Internally Generated Revenue in Nigerian Local Governments: Lessons from Ibarapa East Local Government of Oyo

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Abstract - This study examined Internally Generated Revenue (IGR) in Ibarapa East Local Government of Oyo State with a view to looking at the problems being encountered while generating these revenues. This study was necessitated by the need to ensure improved revenue generation at the third tier of government in Nigeria. In the course of carrying out the study, data were collected primarily through questionnaires and oral interview. Respondents were drawn across the seven departments of the local government, thus 50 respondents were employed representing 10.86 percent of the 460 staff strength of the local government. The questionnaires were administered using stratified random sampling technique and later analyzed by the use of simple techniques such as frequency distribution and percentage. The study revealed that the collections of the paltry revenues were not but bedeviled by myriad of difficulties which made people at the grassroots not to see the dividends of democracy and thereby manifest uncooperative stand towards the local government. The study concluded that local government should intensify her efforts on increased revenue generation in order to withstand the challenges posed by global economic meltdown and ensure that the little hard earned resources are prudently spent so that the tax payers feel the impact of the taxes paid and this will also encourage them to pay all necessary taxes and rates as at when due.

Keywords: Dependency Syndrome, Internally Generated Revenue, Local Government, Management, Problems

INTRODUCTION

Many sources of revenue are open to the local governments but many local governments still find it difficult to generate these revenues. The reasons that can be attributed to these are: obsolete and outdated bye laws and people’s negative attitudes towards payment of dues which includes: tax evasion, avoidance concession. Others are personnel problems nepotism, dishonest behaviour of tax collectors, poor accountability, lack of revenue – yielding assets rough handling and battering of tax collectors.

In some local governments, Ibarapa East Local Government for instance efforts of the local government to attain financial autonomy were being disturbed by the intervention of state government in local government functions.

In some areas, revenues meant local governments have been taken over by state governments. At this juncture, it needs to be reiterated that IGR capacity is very poor and weak in the local government under study. Available records on the incomes of the local government have shown that only 1.91% of its local government has shown that only 1.91% of its revenues and being generated internally. So the little amount being generated internally plays a little role in the finance of the local government. For instance, the total expected revenue for the year 2014 was N810, 960,000.00 only, but the actual revenue realized stood at N754, 809, 814.89 only. And out of actual revenue realized, the IGR cover just 1.9% which was N16, 487,823.71. The result was that the local government whole heartedly relied on statutory Allocation, value added tax, 10% of state IGR, and excess crude oil proceed to finance its recurrent and capital expenditures for the year 2014. It is against this backdrop that this study examines the problems of internally generated revenue in the Nigerian Local Governments with particular reference to Ibarapa East Local of Oyo State.

II PROBLEMS OF INTERNALLY GENERATED REVENUE IN THE NIGERIAN LOCAL GOVERNMENTS

Bello Imam (1990) comment that it is pathetic note that some states have usurped some of the viable sources of revenue of local governments like fees and charges from markets. Some states have also assigned certain concurrent functions of both the states and local governments to local governments without any commensurate financial and executive back up from the former.

The Dasuki report on Local Government administration in Nigeria gave added credence to the steady decline in the internally generated revenue of local government when it declared that “whereas in 1978/79 the majority of the local governments generated between 20 and 70 percent of their total revenue by 1983 the corresponding figures had dropped to between 4 and 30 percent (Dasuki Report 1984)”.

It needs to be added that the apparently levity with which local governments themselves handled the issue of internally generated revenue was negatively disturbing. Local Government taxes are minimal this limits their ability to raise independent revenue and so they depend solely on allocation from the federation account (Adedokun, 2004). For example in 2013 and 2014 the table 1 below shows the income of Ibarapa East Local Government of which IGR covered just 1.91%.
TABLE I IBARAPA EAST LOCAL GOVERNMENT INCOME CHART FOR THE YEAR 2013 AND 2014

