ABSTRACT

Thefederal structure in Nigeria, a case study of Uyo LGA constrains localgovernments' ability to mobilize and use revenue to meet their obligation in asustainable way. Local government system as the third-tier of governmentdeserves adequate finances to enable it cope with numerous developmentalactivities within its jurisdiction. This paper is divided into five segments.Part one is the introduction of the theme, while part two deals withtheoretical issues. Part three concentrates on the local government financesand revenue utilization. In order to finance some viable projects, localgovernment must be given adequate tax power and also share major tax bases withother tiers of governments. Part four highlights the problems and prospects oflocal governments, Revenue, Mobilization, Utilization and Corruption.

CHAPTER ONE
INTRODUCTION

1.1 Backgroundof the Study

One of the recurrent problems of the three-tier systemin Nigeria, a case study of Uyo LGA is dwindling revenue generation ascharacterized by annual budget deficits and insufficient funds for meaningfulgrowth and viable projects development. Local governments are the nearestgovernment to the people at the grassroots in Nigeria, a case study of Uyo LGA;they are strategically located to play a pivotal role in national development.Since they are responsible for the governance of about 70 percent of thepopulation of Nigeria, a case study of Uyo LGA, they are in vantage position toarticulate the needs of the majority of Nigeria, a case study of Uyo LGAns andformulate strategies for their realization (Ekpo and Ndebbio, 2001).

Local administration in Nigeria, a case study of UyoLGA can be traced to the colonial period. Available record shows that the firstlocal administration ordinance was the Native Administration Ordinance No. 4 of1916 which was designed to evolve from Nigeria, a case study of Uyo LGA' s oldinstitutions the best suited form of rule based on the people' s habits ofthought, prestige and custom (Bello-Imam 1990). These local administrationswere used in the north eastern and western parts of the country while theindirect rule was introduced in the rest of the north.

For example, in1926, a centralized budget system was introduced. Following the creation ofNorthern, Western and Eastern regions in 1946, a decentralized public revenuestructure began to emerge. The first revenue commission was set up in 1946.During the colonial period, four revenue commissioners were created. Theprinciples, criteria and allocation formulas recommended by the commissions arewell documented (Ekpo, 2004).

Macphersonconstitution of 1948 initiated some remarkable changes; the regions introducedsome reforms in their local administrations in the 1950s which aimed atenhancing performance. Though, the reforms gave local administrations to collectrates and levy pools and income taxes to finance their activities, the regionshad overall control of the taxes. Local administration lackedself-determination, hence their resource were inadequate. Though, the localauthorities were partially successfully in the North but unsuccessfully in theEastern and Western regions.

Adedeji (1990) blames the ineffectiveness of localadministration on the following reasons:

(a) Lack of mission or lack of comprehensive functionalrole

(b) Lack of proper structure (i.e. the role of localgovernments in the development process was not known).

(c) Low quality of staff; and

(d) Low funding.

According to him, these problems led the localgovernments into a vicious circle of poverty because inadequate functions andpowers lead to inadequate funding which result in the employment of low skilledand poorly paid staff.

Local government administration in the countryexperienced fundamental changes in 1976. The 1976 local government reformcreated for the first time, a single-tier structure of local government inplace of the different structure in the various states. Our interest in the1976 reform hinges on the restructuring of the financial system. The reformsinstituted statutory allocation of revenue from the federation account with theintention of giving local government fixed proportions of both the federationaccount and each state’s revenue. This allocation to local government becamemandatory and was entrenched in the recommendations of the Aboyade RevenueCommissions of 1977.

The 1979constitution empowered the national Assembly to determine what proportion ofthe federation account and revenue form a state to allocate the localgovernment. In 1931, the NationalAssembly fixed these proportions at 10percent of the federation account and 10percent of the total revenue of a state. In 1985, the state’s proportion wasreduced to 10 percent of the internally-generated revenue; local governments’allocation from the federation account was later adjusted to 20 percent. It wasfurther increased to 25 per cent with the arguments that local governments areexpected to take on larger developmental responsibilities. The revenueallocation has continued to vary in proportion over time.

At present, localgovernment receive 20 per cent of the federation account. In addition, proceedfrom the value added tax (VAT) are also allocated to them. Presently, VAT’sallocation is 35 per cent based on equity of states (50 per cent), population(35 percent) and derivation (2 percent). The 1976 local government reformsstates the internal revenue sources of local governments to include:

(a) Rates, which include property rates, education ratesand street lighting.

(b) Taxes such as community, flat rates and poll tax.

(c) Fines ad fees, which include court fines and fees,motor park fees, forest fees, public advertisement fees, market fees, regulated premises fees,registration of births and deaths and licensing fees; and

(d) Miscellaneous sources such as rents on council estates,royalties, interest on investment and proceeds from commercial activities.

