



## Residents' Perceptions of Property Rating in a Traditional African City

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### Abstract

The success of any revenue generation drive by government depends on the support shown by an area's residents. This in turn depends on the latter's perceptions of the revenue. This study examines the influence of residents' perceptions of a property tax in the different residential districts of Ogbomosho, Oyo State, Nigeria. Two of the ten political wards representing the three identifiable residential districts in the city were sampled. Two hundred and thirty-one occupants of dwellings were sampled, using the systematic random technique. The study identified that although variations exist in the socio-economic status of residents in the different residential districts, there was not much significant difference in the perceptions held of the tax. While residents' level of awareness of the existence of the tax and the proportion of residents that had once paid the tax increased from the core residential area to the suburban, an inverse proportion of residents supported the justification for its imposition. The study concluded that the tax should be portrayed as charges on services provided and that the residents' present negative perceptions of the tax would change if services are provided to meet minimal residents' satisfaction.

**Keywords:** internally-generated revenue, residents' perceptions, property tax, residential zone, traditional city.

### Résumé

Le succès de toute initiative de génération de recette fiscale menée par le gouvernement dépend de l'adhésion des résidents de la région où ce projet a lieu. Par conséquent, un tel projet doit sa survie à la façon dont ces résidents perçoivent la question de l'impôt. Cette étude examine donc l'influence de la perception que les résidents ont sur le régime d'impôt foncier instauré dans différents quartiers résidentiels de la ville d'Ogbomosho, située dans l'État d'Oyo, au Nigeria. Deux des dix circonscriptions administratives représentant les trois quartiers résidentiels de la ville ont été retenues dans l'échantillon. Deux cent trente et un occupants de logements ont été sélectionnés à l'aide de la méthode d'échantillonnage aléatoire systématique. L'étude a permis d'identifier que, bien que la situation socio-économique des habitants présente des variations dans les différents quartiers résidentiels, il n'y avait pas de différence significative dans leurs perceptions de

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cet impôt foncier. Bien que le degré de conscience de l'existence de la taxe et la proportion de résidents ayant déjà payé la taxe de résidents aient progressé de la zone résidentielle de base pour s'étendre vers la banlieue, une proportion inverse de résidents a soutenu les raisons qui ont justifié cette taxe. L'étude a conclu que pour une meilleure adhésion des habitants, cette taxe devrait être présentée comme des frais additionnels prélevés pour les services offerts et que les perceptions négatives actuelles des résidents changeraient si les services offerts assuraient un minimum de satisfaction aux résidents.

**Mots-clés** : recettes générées au niveau local, perceptions des résidents, impôt foncier, zone résidentielle, ville traditionnelle.

### **Introduction**

Nigeria, the most populous black nation south of the Sahara, operates a federal system of government. There are three tiers of government. These are the federal (central), state and local. The local government system is the one closest to the people at the grassroots. It is charged with certain constitutional responsibilities. These responsibilities include the construction, rehabilitation and maintenance of local roads, drainage, market stalls, primary schools, slaughter slabs, cemeteries, primary health care and maternity centres (Nigeria 1999). If these responsibilities are discharged effectively, the quality of life of residents will be greatly enhanced.

To discharge these responsibilities, five distinct sources of revenue exist for a local government. These are grants, local tax, property tax, fees and charges and loans (Bello-Imam 1990). These could be broadly categorized into three: statutory allocation or grants, internally generated revenue (IGR) and loans. The IGR includes the local tax, property tax and fees and charges.

Of importance among the components of the IGR is property tax. The collection of property tax is not only a means of raising revenue, it is also among the main functions of a local government council in Nigeria (Nigeria 1999, Fourth Schedule, Section 7, Part 1).

That property tax could make a huge contribution to local government revenue in Nigeria has been severally acknowledged for some time now (Orewa 1966; Olowu 1987; Alex-Gboyega 1990; Bello-Iman 1990, 1996; Asaju 2003). For example, Orewa (1966) comments that: 'for any local government to make long-term financial plans for a gradual development of its social services, property tax is the most desirable of all the forms of local taxes'. Alex-Gboyega (1990) opines that property tax is 'a key to the problem of the perennial financial insolvency of local governments in Nigeria'.

The above estimation of the potential contribution that property tax could make to IGR emanated from the experience of the advanced countries of the world. For example, Jackson (1976) concluded that there was no year when property tax contributed less than 26.20 per cent to local government

revenues in the US between 1923 and 1973. Similarly, Ostrum et al. (1988) document that property tax is historically the most important tax for local government in Britain. The authors concluded that it was the only tax source that provided 77.2 per cent, 93.7 per cent, 96.8 per cent and 79.6 per cent and 32 per cent of all taxes, respectively in counties, townships, school districts, special districts and municipalities.

While government policies, over the last five decades in Nigeria, have favoured the use of property tax to strengthen the financial base of local government, little success is recorded. Attempts to explain why there is so little success in levying and collection of property tax are always focused on technical issues. These include the non-availability of the required, competent, qualified and experienced rating officers, non-availability of an enabling rating legislation, failure to set up a rating assessment and appeal tribunal, improper street numbering, among other factors (Olowu 1987; Bello-Imam 1990, 1995; Oyegbile 1996; Tomori 2003).

