FRAMEWORK OF PROPERTY RATING PRACTICE FOR FINANCING NEIGHBOURHOOD FACILITIES PROVISION IN NIGERIA

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A thesis submitted in fulfillment of the requirements for the award of the Doctor of Philosophy in Real Estate and Facilities Management

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DEDICATION

This thesis is dedicated to my aging parents for their prayers despite the lingering illness; and my family (my wife: Zahra, my first son Ahmad [Nabil], and the twin babies Musa [Amir] and Halima [Amira] for their company throughout the period of the studies in Malaysia).
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I convey my gratitude to Dr. Aliyu Ahmad Aliyu of ATBU, Nigeria for his inexorable concern and assistance; my gratitude to Dr. Abubakar Ahmad Aliyu of BUK, Nigeria; Professor Adamu I. Tanko of BUK, Nigeria. I am also grateful to Alhaji Muhammadu Alkali CON (The Chief Imam of Potiskum Central Mosque) and Alhaji Garba Daya FPAN (The Galadima of Fika & The District Head of Goya) Nigeria, and Mallam Ahmad Hamma Yero of ATBU, Nigeria, for the historic foundation they laid to me that culminated to my academic achievements.

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I concludes with heart-felt appreciation to my employer (ATBU Bauchi) in collaboration with Education Trust Fund (ETF, Nigeria) for the scholarship award that sponsored my study; and UTHM for the academic facilities that accommodated me and my family throughout the duration of the study.
ABSTRACT

This study proposed a framework of property rating practice for financing neighbourhood facilities provision in Bauchi metropolis of Nigeria. The deplorable condition of neighbourhood facilities in the study area persists, while the existing initiative aimed at maintaining and redeveloping the community facilities has not been implemented. This study examined the existing condition of neighbourhood facilities in the study area, and evaluated the most significant factors that militated against the implementation of property rating practice for financing neighbourhood facilities provision. The study has collected quantitative data, and used SPSS for the descriptive analysis, reliability analysis and exploratory factor analysis; and applied Structural Equation Modelling (SEM) with Analysis of Moment Structure (AMOS) for the analyses of the measurement and the structural measurement models. Findings revealed that Over-Reliance on Crude Oil Revenue and Poor Taxation System are the most significant factors militating against the implementation of property rating practice in Bauchi metropolis. And that ‘lack of political will’ is a factor that significantly affects the existing condition of neighbourhood facilities in the study area. In conclusion the study has proposed Land area-based assessment for rating valuation, using Google Earth/Map for property identification, enumeration and measurement in the proposed framework in order to achieved cost-effectiveness in assessment. The significant contribution is that, the study has proposed a new cost-effective framework of Property Rating Practice for financing neighbourhood facilities in the study area. It was recommended that the government should diversify revenue source from oil-based to harness all avenues like property rating at municipal level so as to finance neighbourhood facilities provision and maintenance. Future studies should find out, apart from Over Reliance on Crude Oil Revenue and Poor Taxation System, whether some other factors militate against the implementation of property rating in the study area and beyond.
ABSTRAK

Kajian ini mencadangkan kerangka amalan cukai harta untuk pembiayaan fasiliti kejiran di Bauchi metropolis Nigeria. Keadaan kawasan kajian tidak diselenggarakan dengan baik disebabkan inisiatif sedia ada yang bertujuan untuk mengekalkan dan membangunkan fasiliti kejiran telah tidak dilaksanakan. Kajian ini bertujuan untuk menkaji keadaan sedia ada fasiliti kejiran di kawasan kajian dan menilai faktor yang paling signifikan yang menghalang pembiayaan fasiliti kejiran dari dilaksanakan.

Pengumpulan data kuantitatif dengan menggunakan perisian SPSS untuk analisa descriptif, analisa "reliability" dan analisa "exploratory factor". Selain itu, Data juga dianalisa dengan menggunakan "Structural Equation Modelling (SEM) dan AMOS untuk model pengiraan struktur. Dapatan kajian menunjukkan bahawa, terlalu bergantung kepada hasil minyak mentah dan sistem percukaian yang tidak baik, sebagai faktor yang paling penting mempengaruhi terhadap pelaksanaan cukai harta di Bauchi. Dan 'kekurangan kesungguhan politik' memberi kesan kepada keadaan kemudahan sedia ada dikawasan di Bauchi. Dalam kesimpulan, kajian ini menggunakan pakai penilaian berasaskan penilaian Kedudukan menggunakan Google Earth / Map untuk mengenal pasti hartanah, penghitungan dan pengukuran, dalam rangka kerja yang dicadangkan untuk mencapai keberkesanan kos dalam penilaian. Kajian ini menyumbang kepada ilmu pengetahuan yang mencadangkan kos baru kerangka kerja cukai harta yang berkesan untuk pembiayaan fasiliti kejiran di Bauchi, Nigeria.

Adalah dicadangkan kerajaan perlu mempelbagaiakan sumber pendapatan selain daripada minyak seperti cukai harta supaya kemudahan dikawasan dapat dikekalkan.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXAMINERS’ DECLARATION PAGE</td>
<td>III</td>
</tr>
<tr>
<td>STUDENT’S DECLARATION</td>
<td>IV</td>
</tr>
<tr>
<td>DEDICATION</td>
<td>V</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>VI</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>VII</td>
</tr>
<tr>
<td>ABSTRAK</td>
<td>VIII</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>IX</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>XX</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>XXIII</td>
</tr>
<tr>
<td>LIST OF ABBREVIATIONS</td>
<td>XXV</td>
</tr>
</tbody>
</table>

## CHAPTER 1 INTRODUCTION

1.1 Research Background
1.2 Statement of Research Problem
1.3 Research Questions
1.4 Research Aim
1.5 Research Objectives
1.6 Research Hypothesis
1.7 Scope of the Study
1.8 Significance of the Study
1.9 Research Plan
   1.9.1 First Stage
   1.9.2 Second Stage
1.9.3 Third Stage 15
1.9.4 Fourth Stage 15
1.9.5 Reporting of Findings 16

1.10 Structure of the Thesis 16
1.10.1 Chapter 1: Introduction 16
1.10.2 Chapter 2: Review of Literature 16
1.10.3 Chapter 3 Theoretical Framework Development 17
1.10.4 Chapter 4 Research Design and Methodology 17
1.10.5 Chapter 5 Results and Discussion 17
1.10.6 Chapter 6 Summary, Conclusion and Recommendations 18

