



## **Problems of Managing Internal Generated Revenue in Bida Local Government of Niger State**

**Ayodele, Oloruntoba Churchill; & Gata, Elizabeth. G,**

Department of Business Administration and Management, School of Business Administration and Management, the Federal Polytechnic, Bida, Niger State

### ***Abstract***

This research work is concerned with a study on the problem of managing internal generated revenue in local government: a study of Bida local government of Niger State, aims at assessing the relationship between inadequate source of fund and internal generated revenue; corruption and internal generated revenue as well as to investigate the relationship between negligence attitude and internal generated revenue. The method employed in carrying out this study is descriptive survey method which involves collecting data from respondents through questionnaire administration. The researcher administered 115 questionnaires in which 100 were returned while 100 returned as valid questionnaires were used for analysis with the aid of statistical packages for social sciences (SPSS). Results demonstrate that inadequate source of fund have limit the local government council in executing their laudable programmes; also that corruption has contributed to the challenges of internal revenue generation in the local government, finally revealed that negligence attitude and lack of qualified and experienced revenue officers constitute to inefficiency in revenue generation. In conclusion, inadequate source of fund does not have positive effect on local government programmes, corruption does not have a positive impact on internal revenue generation, negligence attitude on the part of revenue officials have adversely

affected internal revenue generation in the local government. The study therefore recommended that there should be capacity building in all local governments that involves training, orientation monitoring and evaluation of staff to enhance their knowledge, skills and competencies. Also there should be regular assessments of local government funds in order to regulate the degree of corruption among revenue officials.

**Keywords:** Local government, Internal generated revenue, Corruption, Negligence attitude, Inadequate of fund

## Introduction

In this modern-day, government whether local or international is oriented to provide social services and public amenities for the people with assurance that all citizens without discrimination will have easy and free access to health services, portable water, electricity, education, security, housing, transportation and good roads. Local government plays a crucial role in the delivery of services to the citizenry. The success of any local government is its ability to utilize its human and material resources to achieve the desired objectives i.e. rendering needed services to the community. Local government is a government in which popular participation both in the choice of decision makers and in its recognition of a third tier of government. Prior to 1976, however, Nigerian local government has passed through various reforms. These reforms and reorganizations have affected the

system financially, administratively, politically and functionally.

The historical evolution of the local government system in Nigeria dates back to the colonial era when it was called the colonial native authority system which existed between 1920's and 1930's (Orewa & Adewumi, 2013). In their form, they represented a system of indirect rule whose aim was to establish a system of local authorities through traditional authorities. The main task of local government in this era was maintenance of law and order at grass root level. Also the issue of revenue generation in the local government system has been in existence since in this traditional system of local government. In pre-colonial Nigeria the Chiefs, Obas and Emirs were responsible for revenue generation. This they usually did through levies and taxes, which they used in managing their communities.

During the colonial era the British especially in the North introduced a system of indirect rule in which direct taxes were introduced in various local communities for running their affairs. By 1933, the powers of the local authorities were extended to cover expanded functions due to reliable performances. After the independence in 1960, local governments acquired more responsibilities that were assigned to them by the constitution.

In addition, state governments were required to contribute 10 percent of their internally generated revenue to local government (Dasuki Report, 1985). Under this fiscal arrangement, local government depended mainly on State and Federal Governments for revenue and grants. This source of revenue is in some cases unreliable and unstable. This is due to the fact that most state government has failed to release 10 percent of their internally generated revenue to their local governments.

However, in Niger State, the LGAs as units of government at the grassroots are perennially faced with series of challenges in an attempt to provide internal security, local health services like dispensary and primary education, local markets, motor parks, basic infrastructure, burial grounds, slaughter houses, control of pets, prostitutes, destitute and noise pollution. These challenges may arise from leadership failure, ecological problems, lack of political will to address the corruption at the administrative and political cadre, as well as limited amount of money available to local government.

### **Statement of the Problem**

Local government councils have two main sources of revenue generation. These are the external and internal sources. The external sources include Federation Account Allocation, 10% of internally generated state revenue; special grants to finance ecological/environmental challenges; valued-added Tax (VAT), and special Grants from international agencies for health, social activities and Environmental problems. The internal sources include Tenement rates; licenses, fees; fines, flat rates/community; grants, rents, earnings from commercial undertakings; capital investment, stocks, shares, and Term Deposits with banks, etc.