Although these technical problems were real to the extent that they could constitute a major impediment to effective levying and collection in years back, as of today however they are of little importance to hinder the success that could be achieved. One of the major reasons for this state of affairs is that payers' effective participation in property tax is not considered as very important. In other words, citizens' attitudes towards its payment – which is very poor – are not regarded as a serious hindrance. The payers' attitude is hinged on their conception of a number of factors. These may include the meaning and purpose of levying property tax, whether its imposition is justified or not, and whether the money realized from it would not be embezzled or misappropriated like the federal grants and other IGR. In other words, it is important to understand the residents' perceptions of property tax if it is to become a reliable and predictable medium of IGR.

Studying the perceptions of an issue held by residents has some specific advantages. Chokor (1983) observed that how residents perceive an issue may produce a change of attitude and also promote pressure groups and spirited public participation. Furthermore, perceptions reveal the image of the everyday users in the city. Also, how issues are perceived would help policy makers to identify the need and direction to which public education and enlightenment campaign will focus (Afon 1998). Public unrest may be averted since policies and programmes of government at whatever level that do not go down well with the public are quickly dropped or modified through appropriate information on perceptions. Therefore, for effective public participation in property tax, which is the only pivot on which its success rests, the residents' perceptions cannot be over-emphasized. Though each individual has their own perceptions, there seems to be substantial

agreement amongst members of the same socio-economic and cultural background to have similar view of urban issues (Lynch 1977:356), most especially when they are living in the same urban residential zone.

This type of study becomes imperative at this crucial period for a number of reasons. First, local government councils especially those that are urban based are becoming perennially financially insolvent due to over-dependence on federal government monthly grants. Second, the present scuffle between the state and local government on the latter's monthly allocation from the central government will be greatly reduced if a reliable IGR can be developed. Third, the study can show the direction which an educational campaign should focus in the different residential zones in order to evolve successful tax levying and collection. Lastly, the study will contribute to making property tax a success through the utilization of scientifically obtained payers' perceptive information. This would be regarded as the input of the residents' into governing, and would enhance their support, not only on property tax, but also on other related policies at the local government level.

The study is focused on the section of Ogbomoso town, situated in Ogbomoso North Local Government Council of Oyo State, Nigeria. The town is the second largest town in the state, next in size and population to the state capital, Ibadan. It is a traditional African city.

### **The Main Features of an African Traditional City**

The traditional city in Nigeria and, by extension Africa, predates the advent of colonialism (Bascom 1962; Mabogunje 1968; Onokerhoraye 1976; Adedibu 1989). Many such cities were walled around for security reasons. Their growth outside the walls, according to Mabogunje (1968), produced a twin centre city: one traditional and one modern. The combination of these two parts in Nigerian cities has revealed three contrasting residential areas. These, according to Onibokun (1985) are: the suburban; the zone between the suburban and the pre-colonial development; and the traditional heart of the city. Each of the above is referred to as the suburban, intermediate or transitional, and core or traditional residential settings respectively in this study. Studies on some Nigerian traditional cities have identified these kinds of residential zones. They include those in Benin (Onokerhoraye 1977), Ilorin (Akorede 1974; Onokerhoraye 1982; Adedibu 1989), Ogbomoso (Okewole 1977; Afon 1998, 2005), Bida and Mina (Gana 1996).

Certain distinctive physical characteristics of each residential zone and the peculiar socio-economic attributes of occupants have also been identified. In other words, residents of the different zones have diverse socio-economic attributes. One of the theoretical backgrounds for these variations could be derived from the classical urban land use theories propounded between 1925

and 1945. Even though they may not be of much relevance to explaining the spatial structure of African cities, they all provide a unique criterion upon which spatial variations in socio-economic attributes of urban residents could be measured. This is because each of the concentric zone (Burgess 1925), the sector (Hoyt 1939) and Multi-Nuclei (Harris and Ullman 1945) theories recognized three categories of urban residents based on income. These are the low, medium and high income groups. Each of the groups occupies different residential areas of any typical urban centre. Indeed it has been discovered that residents' income and education status is on the increase as distance increases from the traditional/core residential setting to suburban areas. Heterogeneity in population is likewise on the increase. The spatial variation in the supply of urban infrastructure follows the above pattern (Egunjobi 1986; Oherein 2003). In contrast, population density decreases. Traditional houses closely built together and constructed of mud followed that of the pattern of the population density. The number of buildings that are landlocked steadily decreases towards the suburban residential area.

With these varied socio-economic attributes of residents and physical characteristics in the different residential areas of a typical African traditional city, it is expected that the perception on any issue would be different. This is because it has been emphasized that culture, experience, socio-economic status (education, occupation, income) and quantity and quality of information are modifying factors of residents' perceptions (Goodchild 1974; Tuan 1974; Porteous 1976; Golledge 1975; Afon 1998a).

### **Issues in Property Tax Perception as Related to the Different Residential Settings**

The origin of the modern day property rating can be traced to 1601 in England when parish inhabitants' visible estates (real and personal) were taxed to relieve local poverty (Jackson 1976). This tax was termed a 'poor rate'. A simplified and consolidated system was established through the rating and valuation Act of 1925. This act transferred the powers of parishes for making and levying rates to rating authorities. Several acts of parliament attempted to make property rating more relevant to the needs of local government (Jackson 1976:251-260).

Property rating is known to have made a significant contribution to local government income revenue, especially in the advanced countries of the world. For instance, between 1923 and 1973 Jackson (1976: 243) reported that the annual contribution of property tax was not less than 26.20 per cent to local government internally generated revenue in England. Similarly in the USA, Ostrum et al. (1988) document that property tax is historically the most important tax for local governments. They conclude that property tax

as a proportion of all other taxes contributed 77.20 per cent for counties, 93.70 per cent for townships, and 96.80 per cent for school districts. Property taxes contributed 79.60 per cent of revenue for special districts and 32 per cent for municipalities.