1.11 Summary and Link 18

CHAPTER 2 REVIEW OF LITERATURE 19

2.1 Introduction 19
2.2 The Concept of Property Rating 19
2.3 The Importance of Property Rating 22
2.4 Theoretical and Legal Provision of Property Rating in Nigeria 23
2.5 Manual Rating System 25
2.6 Land Area-based Assessment using Remote Sensing: Google Map/Google Earth 29
2.7 Demerits and Merits of Land Area-based Taxation 31
2.8 Value-Based Rating Valuation 32
2.9 Computer-Assisted Mass Appraisal (CAMA) Techniques 33
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.10</td>
<td>Integrated Land and Water Information System (ILWIS 3.7)</td>
<td>34</td>
</tr>
<tr>
<td>2.11</td>
<td>The Role of Federal and State Governments</td>
<td>35</td>
</tr>
<tr>
<td>2.12</td>
<td>Functions of Local Government in Nigeria</td>
<td>37</td>
</tr>
<tr>
<td>2.13</td>
<td>Components of Local Government Finance</td>
<td>39</td>
</tr>
<tr>
<td>2.14</td>
<td>Property Rating Beyond Real Estate.</td>
<td>40</td>
</tr>
<tr>
<td>2.15</td>
<td>Property Rating in Relation to Local Revenue</td>
<td>42</td>
</tr>
<tr>
<td>2.16</td>
<td>The Effects of Rating Exemptions</td>
<td>45</td>
</tr>
<tr>
<td>2.17</td>
<td>Historical Evolution of Property Rating</td>
<td>47</td>
</tr>
<tr>
<td>2.18</td>
<td>The History of Property Rating in Nigeria</td>
<td>50</td>
</tr>
<tr>
<td>2.19</td>
<td>Prevailing State of Property Rating in Nigeria</td>
<td>51</td>
</tr>
<tr>
<td>2.20</td>
<td>Global Position of Property Rating Practice</td>
<td>54</td>
</tr>
<tr>
<td>2.21</td>
<td>The Concept of a Neighbourhood and Neighbourhood Facility Development</td>
<td>68</td>
</tr>
<tr>
<td>2.22</td>
<td>Role and Capacity of Property Rating in Maintaining Neighbourhood Facility</td>
<td>75</td>
</tr>
<tr>
<td>2.23</td>
<td>Relationship between PRP and NFP</td>
<td>78</td>
</tr>
<tr>
<td>2.24</td>
<td>Summary of Literature Review</td>
<td>84</td>
</tr>
<tr>
<td>2.25</td>
<td>An Outline of Research Hypotheses</td>
<td>88</td>
</tr>
<tr>
<td>2.25.1</td>
<td>Hypothesis 1: ‘Lack of Political Will’ significantly affect the implementation of PRP</td>
<td>89</td>
</tr>
<tr>
<td>2.25.2</td>
<td>Hypothesis 2: ‘Over-reliance on Crude-oil Revenue’ significantly affect the implementation of PRP</td>
<td>90</td>
</tr>
<tr>
<td>2.25.3</td>
<td>Hypothesis 3: ‘Corruption’ significantly affect the implementation of Property Rating Practice.</td>
<td>91</td>
</tr>
</tbody>
</table>
2.25.4 Hypothesis 4: ‘ Poor Taxation System’ significantly affect the implementation of Property Rating Practice. 92

2.25.5 Hypothesis 5: ‘Property Rating Practice’ significantly affect Neighbourhood Facilities Provision. 93

2.25.6 Hypothesis 6: ‘Lack of Political Will’ significantly affect the existing condition of Neighbourhood Facilities Provision in the study area. 94

2.25.7 Hypothesis 7: ‘Over-Reliance on Crude-oil Revenue’ significantly affect the existing condition of Neighbourhood Facilities in the study area. 95

2.25.8 Hypothesis 8: ‘Corruption’ significantly affect the existing condition of Neighbourhood Facilities in the study area. 96

2.25.9 Hypothesis 9: ‘Poor Taxation System’ significantly affect the existing condition of Neighbourhood Facilities in the study area. 97

2.26 Property Tax Valuation Model for Developing Countries (Babawale, 2013) 98

2.26.1 The Merit and Demerit of the Model of Property Tax (2013) 101

2.27 The Components of Alberta Model of Property Taxation (Government of Alberta, 2010) 102

2.28 Property Taxation System (Almy, 2014) 105

2.29 VAT/GST Taxation Model (World Bank, 2006) 106
2.30 Star Rating System in Malaysia’s Property Taxation 108
2.31 The Theory of Cost-effectiveness in Property Rating 111
2.32 An Overview of the Structural Equation Modeling (SEM) 114
2.33 Research Gap 116
2.34 Summary and Link 117

CHAPTER 3 RESEARCH FRAMEWORK DEVELOPMENT 118
3.1 Introduction 118
3.2 Approach to Research Framework Development 118
  3.2.1 Deductive and Inductive Reasoning 120
  3.2.2 Reason for Adopting Deductive Approach 122
  3.2.3 Theoretical Framework 123
  3.2.4 Conceptual Framework 124
3.3 Reviewed of Existing Theories on Neighbourhood Facilities and Property Rating Practice. 125
3.4 The Existing condition of Neighbourhood Facilities in Bauchi metropolis. 128
3.5 Identifying the Factors militating against the implementation of Property Rating Practice in Bauchi Metropolis. 129
3.6 The Factors Militating Against the Implementation of Property Rating Practice in Bauchi Metropolis. 134
3.7 Relationship between Property Rating Practice and Neighbourhood Facility Provision in Bauchi Metropolis. 136
3.8 Summary of the Research Framework of PRP for Financing NFP in Bauchi Metropolis of Nigeria 139
3.9 The Research Theoretical Assessment Framework. 143
3.10 Summary and Link 146

CHAPTER 4 RESEARCH METHODOLOGY 147
4.1 Introduction 147
4.2 Philosophical Paradigm 147
4.3 Positivism and Interpretivism 150
4.4 Justification for Positivism Approach 151
4.5 Research Approach 152
4.6 Research Strategy 153
4.7 Data collection procedure according to research objectives 154
  4.7.1 Research objective one: 156
  4.7.2 Research objective two: 157
  4.7.3 Research objective three: 158
4.8 Population and Sample Size Determination 158
  4.8.1 Population 159
  4.8.2 Sample Size Determination 160
4.9 Survey 161
  4.9.1 Pilot Survey 162
  4.9.2 Pilot Survey Reliability Test 164
4.10 Sources of Data 165
4.11 Secondary Source 165
4.12 Primary Source 165
4.13 Instrument for Data Collection 166
4.14 Development of Instrument for Data Collection 167
4.15 The Demography 174
4.16 Data Collection Process 174
4.17 Types of Data 175
4.18 Data Analysis and Presentation 175
4.19 Technique for Analysis: Structural Equation Modeling (SEM). 177
  4.19.1 Assumptions in Structural Equation Modeling 178
  4.19.2 Model Identification 180
4.20 Procedures used in Exploratory Factor Analysis 182
4.21 Procedures used in Confirmatory Factor Analysis 182
4.22 Procedures used in Structural Model 183
4.23 Summary and link. 184

CHAPTER 5 RESULTS AND DISCUSSION 185
5.1 Introduction 185
5.2 Main Demographic Analysis 186
  5.2.1 Gender Distribution 188
  5.2.2 Marital Status 188
  5.2.3 Age Distribution 188
  5.2.4 Occupation Distribution 189
  5.2.5 Educational Qualification Attained 189
  5.2.6 Income Distribution 190
5.3 Assumption of Multivariate Analysis 190
5.4 Research Analysis Objective 1: To examine the existing condition of neighbourhood facilities in the study area.

5.5 Research Analysis Objective 2: To determine the most significance factors that militates against the implementation of Property Rating Practice for financing neighbourhood facilities provision in the study area.

5.6 Reliability Analysis before EFA

5.7 Main Data Screening

5.8 Outliers

5.9 Multicollinearity

5.10 Exploratory Factor Analysis (EFA)

5.11 Initial Reliability Analysis after EFA

5.12 Confirmatory Factor Analysis

5.13 Initial Confirmatory Factor Analysis

5.14 Final Reliability Analysis

5.15 Final Confirmatory Factor Analysis

5.16 Unidimensionality

5.17 Reliability

5.18 Validity Analysis

5.19 Convergent Validity

5.20 Discriminant Validity

5.21 Correlation between the Exogenous (Independent) Constructs.

5.22 Structural Model

5.23 Research Analysis Objective 3: The relationship between the most significant factors and the
existing condition of neighbourhood facilities in the study area.

5.24 Research Analysis Objective 4: To propose a framework for property rating practice for financing neighbourhood facilities provision in the study area.

5.25 Discussion on the finding according to research objectives.

5.25.1 Research Objective 1: The existing condition of neighbourhood facilities in the study area

5.25.2 Research Objective 2: The most significant factors that militates against the implementation of PRP for financing NFP

5.25.3 Research Objective 3: To develop the relationship between the most significant factors and the existing condition of neighbourhood facilities.

