Impact of Environmental Factors on the Performance of Real Estate Business in Nigeria: A Case Study of Kano Metropolitan

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Abstract

Property development and investment can be seen in the form of residential, office, industrial recreational developments as well as school, hospital, churches and physical infrastructure. Whatever form it takes, property development represents all man-made efforts to change the use of land to create structures and shelter for him by spending money. Real estate has continued to play a significant role in man's evolution. It is not a coincidence that food, shelter and clothing believed to be the three essentials that sustain mankind, also have some linkage to land. Real estate business today is a matter of passionate concern. This research studies environmental factors as one of the few crucial areas that significantly target the performance of real estate business in the country because in present times our economic propensity has become increasingly dependent on it. An attempt is made in this study to review established facts in order to provide great deal of explanation of real estate business in Nigeria. The topical issues under this chapter include: concept of land, property market, real estate and business development in Kano, land values and pricing There is hardly any business venture that does not require the support by some form of real estate: from the small business that requires real estate as offices from where its business can be organized to the major venture that needs it for its factory.

Keywords: Real Estate, Environmental factors, Land development

1. Backdrop of the Study

Landed properties include residential, commercial and industrial buildings which are income-yielding. In normal situation these properties appreciate in value and the higher the value the more rental income generation. Kano is one of the metropolitan cities in Nigeria and a center of attraction stimulating residential, commercial, and industrial and other numerous development activities. It is expected that Kano continues to witness dynamic property development and booming property market.

The nature of real estate business in Kano is traceable to private investors. Squatter settlements, slums, spontaneous development, illegal or unauthorized development and plots creations usually arose through the initiatives of the private sector, both organized groups and individuals. Furthermore, it was also observed that inconsistency in government policies on land ownership and related matters is a concerned challenge. It leads to a great financial loss in the real estates, because a developer can own a land under this government, but only to be revoked by another administration.

2. Literature Review

Economic and management studies have long established that production is dependent on four factors, out of which land is one, along with labor, capital and machinery **(Omuojine, 1993)**.

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The term real estate, according **(Bansal, Sirohi and Jha, 2011)** simply mean land, including the air above it and the ground below it, the building or structure on it. In practice, it covers residential housing, commercial offices, and trading spaces such as hotels, restaurants, industrial buildings and so on. Real estate business however refers to the purchase, sales and development of landed property. Real estate is a land along with anything permanently affixed to it such as building etc **(Singh and Komal, 2009)**. Natural endowment such as land resources, good climatic condition and human resources serve as catalyst for growth and development **(Nwaka, 2005)**. The property market in Kano as observed in recent times, has assumed unusual status and characteristics. Sales, renting and leasing of property in Kano is unstable being characterized by equilibrium prices which fluctuate widely **(Mohammed, 2004)**. Rental value has drastically declined and property capital value is quite low. Some landed properties including shops and residential houses have been abandoned in these areas. It is obvious, major metropolitan areas in developing countries continue to witness effort by the government and private sector to provide affordable shelter to categories of the population. This is not exactly the situation in Kano and the result is that there is myriad of problems in our real estate sector in both government and private sectors.

3. Development of Real Estate Business in Nigeria

Land and Land Development in Nigeria

Land means different things to different people. While land means physical expression of the nation state which includes the soil, natural resources, water, plants, rocks and minerals, and sometimes, houses and open space. Real estate business consist of property development and investment which relates to supply of landed properties while effective demand relates to actual use and/or occupation of existing properties **(Akomodele, 2006)**.

Development is task and processes concerning analytical preparation of potential growth opportunities, the support and monitoring of the implementation of growth opportunities but doesn't include decisions on strategy and implementation of growth opportunities **(Sorensen, 2012)**. Property development therefore connotes an investment in landed property which involves the commitment of scarce resources together with other factors of production to produce buildings and structures. Property development has been defined "as form of investment; the introduction of capital resources into the creation of activities with the aims that same would generate employment and yield returns **(Akomdede, 2006)**. Property development relates to an investment in landed property, the commitment of scarce resources to purchase, development or security of landed property with the ultimate aim of achieving a predetermined goal or satisfaction. Property investment connotes the commitment of capital to land to create development with the expectation of good return, which may be a yield in financial returns or for social status, prestige or satisfaction. It is the injection of capital into land that produces real estate. Property investment is the sacrifice of something now on land for the prospect of later benefits **(Brzowski, 2008)**.

Landed property is the largest single investment that the greatest number of people ever made in their life time. It forms the greatest asset of any nation and it is an index of propensity **(Ong and Chew, 1996)**. Because it is capital intensive, it is important that great care is taken in its procurement to ensure that the resources put into its development are harnessed for the maximum benefit not only for the developer but also for the nation.

Bausal, Sirohi and Jha (2011) have emphasized that real estate business do require huge capital investment. Others such as **(Nuhu, 2008; Emoh and Nwachukwu, 2011)** have recognized

source of finance as a major challenge. The development of real estate business is a step towards building a vibrant and diversified economy **(T Mahmud, 2005)**. However, the lack of access to credit required to start or expand the real estate business has often plagued that sector of the economy. Most developers tend to rely on personal resources, or loan from friends and relatives to fund the business **(Oghoro, 2007)**. The expectation has been that after the initial take off of the operation, the business should be able to raise fund from the formal sector especially Mortgage Finance, Micro Finance Institutions or Banking Industries to expand its operation **(Iniodu and Adomesiet, 2004)**. The inability to attract financial credit or resources has hindered the growth of real estate business in Kano metropolis.

