TITLE PACE

AN APPRAISAL OF REVENUE GENERATION AND LOCAL GOVERNMENT PERFORMANCE IN NIGERIA:

A CASE STUDY OF CHIKUN LOCAL GOVERNMENT

BY

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BEING A THESIS SUBMITTED TO THE POSTGRADUATE SCHOOL, AHMADU BELLO UNIVERSITY ZARIA, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF PUBLIC ADMINISTRATION (MPA)

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DECLARATION

I, KUBAI IBRAHIM MICHAEL with Registration number MPA/ADMIN/45422/04-05 hereby declare that this thesis has been prepared by me and it is a product of my own research work. It has not been accepted in any previous attempt for a degree. All quotation marks or by indentation are acknowledged by means of reference.



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APPROVAL PAGE

This thesis: "An appraisal of revenue generation and local government performance in Nigeria. A case study of Chikun local government" has been carefully read and approved as having satisfied the conditions for award of Masters of Public Administration, Faculty of Administration, Ahmadu bello University, Zaria.

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DEDICATION

This thesis is dedicated to God Almighty the solid Rock on whom I stand.

To my Parent for their love and care.

To my Uncle Mr. Luti Kure; A strong pillar in my academic pursuit.

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ABSTRACT

The focus of this work is on revenue generation and local government performance in Nigeria. Given this objective, it was hypothesized that: -The level of financial autonomy granted to local governments and their weak revenue generating capacity, have greatly affected the development of the grassroots; The state and local government joint account has effectively eroded any level of independence for local government there by obstructing its role as a tool for development in Nigeria; the nature of intergovernmental relations in Nigeria, has greatly affected the level of performance of local government.

Documentary research and survey method were employed in data collection and the three hypotheses tested and developed.

The major finding therefore is that lack of Revenue generating effort in Local Government affects its performance.

It was therefore concluded that there cannot be a virile and dynamic local government system without ensuring that the functions assigned to local governments are properly aligned with tax arising powers or fiscal jurisdiction and that designated revenue rights are guaranteed and adequately protected. The study however recommended that there should be a review of the functions of each level of government, there is the need to give the local government a larger share of the federation account,

there should be power to raise revenue and incur expenditure and fiscal discipline in terms of revenue efforts and accountability should be adhere to.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Local Government as a decentralized unit of Public Institution is saddled with responsibility of implementing government policies that have bearing on the life of the people. The responsibilities of the local governments are enshrined in the constitution of the Federal Government in the fourth schedule (1989: 4th schedule). It is also mandatory for the local government to participate in economic planning and development of their local government is. To perform these roles, therefore, local governments need to be effective and efficient in mobilizing financial resources.

Local government revenues in Nigeria like in many other countries of the world are traditionally classified into two broad categories; internal and external source. The internal source consist of tax and general revenues over which local governments have statutory jurisdiction the external sources of local government revenue in Nigeria consist of tax and general revenue over which local government have statutory jurisdiction.

The external source of local government revenue in Nigeria consist mainly of discretionary and specific grants, statutory allocation from both the federal account and 10% allocation state government internal revenue and beginning from 1995, the valued added tax. (Vat).recognition of the need following the reforms, local government through out the federation become agent of grass root transformation and development. The spirit of the 1976 reforms bought into preparation of the 1976 constitution of the federation republic of Nigeria and this led to the entrenchment of the local government

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function specific in the guideline into constitution as the fourth schedule under section 7 of the constitution thus:

(a) To make appropriate services and development activities responsive to local wishes and initiatives by devolving or delegation them to local representative bodies;

(b) To facilitate the exercise of democratic self government close to the local level of our society, and to encourage initiative and leadership potential;

(c) To mobilize human and material resources through the involvement of member of the public in their local government.

(d) To provide a two way channel of communication between local committees and government (both state and Federal) [FGN, 1976:1].

This study evaluates the financial capacity of Local Government, addressing issues like the internal revenue capacity and potentials of local government for revenue generation, statutory allocation and tax administration. It also presents analysis of the views of Chikun Local Government on revenue collection and tax administration, various revenue control measures and problems associated with revenue generation. Section two of the study is an attempt to provide the theoretical framework in looking at financial capacity of the local government. Review of relevant literature was also done. The third section is devoted to the review of the resource base of local government while the forth section is the analysis of local government funding at the unit local government level. Section five is the summary conclusion and recommendations of the study.

1.2 STATEMENT OF THE PROBLEM.

Local Government has come to play increasingly important roles in the development of rural areas in recent time. This is due largely to their position as third tier of government and the recognition of their tremendous impact on lives of the majority of Nigerians.

The fourth schedule of the 1979 constitution spelt out the functions of local Governments. However, the functions so specified there in could only be performed when money is available and sufficient. The questions that readily come to mind are; do local governments have sufficient money to enable them perform the functions assigned to them; have they been able to generate internal revenue to complement the statutory allocation from the Federation Account? Certainly, most local governments in Nigeria, apart from few in urban centers, do not have sufficient funds to carry out their statutory functions. Local Governments in Kaduna state like their counterparts in other states depended on the 20% statutory allocation from the Federation account and other special grants from Federal and state Governments. The local governments would be in financial crisis should there be a reduction in the amount of money they receive from the federation account bearing in mind the fact that Nigerian foreign Exchange Earnings is largely depending on oil revenue whose price fluctuates.

Apart from the economic implication, there is also political implication, a situation where by local governments are heavily depending on the central authority erodes their semi-autonomous status which is crucial in the development based on democracy.

However, using Chikun Local government as a case study, we shall attempt in this study to seriously examine the problems of finance as it affects the statutory functions of the local government.

1.3 OBJECTIVES OF THE STUDY.

The main objective of this study is to appraise revenue generation as it affects the execution of statutory function in Chikun Local government area.

Specific objectives include to:

i. determine how Nigeria's system of intergovernmental relations affects local autonomy;
ii. examine and assess the factors that hinder the achievement of local government autonomy in Nigeria; and
iii. Identify the possible channels for removing such factors and proffer solutions and other alternative courses of action that may be required to improve the situation.

1.4 SIGNIFICANCE OF THE STUDY.

A critical evaluation of revenue generation and local government performance in Chikun local government as a case study is justified in view of the glaring depletion of internal source of local government revenue. This problem is not only peculiar to Chikun local government but is common to other local government in Kaduna state and Nigeria at large.

A situation where local governments depend largely on external sources of revenue is detrimental to their developmental efforts. This is because local government share from the federation Account is not stable due largely to unstable oil prices from the international oil market.

At present, Chikun local government cannot pay her staff salaries if there is any slightest delay in the release of their statutory allocation. It is therefore justified to critically examine internally generated revenue in Chikun local government as it affects the local government performance.

Local governments' desire for autonomy from the central control can only be realized if they curtail their depending on the central authority for funds. For local government to be fully autonomous, they should be able to generate a reasonable amount of money internally. At the moment, there is 'no go area' in the area of revenue collection. This is a situation where by local governments are prevented from collecting taxes such as pay as you earn tax, tenement rates from their domains, erodes their autonomous and revenue base. The more autonomy granted to local governments the more revenue they would generate locally.

1.5 HYPOTHESIS

The following hypotheses guided the study:

i. The level of financial autonomy granted to local governments and their weak revenue generating capacity, have greatly affected the development of the grassroots.

ii. The state joint Local government Account has effectively eroded any level of independence for local government thereby obstructing its role as a tool for development in Nigeria.

iii. The nature of intergovernmental relations in Nigeria, has greatly affected the level of performance of local governments.

1.6 SCOPE AND LIMITATIONS OF STUDY

This study covered the following aspects; firstly, sources of Chikun local government finances, both external and internal sources of revenue were identified. Secondly, an evaluation of the internal revenue generation was made. This involved comparative analysis of the local government annual revenue and expenditure with the view of identifying the amount so generated internally. Lastly, suggestions are given on how to increase internal revenue of local governments.

However, the study gave more attention to internally generated revenue, problem(s) of poor generation and strategies for improvement. The study is not intended to discuss revenue administration in greater details. But little is said as it relates improved internal revenue generation. Also, the study is not intended to cover revenue generation in all the twenty- three local government in Kaduna state.

1.7 RESEARCH METHODOLOGY

It is generally believed that the nature of the research problem and the data required should determine the methodology. To reflect this consideration, the methodology of this study is as follows:

METHOD OF DATA COLLECTION:

In order to achieve the objectives of the study and to confirm or reject the hypotheses specified the following tools of social inquiry were utilized:

Primary and secondary sources of information.

i. Secondary sources: the subject matter of this research is of national concern; as such secondary sources are important to the study. Accordingly, the study examined articles, journals,

and other published and unpublished works relevant to the study. The purpose of this is to give the study a broad base to be able to make comparison and critically asses the various opinions and conclusions from these sources.

Primary sources: the primary data were collected with the help of a questionnaire. This enabled the researcher to gain valuable insights into the activities and functioning of these institutions. The design of the questionnaire was in step with the order in which the hypotheses were listed. This means that each section of the questionnaire was designed to obtain the respondents' opinions in relation to a particular hypothesis.

a. **Questionnaire Administration:** This study centers on Chikun Local Government. The chairman, Director of personnel management, secretary to the local government and heads of Departments were issued questionnaires. This means that two hundred (200) questionnaires were therefore distributed among the selected population of local Government staff in Chikun Local Government.