5.25.4 Research Objective 4: To propose a framework of PRP for financing NFP in the study area.

5.26 Distinction between Existing Property Rating and Proposed Framework

5.27 Implementation of Land Area Assessment for Rating

5.28 Summary and Link.

CHAPTER 6 SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1 Introduction
6.2 Overall Summary

6.2.1 Research objective 1: To examine the existing condition of neighbourhood facilities in the study area.

6.2.2 Research objective 2: To determine the most significant factors that militates against the implementation of PRP for financing NFP.

6.2.3 Research Objective 3: To develop the relationship between the most significant factors and the existing condition of neighbourhood facilities.

6.2.4 Research Objective 4: To propose a framework of PRP for financing NFP.

6.2.4.1 Existing Pattern for Property Rating Practice.

6.2.4.2 The Shortcoming of the Existing Property Rating Practice.

6.2.4.3 Land Area-Based Rating and Value-Based Rating.

6.2.4.4 The proposed framework of Property Rating Practice for financing neighbourhood facilities

6.3 Research Contributions to the Body of Knowledge

6.3.1 Policy Contribution

6.3.2 Practical Contribution

6.3.3 Professional Contribution

6.3.4 Theoretical Contribution
6.4 Limitation of the Study 269
6.5 Recommendations for Future Research 270
6.6 Overall Conclusion 271

REFERENCE 272

Appendix 1. Questionnaire for Pilot Survey.
Appendix 2. Questionnaire for main Data Collection.
Appendix 3. Publications.
Appendix 4. Normality Test
Appendix 5. Google Map User Application, Geospatial World Forum
Appendix 6. Google Map Application, UN Habitat & GLTN
Appendix 7. Google Map User Application, UN Habitat & GLTN
Appendix 9. Title of Ownership Plot No. 308 BOTP/47A Potiskum.
Appendix 10. Maps.ie Google Map Distance and Area Measurements.
Appendix 11. Google Map Remote Distance and Area Measurement (Bauchi).
Appendix 12. Title of Ownership (Bauchi).
Appendix 13. VITA
# LIST OF TABLES

<table>
<thead>
<tr>
<th>Table</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Research Stage</td>
<td>14</td>
</tr>
<tr>
<td>2.1</td>
<td>Property Tax Base</td>
<td>33</td>
</tr>
<tr>
<td>2.2</td>
<td>Federal and State Government Revenue Sources</td>
<td>37</td>
</tr>
<tr>
<td>2.3</td>
<td>Percentage Contribution of Property Tax to Local Revenue in Global Perspective</td>
<td>42</td>
</tr>
<tr>
<td>2.4</td>
<td>Depicts the Level of Priority attached to different Taxes in OECD Countries</td>
<td>44</td>
</tr>
<tr>
<td>2.5</td>
<td>Placement of Tax Burden between Property Owner and Property Occupier according to Countries</td>
<td>47</td>
</tr>
<tr>
<td>2.6</td>
<td>Evidence-based Analysis on Property Rating Practice</td>
<td>58</td>
</tr>
<tr>
<td>2.7</td>
<td>Evidence based Analysis on the Impact of Neighbourhood Facility Provision</td>
<td>80</td>
</tr>
<tr>
<td>2.8</td>
<td>Summary of Evidence-based Analysis on Property Rating Practice</td>
<td>85</td>
</tr>
<tr>
<td>2.9</td>
<td>Summary of Evidence-based Analysis on the Neighbourhood Facility Provision</td>
<td>87</td>
</tr>
<tr>
<td>2.10</td>
<td>VAT/GST Model Criteria</td>
<td>107</td>
</tr>
<tr>
<td>2.11</td>
<td>Summary of Existing Property Rating Model</td>
<td>110</td>
</tr>
<tr>
<td>3.1</td>
<td>Deductive and Inductive Research Approach</td>
<td>120</td>
</tr>
<tr>
<td>3.2</td>
<td>Review of the Existing Theory on Neighbourhood Facilities</td>
<td>126</td>
</tr>
<tr>
<td>3.3</td>
<td>Reviewed Existing Theory on Property Rating Practice</td>
<td>130</td>
</tr>
<tr>
<td>3.4</td>
<td>The Factors Militating against the Implementation of</td>
<td></td>
</tr>
</tbody>
</table>
5.13 Correlation Matrix on Exogenous Constructs 214
5.14 Estimates for the Structural Model 215
5.15 Summary of Hypothesis Testing (RO 2) 217
5.16 Estimates for RO 3 from the Structural Model 221
5.17 Summary of the Hypothesis Testing (RO 3) 221
5.18 Overall Research Findings Summarised according to Research Objectives 237
6.1 Land Area and Value-Based Rating Valuation 261
LIST OF FIGURES