<table>
<thead>
<tr>
<th>S/N</th>
<th>Sources of Income</th>
<th>Total Amount in 2013 (N)</th>
<th>Total Amount in 2014 (N)</th>
<th>Percentage for the two years</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Internally Generated Revenue (IGR)</td>
<td>4,837,245.69</td>
<td>5,387,823.71</td>
<td>1.91%</td>
</tr>
<tr>
<td>2</td>
<td>Statutory Allocation from Federation Account</td>
<td>309,466,549.78</td>
<td>346,654,946.76</td>
<td>59.63%</td>
</tr>
<tr>
<td>3</td>
<td>Valued Added Tax (VAT)</td>
<td>130,294,099.82</td>
<td>138,682,430.61</td>
<td>17.11%</td>
</tr>
<tr>
<td>4</td>
<td>10% of state IGR</td>
<td>22,428,136.68</td>
<td>23,734,613.59</td>
<td>5.96%</td>
</tr>
<tr>
<td>5</td>
<td>Grants / Excess Crude Oil</td>
<td>120,500,000.00</td>
<td>140,250,000.00</td>
<td>15.39%</td>
</tr>
<tr>
<td></td>
<td>Grand Total</td>
<td>587,526,031.97</td>
<td>654,709,814.54</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Ibarapa East Local Government Income Chart for the year 2013 and 2014

Compilation of tax / rate nominal rolls is another problem facing revenue generation in the local government most especially in generating community tax. Most rolls are compiled by adding the name of tax evaders who are caught on tax raids to the existing nominal rolls. A tax paying population complied in such perfunctory manner makes it difficult for any planner to know how much should come to local government as revenues from the community tax.

According to Uhungmuangho and Epelle (2008), for indigenous management to succeed in developing nations and local government in Nigeria certain points of focus will have to be addressed in order that the obstacles to effective management can be overcome. These are:

a. Deficiency of resources, financial and human
b. Turbulence of the environment both for the organization and individual.
c. Cultural value
d. Poor management of internal and external system; and
e. Poor mobilization of tax and revenue collection.

In the same vein, Edoyugbo (2012) argues that since local government are the creation of the state governments who provide them with the revenue resources to carry out a prescribed range of functions and financial arrangement must be directly linked to the functions and responsibilities which have been allocated to them by the governments. Edoyugbo further identifies the major problems facing IGR in Nigerian local government which include:

i. Limited revenue resources
ii. Societal attitudes toward tax collection
iii. Poor revenue collection
iv. Inadequate personnel
v. Unethical issue among the revenue collectors; and
vi. Ineffective tax force on IGR

Another problem being faced by the local governments in generating revenue is problem of obsolete and outdated necessary bye-law. According to Ajayi (2015), all manners of revenue should be supported by necessary bye-laws. Unfortunately these enabling laws are not available in some local governments and where they are available they are obsolete and outdated.

Another constraint identified by Ajayi (ibid) is the absence of special Revenue courts for the enforcement of tax laws and to deal with disputes of assessment and collection of taxes.

Olaoye (2010) assert that one of the major problems facing revenue generation is the problem of personnel. He states further that most of employees that are expected to be involved in revenue drive are ill-motivated, poorly trained and most times exhibit a very poor attitude to work. More harm has been done to revenue generation in the hand of ill-motivated and inexperienced staff. Hence this has reduced drastically the internally generated revenue (IGR) of the local government. For instance in the year 2008, Ibarapa East Local Government budgeted for N760 million and was able to realize N470 million, as a result of poor revenue generation (Oladele, 2009).

Anyanwu (2008) affirms that nepotism is one of the major problems of revenue generation in Nigerian local governments. He also mentions that local governments in Nigeria have been described as the extension of Oba’s palace, problem of family relation and friendship ties hinders revenue generation particular in all remote rural local governments.

