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Extrinsic factors: Antecedent to Patronage of Residential Apartments among Bank Employees in Ekiti State

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Abstract: **The study evaluated the effects of extrinsic factors on the patronage of residential apartments across banks in Ekiti State. The study adopted a survey research design with well structured 5-Linkert research instrument. The population for the study was 546 employees of the 16 bank branches in Ado-Ekiti metropolis out of which 230 respondents were chosen using stratified random techniques with each bank representing a stratum. Data collected were analyzed using simple percentage statistics such as descriptive and inferential statistics while Jackknife multiple regression was used to analyze the data. The results also showed that location and rental value were positive and significantly determined patronage of residential by bankers (β =4.464, $p < 0.05$). It was also revealed that physical infrastructure and security were significant but negatively related (β = 1.723, $p = 0.05$). The study concluded that patronage of residential was a function of facility type, location, and class of residence.**

Keywords: **Apartment, patronage, intrinsic factor, location and residential.**

1. INTRODUCTION

The desire for adequate, affordable housing has a strong link to extrinsic and intrinsic factors (Olayiwola, Adeleye & Oduwaye, 2006). According to the United Nations habitat (2015), Nigeria has about 64.2% of people that lived in urban areas as of 2012, whereas less than 40% of the people lived in the slum. On the other hand, people are giving their old houses for developers to turn into lock-up shops. In spite of the urgent need for residential and office space, it is also crucial to understand what people want in terms of basic amenities of the house which boils down to customer patronage. Customer patronage is a function of satisfaction in various businesses visited for utility derivatives; it is a business philosophy which tends to create value for customers' anticipating and managing their expectations and demonstrating ability and responsibility to satisfy their needs (Sogunro & Abiola, 2014). Oladele (2007) viewed consumer behavior as an interdisciplinary science which investigates the decision activities of consumers in their consumption roles. That consumers behave rationally while attempting to make a choice is enough to justify the need for adequate attention to all factors capable of attracting customers to initiate a purchase decision. All over the world, renting offers a more affordable way for many people to gain access to accommodation in terms of housing or office space (Opoku & Abdul-Muhmin, 2010). The provision of adequate housing is an integral part of the needs of every society and has great value for individuals, families, communities, and society at large. In a recent survey, Kottler and Keller (2012) opined that the amount of expenditures on housing is greater than any outlays for goods and service. The need for scaling up housing supply has become an urgent focus of policy debates, with the need to expand the role of private markets, as Nigerian and most governments of the world depend solely on private markets in supplying houses (Keivani & Werna, 2001). The fact that Opoku & Abdul-Muhmin (2010) saw the need for more provision of rented apartments, considering the rate at which more people rent houses than own them in developed cities of the world is enough to guarantee a study into the need to determine factors capable of attracting customers' patronage of rental apartments.

In a city like Ado-Ekiti (the capital city of Ekiti State), it is expected that commercial activities will be at its peak, compared to other cities in the State. This assumption is premised on the fact that, all the major government organs have and will want their offices in the capital cities, thus creating opportunities for business activities. The relationship between what people want in a house and the factors considered by retailers for rent apartment is as important as life itself (Olusegun, 2003). A lot of studies have been carried out on extrinsic and intrinsic characteristics of the apartment (Olayiwola, Adeleye & Oduwaye, 2006; Ukabam, 2008; Julius, 2010). For example, while, Ukabam (2008) focused on the relationship between housing quality and residential property values, Julius (2010) focuses on infrastructural facilities as determinants of rental values. One major observation from literature is that majority of scholars that have researched into rent apartments have narrowed down their study into extrinsic and intrinsic factors as determinants of rental values, without recourse to how these factors affect consumers' patronage. However, this study attempts to relate the existing extrinsic to consumers' patronage of rented apartments and also include rental value to the array of extrinsic factors earlier itemized in previous research works.

2. LITERATURE REVIEW

2.1 Conceptual clarification

2.1.1 Location

According to Bailey, Mokhtarian, & Littlel (2008), transportation route is part of distinct development pattern or road network and mostly described by regular street patterns as an indispensable factor of human existence, development, and civilization.

