

INTERNALLY GENERATED REVENUE IN THE LOCAL GOVERNMENT SYSTEM AND SUSTAINABLE COMMUNITY DEVELOPMENT IN NIGERIA: A STUDY OF ABAKALIKI LOCAL GOVERNMENT AREA EBONYI STATE

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ABSTRACT

This paper titled Internally Generated Revenue in the Local Government System and Sustainable Community Development is aimed at identifying strategies to improving the sources and utilization of internally generated funds in the local government system in Nigeria. The study adopted survey research design. The study is anchored on the theory of structural functionalism. The study established that inefficient monitoring of revenue officials led to poor revenue generation; that absence or poor entrepreneurial skill among revenue officials led to poor revenue generation; that absence or poor entrepreneurial skill among revenue officers brought about inadequate revenue generation capacity of the local government. The implication of findings is that the internal sources of revenue to the local government are not fully tapped, while the available revenues are not properly utilized in carrying out the constitutional functions of the third tier government. The study equally concluded that the over dependency on statutory allocation have incapacitated the local government from effective revenue drive. It recommends thus; the institution of disciplinary measures so that any council worker (revenue officers) who violates established rules regarding revenue generation should be dealt with, that honest staff (revenue officers) should be rewarded through giving them fringe benefits or promotion.

KEYWORDS: Internally Revenue Local Government Sustainable Community Development Nigeria Abakaliki Local Government Area Ebonyi State

INTRODUCTION

The local government is recognized by the 1999 constitution of the Federal Republic of Nigeria as the third tier of government within the tripartite federal structure of governance in Nigeria, with the state and federal government as the super ordinate government. This government in Nigeria which exist at tripartite arrangement (federal, state and local government) play commentary roles to each other to meet the needs of the people which include infrastructural facilities (Okpata 2004). By virtue of it's recognition by the constitution (1999) of the Federal Republic of Nigeria, avails her the opportunity of living up to its constitutional responsibility. Local government is seen as a public sector organization, the third tier government with assigned functions and responsibilities, administrative structure and financial management both for maintaining itself and rendering it's statutory assigned functions to it's citizens (Uguru 2011). Local government authorities as a third tier of government in Nigeria are very important in the execution of both central and component government policies and programmes. It is the nearest government that deals with the problems of the masses of the country. It is a great link between states and federal government, hence Okoli (2000) stated thus;

- That you cannot talk of a local government, without talking about the super ordinate government. That is, the discussion of a local government implies the existence of a higher level of government;
- That local government exists to fill a gap which the national government is too remote to fill. This means that local government complements and extends the national government. By this, it brings the national government closer to the people and makes it's impact felt at the nooks and crannies of the society;
- That local government implements the ideals, objectives, programme and aspirations of the national government at the local level;
- That the ideology of the national government will to a large extent determine the structure and functioning of local government. That is, the needs, objectives and aspirations of the national government constitute crucial determinants of the structure and functions of local government.

For Okpata (2004) the ideals of the local government system are realized only when infrastructural facilities, included such tangible structures vital for the uplifting of their economic status, actualization of their life dreams and enabling them prepare for their future. They therefore constitute the indices of societal development. Though their provision is capital intensive, hence reliance is heavy on the government for availability. The creation and recognition of local government system as the third tier of government is a landmark development in the political history of the Nigerian nation. As the government closest to the grassroots, the local government authorities have the official mandate to oversee;

- General sanitation
- Sewage disposal
- Rural health
- Feeder roads
- Market stalls
- Public conveniences
- Motor parks
- Play grounds
- Cottage industries etc (Agundu 2001).

Talabose (1993) cited in Uguru (2011) defined local government as a third tier of government created for the purpose of efficient and effective administration of the localities. It is in line with the enormous responsibilities bequeathed to the local government that Ekpo (1994) opined that most government all over the world strive to balance their economic development in such a way that will ensure even and meaningful co-existence, survival and development of her people.

It is therefore the belief of this study that it is expected that with the seven hundred and seventy – four (774) local governments in Nigeria that development will be extended to the very remote areas of the country. It is also believed that since the local inhabitants know what they desire, they elect their representatives who they believe know the problems they are facing in their local government areas.