   The chairman, director of personnel management, secretary and heads Departments were chosen because they are involved, not only in running the local government, but also in the formulation and execution of policies, and therefore, any control mechanism placed on local Government will directly felt by them. Secondly, the researcher feels that since most of them have been working or involved with the Local for a long time, they most likely, would have experienced the impact of revenue controversy.

The procedure used in drawing the sample is the purposive or judgmental sampling. The main purpose here is that the researcher considers this particular category of people relevant since they are directly involved in this area of study. Out of two hundred (200) copies of questionnaires distributed, a total of one hundred forty six (146) were returned and it was these 146 that were used in the analysis.

b. **Scoring of Data:** Scores ranging between 1 and 5 were assigned to component of each section of the questionnaire (see appendix 1) Dividing the Linkert scale in to three parts it was possible to classify the respondents as belonging to those who:

i. Agreed that the level of financial autonomy and weak revenue generating capacity of local government have frustrated innovation and development at the grassroots, and whether the state joint local government Account has eroded local independence.

ii. Said that they were undecided as to whether the level of financial autonomy and weak revenue generating capacity of the local government has frustrated innovation and development at the grassroots level and whether the state joint local government Account has eroded local independence.

iii. Disagreed on whether the level of financial autonomy and weak revenue generating capacity of the governments have frustrated innovation and development at the grassroots level, and whether the

state joint local government Account has eroded local independence.

Method of Data analysis

The analysis of the data for this study was done essentially with table's descriptive statistics (such as simple percentages) And expert opinions of other writers .the three hypotheses were tested using simple percentage .for any of the hypotheses to be accepted, the number of respondents who agree to a particular hypothesis most be more than the number of those who disagree, and for any hypothesis to be rejected, the number of respondents who disagree to a particular hypothesis, must be more than the number of those who agree. Furthermore, each of the results must be supported by at least two reports from another source.

Variables.

Two main variables were involved in the study, revenue and performance. Revenue represents the independence variable [that is, the variable whose effect on the dependence variable is under investigation], while performance is the dependent variable [the variable whose change as a result of the effect of the independent variable is being predicted.]

1.8 DEFINITION OF TERMS

For the purpose this study, the meaning of the following terms shall apply:

1.8.1LOCAL GOVERNMENT

In its simplest form, Local government means management of the people's local affairs by themselves in a locality. Locality entails a

unit created by law to administer local services through their own direct efforts or through their local authorities in a manner suiting local needs, peculiarities and wishes. Berber M. P. (1974) defines local government as "authority to determine and execute matters within a restricted area inside and smaller than the whole state. Local government involves the administering of services on a local basis by local bodies" In sum, local government is that unit of government administration with defined territory and powers, as well as administrative authority with relative autonomy.

1.8.2 REVENUE

The term revenue in the general concepts as defined in thee dictionary is "income especially the total annual incomes of a state..."

In other words, Revenue used in the context of this project is the total financial returns that accrued to a government (local, state and federal) in study and this could be in form of taxes and other monies released by the local government from either direct or indirect forms accrued with a particular period of time, normally a fiscal year.

1.8.3 GENERATION

The word generation connotes the contents of producing, or derives in form of collection or accumulation while the general Dictionary definition is too vague to be presented here. The particular function of this word used in the context of this project is to produce, collect, accumulate through possible or designed, acceptable means certain money or described as revenue. Here we described within the judicious or legal right as specified within the guiding rules and regulation establishing the state in Nigeria.

1.8.4APPRAISE

The oxford Advanced Learner's Dictionary defined "Appraise" as "assess the value or quality of somebody or something". Therefore, in this study, 'Appraise' can be defined as "a systematic process of analyzing and assessing revenue effort in relation to revenue generation. It also means the evaluation of a system to ascertain its merit or otherwise or its impact on the environment, country or a part of the system itself.

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 LITERATURE REVIEW:

A great variety of people including scholars and intellectuals have done a lot of work on the study of local government, its related disciplines and its various components like local government administration, local government finance, etc, the interest and emphasis shown in the study of local government can be attributed to " the continued growth and greater congestion of the towns which, in its turn, has accounted such urban problems as crowded roads, inadequate water supplies, housing problems and obsolete sanitary facilities.... The rising expectations and demands on the part of the people for more and better local public services is an even more important factor accounting for the increased need for local development and services" studies have revealed that this concern and important attachment to the place of local government in national development has not just begun, for instance, as far back as quoted by Adedeji (1977) stated that "...to ensure a firm foundation for development, we should go down to individual communities and to the individual tax payers themselves. Experience has shown the disadvantages of planning from the top... the larger issues of development must be at the national level, but it is important to ensure by all means possible the fullest cooperation of the individual and the separate communities" However, all these cannot come to be without the availability of a sound financial base backed by prudent and efficient management of the available financial resources. In the first place, local governments in Nigeria are faced with the problem of limited sources of revenue and the ones available are not, in most

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cases, tapped to the fullest. According to. Odenigwe,(1977) one of the factors "on which the effectiveness of local authorities centre on the sources of independent revenue…. And the consolidation of a variety of grants to the local governments." Based on this, "local authorities, thus, have to rely heavily for their revenue on government grants, minor taxes, license fees and changes for services. Without trying to blow this point out of proportion, it is the view of Ahmed (1983/4) that "without adequate financial resources, no organization can function effectively and this is the condition of the local governments".

It is noteworthy to mention at this point that according to Hugh Whalen, local government is:

> *a given territory and population, an institutional Structure for legislative, executive or administrative purposes, a separate legal entity, a range of powers and functions authorized by delegation from the appropriate central or intermediate legislative, and within the ambit of such delegation, autonomy including fiscal autonomy'*

On the other hand Chief Obafemi Awolowo referred to local government as:

> *A system of government where in local councils makes, accept responsibility for and implement their own decisions subject only to such control as may be exercised by the*

people through their own regional government.

In the guidelines for local government reforms published by the defunct 1975 Federal Military Government local government is defined as:

> *Government at local levels 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 staff and the direct provision of services and to determine and implement projects so as to compliment the activities of state and Federal government in their areas and people, and their traditional institutions, that local initiatives and responses to local needs, and conditions are minimized.*

This definition apart from discussing the concept of local government, it has also discussed the purpose for establishing local governments in Nigeria.

This project however shares the view of the United Nations' office for Public Administration which defines local government as:

> *a political subdivision of a nation or (in a Federal system) state, which is constituted by law and has substantial control of local affairs, including the powers to impose taxes or to exact labour for prescribed purpose.*

The governing body of such an entity is elected or otherwise locally elected.

Most of the works on the concept of local government presupposes that a local government is a legal person that can sue and be sued. It has defined powers and its activities of both the state and Federal government. Unfortunately, the situation in Nigeria is different. Almost all the local governments in this country depend largely on the Federal and state government for their financing staffing and control. The then Chief of staff confirmed this while launching the 1976 reforms:

Local governments have over the years suffered from the continued whittling down of their power; the state governments have continued to encroach upon what would normally have been the exclusive powers of local government

In the same vein, Oluwo appreciating the functions of local governments stated that:

We must not loose sight of the fact that historically the administration of major services (poverty, laws roads and market maintenance, injustice environmental sanitation) was the reason for the development of local governments.

Many scholars and authors hold the opinion that local governments in Nigeria have since the 1976 Reforms fallen short of expectations in the performance of their functions, especially those functions

regarding the provision of services; welfare and general administration. The obstacle to this is poor internally generated revenue that is not enough to carry out their fundamental services to their people. For instance,.Orewa and.Adewumi (1983) looking closely at the defect of merely distributing 10% of the national revenue to local government without consideration for any criteria. They therefore suggest that:

> *in the distribution of the 10% share of the national revenue to the state local government fund, due consideration should be given to the criteria of population, tax efforts as reflected in the number of actual taxpayers in each local government area, equality of status of the local governments, sparsity of population and urbanization.*

This is in effect supposed to mean that in virtue of these externalities within the environment; more than the 10% of National revenue is desirable for efficient and effective Local Government functions.

Similarly, Sani (1977) looks at the inherent problems of depending on internally generated revenue by local governments and proceeds to make recommendations to the government, which may alleviate the financial handicap of local governments. He believes strongly that his suggestion may assist local governments in their efforts towards developing the communities (grassroots development). In his paper, he outlined;

> *The problems of finance and revenue of local governments in Nigeria are enormous. These include paucity of resources difficulties in developing a tenement or property tax, the*

diminishing base of income tax characterized by the reduction in the number of tax payers to local governments……this is followed by the difficulty of securing capital loans by local governments…… in addition there is the need to increase the amount of locally raised revenue available to the local governments and make attempts to prevent further decrease.

He went further to lay some of the demands or obligations of local government that warrant a sound financial base;

Each local government needs a sufficient quality and quantity of personnel to cater for the acute administrative professional and technical needs thereof. Towards this end, local governments must be able to recruit effectively… allow scope for substantive decision making…

Umaru Aboki in evaluating internal generation of revenue in Lafia local government discovered that there were inherent problems ranging from inadequate staff and lack of mobility like vehicles for easy access to revenue collection. In view of this the local government resorted to employing voluntary hands that were paid to collect revenue on behalf of the local government. Because the money they were paid was not adequate, they tempered with the revenue they collected. Another issue was the poor quality of staff for the revenue generation exercise.