2.1.2 Physical Characteristics

The definition of housing quality embraces many factors which include the physical condition of the building and other facilities and services that make living in a particular area conducive. The quality of housing within any neighborhood should be such that satisfies minimum health standards and good living standard, but should also be affordable to all categories of households (Okewole & Aribigbola, 2006).

2.1.3 Infrastructural Facilities

The state of infrastructure is an important parameter for assessment and indicator of the status of any urban system. The efficiency of any form of the human activity system, including urban area, largely depends on the provision of efficient infrastructure and services (Babarinde, 1998). It can, therefore, be concluded that the significance of infrastructure in the proper functioning of an urban area cannot be over-emphasized.

2.1.4 Rental Value

During the last decade, many office markets experienced unexpected volatility in rental rates resulting in large financial losses (Wheaton, Torto & Evans, 1997). Research on office rent determinants can fall under the categories of either macroeconomic or microeconomic issues. Macroeconomic-related articles generally focus either on models of the office sector or spatial issues that impact office rents, while microeconomic-related articles generally focus on property characteristic or rental occupancy issues that impact office rents. According to Boon & Higgins (2007)

2.2 Theoretical Framework

Theory of Consumer Choice

In order to ensure a robust discussion of results, this study adopted the consumer choice for the theoretical underpinning for this study. This theory gives us a model that analyses how consumers maximize the desirability of the consumption as measured by their preferences subject to limitations on their expenditures by maximizing utility subject to a consumer budget constraint. Constraint arises because the commodities that the consumer wants to command a price in the marketplace (i.e., they are not free) and the consumer has limited income. Thus, the budget line reflects the familiar and pervasive economic fact of scarcity as it pertains to the individual consumer. Because the consumer's wants are unlimited or, in any event, exceed his or her ability to satisfy them all, it is important that the consumer spends income so as to maximize satisfaction. Thus, a model is provided to illustrate and predict how a rational consumer maximizes satisfaction, given his or her taste (indifference curve) and the constraint that the consumer faces

2.3 Empirical Review

Julius (2010), studied the analysis of the relationship of infrastructural facilities in the determination of rental values of residential properties in Akure, Nigeria, studied the available infrastructural facilities in residential properties in Akure, Nigeria and analyzed their influence in the determination of the rental values of the properties. Akure was divided into four residential zones and one hundred and ninety tenants were randomly selected for an interview. Eleven infrastructural facilities were identified as peculiar to residential properties in Akure. The study employed multiple regression model to determine the influence of the infrastructural facilities in the rental values of the property while the step-wise analysis revealed that wall-fence and installed burglary proof are significant determinants of rental values of residential properties in Akure. However, Pearson's Product Moment Correlation Coefficient matrix was used to verify the significant level of the independent variables. The study concluded that although other infrastructural facilities are also necessary residential property developers should essentially ensure the provision of these two infrastructural facilities in order to attract higher rental values.

Barrett (2000), conducted a study on office rent determinants during market decline and recovery, empirically examined office rent determinants in distinct periods of a market cycle. The study used a dataset of office properties located in a large metropolitan area and spanning a six-year period. During this period, office rents experienced a significant decline and recovery. A time-varying parameter rent index identified three distinct periods of the cycle: decline, trough, and recovery. Tests of structural change concluded that market participants value the determinants of office rents differently during the periods. A micro examination of each rent determinant over the periods of the market cycle provided a greater understanding of how rents vary over time and the factors that influence them.

Ajibola, Awodiran & Salu (2013), in effect of infrastructure on property values in unity estate, Lagos, Nigeria, studied the effects of infrastructure on property values in Unity Estate in Lagos Metropolis. The questionnaire was administered on all the 510 households in the study area while 204 (40%) was retrieved and used for the study. Presentation and analysis of data were done using frequency tables and percentages. Also, relative importance index was adopted in ranking the infrastructure in order of importance attached to them by the respondents. The study revealed that majority of the respondents were tenants who have been living in the study area for a long time and whose opinion about rental issues within the estate can be relied upon. The study also revealed that blocks flats (62.6%) are common in the study area. Furthermore, the study revealed that water (R = 2.97), electricity (R = 2.52) and roads (R = 2.40) are ranked as the most important facilities required in the estate. On the strength of the findings, the study recommends that facilities within the estate needed a serious upgrade to further enhance the living conditions of the residents.