STATEMENT OF THE PROBLEMS

It is not disputable that the revenue generation in Nigeria Local Government is far below expectation. It has become imperative to diversify areas of revenue generation especially with the dwindling federation allocation which has been the major sources of revenue to the local government. Since inadequate revenue remains one of the devastating challenges hindering effective local government administration in the country, it then necessitated the general outcry by the administrators (chairmen) of local government for a change in Revenue Allocation Formula which is the only major source to increase the percentage of the share for the local governments. This problem of poor revenue base has almost led to the collapse of most grass root government.

Again, the problem of seeing local governments as a mere appendage to the state and federal government financially has beclouded the patriotic and entrepreneurship psyches of local government administrators, hence most local government tilted financially to the federal government for monthly statutory allocation from the federation account. This problem of economic and financial over – dependence of the local government in Nigeria is devastating, uncalled for and against the motives for the creation of local government as the third tier.

Furthermore, the inability of the local administrators to use in – sourcing techniques for funds to finance the council through internally generated revenue is a thorn in the flesh of meeting up their constitutional responsibilities such as the provision and maintenance of social services (education and health care) payment of the worker’s salary and so have given rise to whether to scrap or restructure local government systems in Nigeria.

Objectives of the Study

The main objective of the study is to indentify strategies for accelerated internally generated revenue for community development, while the specific objectives include;

- To explore areas and methods of revenue generation in the local government.
- To ascertain the level of exploitation of the sources of internally generated revenue of the local government.
- To establish the extent of infrastructural and service delivery by the local government to the people through internally generated revenue.

Empirical Review

In a study by Onwe (2009) “Local Government Financial Autonomy and Service Delivery in Nigeria” it revealed that the manpower capacity of the local government composition of the staff of the local government will not yield the desired result. And that there is also a skill gap among the few senior staff of the local government. Dearth of professionals like certified accountants, surveyors, doctors, pharmacists, engineers, I.C.T experts etc. The competence level of the local government staff is generally poor as over sixty seven percent (67%) of the studied population agreed that the workforce capacity for harnessing the internal revenue of local government lacks the capacity desired. The study therefore recommends that there should be serious co – relation between manpower capacity and the internal revenue generation of local government.

In another study “Revenue Rights and Responsibilities in Nigeria” Akindele (2009) cited in Onwe (2004) opined that one of the primary features of a federal system of government is the assignment of functions between component governments. This also forms the basis for the determination of revenue rights and tax – raising powers. The allocation of tax – raising power or determining fiscal jurisdiction is primarily a legislative function. He commented that the most serious challenge facing the local governments in Nigeria is the fiscal one. This has been provoked by factors, especially over dependence on the statutory allocation from both state and federal government, deliberate tax evasion, creation of non viable local governments, locality problem, inelastic and unreliable revenue sources, excesses of the state actors etc. he therefore recommended that revenue sharing formula should be revisited so as to grant fiscal autonomy and fiscal discipline as well as making local government responsive.

Theoretical Framework

This study was anchored on the theory of structural functionalism. The theory is a variant of the system theory developed in sociology. It is prominent in the work of Augustus Comte (1798 – 1857), Herbert Spencer (1820 – 1903), Emile Durkheim (1902 – 1979) and Talcott Parson who was said to have refined the theory. Prior to 1950’s, the theory was dominant in sociology as it views the society as a system or a set of interconnected parts which together form a whole, Haralambos and Heald (1980).

However, during the 1950’s and early 1960’s, the theory witnessed a steady drop from the discipline of sociology partly because of the criticisms against it. It was then adopted in political and administrative studies.

For Nwosu and Ofoegbu (1986) functions as generally used by scholars in politics and administration refers to the contribution of an activity or patterns of behavior to the maintenance of a system in a given society.

Olaniyi (1997), structural functionalism when related to politics and administration can be described as a means of explaining basic functions of both political and administrative structures and it is a tool of investigation that tries to explain the relationship between the parts and the whole on the other hand. This relationship is explained in line with the basic functions of each which are considered positive contributions that led to the breakdown of the system or non functional when it bears neither positive nor negative impact to the operation of the entire political and administrative system.

In the context of the study, Internally Generated Revenue in the Local Government system and Community Development, Abakaliki Local Government Council has been identified as a structure established to perform the function of revenue generation for rural development.

Bahl (2003) cited in Uguru (2011) holds that the sub – national governments, specifically local government will be in a better position to render welfare services to their people and make them participate in the decisions that affects them if fiscal powers are completely transferred to them by the central government.

