MORTGAGE FINANCE LIMITED
10. CASHPOINT SAVINGS AND LOANS LIMITED
11. CEDARL TRUST SAVINGS AND LOANS LIMITED
12. CHARLESWORTH MORTGAGE FINANCE LIMITED
13. CLASSIC HOME SAVINGS AND LOANS LIMITED
14. CONTEMPORARY BUILDING SOCIETY LIMITED
15. CORPORATE TRUST MORTGAGE COMPANY LIMITED
16. COTTAGE BUILDING SOCIETY LIMITED
17. COUNTRYWIDE SAVINGS AND LOANS LIMITED
18. CREDIT UNION MORTGAGE COMPANY LIMITED
19. CROSSLAND SAVINGS AND LOANS LIMITED
20. DEVSERVE HOME SAVINGS AND LOANS LIMITED
21. DOMUS SAVINGS AND LOANS LIMITED
22. EMPIRE TRUST SAVINGS AND LOANS LIMITED
23. ETERNAL TRUST SAVINGS AND LOANS LIMITED
24. EVERGREEN MORTGAGE FINANCE LIMITED
25. EXALT SAVINGS AND LOANS LIMITED
26. EXPRESS BUILDING SOCIETY LIMITED
27. FAIRFAX SAVINGS AND LOANS LIMITED
28. FINANCIAL MORTGAGE SAVINGS AND LOANS LIMITED
29. FIRST MIDLAND MORTGAGE FINANCE LIMITED
30. FIRST OPTION SAVINGS AND LOANS LIMITED
31. FIRST UNION BUILDING SOCIETY LIMITED
32. FLASH MORTGAGE FINANCE LIMITED
33. FORTITUDE SAVINGS LOANS LIMITED
34. FORTUNE MORTGAGES LIMITED
35. FORUM SAVINGS AND LOANS LIMITED
36. FREEDOM MORTGAGE FINANCE LIMITED
37. FRONTLINE SAVINGS AND LOANS LIMITED
38. GALAXY SAVINGS AND LOANS LIMITED

39. GATEHOUSE FINANCE LIMITED
40. GENESIS SAVINGS AND LOANS LIMITED
41. GLOBAL DEVELOPMENT MORTGAGE FINANCE LIMITED
42. GREENFIELDS MORTGAGE FINANCE LIMITED
43. HABITAT SAVINGS AND LOANS LIMITED
44. HANOVER HOME LOANS AND SAVINGS LIMITED
45. HARMONY MORTGAGE FINANCE LIMITED
46. HENYAT SAVINGS AND LOANS LIMITED
47. HOME CHOICE AND MORTAGE COMPANY LIMITED
48. HOUSE LOANS AND MORTGAGE LIMITED
49. INDEPENDENT MORTGAGE LIMITED
50. INDRESS SAVINGS AND LOANS LIMITED
51. INNOVATIVE MORTGAGE LIMITED
52. INTEGRATED SAVINGS AND LOANS LIMITED
53. INTERCHASE SAVINGS AND LOANS LIMITED
54. INTRAWEST BUILDING SOCIETY LIMITED
55. KSL SAVIN-GS AND LOANS LIMITED
56. MAHOGANY BUILDING SOCIETY LIMITED
57. MAISON MORTGAGE FINANCE LIMITED
58. MIDAS SAVINGS AND LOANS LIMITED
59. MIDLAND BUILDING SOCIETY LIMITED
60. MONOPOLY SAVINGS AND LOANS LIMITED
61. MORGAN SAVINGS AND LOANS LIMITED
62. MULTIPLE SAVINS AND LOANS LIMITED
63. MORTGAGE CONCEPT SAVINGS AND LOANS LIMITED
64. NEGOTIABLE MORTGAGE FINANCE LIMITED
65. NEIGHBOURHOOD BUILDING SOCIETY
66. NEW FRONTIER MORTGAGE FINANCE LIMITED
67. OAK MORTGAGE FINANCE LIMITED
68. OLYMPIC SAVINGS AND LOANS LIMITED
69. OPENGATE MORTGAGE FINANCE LIMITED
70. OPTIMUS BUILDING SOCIETY LIMITED
71. ORIENTAL MORTGAGE FINANCE LIMITED
72. OXFORD SAVINGS AND LOANS LIMITED
73. PARAMOUNT MORTGAGE FINANCE LIMITED
74. PEGASUS BUILDING SOCIETY LIMITED
75. PICKLE SAVINGS AND LOANS LIMITED
76. PREMIUM TRUST BUILDING SOCIETY LIMITED
77. PRESTIGE BUILDING SOCIETY LIMITED.

