

THE ROLE OF PROPERTY RIGHT ON ECONOMIC GROWTH AND DEVELOPMENT: HARGEISA, SOMALILAND

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Abstract

The purpose of this paper is to give the true meaning for the role property right on economic growth and development, specifically land, housing and entrepreneurial idea in Hargeisa city.

The paper examine the relationship between secure property rights on economic growth and development and the structures and institutions that directly affect the property rights management, and also the important role that property right paly investment and income generation.

To describe the relative effect between the role of property rights on economic growth, both probability and non-probability sampling is used. To select a representative sample, stratified sampling and then simple random sampling techniques are employed. The researchers gained data from survey to consider the opinions of the respondents regarding the role of property rights on economic growth and development and face to face interview head department and staffs of several ministries and other institutions of the country of public work, ministry of trade & investment and tribunal committee, Somaliland High court and depart of land and land committee of Hargeisa local government.

The findings of this study indicate there is high significantly relationship between property rights and economic growth, while the secure property rights increases the level of investment to the land and encourages to come up with entrepreneurial ideas.

The findings on the study revealed that there is when there is strengthen the secure property rights it is directly related to economic growth, in the study there is a recommendation forwarded to property rights management.

Keywords : *Property right, growth, development.*

INTRODUCTION

Prosperity and property rights are inextricably linked. The significance of having well-organized and highly protected property rights is now accepted among economists and policymakers in different countries. A personal or private property scheme gives individuals the sole or unshared right to use their resources as they wish to use. There are some questions need to answer and it's what makes a nation to prosper? Different researchers contend that the deviation between prosperity and poverty is property. Some nations would prosper when private property rights are enforced (O'Driscoll, 2005).

In Congo, Somalia and other African countries, ownership rights are not adequately recorded or trusted. The right holders can't use their property regularly because of the no documentation. The lack of secure property is one primary reason why these countries have lagged behind and lagged economic growth and development.

Since 1991, Somaliland has been a self-declared and broke away region from Somalia and it is not recognized by the international community, in the context of African politics, this region did fantastic and remarkable achievements with a little foreign assistance. The property right in Somaliland is not so much trusted land vacated by émigrés has been grabbed by people moving

into the city. Land conflicts underlining are major factors that add to the fuel in existing crime incidents, and they frequently result in deaths. Reducing these conflicts and developing secure property rights, firstly to achieve social and political stability, and secondly to underpin investment and economic growth are the main arguments for developing a current, accurate land tenure information system and an effective land administration system (barry, 2010) This study investigate how property rights exist in Somaliland and the importance it has to the economic growth of the country Secure property rights are able to grow faster partially because of more rapid technology growth and entrepreneurial activity. The empirical evidence also supports the idea that developing countries gain more from positive changes to their legal structures and property rights than do developed economies.

STATEMENT OF THE PROBLEM

Secure property right lays the foundation for growth, property ownership and well-being. The researchers believe that the individual, property ownership entails opportunity, responsibility and economic freedom of the society.

The property right issues are so sensitive to the society especially land, which creates problems among the societies, even this problem cause death.

The indicators of this problem are land conflicts, low investment opportunities which the business people fear the risks which may come. The possible cause of this problem is that there is no land administration agency in Somaliland, corruption in land management courts. The negative consequence of this problem is that there is no investment and entrepreneurship.

Therefore this study aims to determine the role of property rights on economic growth and development in Hargeisa Somaliland. The researchers investigate this cause to know more about how secure property rights effects on economic growth and creates a clear understanding on the structures and institutions that directly affect the property rights management.

OBJECTIVES OF THE STUDY

The main objective of this study is to identify the role of property rights on economic growth and development with special emphasis on Hargeisa, Somaliland

1. To review the existing governmental policies and legal frame work for property rights
2. To determine the role of property rights on investment and entrepreneurial opportunities
3. To identify the role of property rights on employment and income generation

LITERATURE REVIEW

Private property provides information and incentives that stimulate entrepreneurship, capital accumulation, and investment that efficiently allocate scarce resources and ultimately facilitate economic development (Hayek and Mises, 1945).