Finance and Local Government Administration in Nigeria

It is undisputable fact that the revenue generation of most local government in Nigeria is far below what it should be, all things being equal. The concomitant effect of the poor revenue generation and maximization is that inadequate finance remains the most single devastating problem undermining effective local government administration in the country (Onwe, 2004).

Undoubtedly, is that the statutory allocation from the federal government are not adequate to cover the financial obligation of the local governments, such as payment of staff salaries, maintenance of social services and local security, education etc. To be able to function effectively and efficiently, local government have to look inwardly to raise the required revenue, which by implication is to maximize it's internal revenue generation.

Several reasons have been adduced why revenue generation in most local government in Nigeria is far from being satisfactory, for example, the report of a committee on the fiscal and financial performance of local government in the federation in 1978 observed that generally....., the performance of local governments in revenue collection is nothing to write home about. These factors are noted to have been responsible for the situation;

- Poor communication network particularly in revering areas of the country;
- Lack of commitment on the part of some revenue collectors who are down – right dishonest and defective in revenue collection;
- Some of the laws for revenue collection have not been updated by some state government.

The problem of revenue generation in the Nigerian local government system according to Egomwan (1984) are also compounded by the fact that state governments acquired the more lucrative, elastic and collectable sources, leaving local governments with taxation, with low ceilings and revenue which are administratively and politically difficult to exploit in an environment where the vast majority of the people are poor, self employed and dispersed in the rural areas.

The local government require adequate funding to be able to pay salaries regularly and on time, fringe benefits, retirement benefits, provide adequate welfare scheme for it's employees, procure the necessary materials for work, reward hard working staff and above all render effective and efficient service delivery to the public.

So the ability of any organization whether private or public depends to a large extent the fund (finance) at its disposal. Without adequate financial powers or arrangement in the local governments, it would not be able to maintain the available manpower which comprises men and women, young and old who engage in the production of goods and services and who also oversee other resources in the organization. For local governments to achieve it's statutorily assigned functions, it is expected that it should have unfettered financial power and autonomy.

The success or finance of any organization, local government inclusive therefore largely rests on financial relationship between her and other tiers of government; the extent of viability and unquestionable locality. This suggests that for local governments to be truly local, it should have reliable, lucrative and elastic revenue sources. So if local governments cannot finance the service allotted to them because of lack of fund and always rely on the state or federal government to assist, it suggests lack of or absence of financial autonomy.

Financial Autonomy versus Sustainable Development in Nigerian Local Governments

The importance of finance in a local government administration cannot be over emphasized. If local government does not enjoy relative financial autonomy to encourage her in the implementation of her constituted duties and obligations, she cannot meet up with her financial responsibilities and as such development will be very slow. Independence of action can only be possible if the local governments are viable.

Development that is not grass root oriented is faulty. It is against this background that both professionals and practitioners solicit for financial autonomy in local governments so as to guarantee sustainable development. The argument is that there are many local and grass root problems and services that the local governments are in the best position to handle, so when local governments are not financially equipped, basic needs and services in the rural are not provided.

Finally, other plausible explanation for the dire need of financial autonomy in the local government is that the maintenance of human and material resources is a necessary sine – qua – non for a healthy organization (Onwe 2014).

Avenues to Enhance and Improve on the Revenue and Fiscal Powers of the Local Government

From whatever angle the problems of local government in Nigeria are viewed, the crux of local government crisis anchors essentially on finance and the control of financial resources of the local government in Nigeria (Oladoyin et al 2004). The analysis of Nigerian federalism shows that the state of local government in Nigeria is inequitable vis - a - vis other tiers and it in fact amounts to the subjugation of local government by the state and federal government.

In a democratic setting, it is bizarre for a government to be conscripted under a complete constitutional tutelage of another government. Every government, federal, state or local government is totally accountable to her electorates. Quite a lot needed to be done on how to improve local government finance or discovering alternative sources revenue for local government councils in Nigeria.

