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Property Owners' Perception of Tenement Rate: Assessment and Administration Procedures in Minna, Nigeria.

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Abstract

This paper examines the perception of property owners towards the procedures of tenement rate assessment and administration in Minna, Nigeria. Data for the study were collected from 66 property owners in the city, using structured questionnaires. The respondent property owners were selected through purposive sampling technique. Results of data analysis reveal among other things, a strong positive relationship between commercial and residential property owners' opinions regarding the procedures of tenement rate assessment and administration in Minna as the calculated Spearman's rank-order correlation coefficient of 0.965 was found to be significant at 0.05 and 0.01 levels. Also, using a 5-point Likert scale, it was discovered that the respondents agreed on some opinions regarding tenement rate assessment and administration procedures in the city. Of importance are that tenements should be assessed as used and occupied at the time of assessment; tenements should not be assessed in the absence of their owners and every property owner should have access to the valuation list at all times. The paper argues that there is need to review the tenement rate assessment and administration procedures in Minna to make them more practicable, just and equitable. It concludes that such initiative would make property owners active participants in the tenement rate assessment and administration process of the local government council and thereby improving its internally-generated revenue.

Keywords: *Perception; Tenement Rate; Tenement Rate Administration; Property Owners; Minna.*

1.0 Introduction

Every government in the world generates revenue through various sources to carry out its functions. Taxation is one of the sources of government revenue. Taxation is a compulsory imposition of levy within a society on individuals, organisations, companies, goods and services (Ogbuefi, 2004). Real properties can also be taxed. Real property taxation involves those taxes imposed by law and payable by individuals, corporations and other bodies in respect of interests or estates in land and land resources. Nigeria currently operates a federal system of government, comprising three tiers of government which are the federal, state and local governments. The country's fiscal arrangement entails the sharing of functions and tax powers among these three levels of government (Inanga and Emenuga, 1996). Based on

the scope of functions as provided in the Constitution of the Federal Republic of Nigeria, 1999, each tier of government regulates the administration of certain types of taxes. However, certain concurrent functions, particularly between the federal and state governments with regard to specific forms of taxes exist. According to Inanga and Emenuga (1996), taxes in Nigeria can be grouped into three main classes. These are taxes that derive from income and wealth, taxes that relate to expenditure or consumption and production.

Property taxes are income and wealth related taxes. Umeh (1972) listed the objectives of property taxes to include revenue raising, social justice, income redistribution, resource allocation, capital formation, planning, development and economic

stabilization. Property taxes can achieve these objectives if they are based on the criteria for an effective and efficient tax. Property taxes comprise those taxes imposed by law and payable by individuals or corporations in respect of interests or estates in real or immovable property (Igwe-Kalu, 1998; Ogbuefi, 2004). They are confined to those taxes on land, principally buildings (Aluko, 2005). As argued by Gaffney (1973), Tideman (1982), Dunkerly (1983), Youngman and Malme (1994), Oates and Schwab (1996), Munro (2002), and McCluskey, *et al* (2006), property taxes on buildings can be on rental value, sale value, realized income and realized gain. Property taxes constitute an important source of revenue to governments, but they tend to be levied at the local level (Maliene, Cibulskiene and Gurskiene, 2005). Dale and McLaughlin (1999) argued that property taxes are the oldest and most prevalent form of taxation and revenue generation to government, especially local government. It also serves as a tool for guiding land use and development. According to Aluko (2005), property taxes are important sources of subnational revenue in many countries, and especially in developing countries than in developed or transition countries. Bird and Slack (2002) presented that property taxes accounted for 40% of all subnational taxes in developing countries and 12% in transition countries. The power to impose property tax may rest with federal (central) government, regional or local (municipal) governments or both (Aluko, 2005).

2.0 Tenement Rate as a Form of Property Tax in Nigeria

The levying of taxes is as old as man. Daw (2002) believes that land

productivity had been subject of taxation since three thousand years ago. In the United Kingdom, United States of America, most European countries and developing countries in the British Commonwealth including Nigeria, property rate owes its origin to the British Poor Relief Act of 1601, otherwise known as the Statute of Elizabeth. The original objectives of the Poor Relief Act of 1601 provide for the levying of tax on:-

“Every inhabitant person, vicar and others and of every occupier of lands, houses, tithes impropriate or appropriation of tithes, coal mines or saleable underwood in the said parish, in such competent sum and sums of money as they shall think fit, a convenient stock flax, hemp, wool, thread, iron, and other necessary ware and stuff, to set the poor on work, and also competent sums of money for and towards the necessary relief of the lame, impotent, old, blind, and such other among them, being poor and not able to work, and also for the putting out of such children to be apprentices, to be gathered out of the same parish, according to the ability of the same parish”.

