

# PDF - PROBLEMS AND PROSPECTS OF INTERNAL REVENUE GENERATION, (STUDY OF EZEAGU LOCAL GOVERNMENT AREA) - researchcub.info

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

The increasing cost of running government coupled with dwindling revenue has led various State governments in Nigeria with formulating strategies to improve the revenue base Onyishi, (2012). More so, the near collapse of the National Economy has created serious financial stress for all tiers of government. Despite the numerous sources of revenue available to the various tiers of government as specified in the Nigeria 1999 constitution, since the 1970s till now, over 80% of the annual revenue of the three tiers of government come from petroleum Agbu, (2004). However, the serious decline in the price of oil in recent years has led to a decrease in the funds available for distribution to the states. The need for state and local government to generate adequate revenue from internal sources has therefore become a matter of extreme urgency and importance. This need underscores the eagerness on the part of state and local governments and even the federal government to look for new sources of revenue or to become aggressive and innovative in the mode of collecting revenue from existing sources Edosa, (2003).

Development is a sine qua non for modern civilization. In order to carry out development at all nooks and crannies of the society, it is the responsibility of the Government to provide direct development to people to a certain level. Development is associated with funds and much revenue is needed to plan, execute and maintain infrastructures (Ekpo, and Ndebbio 2008). The needed revenue generated for such developmental projects, like construction of accessible roads, building of public schools, health care centres, construction of bridges are generated from taxes, royalties, haulages, fines, and grants from the states, national and international governments. These funds could either be obtained internally or externally. Thus, the Government cannot embark, execute and possibly carry out the maintenance of these projects without adequate revenue generation Nwankwo, (2004).

Revenue generation in Nigeria's local government is principally derived from TAX. Therefore, taxation is an internal source of government revenue within the domestic economy. Its collection and service to the government depends largely on the government itself. Taxation has been described in many ways and for the purpose of this study it will be seen as a compulsory levy imposed on a subject or upon his property by the government having authority over his property through its agencies with the aim of providing, maintaining and improving social facilities in the communities at large and for which the tax payer has no quid pro quo. This study will examine the effects of revenue generation on infrastructural development Madi et al. (2010). Nigeria as a sovereign state operates a federal system of government, that is, the federal government, state government and the local government councils. Onwo (2012) Observed that each level of the three tiers of government derive its powers not from the magnanimity of the central government but from the constitution; each level of government has defined responsibilities assigned to it by the constitution. The implication of this is that the three segments of governments are mutually interrelated in a unified effort to make life worth – while for the masses.

Local governments operate at the grassroots and are expected to provide services to their stakeholders. In a federal system like Nigeria, local governments are close to the people and hence could effectively alter socioeconomic and political conditions within their jurisdictions. Apart from providing and maintaining basic infrastructures, local governments can complement the economic activities of other levels of

government. This of course depends on the availability and proper utilization of funds.

Revenue generation is therefore an important issue for Local Government Councils. It is through this activity that the Councils source the finance for funding their operations, thus to a large extent, determining the quantity and quality of services provided to the generality of people within their domain. These reasons, coupled with the fact that Local Governments are engines of growth and development, make imperative the need for Local Governments to map out strategies for improved revenue generation, emphasising especially the internal sources which are more flexible, and could be in the total control of the Local Governments. Local governments in Nigeria are created to bring governance closer to the people at the grass-root level and promote political participation. It is the closest tier of government to the people in Nigeria, yet the resident population in it is denied the benefits of its existence. This is evident in the environmental state, deteriorating public school buildings, poor market facilities and lack of health centers as well as access roads and drainages. According to Olusola (2011), the failure of the Local governments in the area of service delivery has made the citizens to lose trust in government as an institution. In some areas, council officials are better known for the harassment of citizens than service delivery (Shar, 2007). This is basically due to the difficulty in generating revenue for its operations, as well as fulfilling its constitutional responsibilities. As a result of this development, many Nigerians crave for change in the local government system as presently constituted in order not only to bring it in conformity with present day realities but also to make it live up to the expectations of the people who have been yearning for development and a sense of belonging. In order to fulfill these important constitutional responsibilities, local governments require huge sums of money, which is usually difficult to generate. The primary source of local government sustenance is from Federal Allocation. It is the lifeline of a local government. Sections 7 and 8 of the 1999 Constitution of the Federal Republic of Nigeria provide for the existence of an autonomous and democratic local government. It also outlined the sources of local government revenue to include rates, statutory allocations, fines, earnings and profits, fees and charges, grants, loans and other miscellaneous sources. The extent to which a local government can go in accomplishing its goal largely depends on its revenue strength. The capacity of local government to generate revenue internally is one very crucial consideration for the creation of a local council. Despite these considerations, the local governments still encounter a mirage of difficulties in generating revenue.

