



Revenue Generation in Nigeria Local Governments: Issues, Challenges and Solutions

¹Alhaji Kawugana & ²Faruna Simon Faruna

¹Federal Polytechnic P.M.B.0231 Bauchi, Bauchi State Nigeria
alhajikawugana@gmail.com ; +2348062530835, 08029929098

²First Bank of Nigeria Bauchi Branch, Bauchi State Nigeria
sfaruna@yahoo.com ; +2348032064944

ABSTRACT

Mostly, all local governments in Nigeria do no longer perform their responsibilities simply because of poor finances arises from adequate revenue generation drive. The bad financial situation is further aggravated by the prevailing inflationary situation in this country which erodes the value of funds available to render essential social services to the people. Thus, the Local Government Areas are created to provide the services which the Federal and State Governments cannot easily undertake due to their remoteness from the local communities. Therefore, the concept of local government is to bring governance closer to the people at the grassroots, with the aim of caring for the socio-economic and development needs of local populace. Over the years, it has been observed that massive rural-urban migration and over congestion are heating up lives in the cities. Others have contended that Local Governments are docile in terms of aggressive revenue collection to augment allocations from the federation account which they get on monthly basis. Yet, others hinged Local Governments' abysmal revenue generation on dishonesty on the part of council revenue collectors, who, in most cases, misappropriate collections made on behalf of the council. In the face of these charges or allegations, it has become pertinent to investigate why Local Governments in the country have poor revenue generation efforts. The thrust of this paper therefore is to find lasting solutions to the financial problems hindering local governments in Nigeria, most especially strategies to ameliorate the over-dependence on Federal Government allocation for the up-keep of the Local Government. It was recommended amongst others, that any official who divert local government funds to their personal purse should be punished in accordance with the law of the land, use of council staff for revenue collections should be encouraged and stop using agents who are not council staff. The paper concludes that undoubtedly, for Local Governments to be able to perform these functions creditably, they need sufficient funds.

Keywords: Revenue, Generation, Revenue collectors, Funds, Finances

INTRODUCTION

Revenue generation in Nigeria local governments is principally derived from tax. Tax is a compulsory levy imposed by government on individuals and companies for the various legitimate function of the state (Olaoye, 2008). Tax is a necessary ingredient for civilization. The history of man has shown that man has to pay tax in one form or the other that is either in cash or in kind, initially to his chieftain and later on a form of organized government No system or rules can be effective whether foreign or nature unless it enjoys some measures of financial independence. Historically, the development of direct taxation in local government in Nigeria can be traced the British pre-colonial period under this period, community taxes were levied on communities. Recently the revenue that accrues to local government is derived from two broad sources, viz the external sources and the internal source

The 1976 Local Government Reform Hand Book defined local government as: Government at the local level exercised through representative councils established by law to exercise specific powers within defined areas. These powers should give the council substantial control over local affairs as well as the staff and institutional and financial powers to initiate and direct provision of services and to determine and implement projects so as to complement the activities of the state and federal government in their areas, and to ensure, and through devolution of functions to these councils and through the active participation of the people and their traditional institutions that local initiatives and responses to local needs and conditions are maximized (Quadri, 2013). The above assertions necessitate the availability of financial resources for the local government to carry out various functions expected of her by the citizen

The principal aims of creating local governments were as follows:

- To serve as the third tier of government through which appropriate services and development are made in response to the wishes of local community through their representatives.
- To serve as an intermediary between government at the center and local communities.
- To mobilize and utilize both human and material resources by engaging the people at the local level in the government activities.
- To facilitate the exercise of democratic self –government closer to the grass root of the society and to exchange initiative and leadership potential.
- Mostly, all local governments in Nigeria do no longer perform their responsibilities simply because of poor finances arises from adequate revenue generation drive. The bad financial situation is further aggravated by the prevailing inflationary situation in this country which erodes the value of funds available to render essential social services to the people.
- Development is highly associated with fund, much revenue is needed to plan, execute and maintain infrastructures and facilities at the local government level. The needed revenue generated for such developmental projects like construction of accessible roads, building of public schools, health care centers, construction of bridges among others are sources generated from taxes, royalties, haulages, fines and grants from states, national and international governments.

Thus, the Local government cannot embark, execute and possibly carryout the maintenance of these projects and other responsibilities without adequate revenue generation. This is the basic reason why development is skeletal at some Local Government councils in Nigeria.

Statement of Research Problem

Despite all the effort taken by the past government to discourage or reduce the practice of financial problems hindering local governments in Nigeria

1. Lack of proper identification of the root causes of financial problems in Nigeria local governments.
2. Poor implementation of the past policies in curbing financial problems in Nigeria local governments.
3. Lack of proper supervision
4. Flexible law on financial problems in Nigeria local governments

Objectives of the Study

The objectives of the study were to:

1. Examine the negative effect of financial problems on the development of the Nigerian local governments.
2. Ascertain if proper supervision is given to the policy implementation in order to reduce financial problems in the Nigeria local governments.
3. To know whether if financial problems has positive influence on the development of the Nigerian local governments.
4. To examine if corrupt practice has strong influence in the development of the Nigerian local governments.

