ALTERNATIVE LOCAL RESOURCES FOR FINANCING DEVELOPMENT PROGRAMMES, CASE STUDY OF KADUNA STATE.

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A THESIS SUBMITTED TO THE POST GRADUATE SCHOOL, AHMADU BELLO UNIVERSITY, ZARIA, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF SCIENCE, (URBAN AND REGINAL PLANNING).

DEPARTMENT OF URBAN AND REGINAL PLANNING,
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JUNE 1984

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HEAD OF DEPARTMENT

.....
DEAN, POST GRADUATE SCHOOL.

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DEDICATION

This work is dedicated to ACHI, for a long life well lived;
and to GEE, MOMMY, and MIMMY.

Acknowledgements

I wish to express my sincere gratitude and appreciation to Dr S. K. Kulshrestha, my mentor, for his immense contribution to the success of this work. I thank him very much for his patience, tolerance, expert and fatherly advice. I register my appreciation to the members of staff of the department for their own contribution, and to my colleagues for their useful advice and suggestions. I wish to thank officials of the Ministry of Finance and Economic Planning, Kaduna, officials of Revenue department at both Kaduna and Zaria, my brothers'-in-law and my sisters who administered the questionaire. My appreciation goes to Mallam Abbas, Deputy Accountant General with the ministry of Finance, and to those who in one way or the other helped to make this work a success.

Finally, to my husband; Gee, and daughters; Mommy and Mimmy, I express my deep appreciation for their overwhelming support, and offer my apologies for the neglect they suffered for the period of this study.

Mrs N. H. Galadimawa

Zaria

June 1984

TABLE OF CONTENTS

PAGE

DEDICATION i
ACKNOWLEDGEMENT ii
TABLE OF CONTENTS iii
LIST OF TABLES iv
LIST OF FIGURES v

CHAPTER ONE

1.00 INTRODUCTION 1
1.10 Statement of problem 1
1.20 Aims and Objectives 2
1.30 Significance of the study 2
1.40 Scope and limitations 2
1.50 Organisation of the study 4
1.60 Method of data collection 4

CHAPTER TWO

2.00 ALTERNATIVE LOCAL RESOURCES FOR FINANCING DEVELOPMENT PROGRAMMES: REVIEW OF AVAILABLE LITERATURE 6
2.10 Definition of terms 6
2.20 Literature review 7

CHAPTER THREE

3.00 REVIEW OF EXISTING SOURCES OF FINANCE IN KADUNA STATE 16
3.10 Revenue sources 16
3.20 Selected case studies of projects already implemented 24

CHAPTER FOUR

4.00 SUGGESTED ALTERNATIVE LOCAL SOURCES OF FINANCE FOR KADUNA STATE 35
4.10 Identification of resources that could be used for financing development programmes, and projects to be financed from such resources 35

CHAPTER FIVE

5.00 SUMMARY AND RECOMMENDATIONS 43

5.10 SUMMARY 43
5.20 RECOMMENDATIONS 43

APPENDIX A 45
APPENDIX B 49
APPENDIX C 52
APPENDIX D 53
APPENDIX E 57
APPENDIX F 58
BIBLIOGRAPHY 60

LIST OF TABLES

TABLE		PAGE
2.2	Completed Community Development Projects for some areas in Saminaka Local Government	14
3.1	Kaduna State details revenue sources	45
3.2	Kaduna State estimated revenue and expenditure 1982	16
3.3	Zaria Local Government details of revenue sources	49
3.4	Revenue and expenditure for Zaria Local Government 1977–78	18
3.5	1976–77 Community Development Projects, Saminaka Division	32
3.6	Zaria Local Government estimated capital projects 1979/80	33
3.7	Some Kaduna State Projects, 1982	33
4.1	Estimated number of persons in various establishment/sector in Kaduna state	36
4.2	Income groups and expected annual savings	36
4.3	Application of revolving fund strategy by Haruna and Sons Limited	37

LIST OF FIGURES

FIGURE		PAGE
1.6	Local Governments covered in the survey	3
2.2	Interrelationships of financial Institutions in the National Development process	12
2.3	Four steps community development process in Nigeria and social clubs contributionss	14
3.2	Kaduna State revenue and expenditure 1982	20
3.3	Zaria Local Government revenue and expenditure	21
3.4	Educational background, income and payment of fees and taxes	24
3.5	Income, Savings and Investment	25
3.6	Income and contribution to community development programmes	26
3.7	Choice of type of investment or development programme	27
3.8	Problems expected in utilising loans for inplementation of development programmes	28
3.9	Contribution of suggested sources or revenue for Kaduna State	29
4.1	Summary of suggested sources of revenue for Kaduna State	42

CHAPTER ONE

INTRODUCTION

1.10 STATEMENT OF PROBLEM

The government of Kaduna state is finding it difficult to finance the ever increasing demand for services. There is no sufficient financial resources for Implementation of development programmes. Demand for development far outweighs the resources available for it, this is evident in the sharp reduction, and in many cases complete breakdown in the provision of essential public services like education, health, water supply, roads and electricity. Another evidence of the shortage of financial resources in the state is the huge debts owned to contractors and suppliers for work completed or services rendered as far back as two years ago, salary arrears owned to teachers and other workers, and the cancellation of contract awards. Majority of states in Nigeria, including Kaduna state are hanging precariously on massive overdrafts, and most of them are on the verge of financial colapse. Insufficient financial resources is also evident by the general austerity measures adopted by the government and individuals in the state.

In Kaduna state, as is elsewhere, there is overdependence on governement to provide essential services. This is a great burden on government and "government feels the weight of each persons' burden and pleads that its resources may be large, but not large enough to go round and thus, make everybody happy."[1]

Apart from the lack of sufficient financial resources, the existing financial resources in the state are being mismanaged and misappropriated by poor managers and corrupt officials and administrators. Some of the resources even remain unutilised especially in terms of the various taxes which are not even collected.