Local government administrations in the country experienced fundamental changes in 1976. The 1976 local government reform created for the first time, a single-tier structure of local government in place of the different structure in the various states. The 1976 reform is of great importance because it hinges on restructuring of the financial system of local governments in Nigeria. The reforms instituted statutory allocation of revenue from the federation accounts with the intention of giving local government fixed proportions of both the federation account and states revenue. This allocation to local government became mandatory and was entrenched in the recommendations of the Aboyade Revenue Commissions of 1977. The 1979 constitution empowered the National Assembly to determine what proportion of the federation account and revenue from a state to allocate to its local governments.

#### Statement of the Problem

The essence of reforming local government system in Nigeria is to bring about stable increases in income, productivity, diversification of its economy and general quality of lives in the rural areas. But the ability of the local governments in Nigeria to accomplish these tasks depends on their financial endowments. Therefore,

finance is the bedrock of any organization, including the local government system. It is generally agreed that functionality of local government, the level at which services are rendered, and the quality of services are strongly tied to the financial resources available to it.

Local governments in Nigeria are faced with many difficulties in sourcing adequate revenue; such problems are a cogwheel to the smooth running of the local government system. With the local government reform of 1976, local governments in Nigeria became recognized as the third tier of government, vested with the statutory powers to discharge the duties and responsibilities of government. To achieve this, no doubt, efficient and effective revenue generation and management becomes germane. The revenue issues, particularly the problem of generation are well documented.

However, there have been a tendency, conscious or unconsciously, to over generalize the problems of local governments. Though the empirical fact from extant literature revealed the problems of some local governments in the country, the experience of Ezeagu local government seems to have been ignored in that respect. This, therefore, necessitates a study of this nature to investigate if Ezeagu local government is faced with enormous abnormalities occasioned by revenue collectors, issues of financial autonomy, poor governance and unwillingness by higher levels of government to release resources to the local government in revenue generation. Based on the above recognized problems in the extant literature, the study raised the following questions to fill the gap in the literature: Has the absence of well-trained revenue collectors constitute revenue generation problem in Ezeagu LGA? Does lack of transparency by revenue collectors impede revenue making in Ezeagu local government? Has poor governance and lack of financial autonomy contributed to the problems of revenue generation in Ezeagu LGA?

#### Objectives of the Study

The broad objective of the study is to determine Internal Revenue Generation: problems and prospects, with focus on Ezeagu local government area of Enugu state. However, the specific objectives are:

To determine the absence of lack of well-trained revenue collectors on revenue generation in Ezeagu LGA;

To ascertain if lack of transparency by revenue collectors impede revenue generation in Ezeagu local government;

To examine how poor governance and lack of financial autonomy contributes to the problems of revenue generation in Ezeagu LGA.

#### 1.4 Research Question

What is the effect of the absence of lack of well-trained revenue collectors on revenue generation in Ezeagu LGA?

Does lack of transparency by revenue collectors impede revenue making in Ezeagu local government

Has poor governance and lack of financial autonomy contributed to the problems of revenue generation in Ezeagu LGA

#### Research Hypothesis

H<sub>0</sub> the absence of lack of well-trained revenue collectors does not affect revenue generation in Ezeagu LGA?

H<sub>1</sub> the absence of lack of well-trained revenue collectors affect revenue generation in Ezeagu LGA

H<sub>0</sub> Lack of transparency by revenue collectors does not impede revenue making in Ezeagu local government

H<sub>1</sub> Lack of transparency by revenue collectors impede revenue making in Ezeagu local government

H<sub>0</sub> Poor governance and lack of financial autonomy does not contribute to the problems of revenue

generation in Ezeagu LGA?