1.1 Shows map of Nigeria with Bauchi State superimposed 12
2.1 Local Government Property Rating Chart 24
2.2 Local Government Sources of Revenue 39
2.3 Basis of Property Taxation 63
2.4 A Model of Property Tax Lagos (Babawale, 2013) 100
2.5 Alberta Model of Property Taxation 103
2.6 Property Taxation System (Almy, 2014) 106
2.7 VAT/GST Model (World Bank, 2006) 107
3.1 Types of Reasoning in Research 119
3.2 Deductive Approach 121
3.3 Deductive Research Approach 121
3.4 Relationship between PRP and NFP 138
3.5 Research Framework of Assessing Property Rating Practice for Financing Neighbourhood Facilities Provision in Bauchi Metropolis, Nigeria 141
3.6 Research Theoretical Assessment Framework 144
4.1 Dimension of Research Philosophy 148
4.2 Research Onion 149
4.3 Research Choices 152
4.4 Cross-Sectional and Longitudinal Survey Designs 153
4.5 Research Time Frame 155
4.6 Structural Equation Modeling Statistical Procedure 181
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1</td>
<td>State of Repair of Neighbourhood Facilities</td>
<td>192</td>
</tr>
<tr>
<td>5.2</td>
<td>Neighbourhood Road Network</td>
<td>193</td>
</tr>
<tr>
<td>5.3</td>
<td>Contribution to Maintenance of Local Infrastructure</td>
<td>194</td>
</tr>
<tr>
<td>5.4</td>
<td>Sewage in the Neighbourhood</td>
<td>195</td>
</tr>
<tr>
<td>5.5</td>
<td>Community Sanitation</td>
<td>196</td>
</tr>
<tr>
<td>5.6</td>
<td>Routine Programme of Maintenance</td>
<td>197</td>
</tr>
<tr>
<td>5.7</td>
<td>Showing Outliers Detected</td>
<td>200</td>
</tr>
<tr>
<td>5.8</td>
<td>Initial Measurement Model</td>
<td>209</td>
</tr>
<tr>
<td>5.9</td>
<td>Final Measurement Model</td>
<td>211</td>
</tr>
<tr>
<td>5.10</td>
<td>Structural Model</td>
<td>216</td>
</tr>
<tr>
<td>5.11</td>
<td>Measurement Model for Research Objective Three</td>
<td>219</td>
</tr>
<tr>
<td>5.12</td>
<td>Structural Model Analysing Research Objective Three</td>
<td>220</td>
</tr>
<tr>
<td>5.13</td>
<td>Proposed Framework of Property Rating Practice</td>
<td>233</td>
</tr>
<tr>
<td></td>
<td>Modified Babawale (2013) Model of Property Tax</td>
<td></td>
</tr>
<tr>
<td>5.14</td>
<td>Chart Depicting the Condition of Neighbourhood Facilities</td>
<td>239</td>
</tr>
</tbody>
</table>
**LIST OF ABBREVIATIONS**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMOS</td>
<td>Analysis of Moment Structures</td>
</tr>
<tr>
<td>API</td>
<td>Application Programming Interface</td>
</tr>
<tr>
<td>ATBU</td>
<td>Abubakar Tafawa Balewa University</td>
</tr>
<tr>
<td>AVE</td>
<td>Average Variance Factor</td>
</tr>
<tr>
<td>BASEPA</td>
<td>Bauchi State Environmental Protection Agency</td>
</tr>
<tr>
<td>CAMA</td>
<td>Computer Assisted Mass Appraisal</td>
</tr>
<tr>
<td>CBA</td>
<td>Cost-Benefit Analysis</td>
</tr>
<tr>
<td>CEA</td>
<td>Cost-Effectiveness Analysis</td>
</tr>
<tr>
<td>CFA</td>
<td>Confirmation Factor Analysis</td>
</tr>
<tr>
<td>CFI</td>
<td>Comparative Fit Index</td>
</tr>
<tr>
<td>Cont.</td>
<td>Continue</td>
</tr>
<tr>
<td>C</td>
<td>Corruption</td>
</tr>
<tr>
<td>EFA</td>
<td>Exploratory Factor Analysis</td>
</tr>
<tr>
<td>FCT</td>
<td>Federal Capital Territory</td>
</tr>
<tr>
<td>GAV</td>
<td>Gross Annual Value</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GIS</td>
<td>Geographic Information System</td>
</tr>
<tr>
<td>GLTN</td>
<td>Global Land Tool Network</td>
</tr>
<tr>
<td>GFI</td>
<td>Goodness-of-Fit Index</td>
</tr>
<tr>
<td>GPS</td>
<td>Global Positioning System</td>
</tr>
<tr>
<td>GST</td>
<td>Goods and Services Tax</td>
</tr>
<tr>
<td>H</td>
<td>Hypothesis</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
</tr>
<tr>
<td>---------</td>
<td>--------------------------------------------------</td>
</tr>
<tr>
<td>IBM</td>
<td>International Business Machines</td>
</tr>
<tr>
<td>IGR</td>
<td>Internally Generated Revenue</td>
</tr>
<tr>
<td>ILWIS</td>
<td>Integrated Land and Water Information System</td>
</tr>
<tr>
<td>KMO</td>
<td>Kaiser-Meyer-Olkin</td>
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<tr>
<td>LAs</td>
<td>Local Authorities</td>
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<td>LGs</td>
<td>Local Governments</td>
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<tr>
<td>LPW</td>
<td>Lack of Political Will</td>
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<tr>
<td>MDG</td>
<td>Millennium Development Goal</td>
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<tr>
<td>NAV</td>
<td>Net Annual Value</td>
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<td>NFI</td>
<td>Normed Fit Index</td>
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<td>NFP</td>
<td>Neighbourhood Facilities Provision</td>
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<td>Net Present Value</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<tr>
<td>OMV</td>
<td>Open Market Value</td>
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<tr>
<td>ORCOR</td>
<td>Over-Reliance on Crude Oil Revenue</td>
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<tr>
<td>PRP</td>
<td>Property Rating Practice</td>
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<td>PTS</td>
<td>Poor Taxation System</td>
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<td>RMSEA</td>
<td>Root Mean Square Error of Approximation</td>
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<td>Rate Nairage</td>
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<td>Research Objective</td>
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<td>Structural Equation Modeling</td>
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<td>Software Package of Social Science</td>
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<tr>
<td>TB</td>
<td>Total Budget</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>TC</td>
<td>Total Income</td>
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<td>TLI</td>
<td>Tucker-Lewis Index</td>
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<tr>
<td>TRV</td>
<td>Total Rateable Value</td>
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<td>United Nations International Children Emergency Fund</td>
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<td>United Nations</td>
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<td>United States of America</td>
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<td>Value Added Tax</td>
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<td>VIF</td>
<td>Variance Inflation Factor</td>
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<td>WHO</td>
<td>World Health Organisation</td>
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<tr>
<td>XML</td>
<td>Extensible Markup Language</td>
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</table>
CHAPTER 1

INTRODUCTION

1.1 Research Background

The provision of neighbourhood facilities in both urban and sub-urban centres is very essential in boosting the social, economic and educational activities of the entire population (Abbass, 2007); neighbourhood facilities which entailed all life-supporting socio-economic amenities and services, like roads, hospitals, schools, sports facilities, sewages and sanitation services; whose provision and maintenance are inevitable for a viable community welfare system (Gibberd, 2014), are characterized by enormous deficiency in the study area. The municipal authorities in Nigeria are constitutionally mandated to mobilize financial grants and internally generated revenue to improve the welfare of the local people by providing infrastructure, facilities and service delivery like health centres, primary and adult education, market stalls, roads, sanitation, abbatour inspection service, veterinary clinics, drainages, and so on (Oviasuyi, et al., 2010).

Bauchi metropolis like all local governments in Nigeria, relied on the federal and state governments for finances (Adeyemo, 2005), 20% of federal government revenue was allocated to municipal authorities in 1991, and in 2003 about 80% of the municipal revenue came from federal government (Jumare, 2014), however, meagre local revenue like motor park and market stalls fees are accrued to the municipal council; thus, the local government has three (3) known sources of revenue namely; -
federal and state governments monthly allocation, internally generated revenue and grants; Direct allocation from federal government is always the highest nevertheless not sufficient to finance all local community needs as well as develop and maintain neighbourhood facilities while the two other sources are grossly inadequate, in 1997 91% of local revenue came from the federal government direct alloaction, while 8% was generated from internal revenue and only 1% came from other grants (Adedokun, 2004).

The federal government on the other hand relied heavily on crude oil revenue from international market as crude oil accounts for about 90% of Nigeria’s total exports, and as a result remits more than 75% of budgetary revenues (Ademola et al., 2015). Due to global recession associated with the plummet in crude oil price, and other domestic issues, reduced Nigeria’s oil export and revenue (Ross, 2003; Rano, 2009), thus, federal funding to both states and local governments also reduced significantly, thereby compelling each tier of government to find alternative revenue sources. Hence the need to revive property rate being a potential local revenue source (Norregaard, 2013). Going by the federal structure of government in Nigeria, the local governments are restrained from making spontaneous fiscal laws for their respective area of jurisdiction due to constitutional limitations (Adedokun, 2004; Jumare, 2014).

The general living condition can be described as deplorable as lack of provision and maintenance of some basic facilities in the metropolis affects economic growth and development; in Mairiga & Saleh (2009) the inadequate provision of maternal healthcare facilities results to maternal death; Emeasoba & Ogbuefi (2013) indicated poor road maintainanace as a major cause of road traffic accidents; and according to the African Development Bank Group (2000) water instalation facilities in Bauchi metropolis was hampered by lack of operation cost that leads to infrequent servicing of installation facilities which culminates to irregular water supply. This scenarios have negative repercussion on the living standard.

The accumulation of heaps of refuse by the road sides posed health risk and occurrence of accidents in some neighbourhoods (Lawal & Garba, 2013); the metropolis is characterized with unsafe dumping of refuse, littering, poor sanitation, irregular evacuation and poor waste management (Bogoro & Babanyara, 2011; Gani
et al 2012; Bogoro et al 2014). The library building facility is characterized with lack of enough reading space due to surge in the number of users and outdated textbook materials (Isyaku, 2012). This is detrimental to the overwhelming number of students across the metropolis, and at the same time, the population increase in the metropolis exerts more pressure on existing facilities.

The decline in federal government finance to municipal authorities and the indirect allocation of fund to municipal authorities have weakened the effort of the local government to maintain existing local facilities and development new ones (Agbani & Ugwoke, 2014; Nwogwugwu & Olusesi, 2015); and most internal revenue sources are not harnessed, for instance property taxation is not implemented metropolis (Muhammad & Ishiaku, 2013), as a result of that the metropolis is faced with administrative problem bordering finance and provision of local infrastructure; along this line, the menace of corruption is a factor that contributed to poor condition of neighbourhood facilities (Jumare, 2014). Gibberd (2014) argued that neighbourhood facilities will be better managed and maintained if an initiative is in place at the local community level to finance the development and maintenance.

