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Examination of the Determination, Application, and Administration of Security Deposits as Property Management Tools in Anambra State

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Abstract

Security deposits, often known as caution deposits in Nigeria, function as financial protections for landlords against potential property damage and unpaid rent. In Anambra State, despite their prevalent use, the lack of a uniform legal framework has resulted in discrepancies regarding their assessment, implementation, and refund procedures. This research investigates the management of security deposits in residential properties, highlighting the challenges arising from the absence of regulatory guidelines. A survey was conducted among 86 Estate Surveyors and Valuers in the state. The data collected was analyzed using percentage analysis and mean ranking. It was indicated that while security deposits offer a degree of protection for landlords, conflicts frequently occur due to issues related to damage evaluations, delayed refunds, and unclear communication of terms. The results show that the majority of deposits are retained by landlords, with refund processes usually within one month. Significant challenges include tenant resistance to payments, mismanagement of funds by landlords, and difficulties in accurately assessing damages. The study suggests that instead of eliminating security

deposits, the government should implement legislation to regulate their assessment, management, and refund processes.

Keywords: Security Deposits, Determination and Administration, Property Management, Anambra State.

Introduction

In Nigeria's rental housing market, security deposits, commonly referred to as "caution deposits," serve as a financial safeguard for landlords against potential property damage or unpaid rent during a tenant's occupancy (Mubiru and Sheila, 2016). These deposits are intended to ensure that tenants fulfill their responsibilities, which include maintaining the property's condition and meeting their financial obligations. However, despite its widespread use, the regulation and oversight of security deposits in Nigeria, particularly in Anambra State, are characterized by inconsistencies and a lack of thorough research. The absence of a standardized legal framework often leads to disputes between landlords and tenants concerning deposit amounts, management procedures, and refund policies (Raji and Ashafa, 2023).

Security deposits play a crucial role in property management, acting as a financial buffer for landlords against potential losses stemming from tenant-related issues (Mubiru and Sheila, 2016). They incentivize tenants to adhere to lease agreements, thereby promoting property maintenance and ensuring timely rent payments. For tenants, a clear and fair security deposit policy instills confidence that their funds will be handled appropriately and returned promptly, fostering trust in the landlord-tenant relationship (Saad, Baba, Ishiyaku, Takuh, and Milala, 2022). Effective management of security deposits can minimize conflicts, encourage property care, and enhance the overall rental experience for both parties involved.

In Anambra State, the lack of a clearly established legal framework governing security deposits has resulted in varied practices among landlords and property managers. This inconsistency often leads to misunderstandings and disputes, particularly concerning the evaluation of deposit amounts, the standards for making deductions, and

the timelines for the return of deposits. Tenants frequently express concerns regarding the unfair retention of their deposits, while landlords highlight challenges in managing property damages or recovering unpaid bills. The absence of standardized guidelines exacerbates these issues, emphasizing the urgent need for a thorough examination of current practices and the development of effective management strategies.

The study explores the practices associated with security deposits in the residential rental market of Anambra State. It encompasses an assessment of the current methodologies for determining deposit amounts, the administrative procedures during the tenancy period, and the effectiveness of these deposits in serving their intended protective function. Additionally, the study examines the challenges faced by both landlords and tenants, including disputes and regulatory shortcomings. It is essential to emphasize that the focus is exclusively on residential properties, thereby excluding commercial real estate. Moreover, while the study aims to provide comprehensive insights, the conclusions are based on data collected over a specific timeframe and may not account for evolving practices or recent regulatory changes.

LITERATURE REVIEW

Definition and Purpose of Security Deposits

A security deposit, often referred to as a "caution deposit" in Nigeria, is a sum of money that tenants are required to pay to landlords before occupying a rental property (Raji and Ashafa, 2023). This deposit serves as a financial safeguard for landlords, addressing potential damages that may exceed normal wear and tear, as well as any outstanding rent at the conclusion of the lease. For tenants, it signifies a commitment to maintain the property's condition and adhere to the stipulations set forth in the tenancy agreement (Raji and Ashafa, 2023). The primary purpose of security deposits is to protect the landlord's investment and to establish a clear framework for addressing property damages or financial issues that may arise during the rental period.

The legal framework regulating security deposits in Nigeria is notably inadequate (Saad, Baba, Ishiyaku, Takuh, and Milala, 2022). Unlike other regions that have implemented comprehensive laws governing the collection, management, and return of security deposits, Nigeria lacks a cohesive legal system to manage these

issues. This shortcoming often leads to inconsistent practices among landlords and property managers, resulting in disputes and variations in deposit management. While some tenancy agreements may outline specific conditions regarding security deposits, these provisions are not standardized, and enforcing them can be challenging due to the lack of thorough legal guidelines.

