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**EFFECT OF FORMAL LAND TITLING AND CREDIT
ACCESSIBILITY IN IKOM LOCAL GOVERNMENT
AREA, CROSS RIVER STATE, NIGERIA.**

BY:

BASSEY, MATHIAS OMINI

**DEPARTMENT OF ESTATE MANAGEMENT, SCHOOL OF
ENVIRONMENTAL STUDIES, NOGAK POLYTECHNIC,
IKOM, CROSS RIVER STATE, NIGERIA.**

+234 8069 373 246

ABSTRACT

Land registration and titling has assumed popularity around the developing countries in recent times. The argument that land titling enhances access to credit is often the underlying factor for the implementation of land registration programs. The main aim of this study is to establish whether secure or formal land title enhance access to credit. The study reveals that formal (registration) land titling are use as collateral to access credit in most developing countries and default titles have little or no impact on credit accessibility in commercial banks and microfinance banks unless savings association that accept that default titles as collateral to access

credit base on friendship basis (man know man) in Ikom, Nigeria. The methodology applied for this study is based empirical data collection through review of related literature band through direct interview with banks officials, professionals in Cross River State Ministry of Lands and Urban Development (CRSMLUD), Cross River Geographical Information Agency (CRGIA), Cross River Property Development and Investment Limited (CROSPIL). The study also reveals that land registration and titling enhances security of tenure.

Keywords; land titling and Credit accessibility.

INTRODUCTION

Poverty is a major problem in developing countries, especially in Sub Sahara Africa and this has become the focus of different development strategies in many countries of developing world. Poverty reduction is a priority objective in the national development strategies of any country. The land policy of any country should be focus on how land should enhance poverty reduction. In Tanzania, the national land policy and Tanzania development visions 2025 recognize the critical importance of land in poverty reduction, Sanga (2009). For any economic activities of any nation, finance is the bed rock to drive the economic. Real estate development requires huge capital out-lay, this is explained by McMullan (1989) that real estate projects generally requires sizable amount of money, often beyond the resource of the individual or firm undertaking the project, often beyond the resource of the individual or firm undertaking the project or investment. Barlowe (1978) in Eze (2014) corroborated this assertion by posting that credit is the live wire of real estate investment. Hence, the need to use other people's money (external borrowing) to finance real estate project cannot be over stress.

It makes sense to think that the lack of an adequate document validating property rights in land is a barrier to credit access and programs that provide people with title to their land will, therefore, lend to an expansion of credit access, USAID (2007). This is true especially in the developed countries like the U.S, where banks require registered title in order to

complete a loan transaction. This is in accordance in Ikom, Cross River State where banks require only registered title for loan transaction. The effects of tenure and titling are hypothesized to be multiple and extensive for developing countries, including increase access to credit (Carly K. and John Pender 2007). Theories or studies have shown that land titling provides greater land security, meaning ownership is protected and unchallenged. This enables land owners to use their land as collateral, since borrowers can prove free and clear ownership and lenders are easily able to recuperate the land in the case of default. These advantages of formal land title are hypothesized to lead to numerous advantages that contributes to increased economic development, including increased access to and use of formal credit secured by land mortgages (De Soto, 2000 in Carly K. & John Perdr 2009). Whilst, Lignto, (2007) in Daniel and Raymond (2010) observed that the possession of registered land title is a precondition for access to formal credit. Land title (registered) is seen as the way forward in securing right over property (land), and this can bring about enhancement in access to credit and reduction in collateral shortage or problem. This work is focus on the impact of formal land access to credit.