Nigeria being the largest country in Africa and the largest concentration of black people in the world has a land area of close to 1million square Kilometers and a population of well over 150 million people **(Cotula, 2006)**. The country has a diversity of tribes and cultural patterns which makes land the basis for social, economic and political development.

Property Market

In real estate, property market relates to supply and demand, buying and selling, renting and leasing of landed properties, the people involved and the places where the business is conducted. Supply aspect of property market is taken care of by developers or real estate investors while demand is affected by users, buyers or tenants. The place where the demand and supply or real estate transactions take place is the environment or localities. Landed property is immobile and because of this characteristic, real estate market is made up of large number of local markets, each isolated to some degree from other local markets **(Fricke, Henderson and Johnson, 1987)**.

Real Estate and Business Development

The term real estate refers to as large host of activities which consist of land; its ownership and development, housing finance and housing market. Housing market in real estate business is an investment market that has become backbone of the world economy. That is why **Bello, (2008)** argues that there are continuous growths of the interest in the housing and housing finance especially since the world has become 50% urbanized. It is also determined that Africa is now rapidly urbanizing at the growing rate of 30%. This global trends and Africa in particular has brought about the demand for the housing production and services. The factors resulting to this raise in demand of housing services are: urban growth which create need for shelter and growths of number of people that lives in slum areas which according to united nation, are estimated to be 1billion globally.

In Nigeria, real estate (housing sector) maintains equivalent position as it is obtainable globally. Although, no statistical record to show the financial worth of the industry, but it is observed that the sector worth billions of Naira and it is growing at a phenomenal rate. It is a second largest employer of labor after agricultural sector. It attracts huge investment both formal/informal and international.

Land Values and Pricing

The demand is the reflection of benefits derivable from the land. The greater the benefit derivable from the land, the greater the value of that land and that determines the price. But since land cannot be manufactured, its supply in space is fixed. No matter the height of demand, the supply remains fixed. This implies that supply is of lesser importance in the determination of land price. Land value in an urban community is therefore determined by demand **(Brigham,**

1971). **Ajayi, (1998)** observed that land characteristics that enhance its value, and thus its demand, are accessibility, neighborhood quality and site-specific characteristics. The greater the accessibility of a location, the greater will be the comparative advantage and higher the demand for property at that location **(Vicky, 2000)**.

Informal Land Market

Housing problem is identified as the subject of discussion in many cosmopolitan cities globally. As observed by **Famiriyo (1987)** that most urban population lives in dehumanizing housing environment. Even those with access to average housing do so at abnormal cost. He argued that the rent in major cities of Nigeria is about 60% of an average workers disposable income which is far higher than the 20-30% recommended by the United Nation. **Ekweme (1979)** and **Iyagbaetal (1998)** as cited in **Famiriyo (1987)** that rate of demand for new houses is predicated on the basis of rate of formation of new houses and in part on the rate of replacement of old housing stock. Therefore with the estimated population of 160 million Nigerians and more than 9 million people in Kano State, (NPC 2006). Nigeria and Kano in particular, need to produce 1,440,000 and 81,000 housing units respectively per annum based on an estimate of 9 dwelling units a year per 1000 of population. Thus this has appeared to be a serious challenge to the building industry and also might have been the essence for the emergence of the informal land market which gives the players the room to tap the untapped market.

Real Estate Business and Financing Policy

A lot of policies were introduced to encourage the growth and development of the real estate business in Nigeria. Governments have been encouraging existing formal financial institutions, like the Federal Mortgage Bank, Primary Mortgage Institutions (PMIs), Insurance Companies' Funds and National Housing Fund to promote the real estate sector; and subsequently introduced a number of credit policies, towards strengthening and shedding some light on the performances of the notable among the formal financial institutions. Despite Government efforts aimed at providing policies to promote real estate business in order to get affordable and comfortable housing for all Nigerians, still lack of sources to finance remains the most pervasive challenge.

However, the most pervasive challenges for real estate have been and would remain the lack of source to finance at reasonable conditions especially from the external sources (Egbon, 2004and CBN, 2005). The inability to attract financial credit or resources has hindered or shifted the growth of real estate developers in Nigeria and Kano in particular. The reasons for lack of access to finance include the followings:

- High rate of inflation that led to the vast depreciation of naira exchange rate, and high rate of interest charged on loans which scares off real estate developers
- The general inability on the part of the developers provides acceptable collateral/securities to back up their loan request.
- Religious belief also stopped some developers from taking loan from bank
- The unwillingness of banks to grant credit to real estate developers because of the fear of the land market in the state due to changes in government policies has also hampered their growth over the years.

Government Policies and Land Allocation Procedures

In response to a potential crisis in land distribution, the federal government promulgated the land use decree of March 1978, establishing a uniform tenure system all over Nigeria. However, the

decree stipulated that anyone in rural or urban area who normally occupied land and developed it would continue to enjoy the right of occupancy, and could sell or transfer his interest in the development of the land. The main purpose of the 1978 decree was to open land to development by individuals, corporations, institutions and governments. The decree gave state and local government's authority to take over and assign any undeveloped land. Occupancy or possession of underdeveloped land by individuals was restricted. To prevent fragmentation, the statutory right of occupancy could be passed on only to one person or heir.