The staff was untrained, they were stark illiterates without any accounting knowledge and often they are defrauded. Philip Mawhood in his paper on "Local Government functions and the provision of services to an acceptable standard" queried the issue of concealing grants to the local governments thereby impeding planning process. He advocated thus;

> *if specific grants are to operate as a support to responsible local government and not an attack on it they should in general public long term and expanding...*

Another paper of his titled "Local government for a developing Nigeria" in a lecture delivered in Ahmadu Bello University, Zaria in 1976, he reiterated his stance on financial lapses and the need for rectifying this crippling phenomenon: " my last suggestion for a subject which requires constant attention in the future is that finance for local governments should be adequate and constant," he went ahead to dwell on internal generation of revenue without a sound legislative backing which makes it unconstitutional to exhort some fees and implores the rule of law to embrace and ascertain a legal backing for confident collection of revenue he said:

> *The local governments need the power to collect revenue of their own locally, as part of the democratic process...So long as the grants are administered in such a way that local discretion is preserved as far as possible. The councils need to control enough money to pay for their expanding services.... A council without its own capital investment*

programme...is at most a poor imitation of local government... the local body has to be assured of a constant flow of revenue

Olapade (1982) has this to say on his own;

Without sound financial base local governments cannot be expected to prosper. The financial resources of local governments must relate to responsibilities allocated to them. The success of the local government entirely depends on the size of revenue it can generate locally...

In respond to shortage of fund of funds in local governments, the Aboyade committee has this to say;

We recommend that the efforts of local committees of progressive unions and that of out of town patriotic associations be now positively integrated into the local government system...

Longe (1982) also made some contribution or suggestions to what he feels would improve the revenue base of the local governments.

There should be a re-allocation of functions so as to reduce expenditure obligations for lower level of government by transferring some functions to federal government for example in the field of primary education.

Again, he suggested that a decree should be promulgated to compel state governments to make a prompt payment to local governments and that local governments should be empowered to sue their state government whenever this provision is violated.

Suggestions have been made that apart from poor grants and weak financial base of local governments, there is the need for proper control of expenditure in the local government to reduce fraud and that local governments should be given the freedom to prepare, approve and control their budgets. These measures could help in reforming the financial problems.

Talking on the same issue Ohiani (1985) has observed that the local governments have only two major sources of finance; the external and internal sources. To him therefore all these sources are inadequate. He suggested that local governments should be made to generate more revenue internally than to depend on grants from the federal government.

Again, Gum (1991) feels that government grants to the local governments should be increased and be channeled directly to the local government when he says:

> *In view of the need for the local government to develop and improve local sources of generating revenue, the state government should increase its statutory allocations to the local governments. Federal government grants should be channeled directly to local governments to avoid diversion.*

So far we have been reviewing literature writing on various aspects of local government; finance, Administration etc. it is unfortunate that little or nothing has been writing in the past concerning local government revenue of Chikun in particular. Having carried out a wide review, it is the belief of the researcher that this project will at least act as a guide to other works that could be undertaken on local government related disciplines especially in Chikun local government. This work will bridge the gap of dearth of data on Chikun local government.

Academic literature review on this topic is very wide and inexhaustible. The more facts unearth, the more you discover that you have not done anything yet. Despite the numerous works of various scholars and writers analyzed in this chapter, there is no denying the fact that a lot more invaluable contributions of others have not been touched. So this work should not be considered a terminal study but a stepping stone to further studies in the subject area.

2.2 THEORETICAL FRAMEWORK

2.2.1 System theory

System theory conceives public policy as the response of the political system to demands from the environment. The political system consists of institutions, which make authoritative allocation of values binding on the society as a whole. The environment consists of the institutions fund in the economic, social, cultural and internal systems, which shape political system. System approach assumes that a state of mutual causations, which shape political system. Systems approach assumes that a state of mutual causation exists between public policy and environmental variables.

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Historically speaking systems approach has its origin deeply rooted in biological sciences. The central guiding concept in the general systems theory is the concept of "system". Systems are generally relationships or better still a whole, which is composed of many parts. The central guiding principle of the assumption of equilibrium, which is the whole, will need the cooperation of the parts to keep functioning.

A system has an internal and external environment that derives its source of energy from the external environment. The system has in-built mechanism for maintaining and regulating the relationship between components parts.

The major assumptions of the systems theory are:

i. the society is viewed as a whole;
ii. the environment of a system has component parts which are subsystems
iii. the components parts of the system are interdependent
iv. the realization of the goals of the system as a whole is but one of several important needs to which the organizational system operates
v. the organizational structures are viewed as spontaneously and domestically maintained
vi. the equilibrium of the system depends on the conforming behaviour of the group, units and members
vii. Changes in organizational system are considered as a result of cumulative, adaptive responses, among others.

Parsons (1951) observed that for a formal or social organizational system to survive it must resolve the following problems:

i. goal attainments, or keeping the system moving steadily towards the goals

ii. adaptation, or the process of mobilizing the technical means to achieve goals

iii. integration, or the process of achieving and maintaining appropriate emotional and social relations among those directly cooperating in goal attainment process, and

iv. Latency (pattern maintenance and tension management) or seeing that the cooperating units have the time and facilities to constitute or recognize the capacities needed by the system.

David Easton (1965) was the fellow who popularized this approached in political studies. His systems theory can be explained as a two-way traffic between the governor and the governed or a ruler and the ruled. The political system consists of demands for particular polities and expression of support for the regime and converts them into outputs (authoritative policies and decisions) these outputs are then fed back to the society so as to affect the next circle inputs. Outputs are what government actually chooses to do or the services they render. The level of successes of government policy is tested through feedback mechanism. Dimmock (1983) posited, "Policy option cannot be taken for granted. It must be tested, measured analyzed and improved, if its performance is to be improved".

People tend to support government when their needs are met and withdraw support when the reverse is the case. The relationship between inputs and outputs is better described as in the words of Kroll (1969) who argued that "without inputs, the system can do no work without output; we cannot identify the work done by a

system". However, it should be noted that it is only the demands which cannot be resolved privately that need authoritative decision or matter for serious political decision.

Systems theory is seen as a way of dealing with the basic social, economic problems and how best to use limited resources by specifying degree of effectiveness for the list cost or the greatest effectiveness for a given cost i.e. it is a cost benefit analysis. It develops information that will help the policy makers select the preferred of achieving set objectives. It defines alternative ways of achieving the objectives and estimates in quantitative terms the benefits to be derived from and the cost of each alternative. Many demands will be made, or 'articulated' but some are lost in conversion process and do not reach the output stage. If there are too many demands, or particular types of demand, stress arises, and the channels are then overloaded. There are various regulatory mechanisms, to control demands and minimize overloading. Finally, the structural mechanisms, 'the gatekeepers' e.g. pressure groups, political parties, Secondly, cultural mechanisms, the various norms which consider the appropriateness of the demands. Thirdly, communication channels that can be increased; fourthly, demands may be controlled in the legislators, executives and administrative bodies.

2.2.2THE IMPACT OF SYSTEM APPROACH TO LOCAL GOVERNMENT SYSTEM

The study employed the systems theory as our guide. The researcher is in agreement with the assertion made by the scholars of system theory; that finance is an important variable for the smooth running of

local government. There is an interaction between units and sub-units in the political, social, economic and cultural environment. The local government system requires the proper interaction and blending of several factors that keep the entire system functioning as a whole. For example adequate revenue and good management can enhance local government performance.

System theory has the following indicators or variables, political system, environment, boundary, input (demand and support) decision making, output (decisions and policies) feedback. the Local government does not in isolation or vacuum. It is mutually dependent on the external environment of the system, which is a part of larger economic, political system in the society. Thus, it accepts inputs (adequate funds, materials, human resources, managerial skills, technical know-how etc); transform them into outputs (education services such as good quality education, academic achievement, self reliance, skill acquisition, knowledge etc) and bring them into the environment.

The main objective of this study is to appraise Revenue generation and Local Government performance in Kaduna state, we will further look at the Local Government system and determine the nature and extent of the inputs in terms of revenue generation, revenue effort, proper management and availability of sources of revenue. To examine their relevance in terms of outputs which is Local government performance? The information feedback will help in improving Local government performance in delivering service of great value and change the inputs for improvement.

The political system has an environment whether Local, national or international. It responds to the pressure of the environment, in terms of political activity, while the boundary of the political

system expands due to the demands coming from the environment of the political system. From the environment comes inputs into the system and these inputs come in form of demand and support. The system itself has a capacity for accommodating these inputs. The systems using its decision-making machinery process these inputs and turn them as outputs (i.e. decisions and policies). These are feedback into the environment that may satisfy those who made the initial demand or may not. The feedbacks are also capable of generating further demands or entirely new ones. Therefore, in every political system demands are being fed into the system, while the decision making box keeps processing the, turning the out as outputs.

In comprehending system theory, there are some key factors that should be recognized. First, a system should be;

i. organized and orderly
ii. made up of components and relationships among components
iii. functioning as a whole because of interdependence of its parts and
iv. Existing to accomplish a goal or goals.