In addition, Adebiyi (2011) in a lecture delivered on the topic: Administrative and Legal framework for Revenue Collection in the local government identifies dishonest behaviour and poor accountability on the side of the revenue collectors to be another problem militating against effective revenue generation in the local government. For instance dishonest behaviour though not only practicable in the local government but rear its ugly head in all tiers of government in Nigeria. It has been discovered in the local government that money collected by revenue collectors are not properly accounted for. The revenue collectors are poorly supervised with the result that malpractices are hardly detected and most times covered up by their collaborations among senior officers. He states further that tax collectors do print their own tax receipts and issued them to unsuspecting tax payer,
the result of which is little or no revenue coming into government purse.

Adeleye (2010) observes that some local governments lack revenue “yielding-asset”. He also stresses further that some local governments are created in rural communities where there are no real assets or structures or where the people of the area are just poor that revenue is different to generate. For instance, Ibarapa East Local Government is pre-dominantly populated by peasant farmers and this has made it difficult for the local government to generate enough revenue internally.

On the other hand, some council are always complaining that it was not always easy to get approval for reviewing of rates possibly upward because of bureaucratic delays at the state level. Apart from delays, the general negative attitude of the local councilors to review rates and fees upward for fear of encountering the anger of the communities who regard taxes as penalties of punishment on the part of the tax payers (Amusat, 2009).

In like manner, it becomes necessary to understand why IGR at the local government level is afflicted with systemic failure. The Nigerian Federal system, as it was most especially under a military system is more unitary than federal. One needs to note that the local governments continue to operate on theoretical autonomy; they have equally been incapacitated by having more responsibilities thrust on them than their finances can cope with. Thus, there is high level official corruption which has been aggravated by the incessant and misdirected institutional reforms. The conscience is that the local people have been immiserated economically. As such, taxation or even payment of taxes and fees is usually seen as an oppressive burden on them, and most of them justify non-payment of taxes for these reasons, (Sanni, 2013).

In Nigeria, the economy is dominated by oil-earnings, though, initially the main mechanism of fiscal policy is budget and taxation, the latter was neglected while government expenditures became dependent on oil-earning unfortunately the surplus from oil has been badly managed, the result have been economic doldrums, poverty, corruption and political instability. Thus the Nigerian local governments have been mostly affected for the fact they could not mobilize enough IGR to influence the economy.

III.RESEARCH METHODOLOGY

Research Settings

This study was carried out in Ibarapa East Local Government Secretariat, Eruwa including all the departments and units of the local government offices.

Research Design

Descriptive survey approach was employed because it created room for the researcher to collect suitable data that enabled him to answer the research questions with first-hand information.

Population of Study

The population of the study consisted of 460 entire work force of Ibarapa East Local Government of Oyo State at the period of the research.

Sampling Procedure

The sample size cuts across political office holders, the management of the council, the staff of finance and supplies department, staff of other departments that generate revenue for the local government and the entire tax collectors of Ibarapa East Local Government. A total number of fifty (50) respondents were purposively selected being the 10.86% of the total population of the study area using stratified random sampling techniques from among the identified stakeholders on revenue generation.

Sources of Data

Data were collected from primary and secondary sources of data. Questionnaires and oral interview were used to obtain data on the subject matter while secondary sources of data were utilized from relevant textbooks, journals, circular letters, lectures notes delivered at various workshops and seminars on the field of revenue.

Research Instruments

The research instrument used in this study was the ‘Licat’ written scale type of questionnaires with its rating responses statements.

Method of Data Analysis

In the final analysis, data gathered through the administered questionnaires were interpreted through the use of descriptive statistical techniques such as simple percentage method and frequency distribution to determine the problem confronting Internally Generated Revenue in Ibarapa East Local Government.

IV.DATA ANALYSIS

A total number of fifty questionnaires (50) were distributed randomly to each of the department is which are more than 10% as sample for the four hundred and sixty (460) study population. All hands were on deck to ensure that the accurate number distribute to each department were collected accordingly.

The first section covered information on the Bio-data of the respondents which section B covered the subject matter of the study.
Table II above showed that 20% of the respondents were for the ages between 20-30, 40% of the respondents were for the ages between 31-40, 34% of the respondents were for the ages between 41-50 and 6% of the respondents were for the ages between 51 and above. It shows that the highest respondents were from the ages between 31-40 while the least respondents were from the ages between 51 and above.