Determination of Security Deposits

In Nigeria, the collection of security deposits is a prevalent practice, particularly within urban rental markets. However, the approaches used to establish the amount of these deposits differ considerably (Adekunle, 2025). The most common methods include:

i. **Fixed Rate:** Some landlords establish a set amount for the security deposit, typically equivalent to one month's rent.
ii. **Negotiation**: In some instances, the deposit amount can be negotiated between the landlord and tenant, taking into account factors such as the condition of the property, its location, and market demand.
iii. **Property Value Percentage**: A less frequently used method involves determining the deposit as a percentage of the property's market value (Adekunle, 2025).

The absence of regulatory standards leads to the implementation of these practices at the discretion of individual landlords or property managers, resulting in inconsistencies in the amounts charged for security deposits.

Application and Administration

The management of security deposits throughout the rental period encompasses a variety of practices, including:

i. Custody of Deposits

Generally, security deposits are held by the landlord or property manager (Adekunle, 2025). There is no legal requirement to keep these funds in a separate account, which may result in their being mixed with personal finances, potentially leading to disputes regarding their availability and accountability.

ii. Management During Tenancy

Throughout the rental period, the deposit serves as a financial protection for the landlord against possible damages or breaches of the lease agreement. However, due to the lack of standardized procedures, tenants may experience uncertainty regarding the management of their deposits and the specific circumstances under which deductions may be made (Ajibade, Jamiu, Bitrus, and Yusuf, 2024).

Refund Process

Upon the termination of the lease, tenants expect the return of their security deposit, minus any legitimate deductions for damages that exceed normal wear and tear (Adekunle, 2025). In practice, the refund process can often be contentious, as tenants frequently express concerns about the improper withholding of their deposits. The lack of clear legal guidelines further exacerbates these challenges, as there is no defined timeframe or procedure for the return of refunds.

Challenges in Administration

The primary role of security deposits is to protect landlords from financial losses associated with tenant-related issues while encouraging tenants to maintain the property (Ajibade, Jamiu, Bitrus, and Yusuf, 2024). Although this mechanism provides some level of security for landlords, its effectiveness is undermined by the absence of a regulatory framework. Without clear guidelines, both landlords and tenants may have differing expectations, leading to potential misunderstandings and disputes. Furthermore, tenants may perceive the deposit system as unclear or unfair, which can damage the trust inherent in the landlord-tenant relationship (Ajibade, Jamiu, Bitrus, and Yusuf, 2024).

According to Saad, Baba, Ishiyaku, Takuh, and Milala, (2022). several challenges hinder the effective management of security deposits in Nigeria:

1. **Disputes Over Deductions:** Tenants often contest the deductions made from their deposits, especially when there is no documented proof of the property's condition at the start and end of the tenancy.
2. **Lack of Regulations**: The absence of a standardized legal framework leads to inconsistent practices, making it difficult to resolve disputes and enforce fair deposit management.

3. **Delayed Refund Processes**: Tenants frequently face considerable delays in receiving their deposit refunds, which can create financial strain and erode confidence in the rental system.
4. **Mixing of Funds:** Without regulations mandating landlords to keep deposits in separate accounts, there is a risk that these funds may be misappropriated for personal use, complicating the refund process.

RESEARCH METHODOLOGY

The research design adopted for this study is the survey design. Estate Surveyors and Valuers practicing in Anambra State are the target population for the study, as their practice makes them engage in the determination, collection, and administration of security deposits on behalf of the land lord. A total of 100 questionnaires were administered to Estate Surveyors and Valuers in Anambra State, out of which 86 were returned. The data collected for this research work was analyzed using percentage analysis and mean ranking. The Mean Score Index was used to rank the options provided based on five likert scale (ie ordinal scale).

RESULTS AND INTERPRETATION

Question 1: Do you collect security deposits from tenants?

Table 1: Collection of Security Deposits from Tenants

S/N	RESPONSES	FREQUENCY (F)	PERCENTAGE (%)
1.	Yes	80	93
2.	No	6	7

Source: Questionnaire survey, 2025.

Table 1 shows that 80 (93%) respondents collect security deposits from their tenants while 6 (7%) do not. This indicates that most professionals collect security deposits from their tenants.

Question 2: How do you determine the amount of security deposit?

Table 2: Determination of Security Deposits

S/N	RESPONSES	FREQUENCY (F)	PERCENTAGE (%)
1.	Fixed percentage of rent	26	30
2.	Negotiation with tenants	24	28
3.	Market trends/industry standard	21	24
4.	Flat rate	15	18

Source: Questionnaire survey, 2025.