As a level of government, the local authority presents perhaps the most controversial discourse about the justification of its existence. In the search for an explanation on the existence of local government several scholars have captured divergent views. This divergence has evolved into two major schools of thought about the justification of local government – those who believe that it can be justified within the context of certain democratic theories and those who perceive of it as a means of providing efficient services at the local level.

Mackenzie (1963) argues that local government is far from being a launching pad for democracy. He perceives local government primarily as a means of providing certain services although it may also offer the citizens the benefit of serving the community on the other hand, Mill posits that local representative democracy provides an avenue for the political education of citizens aspiring for national office, and that local government is the basis of democracy. To Mill therefore, the individual citizen's political suavity is assured when he progresses through the tutelage of local to national politics. In this manner, Mill considers local government to be "the prime element in democracy".

What then is local government? Local government is a political subdivision of a nation which is constituted by law and has substantial control of local affairs including the power to impose taxes or to exert labour for prescribed purposes. The governing body of such an entity is elected or otherwise locally selected. Another definition of local government goes thus; government at the local level exercised through representative councils established by law to exercised specific powers within defined areas.

Adequate financial resources are a sine-qua-non for a virile local government system. "Upon adequate revenue provision depends on the ability of local governments to discharge their responsibilities; upon some sources of revenue being local, depend on the prudence and independence of local authorities; upon predictability of revenue depends on their ability to plan for future; upon equity of their local tax system, depends on much popular support." (Maddick: 134). Hence local governments are furnished with the necessary financial resources to exist as bulwarks of local energies and as semi-autonomous centers

for the making of decisions tailored towards local needs in area of social and economic development.

Local governments without exception need financial resources from both their internal as well as external sources. Their external sources may be regarded as a contribution to the expenditure of local governments in carrying out nationally approved programmes and policy as well as to provide the services that can improve the well-being and wealth of various communities. There are a number of general considerations as to why Federal Government transfers funds to the local governments. Dave (1983) stated among others the following reasons:

i. To finance either wholly or partly the cost of services or development programmes which are of national significance e.g. education expenditure;

ii. To compensate local governments with low fiscal capacity especially those with a relatively inferior potential for raising their own direct revenue;

iii. To stimulate growth in local economies there by contributing to national growth and by extension reducing inter-local government or regional disparities;

iv. To control government expenditure with a view to ensuring compliance with national policies or standards; and

v. To ensure an equal, or more equal standard or services of development across the country.

Since 1976, local government in Nigeria has been assured of a steady source of revenue through allocation from the Federation Account. With the recent increase in the local government share from the Federation Account from 15% to 20% there is bound to be a significant rise in the total statutory allocations to local government.

This notwithstanding, section 160 (6) of the constitution requires each state to pay a portion of its revenue to the states internally generated revenue as may be prescribed by the National Assembly (10%) in spite of these developments, however, the position of the local government finances especially when viewed within the wider context of Nigerian economy, remains unimpressive.

There are two major difficulties about the giving of transfers to local governments. First is the temptation to rely all the time on money from the Federation Account. The attitude and the orientation of most policy makers in the local government has been the common impression that the resources from the Federation Account is infinite and inexhaustible that they are of infinite extent. This attitude undermines self-reliance, self-help, and independent action of diversification of sources.

The second area of difficulty is occasioned in most local governments as a result of uncertainty irregularity regarding the provision of finance from the federal government sources. The effect of these failures and fluctuations can be disastrous on the poorer local governments with no reserves to fall back on. Services to stop, staff are unpaid, and in some places local governments virtually cease to even function. Since this fund would have to be allocated to the local governments using a designated criteria, local governments are always at disadvantage and this undermine their financial autonomy.

Local governments also derive their revenue from their independent or internal revenue sources which include property taxes, license for bicycles, trucks (other than mechanically propelled trucks). Canoes, wheel barrows, and carts, as well as rates, radio and television licenses etc. the size of revenue the local government can generate at any time is influenced by the source endowment, level of

economic activities and the efficiency of its revenue collection machinery. The central question to ask is what is revenue capacity and revenue generation effort of a particular local government? Is the revenue or financial resources elastic or inelastic? Is there over dependency on state and Federal government for finances or not? What are the avenues or areas available to local government as a source of avenue for them efficiently and effectively discharge their constitutional responsibilities for the provision of socio-economic services?

In addressing these issues highlighted above, we need to examine the financial capacity of local government in Nigeria. This would be done in relation to a number of variables, which we would define as principal determinants of the capacity of the local governments to mobilize from both external and internal sources, or a sustained basis.

The first variable we can identify is the level of financial resources available to the local governments which enhance the capacity of local governments to exercise their initiative in providing public goods and services. There are two of such resources. One is the transfers, from the Federal Government and 10% internal revenue from the state government. This will not only enable local government to be financially sound but will also increase its capital investment. Two is the taxable capacity to the local governments to raise revenue from their internal sources. Taxable capacity depends on a number of economic development, sectoral distribution of economy (whether rural or urban), the percentage of the population engaged in cash income employment (economic activities) and the structure and composition of prevailing taxes.

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The second variable which is very critical in determining the financial capacity of local government is the efficiency of the collection machinery. The efficiency of the machinery will ultimately be determined by the quality and size of its personnel and other supporting facilities available. Efficiency cannot exist in a vacuum.

The third variable is the level/extent of revenue effort exerted by the revenue division. Even where a well designed and adequately staffed machinery exists, the question of effort comes in to play. It is indeed the local governments that determine the level of collection at any given point in time.

The fourth variable of financial capacity is the ability of the local governments to vary licenses and fees, since in the final analysis, total revenue collected is a function of rates applied. Most of the rates charged by local governments should expand correspondingly with time and economic circumstances.

The fifth important variable factor is the particular mode of collection adopted by the local government. The mode of collection can make the difference between what is collectable and what is eventually collected. This is in the area of revenue collection and control, supervision and internal/external checks.

In relation to these factors, we can look at the financial capacity of the local governments with the sole intention of examining factors limiting revenue generation. Our intention is to examine critically the resource base of the local government in question and to recommend internal revenue generation strategies which would lead to the local governments becoming effective instruments of grassroots-development.

CHAPTER THREE

3.0 HISTORICAL BACKGROUND OF CHIKUN LOCAL GOVERNMENT.

Chikun Local Government Area of Kaduna State, the gateway to the capital of the Liberal State was created in 1989 out of the defunct Kachia local government area. It is made up of two districts- kujama and Gwagwada, which is the second largest in the state.

The size of Chikun Local Government is about 44567sq km. it shares boundaries with Igabi and Kaduna South Local Governments to the North, with Birnin Gwari to the North West, Niger State to the West and with Kajuru Local Government area to the East. It is between Latitude 100 N and 80 E. it is situated in the northern guinea Salina zone. Gbagyi is the predominant Ethnic Group. Others include Hausa, Fulani, Kataf, Igbo, Jaba, Yoruba, etc. The main religions are Christianity, Islam and Traditional Religions. Occupation is predominantly agriculture. Crops produced are rice, gu8inea corn, millet, yam, cassava. These are also cattle rearing and poultry farming. The population is about 298,002 (1991) and it has eleven (11) wards. Mineral Resources deposits are Kaolin, sodium chloride, red clay, precious stones.

Chikun Local Government area with three (3) major entry points to the state capital. These are:

Buruku from the eastern part.

Gonin Gora from the southern part.

Kujama from the Western part.

Due to its proximity to Kaduna metropolis, Chikun local Government is fast developing in terms of residential settlements, industries and in population.

3.1 STRUCTURE AND ADNINISTRATION OF CHIKUN LOCAL GOVERNMENT AREA

There are six district departments in the administrative structure of the local government. These General administration, treasury, works and Housing, health, Agriculture and education. Each department is headed by a senior officer designated Head of Departments with other officers under him. The functions of heads of departments among others include responsibility for day to day activities of their respective departments and departmental representation at council meetings where they also form part of the decision making body of the local government especially if such decision affect their departments. All the heads of Department are responsible to their secretary who in his own turn is responsible to the chairman. The vice chairman deputizes for the chairman in the absence of the latter.

The chairman is also the chairman of the finance and General purpose committee (F.&G.P.C). The chairman is both the chief executive and the Accounting officer of the local government. All directives in respect of the affairs of the local Government are passed to the chairman from the council. These are then delegated to the various heads of department through the secretary.

CHIKUN LOCAL GOVERNMENT ADMINISTRATIVE STRUCTURE

CHAIRMAN

↓

DEPUTY CHAIRMAN

↓

SECRETARY

↓

HOD EDUCATION	HOD AGRIC	HOD WORKS	HOD HEALTH	HOD ADMIN.	HOD TREASURY
SEN. EDUC. OFFICER	AGRIC OFFICIAL	TRAINING OFFICER	HEALTH SUPRITAN-DANT	PERSONNEL MANAGER	SEN. EXE OFFICER (ACCT.)
EDUCATION OFFICERS	FIELD EXT. OFFICERS	TECHNI-CIANS	COMM. HEALTH OFFICERS	EXE. OFFICERS ADMIN.	EXE. OFFICERS (ACCT.)

Source: - Central Information Office, Chikun Local Government Area.