Property taxation experts, including Ogbuefi (2004) have argued that the Poor Relief Act laid the foundation for today's property rating and taxation and also argued that the objective of property rating today is no longer for the relief of the poor, but the betterment of the lot of the generality of the citizenry. Since the enactment of the Poor Relief Act, property taxation has developed and improved tremendously globally with each country designing property tax

systems to suit its situation and peculiarities. Property rate or tenement rate (as it is known in most local councils in Nigeria) is perhaps the most common and most popular form of property tax in Nigeria. The legal basis of contemporary rating system in Nigeria was laid in 1915 by the enactment of the Assessment Ordinance and since then, there have been many regional and state laws on the subject (Igwe Kalu, 1998; Ogbuefi, 2004). The power to levy property rate in the country is contained in the Assessment Ordinance of 1958 and the various Local Government Laws of the different states of the federation. The Assessment Ordinance of 1958 was an amendment of the 1915 Ordinance to make it applicable as a principal law governing property rating in Nigeria. Ogbuefi (2004) pointed out that these property rating laws like most of the country's colonial laws were fashioned after the British laws and Nigeria's customary and socio-political circumstances not adequately addressed. In 1976, the federal government embarked on a nationwide local government reform. Based on the recommendations of the Dasuki Report, the various state governments were directed to enact a local government law in their respective states. In most states of the federation, part of these laws incorporated sections on property rating. Also, the 1979, 1989 and 1999 Constitutions of the Federal Republic of Nigeria listed property rate as a function of local government councils in the residual list of the constitution. Thus, the Constitution affirms property tax as a tax to be administered by the local councils to improve their revenue base even though the property rating legislations were enacted by the state governments. The contribution of

property rate to local government finance in Nigeria has been tremendous since independence. For instance, Lagos Island Local Government, the oldest property rating authority in Nigeria built its council headquarters in 1968 known as "City Hall" entirely from the revenue accruable from property rate. In addition, property rate has been contributing more than 30% of the total revenue to the council annually since independence (Fatokun, 1995). Another example is Ikeja Local Government where its property rate revenue rose from N3.9 million in 1990 to N7.3 million in 1991, N11.3 million in 1992, N19.8 million in 1993 and has been increasing in geometric progression since then (Fatokun, 1995). In Abia State, Aba South Local Government Council has continued to record reasonable revenue from property rate in the past decades (Igwe-Kalu, 1998). However, property rate as an effective source of revenue to the local government councils has not been properly harnessed in Nigeria. The Federal Government's constant grant to local government councils, perhaps as a result of the oil boom has killed the incentive of these councils to generate extra revenue for their expenditures. Evidently, a good number of local government councils in the country solely depend on the federation account for survival. Based on the Local Government Reforms of 1976, every local government council in Nigeria is a rating authority for its area and has power to levy property rate on the basis of assessment in respect of the net annual value of the properties in its rating area for the purpose of applying the proceeds thereof to local purposes of a public nature.

2.1 Tenement Rate Assessment and Administration in Minna

Tenement rate assessment and administration in Minna in particular and Niger State in general is regulated by the Niger State Tenement Rate Edict No. 3 of 1995 (hereinafter referred to as the "Edict"). This law was enacted to repeal the Property and Tenement Rate Edict of 1988. According to Section 2 of the Edict, tenement means land with building on it which is held or occupied as a distinct or separate holding or tenancy or any wharf or pier or quarry site or runway or storage space occupied for profit or business but does not include land without building. Section 4(1) of the Edict provides that each local government in Niger State shall be the rating authority for its area of jurisdiction and shall levy and collect rates on tenements in its area of jurisdiction in accordance with the provisions of the Edict. Minna is the capital city of Niger State and is controlled by Chanchaga and Bosso Local Government councils for the purposes of tenement rate assessment and administration. The process involves the assessment of the tenements, preparation and publication of the valuation list, demand and collection of the tenement rate. The procedures regulating this process are provided in the relevant sections of the Edict. On the liability to pay rate on tenements under the Niger State Tenement Rate Edict of 1995, Section 31(subsections 1 and 2) of the Edict provides as follows:

- (1) *Occupiers or subsequent purchasers of a tenement shall be primarily liable to pay rates while the owners of such tenement or his agent shall be secondarily liable for the payment of rate except in cases*

where the owner also resides in the premises and in such cases the owner becomes primarily liable.

