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VALUERS ENLISTMENT AND FEES STANDARDIZATION PRACTICES IN NIGERIA BANKING INDUSTRY: IMPLICATION FOR REAL ESTATE PROFESSION

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Abstract

Recent development in Nigeria valuation market reveal that banks, notable end users of valuation services, now enlist (select) Estate surveying and valuation firms for credit based valuation jobs adopting divergent and unilaterally set basis. They also dictate fees payable to the retained Valuers adopting standardized threshold not properly aligned to the nature, purpose, location, magnitude of the job and sector fee scale. This study therefore, attempts an investigation into this enlistment and fee practices to ascertain the implication and the extent to which the act may affect the Estate Surveying and valuation profession in Nigeria. A survey was conducted in Lagos, using a purposive random sampling with a structured questionnaire to collect data from 121 respondents comprising 100 registered estate surveying firms and the 21 banks in Lagos metropolis. Data collected were captured with SPSS IBM Version 20 and analyses were done using descriptive and inferential statistics. The result however revealed that the enlistment policies are not broad based, criteria substantially opaque with a wide range of qualified practitioners excluded by this practice. It also creates black market fee structure, tight cost-fees ratio, creeping loss of interest by valuers in credit based valuations, low quality reports, and dwindled capacity of firms to engage and retain experienced valuers. It was further revealed that banks engage in this two-pronged practice predominantly as a cost saving strategy; to address mounting issues of connivance, compromise and corrupting influences; the need to promote retail/consumer banking and the unwieldy number/proliferation

of valuation firms The study recommended amongst other remedial steps that despite the existing challenges,Valuers should uphold professional ethics by sustaining quality and professional standards while collectively avoiding undue soliciting for valuation briefs especially in unfriendly and tilted conditions, while upholding bidding professionally even in a competitive setting. Also the symbiotic nature of the relationship between banking and valuation sectors demand a proactive regulatory intervention by concerned regulators in order not to compromise the strategic risk management function of valuation.

Keywords: Banking Industry; Enlistment; Fees Standardization; Real Estate Profession; Valuers.

Introduction

The role of valuers and valuation cannot be overestimated in any economy especially in emerging and developing nations like Nigeria, where investors are less sophisticated and depend mostly on the Estate Surveyors and Valuers opinions of value for their investment decisions. Valuation is the major aspect of the real estate surveyor (appraiser) job function where the Valuer distinguishes himself from other professionals attempting to make an incursion into his domain (Osagie & Babawale, 2012).Valuers are trained professionals saddled with the responsibilities of estimating/determining the worth (value) of all shades of landed asset for various purpose at given date in consideration of others factors that guide their value opinion. Baum & Crosby (2008) and Babawale & Koleosho (2006) noted that a valuation report is used in banks` lending processes, in financial statement, for performance measurement purposes and acquisition; sales and management processes. Therefore, valuation occupies a special place in the overall workings of the property market and the banking industry.

Global Valuation standards have become more and more demanding both in regulation and in communication between clients and Valuers. This communication involves the selection and appointment of the Valuer as well as reporting of valuation itself (Baum & Crosby, 2008). There has been an increasing and continual concern over the relationship between valuers and clients in the recent past (Aluko, 2002; Ogunba, 2003; Ogunba & Ajayi,2007; Ogunba & Ojo, 2007; Babawale, 2012).

It is widely believed that market valuation should primarily be accurate, that is, they should closely predict selling price. IVSC (2003) and Babawale (2012) emphasized that valuation should be rational, they should be professional and expert reflection of a combination of objectively measured market variables and the prospective owner`s subjective estimate. The question therefore is “do market valuation fulfill the primary objective of providing an accurate identification of exchange price”?

Studies have shown that Valuers and valuation can be consciously or unconsciously moved by varieties of factors ranging from previous valuation and selective information to overt influence from clients and others stakeholders in the valuation outcome. This may indicate why valuation may not be totally objective (Ayedun, Oloyede, Iroham & Olawumi, 2011; Babawale, 2012).