3.2 CHIKUN LOCAL GOVERNMENT FINANCIAL CONTROL SYSTEM.

There is no gain saying the facts that finance occupies a very crucial position in the life of any organization. The ability to any organization or government to mobilize human and material resources to achieve its objectives depends on its financial capacity. To this end, many school and writers on local government finance have always advocated for financial autonomy of the local autonomy of the local authorities and a diversification of their resources base. None of these can be realistic except local governments are able to hold their own in terms of revenue generation and management. It is only then that financial controls on local governments would be reduced to at least internal regulations. If not, the practice where state and federal governments discrete the financial tunes for local government will continue to prevail.

In Chikun Local Government, as in all Local government areas in Kaduna State and even beyond, financial control are affected through internal and external mechanisms (i.e. both within and outside the local government area). As would be seen, the external influence in this area is so much that even where the instruments are operated internally; their powers derive from the external environment. For instance, section 113 of Kaduna state local government edict of 1986, is the authority base upon which the financial memoranda with financial instructions and guidelines for effective financial administration in the local governments is issued by the commissioner for local Government. The application of these instructions and guidelines by local operatives does not make them (the guidelines) less external instruments since they have been formulated and imposed on the local authorities by the state government represented here by the ministry for local government.

In spite of this fact, the following financial instruments are still considered internal. Perhaps for the fact that they are being operated within the confines of the local government and by local state-first is the local government annual estimates.

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meet the expenditure in specific projects is also considered as capital revenue. In Chikun local government just like in any other local governments' area in Kaduna state and in Nigeria as whole, funds are raised from both internal and external sources.

3.3.1 Internal sources

Various scholars in local government finances have often advocated the independency of local governments, in external sources of revenue and have variously suggested ways of generating the much-needed kinds internally. Though this self-reliance has not been achieved by many or any of the local government across the country. Chikun local government has many internal sources of revenue generation as a way of supplementing the revenue from external sources. These include the following.

(a) Taxes: Prior to the advent of civilian regime in 1979, a form of revenue generation for the local government (community tax) was in force but on assumption of power in that year, the civilian government of president Shehu Shagari abolished the community tax either as a way of showing appreciation to the rural electorates or a way of lessening their financial burdens in the face of the scaring inflation then. But the military intervention of 1983 saw the re-introduction of the community tax in 1984 as one of their fiscal measures aimed at reviving the battered economy. Adult males between twenty-five and sixty years of age, who are able bodied and earn their own living are made to pay a once-a-year flat rater as tax because the people in this category are considered to belong to the low income group and same tax bracket. In Chikun local government, this is collected by the "Mai Angwa" or district heads on behalf of the local government council, since they are closer to the people. Cattle tax which could have been another tax revenue source is not yielding revenue any longer because it was

abolished, because it was assumed to be an unnecessary exploitation of the cattle rarer, since the grass is a free gift of nature.

(b) Licenses, Fees and Rates:- A lot or nature is generated from bicycle licenses. It is worth mentioning that rural dwellers from the majority of the entire population. In the villages, ownership of a bicycle is considered very important because the people depend on them for both inter and inter-village transportation. A lot of money is realized from bicycle license and the most effective way of collecting these fees is through spot-checks especially on market days when the collector mount roadblocks on market roads and paths unannounced.

A lot of money is also generated from motor parks and market receipts every day and every market day. On a daily basis, all vehicles entering the parks pay a fee of N10 for each trip. To ensure compliance with this arrangement, all commercial vehicles are prohibited from unloading and loading passengers along the roads within the town. The local union has a petrol vehicle or task force that monitors movement of commercial vehicles. The more the member of vehicles that enter the parks, the higher the revenue for them; so their best days are usually on market days when many vehicles make as many trips as they can and even later into the night. the local Government officials go round the markets to collect stipulated fees for the stalls on the understanding that the money will be used for the maintenance of these stalls and or building of new ones as the need arises.

Funds are also generated from the changes on the use of local government properties by private individuals and organizations. Open fields, town halls, and guest Houses are used for meetings, rallies, conferences or weddings for which specific rate are changed. From properties the bulk of the revenue comes from hire charges on local government Tractors, harvesters, bull dozens etc during the farming season. The lease of public address systems, tables and chairs also bring some money in their own little way.

TABLE 3.1: CHIKUN LOCAL GOVERNMENT INTERNALLY GENERATED REVENUE. 1981-1991

YEAR	EXPECTED REVENUE	AMOUNT REALISED	PERCEHENTAGE
1989	₦1,200,500	₦700,712	58.37
1990	₦1,600,300	₦903,013	56.43
1991	₦2,120,014	₦995,567	46.96

Sources: Kaduna State Local Government Progress Report: 1989-1991.

From Table 3.1, internally generated revenue during the years showed an increasing growth or revenue generation. Incidentally, these periods fell into the period of military regime under col... Perhaps one major reason that could be advanced for this impressive financial growth could be due to the military government's determination to bring our economy out of the woods. But whether this economy has eventually left the "wood" is another case left for history and posterity to judge.

3.3.2 External Sources:-

Revenue generated outside the government area is derived from two main sources and these from the largest portion of the total revenue available to the local government. This is not peculiar to Chikun local governments all over the country.

Local Governments see themselves as all forms of assistance in the task of carrying out the duties assigned to them by the statutes establishing them. The two main external sources of revenue are the state and federal governments. Since the creation of local government, converted efforts have been made both by state and federal governments in the area of making local government financially comfortable to allow them wake up to the exigencies of grassroots Administration. The various revenues from which the local government generates its funds externally include;

a) The Federal Revenue Statutory allocation to all local governments in the federation;

b) The share of the state revenue statutory allocation to all local governments in Katsina state.

c) Loans which it may raise within and outside Nigeria from time to time for specific developmental projects with the approval of the state government;

d) Credits received from its banks in the form of over drafts with the approval of the commissioner for local government;

e) Interests on investments made by the local government;

f) Sums of money received from a joint board to which the local government had contributed;

g) Other sums of money that may be granted by the state to the local government.

During the period under review, Chikun local government gathered different sums of money from both the state and federal governments in addition to whenever may have been realized from other external sources enumerated above.

TABLE 3.2: CONTRIBUTIONS OF CHIKUN LOCAL GOVERNMENT REVENUE BY STATE AND FEDERAL GOVERNEMNT 1989 – 1991.

YEAR	STATE	FEDERAL	TOTAL
1989	₦ 149,644.04	₦13,007,547.92	₦13157191.96
1990	₦ 163,750.20	₦ 20,250,300.50	₦20414050.7
1991	₦188,500.13	₦ 32,650,450.70	₦32838950.83

Sources: Kaduna State Local Government Progress Report 1987 – 1993.

From table 3:2, it is very clear that state participation in the funding of local government is nothing to write home about considering the enormity of their responsibilities to the people they are meant to serve and especially in`comparison with the federal government contamination. In a way, the 1976 local government reforms and the 1988 civil service reforms as it applies to local governments power way for direct funding of local governments by the federal government seem to have greatly affected state participation in the area of revenue provision for local government the implication of this is that state governments as federal governments wards especially in the area of financial obligations.

3.4 PROBLEMS ASSOCIATED WITH GENERATING INTERNAL REVENUE IN CHIKUN LOCAL GOVERNMENT

Lists of the problems identified by most local governments are administrative, political, environment, attitudinal and economic in character some are logistics – based problems. These problems are:

1) Poor revenue base 9inelastic revenue sources some of which are even seasonal).
2) Lack of working facilities e.g. adding machines, computers, vehicles and other gadgets. The total lack of these necessities in Chikun local government area makes the collection of revenues in the area an almost impossible exercise. A tax collector who has no Calculator will use that as an excise for turning in wrong figures even when such acts are deliberate. The availability and use of these machines and computers will ensure a near accurate data and the information stored can be easily retrieves or request. In like manner, the need for vehicle to move around the tax regions cannot be over –emphasized. These will go along way in reducing the problems faced by revenue officers and boosting the financed of the local government.
3) Poor accessibility to rural areas: Thousands of money is lost each year due to the absence of access road to some parts of the local government all year

round or at particular period of the year, especially the rainy season. Generally most of the areas are almost impassable during the rainy season and the unfortunate thing is that some of these areas are the high income yielding areas of the local government.

4) Low staff motivation. The facilities used for aid is the collection of revenue are obsolete this often discourage the collector couple with the fact that their reward system is very poor. This kind of situation makes the collectors prove to temptation.

5) Indiscriminate transfer of senior local government staff there by disrupting strategies and initiative hither to put on ground for effective revenge collection.

6) Imposition of extra-budgetary expenses by stakes and sometimes by the federal government. This situation destabilizes the original plan of the local government by making them go extra mille to meet up with the demand of either the state of federal government.

7) Interference in local government's own sources by the state, in areas like property, market and certain taxes.

8) Tax evasion and avoidance. The case of incidence of tax default in the local government is very disturbing. This shows that local government staffs need to be well trained and also familiarized with the existing tax laws, so as to plugged all the loopholes and raised more revenue higher than they are presently doing. The unfortunate side of this issue is that Chikun local government had provided had provides he arm waiting for Kaduna state government to review her byelaws for her.

9) Use or tax contractor/collections. Most on the local governments that connected out tax collection revealed that the use of private tax collectors should be discouraged. It is unfortunate to state here that Chikun local government is still using these private tax collectors. She contracted in out to a company called zooms's Ltd.

