

HOUSING ENVIRONMENT IN ENUGU METROPOLIS UNDER INFLATION PRESSURES IN NIGERIA

Emodi, Edmund Emeka

*Centre for Environmental Management and Control
University of Nigeria, Enugu Campus
Email: emekaemodi,645@gmail.com
Mobile: +234-806-847-7323*

Abstract

Inflation, as a socio-economic phenomenon, is a serious issue in development in developing countries, like Nigeria, because high inflation rate exerts pressures on domestic macroeconomic conditions, with the potential to derail the economy from the path of sustainable growth and development. This review study analyses the impact of inflation on the housing environment in Enugu, Nigeria. Results show that the Nigerian economy has been turbulently impacted by double-digit inflation rates. The impact reflects in the decline in gross domestic product, which invariably affects housing environment. It recommends pro-active steps by way of provision of housing units, among other measures, to minimise the pressures of inflation on housing environment.

Introduction

Inflation is a serious development issue not taken lightly by policy makers and analysts. In a developing country, like Nigeria, characterized by significant development imbalances and uncertainties, inflation has received much attention in recent times.

Its importance is premised on the assertion that high inflation rates can exert pressures on domestic macroeconomic conditions, with the potential to derail the economy from the path of sustainable growth and development (CBN, 2007). This invariably impacts on the housing environment.

Before the crude oil era in Nigeria, inflation rate had been very much negligible. However, with the booming era of crude oil in the early and middle 1970s, inflation rates have risen significantly, affecting many development parameters, including housing environment, in Nigerian society. This review study set out to examine the impact of inflation in Nigeria on housing environment in Enugu metropolis.

Inflation and the economy

In Nigeria, before the discovery of crude oil and its boom, agriculture had been the mainstay of the economy. The country had derived her foreign exchange mainly from the exportation of agricultural produce, like palm produce from eastern part of the country, cocoa from the west and cotton and groundnut from the north. Proper marketing of these products was factored into the economic planning. Commodity boards were established thus, Nigerian Palm Produce Board with its headquarters at Calabar for the east, Cocoa Board at Ibadan for the West and Cotton Board for the North. Research Institutes were also established to oversee the improvement of the agricultural produce. They include the Nigerian Institute for Oil Palm Research, Benin and Cocoa Research Institute of Nigeria, Ibadan (Emodi, 2005).

However, as the nation entered the oil boom era from the early 1970s, a lot of income started accruing from the oil sector, surpassing the income generated from agriculture. These incomes were used mainly to develop urban areas in the country. With increasing access to money by more Nigerians, people started living frivolously. Coupled with improved life/health facilities,

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there was a rapid increase in the population in Nigeria from less than 56 million people in 1963 to more than 100 million in 1990s (NPC, 1963, 1991).

With increasing opportunities created in urban areas, many youths who were formerly engaged in agricultural activities in rural areas, drifted to the cities for white collar jobs, abandoning agriculture in the hands of old men and women in rural areas. This trend increased drastically the population growth in urban areas in Nigeria. According to the 1991 census, 42% of the country's population was living in urban areas, as against 7.8% in 1921 and 19.23 in 1963 (Obienusi, 1998). These urban areas exerted considerable pull, such that even though formal employment tended to be difficult with the introduction of Structural Adjustment Programme (SAP) in 1986, the unskilled migrants could participate in the informal sector in what has been termed the "bazaar economy" (Muoghalu, 1996) and cheap labour supplies. This gave rise to what could be referred to as a premature tertiarisation of an undeveloped economy.

The growth in population and rising urban income raised through a chain reaction mechanism the prices of agricultural goods, the general price level and eventually workers' salaries in the country. There was a rise in the demand for agricultural goods, following the growth in population. Since the demand was not met with adequate supply of these products, prices of these goods started to rise, moreso as both the federal and various State governments had abandoned agriculture for the crude oil revenue. Commodity Boards were scrapped, related research institutes were neglected, irrigation projects languished and mechanized form of agriculture was not encouraged. All these led to poor agricultural productivity and rapid increase in prices of agricultural products.

To prevent the continuous rise in prices of agricultural products especially food, Shagari's administration (1979-1983) embarked on importation of food items, like rice through a

presidential task force. This entailed expending the scarce foreign exchange. Consequently, price level rose generally in the economy, as other items beside agricultural goods became affected. For example, prices of building materials went exorbitantly high.