These problems need to be tackled by reviewing the existing financial resources in Kaduna state, and finding alternative local sources to continue with necessary development programmes in the state. As regards the problems of shortage of finance, Former President Shehu Shagari had this to say, "To bridge our yawning resource gap, efforts at internal resource generation will be intensified. In this regard, the exploitation and usage of our local resources have become so important in our quest for self relience that it will receive priority attention by the appropriate ministries."[2]

The problem of obtaining external loan and aid by government needs also to be tackled. It is to these pressing issues that this thesis seeks to address itself to.

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1. *National Concord Comment, "our misery index" 6 June, 1983. page 2.*
2. *Former President, Shehu Shagari, "path to Economic Stabilisation", being National Day and Inauguration speech. National Concord, 6 October, 1982 page 7.*

1.20 AIMS AND OBJECTIVES

1.21 AIM

The aim of this research work is to suggest alternative local resources for financing development programmes in Kaduna state.

1.22 OBJECTIVES

The above aim shall be achieved through the following objectives;

a. To review the existing local sources of finance for development programmes in Kaduna State.
b. Review of local sources of finance available in other states of Nigeria and
c. Suggest alternative local resources for financing development programmes, and the various projects for which they could be used in Kaduna State.

1.30 SIGNIFICANCE OF THE STUDY

Considering the present financial situation in Kaduna State within a framework of a national and global recesion; and the ever-rising demand for essential services, the discovery and utilisation of new local resources for financing development programmes would be of tremendous importance to the state. It would go a long way in solving most of the problems which arise due to shortage of finance, and relieve the citizens of their present frustration in terms of rising cost of living, lack of good water supply, electricity, medical facilities, poor educational facilities and good roads to mention a few. The National Economic Council (NEC) in 1983 advised all states to seek means of raising additional revenue. "States should increase their efforts at generating more revenue internally, collecting at least 30% of their recurrent expenditure needs from internal sources."

This thesis is hoped to serve as a useful tool for the government and people of Kaduna State as a means of bringing to light those financial resources which lie unexploited; which could be utilised by the State for development.

1.40 SCOPE AND LIMITATIONS

1.41 SCOPE

The study examines current sources of finance for development programmes in general. Within this framework, it examines existing sources in Kaduna State; and suggests alternative local sources of finance for Kaduna State.

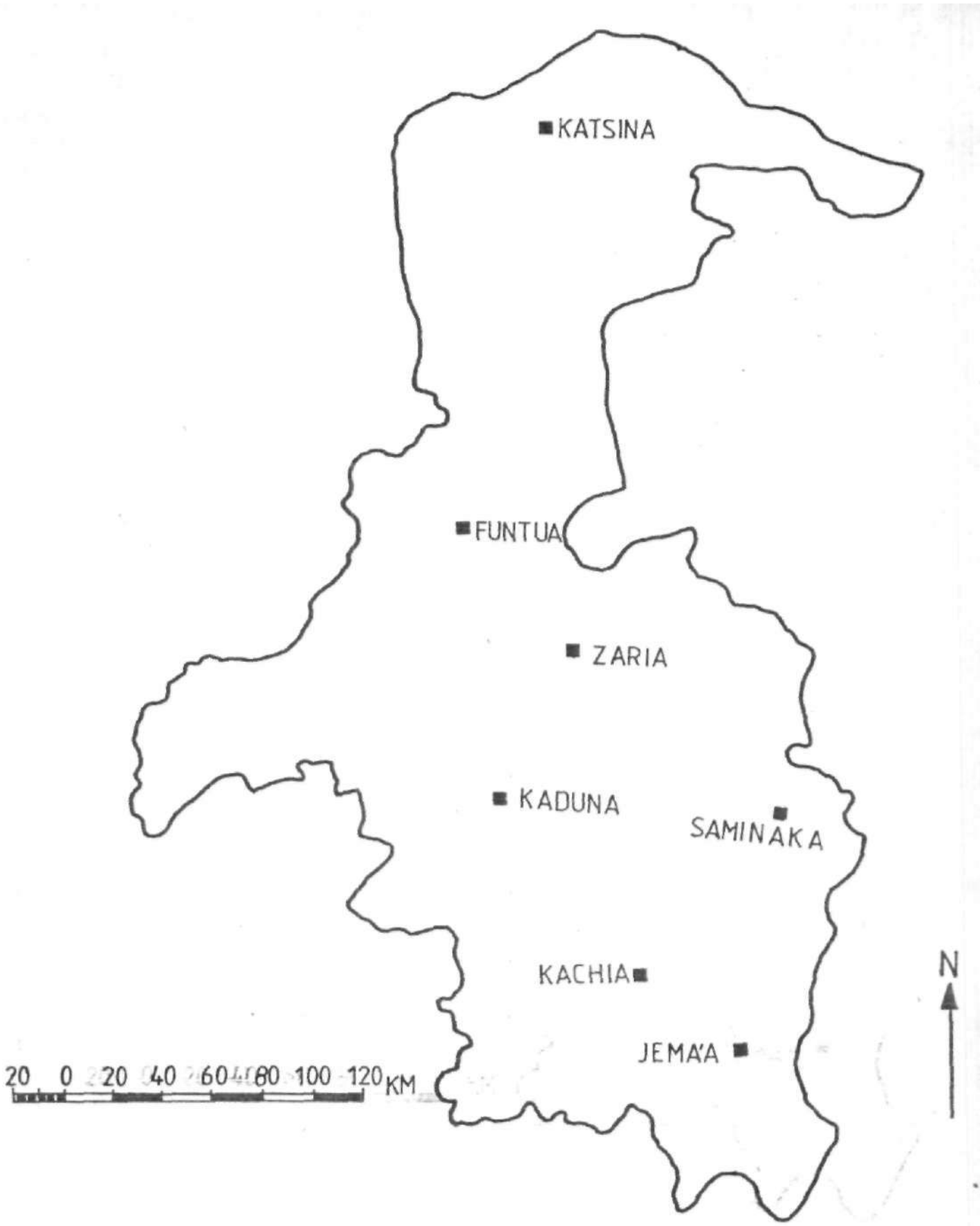


FIG. 1.6 KADUNA STATE SHOWING LOCAL GOVERNMENTS COVERED IN THE SURVEY

GALADIMAWA NM

1.42 LIMITATION

The study limits itself to local sources of finance in Kaduna State, (Sources generated within the state, not including other states, federal government sources and external loans or aid). The study also limits itself to *financial resources*, although brief mention is made on other resources as they affect finance.