However, despite these possible sources of revenue to the councils, the local government areas still suffer from slim and inadequate purse to execute development projects in their domain (Adedokun, 2014). These financial constraints have often been attributed to the slim nature of their allocation from the federation account and non-implementation of the 10 percent state internally

generated revenue to local governments. Internal sources of revenue generation seem highly ignored and could contribute to low revenue base of local governments. The inability to generate income apart from resources from the federal government has been a persistent problem in Bida local government.

It is in this light that this research tends to look into the challenges of internal revenue generation in Bida local government of Niger state.

### **Research Objectives**

- (i) To examine the relationship between inadequate of fund and internal generated revenue
- (ii) To assess the relationship between corruption and internal generated revenue in Bida local government
- (iii) To determine the relationship between negligence attitude and lack of qualified and experienced revenue officers and internal generation revenue.

### **Research Hypothesis**

H<sub>1</sub>: Inadequate of fund does have positive relationship on internal generated revenue

H<sub>2</sub>: Corruption does not have positive impact on internal generated revenue

H<sub>3</sub>: Negligence attitude and lack of qualified and experienced revenue officers does not have positive relationship with internal generated revenue

### **The Concept of Local Government**

Odenigwe (2013) in his book viewed Local Government as a system of local administration under which local communities and towns are organize to maintain law and order, provide some limited range of social services and public amenities and encourage the cooperation and participation of the inhabitants in joint endeavors towards the improvement of their conditions of living.

Similarly, Yunusa (2015), Local Government is defined “as an authority to determine and to execute matter within a restricted area inside and smaller than the whole State. Local Government involves the administering of services on a local basis by the local bodies”.

### **Sources of Revenue Generation**

The revenue that accrues to Local Governments in Nigeria according to Olaoye (2016) is derived from two broad sources, namely:

### **Internal Source of Revenue**

The internally government revenue of Local Government includes the following:

- (i) Market rates and levies excluding any market where state finance is involved.
- (ii) Marriage, birth and death registration fees and street in the state capital.
- (iii) Signboard and advertisement permit fees.
- (iv) Motor Park levies.
- (v) Domestic and license fees, etc. (Aibieyi, 2014).

### **External Source of Revenue**

The external sources of Local Government revenue/finance include:

- (i) Statutory allocation from State Government to the local governments in its area of jurisdiction.
- (ii) State grants in aid
- (iii) Borrowing from State Government and financial institutions.

### **Challenges of Internal Revenue Generation in Local Government**

Many factors may be advanced as problems militating against expanding internally generated revenue by local government councils in Nigeria. These factors are as follows:

#### *(i) Corruption, Fraud and Misappropriation of Generated Revenue*

There is a high incidence of corruption, fraud and embezzlement among local government revenue officials. Some of these unscrupulous council's officers collect revenue for which they issue fake receipts to the payers, and the funds collected are not paid into the councils' treasuries.

#### **(ii) Lack of Qualified and Experienced Revenue Officers**

The finance and audits' departments of many local governments in Niger State are not sufficiently staffed with well trained, qualified and experienced financial managers, accountants, clerks, auditors and property valuation officer who would apply their skills and initiatives to develop pragmatic plans and strategies to enable them harness and exploit fully and effectively the internal revenue sources. Atakpa et al., (2012)

#### **(iii) Ineffective Utilization of Resources**

The success or failure of any local government in Nigeria largely depends not only on availability of financial resources but effective utilization of these resources. Local government funds should be spent on productive and socially rewarding ventures (Ugwu, 2015).

## Research Methodology

Data were collected from both Primary and secondary sources. Primary data were collected from targeted respondents in Bida local government secretariat, Niger State using survey questionnaire, while the analysis of such data was conducted using descriptive (frequency and percentage) and inferential (regression and ANOVA) statistics.

Previous literature review was used as the source of information from which to formulate the questionnaire, which was consisted only closed-end. The study used non-probability sampling method, in the form of quota sampling to obtain the desired sample. The researcher has selected Bida local government secretariat which has strength of one hundred and fifteen (115) to constitute a sample size of one hundred and fifteen (115) because of the subject of this study.