As stated earlier, banks and other real estate financiers/investors have become more aware and conscious of the need to have fore knowledge of the likely current market value when deciding how much to lend against property that might have to be sold to pay off loan. Recent development however in Nigeria valuation market reveal that clients especially banks now enlist (select) valuation firms and Valuers for their credit based valuation jobs and also dictate fees payable to the retained Valuers irrespective of the nature, purpose, location and magnitude of the job. The 2009 edition of the Nigerian Institutions of Estate Surveyors and Valuers (NIESV) presents 779 registered estate firms as domesticated in Nigeria with the head office or at least a branch office of about 55% of these registered firms situated in Lagos. Relying on this figure, this study critically overviewed this practice (enlistment and fees standardization) by examining the purpose, modalities and criteria for selection. The ultimate aim however, is to ascertain the implications and the extent to which this act will impact on the practice of real estate valuation in Nigeria and beyond.

For ease of exposition, this paper is divided into six parts. Following the introduction is the literature and empirical review. Part three described the area of study and the methodological approach in part four. The penultimate part discussed the result of the empirical investigation, while the last part covers the conclusions and implications of the study.

Literature and empirical Review

Globalization of the world’s economy which commenced in the mid-20th century became established as the world’s new order by the turn of the century (Dugeri, Gambo & Ajayi, 2012). This however, has led to a significant increase in use of international valuation standards, but a worldwide convergence towards adopting a single consistent basis for valuation services is a long way off (Barry & Duncan, 2005). This is partly because of wide differences in entry to the profession, in the training of valuers or appraisers, in client or public perceptions of them and in the ability of valuers to contribute to wider financial or economic activity.

Through advancement in technology and series of regional and country bilateral agreements which saw to the formation of regional economic blocks came the elimination of trade/investment barriers (McParland, McGreal & Adair, 1997). This in turn translated to the internalization of investment activities across borders. Major fallout of internationalization of investments was not just imperative for some form of standardization in investment practice but more importantly, the emergence of the requirement for a uniform financial reporting practice (Reis, Downie & Fisher, 2002). Dugeri, *et.al* (2012) noted that not only did the require-

ment of complying with established corporate practice of parent firms compel the need for common reporting formats for subsidiaries in new markets; it necessitated investment comparability across borders. Caught in this web is the property valuation practice which according to Reis et al (2002, p. 6) must be standardized as "international standards for company accounting cannot provide full transparency and consistency unless there are accompanying standards for property valuation". Prior to the making of International Valuation Standards (IVSs), attempts at standardization of valuation practice had been a national issue. The current effort of achieving a globally harmonized Valuation practice through IVSs still has to contend with regional and national standards. For those states without a professional valuation society or with deeply legislated and non-valuation based practitioners, valuation is still conducted according to the various recognized societies guidelines within a state, prescriptions by legislation on accounting and financial reporting, and other country-specific valuation cultures (Reis *et al,* 2002).

A professional body whose standard are as numerous as the number of its members would soon lose integrity and relevance (Babawale, 2008). For this reason, professional bodies whether at the national, regional or international level, have invariably been in the vanguard of advocating and setting up standard practice for their members. In some jurisdictions however, national valuation standards are set up by the government or its agency. Babawale (2012) observed that in Germany, the standards and regulations for valuation are well entrenched in the national and federal legislations. In other countries like the US, standards for real estate practice have been a collaborative effort of the professional bodies working under the supervision of the central government agencies. Generally, standards are created by bringing together the experience and expertise of stakeholders. McNamara (1999) observed that a standard is a collective work requiring the inputs of committees of users, research organizations, government departments and consumers. Kohnstamm (1995) also noted that the tasks of assisting the formulation of a uniform valuation standards often rests on academic researchers who must play a role in providing further analysis of the criteria employed in comparative international studies.