The Land Use Decree is made up of eight parts of fifty one sections. It addresses four important issues arising from the former land tenure systems in Nigeria: the problem of lack of uniformity in the laws governing land use and ownership; the issue of uncontrolled speculation in urban land; the question of access to land rights by Nigerians on equal legal basis; and the issue of fragmentation of rural lands arising from either the application of traditional principles of inheritance and/or population growth and the consequent pressure on land. The decree

- Rights in land are vested in the state approaches these issues via three related strategies **(Akomdlede, 2006)**.
- Property The granting of usufructuary rights in land to individuals
- The use of an administrative system rather than market forces in the allocation of rights in land.
- The general principles of the act state that: subject to the provisions of this decree, all land comprised in the territory of each state in the federation are hereby vested in the governor of the state and such land shall be held in trust and administered for the use and common benefit of all Nigerians (Land act, 1978).

The governor is authorized by section 3 to designate parts of territory of the state local as an urban area. He may designate the entire state as urban and leave the governments with no land to control **Yakubu, (1986)**. Many Governments misused this power to suit their personal or political interests. This is what **(Nuhu, 2008 and Umar, 2002)** have called inconsistencies in application of land use Act and its implementation due to abuse of office, corruption and nepotism.

Real Estate Investment

Estate surveyors render many professional services; these are valuation for all purposes, estate agency, property management, facilities management, property marketing, property development appraisal, and environmental management. In practice, the estate surveyors carry on property management services which include selection of tenants, acceptance of rent, responding to and addressing maintenance issues, advertising vacancies for letting, reviewing rent and representing the landlord before courts of competent jurisdiction in ejecting defaulting tenants, amongst other services. In addition to managing income and expense related activities, estate surveyor manages construction, development, repair and maintenance of a property.

In Nigerian urban areas (particularly Port Harcourt, Abuja, Warri, Lagos and Kano), after the initial advance rent of one to three years has expired, the problem of collection of subsequent rents sometimes sets in. Most prospective tenants who were usually eager to meet the terms, conditions and requirements normally set for new tenants often become recalcitrant no sooner than they had taken possession of the accommodation. Not only do they default in rent payment, they often fail to comply with responsibilities under the covenants of the tenancy. Such responsibilities include settlement of electricity bills, repairs and maintenance of landlord's

fixtures and fittings **(Findlay, 1991)**. According **Johnson (1996)** the usual approach by estate surveyor in selecting good tenants is to collect information about them through acquaintance form. This affords the estate surveyor the opportunity to carry out investigation about the prospective tenants, yet the incidences of bad tenancy remain. A process to assist in selection of tenants and eliminate potentially bad ones will therefore be a great relieve to the estate surveyor, and could assist in the task of managing real estate and harnessing remunerative return for the investors through effective decision making process.

Risks in Real Estate Investment
Real estate investment involves the purchase, ownership, management, rental and/or sale of real estate for profit. Real estate is an asset form with limited liquidity relative to other investments, it is also capital intensive, and it is highly cash-flow dependent. According to **Ajayi, (1998),** investors in property of various types are uncertain about the outcomes of their actions. Future events are difficult to forecast in precise terms and over time such forecast becomes unreliable. There is also the downside risk derived from volatility in the development variables that affect the investor's profit, such variables are rent, void period, yield, construction cost, building period, land cost, and marketing cost **(Ogunba, 2002; Ogunba, Oloyede, and Aibinu, 2003)**.
In Nigeria, a lot of risks and uncertainties affect property development and there is lack of information or model to predict property values to reduce the effects of such risks and uncertainties **(Oni, 2009)**. However, the risk most common to completed development project in Nigeria and found relevant to this study is the tenants' risk which is evident in destruction of property, default in rent, and non-compliance with covenant of the tenancy.
Without proper screening procedures, the agents and owners can find themselves stuck with potentially bad tenants. Many tools have been developed for screening of prospective tenants; however, they are not widely used in Nigeria as selection is carried out by intuition and consideration of criteria that are subjective **(Nuhu, 2008 and Umar, 2002)**.There are several qualifications that estate surveyor expects of a prospective tenant, and selection of good and reliable tenants is a key factor in successful management of a property. Some owners may specify religion, marital status, age, maximum number and ages of children, maximum number of cars, and tribe. Such attributes however have relative importance that fits the best expectation and minimize default in rent payment **(Omuojine, 1993)**.
In the opinion of **Akomolede (2006)**, it is better not to let a property than let it to a difficult tenant. He suggested that ability and willingness to pay required rent, suitability of the tenant to the property, ability and willingness to meet the terms of the lease, provision of suitable reference, payment of rent, and caution deposit are paramount in selecting tenants.
This assertion was supported by **Udo-Akagha (1981)** and **Ojo (2003)** who stated further that estate surveyor encounters problems with difficult tenants and that they cautiously go about selecting tenants based on prestige and economic climate at the time of transaction. Relating the success of management of property and type of tenants, **Brzowski (2008)** opines that for landlord and agent to succeed depends on screening of tenants, which is the "weeding out the Naughty and renting to the Nice" and suggested that awareness of and compliance with the Fair Housing Act is not only necessary, but essential to succeed in management of real estate. He stated further that criteria must essentially be written to lay a simple set of guidelines.