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10) Dishonesty among revenue collectors: It is a common practice among revenue collectors to declare wrong figures to the authorities for their selfish interests. This worsened by the lack of equipment and inadequate personnel to monitor the activities of these unpatriotic staff accept bribes from taxpayer to hold them avoid and evade tax. Others go as printing their own receipts and collecting a large part of the money. These activities go on year in year out unchecked. Perhaps the only way to stop this ugly practice is to educate the villagers on the need for then to pay their taxes regularly, currently and promptly. They

Should be made to know that the development of their areas depends on the taxes they pay and that convince with revenue collectors only makes the serious officials richer and not then.

CHAPTER FOUR

INTRODUCTION

4.0 DATA ANALYSIS AND PRESENTATION

It is well known fact that information gathering storage and dissemination in local governments in Nigeria bureaucracy generally are poor. To this effect, all data collected, presented and analyzed in this project are derived from oral, written, primary and secondary sources. In a majority cases, the staff of the local government and other interviewers had to be reassured that all information given are strictly for academic exercise and their identity totally confidential before that agreed to open up.

4.1 DATA ANALYSIS

Local government constitutes the most critical level of government at which the momentum of national development can be created and sustained. To some countries in the world, it is the only semblance of authority known beyond the traditional institution local government is closest to the people at the grassroots and so should have intimate knowledge of people's needs problems and potentials. They are regarded as component units of government that can assess the needs of local dwellers that can mobilize and harness local resources with the help of local talents and support the other levels of government. A modern local government is expected to play the role of promoting the democratic ideals development programmers at the grassroots level.

As local governments increase in competence and resource base, they are used to reduce congestion of responsibility in the central government, thereby renaming national agencies to concentrate on overall development measures. Local governments are expected to provide the basic infrastructures for social and economic development, particularly in rural areas. Local government serve to increase the participation of people in administration of services, there by

facilitating the adaptation of programmes to local conditions and needs and gaining acceptance of such programmers by the people.

In order for local government to be able to effectively do what is expected of them, they needed to be reshaped and assigned more specific responsibilities and finances. In particular, they had to be upgraded and recognized as the third tier of government with defined boundaries, stated functions and provision for ensuring adequate human and financial resources.

The seventy of Nigerian's economic crisis dictates that all available resources be effectively mobilized to reverse the deterioration of the economy. In recent times, local governments in Nigeria have been assigned specific development roles by the constitution. In a federal system like Nigeria, local governments are close to the people and hence could effectively alter socio-economic 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.

Fiscal operations at the local government level become significant if macroeconomic stability is necessary in the wider economic. If fiscal imbalance appears rampart at the local level, if could pose problems for macro-economics management of the economy. The scenario is even more complex when local governments depend on transfers from the centre. In this era of fiscal distress, local governments pace more challenges in terms of struggling to be less dependent on the centre and the state for financial resources.

Though the revenue allocation system mandates that a certain fraction of the federal Account be allocated to local governments, these funds are never enough to meet expenditure requirements. This is so because the size of the account is related to revenue from oil which is subject to fluctuations, and the expectations of local governments far exceed the available resources. In view of the fiscal distress experienced by the local governments over the years, i.e. has generally been felt that they should put more effort in increasing their internally

generated revenues though efficient tax administration in order to improve their finances and reduce fiscal imbalance.

4.2 HYPOTHESES TESTING

The hypotheses tested in this study were stated in chapter one, the data obtained through questionnaires and secondary sources were structured according to the hypotheses. This means that the data analysis in this chapter was done under each hypothesis.

a. **Hypothesis one:** Generally, decisions concerning the pattern of local government financing tend to revolve around three main considerations. The need to achieve a high level of physical performance; the desire to encourage self reliance at the local level and thereby maintain some measure of local government autonomy; and the wish to preserve the principle of accountability and financial responsibility. The task of striking a balance between these three goals is of vital importance because the ability of any local government system to achieve the purpose, for which it was created, is a function of the congruence between its principle goals sources. Against this background this study hypothesized that *"The level of financial autonomy granted to local governments and their weak revenue generating capacity, have greatly affected the development of the grassroots".* In order to test this hypothesis, the responses of the respondents on statements in section 'A' of the questionnaire dealing with revenue generation were analyzed. The responses of the respondents on the statements in section 'A' of the questionnaire are as follows:

Table 4.1: classification of responses according to their opinions on statements dealing with revenue generation in section 'A' or the questionnaire.

	Statements	No of Respondents		
		Agree	**No decision**	**Disagree**
I	The existing revenue sources for chikun local government are not productive enough to ensure their autonomy and the development of the grassroots.	98 (67%)	6 (4%)	42 (29%)
II	the internal revenue drive of Chikun Local Government is very weak	136 (93%)	6 (4%)	4 (3%)
III	The higher the internal revenue of a local government (Chikun), the more autonomous it is from the other leaves of government.	129 (88%)	17 (12%)	-
IV	The local government reform did not grant the local government's sufficient financial autonomy.	107 (73%)	23 (16%)	16 (11%)
V	The level of financial support by the federal and state government is inadequate to ensure innovation and development at the grassroots level.	97 (66%)	11 (8%)	38 (26%)
VI	There were deliberate attempts by the state governments to frustrate the efforts of local governments through the	116 (79%)	10 (7%)	20 (14%)

	withholding and diversion of statutory allocations.			
		AV 114 (78%)	AV 12 (8%)	AV 20 (14%)

Source: Administered Questionnaire, 2006.

Table 3, indicates that on the average 114 (78percent) of the respondents agree that revenue generation and financial autonomy play a significant not in the development of the grassroots while 20 (or 14 percent) disagreed with this opinion. This can be read off the table.

In the light of the responses, it is then clear that the first hypothesis which states that "the level of financial autonomy granted to local governments and their weak revenue generating capacity have greatly affected the development of the grassroots", is accepted.

b. **Hypothesis two:** In the preface of the 1976 reforms, the chief of staff rightly pointed out that local governments have in the past been starved of funds. The reformed system tried to take care of this by making the local government a third tier of government they are therefore statutorily entailed to the revenues of the country from the states and federal government account that was provided for by the reform to be administered by the states became a subject of controversy between the states and the local governments. Studies have shown that the state governments often diverted these funds and when payments made they are most irregular. All allocations from both he Federal and state governments are supposed to be lodged in the account before they are distributed to the local councils.

REGISTRY

On this basis, this study hypothesized that "*The state joint local government account has effectively eroded any level of independence for local government thereby obstructing in role as a tool for development in Nigeria.*

In order to test this hypothesis, the responses of the respondents on statements on section B of the questionnaire dealing with the state joint local government account were analyzed.

The responses of the respondents on statements in section B of the questionnaire are as follows:

Table: 4.2: classification of respondents according to their opinions on statements dealing with state joint local government account in section b of the questionnaire.

	Statements	No of Respondents		
		Agreed	No decision	Disagree
I	The control of the state joint local government account by the state Government as eroded local autonomy and independence	108 (74%)	18 (12%)	2 (14%)
II	State governments determine the distribution of local government allocations in the state joint local government account.	129 (88%)	17 (12%)	-
III	Delays in the distribution of allocation of local governments from the joint account obstruct development efforts at the local level.	135 (92%)	9 (6%)	2 (2%)
IV	State governments some times divert local government allocations in the joint account for other	78 (53%)	32 (22%)	36 (25%)

	purposes			
V	Local governments are not represented in the intergovernmental committee responsible for the distribution of all state and federal allocation to local government.	81 (55%)	35 (24%)	30 (21%)
VI	Condition attached to allocations especially state allocation, Constrain local flexibility and autonomy	132 (90%)	9 (6%)	5 (4%)
		AV 110.5 (75%)	AV 20 (14%)	AV 15.5 (11%)

Source: Administered questionnaire, 2006.

Table 4.2 Indicates that on the average, approximately 111 (75percent) of the respondents agreed that the state joint account for local government s has eroded any level of independence for local governments, while approximately 16 (11percent) disagreed with this opinion. This can be read off the table.

Based on the responses, it is clear then that the second hypothesis which states that the state local government account has effectively eroded any level of independence final its role as a tool for development in Nigeria, is accepted.

c. **Hypothesis Three:** One objective of intergovernmental relations is to have a planed system of management of complex relationship among various layers of government, which this study

assumed has been skewed against the local governments. On this assumption, the third hypothesis formulated was that *"the nature of intergovernmental relations in Nigeria, has greatly affected the level of performance of local governments.* To test this hypothesis, the responses of the respondents on statements dealing with inter governmental relations in section C of the questionnaire were analyzed. The responses of the respondents are as follows.

Table 4.3: Classification of respondents according to their opinion on statements dealing with intergovernmental relations in section C of the questionnaire.

No	Statements	No of Respondents		
		Agreed	No decision	Disagree
I	The control by states over local decision making process and policy outcomes clearly affect local performance.	116 (79%)	8 (6%)	22 (15%)
II	State government encroach upon the administrative and personnel functions of local governments	122 (84%)	-	24 (16%)
III	There were insufficient exchanges of ideas and cooperation between the states and local governments in the performance of their duties.	98 (67%)	12 (8%)	36 (25%)
IV	Local governments don't have absolute authority in determination and execution of projects.	132 (90%)	14 (10%)	-
V	Local governments cannot take decisions without the approval of any tier of government.	101 (69%)	32 (22%)	13 (9%)

VI	The independence and autonomy of local governments from other tiers of government did not receive the desired constitutional backing in Nigeria	78 (54%)	24 (16%)	13 (9%)
		AV 108 (74%)	AV 15 (10%)	AV 23 (16%)

Source: Administered questionnaire, 2006.

