Contribution of Proper Budgeting to the Successful Completion of Real Estate Projects in Kigali, Rwanda

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Abstract: The insufficiency of infrastructure in terms of affordable houses in Rwanda specifically in Kigali city due to the misuse of resources in execution phase of the projects. The purpose of the paper was to determine the contribution of proper budgeting and successful completion of real estate projects in Rwanda. Specifically, the study assessed the relationship between proper budgeting and successful completion of real estate projects in Kigali city. The study employed a descriptive cross-sectional survey design using both quantitative and qualitative data collection approaches. The study targeted a total population of 100 people from 10 real estate companies, a sample size of 80 was determined using Solven’s formula. Data was collected through questionnaires and analysed using excel to establish the regression analysis. The results indicated that, there was a positive significant relationship between proper budgeting and successful completion of real estate projects(r=0.736**, p<0.01). The paper concluded that, proper budgeting is important in implementation of real estate projects. The paper recommended that, Real estate companies should be educated about the importance of having a proper and well-designed budget plan in their various real estate companies so as to make sure every project meets its objectives. In addition, the contactors and companies’ leaders should carry out researches before starting budgeting planning.

Keywords: Budget, real estate, project, Planning, successful completion

1. Introduction

Development projects, unlike large construction projects, are essentially community-driven in nature and aim at redistributing national resources to the community to bring facilities and services closer to people in order to alleviate poverty, create employment, and eventually raise people’s standard of living through better schools, healthcare facilities and the like. While large construction projects are concerned with developing the infrastructure and backbone of an economy, development projects attempt to directly improve the socioeconomic condition of people in a developing nation through various types of projects.

Rwanda is one of the fastest growing economies in the world and one where the population is also growing very fast. While the annual supply of housing dwelling units in Rwanda is between 800 and 1,000; the demand is extremely high and not commensurate to the supply. Annual demand for residential houses is increasing at a rate of 25,000 dwelling units per year. Investment in the sector has grown from US$ 100 million to US$ 480 million in the last 13 years and this is driven by population growth, an emerging and growing middle class, increased diaspora investment in the property markets and the government’s investment expansion and modernization of urban and rural infrastructure. Total housing needs in Kigali alone reaches 458,265 dwelling units (2013-2022). Many people in the country experience high construction prices, high price on land, low purchasing power of the population due to low-income levels, and high interest rates on mortgages. Many of these live in rentals and they do not have a house that they can call their own especially in Kigali City. Some of the reasons are that most of these people are either in formal employment or simply involved in small-scale businesses. Therefore, a much wider approach to make housing affordable is needed, while addressing issues of cost-efficiency in design, construction and construction management, increase of available material resources, decrease of unit sizes or floor area per person and ultimately, the use of technologies which allow lower construction cost and settling households closer to economic opportunity. Despite the government’s interventions through its ministry of infrastructure (MININFRA) and the Rwanda Housing Authority (RHA), a lot more efforts are still needed especially with regards to providing affordable and decent homes for the citizens.

This research identifies problems in budgeting of real estate construction and puts forward measures for successful completion of real estate construction, with the hope of offering useful ideas for the issues at hand.

2. Review of Related Literatures

2.1 The relationship between proper budgeting and successful completion of the projects.

Budgeting is essential in the development of any major business project. Without a well-planned budget, projects can fall apart and be left incomplete. Budgeting is no simple process, however, as budgets can be fixed or flexible, depending upon the industry in which the project is implemented and based on the availability of additional income sources. Nonetheless, budgeting provides a number of different advantages that a project manager should consider.

Establishing Guidelines

Having a budget allows you to establish the main objectives of a project. Some projects can be too all-
encompassing and try to accomplish too much. Having a budget in place, however, limits the number of options available to a company or its project manager from the outset. Without these budgetary restrictions in place, a project may not be completed on time or at all if the available funding runs out. Instead, the budget allows the project manager to know how much he can spend on any given aspect of the project.

Cost Estimation
Once a budget is in place, the project manager and cost estimator can then determine how much money can be spent on each component of the project. A budget allows those in charge of purchasing to determine what percentage of the available funds can be allocated to the constituent elements of the project itself. This provides the opportunity to determine whether or not the project can be completed with the available budget.