Internally Generated Revenue (IGR), of which property rating is an integral initiative that can supplement local revenue if properly harnessed; as in Slack & Bird (2014) 73% of municipal revenue in USA, and up to 100% of local revenue in Ireland is generated by property rating. Statutorily State governments in Nigeria have been empowered to establish framework for property rating at municipal level, as such the Bauchi State Tenement Edict of 2007 is the existing legal instrument that provided for property rating, however, it lacks the framework or structure to operate in the metropolis, thus, the practice of property taxation was only enshrined in the State Edict but is not put into practice.

A good neighbourhood is equipped with public facilities that will improve the quality of life; in (Alexander & Brown, 2006; Kasim et al., 2007; Hartford’s Neighbourhood Plan, 2016) posited the need to integrate community members in local partnership initiative to design, development and revitalize neighbourhood facilities. As in Hartford’s Neighbourhood Plan of 2010 – 2030 in United Kingdom, a Working Group was formed comprising a good number of local residents who shall decides on
neighbourhood facilities development. Apart from participation in the area of decision making, another integral aspect of it, is financing the development and routine maintenance of all neighbourhood facilities; this unavoidably requires absolute synergy from all community members in terms of compliance to property rate payment.

The poor condition of neighbourhood facilities and services in Nigeria calls for holistic approach where local community members should be integrated to join government efforts in providing and maintaining local facilities and services, by way of prompt discharge of civic responsibility which entailed rate payments. Local initiative for financing the maintenance of local facilities requires internal revenue to supplement the grants municipal authority receives, so that facilities could be maintained to span longer period of useful time; the most viable and reliable source of revenue at the local level is property rating practice (McCluskey, 2014; Salmaso, 2014);

In Udo (2007) the poor condition of some local facilities in Nigeria is attributed to total absence of maintenance programme. In consequence, lack of appropriate maintenance leads to maintenance backlog and results to loss of lives and properties especially in the transportation sector. Property rating practice in principle and practical sense, seek to provide a redress to problems associated with neighbourhood facilities development and maintenance through annual property taxation where the proceeds are used to defray the cost necessary for maintenance of facilities and services (Eti et al., 2006; Nwachukwu & Emoh, 2010).

An important local source that could augment the local revenue is property taxation; this form of tax is not imposed in the metropolis (Muhammad & Ishiaku, 2013), even as the Laws of Bauchi State of Nigeria has provided a legal instrument, for rating of real property (Bauchi State Ministry of Justice, 2007), but the provision ended as mere rhetoric, without implementation. This study examines the existing condition of neighbourhood facilities; and evaluate the most significant factors that militates against the implementation of property rating for financing neighbourhood facilities, in line with a number of overarching theories, a hunch of statements formulated the hypotheses, notably, ‘lack of political will’, ‘over reliance on crude oil
revenue’, ‘corruption’ and ‘poor taxation system’ were tested to find out whether any factor significantly militate against the implementation of property rating practice; and furthermore develop the relationship between the factors and the existing condition of neighbourhood facilities; and finally proposed a cost-effective framework for PRP for financing neighbourhood facilities in the study area.

1.2 Statement of Research Problem

Neighbourhood facilities in the study area are grossly inadequate, the provision and maintenance of existing facilities is hampered by financial constraint (Jumare, 2014), as in (Green, et al., 2005; Kasim, et al., 2007; Hutton & Bartram, 2008; Sapkota, 2014) the provision and maintenance of neighbourhood facilities involved substantial cost. As a result, the few available infrastructures in the study area are not properly maintained; according to the African Development Bank Group (2014) inadequate facilities has direct link to the prevalence of unemployment and poverty among youth. In (Edrees, 2016) direct relationship exist between infrastructure and local economic growth. The issue of irregular sanitation services and waste management was reported by (Bogoro & Babanyara, 2011; Bogoro et al 2014), this was aggravated by high rural-urban drift, which create slum environment vulnerable to poor sanitation with repercussion on high mortality rate (Hutton & Bartram, 2008); The general condition of facilities and services are unsatisfactory, and greater part of the problem have to do with finance which have a direct link with the pattern of municipal administration and the entire political spectrum (Aliyu, et al., 2013; Jumare, 2014).

The municipal authorities has the constitutional mandate to transform the local community by mobilizing internal revenue and provide facilities and services (Adeyemo, 2005; Oviasuyi, et al., 2010; Lamidi & Fagbohun, 2013); infrastructure investment as a catalyst for rapid transformation is capital intensive (African Development Bank Group, 2014), both local and state governments in Nigeria relied on federal government for finances (Elisa & Timothy, 2008); and due to fluctuation in statutory revenue allocation to municipal authorities in recent years and notably the
consolidation of the local governments’ revenue allocation in what is called ‘State Joint Local Government Account System’, the fiscal capacity of municipal authority to finance neighbourhood facilities and services is further derogated (Ojugbeli & James, 2014). The present day situation in the study area is that, as federal statutory allocation dwindle, and the population surge in the metropolis reached a record high, due to politico-religious skirmishes in surrounding states.

Due to paucity of relevant literature on the existing condition of facilities in the metropolis, the phenomenon is rarely reported, however, available studies extensively discussed issues on the condition of neighbourhood facilities and local services in the study area, and mainly focused on the need for maintenance and upgrading the facilities, but have not focused on the sources of finance needed to maintain the facilities. One of the most integral source of revenue at municipal level is property rating, this form of tax is not implemented despite the decrepit condition of neighbourhood facilities (Muhammad & Ishiaku, 2013); however, the Bauchi State Edict of 2007 provided for property rating, but there is no framework and structure for it to operate, thus, property rating is not implemented.

The property taxation is one of the major sources of municipal revenue, as indicated in Figure 2.2 on page 39; however, this form of tax is not implemented (Muhammad & Ishiaku, 2013), in effect, the low revenue generation affects the fiscal capacity of the municipal authority to meet the local demand of provision of public facilities (Adeyemo, 2005; Jumare, 2014); among other objectives, this study is geared to establish the factors that militates against the implementation of property taxation in the metropolis. Other sources of municipal revenue are market stall fees, motor park fees, Cattle tax, business registration, development levy and fine; the external sources are mainly federal statutory allocation, grants and special donations (Ayeni & Adewale, 2006). However, the existing finance of the municipal council yields insignificant results, and thus, the municipal council relied on federal allocation (Olalekan, 2015), the persistent deterioration of facilities called for more effort to strengthen local sources of revenue, hence the need to reposition property rating practice.
A properly structured property taxation will augment the local revenue and enhance local welfare (Babawale, 2013; Salmaso, 2014), poor funding is one of the major factors affecting neighbourhood facilities provision and maintenance as such the existing local revenue are not sufficient to meet the local expenditure in the metropolis and most municipal councils Nigeria except in Lagos (Olawande & Ayodele, 2011); There is zero per cent contribution by property rating to municipal authority in Bauchi due to lack of framework of property rating practice and non-implementation of the practice; as such infrastructure and services are not allocated with adequate fund for development and maintenance; this has emphasized the immediate need for a framework of property rating practice in order to supplement fund at municipal level for financing neighbourhood facilities.

The metropolis in collaboration with the state government were bedevilled by financial constraint in that the initiative embarked upon to maintain neighbourhood facilities in the area of sanitation have recorded insignificant success, earlier the metropolis have relinquished the sanitation activities to the Bauchi State Environmental Protection Agency (BASEPA) due to financial problem, and today even BASEPA is bedevilled by the same problem (Bogoro, & Babanyara, 2011). This therefore call for alternative source of revenue for the metropolis. The Bauchi State Tenement Edict of 2007 has provided the legal instrument for property rating, but it has never been put into practice, despite the condition of neighbourhood facilities that demands finance for proper management; this legal instrument for property taxation does not provide a workable framework for property rating; this study is poised to proffer a modus operandi upon which viable implementation of rating practice can be achieved at relatively less cost and time, so that the metropolis can deliver her administrative responsibilities.