Furthermore, the total neglect on agricultural sector led to dwindling exchange earnings from that sector. Coupled with drop in oil revenue, among other factors, the country adopted the policy of industrialization based on import substitution, which actually necessitated the use of protective measures. This again raised the prices of industrial products in the non-agricultural sector, thereby leading to further rise in prices.

Determinants and pressures of inflation on the economy

The trends in the growth of money supply and inflation in Nigeria tend to support the general view that inflation is largely a monetary phenomenon. Studies by the Central Bank of Nigeria for the period 1960-1994 confirmed that growth in money supply is the major determinant of inflation in Nigeria. In the period of high monetary growth (1988, 1990, 1992, 1994), inflation surged accordingly, though with some lag. As the increase in narrow money rose from 4.1% in 1986 to 43.6% in 1988, the inflation rate increased from 5.4% to 38.3% during the same period. Similarly, when the money supply growth increased substantially from 32.6% in 1991 to 54.4% in 1993, inflation accelerated also from 13.0% in 1991 to 57.2% in 1993 (Ogwuma, 1996).

With the decline in monetary growth in 1994, the inflation rate, which peaked at 72.8% in 1995 had declined significantly to about 50% by June 1996. Although there is a strong link between increases in the money supply and inflation, other factors, such as utilization rate, rainfall and exchange rate movement, do influence inflation pressures.

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Inflationary developments have obviously had some negative consequences on the economy. For instance, when inflation increased from 7.4% in 1990 to 57.2% in 1993, the growth in economic activities, as reflected in the movement of the gross domestic product, declined from 8.3% to 22.3%. This goes to confirm the emerging consensus that high inflation tends to engender low economic growth ultimately. By reducing the consumer purchasing power, inflation leads to a fall in the growth of aggregate demand. This could lead to increase in business inventories and further reduction in production. On the supply side, inflation increases the cost of the factors of production and leads to uncertainty in planning. These factors constrain investment which is critical to economic growth. Lack of economic growth on the other hand inhibits a nation's ability to wholesomely tackle certain environmental issues, which may require huge financial involvement for appreciable impact to be made.

Inflation and housing environment in Enugu metropolis

Just as inflation has affected many other sectors, housing environment has drastically been adversely affected in Enugu metropolis. This could be seen in the availability and affordability of housing units in the area, generation and management of solid wastes, use of the available amenities/facilities, as well as the influence on the neighbourhood.

The human population has been on the increase within the metropolis in the last few decades as a result of rapid urbanization and subsequent influx of people. In 1953, the population was 63,000. This rose to 482,977 in 1991 and by 2006, the population was put at 722,664 (NPC, 2006). On the other hand, the number of housing units in the same area has not proportionately increased. The 2006 population and housing census showed that the total

number of housing units in the area was 169,422 (NPC/CENSUS, 2006). This is indeed, a far cry from what is required to meet the demands of the growing population in the metropolis. New buildings are not coming up fast because the costs of building materials are extremely high as a result of inflation in the country. Many people, both the owner-occupier and the landlord, cannot afford these prices.

As a result of the increase in the demand and decreases in the supply of housing units in the area, rental values of these units have gone so high that some people cannot afford to pay such rents any more. Some former inhabitants of the high density areas of Abakpa, Coal camp and others have vacated the units they previously occupied and found their ways to some of the shanties around the metropolis, like Ugwu Alfred and Ugwu Aaron. Most of these shanties are located in the hilly undulating terrain. As the natural covers of these terrains are removed to erect shanties, the areas are left bare. Whenever it rains, the situation encourages run-off down the base of the hilly terrain, bringing about flooding within the metropolis.

In the areas of public infrastructures and amenities, the governments have not been able to meet the demand because of high costs involved – no thanks to high and unabating inflation rates in the country. For instance, electric power generation increased from 1772.9 mw/hr in 1994 to 2763.6 mw/hr in 2004, amounting to a 55 % increase, compared to increase in consumption by 70.6% within the same period (CBN, 2004). Besides, the annual loss in the economy due to bad roads in Nigeria has been put at N133.8 billion (MAN, 2004). Hence, as a result of inflation in the country, facilities and amenities meant to service certain areas have been in short supply, and the available ones are being overstretched. The situation in Uwani - a medium density area is a case at hand. Most of the tenants, who could not afford the high rents demanded by their landlords in Independence

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Layout for the detached houses they occupied have resorted to looking for flats in the medium density areas of Uwani, where the rents are indeed lower. Hence, the area is being over populated, and the teaming population is still being serviced by the facilities put in place for the medium density population. Consequently, some of these facilities and amenities are being used beyond their carrying capacities, bringing about failures of these facilities in many cases and making the environment not conducive for human habitation.