- (2) *Notwithstanding subsection (1) of this section, if the rating authority believes that the collection of rates from occupiers of a tenement in multi-occupation will present problems or that it is uneconomical to bill individual tenants, the rating authority could make the owner primarily liable.*

The property owners selected for this study are primarily liable for the payment of tenement rate in Minna. This paper examines the property owners' perception of the tenement rate assessment and administration procedures in the city.

3.0 Methodology and Data

The population for the study comprises commercial and residential property owners who are primarily liable for the payment of tenement rate in Minna. Data for the study were obtained through field survey using structured questionnaires. A total of 116 structured questionnaires were administered to commercial and residential property owners in the city. They were selected through purposive sampling technique. Out of these, 66 questionnaires were properly completed and returned. The small number of the respondents accessed for the study may be due to the apathy of property owners towards property tax issues and the fear of the unknown, among other reasons. Data collected for the study include the respondents' demographic characteristics as presented in Table 1 and the respondents' opinions regarding the procedures of tenement rate assessment and administration in Minna as presented in Table 2. A 5-point Likert scale was used to determine the mean of

the respondents' responses for each of the opinions. The cut-off points for the interpretation of the respondents' mean response are: Strongly Agree (4.50-5.00); Agree (3.50-4.49); Undecided (2.50-3.49); Disagree (1.50-2.49) and strongly Disagree (1.00-1.49). The homogeneity of the respondents' population variance was determined using Analysis of Variance (ANOVA) statistical tool. The pooled variance t-test model was used to determine whether there is a statistically significant difference between the mean responses of commercial and residential property owners regarding the procedures of tenement rate assessment and administration in Minna. The model is expressed as follows:

$$t = \frac{X_a - X_b}{\sqrt{[(N_a - 1) V_a + (N_b - 1) V_b] \left[\frac{1}{N_a} + \frac{1}{N_b} \right]}}$$

Where:

- X_a = Mean of commercial property owners' responses
- X_b = Mean of residential property owners' responses
- V_a = Variance of commercial property owners' responses
- V_b = Variance of residential property owners' responses
- N_a = Number of respondents who are commercial property owners
- N_b = Number of respondents who are residential property owners

The calculated t-values were compared to the critical t-values at 0.05 and 0.01 levels and at $N_a + N_b - 2$ degrees of freedom. The Spearman's Rank-Order Correlation Model was used to determine whether commercial and residential property owners under study relate significantly in their opinions regarding the procedures of tenement rate assessment and administration in

Minna. The Spearman's Rank-Order Correlation Model is expressed as follows:

$$r_s = 1 - \frac{6 \sum D^2}{N(N^2 - 1)}$$

Where:

- r_s = Correlation Coefficient
- D^2 = Square of the difference between ranks of the items
- N = Number of pairs of items ranked

4.0 Results and Discussion

Results of the Analysis of Variance (ANOVA) test as presented in Table 3 show that the calculated F-ratios are less than the Critical F-values at 0.05 and 0.01 levels and at appropriate degrees of freedom. This implies that the variances of the two populations used for the study are homogeneous and as such the pooled variance t-test model was used to determine whether there is a statistically significant difference between the mean responses of commercial and residential property owners regarding tenement rate assessment and administration procedures in the city. The results of the t-test are presented in Table 4. Based on the t-test results as presented in Table 4, there is no statistically significant difference between the mean responses of commercial and residential property owners under study regarding the procedures of tenement rate assessment and administration in Minna in 11 out of the 12 items presented to the respondents. The correlation analysis of commercial and residential property owners' opinions on tenement rate assessment and administration procedures in the city produced a strong positive correlation coefficient of 0.965. This was found to be significant at 0.05 (r_s - critical = 0.648) and 0.01 levels (r_s - critical = 0.794) and at N2

2(i.e. 10) degrees of freedom. The implication of this is that, commercial and residential property owners under study relate significantly in their opinions regarding the procedures of tenement rate assessment and administration in Minna.