Real Estate Agency Market

Real estate agency is a process that helps to build the bridge that exists between estate owners and buyers. Real estate agents are key players in the agency market. They help to market a property to the public as well as other real estate agents, as a result reducing buyers' search costs and increasing sellers' expectation. They provide services which are met to be solution to their clients' problems. **Johnson, et al (1988)** categorized real estate agency as a service sector industry which is characterized as being prescriptively customized. That is, there is a high degree of consumer customization because the buyer is continuously involved in the production process. Study by **McDaniel and Louargand (1994)** suggested that all service businesses must respond to consumer expectations. However, little concern has been shown for customer satisfaction and retention issues in real estate agency. The perceptions and expectations of customers and the actual performance of the real estate agents are often at variance. According to **Sridhar (2001)** quality in service means meeting customers' expectations. Customers judge quality by comparing their expectations with their perceptions of5 what they receive. The author noted that quality in service is a customer-oriented phenomenon, that is, it is ultimately defined by customer irrespective of organizations internal quality specifications. It was reasoned that if real estate agents know these factors and they work towards providing them, complaints against real estate agents will be greatly reduced.

Factors Affecting the Provision of Quality Service in Real Estate Agency
Certain factors appear to affect quality in goods production or service provision. **J Kimmons (2008)** identified the size of a firm as an important consideration in the choice of the firm to work with. According to the author, larger firms will pull more businesses compared to smaller ones. In the words of **J Uusitalo (2001)**, consumers use firm size to guide their perception and evaluation of a particular firm. Due to the importance of firm size in consumers' perception, he used firm size as a basis of categorization for consumers' evaluation of a firm's service quality. According to **G Odekerken-Schroder et al. (2001)**, larger firm sizes are seen as giving more anonymous and standard self-service. Size of a physical environment is a factor influencing the extent of social interaction between and among customers and employees **(Forges, 1979)**.

SJ Daharwal. (2006) noted that advertisement is an important feature used to promote the sale of a product. Advertising is an art used to familiarize public with the product by informing of its description uses, its superiority over other brands, sources of its availability and price etc. It can also be defined as the dissemination of information concerning an idea, services or products to compel action in accordance with the interest of advertisers. It involves mass media communication directed towards influencing the end consumer. It helps in product promotion and enables a firm to face the competition in the market for its survival.

Advertising is a powerful tool which individuals, business and non- business organizations use for informing persuading and reminding their target audiences. According to **JA Mathews (2006)**, the average consumer would not be able to know what to buy without advertisement. **Daharwal (2006) and Nowak (2008)** noted some advantages of advertising which include: helps in the introduction of new products in the market; promotes the sales of goods and services by persuading the people to buy them; helps in creating a demand and hence a regular production; enables a firm to face competition in the market for its survival; enables a firm to improve its reputation by highlighting its achievements to the public; and helps in maintaining uniformity and stability of prices.

Another factor that affects quality as identified from literature is location. Location is defined as the position or point in physical space that something occupies on earths' surface. **JG**

Longenecker et al (2005) wrote that the choice of a good location is much more vital to some business than to others. For example, the site chosen for an estate firm can make or break the business because it must be convenient for customers. In contrast, the physical location of the office of a painting contractor is of less importance, since customers do not need frequent access to the **facility**. A lot of businesses suffer if their site is poorly chosen. According to **Buckert (2006)** location has significant role in price establishment in real-estate industry. One way a company can beat another company in getting sales is by having a superior business location. Good location is very important because more customers can be targeted as they often go to the most convenient place. This in turn can make the business successful, maximize the firm's profit and increase its earnings **(R Kurtus, 2007)**.

According to **Buckert (2006)** old houses need a little makeover if it hopes to attract a qualified buyer. Most of the work may be cosmetic and relatively inexpensive; for example, a new coat of paint, a few attractive window boxes, a cleaning of floors and carpets. Paint, according to the author is probably a seller's best friend because it makes houses smell fresh and look nice.

Price is another important factor affecting quality. **Anderson et al (1997)** stated that "the law of demand, namely that the higher the price of a good less consumers will purchase", has been termed the most famous law in economics and the one that economists are most sure of. According to **Ellis-Christensen (2003**) price elasticity refers to the amount of money each individual consumer is willing to pay for something. People with lower incomes tend to have lower price elasticity, because they have less money to spend. A person with a higher income is thought to have higher price elasticity, since he can afford to spend more. Generally, goods or services offered at a lower price lead to a demand for greater quantity.

Communication according to **R Narayanan et al (2003)** plays a major role in influencing consumer purchases in new product or services. It plays both informative and a persuasive role over the life cycle of goods and services. It is also a strategic part of the marketing process; the message that is relayed to the customer. Frequent communicating with customers enables one to deliver message to them so that they will react to it. **Hemuka (1999)** recommended Continuing Professional Development Programmers (CPD) as a vehicle for the advancement of professional and academic knowledge among real estate practitioners. **Anderson et al (1998)** wrote that the reputation of a firm could help its selling power, which would increase its efficiency. Older firms may be able to obtain more listings and/or make more sales than their new firm counterparts because of reputation and accumulated brand name capital effects. He noted however that it is possible for older, more established firms to attempt to ''ride'' on their established reputation and not utilize the resources they have available. **Johnson and Loucks (1986)** in their study focused on the effect of state licensing regulations on the industry. They found that licensing regulations improve industry's performance.