78. PROMINENCE SAVINGS AND LOANS LIMITED
79. PYRAMID SAVINGS AND LOANS LIMITED
80. RADIANT MORTGAGE AND HOMES SAVINGS LIMITED
81. RAINBOW SAVINGS AND LOANS LIMITED
82. REGAL SAVINGS AND LOANS LIMITED
83. RESERVE MORTGAGE LIMITED
84. RIVLAND SAVINGS LOANS LIMITED
85. SAVE AND PROSPER SAVINGS AND LOANS LIMITED
86. SHELTER SAVINGS AND LOANS LIMITED
87. SIGMA SAVINGS AND LOANS LIMITED
88. SOLID MORTGAGE FINANCE LIMITED
89. SOVEREIGN SAVINGS AND LOANS LIMITED
90. TRANSNATIONAL BUILDING SOCIETY LIMITED
91. TRENDEX SAVINGS AND LOANS LIMITED
92. UPTOWN SAVINGS AND LOANS LIMITED
93. ULTIMATE MORTGAGE FINANCE LIMITED
94. VENTURA SAVINGS AND LOANS LIMITED
95. VINTAGE BUILDING SOCIETY LIMITED
96. WINGOLD SAVINGS AND LOANS LIMITED.
97. GIBRALTAR SAVINGS AND LOANS LIMITED

APPENDIX VII

FEDERAL MORTGAGE BANK OF NIGERIA

LIST OF PRIMARY MORTGAGE INSTITUTIONS (PMIs) ACCREDITED FOR ACCESSING NATIONAL HOUSING FUND (NHF) FACILITY

S/No.	List of Accredited PMIs for NHF Loan	Licence No.	Main Office Address
1.	**ABBEY BUILDING SOCIETY LIMITED.**	000026	19, Warehouse Road, Apapa, LAGOS. Lagos State.
2.	**ACCLAIM HOME SAVINGS AND LOANS LIMITED.**	000103	11B, Karimu Kotun Street, P.O. Box 73077, Victoria Island, LAGOS. Lagos State.
3.	**ACCORD SAVINGS AND LOANS LIMITED.**	000178	2, Aromire Avenue, Ikeja, LAGOS. Lagos State.
4.	**AKWA SAVINGS AND LOANS LIMITED.**	000304	42, Oron Road, P.M.B. 1108, UYO. Akwa Ibom State.
5.	**ALLWELL SAVINGS AND LOANS LIMITED.**	000253	90, Upper New Market Road, P.M.B. 1664, ONITSHA. Anambra State.
6.	**AMEX SAVINGS AND LOANS LIMITED.**	000219	10, Ogui Road, P.M.B. 01355, ENUGU. Enugu State.
7.	**AMICABLE BUILDING SOCIETY LIMITED.**	000274	45, Apongbon Street, P.M.B. 12792, LAGOS. Lagos State.
8.	**ANAMBRA HOME OWNERSHIP COMPANY LIMITED.**	000071	10, Achalla Road, P.M.B. 5919, AWKA. Anambra State.
9.	**ASO SAVINGS AND LOANS LIMITED.**	000310	8, Ogbomosho Street, P.M.B. 332, Area 8, Garki District, ABUJA. Federal Capital Territory.