Researcher administered 115 questionnaires in which 100 were duly filled and returned. Therefore, our sample size is 100.

## Results and Discussion

### Hypothesis One:

**H<sub>1</sub>:** Inadequate source of fund does not have positive relationship on internal generated revenue

Correlations			
		RG <sub>1</sub>	F <sub>1</sub>
RG <sub>2</sub>	Pearson Correlation	1	.476**
	Sig. (2-tailed)		.000
	N	100	100
F <sub>2</sub>	Pearson Correlation	.476**	1
	Sig. (2-tailed)	.000	
	N	100	100

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Source: Research work, 2022**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.476 <sup>a</sup>	.227	.219	.390

a. Predictors: (Constant), Inadequate source of fund

**Source: Research work, 2022**

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.359	1	4.359	28.707	.000 <sup>b</sup>
	Residual	14.881	98	.152		
	Total	19.240	99			

a. Dependent Variable: Internal generated revenue  
b. Predictors: (Constant), Inadequate source of fund  
**Source: Research work, 2022**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.037	.137		7.571	.000
	Inadequate source of fund	.348	.065	.476	5.358	.000

a. Dependent Variable: Internal generated revenue  
**Source: Research work, 2022**

### Interpretation of Result:

$$IGR = 1.037 + 0.348F$$

Where; IGR= Internal Generated Revenue

ISF = Inadequate Source of Fund

$$R = 0.476, R^2 = 0.227, t = 7.571$$

$$F = 28.707 \text{ (sig. = 0.000)}$$

Based on the result, the significant value of the F statistics (0.000) is less than 0.05; this also means that the variation explained by the model is not just by chance but statistically significant.

R test the correlation coefficient, which has a value of 0.476 indicates that there is a weak positive relationship between inadequate source of fund and internal generated revenue. R square also test the coefficient of determination and shows that 22.7% of the variation in the dependent variable is explained by the model.

Using a linear regression model, the error of estimate is low, with a value of about 0.390 and with a constant of 1.037, the relationship between inadequate source of

fund and internal generated revenue is positive and statistically significant as  $t = 7.571$

**Hence:** Inadequate source of fund does not have positive relationship on internal generated revenue

**Hypothesis Two:**

**H<sub>2</sub>:** Corruption does not have positive impact on internal generated revenue

**Correlations**

		C <sub>1</sub>	RG <sub>1</sub>
C <sub>2</sub>	Pearson Correlation	1	.268**
	Sig. (2-tailed)		.007
	N	100	100
RG <sub>2</sub>	Pearson Correlation	.268**	1
	Sig. (2-tailed)	.007	
	N	100	100

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Source: Research work, 2022**

**Model Summary**

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.268 <sup>a</sup>	.072	.062		.366

a. Predictors: (Constant), corruption

**Source: Research work, 2022**

**ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.015	1	1.015	7.599	.007 <sup>b</sup>
	Residual	13.095	98	.134		
	Total	14.110	99			

a. Dependent Variable: Internal generated revenue

b. Predictors: (Constant), Corruption

**Source: Research work, 2022**



### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.770	.150		5.151	.000
	Corruption	.230	.083	.268	2.757	.007

a. Dependent Variable: Internal generated revenue  
**Source: Research work, 2022**

### Interpretation of Result:

$$IGR = 0.770 + 0.230C$$

Where; IGR= Internal Generated Revenue

C = Corruption

$$R = 0.268, R^2 = 0.072, t = 5.151$$

$$F = 7.599 \text{ (sig. = 0.007)}$$

Based on the result, the regression sum of squares (1.015) is less than the residual sum of squares (13.095) which indicates that less of the variation in the dependent variable is explained by the model. The significant value of the F statistics (0.007) is less than 0.05; this also means that the variation explained by the model is not just by chance but statistically significant.

R test the correlation coefficient, which has a value of 0.268 and indicates that there is a strong relationship between corruption and internal generated revenue. R square also test the coefficient of determination and shows that 7.2% of the variation in the dependent variable is explained by the model

Using a linear regression model, the error of estimate is low, with a value of about 0.366 and with a constant of 0.770, the relationship between corruption and internal generated revenue is positive and statistically significant as  $t = 5.151$

**Hence:** Corruption does not have a positive impact on internal revenue generation

### Hypothesis three:

**H<sub>3</sub>:** Negligence on the part of revenue officer does not have positive relationship with internal Revenue generation.