1.50 ORGANISATION OF THE STUDY

The study is divided into three parts.

Part one (chapter one and two) contains general introduction to the research work, its aims, objectives, methods of data collection and the review of available literature.

Part two of the the thesis (chapters three and four), reviews the existing sources of finance for development programmes in Kaduna State. It also looks at revenue sources and selected case studies in Kaduna State, and suggests alternative local resources for financing various development programmes in Kaduna State.

Part three (chapter five), contains summary and recommendations.

1.60 METHOD OF DATA COLLECTION

PRIMARY SOURCE

Information and data was obtained through personal interviews with officials of ministries including, ministries of Works, Finance, Econpmic Planning, Health, Lands and Surveys, and Housing Authority. Questionaires were administered to government finance and revenue officers, officials of financial Institutions, Parastatals, organisations and the general public in seven Local Governments of Kaduna State. The seven Local Governments were selected out of the total fourteen in the State. Fig. 1.6 shows the Local Governments covered in the survey. These are;: Zaria , Saminaka, Kachia, Kaduna, Jema'a, Funtua and Katsina.

SECONDARY SOURCE

Records and publications from various ministries, Parastatals, firms and organisations were used. Some individuals, mostly Economists, Planners, financiers and administrators provided useful information and data. Publications, mostly Newspapers were a useful source, and finally self assessment of the topic and matters relating to it.

QUESTIONAIRE

There were three different questionaires;

a. General questionaire
b. Questionaire for financial Institutions, firms and parastatals
c. Questionaire for government finance and tax officers.

The questionaires were administered in schools, parastatals, firms, and government establishments in seven Local governments areas of the state. Those interviewed were Adults (18 years and above). A total of 1,500 people were interviewed, which is about 2% of the working population of Kaduna State.

2.00 ALTERNATIVE LOCAL RESOURCES FOR FINANCING DEVELOPMENT PROGRAMMES: REVIEW OF AVAILABLE LITERATURE.

2.10 DEFINITION OF TERMS

The following are definition of some terms frequently used in this thesis;

2.11 Development programme/projects.

According to Kulshrestha[1], development programme refers to any construction programme that changes the quality, use, intensity of use and value of land.

2.12 Alternative Sources of finance

These are sources of finance "other than the approved federal, state or local government funds available in form of aids, grants and subsidies."[2]

2.13 local Resources

Resources obtained internally within the system, say a state, country or a local government, as against aid, grants or loans obtained externally from another state, local government, country or foreign countries.

2.14 Grant

A grant is money received from an external source for a specific purpose with no condition attached for repayment.

2.15 Aid

A form of financial help or support given by the government or other organisations to help implement certain projects, where repayment is not required.

2.16 Tax

Tax is a sum of money paid in accordance with the law of the government for the services it renders. There can be direct and indirect taxes.

2.17 Property tax

Property tax is levied on the annual value of land and buildings within the rating area, determined by a process of valuation in accordance with law.

---

1. *Kulshrestha S.K. "Some suggested fiscal and physical planning strategies for implementation of development programmes at zero budget" paper presented at the 14th annual conference of Nigerian Institute of Town Planners, Ibadan. 27–29 October 1983 . Page 3.*
2. *Ibid page 3.*

2.18 Rate, fee and charge

A rate is a value or costmeasured by its relation to some other amount. It is a payment fixed according to some stsndard scale. A fee is a sum of money paid for a service such as school, hospital and lawyer's service.

A charge is a price asked or paid for an article or service.

2.19 Financing

Financing as used in this thesis means sources, systems of disbursement, and channels of payment of funds for a development programme.

2.110 Community facilities

"All the items, whether in form of physical structures or equipment, of materials, of energy requirements or of personnel, that are vital to a rural community for healthy development (in a total sense) within a satisfactory environment."[3]

2.20 REVIEW OF AVAILABLE LITERATURE

There is plenty of information and write ups on public finance in general, but there is very little on alternative local resources for financing developmen programmes. It is from the various write-ups on public finance that alternative local resources for financing development programmes have been drawn up.

2.21 Careful governement policy

According to Professor Lewis [4] there are four important functions of government which form important ingredients for development – formulation of good taxation policy, encouragement of savings, Investment, and the provision of Incentives. Ursula[5] re-echos the good taxation policy stressed by Lewis by saying that a careful government policy that emphasises internal or home finance is very important. This is because external finance inform of grants, aid and loans can lead to certain embarrasments and disadvantages. He considers any country that can manage its development without externa? borrowing fortunate. For example, England in her period of rapid growth succeeded in doing so; Japan has managed its development with only a minimum of overseas aid. More recently, Russia financed her very rapid growth entirely from domestic resources. For a country to develop without external aid is not easy, the cost in human suffering is great, but the end result is worthwhile. Therefore, developing countries must learn to depend on internal financing.

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3. *Financing rural Housing; selected Policies and Techniques for developing countries. United Nations Publications, New York, 1974 page 8.*
4. *Lewis W.A. in Taxation for African Economic Development . Ed. Milton C. Taylor 1970. Hutchinson Educational page 69.*
5. *Ursula K. Hicks,* Development Finance. *New York, Oxford University Press, page 37–60.*

Along with a sound policy on internal financing, there should be proper management and organisation of internal resources, lack of proper managemnet and organisation renders them useless.

2.22 Home Savings and Compulsory Savings

Ursula also suggests home savings as a means of generating resources for development. Though developing countries are so poor that domestic savings are negligible, people can be encouraged to save even from their meagre incomes. He cites the example of poor Indian peasants who have been found to save substantial proportion of their meagre incomes voluntarily reducing their consumption and living standards almost beyond subsistence level in order to keep a reserve. West African Cocoa farmers were also found to have high propensity to save. Ursula says that home savings could be generated through deficit financing, by governement borrowing from the central bank to finance projects.