Land Rights: Fuel of Growth and Volcano of Social Conflict

Easy access to land facilitates capital investment, which in turn prompts industrial growth. About one-fourth of Somaliland's dramatic economic growth in recent decades stems from capital accumulation. Shows that the growth rate of fixed asset investment in Somaliland is over five percent higher than the growth rate of per capita consumption, indicating that the pace of fixed asset investment significantly exceeded the rate of per capita

consumption. Fierce regional competition encourages local governments to seek credit to develop their local economy (Razor, 2004).

Before 1994, it was common practice for local governments to force banks in their jurisdiction to extend them credit, creating serious inflation in the early 1990s. Since 1994, however, the central government has reasserted its control over the banks and has separated bank branches from local governments. But despite an initial slowdown, the growth rate of fixed-asset investment has accelerated.

METHODOLOGY

Research Design

Research design is "a design for conducting a study with maximum control or manage over factors that may interpose with the validity of the findings (Burns and Grove, 2003).

The research was employ descriptive exploratory design which contains both descriptive and exploratory research designs.

According to Hungler (1999) describes descriptive research design researcher plans to gain more information about a phenomena with particular field of study and exploratory research provides in-depth exploration of single process.

Exploratory research design is also under take when new topic is investigated, since no evidence of literature review of similar studies on the property rights in Somaliland especially Hargeisa this study attempt to investigate, describe, and explore new ideas of interesting which is about property rights and descriptive design were used to describe the phenomena of property rights.

The researchers were used both qualitative and quantitative approaches of research to make sure that all the important and relevant information for the study were utilize. Qualitative approach as a systematic subjective approach used to describe life experiences and situations to

give them meaning Researchers used the qualitative approach to explore the behavior, perspectives, experiences and feelings of people and emphasize the understanding of these elements. The rationale for used a qualitative approach in this research was to explore and describe the opinion of the people to the how secure property right effects the economic growth and development.(burns and grove , 2003)

Target Population

The target population of this research were selected head department and staffs of several ministries and other institutions of the country of public work, ministry of trade & investment and tribunal committee, Somaliland High court and depart of land and land committee of Hargeisa local government and other key informants like chiefs, and scholars that have more information about socio-political condition of the country. The total population of the study was 66, then after computation of Kothari formula the sample size is 45.

$$n = \frac{z^2pq + me^2}{me^2 + z^2pq/N}$$

$$\frac{1.96^2 0.9(0.1) + 0.05^2}{0.05^2 + 1.96^2 0.9(0.1)/66} = \frac{0.345744 + 0.0025}{0.0025 + 0.345744/66} = 45$$

This research were employed both probability and non-probability sampling technique in a probability sampling, stratified sampling were used since the target population is heterogeneous stratified sampling, proportional allocation is considered most efficient and an optimal design in stratified sampling when the cost of selecting an item is equal for each stratum, the purpose of sampling happens to be to estimate the population value of some characteristic. In reference to that, each stratum has been assigned to some proportion which is proportional to the sizes of the strata (Kothari, 2004). To select items from each stratum to constitute a sample, simple random sampling was used in selecting respondents from the stratum. The researchers were used this technique to ensure that each members of the stratum has an equal and independent chance of being included in the sample of this study.

On the other side Non probability sampling was used purposive sampling to judge and select where the researchers think that there is a data. Purposive sampling as judgmental sampling that makes the conscious selection by the researcher of certain subjects or elements to be included in the study. (Burns and grove, 2003)

This research also were purposively select 6 key informants in interview, 3 informants were selected in the officials of land issue department of local government of Hargeisa and 2 others

were selected chiefs or traditional elders and remaining one from member of the land management committee in Somaliland.

This method was appropriate for this study as the cases were consciously and deliberately included because they had been diagnosed with our problem and fulfilled the eligibility criteria and the researchers were purposively selected the elites who have information about the thematic area of this study. This study consists of both primary and secondary data.

Data was collected well-structured questionnaire and interview which involve face-to-face interactions with the respondents where the interviewer asked questions that respondents answered.