The advantages of property tax have been thoroughly ventilated in the advanced countries. However, these have not been properly identified in the developing nations. Some of these advantages include:

- Property tax provides the local government with an independent source of income from within their own boundaries and raises a large amount of revenue;
- Property tax is payable on immovable property; a characteristic which made the tax almost impossible to evade;
- This form of tax is one of the easiest and most economical to collect. Balchin and Kieve (1988) concluded that the costs of collection were no more than 1.2 per cent of the total revenue. This view was corroborated by Tomori (2003:303);
- The tax is flexible. This is because the 'nairage', that is, an amount per naira payable on rateable value can easily be altered to suit the financial needs of the local government;
- It acts as a deterrent to under-occupation of property. It thus encourages fuller occupation. This advantage is not of relevance to Nigeria since unoccupied buildings are not rateable;
- Since property tax is paid on properties, owners are encouraged to take an interest in local government activities (Onibokun 1977);
- Property tax offsets expenses on increasing demands for more and better social and public services as towns grow.

From the above advantages of property tax, some basic characteristics of this kind of tax include:

- It is levied on immovable property (Olowu 1985);
- It represents the benefits received from government expenditure that raises the value of property. Such benefits include paved streets, street lights, fire protection, police protection, location in a good school district, sanitized environment among others.

If property tax is viewed as above, its levy and collection may not pose major problems in some developed and developing nations of the world. In some African settings, as in Yorubaland, problems have been identified by Alex-Gboyega (1990):

- **Political:** The levying of property rate is a major political issue. When introduced for the first time it may be hard to justify. For example, Orewa (1979) observes that the Western State Government of Nigeria in 1974 educated traditional rulers and community leaders before a property tax could be imposed. Despite the extensive consultation, the programme failed. It was abandoned especially in the rural areas where resistance was highest (Olowu 1988).
- **Definitional:** The question of what exactly a property tax is seems difficult to answer. Is it a tax on the property or on the occupiers? Is it a tax on the services they enjoy? In other words, is it a tax on the expected or actual rent collected? These questions may be difficult to answer to the satisfaction of residents who are to pay the tax.
- **Cultural:** Historically, the tax has been presented as a form of tax on property itself. This notion is not always easily accepted. That a person would pay tax on a building he had used his money to construct is unimaginable for Nigerians, especially those living close to rural areas or in poverty.
- **Locational:** The varying locations of properties do not encourage ratings, especially those in the rural areas. Hereditaments in the rural areas and the core residential settings (especially of the African traditional city) are usually in a poor state. Thus they command a low rateable value. Before 1995, buildings in the core residential area of cities in Oyo State, Nigeria, were classified as non-rateable (Oyo State 1985).
- **Services:** Property tax in Western Europe is regarded as payment for local services. It thus becomes tied conceptually to the moral duty of citizens to contribute to the cost of providing public services. In such a case, a property tax may prove acceptable to residents satisfied with local service provision. In Nigeria that is often not the case. Services are either non-existent or are viewed as unsatisfactory by residents.

The problems enumerated above have in no small measure contributed to the negative perceptions amongst residents regarding a property tax. This is in addition to the technical and administrative problems that are related to the tax. Then there are the varied educational, income, occupational, and social status levels in the different residential zones of traditional urban centres that may be responsible for differing views among residents. By implication these possibilities suggest that the perceptions regarding a property tax may vary by location in an area such as that studied here.

### The Study Area

This study was conducted in Ogbomoso, a traditional town and the second largest city in Oyo State. Historically, the town was believed to have been founded in the middle of the sixteenth century by the union of about five groups of early settlers who were hunters and came together under the company of the 'Alongo Society'. The society was composed of Aale of Oke-Elerin, Onisile of Ijeru, Orisatolu of Isapa, Akandie of Akandie and the ancestor of the Soun Dynasty located in Igbale Grove (the present location of the town's palace).

The name Ogbomoso was derived from an heroic act of one of the Souns against the neighbouring Oguro people led by a powerful warrior called Elemoso. Soun Ogunlola is said to have defeated and beheaded Elemoso. This act earned him the appellation *Eni ti o gb'ori Elemoso*; ('the man who took the head of Elemoso'). This was later shortened to Ogbomoso (Oyerinde 1934).

The physical and economic growth of the town can be traced to the 1920s when the Fulanis destroyed important and powerful towns around Ogbomoso. These towns include Ikoyi, Iresa, Ofa, Erin, Ajaawa, among others (Johnson 1921). Oyerinde (1934) records that over a hundred and forty communities found refuge in Ogbomoso. Many of the people from these towns did not return to their former towns when peace finally returned. Today in Ogbomoso, there are wards and quarters as well as compounds which bear the names of the towns and villages whence the residents' forebears had fled. Hence we find wards like Ajaawa, Okeola, Ita-Offa, Ilogbo, Osupa, Isoko, Masifa, and compounds like Aresa, Ajaawa, among others. All these are located in the core or the traditional residential district of the town.

The town has witnessed considerable physical and population growth. Thus, the town with a population figure of 25,000 in 1851 (Bowen 1857), was projected to have 236,732 inhabitants in 2003 from the 1991 census figure of 166,034. Similarly, Akinbola (2004) estimated that the town's physical size was 576 hectares in 1950 and 2,432 by 1995. The figure was thought to be around 27.49 square kilometres in 2003. With population and physical growth, residential areas have developed where properties have different rateable values. In the two local government council areas of the town, Ogbomoso North and Ogbomoso South with their headquarters at Kinira and Arowomole respectively, it was expected that the IGR from property tax should be substantial. This study is focused only on the Ogbomoso North Local Government Area of the town.