REVIEW OF RELATED LITERATURE

Loan contracts are not only characterized by their interest rate, but also as emphasized by Baltensperger (1976) in field (2004) by non-price element including collateral requirements. Poor borrowers are frequently denied access to loans because they lack adequate collateral to offer the lender as a warranty for their loans and because of high cost of monitoring and processing relative to the magnitude of loans requested (Hoff and Stiglitz, 1990 in field, 2004). In views of this, the researcher collaborate that, the poor borrowers are denied access to loans not only because of the above, but because of the poor value of their land and imperfect nature of their title. The link between land title and access to credit is provided by Basley (1995) and Feder (1985)/ they argued that formal properties or land title encourage lenders to use land as collateral by lowering the risk of collateral loss, the information cost involved in verifying ownership and the

foreclosure cost under default, thereby reducing the effective leverage ratio and increasing the net collateral value of land.

To obtain or have access to credit, the paramount source is through collateral. The gain of title formalization with regards to land or property lie in the collateral value of land. Access to credit facility is generally seen as a critical factor in encouraging investment in the land itself or any other business and the ability to offer land as collateral is critical for access to credit (Eze 2014). In addition, land titles may have value in loan transaction other than their use as collateral for securitizing debts. This is because property owners may be offered more credit even when no collateral is provided on account of title households, and land title may influence other borrower characteristics that determine credit worthiness, most notably employment (field, 2014). Some researchers has contrary views, Carter and Obinto (2003) collateral. This also agreed with the findings of Udoekanem (2010) who argued, that Nigeria commercial banks prefer the use of salary as collateral to advance short term loan than using land title as collateral. For loan or credit to be access, through the use of title as collateral, the character of the property involve must be considered (Campbell, 2014).

The development of Robust Mortgage system helped to developed countries in accessing credit facilities as mortgage is freely executes (De soto, 2008 in Eze, 2014). This is not same in developing countries where Mortgage is still at the developing level with difficulties in execution. Ukoeanem, (2010) in Eze, (2014) found out that in Nigeria, the Mortgage industries id under developed and produced less than 100,000 transactions between 1960 and 2009. According to central bank of Nigeria the sector's aggregate loans to total assets fall far below the best practices standard of at least 70%.

Mortgage to loanable funds for the five years ending 2009 averaged a decimal 14.51% the total mortgage market was put at a mere ₦127.5 billion (Walley, 2009 in enhancing financial innovation, Access and Finmark Trust 2010 in Eze, 2014). The mortgage finance contribution to the Nigeria Gross Domestic Product (GDP) is close to negligible with real estate contribution less than 5% and mortgage loans and advances at 0.5% in

Hong Kong and 33% in Malaysia (World Bank, 2008 in Eze 2014). This assertion explains why economic recession was heavily felt in the developing economic during the global economy was at a very low level.

LAND POLICY

Land policy addresses structural issues that will protect land tenure security, land rights and established a regulatory frame work to prevent undesirable externalities (Deinmgar, 2003 in Sangan 2009). UN-ECE, (1996) guide lines "land policy consist of a whole complex of social-economic and legal prescriptions that dictates how the land benefits from the are to be allocated". As such land management becomes a fundamental requirement for controlling and monitoring this economic good and to ensure the sustainability development. In general the land policy is a guide line to use land for economic development, equity and social justice environment preservation and sustain within its boundaries, economic development preservation within the wider world, unless it has a land right policy that promotes internal confidence between its people, its commercial enterprise, and its government (UN-ECE, 2005 in Sanga, 2009). In view of this work, the element of land policy to be reflect include land administration, land tenure security and access to the land.

LAND ADMINISTRATION SYSTEMS

Land administration system comprises of legal administration and organizational frame work and infrastructure (Lamba, 2005 in Sanga, 2009). "These system are concerned with the administration of land as a natural resource to ensure it sustainable use and development and are such concerned with the social, legal economic and technical framework within which land managers and administrators must operate" (UN-ECE, 1996). Land administration system through land titling or registration of rights in land enhance land tenure security and provides land transfer and procedures. In the world of Palmer (1998) in Sanga (2009) LAS provide confidence that property rights will be easy to identify and verify, that right will be protected against unlawful actions, and that results of legal actions will be easy to predict. The researcher agrees with Palmer because a good

land administration system will make available information about a piece of land used as collateral, and this will enhance mortgage transaction between title verification is easy through L A S.