Again, as inflation bites harder, the inhabitants of the metropolis, particularly the low classed, find it difficult to make both ends meet. They tend to make do with accommodation at the periphery of the city at cheaper rates, thereby deforesting the more the surroundings of the metropolis. Meanwhile, Agbazue et al (2010) observed that because plants absorb considerable amount of solar radiation and release water vapour through transpiration, forests moderate temperature and help to maintain even climate. Forests are also involved in the maintenance of hydrological cycle to bring about ideal climatic conditions. It is also generally understood that plants absorb carbon dioxide for photoxynthesis and give out oxygen needed by man for the process of respiration. Thus, as the excessive carbon dioxide within the environment is naturally removed and the oxygen needed by man is released by plants, good climatic conditions for both man and other living organisms are maintained. However, Nwafor (2006) noted that Nigeria, like the rest of the entire counties of Africa, is considered highly vulnerable to climate change. Therefore, appreciable deforestation of the surrounding forested land around the metropolis tend to induce global warming, which invariably leads to climate change.

Though Cunningham and Cunningham (2005) asserted that waste is everyone's business, it is becoming increasingly difficult for solid wastes to be given due attention within Enugu metropolis.

Over the years, the amount of solid waste has grown steadily because of growing population and changing life style (Wright and Nebel, 2002).

In Enugu, the numerous and interlinked causes of urban solid waste management problems and the attendant economic social and health costs as well as environmental and aesthetic costs are the inertia factor, the demographic factors, institutional factors as well as absence of public participation (Nwafor, 2008). Until the last few months Enugu metropolis was facing serious environmental problems of catastrophic proportions due to the astronomical increase in the volume and increasing diversity of solid waste generated within the metropolis. The solid waste management crises are amply demonstrated by the insalubrious conditions in Enugu metropolis and the drastic decline in the quality of the urban environment and aesthetics (Emodi, 2012).

In high density areas of the metropolis, it could be observed that, as a result of inflation, which has escalated the rental values of the housing units, many families that used to occupy flats have condescended to single tenement houses. Hence, a family of five or more could be seen occupying a room because the family cannot afford to pay the high rent for a flat. Furthermore, it was also observed that many families, which hitherto used to occupy flats alone, now go into sharing flats with neighbours. Hence, a block of six flats meant to be occupied by six families are now being shared by more than six families. The result is that waste generation is greater than what has been anticipated and provided for by the State Waste Management Authority. Hence, different areas within this vicinity are seen littered with a lot of household generated wastes unattended to. This, among other things, tend to pollute the air in the area through the offensive odour emitted by theses wastes.

Recommendations

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The following recommendations will help in proffering solutions to the present situation:

- In the case of residential property, occupation should be regarded as a need, which will not usually serve as a profit making venture. Consequently, both the federal and state governments should embark on realistic housing projects to provide residential accommodation to the generality of the people.
- The federal government should provide conducive environment for banks to conveniently grant long-term loan facilities to property developers. By so doing, private investors will be encouraged to participate in the business of property development to make more houses available in the market and force down rents.
- The government should be realistic in the implementation of the Land Use Act, as it concerns acquisition and allocation of land. Land acquired should be allotted to willing residential developers and not on basis of political leanings.
- The government should grant tax relief on residential property in order to further attract private investors.
- Both federal and state governments should encourage indigenous building materials industries to go into full production and optimal capacity utilisation, thereby lowering the costs involved in importing these materials. As overall cost is lowered, building materials will become available at cheaper prices. Thus, more developers will come into the business and more accommodations will be made available possibly at lower rate.
- Federal and state governments should be sincere in their housing programmes. Houses built should be allotted to people, who are really in need of accommodation and not

to political associates, who in turn see it as money making venture by placing high prices on the buildings. If buildings erected by government are allotted to genuine people in need of accommodation, it will go a long way towards alleviating pressures on few available private investments.

- Having created conducive atmosphere for private developers to be fully involved, the government can then come up with realistic statutory rent control measures, which will determine the maximum amount of rent that may be charged at a particular time for a given property.

Conclusion

Inflation in the country has brought about incessant increases in the values of residential housing units in Enugu metropolis. This has created worries in the minds of many inhabitants, some of whom have taken refuge at the periphery of the metropolis, defacing the entire environmental structure. It is become imperative take adequate steps to embark on proactive measures to reverse the ugly trend.

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