Ibrahim (2011), in a survey of infrastructural facilities and their effects on rental values of residential properties in Ilorin metropolis, studied some regions within the metropolis which experienced a higher level of economic development and concentration of infrastructures than some other regions. Even when the rental value is increasing on properties in some areas, more people are interested in living there because of the available facilities. The study focused extensively on the available public infrastructural facilities in selected neighborhoods and the property rental values with a view to establishing a relationship between them. Three neighborhoods within Ilorin metropolis were selected to reflect low, medium and high-density areas. A survey of all infrastructural facilities and residential properties rental values were conducted. Both primary and secondary data were used for the study. Secondary data were collected through a review of relevant articles obtained from textbooks, journals, conference papers and internet materials. Two different sets of questionnaire were designed and administered for the collection of primary data used in the study. The first set of questionnaire was administered to the tenants of the residential property while the second set of questionnaire was administered on the practicing estate surveyors based in Ilorin. The questions, amongst others, probed into the types of available infrastructure in the rented apartment, rent paid, the income of household-heads and family size. Primary data collected through the questionnaire survey were analyzed using frequency distribution and percentages. The study revealed that presence of facilities generates high preference, keen competition for properties and thus high rental values, while the absence of facilities results in low patronage, a disincentive to people, the attraction of poor tenants and consequently low rental values. Unless, and until infrastructural facilities are provided fairly equally distributed all over the city, discriminating rental values would be charged in a different location within the city among similar properties and this may eventually lead to gentrification.

Israel (2014), in a study on imperatives of the provision of infrastructure and improved property values in Nigeria, studied the imperative of infrastructural provision on property values. The research beamed its light on the relationship between property values and the development of infrastructure; the factors that influence property values; and assessed the trend of infrastructural development in Akwa Ibom State in recent past. It recommended that the government should provide more infrastructure in rural areas to harness development and ginger property values; urban neighborhoods to be landscape, with site and service schemes provided; allocate budgetary provisions adequately for the maintenance of the infrastructure; and private individual beneficiaries in the various communities where these facilities are provided to maintain sufficient security to avoid theft and vandalisation, so as to continue to improve values of properties in such domains.

Naruson (2010), evaluate the contribution of infrastructure effects on residential property, studied property value is dependent upon many characteristics associated with that property such as physical characteristics of property; location of the site in relation to employment centers and other recreational facilities (accessibility). In addition, the social and economic characteristics of the neighborhood, including the presence of such amenities as view, parks, schools and community services affect value. Those attributes are usually provided by the State and Local governments through their various policies and services. Thus property price will be suburb (or location) dependent due to the attributes with respect to specific desirable services. The results of the analysis indicated that the presence of physical attributes of property and transportation are important housing attributes in determining the price. This suggests that different attributes are valued differently when combined with other attributes. Key locational factors are fundamental in the determination of house prices.

3. METHODS

3.1 Research Design

The study adopted a descriptive survey design which will describe the effect of intrinsic and extrinsic factors on the patronage of residential and office apartment among bank employees. It is descriptive because it enables the researcher to collect firsthand information from respondents. This study will rely majorly on primary data in order to gather fresh data from the sampled respondent. A structured 5 - Likert scaled research instrument adapted from the work of Julius (2010) served as the instrument of data collection.

3.1.2 Population, Sample Size, and Sampling Technique

The population for this study was 546 employees of the bank branches in Ado-Ekiti Metropolis out of which 230 respondents were chosen via a stratified random sampling technique.

Table 3.1 and 3.2 are reflections of population and sample for the study

In an attempt to achieve the appropriate sample for the study, Yamane (1967) model was adopted:

The formula is given as follow:

Sample Size

$$n = \frac{N}{1+N(e)2}$$

Where

n = the sample size to be

N = total population of the study

e = acceptable margin error term (0.05)

Sample Size $n = \frac{546}{1+546(0.05)2}$

230

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3.1.3 Variable Identification and Measurement

A. Extrinsic Variables

i. Location (L)

ii. Physical infrastructure (Pi)

iii. Perceived security (Ps)

iv. Class of residents (Cr)

v.

