INTERNAL REVENUE GENERATION IN THE TARABA STATE, NIGERIA: PROBLEMS AND PROSPECTS

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Abstract

The paper focuses on Problems and Prospects of Internal Revenue generation in Local Government administration in Taraba State, Nigeria for the period of 2001-2013. The paper used both structured/unstructured questionnaires in collection of data; One hundred (100) questionnaires were administered out of which nine two (92) were retrieved. Simple percentage was used in analyzing the data. The major findings were that; revenue machinery are inadequate and out dated, inadequate staff and lack of professional personnel in revenue section, inadequate salaries and incentives for revenue collectors, inadequate provision of social services, Market and Motor Park and political interference in appointment into task force board. The following recommendation were proffered; (1) upgrading existing revenue machinery and up-dating the laws (2) Capacity building involving training and retraining of staff, (3) timely payment of salaries and provision of incentive to revenue collectors (4) provision of Market and Motor Park and (5) stop political interference in the appointment into the revenue task force board by the government.

Keywords: Internal Revenue Generation, Local Government Administration, Taraba State-Nigeria, Problems, Prospects, Administration

INTRODUCTION

Internal revenue generation has over the year remained the main focus of all local government in Nigeria, indeed the entire administration of local government are informed by the important role play by internal revenue generation in their society. This is due to the issue of finance that has been the major problem which local government in Nigeria is grappling with in recent times, however, many of them have made attempt to exploit economics potentials of their area which are in abundance, to finance their activities and enhance their development. Thus, however, the effort made some problems still impede effective and efficient revenue generation in local government setting.

Furthermore, the obvious questions that arise are what revenue is and why has revenue generation become a potent force in the lives of men, organization and nation. The importance of revenue to the local government or any organization cannot be over-emphasized, despite this, there are need to identify accurately the sources of internal revenue in local government, the area of potential important sources of revenue that are not exploited and also the problem that undermined the effective and efficient revenue generation in local government setting and also solution to those problems are necessary for curbing those problem as they affect internal revenue generation in local government.

Revenue as the yields of source of income as taxes, fees, rates and fines that a political unit (as a nation or state) collects and receive into the treasury for public use, Local government exist to cater for socio-economic interest and provide for peasant physical infrastructure facilities, education and health services essential for the grass-root people so as to improve economic productivity and life at the grass-root level.

The principal objective of this paper is to examine the problems and prospects of internal revenue generation of local government in Taraba State. The following specific objective will be achieved;

i. To identify potential sources of revenue to the local government.
ii. To determine whether the estimated internal revenue target are been made over the years.
iii. To access the existing machinery for revenue collection and identify additional sources of revenue.
iv. To identify the factor militating against effective and efficient internal revenue generation.
v. To suggest ways of improving on these problems.

The article is structured as follows: The next section present literatures review, section three highlights the methodology employed in the study and the sources of data. Empirical results and analysis will be done in fourth section while the discussion is completed by conclusions and policy recommendation in section five.

LITERATURE REVIEW

Source of local government finance implies the various means through which local governments in Nigeria generate financial resources to meet their financial obligations in the course of discharging their constitutional functions and duties. There are two major sources of local government finance in Nigeria, namely, internally generated revenue (which is revenue generated within the local government area of administration and it entails local tax or community tax, poll tax, or tenement rates, user fees and loans) and external source (Federal and State government monthly revenue allocation) however we would consider the former source as is our area of interest.

Edogbanya and Ja'afaru (2013) state that there is a significant relationship between revenue generated and developmental effort of government, poor development of the areas, lack of basic social amenities to the rural people and lack of revenue to maintain the existing infrastructures, Fayemi (1991) revenue as all tools of income to government such as taxes, rates, fees, fines, duties, penalties, rents, dues, proceeds and other receipt of government to which the legislature has the power of appropriation. He further classified government revenue into two kinds – recurrent revenue and capital revenue. Olusola (2011) using ordinary least square found out that rates, fines, fees and licenses, rent sources of revenue are significant factors influencing internally generated revenue of local governments in Ogun State. It noted that out of the major internal revenue sources statutorily allocated to Local governments, the combination of rates, local license, fees and fines, and earnings from commercial undertaking account for upwards of 75% of Local Government internally generate recurrent revenues (Ola and Tonwe, 2005). Oseni (2013) found that states getting additional revenue from the statutory allocations as derivation have lower proportions of internal generated revenue to their total revenues than some states. States where insurgency had been threatened with have the lowest IGR for the period. Dependence on the statutory allocations by the states does not necessarily translate to good dividends on democracy as internally generated revenues can be used to develop the states.