Webb (2000) in his inquiry into the professional self-image of real estate agents discovered that the single most important thing that could be done to enhance the professional image of real estate agents was the ''requirement of more education before licensing''. He observed that the second most important thing from the perspective of his respondents was ''greater emphasis on morals and ethics'', followed by ''stricter enforcement of regulations governing the behavior of real estate agents''. **Gunter Mann and Smith (1988)**, relate complaints against real estate licensees to compliance and enforcement efforts by regulators and pre-licensing education requirements. **Miner (1998)** also suggested that there are some tangible items that can affect the quality of a service; the physical service environment, the appearance of the service provider and the pricing of the service. **Canziani (1996)** suggested that the main elements to consider in

achieving a quality service include: collection and measurement of customer data; benchmarked standards for work processes and outputs; goals and action plans specifying quality outputs; personnel trained in the use of tools and teams and a culture that empowers and rewards service employees.

4. Research Questions

The following research questions are raised from the statement of the problem to serve as guidance for the study.

- To what extent do the perceived inconsistencies in government policies have significant effect on the performance of real estate business in Kano metropolis
- To what extent does perceived economics factors have significant effect on the performance of real estate business in Kano metropolis

4.1. Objectives of the Study

The broad objective of this study is to identify the factors influencing the performance of real estate

- To business in Kano metropolis. Specifically the following objectives are set to be achieved.
- To determine the extent to which Perceived inconsistencies in government policies have significant effect on the performance of real estate business in Kano metropolis.
- To determine the extent to which Perceived Economics Factors have significant effect on the performance of real estate business in Kano metropolis

4.2. Hypotheses of the Study:

Based on the aforementioned research questions, the following hypotheses are formulated in null form for testing:

Hypothesis I

Perceived Inconsistencies in government policies do not have significant effect on the performance of real estate business in Kano metropolis.

Hypothesis II

Perceived lack of Access to finance does not have significant effect on the performance of real estate business in Kano metropolis

4.3. Rationale of the Study

The significance of the study lies in the fact that real estate sector plays a critical role in a country's welfare than is always recognized, as it directly affect not only the wellbeing of the citizenry, but also the performance of other sectors of the economy.

Although there are some researches made by others such as **(Nuhu, 2008)** in the study of public land policy challenges,**(Oloyede, Ayedun and Ajibola, 2011)** in issues facing the estate surveying and valuation profession and **(Nwachuku and Emoh, 2011)** which discussed building construction in real estate development. However none of these studies had particularly addressed the subject matter. The study will also provide the necessary comprehensive and empirical bridge in knowledge with regards to the challenges facing the real estate business in Kano metropolis. The research would help to uncover strategies, modalities, requirements as well as ways to manage the challenges real estate business which is the focus of the research.

5. Research Methodology & Research Design

The exploratory research design to be adopted to develop an image of the structure of the study, area of study, population of the study, sample size and sampling techniques, method of data collection and so on.

The study employs survey method as the research approach to answer the research objective and ascertain the veracity of the hypothesis. The data collected is cross-sectional, that is, the data which the researcher has collected at a particular period of time. This involves determination of the following independent variables as Perceived inconsistencies in government policies on land administration; and Perceived lack of access to finance, in influencing the performance of real estate business in Kano metropolis as (dependent variable). These variables are mathematically presented as follows:

$Y = f(X_1 + X_2)$

Where, Y= Performance of Real Estate Businesses

$\quad$ X_1= Perceived Inconsistencies in government policies

$\quad$ X_2= Perceived Access to finance

In view of the above variables, the study generates data on cross-sectional basis that is the data collected on one or more variables at same point in time (**Aliero, 2004).**

5.1. Population of the Study

The study population of this study consists of   all the real estate developers in Kano metropolis. The existing record indicates that there are Five Hundred and Sixty Four (564) registered members under the umbrella of Kano Property Agents Development Association (KPADA).

The specific characteristics of the population are that, the study has recognized the registered members of these associations to be the relevant participants in the study.

5.2. Sample size and sampling technique(s)

The table for determining random sample size from a given population developed by **Krejcie and Morgan (1970)** as reported by **(Sodangi, 2010)**; re-evaluated and affirmed by Research Advisors (2006) states that for a population that ranges between 500 to 600 the appropriate sample size is 234 at the margin of error of 5% and level of confidence of 95%.This study has adopted the total number of 234 participants to be the sample size of the study. Therefore, a sample of 234 registered members was collected for the study through a probability random sampling method (see Appendix1).

5.3. Data Collection Method

The research employs primary source only. It provides the researcher with the fresh raw-fact that can be used to answer the research objectives and to test hypothesis.

Sources of Primary Data

Among the available instruments of data collection, this study uses questionnaire.