Table 4.3 shows that on the average, 108 (or 74 percentage) of the respondents agreed that the nature of Intergovernmental the relations in Nigeria greatly affects the performance level of local governments, while 23 (or 16 percentage) disagreed with this opinion. The number and percentage of respondents on governmental relations can be read off the table with regard to their opinions.

It is clear fro the foregoing analysis that the nature of intergovernmental relations in Nigeria affects local performance. To this extent, therefore, the third hypothesis which states that the nature of intergovernmental relations in Nigeria greatly affects the level of performance of local government councils is accepted.

4.3 FINDINGS AND DISCUSSIONS

Certain hypotheses postulated in the introductory chapter have been confirmed valid in this chapter.

1. It was confirmed that the level governments and their weak revenue generating capacity have greatly affected the development of the grassroots. The main issues surrounding the tax-rising powers of local government centre on the

inadequacy, in terms of coverage, and the non-buoyancy/inelasticity of those tax or revenue heads that fall under the jurisdiction of local government. Again, we can see only four tax heads fall within their legal and administrative jurisdiction – these are: - licenses and fees on television ad wireless rądio; market and trading licenses and fees; car park duties; advertising fees. In practice only one tax head or source, (i.e. markets, etc) is exploited by local governments. Interestingly, even the tax head that is universally considered a local tax, (i.e. property taxes and rating) is, in reality, under the legal jurisdiction of the state as evidenced from the 1999 constitution which provides that tenement rates of private property can be assessed by local governments but the levying of the rates will have to be prescribed by the state house of assembly. (See fourth schedule of the 1999 constitution, item J.) The residual legislative powers of local governments to raise revenue are generally codified under the following local government revenue heads: 1001 (taxes); 1002 (rates); 1003 (local licenses, fees and fines); 1004 (earnings from commercial under takings), 1005 (rent on local government property); and 1006 (interest payments and dividends). The first three heads (i.e. 1001 – 1003) can be said to constitute the mainstay of local governments 'own' or internal revenue the important characteristic of all these sources, however, is their low revenue yield. Head 1003, for instance, covers an extensive range of items or subheads, 101 in all interestingly however, revenues from these internal sources amount to a less than significant portion of local governments total revenue. The inability of local governments to raise substantial portions of their total recurrent revenue requirement from internal sources which, according to Adamolekun undermined the autonomy that is implicit in the idea of a third tier government; has, of course, become common – place knowledge. The reasons for this have ranged from the very narrow revenue base imposed on local government by the statutory distribution of tax – raising powers to the continuous infringement of their revenue rights by state governments in particular. Studies on fiscal federalism in Nigeria have shown a high degree of centralization. The expenditure requirements of each

tier of Nigerian government (particularly local government) have been treated with contempt by the federal government its allocation of revenue. As a result of this, while other theirs remain pauperized, the federal government has largely remained a surplus - spending unit this lopsidedness is without regard (by the federal government) to the fact the almost 80 percent of Nigerians live in rural areas which rightly fall within the governmental aegis of local government. It clear that ail major sources of revenue petroleum, profit tax, import duties mining rents and royalties, and company income tax - fall within the jurisdiction of the Nigeria federal government while the remaining two tiers of government, particularly local government, have jurisdiction over minor and poor - yielding revenue sources concretely, the extent of this fiscal imbalance or incongruity both in revenue generation by the tiers of government in Nigeria occasioned by the fiscal centralism or control of public sector revenue generation and expenditure allocation by the federal in Nigeria.

The operation of the joint local government and state accounts is on aberration, because it is subjected to several abuses by si;ate governors. The operation of this bank account is seen as on anomaly. The federal government is not operating a joint account with the states, why the local government councils? Local governmental a tier of government is autonomous, but why must the state government be the custodian of council funds? This in itself has painted a gloom, picture of how states governments under developed local governments councils.

i. Trai
ning fund

ii. Pri
mary education fund and

iii. Pen
sion fund

Besides these three items nobody is allowed to make any deduction from source

despite this instruction from federal government, the chairman connived with state governor to make some illegal deduction without consultation with the councils states are made only to supervise the judicious and prudent spending or funds not to engage in the expenditure of the said finds. In some states, the state

government pay salaries and allocate pittance of between n500, 000 and N20 million for the daily operations of the councils. In Chikun local government salaries are hardly paid in some months because of this illegal deduction. The most funny aspect of the situation is the chairman personally confirm that this deduction are done with his consent. He sign and give the governor the go ahead to make the deduction. This is possible because in any of this act a certain percentage awaited him (i.e. 10% for every one million)

The staff of Chikun local government advocate that it should be made a criminal offence for any governor to temper with council funds they further call for the 1999 constitution to be amended to enable the councils receive its funds directly from federal account allocation committee (FAAC) this is to enable the council to make proper planning and budget so as to prioritize their project and follow accounting due process. Presently, the federal government had proposed a bill already christened monitoring of revenue Allocation to local government" which was passed by the national assembly to become "monitoring of revenue to iocai government Act: 2005" under this act it is unlawful for any authority or official of a state, federal capital territory to alter, deduct or reallocate funds to the government account. There is a sanction attache to it.

2. The dissatisfaction often expressed by local governments with the existing arrangement for managing intergovernmental relations is traceable to the glassine lack of autonomy for local governments. Local government autonomy in theory and practice is never absolute. This lack or autonomy for local governments is manifested in many dimensions and has its roots in the constitution and several other guidelines issued BY government from time to time.

Dasuki's report, to guarantee local government autonomy, local government both in theory and practice remain part and parcel of the state in which they exist this is further buttressed in the guidelines for implementing the local government (basic constitutional provisions) (Amended) decree 1991 which states that local

government in Nigeria shail be changed with, among other functions as many be assigned to it from time to time by the house of assemble of the state in which it is situated staff of chikun local government believe that the existing mechanism for intergovernmental relationship is ineffective. The overwhelming majority of staff reported that the local government did not enjoy the autonomy conferred on the by the constitution, and that almost a master - servant relationship is kept with the two upper tiers of government. This feeling was in the recent past demonstrated by the action of the federal government to interfere with the decision of electoral elected as local government chairpersons directed that 5% of the local government revenue should be set aside for paying remuneration to the traditional authorities. This does not indicate that the local government is free to act as the third tier of government as they were designed to be.

Furthermore, it was observed that most of the power conflict results from areas of over lapping functions (concurrent list) particularly those relating to the provision of adult and vocational education, development of agriculture and provision and maintenance of health services. This usually engineer tension and conflict particularly where the issue of funding is concerned.

CHAPTER FIVE

Summary, Conclusion and Recommendations

5.1 SUMMARY

A number of important features have been highlighted in our examination of revenue generation and local government performance in Nigeria a case study of Chikun local government of Kaduna state.

The more prominent of these include the following:

i. The level of internally generated revenue of Chikun Local council as a percentage of total revenue is 15%. This means that 90% of the Local government revenue if generated from the federation statutory Allocation.

ii. The internally generated revenue is inadequate to meet the local government council's needs.

iii. The local government is justifiably the most appropriate organization through which a good deal of the funds for economic and social development should be channeled.

iv. It is clear therefore that for local governments to be able to effectively perform in the discharge of their wide ranging statutory duties and responsibilities, a reasonable measure of autonomy in taking decisions, formulating policies, as well as in generating the necessary human, material and financial resources and applying same in the implementation of these policies was an indispensable prerequisite.

v. If Federalism is a necessity of Nigeria as it appears to have of constitutional distribution of powers and functions among the various units and levels of government should be adhere to the centralizing nature of Nigerian federalism, due to the long are of military rule and its command system was transferred into the political life of the country, resulting in an unbalanced federal structure with more powers skewed in favour of the centre. The best

permit of federalism in Nigeria, Bello imam angers "would be realized by enhancing local government autonomy and not by curtailing it."

vi. Local governments have always complained of the inadequacy of funds available to them to carry out their functions. But the problem of management of local government funds has not helped matters. Local governments generate less than 10% of their total revenue is gotten through external allocation from the Federal and state governments. Less attention is being paid to internally generated revenue. While some local government neglect these sources others do not even venture into it all because of what they consider as the political implication for the party in power.

vii. All the local government councils experience constraints in collecting revenue. These constraints include; lack of vehicles, bad roads difficult terrain, manpower shortage, inadequate compensation for tax officials, state governments encroachment and corrupt practices.

viii. Chikun local government and other local government are not current about the existing tax laws. There is the need to improve enlightenment in this area.

ix. Strategies for generating high revenue include the use of tax collectors, traditional authorities and tax force. Others are through tax drive, recovering of proceeds from investments, public enlightenment campaign.

x. Local government administration is viable, provided untapped resources can be identified and exploited

5.2 RECOMMENDATIONS

Given the foregoing, the need to examine ways and means of constitutionally strengthening Nigerian local governments to enable them to perform their numerous functions most effectively become compelling particularly at this point in the nations history. The following are considered crucial among other things to be done in order to empower Nigerian local government.