In Nigeria, the real estate valuation profession is jointly regulated by the Nigeria Institution of Estate Surveyors and Valuers (NIESV) and Estate Surveyors and Valuers Registration Board of Nigeria (ESVARBON), the former is more prominent. The year 2014 marked the 45th anniversary of the Nigeria Institution of Estate Surveyors and Valuers (NIESV) having been established in 1969 and granted official recognition by (Decree No. 24) of 1975 now CAP III LFN, 1990 establishing Estate Surveyors and Valuers Registration Board of Nigeria. The local profession of Estate Surveying and Valuation was established by the few General Practice surveyors then practicing in Nigeria. It now has membership strength of over 8,000 and operates a structure that gives the NIESV the privilege of admitting members who are subsequently registered by the government body. Its growth in the membership has been driven by the growing number of tertiary institutions offering degrees and diplomas in Estate Management. The practice regulatory body, the Estate Surveyors and Valuers Registration Board of Nigeria (ESVARBON) is legally charged with determining qualifications and registering practitioners. It works with the NIESV in upholding practice standards in the public interest of Nigeria. The NIESV was admitted to full membership of the IVSC in 2001 and was the Developing Country Representative on the Management Board of IVSC for 2007-2008 (IVS, 2007).

Such regulations include setting minimum standard for registration as licensed or certified valuers and prescribing mandatory practice standards and ethics. Besides its own provisions on practice standards, the Valuation Standards and Guidance Notes of the Nigerian Institution of Estate Surveyors and Valuers (2006), mandated valuers to comply strictly with the ethics and standards stipulated by the International Valuation Standards Committee (IVSC), in their valuation construction and reporting. Specifically, section 8.2.4.1 provides that in performing valuations of property where the result will be used to obtain loans, mortgages and debentures, valuers shall normally estimate the market value of such assets in accordance with the International Valuation Standards.

Recently, more attention has therefore been focused on the behavioral aspect of valuation with a view to identifying the causes of inaccuracy in valuation and how valuers may be affected (Galimore & Wolverton, 2000; Bretten & Wyatt, 2002). In Nigeria, behavioral aspect of valuation has only been lightly researched (Amidu & Aluko, 2007; Adegoke & Aluko, 2007). While Adegoke & Aluko (2007) focused on only one out of a whole gamut of factors influencing inaccuracy in valuation, other authors have only referred to anecdotal evidence on the subject.

Factors identified as contributing significantly to inaccuracy in real estate valuation include: the nature and state of the property market (Dunse *et al*., 2010); quantity and quality of data (Dunse *et al*., 2010); and definition of value (Baum and Crosby, 1988). Others include: the integrity of individual valuer and valuation firm (Wyatt, 2003); complexity of the property (Bretten & Wyatt, 2002); valuation methodology (Ogunba, 2004); absence of mandatory national valuation standards (Babawale, 2008); skill, experience, and judgment of valuer (Gallimore, 1998); and clients' influence (Amidu and Aluko, 2007).

The potential for the client – related bias is widely recognized and informed the inclusion of necessary mitigating provisions in the codes of practice of most valuation professional bodies (Levy & Schuck, 1999). Levy & Schuck, (1999) further observed that although the valuers have an obligation to provide independent and informed opinion of value, they are often compelled by economic incentives to act contrary to professional ethics to satisfy their client in order to avoid conflict over fees and precipitate repeat business. Aluko (1998) remarked that this practice is particularly prevalent in compensation and mortgage valuations in Nigeria.

Crosby et al (1995) conducted a survey to examine clients' view on the information content of property investment valuation report. The authors surveyed four major groups of clients' namely insurance companies, pension funds, property compa-

nies and banks. The findings identified inadequate information on market trend, tenant strength and valuation methodology as the major drawback of valuation reports from the professional valuers. However, the study indicated that the valuers in the UK were well regarded by clients. The only cause for concern by the lenders' clients had to do with the quality of the report. The clients expect more information on the state of investment market generally.

Clients' influence as well as the integrity of individual valuer and valuation firm has been found to be particularly notorious and universal. Levy and Schuck (1999) remarked that anecdotal and survey evidence suggests that clients are in many cases motivated to influence the outcome of a valuation intentionally or unintentionally, implicitly or explicitly. The more crucial a valuation is to the interest of a client, the more likely the client would apply pressure on valuers to report their desired values. Valuations for negotiation purposes including rent reviews, compensation, purchase or sale, mortgage transactions and probate fall into this category. Threats or reward tactics employed by clients to influence the valuation process include the promise of more jobs, cancellation of instruction, refusal to pay fees, monetary incentives, retainership, and even threat of court action (Smolen & Hambleton, 1997). Wyatt (2003) identified individual behavioral characteristics of the valuer as main cause of valuation variance and that even countries like Britain where the profession has tried to enforce more rigorous mandatory standards backed by detailed guidance notes, valuers still fall below the required standard.