Tool to Collect Primary Data The Questionnaire was prepared by the researcher using 5-points Liker rating scale questions. The questions are grouped in to section A and B (see Appendix 2b) and the research questionnaire were derived from the literature review.

Administration of the Questionnaire

The researcher has administered the questionnaire to ensure the authenticity of the information provided by the respondents. The instrument is also designed to contain an accompanying letter of introduction which solicits cooperation from the respondents and equally a provision is made for explaining some technical terms to the respondents. The researcher also employs research assistants; the purpose of which is to use an insider who might have familiarity with the respondents so that he can retrieve the questionnaire on behalf of the researcher.

5.4.   Data Analysis Techniques

For the purpose of this study, the use of both descriptive and inferential statistics were employed, descriptive statistics in the form of tabulation and frequencies depicted the responses obtained from Real Estate Developers in Kano metropolis while inferential statistics was used as another method of analyzing by using of Chi-Square (X^2) statistical tools to determine the relationship variables.

Chi-Square (χ2) Technique

This is a statistical tool that is used to provide non-parametric test on the relationship between two or more variables. The Chi-square test was used to test all the hypotheses of the study using SPSS version 16. The Chi-square test is given by:

$$\chi2=\sum_{i=1}^{N} \frac{(F_o - F_e)^2}{F_e}$$

Where: $\sum$ = Summation (addition)

N = Number of cells in the contingency table

F_O = Observed frequency or value

F_e = Expected frequency or value

$\chi2$ = Chi-square

The Decision Rule:

1. Reject H_o at 95% level of confidence (alpha-α 0.05) if the computed value of χ2 is greater than the critical value (table value).

2. Accept H_o at 95% level of confidence (alpha-α 0.05) if the computed value of χ2is less than the critical (table value).

Area of the Study

The study is carried out in Kano Metropolis of Nigeria which is referred to as the city of commerce depicting the leadership position in commerce (MAN Annual Report, 2004).In addition, being the most industrial and Largest Commercial city in the northern part of Nigeria, Kano Metropolis is cosmopolitan and maintains a leadership position in terms of the state population in Nigeria. 2006 population census has estimated that there are more than 9 million people in the state.

Kano State has been a center of industrial and commercial activities for centuries. The inhabitants of the ancient city of Kano are known to have excelled in not only merchandizing but also engaged in bourgeoning small scale industrial activities manifested in handcrafts, blacksmithing and agricultural activities among others. With the coming of modem economic activities, the state has witnessed remarkable progress in commercial and industrial activities resulting in the development of modem manufacturing activities and establishment of market outlets.

6. Data Analysis

It is observed that the aim of survey research is to employ primary data and observe the subjects of study without any attempt to manipulate the variables. This study has employed various approaches of survey explorative statistical tools of generating primary data that can enable the researcher to test the two hypotheses formulated for the study.

6.1.   Characteristics of the Respondents: Descriptive Statistics

Two hundred and Thirty Four (234) copies of the questionnaire were distributed to the respondents that were involved in the study, but one hundred and ninety nine (199) which represents 85.04% of respondents were found useful for the analysis. A descriptive statistics of the sample revealed that 164 members which are 82.4% of the respondents were male while female respondents were 35 which are 17%. This indicated that males have taken majority respondents in this research. With respect to the numbers of the years in business, the findings showed that 52 members which are 26.1% of the respondents have less than one year of business experience; 79 members which are 39% have between 0- 10years in business operation; 29 members which represent 14.6% have between 10-20 years of business operation; 13 members which is 6.5% have between 20- 30years of business operation while 25 members which is 12.6% have between 30 years and above business operation. With respect to the year of members, the findings showed that 62 members which are 43.5% have between 21-30year in year ;31 members which is 21.7% have between 31-40year in year while 49member which is 34.5% have between 40year and above in year.

Based on the educational qualification of the respondents, the data revealed that 60 members which represent 30.2% of the respondents had such educational qualification as N C E or its equivalents; 66 members which is 33.2%of the respondents have had ordinary national diploma and its equivalents and 52 members which is 26.1% are the holders of B.sc, HND and its equivalents qualification; 17 members which is 8.5% of the respondents are Degree 3 members which is 1.5% hold other forms of educational qualifications such as primary level, professional training and mass literacy education. .

In respect to the source of the capital the surveyed frequency analysis showed that private member which are 169member which is 84.8% of the respondents of private while 30members which is 15.0% of the respondents of public. the source of the capital the surveyed frequency analysis showed that 83 members which is 44.7% of the respondents obtained their start-up and expanding capital from their own personal fund in forms of savings; while 52 members which is 26.1%of the respondents sources their capital from family and friends; only 33 members which is 16.6% of respondents obtained their capital from the banks and other financial institution; 22 members which represent 11.1% of the respondents obtained their capital from trade Association; while others source of capital represent 8 members that is 4.0%. (See Appendix 4 for details).

6.2.   Data Analysis of Questionnaire Responses

Data collected are analyzed for the purpose of testing the hypothesis for the study of Perceived Factors Influencing the Performance of Real Estate Business in Kano metropolis. The study aims at testing the effect of independent variables which are Perceived inconsistencies in government policies; Perceived lack of managerial skills and Perceived lack of access to finance on dependent variable (Performance of Real Estate Business).