LIST OF PRIMARY MORTGAGE INSTITUTIONS (PMIs) i
ACCREDITED FOR ACCESSING NATIONAL HOUSING FUND (NIIF) FACILITY

S/No.	List of Accredited PMIs for NI IF Loan	Licence No.	Main Office Address
10.	**ATIBA IYALAMU SAVINGS AND LOANS LIMITED.**	000305	10, Jcbba Road, Sango, G.P.O. Dox 5484, ILORIN. Kwara State.
11.	**BAICO BUILDING SOCIETY LIMITED.**	000286	12, Abibu-Oki Street, P.O. Box 3461, G.P.O. Marina, LAGOS. Lagos State.
12.	**BENIIOUSE BUILDING SOCIETY LIMITED.**	000314	Km. 4 Otukpo Road, P.M.B. 102122, MAKURD1. Bcnuc State.
13.	**CENTAGE SAVINGS AND LOANS LIMITED.**	000147	16, Opcbi Road, P.O. Box 9286, Ikcja, LAGOS. Lagos Stale.
14.	**COOP BUILDING SOCIETY LIMITED.**	000247	15, Seventh Day Advcntist Road, Okc-Bola, P.M.B. 5061, IBADAN.Oyo State.
15.	**COUNTY SAVINGS AND LOANS LIMITED.**	000079	94, Avvolowo Road, Ikoyi, LAGOS. Lagos State.
16.	**CREDENCE SAVINGS AND LOANS LIMITED.**	000276	Eleganza Plaza, Block 1, Opp. Old Alaba Market, Orile-Iganmu, Badagry Express Way, P.O. Box 554, Surulcre, LAGOS. Lagos State.
17.	**DALA BUILDING SOCIETY LIMITED.**	000313	1 Ministry of Works, Housing and Transport, Headquarters, Dan-Hausa Road, Nassarawa GRA., P.M.B. 3068, KANO. Kano State.
18.	**DELTA BUILDING SOCIETY COMPANY LIMITED.**	000316	126B,NncbisiRoad, ASABA. Delta State.

LIST OF PRIMARY MORTGAGE INSTITUTIONS (PMIs) ACCREDITED FOR ACCESSING NATIONAL HOUSING FUND (NHF) FACILITY

S/No.	List of Accredited PMIs for NHF Loan	Licence No.	Main Office Address
19.	**DOMINIUM BUILDING SOCIETY LIMITED.**	000149	58, Norman Williams Street, S.W. Ikoyi, LAGOS. Lagos State.
20.	**EIB BUILDING SOCIETY LIMITED**	000307	2, Rasaq Okoya Lane, (formerly Cow Lane), LAGOS. Lagos State.
21.	**ESTAPORT BUILDING SOCIETY LIMITED.**	000265	29, Association Avenue, Ilupeju, P.O. Box 2034, Mushin, LAGOS. Lagos State.
22.	**FEDERAL MORTGAGE FINANCE LIMITED.**	000278	Plot 700, Tafawa Balewa Way, Area 8, Garki District, P.M.B. 440, ABUJA. Federal Capital Territory.
23.	**FHA HOMES LIMITED.**	000315	FHA Housing Estate, 54-56, 34th Crescent, Gwarinpa II, ABUJA. Federal Capital Territory.
24.	**FINACORP BUILDING SOCIETY LIMITED.**	000273	14B, Anifowoshe Street, off Adeola Odeku Street, P.M.B. 80136, Victoria Island, LAGOS. Lagos State.
25.	**FIRST CAPITAL SAVINGS AND LOANS LIMITED.**	000201	37, Murtala Mohammed Way, P.M.B. 02707, JOS. Plateau State.
26.	**GUARDIAN TRUST SAVINGS AND LOANS LIMITED.**	000169	31, Ademola Street, S.W. Ikoyi, P.O. Box 71641, Victoria Island, LAGOS. Lagos State.
27.	**HARVARD TRUST SAVINGS AND LOANS LIMITED.**	000281	2, Red Cross Way, opposite Main Market, P.M.B. 01515, ENUGU. Enugu State.