Nicholas (1963)[6] cited Turkey, Ghana and Brazil as countries which introduced compulsory savings as a new source of internal revenue. He says it could work through giving interest bearing, non-negotiable bonds in exchange for the contributions of people which are payable with accrued interest after a number of years. Compulsory savings could be introduced as part of pension schemes to all workers. All workers could be made to save a certain percentage of their monthly incomes, say 5% for a period of five years after which they get their savings back with interst. During the 5 years period , government has these savings as funds with which it could invest and thus provide employment and development in general. India uses this type of system. Such a fiscal policy is very important. BY raising interest rate, people can save money at home instead of taking it to Swiss banks. Governments could also give tax incentives to money especially bonds.

2.23 Various types of taxes

(a) Motor fuel tax

This is a strategy of internal revenue as well as a means of redistributing income. It is particularly good for developing countries which lay emphasis on motor transport which is more expenssive than rail transport.

(b) Expenditure tax

Walker, (1965)[7] discussed this tax and recommended that it should be introduced on high income groups. It would push people to save rather than spend. He said expenditure tax is less of a deterrant to savings than income tax. India and Sri-Lanka have this form of tax.

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6 *Nicholas Kaldor (1963), in* The Journal of Modern African Studies, *1 no 1, 7–23.*

7. *Walker David, (1965) page 52.*

(c) Agricultural, sales and value Added Taxes

These are various forms of taxes on profits made from the sale of Agricultural products and other goods. The value added tax is popular in European Economic Community countries.

(d) Death duties, Capital gains tax, Wealth and inheritance tax.

Death duty is a tax on the total value of a person's estate at death. Capital gains tax is obtained on the sale or disposal of capital. These are taxes obtained particularly from the rich class of people.

(e) Toll Tax

This tax is collected in countries like India and USA, particularly on highways and expensive bridges to cover the cost of maintenance. In Nigeria, this tax is collected on the Lagos–Ibadan Expressway.

(f) Local Tax

In Adebayo and Rowland (1972)[8], local tax is recommended as a local source of revenue particularly for local governments. This tax is levied, assessed and collected by the local governments and spent as decided by them. In Sweden, 70% of local expenditure is met from this tax. In Australia, 72% and in Finland, 53.9%.

(g) Entertainment tax

In January 1984, the Ogun State government of Nigeria, introduced a form of entertainment tax. Merry-making would attract tax. Celebrants of any party at which a musical band is invited to play will pay a tax of N300 while the leader of the band playing at such a party will also pay N100 as tax. Furthermore, any celebrant who hires amplifier services at a party will pay N50 while the owner of the amplifier services pays N25. The Nigerian Tribune of April 19th, 1984 said the Ogun State government realises about N35,000 weekly from this tax. Other sources of entertainment tax include pools betting, sports, social and cultural groups, zoos, gardens and parks.

(h) Development or Poll tax

As a result of the current financial crises in NIgeria, many states have introduced some form of development of poll tax. Some states have introduced between N15 and N20 per taxable adult. The Kaduna state government in April 1984 announced an introduction of development tax of N20 per every adult in the State. This tax is expected to provide revenue for purchase of hospital equipment and drugs.

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8. Adebayo A and Rowland L. Eds, *Local government finance in Nigeria* 1972, University of Ife Press pages 38–60.

(i) Business name accounts tax

In the Guardian Newspaper of January 13, 1984, page 10, it was suggested that government should make a law compelling banks to abstract 10% from all payments into business name accounts as tax for the government. This is a useful source of revenue .

2.24 Stamp Duties

Stamp duties are collected on life property above a given price limit. There are also other items on which stamp duties are collected.

2.25 National Insurance Policy

India at a time introduced this policy. It helped raised funds for the government for investment. 50% of all funding of industrial development banks in India comes from life Insurance corporation, and 25% from commercial banks. Life Insurance policy is a form of obtaining funds as well as a form of security for the citizens concerned.

2.26 Financial Institutions

(a) Specialised local credit Institutions

These institutions are responsible for advancing funds. In August 1983, the Merchant Bank for Africa was established in Nigeria with the aim of " syndication of off-shore financing ventures for the development of new inductries and products .... in money mangement which would involve advising clients on investments ... They have a role in assisting Nigerian businessmen to float new companies and establish new industries."[9] Specialised banks like the Merchant Bank could be set up to give loans for agriculture, industry, commerce and housing programmes. Examples of such banks include Nigerian Industrial Development Bank (NIDB) , Mortgage Bank, and Agricultural and Co-operative Bank. According to Oladosu (1981)[10] a specialised credit institution could advance loans to finance important communal facilities especially those involving large sums of money. Some countries call this municipal fund. The Institution can serve as a kind of development bank which provides credits for development. Such an Institution would collect funds from various sources. and lend them to local governments for financing amenities. It would also assist local governments in timing their investment and allocating funds in relation to its capital resources. Examples of such institutions include Bank for the Netherlands Municipalities and GIRO for the city of Armsterdam, credit communal de Belquique in Belgium and the Philippino Communal development fund.

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9. National Concord, 3 November, 1983 page 2.

10. Oladosu S.A. (2981) *Kaduna Essays in Local Government*. page 83.

(b) Co-operative credit union

This is a body that could generate funds and loan money to its members for development programmes. It facilitates loans to members for trade, education and housing. Credit unions are popular in Cameroun. In societies where unorganised money lenders exist, co-operative credit unions can tap resources from such money lenders.

Governement can decide that the pre-dominant share of credit for housing in rural areas must come from the rural population as a whole without financial help from itself but with benefit of government-backed Mortgages and credit institutions as mentioned above. Alternatively, it can urge regional banks and national monetary institutions to finance comprehensive rural economic development to include housing as a special component. The village housing scheme of India in 1957 assisted villages in construction and improvement of houses, provision of sites for landless agricultural workers, and helped them in construction of streets and drains. This example shows that the government can create soundly based channels for rural housing credit from the level of the household and the village to that of the nation as a whole.

(c) Central banks

Central banks could give specially designed loans and credit to co-operative credit institutions at the local government and state level to enable them establish a revolving fund for rural and urban housing. The Nigerian Military government under General Buhari announced 200 million naira revolving fund established for the importation of essential commodities in its 1984 revised budget.