RESULTS

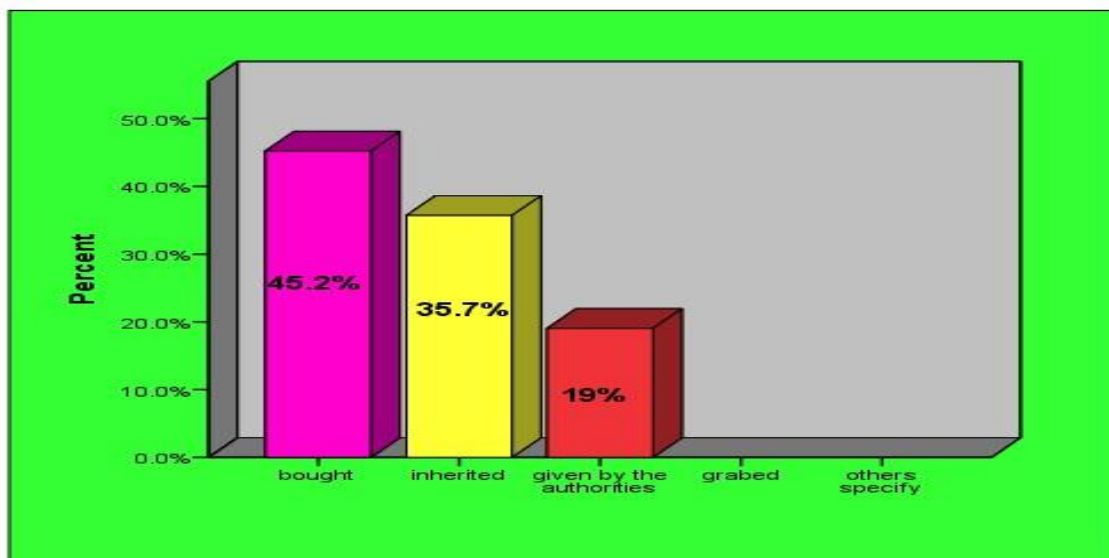
Table 1: Demographic characteristics

	Frequency	Percent
Sex		
Male	31	73.8%
Female	11	26.2%
Marital status		
Single	13	31%
Married	29	69%
Age		
18-25	4	9.5%
26-30	6	14.3%
31-40	24	57.1%
41-above	8	19%
Qualification		
Diploma	10	23.8%
Bachelor degree	9	21.4%
Master's degree	5	11.9%
PhD	2	4.8%
Others	16	31.8%

Source: Own survey

According research target (73.8%) of the respondents was male, whereas (26.2%) are female. So this show you that the property owners are male in majority the causes of this researchers understand that cultural factors are there which does not encourage females to have a property but there is increasing number of female property owners in these days which shows you that the social transformation which is created by the education. similarly the above table of the respondent’s explains the marital status of the respondents which (31%) are single while (69%) are married which show you that the majority of the respondents are the property owners the cause of this researchers know that the responsibility related to own a property like house, land, business etc. similarly the next table of the respondents explains their age which is 18-25 are (9.5%), 26-30 are(14.3%), 31-40 are(57.1%) and the last 41 and above are(19%). According to these findings the majorities of property owners are the ages between 31 and above which shows you that the age has an effect to the ownership, since the teenagers are less than 30%. According to the business, land, houses and other properties are the hand of more than 40 years as the researchers got. Lastly education statuses of the respondents, 23.8 percent of the participants were secondary level while bachelor and master’s degree were 33.3 percent the PHD holders was 4.8 percent the others who did not graduate any were else was 31.8 percent. According to this you may know that the majority of property owners are the un graduated and university levelers, which is clear evidence who own a property ownership these un graduated levelers may be who the civil war effect their opportunities and become husband, or wife then create a small business and bought or acquire a land, while the university levelers are those who get a knowledge and then find opportunity to own a property.