Certain factors have been identified as affecting the magnitude and direction of client influence. These include reward power and coercive power (Rushmore, 1993); expert and information power (Kohli, 1989), the characteristics of the individual or firm; the characteristics of the services to be provided; market condition (Smolen & Hambleton, 1997), and regulatory framework.

History is replete with adverse repercussions of inaccurate valuations on the property and financial markets and by extension, on the whole economy of nations, regions and the entire world. Beside the potential grave repercussion on the economy, inaccurate valuation is detrimental to the credibility and relevance of the valuation profession (Amidu & Aluko). According to Brown (1991), if valuations have only a limited likelihood of accuracy, clients may question why valuation is necessary at all and it could mean that performance measurement for investment properties would be a fruitless exercise. The apparent lack of coherent and consistent results from the valuation process has damaged the reputation of the valuation profession (Bretten & Wyatts, 2002). More particularly, inaccurate valuation exposes the valuer to liability for professional negligence.

In Nigeria, one of the aspects of property valuation practice influenced by clients is market valuation, particularly when such valuation is required for the sale of real property. Kalu (2001, p.45) attributed this problem to the attitude of Nigerian property owners and reported as follows:

> "Most Nigerian property owners equate their financial problem with their asset values. They will want to realize not less than the equivalent of their financial needs with the money realized or realizable from their property. Yet the property market is so imperfect that only a few have information of property transactions and therefore able to advise as to property value trends. In this circumstance, only the experienced valuer/estate agent will be of relevance. Without the valuer, the parties to property transaction will be groping in the dark."

Amidu & Aluko (2007) assessed client influence on valuation based on a survey of some estate surveyors and valuers in Lagos, Nigeria and found that client influence exists in the valuation industry in Nigeria. They also identified integrity of valuer or valuation firm, importance of the valuation outcome to the client and client size as the three most significant clients' influencing factors from the viewpoint of the responding estate surveyors and valuers. Furthermore, Chen and Yu (2008) comparatively examined client influence on valuation in Taiwan and Singapore and concluded that client influence on valuation exists in both countries with differences in the degree and extent of the problem. Based on the literature reviewed for this study, there is a consensus regarding the existence of client influence on valuations.

The Nigerian Institution of Estate Surveyors and Valuers reminiscence of the RICS has established ten faculties The faculties, which include one for valuation, are mandated to hone members' skill in their respective areas and where possible, to promote specialization. Each member of the profession is encouraged to belong to at least two of the ten faculties. In addition, every valuer who desires to render valuation services to public entities in Nigeria must be duly registered with the Financial Reporting council, under a law (Financial Reporting Council Act, 2011) which domesticates in Nigeria, such international standards as International Reporting Standards, International Public Sector Accounting Standards, International Standards on Accounting, Bassel II Capital Adequacy Framework, Global Investment Performance Standards, and the International Valuation Standards.

The subject of standards in real estate valuation in Nigeria has been addressed in parts by a few studies (Babawale, 2005; Babawale & Koleosho, 2006; Ogunba & Ajayi, 2003, 2007). Both Babawale (2005) and Babawale & Koleoso (2006) examined the implications of globalization on real estate valuation practice in Nigeria; while Ogunba & Ajayi (2003, 2007) attempted to measure the response of Nigerian Valuers to increasing clients' sophistication in investors' requirements in terms of valuation accuracy, rationality, and risk analysis; using what the authors described as UK's pattern of transition towards investors-focused sophistication as basis. This paper however considered the practices of enlistment and fees standardization as obtainable in the banking industry with a view to unraveling the reasons behind it and the implications on valuation practice in Nigeria and beyond.