(d) Post Office Savings

Post Office savings banks can be re-organised to permit them to give loans as well as to receive deposits. In Fiji for instance, a small truck canvases the rural areas collecting savings and making loan transactions.

Since ruralites are mainly agriculturists, government should encourage each perspective village house-owner to deposit a certain percentage of the sales proceeds of his products from time to time, until he has built up funds sufficient to erect the cost of his home. These deposits can be maintained by the rural housing for construction of permanet houses and for general repairs. Loans are given for periods ranging from three months to ten years with 5% interest. The loan is recovered by deducting instalmentally from the payroll of the beneficiary (if he is employed), or by accepting a share of the payment received against crops, or charging a co-worker with joint responsibility for the loan repayment.

In Zaire, government and private sector plays important role in housing programmes. There is intergration of rural development within a plan on National development .

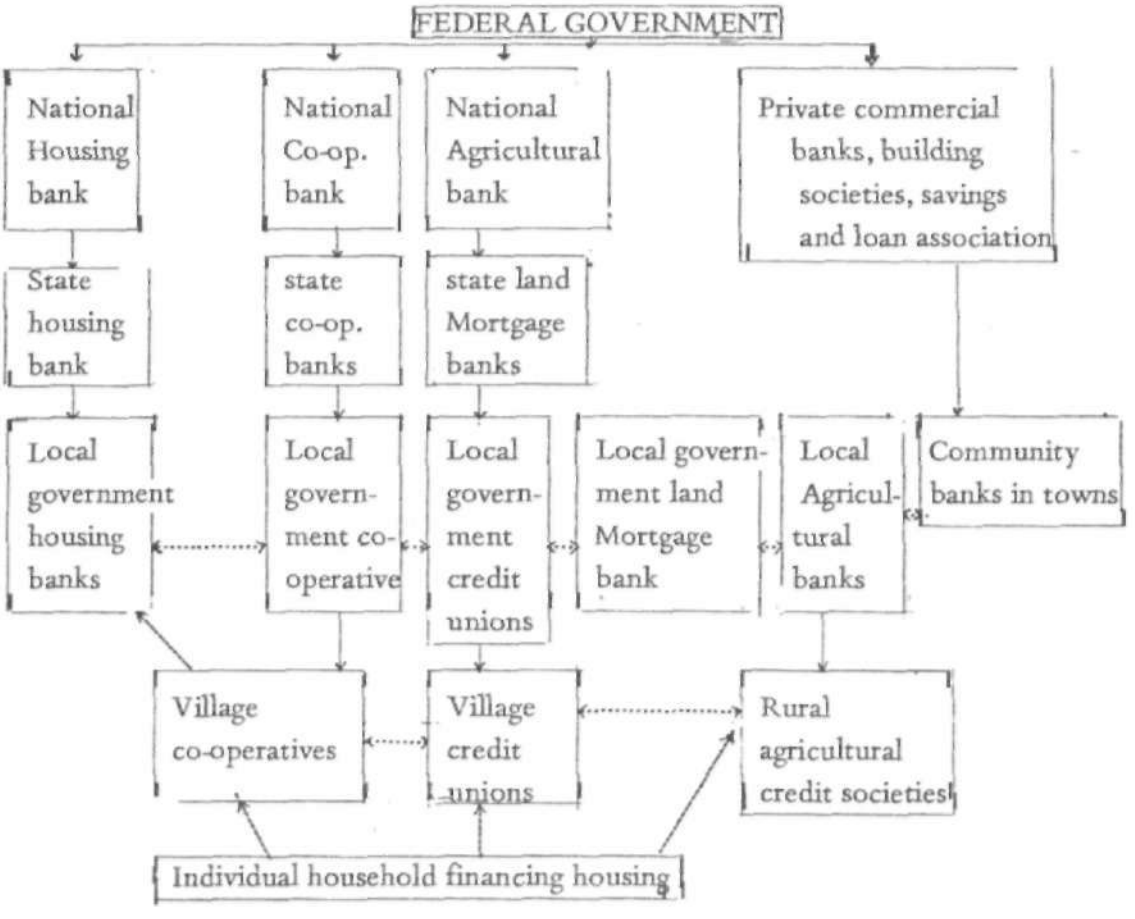
In the United Nations Publication (1974)[11] Financial Institutions are shown to have interrelationships in the national development process.

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11. Op. Cit.

Fig. 2.2

Interrelationships of Financial Institutions in the National development process



——→ Conventional flow of Ultimate financial and reserved capital and loan Insurance.

←·····→ New interrelationships among financing Institutions at one level to economise on reserve capital or facilitate loans.

——→ Possible innovations, new or underutilised access channels for housing finance that could be developed.

Source: United Nations Publications 1974 page 27.

Relationships shown in the flow chart in fig. 2.2 is similar to what exists in Zaire. There is a National financing institution and a National savings and housing fund which allocates funds for housing in the rural sector. These institutions obtain funds from the Narional treasury, from voluntary savings, deposits and external sources. Private firms engage in plantation farming, mining and transportation have undertaken the financing and construction of housing for their workers in rural areas, often on a considerable scale.

(e) Self-help Schemes (self financing) and aided-self help Schemes

The rural housing policy of Indonesia is good for emulation. It operates on the priciple of aided-self-help, only a small part of the total cost of housing is provided to the owner of the house. Other projects such as small-scale industries, agriculture and commercial projects could be financed through self-financing.

