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The Importance of Recognizing Factors Impacting Valuation Quality

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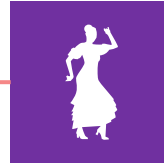
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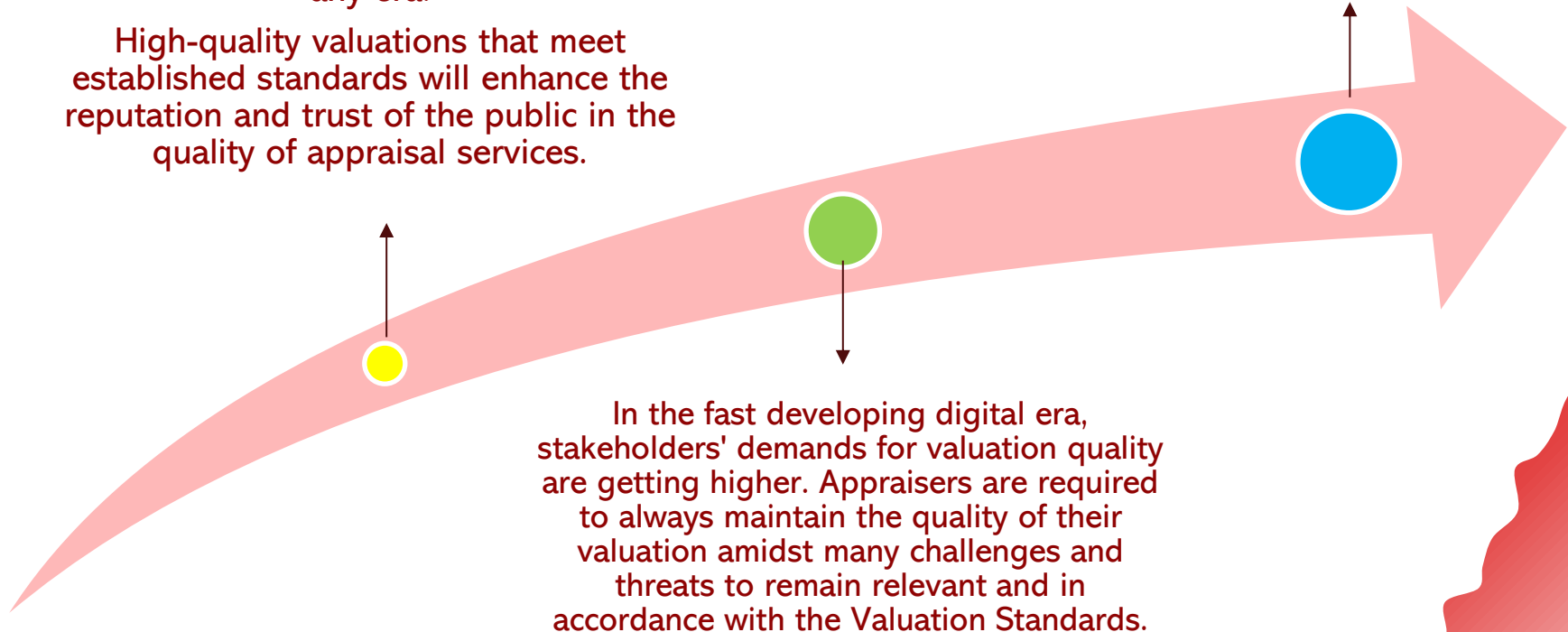


1. BACKGROUND

The quality of valuation is an important aspect that must be continuously monitored, especially for appraisers in any era.

High-quality valuations that meet established standards will enhance the reputation and trust of the public in the quality of appraisal services.

However, very few studies have focused on valuation quality. This encourages research on factors that impact the quality of valuations, as well as identifying the most dominant factors impacting the quality of valuations.



I. BACKGROUND

Human Aspects

- One of the factors that greatly impacts the quality of the valuation is the human aspect (appraiser) itself (Amidu et al., 2018); (Abidoje et al., 2021); (Siahaan, et al, 2019).
- Problems that often occur in the human aspect such as appraisers often lack understanding of the scope of the assignment.
- In addition, it is not serious in collecting relevant information about general data and specific data.
- And appraisers do not have a strong desire to follow the latest procedures in appraisal, resulting in appraisals that are outdated or irrelevant to applicable regulations (Amidu et al., 2021).