## Methodology

The data for the study were gathered from both primary and secondary sources. To collect the primary data, the local government was stratified into three residential zones. This approach was adopted for the following reasons:

- (i) Urban residential zones tend to exhibit more permanent geographical features in terms of locations, structures, housing types and commercial activities among others (Beyer 1965).
- (ii) These permanent geographical features objectively reflect the social, economic and cultural attributes of the residents (Herbert and Johnson 1978).
- (iii) Each residential zone is likely to internally contain residents that have homogenous social and economic characteristics (Gana 1996).
- (iv) By grouping the urban centre into residential zones, the analysis of residents in each zone (Timis 1971) and the perception held of specific urban issues is considerably simplified.

Different techniques existed in delineating the residential environment. These include aerial photographs (Mabogunje 1962; Oyelese 1990); general house rating list (Ayeni 1982a; Yirenkyi-Boateng 1986) and the historical and physical attributes factor (Mumbower & Demoge 1967; Okewole 1977; Onokerhoraye 1977). The absence of information on the first two methods prevented their use.

Okewole (1977) delineated Ogbomoso into three zones using the historical factor and physical attributes. He concluded that all wards built prior to the nineteenth century consist of the old parts. The part of the town built before independence is regarded as a transitional residential zone. The post-independence built up area is regarded as the modern area or the suburban. Similarly, Onokerhoraye (1977) stratified Benin City into three. According to this classification, population and building densities diminish as distance increases from the core towards the suburban.

To administer the questionnaire, the local government was further stratified into the ten political wards used by the Independent National Electoral Commission (INEC) to conduct polls. Two political wards were selected for sampling. The political wards were Taraa/Sabo and Jagun. The two adequately represented the three residential zones of the city. The first hereditament sampled was randomly chosen. The subsequent unit of investigation was the fifth building. Questionnaires were administered either to the landlord (if available) or the head of the tenants or users of the properties selected. Public hereditaments were excluded since they were

not rateable. Such buildings include places of worship, schools, the king's palace, remand homes, uncompleted and un-occupied buildings, and vacant lands (Oyo State, 1995).

Through this method, a questionnaire with sixty-four questions was administered in the core/traditional residential setting. Questionnaires with ninety-one and seventy-six questions were respectively administered in the transition and suburban zones. Thus, the total number of questions administered were two hundred and thirty-one. The data were analysed using descriptive statistics. Inferential statistics of ANOVA and Chi-square were also used to test whether significant differences existed in residents' income and educational background in the different residential zones.

The secondary data collected included the information on the property tax as a proportion of the IGR in the local government on annual basis from 1994-2003.

## Findings

### *Socio-Economic Attributes of Residents*

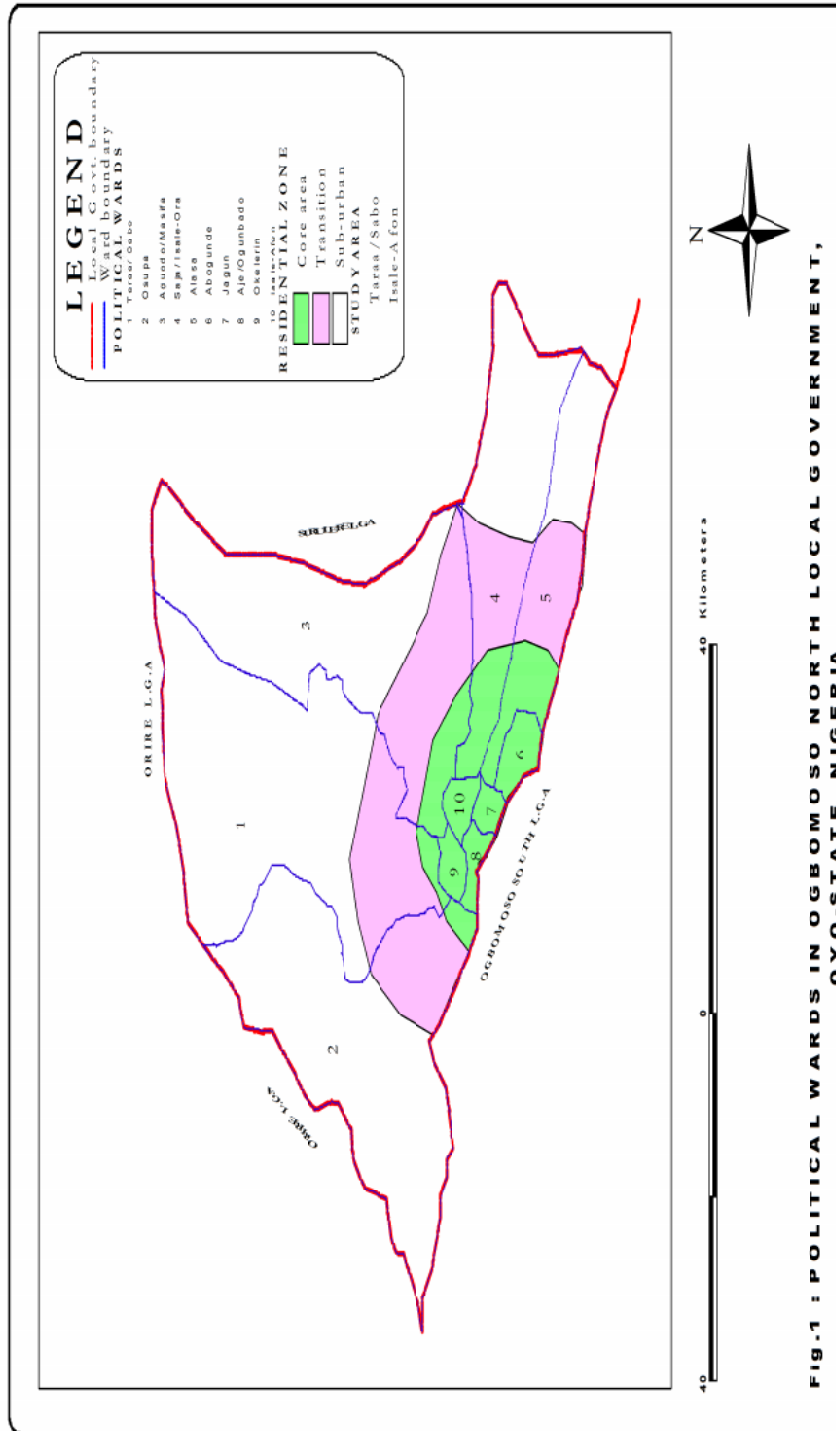
A survey of the variation in the socio-economic attributes of the respondents in the different residential zones is examined with a view to be able to relate easily the perception held of the property tax.