Table 2 shows that 26 (30%) respondents determine the amount of security deposit through fixed percentage of rent, 24 (28%) through negotiation with tenants, 21 (24%) through market trends and industry standard while 15 (18%) is through flat rate. This means that security deposits are determined using various methods in Anambra State.

Question 3: Do you believe security deposits effectively protect landlords?

Table 3: Effectiveness of Security Deposits in Protecting Landlords

S/N	RESPONSES	FREQUENCY (F)	PERCENTAGE (%)
1.	Yes	72	84
2.	No	14	16

Source: Questionnaire survey, 2025.

Table 3 shows that 72 (84%) respondents believe that security deposits effectively protect landlords while 14 (16%) disagree. This means that security deposits are effective in protecting landlords in Anambra State.

Question 4: Who holds the security deposit?

Table 4: Management of Security Deposits

S/N	RESPONSES	FREQUENCY (F)	PERCENTAGE (%)
1.	Landlords	50	58
2.	Estate Surveyors and Valuers	25	29
3.	Independent third party (eg. Lawyer, bank etc)	11	13

Source: Questionnaire survey, 2025.

Table 4 shows that 50 (58%) respondents believe that landlords hold and manage security deposits, 25 (29%) say Estate Surveyors and Valuers while 11 (13%) say that independent third parties hold and manage security deposit. This means that security deposits are mostly held and managed by landlords in Anambra State.

Question 5: Is the security deposit refunded when a tenant vacates with no issues?

Table 5: Refund of Security Deposits

S/N	RESPONSES	FREQUENCY (F)	PERCENTAGE (%)
1.	Always	22	25.6
2.	Sometimes	43	50
3.	Rarely	10	11.6
4.	Never	11	12.8

Source: Questionnaire survey, 2025.

Table 5 shows that 22 (25.6%) respondents agree that security deposit is always refunded when a tenant vacates with no issue, 43 (50%) say that it is done sometimes, 10 (11.6%) say that it rarely happens, while 11 (12.8%) believe that security deposit is never refunded when a tenant vacates with no issue. This means that most often than not, security deposits are refunded when tenants vacate with no issues in Anambra State.

Question 6: If refunded, how long does it typically take?

Table 6: Duration of the Refund of Security Deposits

S/N	RESPONSES	FREQUENCY (F)	PERCENTAGE (%)
1.	Immediately	12	13.9
2.	Within one month	53	61.6
3.	Over one month	21	24

Source: Questionnaire survey, 2025.

Table 6 shows that 12 (13.9%) respondents believe that security deposit is refunded immediately after vacation, 53 (61.6%) say it is done within one month, while 21 (24%) say that it takes over one month for refunds on security deposit to be made. This means that most security deposits in Anambra State are refunded within one month of vacation.

Question 7: Have you experienced disputes over security deposits?

Table 7: Disputes Over Security Deposits

S/N	RESPONSES	FREQUENCY (F)	PERCENTAGE (%)
1.	Yes	66	76.7
2.	No	20	23.3

Source: Questionnaire survey, 2025.

Table 7 shows that 66 (76.7%) respondents agree that they have experienced disputes over security deposits while 20 (23.3%) disagree. This indicates that disputes arise over security deposits in Anambra State.

Question 8: What are the common reasons for disputes?

Table 8: Common Reasons for Disputes Over Security Deposits

S/N	Common Reasons for Disputes Over Security Deposits	SA	A	U	DA	SDA	Mean
1.	Damage assessment disagreements	70	6	5	3	2	4.6
2.	Delayed refunds	30	41	6	6	3	4.0
3.	Miscommunication on terms	64	18	2	1	1	4.7

Source: Questionnaire Survey, 2025.

Table 8 shows that 70 respondents strongly agree that damage assessment disagreements is a common reason for dispute over security deposits, 6 agree, 5 are unsure, 3 disagree, while 2 strongly disagree. With the mean of 4.6, it is accepted that damage assessment disagreement is a common reason for disputes over security deposits in Anambra state.

The table shows that 30 respondents strongly agree that delayed refund is a common reason for dispute over security deposits, 41 agree, 6 are unsure, 6 disagree, while 3 strongly disagree. With the mean of 4.0, it is accepted that delayed refunds is a common reason for disputes over security deposits in Anambra state.

The table also shows that 64 respondents strongly agree that miscommunication on terms is a common reason for dispute over security deposits, 18 agree, 2 are unsure, 1 disagree, while 1 strongly disagree. With the mean of 4.7, it is accepted that miscommunication on terms is a common reason for disputes over security deposits in Anambra state.

Question 9: What challenges do you face in administering security deposits?