The framework of property taxation for Lagos and other states, and subsequent adoption in developing countries by (Babawale, 2013) among other things outlined the cost-effectiveness which is very essential in achieving absolute viability in rating exercise, however this existing model does not outlined how cost-effectiveness can be achieved; some specific steps are necessary to be considered towards cost effectiveness, lack of these steps creates a shortcoming that should be addressed to
foster a viable PRP in the study area, so that the cost of rating administration will be minimized and expected revenue increased to finance neighbourhood facilities. Also the consideration to improve existing model to a more comprehensive prototype that could address contemporary local issues like the prevalence of land speculation that affects real estate development is timely, it is pertinent that the modified framework should address some local issues, as McGee (1997) indicated that modification of PRP should reflect local custom or existing local practice.

Having acknowledged the essence of PRP in the provision and maintenance of neighbourhood facilities and the fact that legal instrument upon which PRP can operate was enacted in the Bauchi State Tenement Edict of 2007, the failure to implement the practice amidst the persistent degeneration of neighbourhood facilities is a problem shrouded in mysteries. This study is poised to examine the existing condition of neighbourhood facilities; and evaluate the most significant factors that militates against the implementation of PRP for financing neighbourhood facilities provision in the study area; and also to develop the relationship between the factors and the existing condition of neighbourhood facilities; and propose a framework for PRP for financing neighbourhood facilities provision in the study area.

1.3 Research Questions

The following are the research questions:

i. What is the existing condition of neighbourhood facilities in the study area?

ii. What are the most significant factors that militates against the implementation of property rating practice for financing neighbourhood facilities provision in the study area?

iii. What is the relationship between the factors and the existing condition of neighbourhood facilities in the study area?

iv. Is there any framework for property rating practice in the study area?
1.4 Research Aim

The aim of this study is to propose a framework of property rating for financing neighbourhood facilities provision in Bauchi metropolis of Nigeria.

1.5 Research Objectives

To achieve the aim stated in this research study, the following objectives are pursued:

1) To examine the existing condition of neighbourhood facilities in the study area.
2) To evaluate the most significant factors that militates against the implementation of property rating practice for financing neighbourhood facilities provision in the study area.
3) To develop the relationship between the most significant factors and the existing condition of neighbourhood facilities in the study area.
4) To propose a framework of property rating practice for financing neighbourhood facilities provision in the study area.

1.6 Research Hypothesis

The following hunch of hypotheses were stated in order to ascertain whether or not the factors significantly militates against the implementation of property rating practice in the study area. The hypothesis here in this study provide a basis for inference as according to Fraenkel and Wallen (2009) hypothesis enables researcher to think deeply about the possible outcome of the study. As such apart from answering the research questions, the outcome should respond to the stated hypotheses based on prior evidence established in the research (Fraenkel & Wallen, 2009). In this study nine hypotheses were stated and tested using the quantitative data collected during the research survey.

H1: ‘Lack of political will’ significantly affect the implementation of PRP.
H2: ‘Over-reliance on crude oil revenue’ significantly affect the implementation of PRP.
H3: ‘Corruption’ significantly affect the implementation of PRP
H4: ‘Poor taxation system’ significantly affect the implementation of PRP.
H5: ‘Property Rating Practice significantly affect Neighbourhood Facilities Provision
H6: ‘Lack of political will’ significantly affect the existing condition of Neighbourhood Facilities in the study area.
H7: ‘Over-reliance on crude oil revenue’ significantly affect the existing condition of Neighbourhood Facilities in the study area.
H8: ‘Corruption’ significantly affect the existing condition of Neighbourhood Facilities in the study area.
H9: ‘Poor taxation system’ significantly affect the existing condition of Neighbourhood Facilities in the study area.

1.7 Scope of the Study

The study area of this research is Bauchi metropolis of Bauchi State, located in the North-east of Nigeria, in the West-African sub-region; Nigeria occupies an expanse area of about 923,768 km², bordering the Atlantic Ocean to the south by about 800 km, with Benin republic to the west, Niger republic to the north and Cameroon republic to the east; the National Population Commission in Nigeria puts the population to about 140 million during the last head count in 2006, recording a tremendous increase from 15.9 million in 1911 to more than 163 million in 2010 (National Bureau of Statistics, 2010). Bauchi metropolis covers an area of about 3,687 km², is the capital of Bauchi State, created in 1976 to make 16 States in Nigeria as at that time, the metropolis has a population of 493,730 people (National Bureau of Statistics, 2012).

The research is limited to Bauchi metropolis even though the city is historically a large settlement which persistently receives an influx of people from neighbouring states namely Plateau, Yobe and Borno States due to sporadic skirmishes lingering
around in the states, especially the recent ethno-religious turbulence and protracted insurgency in some States neighbourhood the study area. The population surge in the state add to the existing density of people in the metropolis, especially in those densely populated neighbourhoods characteristically lacking social facilities and services and are mainly occupied by low-income earners whose economic activities are small-scale agriculture and trade; the level of poverty according households in the state is estimated at about 49.4% (National Bureau of Statistics, 2012). As such the influx of people further aggravated phenomenon by exerting increasing pressure on the limited urban infrastructures, facilities and services.

Given the idea that the population from which sample elements for the study was extracted is based on quantity of households in Bauchi metropolis, is pertinent to indicate that there are 85,761 housing units from which 18.2% were made up from traditionally local materials (National Population Commission, 2006). Few respondents are drawn from the professional firms in the field of real property valuation, officials from the Ministry of Lands and Housing, Ministry of Environment, Ministry of Sanitation, as well as academicians in the relevant fields; while the bulk of data were obtained from the general public. Several studies were carried out on internally generated revenue in local government, but very few focussed their attention on property rating, thus, even the few ones, do not precisely investigate the failure of the government to implement property rating practice in the metropolis, which this research study is concern to do. The location of Bauchi State is highlighted in Figure 1.1 below.
The selection of Bauchi metropolis as the area of study was inspired by the ever rising property market and urban sprawl due to continuous influx of people into the metropolis and general population surge, these development are not without some social problems, the scenario is accompanied with rapid deterioration of existing neighbourhood facilities and insufficient local services.

Property rating being an exercise performs at municipal area (Local Government) is principally designed to generate local revenue for the development, management and maintenance of neighbourhood facilities and services within the municipal area so as to improve the welfare of the people. Even though, local governments have other sources of revenue, the revenue generated by other sources is not sufficient enough to enable the local government carry out all its statutory mandate in the area of neighbourhood facilities provision and maintenance.
This most potential internal revenue for the local government is however not being harnessed in Bauchi metropolis despite numerous local infrastructures and facilities that needs upgrade and/or maintenance. The study is therefore confined to Bauchi metropolis with a view to put forward a breakthrough to the impasse in financing neighbourhood facilities development and maintenance, using property rating option.

1.8 Significance of the Study

Property rating is identified as the most potential internally generated revenue to local governments across the globe (McCluskey, et al., 2006), its contribution to local revenue is very significant, as much as 50% may be contributed by property tax (McCluskey et al., 2006). Property rating has not been able to meet its essential purpose in Bauchi metropolis. The few neighbourhood facilities available are in poor condition, lacking routine maintenance; for instance roads are characterized with bumps, there is inadequate electricity and water supply, failed public telecommunication etc (World Bank, 1996; Jolaoso et al., 2013 & Nigerian Tribune, 2014). While the demand for neighbourhood facilities and services increase with the rapid increase in population in the study area.

The consequences of lack of neighbourhood facilities are numerous: poor roads leads to the ‘road traffic accidents’, inadequate water supply leads to outbreak of some epidemics, poor or total absence of uninterrupted power supply stagnates all aspects of socio-economic life of the citizen ranging from industrial productivity to small-scale businesses; academic research, healthcare delivery etc broadly speaking, the absence of one neighbourhood facilities or services will instantly result to multiple problems in the society. In view of these, it has become imperative to find a panacea to the phenomenon. An empirical investigation could find the relevance of property rating in solving the deteriorating neighbourhood infrastructures, specifically looking at the historic purpose of property rating as regard neighbourhood facilities.