Valuation Process Aspects

- Another factor that significantly impacts valuation quality is the valuation process aspect (Levy & Amidu, 2019); (Binoy et al., 2022); (Meidawati & Assidiqi, 2019).
- Problems that occur in the valuation process such as inappropriate valuation approaches can lead to inaccurate and unfair results. For example, the use of valuation methods does not consider the context and characteristics of the individual being assessed.
- Lack of internal training of appraisers resulting in appraisers not having adequate skills and knowledge of the latest and relevant appraisal methods (Binoy et al., 2022).
- Poor file management can make it difficult for assessors to find information needed to conduct appraisals, as well as unclear or ineffective reviewer systems that can lead to unfairness in appraisals (Asnakew & Amogne, 2021).

I. BACKGROUND

- The quality of the valuation is also impacted by the aspect of the valuation report.
- There are various problems in appraisal reporting, such as the number of reports that require revision, which is often caused by appraisers not understanding how to compile reports clearly and systematically, so that the information submitted is incomplete or inaccurate, inattention to data collection and analysis, such as market data, physical condition of the property, and other relevant factors, causing reports to be less accurate.
- In addition, appraisers often do not follow the latest standards or procedures, so appraisal reports do not meet the expected criteria (Abidoeye et al., 2021; Amidu et al., 2021).

Valuation Report
Aspect

1. BACKGROUND

Research Objectives

The objectives of this research are:

1. To analyze the significant factors that influence the quality of valuation.
2. To identify the most dominant factors affecting the quality of valuation in Indonesia.

2. LITERATURE REVIEW

1

**Valuation
quality**

According to the Indonesian Appraisal Standards, the quality of an appraisal can be influenced by the competence of the appraiser, the process carried out, and the results or products of the appraisal (KPSPI, 2018).

2

**Human
Aspect
(appraiser)**

An appraiser is a person who has the competence and qualifications to provide an assessment of the economic value of an object (Barus & Abednego Priyatama, 2023) ; (Suprpto et al., 2022).

3

**Valuation
Process**

A series of systematic steps taken by an appraiser to provide a written opinion on the economic value of an asset at a given time (Özdilek, 2023).

4

**Valuation
Report
Aspect**

An appraisal report is a document that includes the assignment instructions, the purpose and basis of the appraisal, and the results of the analysis that resulted in an opinion of value (KPSPI, 2018).

3. METHOD

Research Method



- Descriptive With Quantitative Approach

Population & Sample


- The research population consists of all certified and accredited appraisers in Indonesia, totaling 2,049 appraisers.
- The sampling method used is purposive sampling based on specific criteria, where participants must have completed advanced valuation education and have a minimum of 7 years of work experience.
- The research sample was **209 appraisers**

3. METHOD

Data
Collection
Technique



Data Analysis
Technique



- In this study, primary data and secondary data were used. to collect primary data by distributing questionnaires designed to evaluate appraisers' opinions and perceptions of appraisal quality. And secondary data is obtained from the internet such as journals, books, and newspapers.
- The data analysis technique uses Factor Test analysis with SPSS data processing tools.

4. RESULT

Hasil Uji Factor

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.757
Bartlett's Test of Sphericity	Approx. Chi-Square	2154.968
	df	595
	Sig.	.000

1

2

3

4

The criteria that must be met for factor analysis to be conducted is a KMO value > 0.5 (Nkansah, 2024). Based on Table 2, it can be seen that the KMO MSA value is $0.757 > 0.5$, indicating that the data used in this study meets the requirements to proceed to the factor analysis stage. Next, the Anti-Image Correlation test was conducted, which aims to evaluate the suitability of the variables being analyzed (Zakaria et al., 2024); (Tothazan, 2022).

In this study, it was found that the Anti-image Correlation values for each indicator were > 0.50 , meaning that each indicator meets the criteria to be included in the factor analysis and contributes significantly to forming the resulting factors.

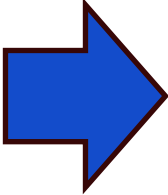
Next, the Total Variance Explained analysis was conducted, which aims to determine the number of factors formed in the factor analysis. One of the important components of this analysis is the Total Initial Eigenvalues, which are used to evaluate the contribution of each variable to the resulting factors.

The requirement that must be met is that the Initial Eigenvalues of the factors must be greater than 1. Based on the Total Variance Explained analysis, this study produced 12 factors. These twelve factors contribute 65.31% to the total data variance, meaning that most of the information in the data can be explained by these factors. The remaining 34.69% was not further investigated in this study.