LIST OF PRIMARY MORTGAGE INSTITUTIONS (PMIs) ACCREDITED FOR ACCESSING NATIONAL HOUSING FUND (NHF) FACILITY

S/No.	List of Accredited PMIs for NHF Loan	Licence No.	Main Office Address
28.	**HOPE BUILDING SOCIETY LIMITED.**	000229	Plot 879, Samuel Manuwa Street, Victoria Island, LAGOS. Lagos State.
29.	**HORIZON BUILDING SOCIETY LIMITED.**	000014	Plot 146, Lusaka Road, Zone 6, P.O. Box 8714, Wuse District, ABUJA. Federal Capital Territory.
30.	**KEBBI STATE HOME SAVINGS AND LOANS LIMITED.**	000306	Ahmadu Bello Way, P.M.B. 1110, BIRNI-KEBBI. Kebbi State.
31.	**LAGOON HOME SAVINGS AND LOANS LIMITED.**	000188	Plot 292A, Ajose Adeogun Street, P.M.B. 80100, Victoria Island, LAGOS. Lagos State.
32.	**LAGOS BUILDING INVESTMENT COMPANY LIMITED.**	000005	376, Herbert Macaulay Street, Yaba, P.O. Box 7525, LAGOS. Lagos State.
33.	**LIVINGSPRING SAVINGS AND LOANS LIMITED.**	000317	No. 23A, Ojegunle Street, Olankoro, along Ikirun Road, P.M.B. 4419, OSHOGBO. Osun State.
34.	**MAC-ARTHUR SAVINGS AND LOANS LIMITED.**	000216	17/23, Ogui Road, P.M.B. 01738, ENUGU. Enugu State.
35.	**MAGNET SAVINGS AND LOANS LIMITED.**	000236	22, Tijani Ashogbon Street, Bariga, P.O. Box 1389, Yaba, LAGOS. Lagos State.

LIST OF PRIMARY MORTGAGE INSTITUTIONS (PMIs) ACCREDITED FOR ACCESSING NATIONAL HOUSING FUND (NHF) FACILITY

S/No.	List of Accredited PMIs for NHF Loan	Licence No.	Main Office Address
36.	**MANSION SAVINGS AND LOANS LIMITED.**	000118	Plot 1632B, Oko-Awo Close, P.M.B. 80099, Victoria Island, LAGOS. Lagos State.
37.	**MAYFRESH SAVINGS AND LOANS LIMITED.**	000301	83, Aba-Owerri Road, ABA. Abia State.
38.	**MULTIBANC SAVINGS AND LOANS LIMITED.**	000256	Plot 290, Ajose Adeogun Street, P.O. Box 71095, Victoria Island, LAGOS. Lagos State.
39.	**NEW PATRIOT SAVINGS AND LOANS LIMITED.**	000048	Great Nigeria House (9th Floor), 47/57, Martins Street, P.O. Box 7662, G.P.O. Marina, LAGOS. Lagos State.
40.	**OASIS SAVINGS AND LOANS LIMITED.**	000233	298, Ikorodu Road, Anthony Village, P.M.B. 21203, Ikeja, LAGOS. Lagos State.
41.	**PERPETUAL SAVINGS AND LOANS LIMITED.**	000064	13, Ereko Street, (2nd Floor), P.O. Box 98, Satellite Town P.O., LAGOS. Lagos State.
42.	**PRIMROSE SAVINGS AND LOANS LIMITED.**	000243	18, Moloney Street, P.O. Box 9117, LAGOS. Lagos State.
43.	**ROYAL MORTGAGE SAVINGS AND LOANS LIMITED.**	000055	37, Effurum-Sapele Road, P.M.B. 101, Effurum P.O., WARRI. Delta State.
44.	**SAFETRUST SAVINGS AND LOANS LIMITED.**	000116	Safetrust Centre, 18, Keffi Street, S.W. Ikoyi, P.O. Box 54408, Ikoyi, LAGOS. Lagos State.