Table 9: Challenges of Administering Security Deposits

S/N	Challenges of Administering Security Deposits	SA	A	U	DA	SDA	Mean
1.	Tenants resisting payments	51	31	2	2	0	4.5
2.	Landlords mismanaging funds	32	50	1	2	1	4.3
3.	Lack of legal framework for deposit protection	36	48	1	1	0	4.4
4.	Difficulty in assessing damages	28	54	2	2	0	4.3

Source: Questionnaire Survey, 2025.

Table 9 shows that 51 respondents strongly agree that tenants resisting payments is one of the challenges of administering security deposits, 31 agree, 2 are unsure, while 2 disagree. With the mean of 4.5, it is accepted that tenants resisting payments is one of the challenges of administering security deposits in Anambra State.

The table shows that 32 respondents strongly agree that landlords mismanaging funds is one of the challenges of administering security deposits, 50 agree, 1 is unsure, 2 disagree while 1 strongly disagree. With the mean of 4.3, it is accepted that landlords mismanaging fund is one of the challenges of administering security deposits in Anambra State.

The table shows that 36 respondents strongly agree that lack of legal framework for deposit protection is one of the challenges of administering security deposits, 48 agree, 1 is unsure, while 1 disagree. With the mean of 4.4, it is accepted that lack of legal framework for deposit protection is one of the challenges of administering security deposits in Anambra State.

The table also shows that 28 respondents strongly agree that difficulty in assessing damages is one of the challenges of administering security deposits, 54 agree, 2 are unsure, while 2 disagree. With the mean of 4.3, it is accepted that difficulty in assessing damages is one of the challenges of administering security deposits in Anambra State.

Question 10: What is the best method for handling security deposits?

Table 10: Methods of Handling Security Deposits

S/N	Methods of Handling Security Deposits	SA	A	U	DA	SDA	Mean
1.	Landlords should keep them	51	11	5	10	9	4.0
2.	Estate Surveyors and Valuers should hold them in trust	77	2	3	4	3	4.3
3.	Independent third parties should manage them	9	5	3	61	8	2.4
4.	Let government regulate security deposits	7	5	12	30	32	2.1

Source: Questionnaire Survey, 2025.

Table 10 shows that 51 respondents strongly agree that landlords should keep security deposits, 11 agree, 5 are unsure, 10 disagree while 9 strongly disagree.
The table shows that 77 respondents strongly agree that Estate Surveyors and Valuers should hold security deposits in trust, 2 agree, 3 are unsure, 4 disagree while 3 strongly disagree.
The table shows that 9 respondents strongly agree that independent third parties should manage security deposits, 5 agree, 3 is unsure, 61 disagree while 8 strongly disagree. It shows that 7 respondents strongly agree that government should regulate security deposits, 5 agree, 12 are unsure, 30 disagree while 32 strongly disagree.
With the highest mean of 4.3, this means that it is accepted that Estate Surveyors and Valuers should hold security deposits in trust in Anambra State.

CONCLUSION AND RECOMMENDATIONS

Conclusion

This study highlights the significant function that security deposits fulfill in property management, providing financial safeguards for landlords while encouraging responsible behavior among tenants. Nevertheless, the lack of a clearly defined legal framework in Anambra State has led to varied practices, conflicts, and inefficiencies in the management of these deposits. Many landlords

maintain control over the deposits, raising concerns regarding potential mismanagement and delays in refunds. Additional challenges, including tenant pushback, difficulties in assessing damages, and a lack of standardization, further complicate the situation. Although security deposits partially achieve their intended objectives, their overall effectiveness is compromised by these issues. A more organized approach, bolstered by regulatory oversight, is necessary to resolve current problems and foster greater trust between landlords and tenants.

Recommendations

It is imperative for the government to implement legislation that standardizes the processes for determining, applying, and refunding security deposits. Such regulations should specify the maximum allowable deposit amount, establish appropriate custody protocols, and define clear timelines for refunds. This would align the practices in Anambra State with those observed in more developed regions, thereby promoting transparency and equity.

Real estate professionals, including estate surveyors and valuers, should actively participate in advocacy to prevent any initiatives aimed at abolishing security deposits. Instead, they should advocate for structured reforms that safeguard the interests of both landlords and tenants. Furthermore, rather than allowing landlords to individually manage deposits, estate surveyors and valuers should serve as impartial custodians to ensure proper administration and reduce the likelihood of disputes.

Lastly, it is essential to implement clear documentation of property conditions both prior to and following tenancy to reduce conflicts regarding deposit deductions. A standardized inspection checklist could provide a reliable reference for equitable damage assessments. This initiative should be accompanied by educational efforts to inform both tenants and landlords of their rights and responsibilities concerning security deposits. Awareness campaigns will help reduce conflicts arising from miscommunication and unrealistic expectations.

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