Orewa and Adwoman (1992) posited that one of the factors responsible for Local Government poor revenue collection is the casual attitude of the revenue collectors and other treasury staff. They labour under the illusion that (no attar) whatever revenue they collect directly, the 'father charismas' of Federation Account will provide adequate funds for the payment of personal emoluments of the staff. This assumption is deceptive in that with poor revenue generation efforts, some council have found themselves unable to pay salary after deductions made by the State Governments.

Adesoji and Chike (2013) shown that there is a positive relationship between internally generated revenue and infrastructural development. The study also revealed the various methods of generating internal revenue, which are the enforcement of tax personnel, contribution, and creating awareness to the public. The findings of the study however show that revenue administration agencies need to be reviewed to generate more revenue in the country. Vincent (2001) Studies on tax and public revenue mobilization in Nigeria have shown a high degree of centralization.

Emenuga (1993) the allocation of revenue to the tiers of government has no adhere strictly to the expenditure requirements of each tier, thus the federal government has become a surplus-spending unit while other functions, he proposes the determination of a tier's share through the aggregation of its basic expenditure needs.

Agba, Stephen and Nnamani, (2014) identify the following sources, mass transit transportation, petrol filling stations; commercial farms; nursery schools and day-care that has the potential of generating revenue; establishment of endowment funds, etc. And recommends that Undue interference in the finances of local government councils by the federal and state governments should be checked. The situation where state government control local government councils and direct them how to spend their money through programs packaged and handed down to them should be stopped, Uhunmwuangho and Stanley (2013) the study revealed that local government in Nigeria are confronted with several problems which include corruption on the part of revenue collectors, lack of bye-laws on revenue tariff, farming out of revenue base on political patronage.

METHODOLOGY

The method of analyzing the data completed which are by means of questionnaires, is the simple percentage method. The percentages were obtained by converting responses from respondent in each question. Sample of staff from the population which comprises finance, supply and statistics department with the total population of 526 staffs and sample size of 100 staffs was drawn from the population. Simple random sampling method were used as this allow each member of the population an equal chance of been selected from the population.

One hundred (100) questionnaires were distributed out of which ninety two (92) were retrieved completed. Therefore, data analysis and computation in tables will be based on nine two (92) questionnaires retrieved. However, the questionnaires distributed, duly answered and returned, were used for final analysis.

ANALYSIS & FINDINGS

Table 1: Question 1 What is the main source of internal revenue of your local government?

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
TAXES	68	73.9%
RATE	12	13.1%
LOCAL LICENCE	8	8.7%
OTHERS	4	4.7%
TOTAL	92	100%

Table 1. shows that 68(73.9%) percent of the respondent are of then opinion that taxes constitute the main source of revenue, 12(13.1%) percent indicate Rate, 8(8,7%) indicate Local license and 4(4.7%) indicate that other sources. It implies that taxes is the main source of revenue of the local government.

Table 2: Question 2. Do your local government collect these types of revenue

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
SOCIAL	8	8.7%
ECONOMIC	14	15.2%
WORKSHOP & SURVEY	58	63%
HEALTH	10	10.9%
OTHERS	2	2.2%
TOTAL	92	100%

Table 2. shows that 59(63.0%) percent of the respondents indicate that the local government collect workshop and survey revenue, 8 (8.7%) indicate social revenue, 14(15.2%) indicate economic revenue, 10(10.9%) indicate health and 2(2.2%) indicate others revenue is also collected. This implies that majority are of the view that the local government also collect work and survey revenue.

Table 3: Question 3. How do you collect these revenue?

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
Market day collection	20	21.7%
House to house collection	50	54.4%
Payment to the community	6	6.5%
Payment to district Head	16	17.4%
TOTAL	92	100%

Table 3. shows that 20(21.7%) percent of the respondent indicate market day collection, 50(54.4%) percent indicate House to House collection, 6(6.5%) percent point to payment to

community and 16(17.4%) point to payment to district head. This implies that majority of the revenue in the local government are collected on the bases of House to house collection.

Table 4: Question 4. Do the local government make plan for additional sources of revenue.

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
YES	70	76.1%
NO	22	23.9%
TOTAL	92	100%

Table 4. indicate that 70(76.1%) percent of the respondent agreed that plan are on the way to identify additional sources while 22(23.9%) of the respondent argued that there is no plan for additional sources of revenue.

Table 5: Question 5. Is the local government able to meet it targeted revenue

over the year (2001-2013)

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
YES	14	15.2%
NO	78	84.8%
TOTAL	92	100%

Table 5 Shows that 78(84.8%) percent of the respondent indicate that the local government was unable to meet it estimated revenue target while 14(15.2%) show that the local government was able to meet it targeted revenue. This implies that the local government were unable to realized they estimated revenue.