Nwankwo (1992) enunciated that local government revenue can be enhanced through;

- The revenue collection sectors of the local government should be overhauled, such that only qualified officers with proven integrity should be responsible for collecting revenue. Revenue collectors should be reduced to the minimum and adequately remunerated and made to be incorruptible;
- The central and component governments should allow the local government to raise loans more easily from financial institutions and public spirited financiers;
- More revenue yielding projects should be embarked upon, ie, public transportation, commercial agriculture, housing projects;
- The people should be enlightened to pay their rates regularly;
- Regular auditing of the accounts of the local government;
- The grants from the super ordinate government and local rates should be increased. The grants should also be paid promptly and directly to local governments;
- Appeal should be directed to the people in the locality to subscribe to carry out specific projects;
- A tax consultant should be contracted to explore the potential in the revenue accruing from tax and rates.

Findings

Apparently, the internal revenue portfolio of the local government does not represent the fact on ground. The observed discrepancy could be as a result of;

- Non-challant attitude of local government staff towards internal revenue generation and the internal revenue generation mechanism;
- The internal revenue generation mechanism was discovered to be fraught with problems of collection and accountability;
- Over dependency on the statutory allocation;
- The problem of state joint account between state and local government;
- The issue of discrepancy observed could be as a result of contracting out the internal revenue generation efforts of the local government;
- Disagreement between reported internal revenue and the revenue potentials of the local councils is as a result of revenue generation mechanisms being replete with fraud, outright dishonesty and politics of acrimony;
- The problem of mobility, cultural and social norms, lack of public enlightenment and poor management of revenue facilities pose great challenge to revenue generation;
- Non motivation of staff of the revenue unit by their employer;
- Corruption among the administrators of the local governments who divert, siphon or embezzle generated revenue, adversely affect their council developmental effort.

Discussion on Findings

The study revealed that in spite of the huge sum of money made available to the local government on monthly basis, from statutory allocation, internally generated revenue, share of value added tax and in some cases excess crude oil, they lack effective service delivery to the local people, so there is invariable no commensurate development to the money accruing to them. The implication is that the basic amenities will be lacking at the rural areas and so the essence of local government creation denied.

The study further revealed the problem of mobility, cultural and social norms and lack of public enlightenment. Where these are in existence, it implies that funds cannot be generated to ensure rural development for which local government is created. Furthermore, the study established that the state governments in Nigeria meddle with the funds of the local government on the guise of state joint accounts. The implication is that instead of local government enjoying the 10% - 20% of statutory allocation from the state, the state in turn feed fat from the local government fund, thereby denying the local government effective service delivery. Lastly, there is inadequate exploitation of the internal revenue generation potentials as a source of revenue to the local government. The implication is that local government will be better off if they harness their source of revenue.

CONCLUSIONS

One of the cardinal objectives of the Millennium Development Goal is on poverty Eradication by 2015. In the local government system where this poverty eradication should be most felt, it seems this is lacking. In view of that, this study suggests

RECOMMENDATIONS

From findings and summary of discussions of this study, the following recommendations are made to ensure enhanced revenue generation and improvement in the socio – economic development of the local government thus;

- Financial autonomy of the local government should be guaranteed to avoid unnecessary political interference by super ordinates government;
- The local government system should be strengthened to carry out it's assigned function to better the lots of the rural dwellers and consequently bring the government closer to the people;
- The power to raise revenue and incur expenditure as appropriate, independent of the close supervision and control of another body is paramount in any democratic system. Local governments should, therefore, be allowed not just to collect revenues from their assigned source but should also prepare, discuss and approve their annual budgets;
- Organization of seminars and workshops for the staff of local governments to re – orient them on the need to be honest, sincere, dedicated and transparent in the discharge of their civil responsibilities, especially when it has to do with revenue generation;
- Adequate measure should be put in place to guard against revenue mismanagement at the local government level to ensure the provision of expected development in the rural communities;
- Provision of on the job training and in service training advocated for the employees to fit into modern method of administration especially in the era of computer;
- Ensuring good working relationships among principal officers and subordinate staff of the local government;
- Property tax should be introduced in the local government system where it is not in existence to boost revenue generation potentials of the local government;
- Institution of disciplinary measures, so that any revenue officer that violets established rules, especially with the collection of revenue should be dealt with;
- Honest revenue officials should be rewarded;
- Regular release of statutory allocation from the higher level of government (state and federal);
- Citizens should be made to pay outstanding levies accruable to the local government, such levies include; tax, local rates, capitation rates, market stalls, liquor licenses etc;
- The state government should ensure that they do not infringe on the revenue yielding areas of the local government;
- There should be the need to instill discipline, financial probity and accountability within the local government in order to improve and increase development at the grass roots level.

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