Test of Hypotheses

The Hypotheses are tested by comparing the calculated values of chi-square (X^2) with the critical value/tabulated value and it is agreed that if the calculated value is greater than the tabulated, the Null Hypothesis is rejected and also if the calculated p-value is less than or equal to the tabulated p-value=0.005. Chi-square test of goodness of fit is used to test the effect size. The effect that

exist between independent variables and dependent variable in the two (2) different hypotheses of the study formulated in chapter one (1.5).

H$_{01}$: Perceived Inconsistencies in Government Policies do not have significant effect on the Performance of Real Estate Business in Kano Metropolis.

This sub section presents and discusses the result of the responses retrieved from the item of questionnaire administered to the real estate developers in Kano Metropolis. The research used the result to test the effect of government policies inconsistencies and the performance of Real Estate Business in Kano Metropolis using Chi-square test of goodness of fit. The summary of the responses are presented in table 1 below.

Table 1: Summary of the Responses of Perceived Inconsistencies in Government Policies on Performance of Real Estate Business in Kano Metropolis

Descriptive Statistics					
	N	Mean	Std. Deviation	Minimum	Maximum
Frequent Revocation of Plots	199	3.55	1.229	1	5
Government Policies	199	3.51	1.271	1	5
Double Allocation	198	3.62	1.225	1	5
Land Ownership	199	3.55	1.188	1	5
Government Ban the creation of Private plots	198	2.24	1.239	1	5

Source: Generated by the Author using SPSS16.0, from Questionnaire Response

Table 1 above shows the respondents responses with regard to the perceived inconsistencies in government policies which have effect on the performance of real Estate in Kano metropolis. The total numbers of the respondents (N) that have returned the items of questionnaire were one Hundred and ninety nine (199). The minimum and maximum values represent the range of options available to the respondents for them to choose one option out of the five options of the 5 point like scale range. The respondents agreed with the statement that there are Frequent Revocation of Plots which hinders the Performance of Real Estate Business in Kano Metropolis with (M = 3.55 and SD of 1.229). They also agreed that Government Policies doesn't favor Real Estate Developers in Kano Metropolis with (M= 3.51 and SD= 1.271). The result of the question with regard to Double Allocation Problem brings about financial loss to Real Estate developers in Kano Metropolis it showed that the respondents have agreed with (M=3.62 and SD=1.225).The respondents agreed that, unstable government policies on land ownership stagnant the performance of Real estate Business in Kano Metropolis with the (M=3.55 and SD=1.188). Also the respondents disagreed that government ban on the creation of private plots by individuals contributed to the development of real estate business in Kano, with (M= 2.24 and SD= 1.23). Therefore, the overall descriptive data or result indicates that the respondents had

agreed that inconsistencies on government policies have negative effect on the development of real estate business in Kano metropolis.

Table 2: Chi-Square Result on Effect of Perceived Inconsistencies of Government Policies on Performance of Real Estate Business in Kano Metropolis

Test Statistics					
	Frequent Revocation of Plots	Government Policies	Double Allocation	Land Ownership	Government Ban the creation plots
Chi-Square	72.482[a]	51.628[a]	57.808[b]	75.296[a]	61.545[b]
Df	4	4	4	4	4
Asymp. Sig.	.000	.000	.000	.000	.000
Cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 39.8.					
Cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 39.6.					

Source: Generated by the Author using SPSS16.0, from Questionnaire Response

The table 2 represents the result of Chi- Square ($X2$) test of goodness of fit. A key objective of this research work is to ascertain the extent to which perceived inconsistencies in government policies have significant effect on the Performance of Real Estate Business in Kano Metropolis. The hypothesis H_{01} which states that the Perceived Inconsistencies in Government policies do not have significant effect on the Performance of Real Estate Business in Kano Metropolis is rejected. The values of calculated X^2 of all the Five (5) cases above are greater than or equal to the tabulated $X^2=9.49$ at 4 degree of freedom.

This shows the rejection of Null Hypotheses confirming that there is significant relationship between performance of Real Estate and government policies in Kano Metropolis. The overall result shows that inconsistencies in government policies have significant effect on the performance of Real Estate in Kano Metropolis.

H_{02} Perceived lack of Access to Finance does not have significant Effect on the Performance of Real Estate Business in Kano Metropolis.
This subsection presents and discusses the result of the responses retrieved from the items of questionnaire administered to the Real Estate Developers in Kano Metropolis. The research uses the result to test effect of access to finance on performance of Real Estate Business in Kano Metropolis. The summary of the responses are presented below.

Table 3: Summary of the Responses of Effect of Perceived lack of Access to Finance on Performance of Real Estate Business in Kano Metropolis

Descriptive Statistics					
	N	Mean	Std. Deviation	Minimum	Maximum

Real Estate Owners have a Good Business Plan	199	2.41	1.235	1	5
Real Estate Owners Inability to provide acceptable Collateral Facilities	199	3.55	1.365	1	5
Real Estate Loans rejected this Affect their performance	199	3.59	1.315	1	5
Available External Sources of Capital	197	3.40	1.244	1	5
Government Policies Initiatives aimed at cing the Performance of Real Estate Business in Kano Metropolis	198	2.18	1.216	1	5

Source: Generated by the Author using SPSS16.0 from Questionnaire Response

Above table shows that response with regard to the access to finance which has effect on the performance of real Estate in Kano metropolis. The total numbers of the respondents (N) that have returned the items of questionnaire were one hundred and ninety nine (199). The minimum and maximum values represent the range of options available to the respondents for them to choose one option out of the five options of the 5 point likert scale range. The respondents disagreed that Real Estate owners prepares and maintain good business plan of their business as it indicates (M = 2.41 and SD1.234), they also agreed with fact that Real estate developers inability to provide acceptable collateral facilities denies them opportunities to access loan from financial institutions (M= 3.55 and SD= 1.365).