Four attributes are considered. Unless otherwise stated, all the tables in this section emanate from the field survey of 2004.

#### *(i) Educational Background of Respondents*

**Table 1:** Educational Background of Residents

| Educational Status | Residential Zones |                   |                   | Total (%)        |
|--------------------|-------------------|-------------------|-------------------|------------------|
|                    | Core (%)          | Transition (%)    | Sub-urban (%)     |                  |
| No formal          | 31 (13.42)        | 13 (5.63)         | 8 (3.46)          | 52 (22.51)       |
| Primary            | 15 (6.49)         | 15 (6.49)         | 9 (3.90)          | 39 (16.88)       |
| Secondary          | 14 (6.06)         | 36 (15.58)        | 23 (9.96)         | 73 (31.60)       |
| Tertiary           | 4 (1.73)          | 27 (11.69)        | 36 (15.58)        | 67 (29.00)       |
| <b>Total</b>       | <b>64 (27.70)</b> | <b>91 (39.40)</b> | <b>76 (32.90)</b> | <b>231 (100)</b> |



It can be seen from the table that the educational status of the landlords or the head tenants increased as distance from the core residential zone towards the suburban also increased. Over half of the 22.51 per cent of the respondents with no formal education resided in the core residential area. In contrast, the distribution of the 67 respondents representing 29 per cent of total had a tertiary educational background. The research established that four (1.73 per cent), 27 (11.69 per cent) and 36 (15.58 per cent) respectively resided in the core, transition and suburban residential zones. The proportion of respondents with this educational status represented 6.25 per cent, 29.67 per cent and 47.37 per cent respectively in the core, transition and suburban zones. The variation in the residents' educational background was statistically significant. The computed chi-value of 49.203 at 0.05 levels of significance confirmed this position.

*(ii) Occupational Distribution of Respondents*

Closely related to the issue of educational status is the occupation of respondents. The residents' occupation was categorized into five as shown in Table 2. Two of these however need further explanation. These are artisan and 'others'. Artisans were residents that engaged in occupations like roadside auto-mechanics, bricklaying, radio, television, air conditioning and refrigerator repairing, carpentry, tailoring, shoe making and repairing among others. Occupations categorized as 'others' include groundnut and food vending, and bread baking, among others.

**Table 2:** Occupational Distribution of Respondents in the Different Residential Zones

| Types of Occupation | Residential Zones |                   |                   | Total (%)        |
|---------------------|-------------------|-------------------|-------------------|------------------|
|                     | Core (%)          | Transition (%)    | Sub-urban (%)     |                  |
| Farming             | 6 (2.60)          | 11 (4.76)         | 2 (0.87)          | 19 (8.23)        |
| Artisan             | 7 (3.03)          | 10 (4.33)         | 5 (2.16)          | 22 (9.52)        |
| Trading             | 40 (17.32)        | 28 (10.12)        | 23 (9.96)         | 91 (39.39)       |
| Civil Service       | 5 (2.16)          | 20 (8.16)         | 31 (13.42)        | 56 (24.24)       |
| Others              | 6 (2.60)          | 22 (9.52)         | 15 (6.49)         | 43 (18.61)       |
| <b>Total</b>        | <b>64 (27.71)</b> | <b>91 (39.40)</b> | <b>76 (32.90)</b> | <b>231 (100)</b> |

The study established that the number of respondents in occupations that require higher educational status (such as the civil service) increased

positively with distance from the traditional residential area towards the outskirts. Thus, 24.24 per cent of the respondents in the civil service in the study area, 2.16 per cent, 8.66 per cent and 13.42 per cent resided in the core, transition and suburban areas respectively. If the assumption holds that those in civil service occupations should have a better knowledge of the property tax, then residents of the suburban area should be better informed. Respondents in this category either worked for the state or the local government where decisions on the administration of property tax are taken.

*(iii) Respondents' Income Distribution*

Three income groups were identified – low, medium and high. The low income class earns up to N10,000 per month. This was the range of the monthly income of workers on salary grade levels 1 to 6 in government service as at the time of this survey. People in this income category are regarded as junior workers. The medium income group earned between N10,000 and N20,000 monthly; while anybody earning above N20,000.00 was regarded as a high income earner. The distribution of respondents into the various income cadres in the different residential zones is presented in Table 3.