Despite thisclear demarcation, states and local government still clash over sources ofinternal revenue. There has been asignificant increase in the number of Local Governments over the years. Therewere 96 divisions in 1967. By 1976, they had increased to 300. The number wasincreased to 774 after five yeas (Adedokun A.A. 2004) we will like to emphasizehere that the rise in the number of Local Governments as implications on theassignment of public revenue responsibilities among the tiers of government.And more importantly, have effect on local government development.

Development is highly associated with fund, much revenue is needed toplan, execute and maintain infrastructures and facilities at the localgovernment level. The needed revenue collected for such developmental projects.Like construction of accessible roads, building of public schools, health carecenters, construction of bridges among others are soles generated from taxes,royalties, haulages, fines and grants from states, national and internationalgovernments.

Thus, the Local government cannot embark, execute and possibly carryoutthe maintenance of these projects and other responsibilities without adequatetax collection.

This is the basic reason why development is skeletal at some LocalGovernment councils in Nigeria, a case study of Uyo LGA. The issue of poor taxcollection is not exceptional to local governments in both Ikpoba Okha andOredo Local Government of Edo State. This has been one of the problemsencountered by most local council's administration in Nigeria, a case study ofUyo LGA.

This however pronouncedly affected development negatively in localgovernment councils. In this research project, the issue to address is how farthis poor tax collection can affect revenue generation and more importantlydevelopmental implications for Ikpoba Okha and Oredo Local Government Area of Edo State.

1.2 STATEMENTOF THE PROBLEM

The Local Government Council takes direct care of thegrassroots people that is the people in the rural areas. These groups of peoplesometimes lack essential facilities and condition of modern civilization. Theylack pipe bore water to drink, do not have electricity, accessible roads, pooreducational infrastructure and facilities to mention but a few.

This is one of the major reasons of rural – urbanmigration of movement. This has made our cities to be congested and increase inmany criminal activities. Based on the above and foregoing assertions, it isobvious that local government has to adopt an effective taxation system whichwill enhance revenue generation. This no doubt is no doubt over the years hasbecome a serious problem. the local government administration has not live upto the expectation in terms of grass rootdevelopment. This might be as a result of poor revenue generation or taxcollection. If Nigeria, a case study of Uyo LGA is to achieve her desired goalof vision 2020 and possibly meet the millennium development goals (MDGS)target, the issue of tax collection must be addressed squarely. Hence, theresearcher is bothered to find out the importance of taxation as a source ofgovernment revenue in Nigeria, a case study of Uyo LGA..

1.3 OBJECTIVEOF THE STUDY

The broad objective of the research is to examine the problems of taxation as a source of government revenue in Nigeria,a case study of Uyo LGA. The otherobjective of this study includes:

i.To determine thelevel of modern social amenities available in Etsako West and Etsako East LocalGovernment of Edo State.

ii.To find out thelevel of poverty associated with the rural people as a result of poordevelopment

iii.To find out thedegree of rural-urban migration.

iv.To make usefulsuggestions to solve the problem of poor tax collection as development dependson revenue generated.

1.4 RESEARCHQUESTIONS

i. doestaxation has any effect on local government revenue

ii. Does effective taxation system enhance localgovernment development?

ii. Howcan revenue generation in Ikpoba Okhaand Oredo Local Government of Edo State be improved?

1.5 Statementof Hypotheses

1. H_0:taxation is a viable source of local government revenue

H1: taxation is a viable source of local governmentrevenue

2. H_0:There is no significant relationship between taxation and development in localgovernments in Nigeria, a case study of Uyo LGA

H1: There is a significant relationship betweentaxation and development in local governments in Nigeria, a case study of UyoLGA

3. H_0:Poor taxation policies have negative effect on local government revenuegeneration

H1: Poor taxation policies have positive effect onlocal government revenue generation.

1.6 SIGNIFICANCEOF THE STUDY

The significance of any human endeavour is measured byits relevance to solving human problems. The findings of this study would helpLocal Governments in Nigeria, a case study of Uyo LGA to identify the problemsassociated with revenue generation and its consequences on development.

However, this studywill be of great significance to managers of organizations, entrepreneurs, andinvestors especially those whose organizations' tax are within the purview ofthe local government administration; as it reveals the irregular tax policiesand practices that can jeopardize the effectiveness and sustenance of theirbusinesses. It as well enable local councils capitalizes on their gains whilefocusing on areas of comparative advantage.

Also, majorbeneficiaries of this study are auditors and accountants, as well as financialanalysts, government personnel and the revenue taxation board will benefit fromthis study.

1.7 SCOPEAND DELIMITATION

The study is focused on the importance of taxation ongovernment revenue. The study focus on the impact of revenue of Ikpoba Okha andOredo local government, and how it affects development of the local governmentareas. It will also involve the analysis of problems associated wit revenuegeneration and its impact on the development of the local government councils.

1.8 LIMITATIONOF THE STUDY

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The study is confined to local government in EdoState, particularly Ikpoba Okha and Oredo local government, the study onlyidentify with the taxation as it affectsrevenue of the local government areas stated above. It will also involve theanalysis of problems associated wit revenue generation and its impact on thedevelopment of the local government councils.