The respondents also agreed that real estate loan request are always rejected by the financial institution due to the fear of uncertainty, the data analysis indicates (M=3.59 and SD=1.315). The respondents are undecided as to the fact that the available external loans does not suit the nature of real estate business, it shows (M=3.40 and SD=1.188). The respondents equally disagreed that there are government policies initiatives aimed at enhancing access to finance to the real estate owners, and the data shown (M= 2.24 and SD= 1.239).

Table 4: Chi-Square Results on Effect of Perceived lack of Access to Finance on the Performance of Real Estate Business in Kano Metropolis.

Test Statistics					
	Real Estate Owners have a Good Business Plan	Inability to provide acceptable Collateral Facilities	Loans rejected this Affect their Performance	Available External Sources of Capital	Government Policies Initiatives aimed at enhancing the Performance
Chi-Square	38.764[a]	21.477[a]	36.101[a]	41.959[b]	70.939[c]
Df	4	4	4	4	4
Asymp. Sig.	.000	.000	.000	.000	.000

Cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 39.8.

Cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 39.4.
 Cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 39.6.
Source: Generated by the Author using SPSS16.0, from Questionnaire Response

Above table shows that the chi-square test of goodness of fit which relates access to finance on performance of real estate business in Kano Metropolis. The tabulated chi-square (X2) test statistics=9.49 at the 4 degree of freedom shows that it is less than or equal to the calculated chi-square tests of all the 5 cases. This justifies the rejection of Null Hypothesis since the calculated X2 values are greater than the tabulated; Alternate Hypotheses are accepted implying that access to finance in Kano Metropolis has significant effect on the performance of real estate business in Kano Metropolis, Nigeria. The findings are valid given the position of calculated p-value=0.000 of all the cases which is less than or equal to the tabulated p-value (0.005).

7. Findings & Conclusion

The data analysis has revealed that all the three (3) hypotheses formulated in chapter one (1.5) of the study have been rejected predicting that the independent explanatory variables: Perceived inconsistencies in government policies on land administration; perceived lack of managerial skills; and Perceived lack of access to finance required have significant effect on the performance of real estate business in Kano Metropolis.

Perceived Inconsistencies in government policies of course became very significant and a determining factor for the success of real estate business. However, the results of the findings of this study are quite revealing as it has shown the significant impact of government policies on the performance of real estate business in Kano State. It is discovered that the existing policies of frequent revocation of plots by government due to the abuse of office, politics, corruption or nepotism has hinders the performance of the business in the state. The difficulties in obtaining approvals such as building approvals, conversion, subdivision or change of purpose also affect the real estate performance in the metropolitan city of the state. Double allocation problem and the recent ban on creation of private plots by individual also bring about fear and uncertainty in the real estate sector. Therefore, government policies on land administration are considered as the most important factor in determining the performance of real estate business in Kano State. .

The findings also indicate that perceived lack of managerial skills have significant effects on the performance of real estate business in Kano metropolis. Majority of the real estate firms doesn't carry out a proper written search from the ministry before acquiring a particular property, which will significantly help to reduce the financial loss. Poor planning lacks of proper financial records as well as lack of business performance comparisons between today and tomorrow brings about mismanagement of fund and hinders the performance of real estate business. The findings also indicate that the managerial skill for most of the real estate owners in Kano is very naive and poor, and this hindered the Business performance effectively.

The study also indicates that possession of collateral facilities by Real Estate owners have significant impact on access to finance in real estate sector. The findings revealed that bank and others financial institutions demand real estate owners to provide adequate and acceptable collateral facilities before loan is granted. This has implied that not many real estate companies have the collateral facilities needed by banks and financial institutions, which affect significantly their performance in Kano Metropolis. Lastly loan defaults and loan diversion by loan beneficiaries, inadequate funding by the government, rampant mismanagement of loan able

funds, and political interference affect significantly the performance of real estate business in Kano Metropolis.

It was revealed that landed property is the largest single investment that the greatest number of people ever made in their life time. It forms the greatest asset of any nation and it is an index of propensity. Because it is capital intensive, it is important that great care is taken in its procurement to ensure that the resources put into its development are harnessed for the maximum benefit not only of the developer but also the nation. It is expected that Kano continues to witness dynamic property development and booming property market.

Based on the findings of the study, the research concludes that Government policies, Access to Finance and Managerial skills plays a significant role on the Performance of Real estate Business in Kano Metropolis. In line with literatures, empirical findings and the respondents' qualitative responses have arrived at the following conclusions:The inconsistency in the government policies on land administration and delay in processing and or obtaining any kind of approval affect the performance of real estate business in the state. Government therefore, should create the necessary policy, legal and regulatory frame work that will enable the smooth process of these approvals.

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