The study Area

The study was carried out in the Lagos Metropolis which today represents the hub of the Nigerian property market. Lagos has ceased to be the seat of Federal Government of Nigeria since 1991, but the sprawling Metropolis retained its prime position in terms of concentration of real and potential industrial and commercial activities; concentration of financial institutions, largest and most patronized sea port, airport and capital market; and the highest concentration of professional offices, among others (Falade, 2005). Until recently, more than 90% of the headquarters offices of post-consolidated banks and insurance companies were located within the Metropolis. The mega city is said to have the most developed, most diversified and the most active property market with the highest average property values and stocks of investment (Matysiak, &Wang, 1995; Babawale & Koleosho,2006). Besides, the proposed Atlantic City Poject, Free Trade Zone, second Cargo Sea and Airports make Lagos undoubtedly, a storehouse of massive potential commercial property development hub of Nigeria. Most CPD and recognized professional real estate institutes operate in Lagos, hence, in terms of deepening real estate education, information, awareness and technology, Lagos has a towering edge. Babawale & Koleosho, (2006) reaffirmed that the Metropolis has the highest concentration of both the providers and the end users of valuation reports.

Lagos property market and real estate practice therefore constitute significant areas of study which can also be fairly representative of the Nigerian Property Market and Real Estate Practice and therefore can be a good area for the study of this nature.

Materials and Methods

This study is descriptive and analytical in nature. The population of the study is primarily Banks and Estate Surveyors and Valuers who are domiciled in Lagos metropolis. It adopted five economic nuclei in the stratification of Lagos metropolis based on the expectations of very active property markets and resultant. The study used the survey technique to elicit information by administering questionnaires to sample of 163 respondents comprising of twenty one (21) banks and one hundred and forty two (142) Registered Estate surveying and Valuation firms in Ikoyi, Victoria Island, Ikeja and Lagos Mainland all in Lagos metropolis. One hundred and Twenty Five (125) of the responses received were duly completed and therefore considered satisfactory for further analysis. This represents a response rate of about 96% which is sufficient for a reliable and valid conclusion. The instrument for the study was designed to elicit information on aspects of enlistment and fees standardization by banks in Nigeria. The questionnaire was carefully reviewed and the wordings were carefully considered to avoid any misleading and misunderstanding of questions. It was also pre-tested on twenty three (23) selected respondents before the actual distribution of the instrument. The validity of the result of this study should therefore be enhanced by these measures. The primary data collected were coded and captured with the Statistical Package for Social Sciences (SPSS) IBM version 20 for analysis using the appropriate descriptive and inferential statistics. The result is therefore presented in the next section of this paper.

Results and Discussion

Table 1 summarizes the major characteristics of the firms involved in the study. Most of the firm's 94% operate as sole proprietorship, 84 % were established more than5 years ago, 63% has more than one branch. Of the 104 firms surveyed only 24% are currently doing valuation for banks, 18% of the firms carry out more than five valuation jobs in a month, while only 24% has more than 5 registered valuers on their staff list. There are no specialist firms; that is, all firms carry out all manner of real estate consultancy services and less than 1% has foreign affiliation or has a branch outside Nigeria. These findings agree substantially with that of Babawale and Koleoso (2006); Ogunba and Ajayi (2007 and Babawale, 2012). All the banks surveyed for this study agreed that the valuation jobs are being carried out by registered estate surveyors and valuers and that most of the banks have list of valuers retained to undertake their credit related valuations. Although the banks have diverse and not transparent enlistment policies, this study established some common listing requirements by the banks.

Table 1: Characteristics of Estate Firms Surveyed N=104

Characteristic	Frequency	%
Firms that are sole proprietorship.	98	94
Firms that are more than 5 years in operation.	87	84
Firms having more than one branch.	65	63
Firms having more than 5 registered valuers.	25	24
Firms having distinct valuation unit/department.	48	46
Firms carrying out more than 5 valuations/month, on the average.	19	18
Firms that specialize in particular area(s) of valuation	0	0
Firms that are currently carrying out valuation for banks	25	24
Firms with foreign affiliation	1	1