$$PTr = \alpha + \beta_1 Mdr + \beta_2 L + \beta_3 Pi + \beta_4 Ps + \beta_5 Cr + \mu \quad \text{.....1.1}$$

PTr = Patronage

α = Slope of the equation

βi = Coefficient of independent variables

L = Location

Pi = Physical infrastructure

Ps = Perceived security

Cr = Class of residents

μ = Residual value

Equation (1.1) depicts the expected relationship between customer patronage and the extrinsic variables capable of impacting on their choice of rented apartments

3.1.4 Method of Data Analysis

Considering the correlated nature of the study, independent variables, a modified multiple regression analysis named Jackknife Multiple Regression Model (JMRM) was employed. Jackknife estimates the intercept, slope and the value of the coefficient for the regression. One major advantage of this technique is that it has the capability to solve the drawbacks of traditional regression analysis by providing an accurate and robust solution to regression problems where independent variables exhibit correlations.

4. RESULTS

Effect of Extrinsic Factors on Patronage of Residential Apartment among Banks Employees in Ekiti State

4.1.1 Discussion of Findings

To test this hypothesis, the respondents' scores on three variables, location, class of residence and patronage were computed and subjected to jackknife multiple regression analysis. The results are shown in Table 1.2. In Table 1.1, the results of the analysis were found to have a positive relationship between intrinsic factors and patronage of residential apartments at 0.566 while the R^2 showed that location and class of residence caused about 32.1% variance in the patronage of residential apartment among bank employees in Ekiti State. In other words, an estimated 0.321 of patronage of residential apartments is accounted for by the independent variable, location of the apartment and class of residence. The remaining 67.9% is explained by the error term in the model.

The unstandardized beta coefficient of location of apartment are 0.415 with t = 8the .948 and (p= 0.000 > 0.05). These results showed that the location of the apartment has a positive effect on the patronage of residential apartments. The implication of this is that banks consider location before deciding on office apartment. It was found significant; therefore, we accept alternative hypothesis and reject the null hypothesis. Gallimore, Michael, Carter, Mathew & Paul (1996) showed a significant improvement on the location blind model and offers suggested directions for further research and development of the techniques.

The unstandardized beta coefficient of class of residence are 0.334 with t = 1.931 and (p= 0.055 > 0.05). These results showed that class of residence has a positive effect on the patronage of residential apartments. The implication of this is that banks consider class of residence (place of work, economic status, and academic status) before deciding on office apartment. It was found not significant; therefore, we accept the null hypothesis and reject alternative hypothesis. Julius (2010) concluded that although other infrastructural facilities are also necessary residential property developers should essentially ensure the provision of these two infrastructural facilities in order to attract higher rental values.

The unstandardized beta coefficient of physical infrastructure are 0.480 with t = 1.18 and (p= 0.324 > 0.05). These results showed that physical infrastructure has a positive effect on the patronage of residential apartments. This suggests that availability of regular electricity, good road network, perimeter fence and water facility affects the choice of rent apartment.

The unstandardized beta coefficient of passive security are 0.2353 with t = 0.339 and (p= 0.043 < 0.05). These results showed that passive security has a positive effect on the patronage of residential apartments and is significantly related. This implies that closeness to the police post, availability of neighborhood watcher and presence of security guard give prospective bank employees' confidence on the safety of their lives and properties.

Table 1.1: Estimated effect of extrinsic factors on the patronage of residential apartments among bank employees in Ekiti State

Variables	Coeff.	Std. Error	t-value	p-value
Constant	2.394	.209	11.468	.000
Location	.415	.046	8.948	0.000
Class of Residence	.334	.173	1.931	.055
Physical infrastructure	.480	.407	1.18	0.324
Security	0.2353	.825	3.39	0.043
R	.566			
R^2	0.321			
Adj. R^2	0.313			
F(Stat.)	42.501(0.000)			

Dependent variable: patronage of rent apartments

5. CONCLUSION AND RECOMMENDATION

The study concluded that patronage of residential apartment was a function of facility type, location, and class of residence, rental value, and security. The study further recommended that investors should make sure that all apartments are well equipped and good location is of paramount importance to bank employees and developers should ensure there is the provision of security–enhancing infrastructure such burglary proof and fence.

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