

Problems of Internally Generated Revenue for Local Government Administration in Nigeria

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ABSTRACT

Local governments are generally referred to as government at grassroots. They are the closest level of governments to the people, because of their proximity to the rural people; much is expected from them in terms of social amenities. But the major problem facing this tier of government is how to generate revenue internally (without unnecessarily causing harm to members of the public from whom they get the revenue) to be able to carry out their constitutional responsibilities to the people. This study reviews the problems of internally generated revenue for local government Nigeria and quite a great number of them have been identified. Among them is the fact that people at the grass-root believe that it should be the local governments that take care of them and not they fending for the local governments in the name of paying taxes. The local governments suppose to provide for all the social services and facilities. To address this impression among the people at the grassroots there must be adequate enlightenment campaign for the people to understand that taxes and levies they pay are used for the provision of social amenities enjoyed in the rural communities.

Keywords: *Local government, internally generated revenue, taxes, grassroots, levies*

INTRODUCTION

The term local government is a household name among Nigerians. Various authors have given different definitions to the term. Their definitions depend on certain factors including authors' environment, class, perception and philosophy. For instance, Ugwu (2000) defines local government as the third tier of government created for the purpose of efficient and effective administration of the localities, while Odenigwe (1984) perceives it as "that part of government of a nation or State which deals mainly with matters of concern to the people of a particular place. However, the 1976 Local Government Reform in Nigeria sees local government as government at the local level exercised through representative council established by law to exercise specific powers with defined areas. Local governments are governments at the grassroots because they are the closest form of government to the people. They are units of government established by law to administer the functions of government and see to the welfare and interest of the local dwellers (Okoli, 2005). It then follows that, under local government system, a situation in which the local people can elect their representative, that can make decisions on matters relating to the interest of the locality, and consequently takes rules and policies governing their local affairs is guaranteed. To be able to carry

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out these functions, local governments must raise funds from both internal and external sources in their area of jurisdiction as provided for by the law. The revenue base of a local government area, according to Ogundana (1996), must be substantial, even if unstable, before it is said to be economically viable (Nwogu and Nwosu, 2012). According to the fourth schedule of the 1999 Constitution of the Federal Republic of Nigeria (as amended), local governments are expected to generate revenue through the collection of rates, radio and television licenses, establishment and maintenance of cemeteries, burial grounds, licensing of bicycles, trucks, canoes, wheelbarrows and carts, establishment, maintenance and regulation of slaughter houses, slaughter slabs, markets, motor parks and public conveniences, registration of births, deaths and marriages, other internally generated sources of local government revenue include, the assessment of privately owned houses or tenements for the purpose of levying such rates as may be prescribed by the State House of Assembly. These sources also include the control and regulation of shops and kiosks, restaurants, bakeries and other places for sale of food to the public. The list also covers regulation and control of the sale of liquor. In addition to the above mentioned sources of internal revenue for local governments approved by the constitution, is the approved external sources of revenue generation for local governments. The external source of local government revenue forms 80 to 90 per cent of its total revenue. This makes virtually all the local governments in Nigeria to depend entirely on statutory allocation as the internal source of generating revenue, faced with a number of problems. Hence, this study focuses on the problems facing local governments in their bid to generate enough revenue to carry out their constitutional duties will benefit the people at their localities.

Challenges of Internally Generated Revenue of Local Governments in Nigeria

A closer look at what constitutes internally generated revenue, shows that the bulk of this revenue comes from the people which the local governments are mandated to cater for. The local government area is challenged with the responsibilities of providing basic amenities, good health care and even employment for her local citizenry, the weight and trend of revenue that is generated are of paramount importance (Nwogu and Nwosu, 2012). Accordingly, one of the major problems confronting internally generated revenue by local governments is the peoples' attitude towards levies and taxes. According to Nwogu and Nwosu (2012), the relationship between revenue and development of a local government area is expected to be significantly positive, but sometimes, most local government areas do not do well.

Poor forecast, fluctuation in the expected statutory allocation from the Federal Government as well as weak leadership also affect the performance of a local government adversely (Mason, 1999). These culminate into untold hardship on the local residents (Nwogu and Nwosu, 2012). The local people or the grass-roots believe that it should be the local governments that take care of them and not they fending for the local governments in the name of paying taxes. However, growth and development of a local government area are directly related to the level of revenue generation and its

judicious use (Nwogu and Nwosu, 2012). Incidentally, the trend of the revenue could have serious relationship with the performance of the local government (Eghosa and Stephen, 1985). Nevertheless, the local government as part of the machinery by which an economy is governed (Kalu, 2000) is very important and therefore, must be effective to ensure the peaceful and orderly existence of her population (Nwogu and Nwosu, 2012). Majority of the people at the grass-root are illiterates and they believe that local governments are financially strong, enough to handle their social needs, hence any attempt to talk of taxing or levying the people is viewed negatively and unnecessary. With this in the minds of the rural dwellers, its becomes very difficult for local governments to generate reasonable revenue from the people. This often results in crises between revenue collectors and the people.

Another problem affecting internally generated revenue by local governments is the fact that local governments fail to educate the local dwellers on the need to pay these taxes. The people believe or see tax payment as exploitation on them since the local governments have not presented to them what these monies are used for. Again, most local governments fail to show any visible project on ground to convince the people that this is where their taxes and levies go. This is quite a serious problem because a comparison of the colonial local council system and the present shows a serious variation. Before independence, local council authorities were able to account for the monies they tax or levy the people through meaningful project like road construction and maintenance, provision of portable water and other social amenities. The volume of money then cannot be compared to what is obtainable now yet development of the rural communities is seriously retrogressing day by day. Though there were still traces of corrupt tendencies then, yet, corruption has assumed a dangerous dimension in the system in present age thus living accountability and transparency treasures in perforated hands and treasuries.