2.27 Social Clubs

Abdukarim (1983)[12] studied the role of social clubs in community planning process in Kaduna state. He said that in developing countries, where most of the people are ruralites, government can not provide all essential services, therefore there is a need for self-help projects, not only in rural areas, but also in urban areas. He outlined the importance of public participation and said that social clubs are important in the community in terms of their roles in the process of development. For they undertake community projects like construction of roads, schools, culvets, bridges and drains. He said that people are becoming increasingly aware of the fact that they could use their collective efforts to help themselves rather than co-operate to help some individuals to achieve personal gains, hence the shift in emphasis to co-operative efforts to improve social, economic and cultural conditions of the community as a whole. He cited some examples of social clubs in NIgeria and what they have achieved. In NIger Sate, the Doko District Imporvement Association constructed laterite roads, comprehensive secondary School and a consumer shop. In Kwara State, Ihima Social Club launched N.3 million appeal fund for the proposed Ultra-Modern Club Centre and a Library. Zaria Rotary Club built Leprosarium College and the Zaria Children's Home. They also donated water filtration plant to Bomo and Guga villages. Ham Youth Social Club of Kwoi also constructed the Kwoi–Daddu road and Gora–Ankwa road. Abdukarim identified three principles of community development in Nigeria;

1. Self-help
2. Attention to peoples needs
3. Attention to the development of the community as an integral whole.

He also identified various areas of physical planning where contributions of social club are significant;

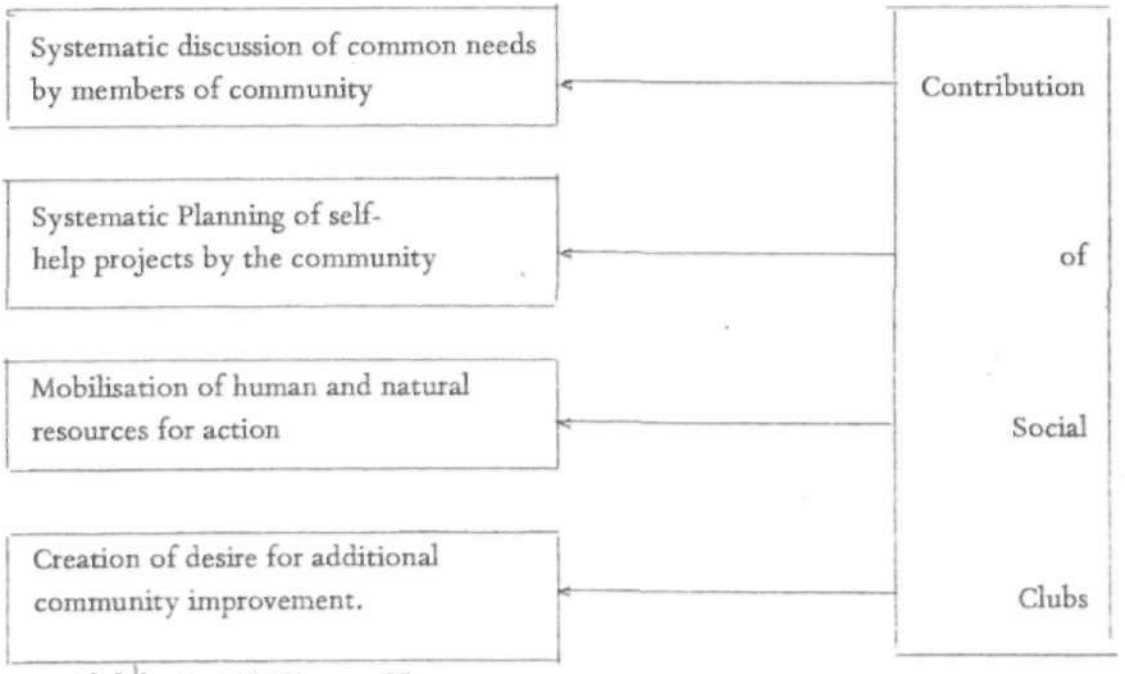
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12. Abdukarim Ali (1983) *"The role of Social Clubs in Community Planning Process. A case study of selected Local government areas in Kaduna State"*. Unpublished M.Sc. thesis., Ahmadu Bello University, Zaria.

1. Urban renewal and Ressettlement Schemes.
2. Housing programmes such as aided-selp-help, mutual aid and building co-operatives.
3. Provision of rural infractructure for public utilities and services.
4. Environmental protection and maintenance plus recreation projects.
5. Public participation.

He then gave a flow chart showing four steps community development process in Nigeria and social club contributions.

Fig. 2.3 : Four step community development process in Nigeria and social club contributions.



Sources: Abdukarim (1983) page 27

Communities in Kaduna State play important roles in the development process. Table 2.2 shows their contribution to the development process.

Table 2.2 Completed Community development projects for some areas in Saminaka Local Government

Project	Location	Total Estimated Cost (N)	Community Contribution (N)	Local Govt. contribution (N)	State Govt. contribution (N)
Dispensary	Kayarda	4,000	1,600	800	1,600
Ward	Gure	8,000	3,400	1,700	3,400
Bridge	Ung/Mato	24,894	9,954	4,979	9,959
Bridge	Damau	25,344	10,137	5,069	10,138
Dispensary	Galadimawa	4,000	1,600	800	1,600

Sources: Saminaka Local Government Office, Kaduna State.

2.28 Investment

Some authors have suggested that strong strategy for obtaining finance for development. Government can invest in industries, agriculture, banks and other profit yielding ventures together with their multiplier effects.

There is need to develop natural resources. Some authors have stressed the fact that human resources in terms of management and organisation could have far-reaching results than having other sources.

CHAPTER THREE

3.00 REVIEW OF EXISTING SOURCES OF FINANCE IN KADUNA STATE.

3.10 Sources of revenue in Kaduna State.

Kaduna State government derives its revenue from various sources. The various sources of revenue are given in table 3.2 The 12 items listed in table 3.2 are the main Heads of revenue. Under each head, there are sub-heads. The details of the sub-heads are given in a table in appendix 1. In this table, there are a total of 92 sources of revenue for Kaduna State. These 92 sources are grouped under 12 main sources given in table 3.2 having given a list of sources of revenue and the details of each source by type, the Kaduna State government estimates for 1982 have been used to show the amount of revenue realised from each of the sources for the year.

Table 3.2: Kaduna State Estimates Revenue and Expenditure 1982.