Literature Review

The revenue in Nigeria can be increased if the existing legal sources of revenue are fully exploited and tapped, most local governments will need not to rely on or bother itself seeking additional sources since the present sources provided by the existing laws will be well adequate to meets the obligations (Agya, et al. 2015 & Atakpa, Ocheni & Nwankwo, 2012). Revenue generation can also be increase

through the following: facilitating arrangement between the council official and the traditional ruler on how to collect community rates and involvement of traditional rulers through the head of the villages and their chiefs to assist in collection of the tax on behalf of the local governments due to their familiarity with and respect accorded to them by their subject (Olaoye, 2008); modification of existing laws on internal generating revenues to enhance their generation capacity; promulgating laws that will enhance zero tolerant for corruption, because irrespective of huge amount of revenues generated internally in our local governments, no valuable progress will be made or achieved if the incessant misappropriation, mismanagement, corruption and embezzlement of public funds is not seriously dealt with (Atakpa, ~~el at.~~ *et al.*,2012); Investing of the surplus funds of local government in Nigeria in venture such as poultry/fish pound, building of hostels in our tertiary institutions, transportation that will yield them regular revenues, apart from investing on stock and share which can crash at any time like what we are experiencing now; staff motivation Olorungbemi (2015) opined that revenue collectors should be financially or otherwise motivated to discourage them from tampering with council money or colluding with the members of the public to defraud the council of it revenues, which can be done through training and retraining to enhance their knowledge and adequate remuneration and bonus based on revenue collected; Adequate Staffing secretariat with qualified and well training hands devoid of questionable integrity to enhance internally generating revenues(Ifeayekwu, 2015); engagement of the use of prevention and detection methods/techniques such as stringent penalties that will forestall the forging of receipts and non-remittance of revenue collected connivance of the revenue collectors with the members of the revenue paying public which results to illegal exemption of some revenue payers by revenue collectors ,under-assessment of the revenue payers (Atakpa, el at. 2012).

One of governments' functions is to collect taxes and other revenues. The process involves many actors including the revenue collections office, accounting office, the government's attorney, budget office, taxpayers, tax assessor, local government's treasurer, other departments or agencies, other governments at the state and/or local level, commercial banks, and private collection agencies.

Developing Alternative Source of Revenue for Local Government

The local government in Nigeria was established for the purpose of rendering services and supplying amenities to the people in both rural and urban area.

To achieve this objective, Hofer and Schedal (1978) identify strategy to adopt. The strategy was described as a game plan through which aims and objectives of organizations are achieved. Hofer and Schedal further defined revenue generation strategy as the fundamental pattern of present and planned resources department, and environmental interaction that indicate how the organization will achieve its aims and objectives. They further added that it is the skill employed in managing any affairs, which includes the local government affairs especially in the means of generating revenue.

The strategy of revenue generation must aim on the following:

In ensuring the survival of local government as it relates to determining priorities and decision making the following strategies need to be follow to increase revenue:

- Enhancing the viability of local government objectives.
- De-emphasizing on federal and statutory allocation.
- Tapping all available opportunities in their areas.
- Ensuring effective and efficient management of financial resources.
- Maximizing revenue while minimizing the cost of collection.

For effective revenue generation, the following strategies might be of advantage:

- Introduction of additional sources of revenue.
- Providing an incentive for extra efforts of the revenue generation staffs.
- Tapping all available opportunities in the areas.
- Periodic raiding by officer of the revenue generation.
- Efficient and effective collection of existing taxes.
- Taking advantages of business or commercial opportunities in their local areas.
- Public enlighten and campaign that will educate the tax payer on the importance of prompt payment.

The local government should respond promptly and adequately to the changing in the needs of their communities, decides the relative priorities, articulate plan and programmes, set target and standard,

monitoring measures and mobilize financial resources with emphasis on those generated internally to accomplish agreed goals.

Due to global economic depression in the global system to ensure sustainability of local government and effect service delivery, local governments in Nigeria need to develop alternative sources of funding such sources include:

- **Private partnership** through private cooperation local government could yield important revenue. Kabir (2007) opined that local government can only function effectively in Nigeria through public and private partnership.

Also local government should hire **independent body** to oversee the collection of their independent taxes in order to promote efficiency. Bariyima and Gladson (2009) added that the only way out of financial mismanagement in local government is through use of tax consultants by the government.

- **Imposition of available taxes:** Most of the internal sources of revenue available to the local government are unharnessed, tax evasion and subject to misappropriation by the officers in-charge. These sources of revenue could improve their revenue generation if well harnessed.