LAND TENURE SECURITY

This exist when an individual sense that he or she has right over a piece of land on an unending basis, without the interruption of other people and being capable of benefiting the labour and capital invested in it, upon use or transfer. Security in land had direct psychological, social and economic benefit (Sanga, 2009). Dale and McLaughlin (1988) in Sanga (2009), opined that the benefits of tenure security are clear in the following situations; when people are private owners and secure in their rights, free from fear of dispossession and secured in their expectations of being able to sell their properties, then they are willing to invest in their properties and can convince lenders to provide capital to make investment. On the other hand, lending institution can be ensured in security of the collateral. No investment in land or property is save unless the right or title of ownership of the land is stable and secure in both law and practice (Sanga, 2009).

ACCESS TO LAND

This can be seen as the means by which people can acquire a number of rights on land like use rights, control rights, permit or exclude use by others; transfer right etc. access to land for the rural poor is often based on customs (FAD, 2002 in Sanga, 2009). The benefits of giving access to land for a landless household is effective in helping rural households generate higher income, however, many poor rural household are unable to gain access to land (de Janvry et al, 2007 in Sanga, 2009) this distorted distribution of and access to land is said to limit the ability of decentralized market to put land to its best use and hence shrink economic opportunities among the disadvantages groups (Deininger, 2005). If land is not made available or accessible by the populace, transaction in and land serving as collateral to access credit would be left in the hand of the rich, which will render the poor more poorer and the rich more richer in the developing countries.

LAND TITLING AND RREGISTRATION

Land registration implemented through titling is defined as the process of recording legally recognized (ownership and fro use) in land (Dale and Mclaughlin, 2000; UN-ECE, 2005).

De soto (2000) opined that much of the population of developing countries lack access to credit, not because they lack the access, but because ownership of their property is informally secured (not registered), which prevent the use of land property as collateral. Land registration is there to serve for the purpose to provide the means for recognizing and formulizing land rights, and for regulating the character and transfer to other people these rights (Dale and Mclaughlin, 2000 in Sango, 2009).

Land registration adds value to those possessing these registered rights and can be certain that their rights will be valid as long as they are not revoked in a legal and comprehensive way (Vander Molen, 2002)

Land registration adds value to those processing these registered rights and can be certain that their rights will be valid as long as they are not revolved in a legal and comprehensive way (Vander Molen, 2002). However, the major role of land registration is to enhance a safe and certain bedrock for the acquisition, enjoyment and sales of rights in land. It also provides security of title to land and facilities and support the wider land and mortgage markets. According to UN-ECE, 2005, the process of land registration should provide order and stability in society by creating security not only for land owners and their partners but also for National and International investors and money lenders, for traders and dealers, and the Government. Some researcher argue that land registration does not increase tenure security, but fighting poverty and empowering the poor are major objectives of many land registration projects around the world (Sanga, 2009). Land registration is linked to financial development via two channels: the role played in enabling land to become a collateral assert which enhances financial development by expanding the market base for loans and by reducing financial intermediation lost; and the role in unlocking land resource potential and making them available for mobilization by the financial intermediation. Also, Kaakunga and Ndaliko

Kule, 2016 in (Sanga, 2009) observed that the ability to use land as collateral in formal credit market is the benefit that is more significant where formal title assist and land transaction are feasible.