The outcome of this study can inform the local government of the revenue potential in property rating and the magnitude of the community problems it can solve,
even though, community members (rate payers) are compelled to pay rates applicable, the residents will yield from the tax paid as the neighbourhood facilities and services can be improved and enhance general welfare. Moreover, this research study can pave way for further studies in the area of property rating and taxation especially in developing countries where the tax is unpopular and the percentage contribution of property rating to GDP or local revenue is minimal.

1.9 Research Plan

The research study was planned and carried out in the following stages:

Table 1.1: Research Stage

<table>
<thead>
<tr>
<th>Stages</th>
<th>Activity</th>
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<tr>
<td>First Stage</td>
<td>1. Extensive Reading</td>
</tr>
<tr>
<td></td>
<td>2. Literature Review</td>
</tr>
<tr>
<td>Second Stage</td>
<td>1. Research Aim, Objectives and Questions</td>
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<td></td>
<td>2. Research Framework</td>
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<td></td>
<td>3. Research Methodology</td>
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<tr>
<td>Third stage</td>
<td>1. Data Collection</td>
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<td>Fourth stage</td>
<td>1. Data Analysis</td>
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<td>2. Data Interpretation</td>
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<td>3. Data Presentation</td>
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<td>4. Reporting</td>
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1.9.1 First Stage

This part of the research entails extensive reading of relevant literature so as to be acquainted with current scenarios in property rating practice. This stage consist of; - the concept of property rating, evolution of property rating, history of property rating in Nigeria, rating assessment, relief and exemption, rating from global and local perspectives; others are the concept of neighbourhood and neighbourhood facility development, role of property rating in sustaining neighbourhood facility, impact of neighbourhood facilities on property value, the relationship between PRP and NFP;
others includes community engagement in NFP, development of the neighbourhood facility, essence of development control in property rating. Therefore, against the contextual background provided by the literature review, research objectives and questions were prepared.

1.9.2 Second Stage

The second stage deals with the research aim, objectives, questions as well as the research framework development and research methodology.

1.9.3 Third Stage

Discusses the procedure adopted for data collection, the stage explained in details the how data was collected for the study as planned. In order to comply with the research objectives and achieve the aim, the type of questionnaire used, process of carrying out field survey and collection of data in quantitative form. In conclusion, the tools of analysis and presentation of findings are explained.

1.9.4 Fourth Stage

This involved analysis and interpretation of data, presentation of findings based on the data gathered from respondents through the use of questionnaire. Given the size of the study area is large, systematic random sampling is adopted in order to cover the area and allow proportionate representation of each neighbourhood in the study area. The questionnaire type is the closed-ended type of five-level-Likert scale, in the analysis of data, the Structural Equation Modelling and descriptive statistics was used and inference was made to indicate the direction of relationship between the variables in the study.
1.9.5 Reporting of Findings

In this research study, data are collected in quantitative form, after careful analysis and interpretation; the results are statistically presented in tables, charts and figures at the end of the study.

1.10 Structure of the Thesis

This section of the thesis contained the outline of each chapter depicting their content in line with the extent of issues covered, objectives of the research. The outlines were stated below:

1.10.1 Chapter 1: Introduction

As titled above, this is the first part of the research study which focussed on: background of the study, statement of research problem, research aim and objectives, other items covered in this part are the scope of the study, significance of the study, stages of the research plan, structure of the research, and the summary.

1.10.2 Chapter 2: Review of Literature

This part of the research studied and reviewed related literature, two major themes namely: Property Rating Practice and Neighbourhood Facility Provision that are making the literature review formed the basis of the research objectives. In this chapter, current scenarios in property rating practice were studied in the following sequence; - the concept of property rating, evolution of property rating practice, history of property rating in Nigeria, rating assessment, relief and exemption, property rating from global and local perspectives, evidence-based analysis of practice of property rating; others are the concept of neighbourhood and neighbourhood facility provision,
the roles PRP can play in sustaining NFP, impact of neighbourhood facilities on property value, the relationship between PRP and NFP.

1.10.3 Chapter 3 Theoretical Framework Development

This chapter focussed on the theoretical and conceptual framework for the study, the research designed is based on property rating practice as a source of local revenue for financing neighbourhood facilities development and maintenance. The justification for adopting the framework and the potentiality of property rating to be a panacea to the problem was highlighted. The deductive research approach, summary of the literature review from property rating and neighbourhood facility perspectives were discussed. The pattern for data collection and analysis was also illustrated.

1.10.4 Chapter 4 Research Design and Methodology

This chapter deals with the research design and methodology, it highlights and elaborates in detail the research approach to achieve the research objectives in order to measure the extent at which PRP can finance NFP in Bauchi metropolis, in line with the aim of the study (to assess property rating practice for financing neighbourhood facilities provision in Bauchi metropolis of Nigeria). Also discussed are the research philosophy, the population and sample of the population, the research method, and source of data, others includes instrument for data collection, data collection and data analysis techniques.

1.10.5 Chapter 5 Results and Discussion

The data collected were analysed using SPSS with AMOS 22 version for EFA, CFA and Structure Equation Model (SEM); results are presented in tables, charts and figures in this chapter. At the end of this chapter, the analysis yields a result to the researcher to infer the findings on the entire population of the study.
1.10.6 Chapter 6 Summary, Conclusion and Recommendations

The findings are summarised in this chapter, an inference made in light of the result. This chapter will unequivocally and in concise term state the impact of property rating practice on neighbourhood facilities provision and maintenance in Bauchi metropolis; as well as the impediments surrounding property rating practice in the metropolis. In this chapter, recommendations are proffered on how to improve PRP. Finally a conclusion on the research study is given.

1.11 Summary and Link

The chapter begins with an introduction of the research study, problem statement, aim and objectives of the study, scope of the research, and the significance of the study/contribution of the research to the body of knowledge. However, in the next chapter titled ‘Review of Literature’ an in-depth study on the subject matter was carried out in order get more comprehensive platform from both global and local perspectives. There is an introduction to the literature review followed by the concept of property rating, assessment, relief, exemption from rate, history and evolution of property rating, evidence-based analysis on property rating, it further addresses issues on neighbourhood facility provision, impact of NFP on property value
CHAPTER 2

REVIEW OF LITERATURE

2.1 Introduction

In this chapter, the study focussed on the critical review of literature related to the subject matter. It explained the general concept of property rating and history of property rating exercise from global and local perspectives; other related literature studied and reviewed are: - the prevailing state of property rating in Nigeria, the global position of property rating practice, evidence-based analysis on property rating exercise, concept of neighbourhood and neighbourhood facility development, impact of neighbourhood facilities on property value, relationship between PRP and NFP; manual rating system; land area-based rating assessment; value-based rating assessment; computer-assisted mass appraisal; an overview of the Structural Equation Modelling and relevant PRP models were reviewed.

2.2 The Concept of Property Rating

The term ‘property rating’ is synonymous to ‘tenement rating’ (Yobe State Gazette, 1994; Onifade & Olajide, 2007; Bauchi State Ministry of Justice, 2007). Tenement is a piece of land on which a building or any structure is erected thereon, thus, it exclude any piece of land with no building structure (Yobe State Gazette, 1994; Bauchi State Ministry of Justice, 2007). Arguably, in (Onifade & Olajide, 2007) tenement may
comprise of ‘profit a prendre’ right to extract or mine mineral resources. In Bello (2006) tenement rate as a property tax is applied on hereditament. The term ‘hereditament’ in this context refers to those real properties that are liable for the payment of rates annually (Kuye, 2002; Johnson et al., 2005). This implies that some exempted properties cannot be regarded as a hereditament.

In tenement building, occupants are often higher in number, using inadequate lavatory facilities and other conveniences, most tenements buildings are closely characterized as a slum or a ghetto settlements due to poor housing condition, such settlements lack neighbourhood facilities and are densely populated, according to Wacquant (1997) an area is a ghetto if poverty rate is above 40%.