4. RESULT

Dominan Factor 1 (Key Capabilities)

Variable	Variable Description	Weigh-in	Factor	Initial Eigenvalues Total	Aspect
X4	Knowledge of the Code of Ethics and Valuation Standards (Basic Valuation Standards Education & Advanced Valuation Standards Education)	17.10%	Dominan Factor 1	6,004	Human (Appraisal)
X6	Property Knowledge (Basic Education Valuation 1 to Valuation Certificate Examination)				
X17	Writing Ability				
X18	Effective Talk				
X19	Convincing Ability				
X20	Thoroughness				
X21	Creativity				



The first dominant factor influencing the quality of valuation is the core competencies that fall under the **human aspect (the appraiser)**.

The first dominant factor carries a weight of 17.10%, consisting of seven variables: Knowledge of the Code of Ethics and Valuation Standards (PDS & PLS), Property Knowledge (Basic Valuation Education 1 to Valuation Certificate Exam), writing skills, effective speaking, persuasion skills, attention to detail, and creativity.

4. RESULT

Dominan Factor 2 (professional obligations)

Variable	Variable Description	Weight-in	Factor	Initial Eigenvalues Total	Aspect
X1	Professional Education	7.50 %	Dominan Factor 2	2.65	Human (Appraisal)
X5	Appraisal Experience				
X12	Advanced Professional Education Attended				



The second dominant factor influencing the quality of valuation is the obligation as a member of the appraisal profession, which falls under the human aspect (the appraiser). This second dominant factor includes variables such as attending professional education, appraisal experience, and participating in Continuing Professional Education (CPE), contributing 7.5% with a Total Initial Eigenvalue of 2.65.

Dominan Factor 3

(Credible and Reliable Tools in Obtaining Data)

The third dominant factor influencing the quality of valuation is the use of credible and reliable tools for obtaining data, which is part of the appraisal process aspect. This third dominant factor contributes 7% with a Total Initial Eigenvalue of 2.45. The variables included in this third dominant factor are measuring tape, GPS, the "Sentuh Tanahku" application, and consistent reporting.



Variable	Variable Description	Weight-in	Factor	Initial Eigenvalues Total	Aspect
X25	Measuring Tape	7%	Dominan Factor 3	2.45	Process
X26	GPS				
X27	"Sentuh Tanahku" Application				
X33	Consistent Reporting				

4. RESULT

Dominan Factor 4

(Moral)

Variable	Variable Description	Weight-in	Factor	Initial Eigenvalues Total	Aspect
X7	Independence	5.70	Dominan Factor 4	2	Human (Appraisal)
X8	Integrity	%			
X15	Integrity 1				



The fourth dominant factor influencing the quality of valuation is the Appraiser's Morality, which has a 5.7% impact on valuation quality, with a Total Initial Eigenvalue of 2.00. This fourth dominant factor consists of the variables independence, integrity, and integrity 1, which fall under the human aspect (the appraiser).

Dominan Factor 5

(Development)

Variable	Variable Description	Weight-in	Factor	Initial Eigenvalues Total	Aspect
X3	Multidimensional Knowledge	4.26%	Dominan Factor 5	1.49	Human (Appraisal)
X9	Third Party Skill Assistance				
X10	Motivation				
X11	Professionalism				
X16	Thinking Analysis				



The fifth dominant factor influencing the quality of valuation is development, which is part of the human aspect. This fifth dominant factor has a 4.26% impact on valuation quality, with a Total Initial Eigenvalue of 1.49. The fifth dominant factor consists of the variables multidimensional knowledge, third-party skill assistance, motivation, professionalism, and analytical thinking.

4. RESULT

Dominan Factor 6 (Office Environment)

Variable	Variable Description	Weight-in	Factor	Initial Eigenvalues Total	Aspect
X22	Employee Recognition	4.00%	Dominant Factor 6	1.4	Processes
X23	Manager's Briefing				
X24	Job Burn Out				



The sixth dominant factor influencing the quality of valuation is the office environment, which falls under the appraisal process aspect. This sixth dominant factor has a significant impact on valuation quality, with an influence weight of 4.00% and an initial eigenvalue of 1.4. The sixth dominant factor consists of variables such as employee recognition, managerial guidance, and job burnout.

Dominan Factor 7 (Self-Motivation)

Variable	Variable Description	Weight-in	Factor	Initial Eigenvalues Total	Aspect
X13	Individual Character	3.80%	Dominant Factor 7	1.34	Human (Appraisal)
X29	Understand the Valuation Procedure				
X30	Data List Availability				



The seventh dominant factor influencing the quality of valuation is self-motivation, which is part of the human aspect (the appraiser). This seventh dominant factor impacts valuation quality by 3.80%, with a total initial eigenvalue of 1.34. The seventh dominant factor consists of individual character, understanding of appraisal procedures, and data list availability.