LIST OF PRIMARY MORTGAGE INSTITUTIONS (PMIs) ACCREDITED FOR ACCESSING NATIONAL HOUSING FUND (NHF) FACILITY

S/No.	List of Accredited PMIs for NHF Loan	Licence No.	Main Office Address
45.	**SAKKWATO SAVINGS AND LOANS LIMITED.**	000309	Sossco Building, 8, Kano Road, P.M.B. 2214, SOKOTO. Sokoto State.
46.	**STALLION HOME SAVINGS AND LOANS LIMITED.**	000020	2A, Akerele Street, Bosikona, off Ogunlana Drive, Surulere, P.O. Box 516, Ikeja, LAGOS. Lagos State.
47.	**SUPREME SAVINGS AND LOANS LIMITED.**	000163	A10, Falomo Shopping Centre, Awolowo Road, P.O. Box 52096, Falomo - Ikoyi, LAGOS. Lagos State.
48.	**TMC SAVINGS AND LOANS LIMITED.**	000013	Plot 287, Ajose Adeogun Street, Victoria Island, LAGOS. Lagos State.
49.	**TORCHMARK SAVINGS AND LOANS LIMITED.**	000176	36, Awolowo Road, P.O. Box 55090, Ikoyi, LAGOS. Lagos State.
50.	**UNION HOMES SAVINGS AND LOANS LIMITED.**	000288	Royal House, 153, Ikorodu Road, Onipanu, P.M.B. 041, Shomolu P.O., LAGOS. Lagos State.
51.	**UNION TRUST BUILDING SOCIETY LIMITED.**	000045	Plot 85B, Ajose Adeogun Street, P.O. Box 73483, Victoria Island, LAGOS. Lagos State.
52.	**URBAN SHELTER SAVINGS AND LOANS LIMITED.**	000130	17B, Oko-Awo Close, P.M.B. 80118, Victoria Island, LAGOS. Lagos State.

LIST OF PRIMARY MORTGAGE INSTITUTIONS (PMIs) ACCREDITED FOR ACCESSING NATIONAL HOUSING FUND (NHF) FACILITY

S/No.	List of Accredited PMIs for NHF Loan	Licence No.	Main Office Address
53.	**YANKARI SAVINGS AND LOANS LIMITED.**	000311	10, Yandoka Road, BAUCHI. Bauchi State.
54.	**MAGNA BUILDING SOCIETY LIMITED.**	000092	16, Boyle Street, Onikan, P.O. Box 54720, Falomo – Ikoyi, LAGOS. Lagos State.

LOANS AND ADVANCES DEPARTMENT, FMBN.

APPENDIX VIII

HAPPY HOME SAVINGS AND LOANS COMPANY LIMITED

BALANCE SHEET AS AT 31ST DECEMBER, 1993

	Notes	1993 N	1992 N (5 months)
ASSETS			
Cash and short term funds	1	2,240,151	2,899,684
Investments	2	5,240,000	857,520
Loans and advances	3	828,705	880,000
Other assets	4	740,843	883,136
Fixed assets	5	1,719,734	601,814
Total assets		10,769,433	6,122,154
Financed by:			
Liabilities			
Deposit and customers accounts	6	11,118,655	1,809,402
Other liabilities	7	99,972	87,816
		11,218,627	1,897,218
CAPITAL AND RESERVES			
- Paid up share capital	12	6,670,100	5,049,650
- Profit and loss account - (deficit)		(7,151,294)	(1,006,714)
- Deposit for shares		32,000	182,000
Capital funds		(449,194)	4,224,936
		10,769,433	6,122,154

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The notes on pages 12 and 15 form part of these accounts.

HAPPY HOME SAVINGS AND LOANS COMPANY LIMITED

BALANCE SHEET AS AT 31ST DECEMBER, 1994

	Notes	1994 N	1993 N
ASSETS			
Cash and short term funds	1	575,896	2,240,151
Investments	2	-	5,240,000
Loans and advances	3	271,775	828,705
Other assets	4	674,546	740,843
Fixed assets	5	960,717	1,719,734
Total assets		2,482,934	10,769,433
Liabilities			
Deposit and customers accounts	6	6,993,096	11,118,655
Other liabilities	7	1,990,139	99,972
		8,983,235	11,218,627
CAPITAL AND RESERVES			
- Paid up share capital	13	7,774,100	6,670,100
- Profit and loss account - (deficit)		(14,306,401)	(7,151,294)
- Deposit for shares		32,000	32,000
Shareholders' funds		(6,500,301)	(449,194)
		2,482,934	10,769,433

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The notes on pages 12 and 15 form part of these accounts.

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APPENDIX X

HAPPY HOME SAVINGS AND LOANS COMPANY LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 1993

	Notes	1993 N	1992 N (5 months)
GROSS EARNINGS	8	6,707,935	520,415
Interest paid to customers	9	(4,145,510)	(46,919)
		2,562,425	473,496
Overhead expenses		(3,367,005)	(1,480,210)
Provision for doubtful investments	10	(5,340,000)	-
(Loss) before taxation		(6,144,580)	(1,006,714)
Taxation	11	-	-
(Loss) after taxation		(6,144,580)	(1,006,714)
Loss brought forward		(1,006,714)	-
Losses carried forward		(7,151,294)	(1,006,714)

The notes on pages 12 to 15 form part of these accounts.