4.1 Findings

Based on the cut-off points for interpretation of the respondents' mean response for each of the opinions, both commercial and residential property owners under study as summarised in Table 4 agreed that tenements should be assessed as they stand in their present physical condition; tenements should be assessed as used and occupied at the time of assessment; tenements should not be assessed in the absence of their owners and every property owner should have access to valuation list at all times. However, while only the commercial property owners agreed that valuation list should be updated every year, only the residential property owners agreed that filing of appeal at the tenement rate tribunal is cumbersome and expensive.

5.0 Conclusion

The perception of the tax payer is important for the success of any property tax system. The property owners selected for this study are primarily liable for payment of tenement rate in Minna. Based on the findings of this study, the consensus opinions of property owners concerning the procedures of tenement rate assessment and administration in the city are that tenements should be assessed as they stand in their present physical condition; tenements should be assessed as used and occupied at the time of assessment; tenements should not be assessed in the absence of their

owners and every property owner should have access to valuation list at all times. These opinions are necessary for the review of the procedures of tenement rate assessment and administration in Minna to make them more practicable, just and equitable. Such initiative would make property owners active participants in the tenement rate assessment and administration process of the local government council and thereby improving its internally-generated revenue.

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Table 1: Respondents Demographic Characteristics

Characteristic	Frequency		Total
	Residential Property Owners	Commercial Property Owners	
Gender			
Male	24	35	59(89.4%)
Female	4	3	7(10.6%)
Total	28	38	66(100%)
Age Group			
21-25 years	0	1	1 (1.51%)
26-30 years	1	4	5 (7.58%)
31-35 years	2	7	9 (13.64%)
36-40 years	4	5	9 (13.64%)
41-45 years	8	12	20 (30.3%)
46-50 years	4	2	6 (9.09%)
51-55 years	3	6	9 (13.64%)
56 years + Above	6	1	7 (10.6%)
Total	28	38	66 (100%)
Highest Educational Qualification			
FSLC	2	0	2 (3.03%)
SSC	1	11	12 (18.18%)
OND	2	10	12 (18.18%)
NCE	4	4	8 (12.12%)
Professional Diploma	0	1	1 (1.51%)
First Degree	14	11	25 (37.88%)
Masters/PhD	4	1	5 (7.58%)
No Response	1	0	1 (1.51%)
Total	28	38	66 (100%)

Source: Field Survey (2010)

Table 2: Respondents Opinions on Tenement Rate Assessment and Administration Procedures in Minna, Nigeria

Opinion	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
	CPO	RPO	CPO	RPO	CPO	RPO	CPO	RPO	CPO	RPO
Tenements should be assessed as they stand in their present physical condition	16	8	18	16	1	1	1	2	2	1
Tenements should be assessed as used and occupied at the time of assessment	13	9	19	16	4	3	1	-	1	-
Tenements should not be assessed in the absence of their owners	21	11	7	7	3	1	6	6	1	3
Appraisers involved in the assessment of the tenements do not interact with their owners before assessment	5	3	12	6	3	6	11	6	7	7
Appraisers sometimes determine the rate liability for the tenements without physical inspection	4	-	15	10	6	7	8	9	5	2
Im not aware of any law regulating tenement rating assessment and administration in Niger State.	3	4	12	4	3	4	11	6	9	10
I do not know why I should pay tenement rate	3	3	9	4	2	1	13	16	11	4
I do not know what tenement rate revenue is used for	6	4	11	5	1	-	8	11	12	8
Valuation list should be updated every year	14	5	16	11	4	6	2	1	2	4
Every property owner should have access to valuation list at all times	14	6	16	17	4	4	3	-	1	1
Tenement rate collectors are harsh and disrespectful	7	5	11	6	4	13	10	3	6	1
Filing of appeal at the Tenement Rate Tribunal is cumbersome and expensive	4	2	11	12	15	12	6	2	2	-