4. RESULT

Dominan Factor 8 (Office Work System)

Variable	Variable Description	Weight	Factor	Initial Eigenvalues Total	Aspect
X32	Reviewer System	3.64%	Dominant Factor 8	1.27	Process
X34	Filing Files				

The eighth dominant factor influencing the quality of valuation is the office work system. This eighth factor has an influence of 3.64% on valuation quality, with a total initial eigenvalue of 1.27. The variables included in this eighth dominant factor are the reviewer system and file filling system, which are part of the appraisal process aspect.



Dominan Factor 9 (Foreign Language Ability)

Variable	Variable Description	Weight	Factor	Initial Eigenvalues Total	Aspect
X14	English Language Proficiency	3.27%	Dominant Factor 9	1.14	Human (Appraisal)



The ninth dominant factor influencing the quality of valuation is foreign language proficiency, which falls under the first aspect, namely the human aspect. This ninth factor has an influence of 3.27% on valuation quality, with a total initial eigenvalue of 1.14. The variable for this ninth dominant factor is English language proficiency.

4. RESULT

Dominan Factor 10 (Report Results)

Variable	Variable Description	Weight	Factor	Initial Eigenvalues Total	Aspect
X35	Number of Laps Fixed	3.18%	Dominant Factor 10	1.11	Report



The tenth dominant factor influencing the quality of valuation is the aspect of the valuation report results, specifically the number of reports that have been revised. This tenth factor has an influence of 3.18% on valuation quality, with a total initial eigenvalue of 1.11.

Dominan Factor 11

(Internal Education of the Appraisal Office)

Variable	Variable Description	Weight	Factor	Initial Eigenvalues Total	Aspect
X2	Inhouse Training	2.96%	Dominant Factor 11	1.03	Processes



The eleventh dominant factor influencing the quality of valuation is internal training for appraisers, which is part of the appraisal process aspect. This eleventh factor consists of the variable in-house training, which affects valuation quality by 2.98%, with a total initial eigenvalue of 1.03.

4. RESULT

Dominan Factor 12 (Valuation Approach Factor)

Variable s	Variable Description	Weight	Factor	Total Initial Eigenvalue s	ASPECT
X28	Valuation Approach	2.90%	Dominant Factor 12	1.01	Process

The twelfth dominant factor influencing the quality of valuation is the valuation approach, which affects valuation quality by 2.9%, with a total initial eigenvalue of 1.01. This twelfth factor falls under the appraisal process aspect.

4. DISCUSSION

The first dominant factor affecting the quality of the valuation is the core competence of the appraiser, which comes from the human aspect or the appraiser itself.

This research demonstrates that an appraiser will be able to produce high-quality valuations if they possess adequate knowledge of the code of ethics and valuation standards, as well as foundational and advanced knowledge in property and business valuation. This knowledge enables them to provide professional and quality services to their clients.

The findings of this study are supported by (Arifiana et al., 2022) and (KPSPI, 2018).

The second dominant factor influencing the quality of valuation is **professional obligations**, which arise from the human aspect. The quality of valuation is significantly affected by the appraiser's commitment to fulfilling all professional obligations as an appraiser. In Indonesia, appraisers are required to continuously enhance their competencies to possess relevant knowledge and skills amid dynamic industry developments.

This includes participating in ongoing training programs or workshops organized by the **Indonesian Society of Appraisers**, as well as obtaining valid professional certification (Karismanda et al., 2021).

The findings of this study are supported by (Yu et al., 2023); (Agustin et al., 2023); (Piotrowska, 2022).

The third dominant factor affecting the quality of valuation is the use of credible and reliable tools in the valuation process. Reliable tools play a crucial role in enhancing the quality of valuation as they contribute to the accuracy, consistency, and trustworthiness of the appraisal results (Özdilek, 2023).

The fourth dominant factor affecting the quality of valuation is the moral standards of the appraiser, which falls under the aspect of human factors.

Morality, independence, and integrity are essential to ensure that appraisals are objective, trustworthy, and enhance confidence and credibility in the eyes of clients and stakeholders.

Integrity is also key in reducing the risk of legal disputes, as appraisers must carry out their duties honestly and in accordance with regulations.

The fifth dominant factor

affecting the quality of valuation is the development of knowledge, which encompasses multidimensional knowledge, skill assistance provided by third parties, professionalism, and analytical thinking.