HAPPY HOME SAVINGS AND LOANS COMPANY LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 1994

	Notes	1994 N	1993 N
GROSS EARNINGS	8	519,217	6,707,935
Interest paid to customers	9	(1,936,858)	(4,145,510)
		(1,417,641)	2,562,425
Overhead expenses	10	(1,171,466)	(3,367,005)
Provision for doubtful investments	11	(4,240,000)	(5,340,000)
(Loss) before taxation		(6,829,107)	(6,144,580)
Taxation	12	(326,000)	-
(Loss) after taxation		(7,155,107)	(6,144,580)
Loss brought forward		(7,151,294)	(1,006,714)
Losses carried forward		(14,306,401)	(7,151,294)

The notes on pages 12 to 15 form part of these accounts.

BASHIM IBRAHIM LIBRARY

APPENDIX XII

HAPPY HOME SAVINGS AND LOANS COMPANY LIMITED

SALARY STRUCTURE AND EMPLOYMENT PLAN

A POSITION	B MIN. ENTRY POINT	C NUMBER DEC. 1991	D JAN/ JUN.92	E DEC.92 JUN.93	F BASIC SCALE	SALARY (₦) G 1	H 2	I 3	J 4	K 5	L 6	M 7
G.M		1	1	1	M2							
A.G.M		-	-	-	M1	32,052	33,492	34,932	36,372	37,812	39,252	40,69
SNR. MGR		-	-	*	S6	26,760	27,960	29,160	30,360	31,560	32,760	33,96
MGR		-	*	*	S5	20,280	21,360	22,440	23,520	24,600	25,680	26,76
DEP. MGR.	PH.D	-	3	3	S4	15,600	16,560	17,520	18,480	19,440	20,400	21,36
ASST. MGR.		1	3	3	S3	12,480	13,320	14,160	15,000	15,840	16,680	17,52
OFFICER/SUPERVISOR 1	M.SC	1	2	3	S2	7,800	8,520	9,240	9,960	10,680	11,400	12,12
OFFICER/SUP II/SEC.	HND/BSC	2	5	8	S1	6,240	6,840	7,440	8,040	8,640	9,240	9,84
CASHIER/INFOR. STAFF	OND	-	1	2	J4	3,744	4,104	4,464	4,824	5,184	5,544	5,90
TYPIST/CLERK		1	3	4	J3	2,496	2,796	3,096	3,396	3,696	3,996	4,29
DRIVER		1	2	3	J2	1,560	1,824	2,088	2,352	2,616	2,880	3,14
CLEANER		-	-	-	J1	1,248	1,476	1,704	1,932	2,160	2,388	2,61

KEY
M = Management * = Management promotion
S = Senior Staff
J = Junior Staff

NOTE:
(1) Management at commencement will include unit heads until departments evolve.
(2) Typist: J3 step 3; clerk J3 step 1
(3) Clerk/messenger will take care of cleaning
(4) Minimum entry point for a PHD holder is Dep MGR.

Minimum entry point for a an M.SC - Officer I

Minimum entry point for a B.SC/HND - Officer II

Minimum entry for an OND - J4.

N 8	O 9	P 10	q INCREMENTAL RATE	R HOUSING	S LUNCH	T OTHERS	TOTAL UNIT G + R + S + T.
-	-	-	2,880	-	12,000	-	-
	-	-	1,440	60,000	10,000	20,000	122,052
35,160	-	-	1,200	48,000	10,000	18,200	102,960
27,840	-	-	1,080	34,632	8,000	15,088	70,000
22,320	-	-	960	26,640	6,000	11,760	60,000
18,360	-	-	840	21,312	6,000	8,208	48,000
12,840	-	-	720	13,320	3,000	5,880	30,000
10,440	-	-	600	10,656	3,000	4,104	24,000
6,264	6,624	6,984	360	6,360	1,200	3,096	14,400
4,596	4,896	5,196	300	4,260	1,200	1,644	9,600
3,408	3,672	3,936	264	2,664	600	1,176	6,000
2,844	3,072	3,300	228	2,100	600	852	4,800