Table 6: Question 6. If question 5, is No what percentage of the revenue was

realized from 2001-2013 on averaged?

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
100% & above	-	0%
80-100%	18	19.6%
60-79%	12	13.0%
40-59%	44	47.8%
20-39%	8	10.9%
None of the above	10	10.8%
TOTAL	92	100%

Table 6. shows that 44 (47.8%) percent of the respondent indicate that there were deficit of 40-59%, 18(19.6%) indicate deficit of 80-100%, 12(13.0%) indicate deficit of 60-79%, 8(8.7%)

indicate deficit of 20-39% and 10(10.9%) indicated deficit of none of the above. this implies that majority of the local government had deficit of 40-59% in estimated revenue.

Table 7: Question 7, Are there plan to improve the pace of revenue

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
YES	78	84.8%
NO	14	15.2%
TOTAL	92	100%

Table 7. Shows that 78(84.8%) percent of the respondent agreed that there is plan to improve revenue generation while 14(15.2%) disagreed that there is no plan to improve revenue generation.

Table 8: Question 8. If question 8 is yes can this be achieved by;

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
Public enlightenment program	18	19.6%
Penalty on defaulter	24	26.1%
Specific day payment	8	8.7%
All of the above	42	45.6%
TOTAL	92	100%

Table 8. Shows that 18(19.6%) percent of the respondent were of the opinion that revenue generation can be improve by public enlightenment, 24(26.1%) indicate Penalty on defaulter, 8(8.7%) were for specific day payment while 42(45.6%) indicate that it can be achieved by all of the method stated above.

Table 9: Question 9. Are the present revenue machinery strong enough to generate revenue to the local government.

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
YES	16	17.4%
NO	76	82.6%
TOTAL	92	100%

Table 9. shows that 76(82.6%) percent of the respondent are of the view that the existing machinery are inadequate to generate revenue to the local government while 16(17.4%) were of the view that the existing machinery are adequate to generate enough revenue to the local government.

Table 10: Question 10. If question 9 is NO, are there plan to solved the problem.

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
YES	42	45.7%
NO	50	54.3%
TOTAL	92	100%

Table 10. shows that 42(45.7%) percent of the respondent agreed that there is plan to solve the problem while 50(54.35%) disagreed that there no plan to the solved this problems.

Table 11: Question 11. Are there enough by-laws to protect revenue collectors

in the local government.

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
YES	28	41.3%
NO	54	58.7%
TOTAL	92	100%

Table 11. shows that 28(41.3%) percent of the respondent are of the view that there are enough by-laws to protect revenue collectors while 54(58.7%) argued that there are no enough by-laws to protect revenue collectors in the local government.

Table 12: Question 12. Are the laws up-to-date?

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
YES	24	26.1%
NO	68	73.9%
TOTAL	92	100%

Table 12. Shows that 24(26.1%) percent of the respondents agreed that the laws are up-to-date while 68(73.9%) disagreed that the laws are out-dated.

Table 13: Question 13. If question 12 is NO, How does it affect revenue collection

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
Very Serious	30	32.6%
Serious	42	45.7%
Fairly	20	21.7%
TOTAL	92	100%

Table 13. Shows that 30(32.6%) percent of the respondents indicate that out dated laws has very serious effect on revenue collection, 42(45.7%) indicate that out-dated laws affects revenue collection seriously and 20(21.7%) indicated that out-dated laws affects revenue

collection fairly. This implies that majority indicate that out-dated laws affect revenue collection seriously.

Table 14: Question 14. Do you encountered problem in collecting revenue in the local government.

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
YES	54	58.7%
NO	38	41.3%
TOTAL	92	100%

Table 14. Shows that 54(58.7%) percent of the respondent indicate that there is problem in collecting revenue in the local government while 38(41.3%) were of the view that there is no problem in revenue collection in the local government.

Table 15: Question 15. Do you have trained staff to mobilized revenue to the local government.

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
YES	30	32.6%
NO	62	67.4%
TOTAL	92	100%

Table 15 Shows that 30(32.6%) percent of the respondents were of the view that there is trained staff in the local government to mobilized revenue while 62(67.4%) indicated that there are no trained staff in the local government to mobilized revenue.

Table 16: Question 16. Are the staff promptly and adequately pay.

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
YES	40	43.5%
NO	52	56.5.%
TOTAL	92	100%

Table 16. Shows that 40(43.5%) percent agreed that they are promptly and adequately paid while 52(56.5%) disagreed that revenue collectors are no promptly and adequately paid by the local government.