**Table 3:** Income Distribution of Respondents in the Different Residential Zones

| Income per Month    | Residential Zones |                 |                 | Total (%)        |
|---------------------|-------------------|-----------------|-----------------|------------------|
|                     | Core (%)          | Transition (%)  | Sub-urban (%)   |                  |
| Low = N10,000.00    | 37 (57.81)        | 41 (45.05)      | 26 (34.21)      | 104 (45.02)      |
| N10001 - N20,000.00 | 22 (34.30)        | 35 (38.16)      | 30 (32.47)      | 87 (37.66)       |
| = N20001.00         | 5 (7.81)          | 15 (10.48)      | 20 (26.32)      | 40 (17.32)       |
| <b>Total</b>        | <b>64 (100)</b>   | <b>91 (100)</b> | <b>76 (100)</b> | <b>231 (100)</b> |

The percentage of low income workers decreased as distance from the core to the suburban residential zones increased. While the portion of residents who were in the low income cadre in the core area was 57.81 per cent, it represented 35.58 per cent of all the respondents in the income group in the three residential areas. Thus it can be concluded that the percentage of respondents in the high income group reduced as one moves from the core/traditional residential area to the suburban. In general however, the proportion of low income earners was 45.02 per cent of all respondents. The variations examined above were statistically significant. The analysis of

variance (ANOVA) computed supported this claim as the computed F values of 14.157 is significant at 0.05 levels.

*(iv) Types of Houses Occupied by Respondents*

Three major types of houses are common in a typical traditional African city. These are the traditional courtyard, self-contained dwelling, and 'face-me-I-face-you' residence. Information presented in Table 4 indicated that the pre-colonial houses with mud walls were predominant in the core. Indeed, the pattern was that such types of dwellings decreased as distance increased towards the suburban area. The pattern of the distribution of the self-contained houses was the inverse of the courtyard system. It was thus established that the rateable value of hereditaments increases as one moves from the core towards the suburban residential zone of Ogbomoso.

**Table 4:** House Types Occupied by Residents in the Different Residential Zones

| House Type            | Residential Districts |                |               | Total (%)   |
|-----------------------|-----------------------|----------------|---------------|-------------|
|                       | Core (%)              | Transition (%) | Sub-urban (%) |             |
| Self-contained/Flat   |                       | 18 (32.73)     | 33 (60)       | 55 (23.81)  |
| Traditional Courtyard | 42 (73.68)            | 12 (21.05)     | 03 (5.26)     | 57 (24.68)  |
| Face-me-I-face-you    | 18 (15.12)            | 61 (51.26)     | 40 (33.61)    | 119 (51.51) |
| <b>Total</b>          | <b>64</b>             | <b>91</b>      | <b>76</b>     | <b>231</b>  |

The next section of the study discusses the perceptions among residents regarding the property tax in the different residential areas.

**Residents' Perception of Property Tax**

This section considers the residents' level of awareness of the tax, the proportion of residents that had at least once paid the tax, the meaning of the tax to residents, whether the imposition of the tax is justified or not, and residents' opinion on what should be done to gain their support for the imposition of this tax.

*(i) Residents' Level of Awareness of the Property Tax*

As shown in Table 5, the residents' level of awareness of the existence of a property tax was very low. Only 82 (35.50 per cent) of the total respondents had ever heard of the tax. The study further revealed that it was only in suburban area where up to 50 per cent of the residents had known of the property tax before.

**Table 5:** Residents' Level of Awareness of the Property Tax in the Different Residential Zones

| <b>Residential Districts</b> | <b>Respondents that were aware (%)</b> | <b>Residents who were not aware (%)</b> | <b>Total</b>     |
|------------------------------|--|---|------------------|
| Core                         | 15 (23.44)                             | 49 (76.56)                              | 64 (100)         |
| Transition                   | 23 (25.27)                             | 68 (74.73)                              | 91 (100)         |
| Sub-urban                    | 44 (57.89)                             | 32 (42.11)                              | 76 (100)         |
| <b>Total</b>                 | <b>82 (35.50)</b>                      | <b>149 (64.50)</b>                      | <b>231 (100)</b> |

It follows from the data that the valuation list exercise carried out in 1997 in the jurisdiction of the local government had not alerted many residents to the existence of the property tax. An interesting observation about the level of awareness regarding the tax is that it tended to increase as the distance increased from the core residential area to the suburban. Further, not all the respondents that had been aware of the tax had paid it. Of the 82 respondents who claimed that they were aware of the tax, only 65.85 per cent had paid it at least once.

**Table 6:** Status of Payment of Property Tax among Residents

| <b>Different urban area</b> | <b>Respondents that had at least once paid (%)</b> | <b>Respondents that had never paid (%)</b> | <b>Total</b>    |
|-----------------------------|--|--|-----------------|
| Core                        | 6 (40)   | 9 (60.00)                                  | 15 (100)        |
| Transition                  | 15 (65.22)   | 8 (34.78)                                  | 23 (100)        |
| Sub-urban                   | 31 (70.45)   | 13 (29.55)                                 | 44 (100)        |
| <b>Total</b>                | <b>54 (65.85)</b>                                  | <b>28 (34.150)</b>                         | <b>82 (100)</b> |

It appears from the data that 60 per cent of those in the traditional residential area who were aware of the property tax had never paid it. One reason for this state of affairs was that residential properties built of mud had for many years enjoyed exemption from rating. Those that had paid would have done so on commercial properties like shops and petrol stations. In the transition residential area, only 65.22 per cent of residents who had knowledge of the tax had paid it at least once. A majority of the residents in the suburban residential zone (70.45 per cent) had at least once paid the tax. One obvious fact from variations in the level of awareness and tax payment is that effective

means of collecting the tax were not in force as defaulters were not prosecuted. It was also noted that nine of the respondents who had never heard of the tax had actually paid at least once. It would seem that some residents paid taxes that they did not understand.