Valuers with extensive knowledge can conduct thorough analyses across various aspects, which in turn influences the valuation quality.

Collaboration with third parties is essential to address limitations in expertise.

Professionalism is crucial to ensure accurate valuations.

Additionally, the ability to think analytically plays a significant role in objectively evaluating data and solving problems, thereby enhancing the quality of valuations and client satisfaction.

The sixth dominant factor

affecting the quality of valuation is the office environment, which includes employee recognition, managerial guidance, and job burnout.

Recognition can enhance the motivation and confidence of valuers, encouraging them to continually improve their skills and work quality.

Guidance from managers is essential to ensure that valuers operate according to professional standards, methodologies, and ethics.

On the other hand, high levels of job burnout can decrease the motivation and work spirit of valuers, resulting in a decline in the quality of valuations due to emotional and physical exhaustion..

4. DISCUSSION



The seventh dominant factor affecting the quality of valuation is self-motivation, which encompasses individual character, understanding of valuation procedures, and data availability.

The characteristics of individual valuers, such as integrity, courage, and decisiveness in decision-making, influence the attitudes and behaviors of valuers in carrying out their duties.

Valuers with high integrity tend to uphold professional ethics and avoid conflicts of interest.

A good understanding of valuation procedures enables valuers to apply the appropriate methodologies, collect relevant data, and conduct analyses correctly, thereby enhancing the quality of the valuation results.

Furthermore, the availability of comprehensive data is crucial, as detailed data assists valuers in comparing the objects being valued and assessing the condition and maintenance history of properties, supporting accurate valuations and understanding market trends.



The eighth dominant factor affecting the quality of valuation is the office work system, which includes the reviewer system and file management. The reviewer system serves to examine valuation reports before they are submitted to clients, ensuring validation, data consistency, and compliance with standards.

Thus, an effective reviewer system and proper file management are key to enhancing the quality of property valuations in Public Appraisal Service Offices.

4. DISCUSSION



The ninth dominant factor affecting the quality of valuation is the appraisers' proficiency in foreign languages. Mastery of foreign languages, such as English, is essential for property appraisers as it facilitates access to international information sources, enhances communication with international clients and partners, and enables the preparation of clear valuation reports in English. Additionally, collaboration with international professionals who use English as the standard language also simplifies coordination.



The eleventh dominant factor affecting the quality of valuation is internal education, specifically in-house training, which is part of the valuation process.

In-house training plays a crucial role in enhancing the quality of valuations by developing appraisers' skills and knowledge, leading to more accurate and reliable valuations. It also introduces the latest technologies, enabling appraisers to utilize software and valuation tools that improve efficiency and accuracy.



The tenth dominant factor affecting the quality of valuation is the number of revised reports, which is part of the aspects related to the valuation report outcomes. A low number of revisions requested by clients can indicate that the quality of the valuation is good. Fewer revisions reflect that the appraiser conducts thorough evaluations, considers all relevant aspects, and demonstrates expertise and knowledge throughout the valuation process.



The twelfth dominant factor affecting the quality of valuation is the valuation approach, which falls under the aspect of the valuation process. The appropriate approach facilitates the appraiser in obtaining an accurate value that corresponds to the type of property being assessed. Various valuation methods exist, such as the market approach, income approach, and cost approach. Selecting an approach that aligns with the property conditions and the objectives of the valuation will influence the quality of the valuation (El Yamani et al., 2023).

5. Conclusion

The research findings indicate that the quality of valuation is influenced by 12 key factors divided into three aspects: human (valuers), the valuation process, and report outcomes. The twelve factors affecting the quality of valuation include: (1) Core Competencies of Valuers, which encompasses knowledge of ethics, valuation standards, communication skills, attention to detail, and creativity; (2) Professional Obligations, including professional education and valuation experience; (3) Credible and Reliable Tools, such as measuring instruments and applications; (4) Valuer Morality, which includes independence and integrity; (5) Knowledge Development, consisting of multidimensional knowledge and analytical thinking; (6) Office Environment, including employee recognition and managerial guidance; (7) Self-Motivation, which comprises individual character and understanding of procedures; (8) Office Work Systems, which include reviewer systems and document management; (9) Foreign Language Proficiency, particularly in English; (10) Report Outcomes, referring to the number of revised reports; (11) Internal Education such as in-house training; and (12) Valuation Approaches.

Overall, these twelve factors contribute 65.31% to the quality of valuation. This study identifies that the human aspect is the most dominant factor affecting valuation quality, followed by the valuation process and report outcomes.



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