Table 2 present respondents' distribution on some of the conditions/criteria for firms' enlistment by banks. Empirical result revealed that valuation firms registration with at least three professional bodies that must include but not limited to ESVARBON, NIESV and FRC (Financial Regulatory Council). This ranks first on the

analysis table as attested to by 95% of the surveyed banks. Geographical spread is another key enlistment conditions with firms' presence in at least three of the six geo-political zone of Nigeria a plus. This implies that firms should have branches in Western region, Northern and South- South/south east regions to be able to cover the geographical spread of banks especially now that the central bank cash reserve ratio (CRR) and other polices have heightened the drive for retail/consumer banking. 19 of the 21 banks used for the study stated this as one of the major criteria and it ranked second. Next to this is the track record/ capacity and speed of valuation job delivery of the firm, reflective of its past performance, available human resources, working tools, communication pattern of the report and maintenance of quality control standards. 81% of respondents supported this opinion. Respondents also presented firm ability to indemnify the banks in case of any loss suffered due to professional negligence (omissions, wrong value opinions etc) as criteria for enlistment. This was supported by 16 of the respondents. Again years of experience is established be another key criteria considered for firm enlistment which is mostly viewed from the years of registration of firm with the professional bodies especially ESVARBON and NIESV and the practice, experience and qualification years of the principal partner/partners and key professional staff.

Table 2: Criteria/conditions for Valuation firms enlistment by banks N=21

Criteria/conditions	**Frequency**	**%**	**Rank**
Registration with professional bodies (ESVARBON, NIESV & FRC)	20	95	1st
Geographical spread of firms	19	90	2nd
Firms track record, capacity and speed of delivery	17	81	3rd
Firms ability to indemnifying the bank(Professional indemnity insurance)	16	76	4th
Minimum years of Experience (10yrs) of principal/partners/key staff (technical ability)	15	71	5th

Table 3 presents the result of the factors that determine the actual assignment of jobs to firms by banks. This means that firms may be enlisted without being assigned valuation jobs. This study as one of its major objectives seeks to establish the determinant factors for the actual assignment of jobs to valuation firms and it was established that list of retained firms ranked first on the factors as supported by 86% of the 21 banks covered by this study. Further interview however revealed that unclear internal processes and firm minimum years of experience ranked next to retainship list with about 71% of the bank respondent affirming this factor. Management recommendation, another biased method of selection ranked 3rd in the order of factors considered in assigning valuation jobs to firms with 67% respondents and following this is Branch network with 57%.Expression of Interest represents 30% and is ranked last. It can be deduced from the results, that most of the methods seem not transparent and are subjective. When taken with conditions in Table 1 results in the exclusion of large number of qualified valuation firms from banks credit based valuation jobs indirectly encouraging low quality valuations and other attendant problems.

Table 3: Factors that determine actual assignment of valuation job to firms N=21

Factors	Frequency	%	Rank
List of retained firms	18	86	1st
Internal process	15	71	2nd
Experience/track record of valuation firm	15	71	2nd
Pre-qualification	9	43	3rd
Management recommendation	14	67	4th
Branch network	12	57	5th
Expression of Interest	8	30	6th

Table 4 shows the result of the analysis on reasons why banks standardize fees as against the use of the approved scale of charges. This study considers questionable the issue of enlistment and fees standardization as presently practiced by banks; however the bank respondents gave reasons to justify the practice. Some of the reasons adduced include respondents believe that most of the firms are over-charging the bank customers for valuations. The perception is that the valuation fees charged are not commensurate with the credit nature of the exercise, in the long run adversely affecting the banks credit advancement capacity. Others however believe that the need to grow retail/consumer banking is a major reason behind the practice as this sector has lately being receiving high profitability rating by the banks based on its huge growth potentials driven by several factors.Oduoza(2014) listed some of these factors to include, ongoing reforms in key sectors of the Nigeria economy aimed at bridging infrastructural gap, improved literacy level, reducing unemployment level and improved access to funding by small and medium enterprises(SMEs) significantly impacting the level of disposable income and effective demand, increasing technological penetration enhancing access to valuable market information about purchasing trends as well as segment preferences and increased penetration of the informal sector by retailers. The banks apparently are avoiding any cost based factor that would hinder its effectiveness. These key two reasons above ranked joint first among others and represent 81% of the sampled banks for this study. Some respondent however believed that enlistment and standardization of fees help to check acts of connivance, compromise and corrupt practices by valuers and

other stakeholders in the valuation chain which represents 71% and ranked 4th. Again 67% of the respondent gave the desire to pre-determine and keep at manageable level total cost of credit by banks as a reason. Further interview of the respondent reveal that apart from interest rate and valuation fees other cost factors associated with a typical credit include management fees, processing fees,-insurance,project consultancy fees(for project based credit), and legal fees. The respondent pre-determine fees to check uncertainty and peg all credit cost to a manageable 24-25% ceiling. Another reason given was ensuring valuer`s fees are promptly paid by curbing default in payment by customers, this represent about 67% and ranked 4th in the hierarchy of reasons. Other reasons given for fees standardization include the enthronement of a more transparent fee structure at 57% of the respondents. and the unwieldy number/proliferation of valuation firms as adduced by 43% of the respondents. .