ACCESS TO CREDIT IN RELATION TO LAND TITLING

The researcher collaborate that, the poor borrowers are denied access to loans not only because they lack adequate collateral to offer, but because of the poor value of their land and imperfect nature of their title. The use of land titles as collateral in accessing credit is widely used by Government and International organization proponents of land titling to persuade people register their land and that land registration is an essential foundation for economic growth (Sanga, 2009). Credit enables a person to extern his control as distinct from his ownership of resources. The money obtained through credit provides a command over resources and then remove the financial constraint, if it was present prior to receipt of its (Weerawan 1994 in Sanga, 2009). Developing countries are being blamed for not capitalizing land, to them land is a 'dead' capital (Sanga, 2009). This implied that, in the developing countries especially Sub Saharra Africa, they lack the way of representing their properties and create capital, because they possesses unregistered or defective titles. However, having a good and registered title is a precondition necessary for accessing credit by using land as collateral to lenders. Because of immoveable nature of land and its economic value, it is a good collateral asset. For land to serve as collateral, the lender (financial institutions) must be assured that the borrower is indeed the owner, and thus a secure title is needed (Feder and Feeny, 1991; Feder and Nishio 1998 in Sanga, 2009). This is because, in default of the loan repayment the property will be transferred to the lender.

Land registration increases tenure security and relate this security to economy theory and that secure tenure does the following:

Promotes greater incentives for land holders to invest on land thereby increase the availability of credit.

Increases land transaction and facilitate transfer of land from less efficient to more efficient uses by increasing the certainty of contract and lowering enforcement costs.

Reduce economic cost of dealing with land dispute as the documented evidence can easily be produced.

Raises productivity through increased agricultural investment. Barnes (2003), Feder and Nishio (1998), Roth et al-(1994), Barrowu and Roth (1990) and Sanga (2009) agrees with the above. Henssen (1990), collaborated that, the supply of credit, especially from institutional or formal resources (e.g Banks), depends usually on borrower's ability to provide documented evidence of ownership and that demerit of not having ownership evidence is that conveyancing can be expensive, unsafe and takes a long time.

FINANCIAL INSTITUTIONS (LENDERS)

The absent of financial institutions in an economy, this will render that economy is dead. Also financial institution plays a major role in making available credit to the investors through the use of land as collateral. Ante et al. (2003) in Sanga, (2009) opined that the benefit derived from the opportunity to use land as collateral, largely depends on the existence of financial institutions that are willing and able to make credit available for the type of investment farmers would like to make. The government of each country especially Sub Saharra Africa should embark on developed financial institution reforms as a component or medium in the overall technique to revamp the economy of the developing countries and create an enabling and effective financial system that would encourage mortgage transaction among the poor and the rich who own secure title to their properties. In Nigeria, the Bank of Industry (BOI), Bank of Agriculture (BOA), Commercial Banks, Micro Finance Banks and Savings Associations should be encouraged to support access to credit through secure titles.

METHODOLOGY

This work is carried out base on empirical data collection via review of related literature and through direct interview with some financial institutions (Banks) officials and Officials of Cross River State Ministry of

Land and Urban Development and Cross River Geographical Information Agency (CRGIA). The review of the related literature emphasized on the effect of land title and access to credit. It was revealed that there is a significant relationship between land title (secure) and access to credit in developing countries and default title cannot access credit. The review of the related literature has been completed based on different sources, through specific searches in the scientific library data base, the use of the internet, school library. Searches took place in the field through direct interview with professionals as stated above. Also the theoretical part of the search is based on the Fridays in Sanga (2009), Domeher and Abdulai (2010), Cambell (2014), field (2004) and petracco & pender (2009).

CONCLUSION.

In conclusion, it is observed that land titling and registration enhances tenure security, protects vulnerable groups and increases social status within community (Sanga, 2009). The findings indicate that collateral is mostly necessary in granting access to credit of any magnitude, and that without collateral to offer most people or investor are deprived access to credit. On the issue of register or not registered title is required to make land an acceptable collateral asset as argued by some in the literature, in Ikom Local Government of Cross River State, Nigeria, both commercial banks and Microfinance banks only accept registered or secured title as collateral to access credit (loans). Savings Associations accept registered title mostly and unregistered are accepted based on closely or friendship. The bottom line of the argument is that land titling (secure) enhances access to credits and default titles have little or no effect on access to credit. As such government should develop a registration process that will enhance or encourage default title owners to register their title for every accessibility of credit. This will bring reduction in the poverty level, enhance investment and promote economic growth of the nation.

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