REVENUE

source of revenue	Estimated Revenue Million naira	Percent of Total	Actual revenue Million naira
Personal Income tax	28	8.8	
Other sources of taxes	1	0.3	
Licences, fees and fines	9	2.8	
Rent on Govt. Property	1	0.4	
Earnings and sales	0.7	0.2	
Interest on Investment	0.5	0.1	
Reimbursements	0.1	0.03	
Recurrent grants	3	1	
Miscellaneous	0.2	0.04	
Total Internal Revenue	45	14	44
Statutory Allocation	270	86	242
Total State Revenue	315	100	286

Source: Kaduna State Estimates, 1983

EXPENDITURE

Details of Expenditure	Estimated Expenditure Million Naira
Agriculture	21
Animal and Forest Resources	4
Education	
General Administration	49
Health	32
Information	4
Judiciary	8
Land and Survey	31
Local Government	33
State Legislature	12
Trade and Industry	2
Transfers to Capital development and other public funds	52
Works and Housing	16
TOTAL EXPENDITURE	327

Sources: Kaduna State Estimates, 1983 page 2.

A visual summary of Revenue and Expenditure given intable 3.2 is shown in figure 3.2. Details of actual revenue realised from sources for 1982 was not available as can be seen from table 3.2 . Only the actual internal revenue and statutory grants was available at the time of writing this thesis. Details of actual Expenditure was also not available.

Looking at Appendix 1, table 3.2 total estimated internal revenue was 45 million naira, while Statutory allocationwas 270 million. Internal revenue was expected to be 14% of total state revenue , as against 86% of statutory allocation. This shows that the bulk of state revenue comes from stautory allocation, an overdependence on Federal Government.

Of all the internal revenue sources, personal income tax was expected to provide the lion's share of 28 million naira (62%) of total internal revenue. The other 8 sources were expected to yield 38%.

Expenditure for1982, as in other years, exceeded Revenue. This has been the trend and has resulted in deficit budgeting. There was an estimated deficit of 11 million naira (Expenditure 327– Revenue 315 = 11), 3.7% of the estimated expenditure was to be met by deficit financing. Actual revenue realised fell short of the estimates by 1 million.

For the various local government in Kaduna State, the same picture that exists for the state applies. There are 9 main sources of revenue (Heads) for local governments.

Under these 9 main sources, there are 64 types or sub-types. The Table in Appendix 3 shows the details of sources and types of revenue for Zaria Local Government.

The 1977–78 estimates for Zaria Local Government have been used to give a picture of revenue and expenditure of Local Governments in Kaduna State.

Table 3.4 Revenue and Expenditure for Zaria Local Government 1977–78.

	Revenue source	Estimated amount '000 naira	Actual amount '000 naira	% of total revenue
1.	Community tax	272	343	6
2.	Property tax	1	5	0.08
3.	Local licences and fees	66	49	0.8
4.	Investment revenues	2	–	0
5.	Revenue from Services	111	117	1.9
6.	Government grants	254	12	0.2
7.	Contribution fron other local govt.	10	–	0
8.	Commercial Undertakings	130	102	1.7
	Total Internal Revenue	838	629	11
9.	General grants-in aid	12,220	5,375	89
	Total Estimated Revenue	13,058	6,004	100

Details of Expenditure	Estimated Expenditure '000 naira	Actual Expenditure '000 naira.
Office of the Chairman	251	69
Office of the Secretary	24	16
Central Administration	287	395
Treasury	85	92
Adult Education	3,569	47
Health	377	328
Natural Resources	93	48
Works, land and Survey	320	280
Retiring Benefits	294	423
Commercial Undertakings	64	44
Total Expenditure	5,370	1,746

Source: Zaria Local Government Estimates, 1978.

From table 3.4, only 46% of estimated revenue was actually collected, that is, a loss of 54%. Actual revenue generated internally within the local government was only 11%, while the bulk of 89% of total revenue came from state government in form of grants-in-aid. Community tax was the largest internal revenue yielding source, providing 6%, and it was 70, thousand higher than the estimated amount. Unfornately, this important contributor to the Local Government revenue was abolished by the Peoples' Redemption Party on the grounds that it exploits the common man, and is expensive to collect.

The large share of grants-in-aid (89%) to the total revenue of Zaria Local Government also shows a heavy dependence on the State Government by the Local Government, and an underutilisation of the Local recources available. in fact, after abolishing community and poll tax, Local Governments have depended almost entily on state government grants. This affected their performance seriously. As a result, they stopped preparing estimates. The grants they received from the state government was barely sufficient for payment of salaries to local government staff. Thus the explanation for the accumulation of salary arrears. The 1977/78 estimates is the most comprehensive and updated available in the Local Government. This is because there has been no revenue to be estimated for, apart from the state grants.