- **Adequate record:** The essence of keeping record is to ensure transparency and accountability at local government level because poor record keeping is the root of financial crisis local governments are experiencing today.

- **Assigning roles and responsibilities to local communities**, although due to economic recession going on in the globe today almost all institutions in Nigeria are facing the problem of funding, government alone could no longer continue providing goods and services to the people as a result through sharing of roles and responsibilities between local government and community might contribute greatly towards addressing financial problems facing local government in Nigeria Oviasuyi (2010) advocated that past government has neglected the rural communities with no significant developmental programmes to the people, he concluded that development could only occur at local government in Nigeria if there is involvement of local communities through sharing of responsibilities between the two parties.

- **Investment in viable areas** so that to diversify the economy from mono-crop to over areas that are fetching. A clear picture of this is investment in area like building an estate that can accrue a lot of revenue to the local government.

- **Toll Charges**

Toll charges may be raised from vehicles, which come to the local markets for collecting agricultural crops and other natural resources, like timber and mineral resources. The class of vehicle and tonnage capacity will determine the toll amount paid; for instance, cars, cars with trailers, trucks with two axles, or trucks with more than two axles. The money raised by the tolls would be used by districts and town authorities for transport improvement. In collaboration with the central government, each district can set toll rates to be charged on vehicles using feeder roads and main roads across the country.

- **Road-Cutting Charges**

On many occasions, roads are cut when there is a project for water supply, sanitary services, electrical connections, and other construction tasks. Rates should be set to charge people before issuing permits for road cutting. This creates another source of revenue for districts and may well discourage such activities, which, in turn, minimizes district and town spending.

- **Open Space Entry Fees**

Local authorities may develop open spaces into parks, gardens, and recreation centers, which may generate revenues from users who visit them and pay entry fees. Parks and golf fields can be developed by district and town governments which can charge a fee for facilities such as parking permit, camping, picnicking, and golfing. There are many beautiful places in local governments that can be developed by local governments to serve this purpose.

- **Hazardous Waste Fee**

A hazardous waste fee can be charged on industries that generate or store hazardous substances.

- **Environmental Fee** – this is a fee on industrial groups that use, generate, or store hazardous materials or conduct activities related to those materials.

- **Facility Fee** – the facility fee applies to the owners or operators of sites that dispose or store hazardous waste.

- **Waste Generator Fee** – this is a fee determined by the total tonnage of waste generated.

- **Disposal Fee** – the disposal fee applies to any waste disposed of by depositing the waste on or into land in any district or town.
- **Activity Fee** – This fee is based upon specific activities approved by the Ministry that has environment protection in its attributions. Types of activity fees include new permit modification, variance, or site mitigation assessment fee.
- **Tourism Promotion**

Tourism industry promotion can create a good source of revenue in a number of ways. District and town authorities can invest in areas of attraction to tourists, and revenues may be generated in the form of profits, dividends, and through taxes. With the promotion of tourism local artisans and cultural troupes develop and create opportunities to generate more revenues for local governments. In addition, farmers can generate more revenue by supplying products to hotels and other tourist centers.

CONCLUSION

The study concluded based on the findings that the level of development (human and infrastructural) and the rate of financial misappropriation are determinants to the revenue base of Nigerian. This study attempted to propose new alternative sources of revenue for the development of Local Governments. First, the study identifies new owned sources of revenue where it advocates the introduction of various user fees, organization of local-level cooperatives, and encouragement of social and economic activities

Finally, improving efficiency of their management structures and integrating with capacity-building programs mainly in the area of financial management could result in better control of their resources. In addition, incentive mechanisms for workers in the local government should be introduced

RECOMMENDATION

It is recommended that revenue authorities should ensure both human and infrastructural development in their respective constituencies as this is influential on the level of revenue derivation. In addition, revenue authorities should ensure a carrot and stick approach whereby members of staff are rewarded on performance and strictly punished for perpetrating financial misappropriations in order to curb the menace of the anathema on the fabric of the society.

Also Local government should develop various alternative source of revenue and implement. The provisions in the Constitution that dictate the power and financial relationship between the various tiers of government, especially the State and the local government are deliberate. They are made to serve as checks and balances; and ensure transparency and accountability, and ensure equitable distribution of national wealth to the federating units, among others, thereby, bringing even development to the federation.

Since the 1976 reforms, however, the councils have been grappling with a plethora of problems, relating, in large measure, to the delimitation of their fiscal jurisdiction and protection of their revenue rights. There has also been a severe erosion of their fiscal autonomy. These, combined with other institutional and structural problems, have rendered them functionally impotent in the areas of revenue allocation and effective service delivery.

It is therefore obvious, that, for any meaningful development to take place at the local level, the States need to recognize the Local government as partners in progress. That is partners in enhancing sustainable rural development through the provision of essential services to improve the Standard of living of the rural populace. And this cannot be without adequate financial resources at the disposal of Local Government.

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