Figure 1: Methods of acquiring land

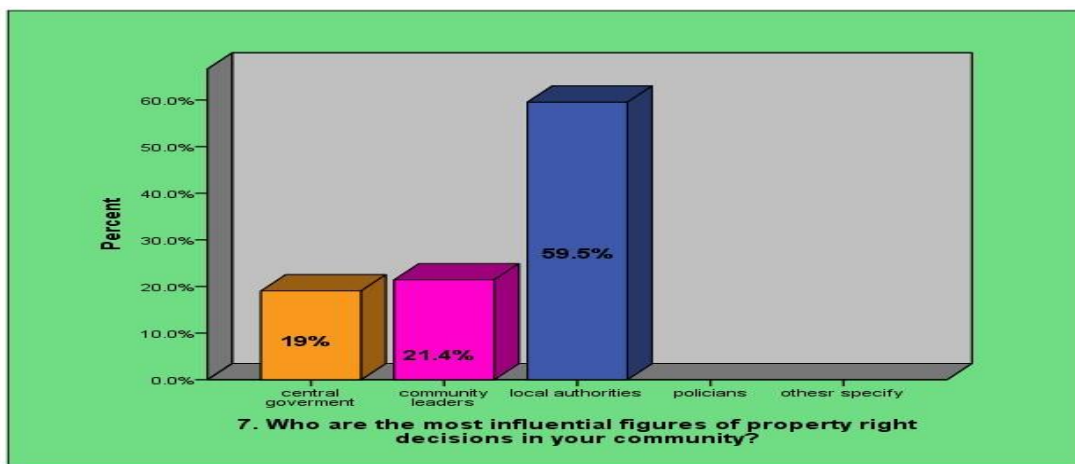


Source: Own survey

As figure shows 45.2 percent of the respondents answered we bought it, 35.7 percent answered we inherited, 19 percent responded given by authorities or the government while the remaining options like grabbed and others are not given any response.

As you see the main methods society own a property is to bought or inherited way and also there is small proportion given by the authorities, since there is buying and selling there must be a documents to transfer sellers to the buyers to be the clearance of owning these properties, which government takes its responsibility to secure.

Figure 2: Influential figures of property right decisions

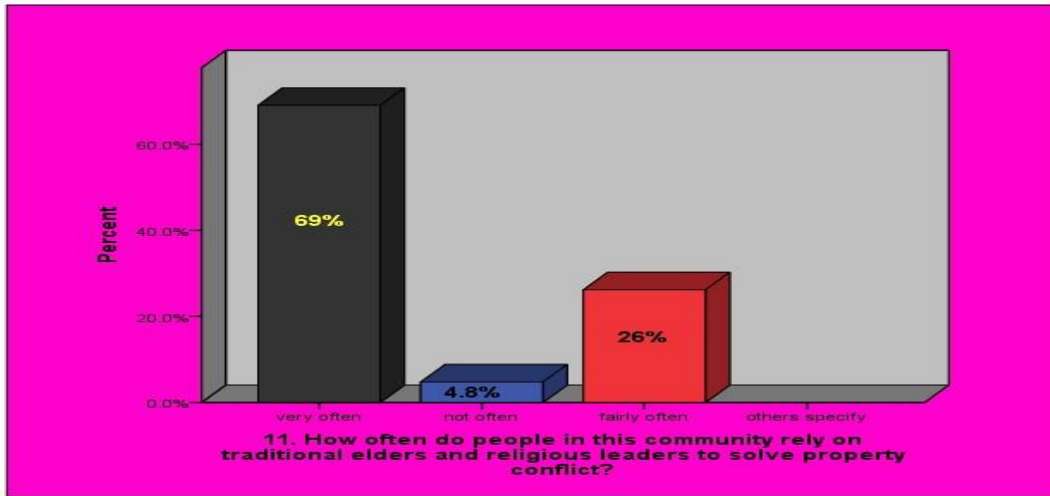


Source: Own survey

As shown above 19 percent responded central government specially ministry of public work, housing and transportation, while 21.4 percent responded community leaders, other 59.5 percent responded that the local authorities are the most influential figures of the property ownership.

According to this findings the most of respondents responded local government or authority which is right since there is article number 17 which clearly defines who will manage and make decisions about the property ownerships. But also the central government manage portion of property owner ship like land which directly goes to the ministry of public work, housing and transportation and cooperate with local authorities. But there is other options which respondents give but yet did not have any influential activity on property ownership and they are politicians and others but didn't mention.