To investigate what exactly residents understand about the property tax, five definitions were provided. A respondent could indicate as many of the options that came close to what he thought the tax meant. The findings are summarized in Table 7.

**Table 7:** Residents' Views Regarding the Property Tax

| Residents' View of Property                          | Tax Residential Area |            |            | Total          |
|--|----------------------|------------|------------|----------------|
|  | Core                 | Transition | Sub-urban  |                |
| (a) Tax on services provided by the local government | 28                   | 46         | 59         | 133(39.35)     |
| (b) Tax for owning the property                      | 13                   | 37         | 26         | 76(22.48)      |
| (c) Tax on rent actually received on the property    | 12                   | 17         | 26         | 55(16.86)      |
| (d) Tax receivable on the property                   | 6                    | 21         | 16         | 43(12.13)      |
| (e) Tax on occupiers/tenants                         | 4                    | 12         | 15         | 31(9.17)       |
| <b>Total</b>   | <b>63</b>            | <b>33</b>  | <b>142</b> | <b>338 ***</b> |

\*\*\* The total exceeds the number of questions as a result of multiple responses.

The most frequent view was that the property tax was imposed for services rendered by local government. The number of respondents with this view increased as the distance increased from the core to the suburban residential area. This most frequently offered view suggests why residents support its imposition. If the tax is seen as a charge on the services provided by the local government, it follows that such services should be available at a quantity and quality that meet the minimum needs of residents. But if that is the case, nobody should pay property tax as far as the study area was concerned. This is because meaningful services that could raise the value of properties were not available.



Closely related to the meaning of the tax is whether the imposition of the tax is justified or not. From the core residential setting, 21 respondents (32.81 per cent) perceived that the imposition of property tax was justified. In the same zone, 30 (46.88 per cent) could see no justification for its imposition. The remaining thirteen respondents (20.31 per cent) did not indicate their stand.

**Table 8:** Respondents' Views on Whether the Imposition of Property Tax is Justified

| View on the imposition of property tax | Residential Area |                |               | Total (%)  |
|--|------------------|----------------|---------------|------------|
|  | Core (%)         | Transition (%) | Sub-urban (%) |            |
| Justified                              | 21(32.81)        | 31(34.04)      | 27(35.53)     | 79(34.20)  |
| Not justified                          | 30(46.88)        | 45(49.45)      | 49(64.47)     | 124(53.68) |
| Not response                           | 13(20.31)        | 15             | -             | 28(12.12)  |
| <b>Total</b>                           | <b>64</b>        | <b>91</b>      | <b>76</b>     | <b>231</b> |

Similarly, close to 50 per cent of respondents in the transitional residential area did not support the imposition of a property tax. Only 34.07 per cent of the respondents in the area supported such an imposition. The support for a property tax was least in the suburban area where a higher proportion of respondents with high education status resided. Of the 76 respondents in the area, 49 (64.47 per cent) did not see any justification for its imposition. On the whole, 79 respondents (34.2 per cent) supported the use of a property tax, while over half of the respondents were against it. One observable trend from the data presented in Table 8 is that the view that the imposition of a property tax was not justified became more frequent as the distance increased from the core to the suburban area. It could perhaps be concluded that for the more educated residents, the meaning of the tax seemed clearer. However, while the more educated section perceived the rationale for the tax, the residents concerned were aware that the local government had not done enough in terms of infrastructure provision to justify the additional tax after the 'pay as you earn' tax on wages.

Residents were requested to indicate the reasons why they thought that the imposition of a property tax was justified. Seven possible reasons were provided. Respondents were allowed to indicate as many of the reasons as they wished. Table 9 summarises the findings.

**Table 9:** Why residents think the imposition of a property tax is justified

| Reasons<br>Transition                                   | Residential Zones |            |            | Total Core    |
|---|-------------------|------------|------------|---------------|
|   | Sub-urban         |            |            |               |
| Services rendered by local government were not reliable | 24                | 38         | 43         | 105 (33.02)   |
| A form of double taxation                               | 29                | 42         | 39         | 110 (34.59)   |
| Money realized will be embezzled inappropriate          | 25                | 37         | 41         | 103 (32.39)   |
| <b>Total</b>  | <b>78</b>         | <b>117</b> | <b>123</b> | <b>318***</b> |

Note: \*\*\* The figure exceeds the number of questions administered due to multiple responses.

That property tax would increase the internally generated revenue of local government represented the most important view held regarding why its imposition was considered justified. This represented 20.15 per cent of the reasons put forward. One of the major reasons for imposing property tax all over the world (to recover some of the expenses on facilities provided) ranked third in this case study. Residents also felt more comfortable in supporting its imposition because such a tax was imposed in the other states in Nigeria. This reason ranked second and accounted for 18.51 per cent of the total responses.

On the other hand, the views expressed on why property tax should not be imposed, as summarized in Table 10, indicated an almost total lack of confidence in the country's governance.