Moreover, it was evident from the result of analysis on educational qualification that the highest respondents were secondary school certificate holders while the least respondents were the master degree holders.

Furthermore, the result of the analysis on sex revealed that 68% were males while 32% were females. It is evident that the highest respondents were males while the lowest were females.

In addition, 24% of the respondents were single, 63% were married, 10% were divorced and 4% were widows /widowers. This implies that the highest were married while the least respondents were widow or widowers.

The results indicate that staff of finance and supplies had the highest number of respondents while Estate and Valuation had the least respondents.

From III above, more than 70% of the respondents attested to the fact that usurpation of viable sources by state governments, inadequate trained staff, society attitude towards levies and taxes, tax evasion, avoidance and concession dishonest unreliable revenue collectors, ineffective task force, inadequate facilities, dependency syndrome, misappropriation and embezzlement of council funds by Local Government Chairmen, obsolete and outdated and undiscovered viable sources of revenue laws are problems facing revenue generation in Ibarapa East Local Government of Oyo State.

V. DISCUSSION OF FINDINGS FROM QUESTIONNAIRE

From the research findings, it was discovered that society attitude toward taxes and levies, usurpation of viable sources by the state government, inadequate trained staff, tax evasion, avoidance and concession, dependency syndrome, misappropriation and embezzlement of council funds by Local Government Chairmen, dishonest and unreliable revenue collectors, obsolete and outdated and undiscovered viable sources of revenue in the Ibarapa East Local Government are factors militating against effective revenue generation in the Local Government as presented Table III.
Internally Generated Revenue in Nigerian Local Governments: Lessons from Ibarapa East Local Government of Oyo

TABLE III PROBLEMS OF INTERNALLY GENERATED REVENUE IN IBARAPA EAST LOCAL GOVERNMENT

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Questions</th>
<th>Variables</th>
<th>Percentage (Total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Most of the sources of revenue in the local government have been taken over by the state government.</td>
<td>SA 58 (29) A 26 (13) U 4 (2) D 6 (3) SD 6 (3)</td>
<td>100 (50)</td>
</tr>
<tr>
<td>2</td>
<td>Society attitude is one of the major problems confronting internally generally revenue in Ibarapa East Local Government.</td>
<td>SA 60 (30) A 30 (15) U 2 (1) D 4 (2) SD 4 (2)</td>
<td>100 (50)</td>
</tr>
<tr>
<td>3</td>
<td>The Local Government has inadequate trained staff for collection of revenue.</td>
<td>SA 56 (26) A 22 (11) U 2 (1) D 8 (4) SD 12 (6)</td>
<td>100 (50)</td>
</tr>
<tr>
<td>4</td>
<td>The cases of tax evasion, avoidance and concession are rampant in the Local Government.</td>
<td>SA 60 (30) A 22 (11) U 6 (3) D 8 (4) SD 6 (2)</td>
<td>100 (50)</td>
</tr>
<tr>
<td>5</td>
<td>Most of the local government revenue collectors are honest, reliable and trustworthy.</td>
<td>SA 4 (2) A 14 (7) U 2 (1) D 28 (14) SD 52 (26)</td>
<td>100 (50)</td>
</tr>
<tr>
<td>6</td>
<td>The task force put in place by the local Government on internally revenue generation are ineffective</td>
<td>SA 58 (29) A 16 (9) U 6 (3) D 8 (4) SD 12 (6)</td>
<td>100 (50)</td>
</tr>
<tr>
<td>7</td>
<td>There are inadequate facilities for revenue collectors to discharge their duties.</td>
<td>SA 60 (30) A 20 (10) U - D 12 (6) SD 8 (4)</td>
<td>100 (50)</td>
</tr>
<tr>
<td>8</td>
<td>The dependence syndrome on monthly statutory allocation from the federation account by the Local Government has weakened its internally revenue mobilization capacity</td>
<td>SA 62 (31) A 22 (11) U - D 14 (7) SD 2 (1)</td>
<td>100 (50)</td>
</tr>
<tr>
<td>9</td>
<td>Local Government Chairman misappropriates and embezzles of council funds by depositing it into their private account.</td>
<td>SA 58 (29) A 18 (9) U - D 16 (8) SD 8 (4)</td>
<td>100 (50)</td>
</tr>
<tr>
<td>10</td>
<td>The Enabling Laws (Bye laws) guiliding revenue generation in the Local Government are obsolete and outdated.</td>
<td>SA 66 (33) A 28 (14) U 2 (1) D 2 (1) SD 2 (1)</td>
<td>100 (50)</td>
</tr>
<tr>
<td>11</td>
<td>There are many other viable sources of revenue which had not been discovered in the Local Government.</td>
<td>SA 50 (25) A 26 (13) U 2 (1) D 10 (5) SD 8 (4)</td>
<td>100 (50)</td>
</tr>
</tbody>
</table>