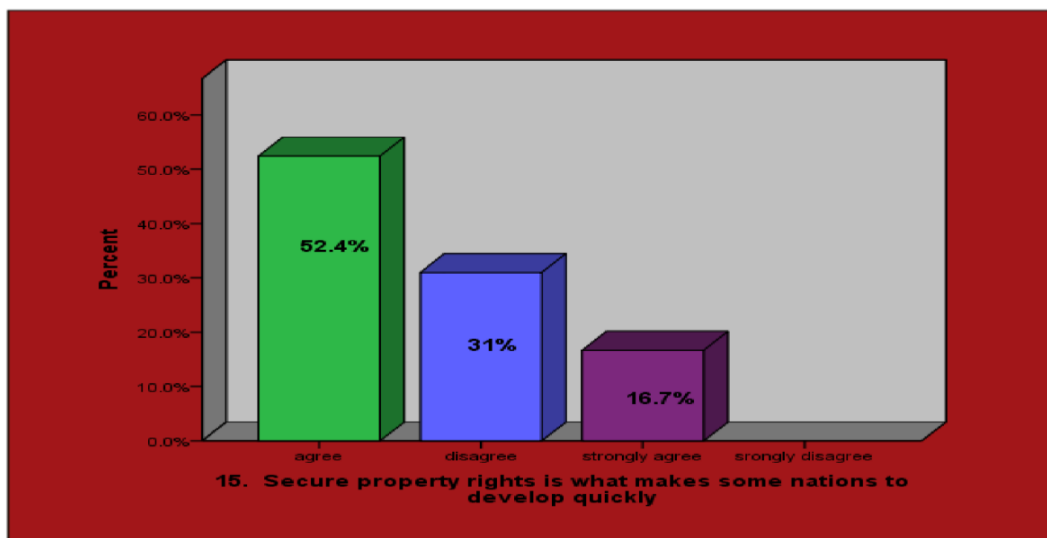
Figure 3: the Role of Traditional and Religious Elders on Property Right Conflict



Source: Own survey

As table above shows 69 percent of the respondents answered very often, 4.8 percent responded not often, 26 percent responded fairly often, and there are no other responses. This means traditional and religious elders are very important backbone of property conflict resolutions since the majority of the respondents clarify their importance on conflict resolutions.

Figure 4: Secure property right makes nations develop



Source: Own survey

As figure above shows 52.4 percent responded agree, 31 percent, 16.7 percent responded strongly agree, and finally no one choose strongly disagree.

This means that what make some nations to prosper while others to stagnate is property right if this property become secure as respondents select the countries develop.

CONCLUSION AND RECOMMENDATIONS

This study examined the economic growth and economic development-property rights nexus for time limitations on pressing ownership claims for land. The basic principle emphasized throughout our discussion is that the available development opportunities shape the time limits on ownership claims that maximize property values. This in turn creates an inherent underlying tension among the owners of different types of property in the economy, urban and rural as well as inner city and suburban. Further, successful economic growth and development creates demands for changing this dimension of property rights. Women are permitted to own land, the qualitative data collected suggests that, in practice, women continue to face many challenges. Family members may prevent females from inheriting land, fearing that the land would transfer to another clan at the time of marriage. Study participants also raised issues that women face with land ownership once married, as husbands may take their wives land. Women’s land rights appear to face the most challenges at the familial level.

POLICY IMPLICATIONS/RECOMMENDATIONS

In recognition of the widely agreed crucial role of property rights in an economy with particular reference on investment, and entrepreneurial opportunities, based on the findings and the conclusions, the following are the recommendations drawn from the study:

- Strengthen the Judicial System and Local Governments This is an enormous challenge but imperative to implementing any legislation. NGOs may play a role in research on existing customary law, trainings, and policy recommendations. The central government will have to work with local authorities to develop a unified system of law that can be effectively implemented by the judicial system. Safeguards must be developed to prevent corruption at all levels
- Revision and Implementation of Land Legislation Data indicated that the vast majority participants were unaware of existing property legislation. The government should strengthen the Land Act Policy so that it addresses rural and urban land with consideration of pastoral, agricultural, and urban needs. The courts must enforce the

land legislation. Through implementing the law, the government could reduce the number of property disputes especially land.

- Implement Public Awareness Campaigns In conjunction with implementing land legislation; public awareness campaigns should be enacted. Disseminating knowledge will enable landowners to know their rights. The campaigns could also serve as a means to rebuild public confidence in the judicial system.
- Provide Traditional and Religious Leaders with Training Data from the study found that traditional and religious leaders play key roles in handling land disputes. Providing training on land legislation will allow for local dispute resolution that is mindful of state legislation. While training may not result in local leaders abandoning customary law, they might adapt a hybrid system.

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