Another major problem confronting local governments on effective revenue collection is the fact that, they lack enough qualified revenue collectors. Revenue units of local governments are poorly staffed and this makes revenue generation difficult. Furthermore, there is lack of enough materials for the revenue collectors to work with - such as inadequate motor vehicles to convey the revenue officers to field. Where there are few vehicles, they are poorly maintained with worn-out tyres and sometimes unserviceable for years. In most cases, the few available vehicles are hardly made available to the revenue collectors who are mostly junior staff. With this condition, it becomes very difficult for the revenue collectors to make any impressive performance coupled with the inadequate workforce. Dishonesty on the part of staff is another major problem militating against effective collection of taxes in most local governments in Nigeria. It is not uncommon to see that there are cases of frauds and embezzlements among revenue collectors. Fake receipts are printed by dishonest collectors and money realized from such receipts go straight to their pockets thereby defrauding the local governments. Collecting revenue from rural dwellers without providing them with any social amenity in return is a dangerous exercise. The revenue collectors risk their lives

when they go out to collect revenue from this group of people. Many a time, attempt to collect money from these people end up in serious fights which the collectors sustain various degrees of injuries. Because of this, many revenue collectors refuse to go for revenue drive in rural areas. Again, there is lack of incentive to the tax/rate payers. In many instances, the payers could not justify the continuous payment of some certain rates of taxes, as they do not receive corresponding services from Local government authorities in their respective areas. The testimony of Adegboye (1987) confirms that:

The image of local government could be adversely affected if it fails to meet the demands of its inhabitants for necessary social amenities and its internally generated yield may also be affected.

One other problem of local governments in revenue generation is the fact that they are not able to prosecute revenue defaulters or enforce warrant bench on them. Customary courts which are entrusted to handle such cases are inadequate in the local governments. There are other specific problems which militate against effective internal revenue generation in local governments in Nigeria. According to Gboyega (1990), property rating was seen as the only source of internal revenue that can generate large sums of money to local governments but has been neglected by most local governments for this purpose in Nigeria. The reason for this could be that local governments have no justification for this because they have failed to provide the people with social amenities, then why collect property tax? Also collecting property tax in the local governments has faced so many political issues. One of such issues is the fact that politicians at local government level mostly the elected ones, because of their interest in going for second term feel that they would be offending their prospective electorate should they embark on property tax collection.

Some property owners believe that what they have is through their sweat, and that local governments have no right to come and impose tax on them. They see it as exploitation and oppression and as a result of this any leader who wants to be relevant politically cannot embark on property tax in the area he operates unless he wants to be pushed out. Again, poor inelastic and difficult method for revenue collection is responsible for poor internally generated revenue in local governments. Egnomuan (1984) observes that the State governments have acquired the more lucrative, elastic and collective revenue sources leaving local government with low ceiling revenue which is administratively and politically difficult to exploit in an environment where the vast majority of the people are poor and helpless. Another pathetic problem bedeviling revenue collection is the case of politicizing revenue collection. Revenue generation nowadays is used as political settlement to a few unreliable members of the rural community who see nothing good in rural development. Supporters of a particular self-styled election winner while preoccupying himself with looting the federal allocation given to his council area, settle his political supporters with the right to collect taxes and levies from members of the area council he governs. These people who usually are political thugs resort to all means including diabolical means to collect taxes and levies from members of the public.

CONCLUSION AND RECOMMENDATIONS

This study examines the problems militating against effective internal revenue generation of local governments in Nigeria. Since the trend of the revenue generated by the local government can determine the average standard of living of the population (Kalu, 2000), local governments in Nigeria will continue to exist by names without being able to discharge its statutory functions including provision of social amenities and creation of employment opportunities to the people at the grassroots unless drastic step is taken urgently. To this end, the following recommendations are offered to make local governments in Nigeria to live up to their responsibilities. The perception of the people at the grass-root is that it is the role of the local government that should take care of their social needs and not them fending for the survival of the local governments. To eliminate this impression among the rural people, there should be enough and adequate enlightenment on the people to let them know that taxes and levies they pay are used to provide social amenities to them in their rural communities to make life worth living.

Rural people should be educated that tax payment is never exploitation on them, rather it is social responsibility needed to provide social amenities for them. Local governments authorities on their parts should be able to provide concrete projects that will substantiate the value of money the generate from the people. This will convince the people on the need to pay taxes and levies rather than confronting revenue collectors with fights whenever they approach them. Also local government authorities should embark on aggressive training of revenue collectors. There should be qualified and trained revenue collectors who have the technique and what it takes to collect tax peacefully from the people without resorting to conflicts and sometimes fights that may result in people sustaining various degrees of injuries and most cases deaths. Local government authorities should be able to provide enough and adequate materials to the revenue collectors to use and work. Revenue collectors should be provided with uniforms to distinguish them from other local government staff. They should be given identity cards or tags that will make the people to identify and know them whenever they are on revenue drive.

Dishonest revenue collectors should be identified and punished to serve as deterrence to others. Local government authorities should do something to stop revenue staff possessing two receipts, one for the local government and the other one - their personal receipts to defraud government. This should be stopped and offenders punished. Authorities of local governments should provide revenue collectors with some incentives. This will boost their morale and increase productivity. Revenue defaulters should be prosecuted in revenue courts. More revenue courts should be established for this purpose. It is believed that people will only pay their taxes if they know and see the penalties given to the defaulters. The existing laws on internally generated revenue of local governments should be reviewed upwards to be in tune with the current economic reality. Tax payment should serve as a pre-condition for enjoying certain services provided by government. This will encourage more people to pay their taxes as at when due.

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