In the first place, there was no reliable infrastructure service for which residents were already paying. Lives and properties were not secure enough that residents could feel safe at night. Furthermore the confidence of residents regarding the integrity of local government administrators had been almost completely eroded. Any means adopted by the local government to generate additional IGR was usually perceived by the people as yet another ways to obtain more money to be misappropriated or embezzled. With this public mind set, levying and collecting property tax must become very difficult if not impossible. Effective public participation is necessary for its success. To this end, residents were asked to indicate what could be done to secure support for local government with regard to property rating. Table 11 summarises the residents' suggestions on what could be done to improve the support for the imposition of the tax.

**Table 10:** Why the Imposition of Property Tax was not Considered Justified

| Reason for Justification                      | Residential Zones |            |           |       | Rank               |        |
|---|-------------------|------------|-----------|-------|--------------------|--------|
|   | Core              | Transition | Sub-urban | Total |                    |        |
| LG will recover expenses on services provided | 12                | 18         | 21        | 51    | (3 <sup>rd</sup> ) | 16.35% |
| IGR of LG will be increased                   | 18                | 21         | 25        | 64    | (1 <sup>st</sup> ) | 20.51% |
| Advanced countries are paying                 | 6                 | 14         | 21        | 41    | (5 <sup>th</sup> ) | 13.14% |
| Other developing countries are paying         | 4                 | 16         | 26        | 46    | (4 <sup>th</sup> ) | 17.74% |
| Some states in Nigeria are paying             | 13                | 26         | 19        | 58    | (2 <sup>nd</sup> ) | 18.59% |
| Less costly to collect                        | -                 | 10         | 21        | 31    | (6 <sup>th</sup> ) | 9.94%  |
| Difficult to evade                            | -                 | 7          | 24        | 21    | (7 <sup>th</sup> ) | 6.73%  |

**Table 11:** Residents' Suggestions to Improve the Support for the Imposition of Property Tax

| Residents' suggestion                                  | Residential Districts |                  |               |              |
|--|-----------------------|------------------|---------------|--------------|
|  | Core                  | Tradi-<br>tional | Sub-<br>urban | Total        |
| General Public Service Improvement                     | 51                    | 83               | 62 (24.08%)   | 196 (84.85%) |
| Public Enlightenment Campaign                          | 38                    | 62               | 61 (19.78%)   | 161 (69.70%) |
| Proper Accountability on low Local Government Finance. | 49                    | 77               | 57 (22.48%)   | 183 (79.20%) |
| Publicity of the Authorized Collecting Agents          | 29                    | 58               | 42 (15.85%)   | 129 (55.84%) |
| Timely sending of Rate demand notice                   | 23                    | 47               | 48 (14.50%)   | 118 (51.08)  |
| Effective monitoring/strong enforcement                | 19                    | 39               | 49 (13.14%)   | 107 (46.23%) |

Many residents argued that the most important step that the local government and the other tiers of government could take was not only to improve the existing urban infrastructure, but also that additional ones should be provided. This view represented 84.85 per cent of the total responses. Of importance is the view that the local government functionaries (elected and career officials) should provide accounts of the IGR and statutory grants from the central government for public scrutiny, although the most significant step forward would be to improve the quantity and quality of services provided.

### **Conclusion**

Property tax levying and collection in the developed world is a stable and reliable source of income for local government. This is achievable as a result of high public willingness to pay. People in such countries know that paying a property tax is related to the quality of the services rendered by government, which in turn will lead to an increase in the value of their properties. This is contrary to the situation in Nigeria where residents are not willing to pay property rates due to the very low level of satisfaction with the available public services. Thus, paying property tax is conceived as double taxation.

This study argues that for success to be recorded in property rate levying and collection in developing countries and especially in Nigeria, residents' negative perception regarding the tax need to change. Such a change implies that:

- (a) Government must provide adequate public services such as roads and personal security that satisfy the minimum expectations of residents. This single action would not only improve the quality of residents' lives, but also restore the lost confidence regarding governance capacity. Indeed, the provision of adequate physical facilities would demonstrate more accountability on the part of local government than the prepared annual accounts and budgets and public speeches of the elected officials.
- (b) Local government should make public the amount of money collected from property rates from the different political wards. A reasonable proportion of the amount collected from each ward should be expended on the development of specific projects in the area. This would encourage residents to show support for government in its efforts at levying and collecting not only property rates, but other forms of levy and taxes.
- (c) Local governments should embark on educational and enlightenment campaigns. Such programmes should focus on the importance of the IGR to local government and the benefits that can accrue to the public through its payment. Educational and enlightenment campaigns can

be organized in churches and mosques, and among members of cooperative societies and unions. Trade unions like the National Union of Road Transport Workers, the Market Women Union, Nigerian Union of Teachers among others could be contacted to give support in organizing appropriate fora for information dissemination to their members who are inevitably property tax payers.

- (d) It is also imperative that local government should compile a rating list. And indeed, the names and addresses of the collecting agent or agents commissioned must be made public. Amounts payable as rating must be made known to payers on time (preferably in January of every year). The estate management section of the local government should make further clarifications about the different designated locations within the local government where payment can be made. To this end, the need to adequately staff the estate management section of local government with qualified and experienced experts in property rating administration becomes imperative.

It must be emphasized that a key solution to the problem of the perennial insolvency of local government is through evolving an effective property rating administration. This subsequently depends on changing the negative perceptions among residents regarding the property tax. Local government would then be able to rely less on statutory allocations from central government if this source of IGR, which is constitutionally its sole responsibility, could be effectively administered.

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