Note: CPO = Commercial Property Owners Responses; RPO = Residential Property Owners Responses

Source: Field Survey (2010)

Table 3: Results of Homogeneity of the Respondents Population Variance

Item	Variance		Calculated F - Ratio	Critical F- Value		Result
	Commercial Property Owners	Residential Property Owners		$\alpha=0.05$	$\alpha=0.01$	
Tenements should be assessed as they stand in their present physical condition	1.03	0.93	1.11	1.84	2.38	NS
Tenements should be assessed as used and occupied at the time of assessment	0.74	0.42	1.76	1.84	2.38	NS
Tenements should not be assessed in the absence of their owners	1.48	2.08	1.41	1.74	2.20	NS
Appraisers involved in the assessment of the tenements do not interact with their owners before assessment	1.86	1.80	1.03	1.84	2.38	NS
Appraisers sometimes determine the rate liability for the tenements without physical inspection	1.54	0.97	1.59	1.84	2.38	NS
Im not aware of any law regulating tenement rating assessment and administration in Niger State.	1.79	2.11	1.18	1.74	2.20	NS
I do not know why I should pay tenement rate	1.79	1.46	1.23	1.84	2.38	NS
I do not know what tenement rate revenue is used for	2.35	2.04	1.15	1.84	2.38	NS
Valuation list should be updated every year	1.16	1.61	1.39	1.74	2.20	NS
Every property owner should have access to valuation list at all times	1.00	0.95	1.05	1.84	2.38	NS
Tenement rate collectors are harsh and disrespectful	1.90	1.05	1.81	1.84	2.38	NS
Filing of appeal at the Tenement Rate Tribunal is cumbersome and expensive	1.00	0.54	1.85	1.84	2.38	NS

Note: NS = Not Significant at 0.05 and 0.01 levels. This implies that the variances of the two populations are homogeneous.

Source: Computed from Data in Table 2

Table 4: The Mean, Standard Deviation and t-Test Results of Commercial and Residential Property Owners' Responses on Tenement Rate Assessment and Administration in Minna, Nigeria

Opinion	Mean		Standard Deviation		t-Cal	t - Critical		Result
	X _a	X _b	SD ₁	SD ₂		α=0.05	α=0.01	
Tenements should be assessed as they stand in their present physical condition	4.18	4.00	1.015	0.964	0.73	1.66	2.36	NS
Tenements should be assessed as used and occupied at the time of assessment	4.11	4.21	0.86	0.648	-0.52	1.66	2.36	NS
Tenements should not be assessed in the absence of their owners	4.08	3.61	1.22	1.442	1.42	1.66	2.36	NS
Appraisers involved in the assessment of the tenements do not interact with their owners before assessment	2.92	2.71	1.364	1.342	0.62	1.66	2.36	NS
Appraisers sometimes determine the rate liability for the tenements without physical inspection	3.13	2.89	1.24	0.985	0.85	1.66	2.36	NS
I'm not aware of any law regulating tenement rating assessment and administration in Niger State.	2.71	2.50	1.338	1.453	0.61	1.66	2.36	NS
I do not know why I should pay tenement rate	2.47	2.50	1.338	1.208	-0.09	1.66	2.36	NS
I do not know what tenement rate revenue is used for	2.76	2.50	1.533	1.428	0.70	1.66	2.36	NS
Valuation list should be updated every year	4.00	3.44	1.077	1.269	1.94	1.66	2.36	S
Every property owner should have access to valuation list at all times	4.03	3.93	1.00	0.975	0.41	1.66	2.36	NS
Tenement rate collectors are harsh and disrespectful	3.08	3.39	1.378	1.025	-1.00	1.66	2.36	NS
Filing of appeal at the Tenement Rate Tribunal is cumbersome and expensive	3.24	3.50	1.00	0.735	-1.16	1.66	2.36	NS

Note: S = Significant at 0.05 level; NS = Not Significant at 0.05 and 0.01 levels. X_a - Mean of Commercial Property Owners' Responses; X_b - Mean of Residential Property Owners' Responses; SD₁ - Standard Deviation of Commercial Property Owners' Responses; SD₂ - Standard Deviation of Residential Property Owners' Responses; N_a= 38; N_b= 28

Source: Computed from Data in Table 2