Table 17: Question 17. Do you gives staff incentive or motivation to work.

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
Transportation	50	54.3%
Housing Allowance	14	15.7%
Award for Excellence	8	8.7%
Launch	4	4.4%
None of the above	16	17.4%
TOTAL	92	100%

Table 17. Shows that 50(54.3%) percent of the respondents indicate that the local government gives; Transportation incentive to revenue collectors while 4(4.4%) of the respondents indicate Launch, 14(15.7%) indicate Housing allowance, 8(8.7%) indicate award for excellence performance and 16(17,4%) indicate that the local government do not gives; Transport, Housing, reward excellence performance and Launch are given to revenue collectors.

Table 18: Question 18. Can improvement in staff training scheme help in solving problem of revenue generation in the local government.

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
YES	78	84.8%
NO	14	15.2.%
TOTAL	92	100%

Table 18 Shows that 78(84.8%) percent agreed that staff trained scheme will help in solving problem of revenue generation while 14(15.2%) disagreed that staff training has not significance effect on revenue generation.

Table 19: Question 19. Do you agree that the pace of revenue generation can be improved by;

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
Provision of social service	20	21.7%
Building of market & motor Park	12	13.1.%
Up-dating by-laws	6	6.5%
All of the above	54	58.5%
TOTAL	92	100%

Table 19. Shows that 20(21.7%) percent of the respondent indicate that revenue generation can be improved by provision of social services, 12(13.1%) building of market and Motor-Park, while 6(6.6%) indicate that revenue generation can be improved by up-dating the existing by-laws 54(58.5%) this implies that majority indicate that revenue generation can be improved by provision of social services, building of market and motor park and up-dating by laws.

CONCLUSION

This paper focuses on Problems and Prospect of internal revenue generation in local Government Administration in Taraba State-Nigeria. The study utilized Sample percentage method of analysis and both structure/ unstructured questionnaire were administered to the sample of staff from the population which comprises finance, supply and statistics department with the total population of 526 staffs and sample size of 100 staffs was draw from the population of the study. Primary and secondary data was use for the purpose of gathering information.

Internal revenue generation must be given top priority because of its important role play in the financial stand of any local government in Taraba State, Nigeria. Also effective and efficient internal revenue generation mechanism should be set in motion in the local government in order to ensure vibrant financial position of local government in state and avoid over dependent on statutory allocation from federal and state government and ensure efficient performance of local government.

Principal Findings

1. We identify that revenue source such as Social and Health are neglected and even the Head tax that was the main stay of the Native authority during the colonial period has been completely abundant in all the local government.

2. There are inadequate staff and qualified personnel in revenue section of the local government.

3. It was discovered that the existing by-laws are out dated and cannot generate reasonable revenue to the local governments.

4. In the course of the study it was discovered that, there is inadequate provision of incentive to revenue collectors.

5. The study identify that the local government has insufficient Market and Motor Park for substantial revenue generation.

6. The present machinery of revenue generation is not strong for efficient and effective revenue generation in the local government.

7. In the course of the research it we realized that the local government has a very narrow range of revenue sources.

8. Inadequate provision of social service was discovered as a problem to revenue generation in the local government.

9. Political interference in revenue collection in the local government has played a significant role in the downswing of revenue in the local government.

Recommendations

Based on the findings, the following were recommended (1) there should be capacity building and personnel efficiency among revenue staffs, hence training and retraining of all cadre of revenue staffs will be a welcomed development (2) the Local government should broaden the internal revenue sources (3) there should be fundamental by-laws to deal with defaulter and protect revenue collectors and the existing by-laws should be up-date to nab defaulters, appropriate law should be promulgated in order to sanitize the revenue of the local government (4) the local government should gives transportation, Housing allowance, award of excellence performance and lunch to revenue staff etc. (5) the local government should acquired land and build more Market and Motor park within and outside the metropolis of the local government (6) professional staff should be employed to enhance perfection in the area of revenue collection and suspension of employment of unqualified staff as revenue collectors in the local government (7) the local government should engage in commercial venture, that would yield positive net returns on the invested capital such as mass transit buses and Hotel services etc. (8) provision of essential service to populace would have psychological effect on the indigene by feeling that government cares for their welfare and thereby motivate them to response to their obligation to the government (9) appointment into local government task force board should be by merit not on the bases of political affiliation with the incumbent government (10) public enlightenment campaign should be embarked upon so as the indigene would be informed of the policy of government as regards revenue generation (11) the tax rate should be restructured with the view to adjust it downward or upward and it should be make known publicly to both the tax payers and collectors and base on the ability to pay principles.

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