Table 4: Reasons for enlistment and valuation fees standardization by banks N=21

Reasons	Frequency	%	Rank
Need to grow Retail/ consumer Banking	17	81	1st
Perceived over-charging by valuers	17	81	1st
Reduce interference associated with fees negotiation by stakeholders	16	76	2nd
To check acts of connivance, compromise and corrupt practices	15	71	3rd
Need to pre-determine and manage total cost of credit	14	67	4th
Assures valuer`s fees by curbing default in payment of fees by customers	13	66	5th
Enthronement of a more transparent fee structure	12	57	6th
Unwieldy number/proliferation of valuation firms	9	43	7th

Table 5 presents some implications of enlistment and fee standardizations practice as reported by valuers in the study area. Top on the list is the exclusion of wide range of qualified and experienced valuation firms based on the selection process, invariably limiting the pool of valuers availing the banks and customers with valuation services.38% of the 104 valuers sampled testified to this, validating the earlier result of only 24% of the respondent valuers currently enlisted/ retained by banks for valuation services.. Another 33% attested that the practice also creates tight cost-fees ratio when the fee paid is decomposed. This is so because when fees are arbitrarily fixed, it mostly fails to accommodate expenses that the valuer would have incurred in the process of executing the valuation job. The banks through the fees standardization practice pay non-market and at times uneconomical fees and still expect quality and high standard reports complete with pictures, sketches, technical attestation etc. With the unaligned cost associated with the valuation process, the profitability and sustainability margin becomes hampered adversely affecting firms' human resources capacity with quality control consequences. Another implication of the practice is the creation of black market fees which 24% of the respondents attested to. Because the standardized fees are arbitrarily fixed, non-market based and mostly below average, stakeholders tend to exploit this margin adversely with the creation of another layer of fees akin to the currency exchange 'black black'. This black market margin at the end becomes a tool for the undue influence and compromise of valuers .as attested to by 24% of the respondents. Most of the problems already enumerated are interrelated resulting in low quality reports and the dwindled capacity of firms to engage and retain experienced valuers .The respondent respectively rate this at 18% and 11%.while another 5% believe it will result in loss of interest by valuers in banks credit based valuations. .

Table: 5 Implications of banks enlistment and fee standardization to real estate profession N= 104

Implications	Frequency	%	Rank
Wide range of qualified practitioners cut off	37	38	1st
It creates tight cost-fees ratio	34	33	2nd
It creates black market fee structure,	25	24	3rd
It results to lower quality reports	19	18	4th
Dwindled capacity of firms to engage and retain experienced valuer	12	11	5th
Loss of interest by valuer's in credit based valuations	5	5	6th

The valuation firms for this study were selected randomly from the Lagos metropolis. Most of them testified to the fact that the practice of enlistment and fees standardization exist in the study area and that they are very much aware of it. Table 6 presents respondents view, 73% and 86% were very much aware of the practice of enlistment and standardization respectively. Again, 27% and 13% are not aware and only 2% of the 104 respondent are indifferent as they do not belong to any group. However it can be deduced from the data in table 5 that this practice is real and generally adopted by the banks the acclaimed highest users of valuation reports in the study area.

Table: 6 Firms awareness of enlistment and standardization practices by banks

Opinion	Enlistment	Fees standardization
Very much Aware	76` (73%)	89 (86%)
Not Aware	28 (27%)	13 (13%)
Indifferent	-	2 (2%)

Table 7 presents respondent firms last valuation for banks. This is to examine how frequent valuers carry out valuation jobs for banks and to also validate the claim that banks now enlist valuation firms. Majority of the respondents claimed that in the last 10 years they have not carried out valuation jobs for banks and this represent 42% of the respondents while another 24% falls within the 6-10 years bracket. Only 19% of the total valuers' respondents have in the last two years carried out valuation jobs for banks in the study area while another 14% have within the last 2-5 years. This implies that only few valuers are currently carrying out valuation jobs for the banks in the study area.