Prioritizing
Another advantage to having a project budget is that it will allow you to prioritize the different parts of the project. While it may be desirable to complete the entire project at once, if the available funds indicate that enough money may not be available to complete all aspects of the project as desired, a budget will allow you to prioritize which parts of the project can be completed initially while other parts are put on hold.

Future Planning
In the event that the budget shows funding to be inadequate to cover the necessary costs to complete the entire project, having a budget in place will make easier to plan for future costs. For instance, if the budget shows that only four of the five main objectives can be accomplished with the available funding, you should know how much additional money you will need to raise to complete the entire project because you know how much money should be allocated to each part.

3. Methodology
The researcher employed a cross-sectional survey design. A cross-sectional design is used for a research that collects data on relevant variables at one point in time from a sample selected to represent a larger population from a variety of people, subjects or phenomena. The data are collected all at the same time or within a short time frame. Cross-sectional research designs have three distinctive features: no time dimension; a reliance on existing differences rather than change following intervention; and, groups are selected based on existing differences rather than random allocation. With the use of this type of research design, the study was descriptive as regards information on budgeting for real estate projects in general and explanatory in reference to information on successful completion of real estate projects in Kigali, Rwanda. Qualitative data on the other hand were associated with the feelings and opinions of stakeholders with regards to the effects of project budget components and how they affect the successful implementation of real estate projects. The population of this study was made up of 100 stakeholders from 10 real estate companies in Kigali city. By using Solven’s formula, this study used sample size of 80 respondents. Stratified random sampling procedure was used where important subgroups (strata) identified as specific categories of stakeholders from 10 real estate companies. The researcher used a combination of methods that include personal interviews, questionnaires, document analysis and observation to collect data. The study put into consideration the validity and reliability of the research instruments and the results. Both quantitative and qualitative methods were used in the analysis of data. The data were analyzed using excel. In order to enhance research ethics under this study, the researcher subjected all the findings on the outcomes of analyses of the quantitative and qualitative data collected during the study and the interpretations made accordingly. Another ethical issue that was considered was the integrity of the researcher. Permission for conducting the research was obtained from the School of Entrepreneurship, Procurement and Management and other relevant authorities in Kigali city.

4. Results
The Relationship between proper budgeting and successful completion of real estate projects in Kigali city, Rwanda.
The objective of this study was to determine the relationship between proper budgeting and successful completion of real estate projects in Kigali city, Rwanda. As implied in the questionnaire, the researcher wanted to know the perception of the respondents on relationship between real estate projects proper budgeting and its successful completion in Rwanda and the results of his inquiry on this point are presented in the table below.

The summary of the findings

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<td>Budget contributes in cost estimation</td>
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<td>It helps prioritizing activities</td>
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<td>Budget helps in future planning</td>
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The correlation table above shows a positive significant relationship between proper budgeting and the successful completion of real estate projects \((r=0.736^{**}, p<0.01)\). Thus rejecting the null hypothesis that there is no significant relationship between proper budgeting and successful completion of real estate projects.

5. Discussion

The relationship between proper budgeting on successful completion of real estate projects in Rwanda.

The objective of this study was to determine the relationship between proper budgeting and its successful completion of real estate projects in Rwanda. The findings revealed that there is a relationship between project budgeting and its successful completion whereas the proper budgeting establishes guidelines, contributes in cost estimation, helps in prioritizing activities and helps in future planning.

6. Conclusion and Recommendations

Basing on the findings the project budgeting contributes to the successful completion of the projects. Besides this, budget plan bolsters effect, which contributes to the successful completion of the projects as well as real estate sector. Budget components such as labor, material procurement and operating costs contribute successfully to the development of a productive project budgets. Improvement of infrastructure in turn helps improving welfare of the community. The private and government sectors are the main institutions to work together in order to remove all barriers of project budgeting to the economic growth of real estate industry of Rwanda. Successful development projects are those that are adapted to budgeting, there is need to involve community participation in the project planning, design, implementation, management, and operation, and have a community contribution so that there is a sense of community ownership of budgeting in planning phase.

Furthermore, there is need for the government, NGOs and well-wishers to educate the masses about the importance of budgeting before the startup of the project. This will help solve cases of not meeting the successful completion of the project related to the unexpected expenses. Similarly, the project stakeholders should be educated about the importance of having a proper and well-designed budget plan in their various real estate companies so as to make sure every project meets its objectives. In addition, the contactors and companies leaders should carry out researched before starting budgeting planning.

References


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