An Empirical Study on Client-induced Valuation Bias - Evidence from Fiji

https://doi.org/10.33318/jpacs.2021.41(1)-5

Eroni Batikawai[1] and Asenaca Nawaqalevu[2]

Abstract

Valuation bias stemming from the influence exerted by valuation clienteles continues to be a subject of concern affecting the objectivity, validity and utility of valuations globally. Client-induced valuation bias is of particular concern for small island developing economies like Fiji, where the adoption and implementation of global valuation practice standards is still in its infancy. This study employs a survey questionnaire and a behavioural experiment to examine the existence and nature of client influence on valuations in Fiji. The study finds that most valuers are knowledgeable of the existence of client-induced bias in their professional line of work. Furthermore, the valuers express strong opinions that clients do engage in 'opinion shopping' by requesting indicative figures prior to commissioning a valuer, and that clients also use information as leverage to influence valuation outcomes. Lastly, the result of the logistic regression model analysing the behavioural experiment responses suggests that neither client size nor magnitude of value adjustment sought by the client are statistically significant in explaining the valuer's decision on whether or not to revise their valuations.

Keywords: behavioural research; client influence; Fiji; logistic regression; valuation bias

[1&2] Assistant Lecturers, School of Land Management & Development, The University of the South Pacific, Fiji, email: eroni.batikawai@usp.ac.fj