Table: 7 Last valuation jobs undertaken for banks

	Frequency	%
< 2 years	20	19
2 – 5 years	15	14
6-10 years	25	24
>10 years	40	42

Every profession has its mode of operation, regulation and remuneration. The Estate surveyors and valuers have its own approved scale of charges covering the various aspects of the profession, valuation inclusive. The banks valuation fee standardization practice seems to have displaced the scale of charges as basis for valuers' remuneration. To verify this claim, this study sought the opinions of valuers on the mode of payment for valuation assignment undertaken for banks in the study area. It was revealed that payment is mostly as determined by banks. As shown in the table 7 with 64% of the sampled firms supporting this claim that the banks now dictate and determine how they are being remunerated for valuation assignments. Similar to this is the fact that customers also negotiate fees payable for valuation assignment with valuers as against the use of the graduated scale of charges. About 31% of the respondents confirmed that fees are negotiated with bank customers. Another 9% of the 104 sampled firms however stated that some banks still adopt the approved scale of charges recognized by government, ESVARBON and NIESV for payment but further personal interview confirmed that this is not used in limited circumstances. Other mode of payment includes computation based on certain percentage of the asset being valued and payment by calculating a certain percent of the scale of charges and adopting it for payment for valuation jobs. This represents about 2 % and 3% respectively. Overall, the result confirms that banks dictate fees payable for valuation jobs in place of market based pattern.

Table: 8 Mode of valuers remuneration for bank credit valuations

Modes	Frequency	%
Using NIESV scale of charges	9	9
Fees negotiation with bank customers	23	31
As determined by the bank	67	64.
Certain percentage of the value of the assets valued	2	2
Percentage of scale of fees	3	3
TOTAL	**104**	**100**

Most of the valuation firms' respondents as revealed in table 6 are very much aware of the enlistment practice in the banking industry; however, most of them are not currently enlisted with any of the banks used for this study. A majority 57% are not currently undertaking valuation assignment for banks. Another 23% stated that they were once enlisted but presently not retained while only 20% of the valuation firms are currently on the list of banks for their valuation assignment. It should also be noted that as earlier revealed in this study that enlistment does not actually guarantee valuation jobs allocation to firms.

Table 9. Respondent's distribution to being currently enlisted by banks.

Opinion	Frequency	%
Currently Enlisted	21	20
Not Enlisted	59	57
Sometimes Ago	24	23

Conclusions and Policy Implications

This study empirically examined the effect of enlistment and fees standardization practice by banks on real estate practice. From the findings of the study the present enlistment and fee practices of the banks pose a challenge to the regulatory functions of ESVARBON, the body with the legal status for such responsibilities in Nigeria. While the banks like other organizations in any free economy are at liberty to adopt processes for pre-qualifying and transparently enlisting professionals that render consultancy services for them, care should be adopted so as not to inadvertently cut off a wide range of seasoned and well qualified valuers from rendering

services in the credit value chain through opaque and limiting procedures. The study further revealed strong disenchantment amongst valuers with the present fees/remuneration pattern which are deemed non-market based and negatively tilted. Scale of fees form a balanced and equitable basis for professional service remuneration, negotiation and benchmarking. While standardization of fees has been found to be anchored on multifarious reasons, complaints that center on overcharging, corrupt and compromising practices calls for concern. Valuation and banking stakeholders need to come together to address the anomalies in the overall interest of all, as the place of mortgage and credit in the economy remains strategic. The sensitive risk management function of valuation demands neutrality, integrity and upholding of professional ethics and standards. As such remuneration issues should be considered carefully not compromised or sacrificed on the platform of business continuity and cost saving measure.

The reasons predominately adduced for the enlistment and fees standardization policies of the banks, the resultant challenges and the valuers perception as revealed by this study justifies an urgent collaborative intervention by the various banking and Estate surveying and valuation regulators to avert looming quality control dangers.

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