Sources: Field Survey March, 2015

Discussion of the Findings from Oral Interview

Majority of the respondents agreed that there are many problems facing revenue generation in Ibarapa East Local Government of Oyo State. The chairman of the council, councils, Directors of Finance and suppliers, Administration, agreed that tax evasion, avoidance and concession dishonesty of revenue collectors and inadequate facilities for revenue collectors to discharge their duties are the major problems facing revenue generation in the local Government.

Moreover, rate officer and revenue collectors also asserted that battering of the revenue collectors by temperamental tax payers is very rampant in the Local Government.

In tackling these problems, the study also revealed that the Local Government has adopted some strategies such as constituting a revenue generation committee from among the indigenes and non-indigenes in the community, market development committee and establishment of revenue generating investment etc. in order to boost the IGR of the Local Government.

VI. CONCLUSION

This study examined Internally Generated Revenue in Nigerian Local Governments with particular reference to Ibarapa East Local Government of Oyo State.

From the research findings, it has been discovered that many problems have hindered improved revenue generation in the Local Government. For instance, tax evasion, avoidance and concession constitute a serious hindrance to the revenue generation in the Local Government.

Also, the Local Governments depend heavily on the monthly statutory allocation from the Federation Account state Grants of 10% state IGR which has weakened its internal revenue mobilization capacity.

Hence, Local Government’s revenue generation in Nigeria needs restructuring so that taxing powers be given to local authorities and she should be allowed to share major tax bases with other levels of government to enable enough independents funds for development.

In conclusion, Local Government chairmen and other council members should ensure that the little hard earned resources are prudently spent so that the tax payers feed the
impact of the taxes paid and this would also encourage them
to pay all necessary taxes and rates as at when due.

VIL.RECCOMMENDATIONS

The following recommendations are proffered for the amelioration of problems of internally generated revenue in Ibarapa East Local Government of Oyo State:

1. The local governments should intensify efforts towards more aggressive revenue generation.
2. Revenue collectors should be checked on regular basis by the internal auditors of the council and anyone found guilty of current practices should be punished accordingly.
3. The obsolete and outdated bye-law guiding the collection of this revenue must be reviewed and the amount fixed for each of the taxes and rates should be upwardly reviewed.
4. The issue of encroachment on the source of revenue of local governments by the state governments should be addressed and the state should henceforth cease to encroach on Local Government.
5. Tax and Rate collectors should be well trained and adequate facilities should be provided for them to discharge their duties.
6. In order to avoid tax evasion and avoidance by some people, Local Government Councils should encourage their indigenes by providing them with adequate infrastructural facilities. This will no doubt spur them to paying their taxes and levies without complain.
7. Revenue courts should be properly put in place and these courts should be empowered to deal with tax defaulters.
8. Local Government should use traditional institutions, community development associations and appoint consultants with high level of probity and credibility to collect IGR for the council.
9. Chairman and members of council should spend the little hard earned IGR funds prudently and any council chairman finds culpable should be made to carry a maximum penalty of twelve years’ imprisonment.

REFERENCES