Property rating is essentially property tax levied and charged on real property, this form of tax is ‘ad valorem’ in that, the tax is calculated on the basis of the value of the property, this however, gives the impression that, the higher the value of a property liable for rating, the higher the tax payable (Jacobus, 2010). Property rating is defined as an instrument used by local governments to generate revenue for the purpose of maintaining neighbourhood infrastructure and facilities (Ogbuefi, 2004). Property rate also called local taxation is levied on land and buildings where the proceeds are used to finance neighbourhood projects (Nwachukwu & Emoh, 2010). The local governments in Nigeria relies mainly on the federal government for all expenditures such that almost all local governments cannot finance and maintain neighbourhood facilities with internally generated revenue like property rating practice (Akindele et al., 2002; Achara, 2003; & Alo, 2012).

Property rating is the most important and potential internally generated revenue for municipal councils (Cozmei & Onofrei, 2012), countries across the world have keen interest on this local tax, over 130 countries levied tax on real property (Drebbia et al., 2002). Dillinger (1991) earlier argued that, in reality, property taxation would hardly generate significant revenue needed to fund the development and maintenance of neighbourhood facilities. In addition to other problems associated with rating exercise, it is particularly unviable in inflationary period, in some instances cost outweigh the expected revenue, also the rigorous assessment and re-assessment coupled with administrative hindrances makes it slower and is very unpopular in most
developing countries. In Ogbuefi (2004) added that the tax is only feasible in municipal areas where it is viable in terms of cost and revenue relationship. The overall success of the exercise is also dependent on the extent at which local inhabitants enjoys existing neighbourhood facilities.

Neighbourhood facilities comprises of a variety of social services whose provision is crucial for the socio-economic life of the citizens. The community where people live, inevitably require a wide spectrum of social amenities like roads network, water, telecommunications, schools, hospitals etc in order to sustain lives (Kasim, 2011). Neighbourhood facilities literally refer to community infrastructure. The scope of neighbourhood facilities may not be confined to just social amenities but neighbourhood plan and urban design should be carried out in such a way that the local values are reckoned with, and housing design conforms with conventional standard, especially in relation to other land uses and neighbourhood facilities (Oyebanji, 2003).

The tax (property rating) is administered under the jurisdiction of municipal authority, properties are assessed and valued quinquennially (every five years) the tax is charged on the annual value of a non-domestic property and capital value of a domestic property (as the case may be). Thus, the rating of real property may be divided into two, the domestic and non-domestic rating (Plimmer et al., 1999) the rate applied to domestic properties on the basis of capital value is lighter while the rate applied to non-domestic properties (business unit) on the basis of annual rental value is heavier (Bird & Slack, 2002).

The rating funds are used to finance the evacuation of refuse, cleaning of the environment, provision of basic amenities in the community (Oyegbile, 1996, Kuye, 2002 and Rangwala et al., 2003). Property tax (rate) being a tax on immovable property is regarded as most stable tax that can finance municipal authority, is generally a tax periodically levied on real estate owned or occupied by an individual or group of individuals, is unpopular among voters and most often it does not consider ‘ability to pay’ (Blochliger, 2015), furthermore, in the parlance of real estate valuation and management, property tax (rate) connotes tax levied on hereditaments or generally on improvements on land. The scope of application of the tax is later extended to plants and machinery in 1960 when the Law to that effect was enacted in United Kingdom
Property rating practice is essentially an internally generated revenue administered within the jurisdiction of municipal council, established to provide and maintain community infrastructure and local services (Nwachukwu & Emoh, 2010 and Salmaso, 2014). In 1601, the persistent dilapidation of neighbourhood facilities and lack of regular maintenance in United Kingdom, triggered the enactment of ‘Poor Relief Act’ in order to raise fund through property taxation for financing neighbourhood facilities (Kuye, 2002). The major focus of property rating is to find local remedy to the poor condition of facilities and services like refuse disposal, sanitation, healthcare, as well as the provision and maintenance of basic facilities (Ogbuefi, 2004; Salmaso, 2014). The practice of property rating at the local level for the purpose of community development programmes like education, health, water project, sanitation is a global phenomenon (Reilly, 2000).

A well implemented property rating has the potential to finance community infrastructure, as the impact of property taxation is significant on the Gross Domestic Product (GDP) in many countries, the tax contribute up to 3% of GDP in Canada, United Kingdom and United States (Slack, 2011), in (Bahl, et al., 2008) property rating contributes up to 2.1% of GDP in some countries of the Organisation for Economic Cooperation and Development (OECD); In (Norregaard, 2013) less than 0.5% is contributed to GDP in African countries; and about 90% of the sub-national revenue is contributed by property tax in some OECD countries (Presbitero, et al., 2014). Property rating is a good option for financing and maintaining community infrastructure as the tax can generate huge revenue sufficient to finance community project; in (Pawi, et al., 2012) Johor and Kuala Lumpur City Hall in Malaysia have recorded property tax arrears of more than RM400 in 2009 along; this tax arrears, if promptly paid, can be of immense importance to the communities concern.
2.4 Theoretical and Legal Provision of Property Rating in Nigeria

The pattern of property rating practice in Nigeria was developed from the rating system of the United Kingdom, (Nigeria’s former colonial master) Ogbuefi (2004). The valuation of hereditaments for rating is a routine exercise and the rate liability an occupier or an owner is obliged to pay annually is determined after computing the annual value of a business unit which is expressed in term of rateable value, this rateable figure is further multiplied by ‘Rate Poundage’ (in United Kingdom) or ‘Rate Nairage’ (in Nigeria). In the case of a domestic property, the capital value of a hereditament is multiplied by the rate Nairage applicable (Johnson, et al., 2005).

All rate funds generated are paid as Inland Revenue as indicated by Local Government Act 1948, supported by Local Government Finance Act, 1988 in United Kingdom, likewise, the 1976 nationwide Local Government Reform in Nigeria has enjoined all States Government to enact Local Government Laws in which Rating Laws are encapsulated therein (Ogbuefi, 2004). In the procedure for assessment, the legislation maintained the conventional principles for determining the value of a hereditament as well as the rate payable. Valuation Tribunal is normally provided to adjudicate any disagreement over rate charged (Johnson, et al., 2005).

Property rating in Nigeria is charge on the basis of property ownership contrary to what the system provided for in United Kingdom, where rating on the basis of property occupation within the rating area, the capital and the annual value are the two important operational components necessary for the assessment. The use of capital value for the assessment of hereditaments became imperative mainly due to the fact that some hereditaments do not have direct rental evidence derived from previous lettings, and indirect evidence on the other hand cannot be adduced even from the most relevant properties, the affected hereditaments in this regards includes industries, schools, private houses etc therefore assessment of their total value may be difficult, however any recent sale figure can be considered as the current market value or the capital value (Ogbuefi, 2004).

The Bauchi State Government, in its Tenement Rating Law Cap 156 of 2007, has made each Local Government Area the rating authority for that local territory, and
has the power to levy and administer rate base on the assessment of the annual value of a tenement, as may be carried out by the Central Valuation Unit. Among other functions, the Valuation Unit have to establish, manage the rating units in the area. The most essential and fundamental function is the actual valuation of hereditaments within the territory of the local government and coming up with the valuation lists which is very crucial in determining the total revenue, the local government can anticipate in a given year (Bauchi State Ministry of Justice, 2007).

A typical rating chart in the Valuation Unit of a local government has three major component parts namely: the Rating Valuation Unit, the Accounting Unit and the Administrative Unit, each performs a distinct function under the overall co-ordination of the Chief Rating Officer. The chart below illustrates the hierarchy of positions:

![Local Government Property Rating Chart](image-url)

Figure 2.1: Local Government Property Rating Chart (Oyegbile, 1996).


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