Hi Poor governance and lack of financial autonomy contributed to the problems of revenue generation in Ezeagu LGA

### 1.6 Significance of the Study

The study has theoretical and practical significance. Theoretically, it will determine the problems and prospects of revenue generation in Nigerian local government system, particularly in Ezeagu local government.

This is more so considering the debate the issue of local government revenue has generated since the return of democracy to Nigeria in 1999. It will also contribute to the noble goal of making local governments in Nigeria more effective. More so, this study is expected to add to the body of literature on local government and stipulate further research in this direction. The constant need to improve governance in Nigeria, particularly the local governments, makes the contributions of this work invaluable as reference for further research in local governments in Nigeria.

Practically, the findings of this research will assist policy makers and local government administrators in making local governments in Nigeria more financially viable and efficient in service delivery. It will also go a long way in making local governments in the country more viable, efficient, effective and self-reliant as the finding will bring to the fore issues that have undermined the revenue generation mechanisms of the local government system. It will therefore serve as a guide to local government administrators.

### 1.7 Scope of the Study

This study only covers Internal Revenue Generation: problems and prospects, in Ezeagu local government area of Enugu state

### 1.8 Limitation of the Study

The success of this research was affected by:

**Time Constraints:** The researcher faced the robin's choice of time management to enable him meet with the target time. If there were to be more time, this work would have been made more simplified for a lay man to comprehend.

**Finance:** The researcher lacked funds to holistically embark on this study. However some funds were raised from friends and well-wishers who helped significantly to a reasonable extent.

**Attitude of Respondents:** This researcher like any other researcher encountered respondents were difficult in giving away information for fear that it would be aired thereby exposing their institution to negative impression. Nevertheless, the researcher was able to apply wisdom by explaining to them that the study is purely for student project research purposes.

### 1.9 Definition of Terms

1. **Federal Inland Revenue Service (FIRS):** This is the body set up by section 5.1 of ITA (1979) and charged with the overall administration of companies income tax act.
2. **Income:** There is no statement that defines the word "income" in taxation status. However, for the purpose of this study reference is made to section 5.4 (2) (6) of income tax management act (ITMA) 1961, which recognizes income as including any amount deemed to be income under the act.
3. **Tax Arrears:** These are assessment of tax during the preceding period whose payment are received at the current assessment period.
4. **Tax Avoidance:** This is the arrangement of the affairs of the tax payer in such a way as to reduce tax

payable. Tax avoidance is not a criminal or crime punishable under the law. This was clearly stated in Lord Tumbling declared as follows in his judgment

Every man is entitled to order his affair so that the tax attached under the appropriate tax act is less than is otherwise would be.

According to Longman Dictionary of contemporary English, tax avoidance are Legal ways of paying less tax.

5. Tax Base: –This is simply that object on which tax should be imposed or applies.

6. Tax Evasion:-Is a fraudulent, dishonest intentional distortions or concealment of figures by the tax payer in order to reduce the tax payable. It is a criminal and deceitful way of not paying tax or reducing one's tax liability. These offences are punishable under law.

According to Longman Dictionary of contemporary English Tax evasion are the illegal ways of paying less tax.

## **PROBLEMS AND PROSPECTS OF INTERNAL REVENUE GENERATION, (STUDY OF EZEAGU LOCAL GOVERNMENT AREA)**

The complete project material is available and ready for download. All what you need to do is to order for the complete material. The price for the material is NGN 3,000.00.

Make payment via bank transfer to Bank: Guaranteed Trust Bank, Account name: Emi-Aware technology, Account Number: 0424875728

Bank: Zenith Bank, Account name: Emi-Aware technology, Account Number: 1222004869

or visit the website and pay online. For more info: Visit <https://researchcub.info/payment-instruct.html>

After payment send your depositor's name, amount paid, project topic, email address or your phone number (in which instructions will be sent to you to download the material) to +234 70 6329 8784 via text message/ whatsapp or Email address: [info@allprojectmaterials.com](mailto:info@allprojectmaterials.com).

Once payment is confirmed, the material will be sent to you immediately.

It takes 5min to 30min to confirm and send the material to you.

For more project topics and materials visit: <https://researchcub.info/> or For enquiries: [info@allprojectmaterials.com](mailto:info@allprojectmaterials.com) or call/whatsapp: +234 70 6329 8784

Regards!!!