1. A complete review of the functions of each level of government will be very necessary. Such a review should take cognizance of the respective capabilities of each level of government to perform services assigned to it most effectively and efficiently. In this regard functions that are grassroots – based, like primary education, primary health care and agricultural production, should be wholly assigned to local government not only this, there is a need for collective determination of the aggregate revenues required by the three tiers of Nigeria federalism as well as the oil and other in other words, a balanced, fair, transparent and consensus–based framework for intergovernmental fiscal relations must be established. To compliment this effort, will drastically reduce the current enormous powers of the federal government must be adopted. In doing this, the 68 items currently under the control of the federal government though the exclusive legislative list should be critically re-examined. However, in pursuing this goal, the pitfalls of confederacy must be structurally and strategically avoided. In other words, the federal government" in the process, 'should not be too emasculated as to become unable to carry out its functions of uniting the people instead, there should be an admixture of distributive o co-operative federalism with an adequate compensation for those who provide the "common wealth" within this context, the Nation as revenue mobilization, allocation and fiscal commission (NRMAFC) as a permanent body and one of the policy instruments in Nigeria for the achievement of national objectives must meaningfully undertake, on a continuous basis, its functions regarding the fiscal relationship between the various levels of government to minimize the existing political pressures and enhance the achievement of national, economic and growth objectives.
2. With respect to the reassignment of fax powers, among other possible areas of reassignment we identify the following as requiring immediate attention.

In the first place, property tax and rating should be made entirely a local tax- in terms not only of assessment but also of fixing rates and collection. A preliminary positive step in this direction is to motivate the tenement rate-payers into seeing the benefits and importance they can derive from paying the rate. This is necessary because it is our view that, in spite of the importance attributed to the tenement rate by the tenement rate edict, adzuki report and the Nigerian federal constitution, it has not achieved its objectives in many local government areas in Nigeria due to some inhibiting factors like low rates, lack of adequate supervision or publicity and the absence of assessment based on proper valuation. This low collection of the tenement rate in Nigeria can be over come if the rate is made low and proceeds from it are used of surroundings roads, refuse collection etc) which the rate – payers can easily discern or identify. The other area to consider is the personal income tax 9PIT) – (i.e. payee) and direct assessment local governments should be empowered not just to collect taxes within their areas of jurisdiction but also to relation the entire proceeds.

3. In the light of the proposed realignment of functions, there will be a need to give local governments a longer share of the federation account, something in the region of 35 to 40 percent local governments must be given some degree of financial autonomy through the restructuring of the taxation powers. In other words, expenditure needs must be matched with revenue highs and fiscal justification, i.e revenue and expenditure decentralization must support the fiscal profile of the local governments. This means that decentralization of functions should be matched by decentralization of revenue collection. In other words, the infringement of the revenue rights of local governments particularly by the states should be checked. One of the ways through which this can be done is for state government to give back to local government contain sources of internal funds. Like liquor licensing fees, water rates and other internal generating sources already snatched by them.

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The internal revenue generation and the financial viability of the local governments in Nigeria would greatly improve if the functions of the town planning division of the ministry of works, lands and housing were to be given to the respective local government. If each local government is allowed to make bye-laws about its town planning affairs (e.g. changing and receiving fees etc) the financial viability of local government would be enhances in the sense that revenue accruing from such sources would go a long way to boosting their economics. In the first place, any transfers, from states to local governments, statutorily determined should be enforced equally; all revenues accruing to local governments should be transferred directly to them. In other words, the provision of section 162 95) of the constitution should be reviewed.

4. The power to raise revenue and incur expenditure, as appropriate, independent of the close supervision and control of another body is paramount in any democratic dispensation. Local governments should, therefore, be allowed not just to collect revenues from their assigned sources but also prepare, discuss and approve their annual budgets. The state control of such process facilitated by section 7 (I) of the constitution should be reviewed. This review should allocate more resources to local government, given their closeness to the people compared to the remoteness of federal and state government.

5. Rights are, of course, necessarily accompanied by responsibilities, this, fiscal discipline in terms of enhancement of local governments' revenue efforts and the enforcement of efficiency standards in spending by each level of the three hers will be very necessary. Added to this, responsibility and accountability should be the guiding principles and operational mechanism of those changed with the management of local government affairs. In addition, for local governments to succeed in these regards, they need to adopt contain decision rules which among others should include.

(i) Payment of attention to the conditions of the present plants – e.g. bridges streets, street lights and other infrastructural facilities) – in the local areas;

(ii) A cautious orientation towards capital spending;

(iii) Maintenance of close ties with other levels of government;

(iv) Cautions management of capital maintenance; and

(v) Investment with future expectation.

5.3 CONCLUSION

There cannot be a virile and dynamic local government system without ensuring that functions assigned to local governments are properly aligned with tax – arising powers or fiscal jurisdiction, and that designated revenue rights are guaranteed and adequately protected. Local government councils in Nigeria are changed with a number of responsibilities most of which touch on the welfare and living standards of large segments of the country's population particularly those living in the rural areas. 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 generation and effective service delivery. Unfortunately, the 1999 constitution of the federal republic of Nigeria appears to contain provisions which are likely to worsen the lintwhite sharing existence of local government councils. Taking these developments into consideration, we would contend that the perniciously recommended solutions need proper evocation through the institutionalization of workable mechanisms which would structurally emancipates Nigerian local government councils from the manacling claws of constitutional strangulation and its accompanying operational dilemmas with which they have staggered into the 21st century. Structurally, the existing 774 local government councils should be maintained for some time to come, possibly for the next decade

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or so. This position may sound unimpressive to agitators for the creation of more local government councils within the Nigeria federation. It would be detrimental to the Nigerian federation if the mushrooming of local government areas is not kept in check in view of the current problem ties of tax –raising powers and collection effectiveness which continue to defy solutions due principally among others, to the shrinking of revenue space that usually accompanies such an exercise. Instead of creating ineffective and non-feasible local government councils amidst the states' constant and ever-increasing usurpation of the revenue rights and fiscal jurisdiction of local governments the intergovernmental character of the Nigerian federation should be enhanced through relevant and effective policy instruments directed at resolving some of the potential and present conflicts and inherent economic tensions within the Nigerian federation. There is a need for the establishment of a national commission to enhance intergovernmental understanding and cooperation in ways conducive to dialogue because federal, state and local government actors. This commission, to be named the National the national commission for intergovernmental relations and federalism (NCIRF), as a complement to the local government service commission (LGSC), which has long been constitutionally recognized in Nigeria as an agency of intergovernmental relations; should be responsible for mid-waiving the Nigeria intergovernmental relations; the Dasuki committee once recommended such a body as appropriate for coping with the problematic of Nigerian intergovernmental relations but it was rejected by the Buhari Military administration. However, in 1992 a body called the National council on intergovernmental relations (NCIR) was created in recognition of the need for effective intergovernmental relations. This body too, was unfortunately abolished as states earlier; the NCLRFF should be created to henceforth ensure the intergovernmental character of Nigeria. With this, we are calling for the abandonment of the provisions of the Nigerian's fourth republic 91999). Constitution which makes the local government a residual matter (i.e. a primary

responsibility of the state government). Principally, the mission of the NCIRF, when created, should, among others, aim.

1. To closely monitor the operation of the federal system giving continuing attention to intergovernmental relations in the Nigerian federal system.
2. To study, conduct research and maintain data on intergovernmental relations.
3. To recommend solutions to problems of intergovernmental relations and provide necessary forms of improvement.
4. To play a mediatory role towards resolving conflicts between federal, state and local government; and
5. To established contacts with other organizations with similar objectives within the context of the stated aims of this mission, its mandate must – include.

1. Monitoring the operation of the Nigerian federal system and recommending necessary improvements,
2. Studying such problem areas that would create or are likely to create stress from the federal system, making appropriate recommendations to the various arms of government and relevant institutions.
3. Appraising the various dimensions of intergovernmental relations and making recommendation on how.
   * To improve efficiency in the administration of the federation,
   * To improve taxation and ensure equitable allocation of resources, and
   * To enhance cooperation among the different component units at all levels of government.
4. Studying and evaluating the functions and power of the various theirs of government in the light of changes in the federal system and making recommendations for adequate legislative and administrative actions aimed at effecting necessary adjustments;
5. Playing mediatory roles towards resolution of conflicts.

6. Publishing its findings and recommendations for general information after the deliberations by the council's board; and
7. Liaison and involvement with the activities of institutors whose functions border or intergovernmental relations at federal, state and local government levels.

This commission will enhance the capacity for intergovernmental relations and, the practical attainment of the principles of true federalism which implies power-sharing, abandoning the nation of any one group (or institution) dominating all others, not succession but building interdependence. It will also encourage both the governors' and the "governed' at the local level to recognize the need to make financial contributions for the maintenance and provision of government services to the people, thus reducing the high level of financial dependence on the federal government. However, this should be accompanied by the determination of the functionaries at the local government level to, abandon a psychology of dependence and an orientation towards 'how to spend money and not how to generate it. Finally, we are prescribing that the NCIRF as a body should be created without delay to start performing its duty of fastening the expected intergovernmental understanding and cooperation federal administration, the principles or which can now be optimally applied within the context of the nation's current democratic framework.

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