### Correlations

		N <sub>1</sub>	RG <sub>1</sub>
N <sub>2</sub>	Pearson Correlation	1	-.242*
	Sig. (2-tailed)		.015
	N	100	100
RG <sub>2</sub>	Pearson Correlation	-.242*	1

Sig. (2-tailed)	.015
N	100

\*. Correlation is significant at the 0.05 level (2-tailed).  
**Source: Research work, 2022**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.242 <sup>a</sup>	.059	.049	.461

a. Predictors: (Constant), Negligence attitude

**Source: research work, 2022**

**ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.296	1	1.296	6.102	.015 <sup>b</sup>
	Residual	20.814	98	.212		
	Total	22.110	99			

a. Dependent Variable: Internal generated revenue

b. Predictors: (Constant), Negligence attitude

**Source: Research work, 2022**

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.582	.112		14.132	.000
	Negligence attitude	-.180	.073	-.242	-2.470	.015

a. Dependent Variable: Internal generated revenue

**Source: Research work, 2022**

**Interpretation of Result:**

$$RG = 1.582 + 0.180N$$

Where; RG= Revenue Generation

N = Negligence  
R = 0.242, R<sup>2</sup> = 0.059, t = 14.132  
**F = 6.102 (sig. = 0.015)**

Based on the result, the regression sum of squares (1.296) is less than the residual sum of squares (20.814) which indicates that less of the variation in the dependent variable is explained by the model. The significant value of the F statistics (0.015) is less than 0.05; this also means that the variation explained by the model is not just by chance but statistically significant.

R test the correlation coefficient, which has a value of 0.242 and indicates that there is a relationship between negligence attitude and revenue generation. R square also test the coefficient of determination and shows that 5.9% of the variation in the dependent variable is explained by the model.

Using a linear regression model, the error of estimate is low, with a value of about 0.461 and with a constant of 1.582, the relationship between negligence attitude and revenue generation is positive and statistically significant as t = 14.132

Based on this, we therefore at 5% level of significance reject the Null Hypothesis (H<sub>0</sub>) and accept the Alternate Hypothesis (H<sub>1</sub>) accordingly.

**Hence:** Negligence on the part of revenue officer does not have positive relationship with internal generated revenue.

### **Summary of Findings**

Finding indicates that inadequate of fund have negative effect on local government programmes

Finding revealed that corruption is one of challenges facing revenue generation in most local governments in Nigeria.

Finding revealed that negligence attitude and lack of qualified and experienced revenue officers constitute to inefficiency in revenue

Finding indicates that the reluctant attitude of revenue payers to pay tax at when due affects the level of revenue generation in Bida local government.

Finding revealed that the absence of resource mobilization is one of the disturbing challenges in local government administration in Nigeria.

Finding revealed that non provision of enough funds to local governments have hindered their programmes and services to the masses.

### **Conclusion**

The study concludes that local government plays a crucial role in the delivery of services to the citizenry. The success of any local government is its ability to utilize its human and material resources to achieve the desired objectives i.e. rendering needed services to the community. Local government is a government in which popular participation both in the choice of decision makers and in its recognition of a third tier of government. However, Nigerian local government has passed

through various reforms. These reforms and reorganizations have affected the system financially, administratively, politically and functionally.

### **Recommendations**

Based on the findings made, the researcher therefore made the following recommendation;

- i. State governments should ensure that local governments are funded appropriately in order to carry out their programmes/ projects at the grassroots effectively.
- ii. Local Governments should exhibit transparency by publishing all their transactions including contracts awarded, salaries of workers etc. for general public assessment. More so, any revenue officer found guilty of corrupt practices should be punished for that reason.
- iii. There should be capacity building for local governments. This should involve training and orientation, monitoring and evaluation of staff to enhance their knowledge, skills and competencies.
- iv. However, there should be a regular evaluation of local government fund to ensure that some limited range of social services and public amenities are provided for tax payers, thereby reducing the reluctant attitude towards payment of dues.
- v. Resource mobilization should be executed by the local government administration to ensure that effective revenue are generated and collected.
- vi. State government should provide 10% of its internally generated revenue to local governments that would enable her carry out all the intending programmes and services that will bring quality of living to the masses.

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