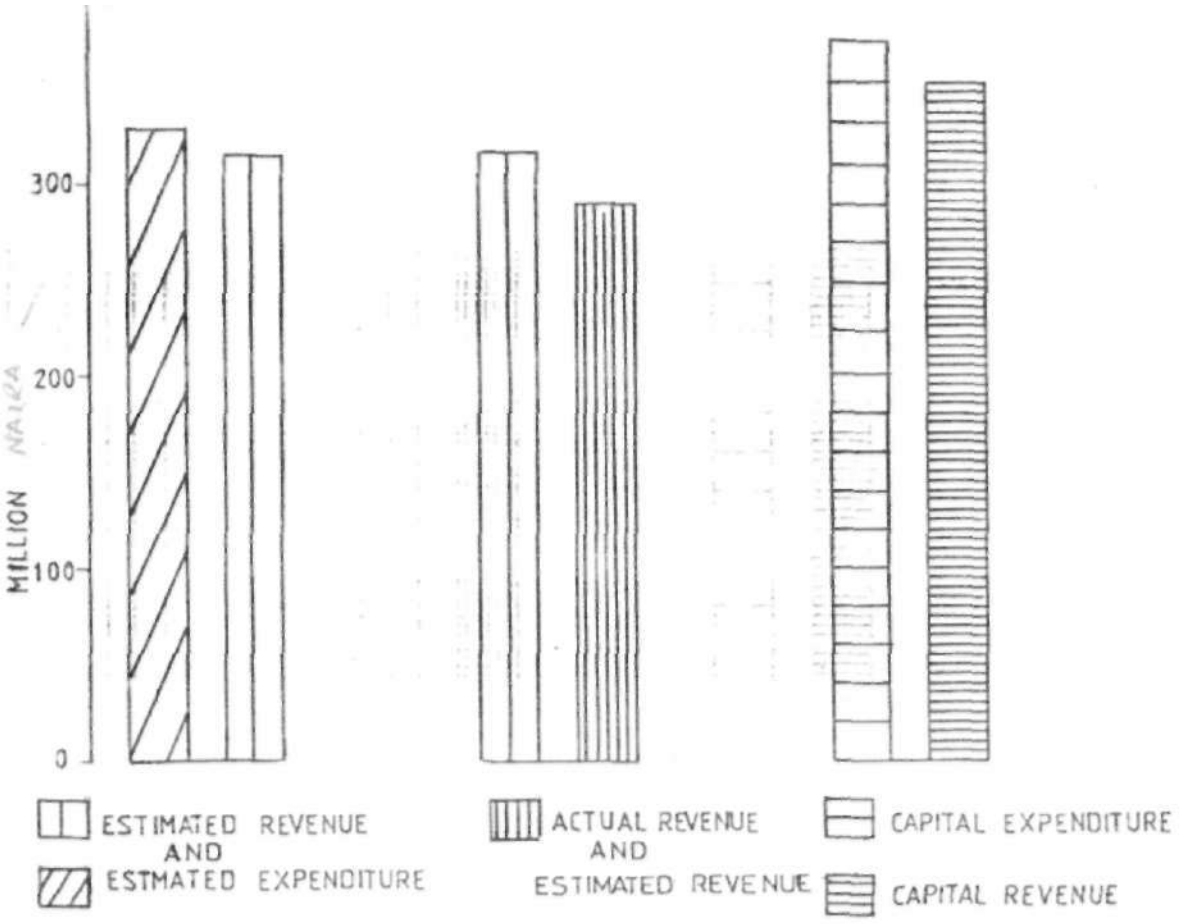
Looking at table 3.4, actual revenue and expenditure show a surplus of 4 million. (refer to Fig.3.3)

However, the estimates for the local government showed that they estimated 490 thousand as capital revenue, and 994 thousand as capital expenditure, a deficit of 504 thousand. Capital revenue fell short of expenditure. This has resulted in stagnation of projects. Of the 90 sources or types of revenue for the state government in table 3.1 7 sources according to the 1983 estimates yield revenue above 1 Million naira annually. Of the same 90 sources, 15 yield less than 300 naira or nothing at all. In-short, they are idle sources.

For the local governments, of the 64 types (sources) of revenue in table 3.3, only 9 according to the 1978 estimates yield revenue of 5,000 naira and above.

From the foregoing paragraphs, one might ask why revenue generated by both local and state government is small, and why this thesis concerns itself with alternative local resources for financing development programmes in the state despite the many sources of finance available. The answer is found in the following paragraphs.

State and Local government actual revenue falls short of estimated revenue . Over 50% of estimated revenue is not collected by government due to the following reasons;
(i) Tax evasion and default. Tax evasion is encountered more in the area of direct assessment. There is a large informal sector, the number of persons involved, and their incomes are unknown to government, therefore government can not assess them and collect taxes due to it. Other forms of taxes are also evaded. For example, in February 1984 alone, Zaria Local government tax office collected the sum of 16,800 naira as entertainments tax. A tax officer in the office explained that the sum collected would have been more if all entertainments paid tax. He claimed that some group of persons



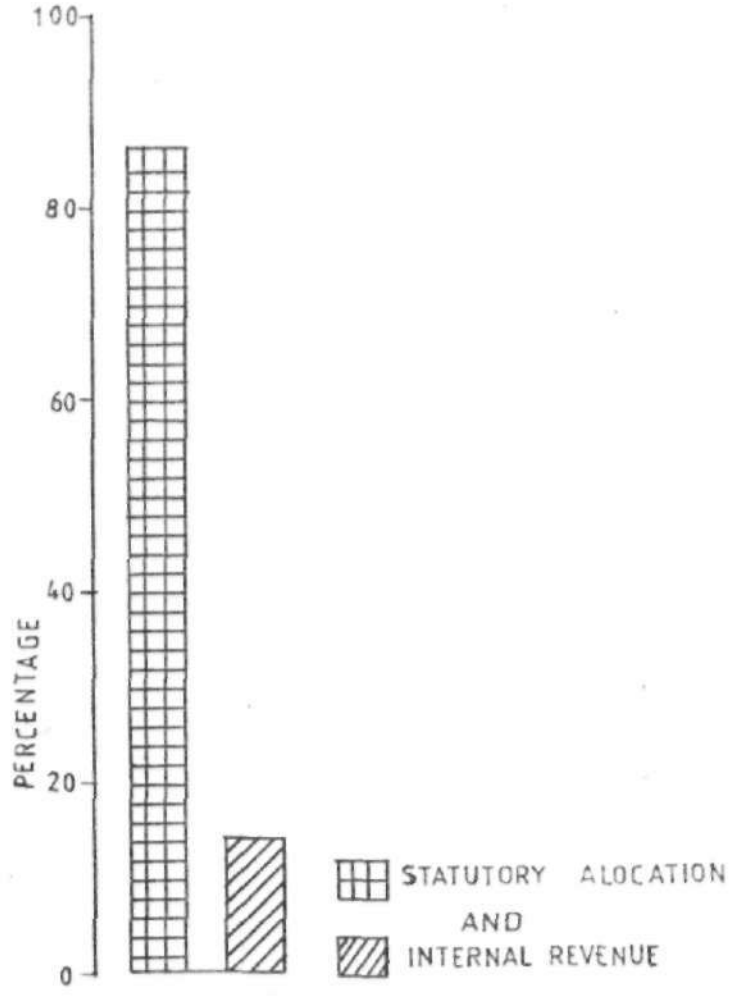


FIG. 3.2 KADUNA STATE REVENUE & EXPENDITURE,1982

SOURCE: KADUNA STATE ESTIMATES 1983 AND
MINISTRY OF ECONOMIC PLANNING KADUNA

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M.SC II U.R.P
1984

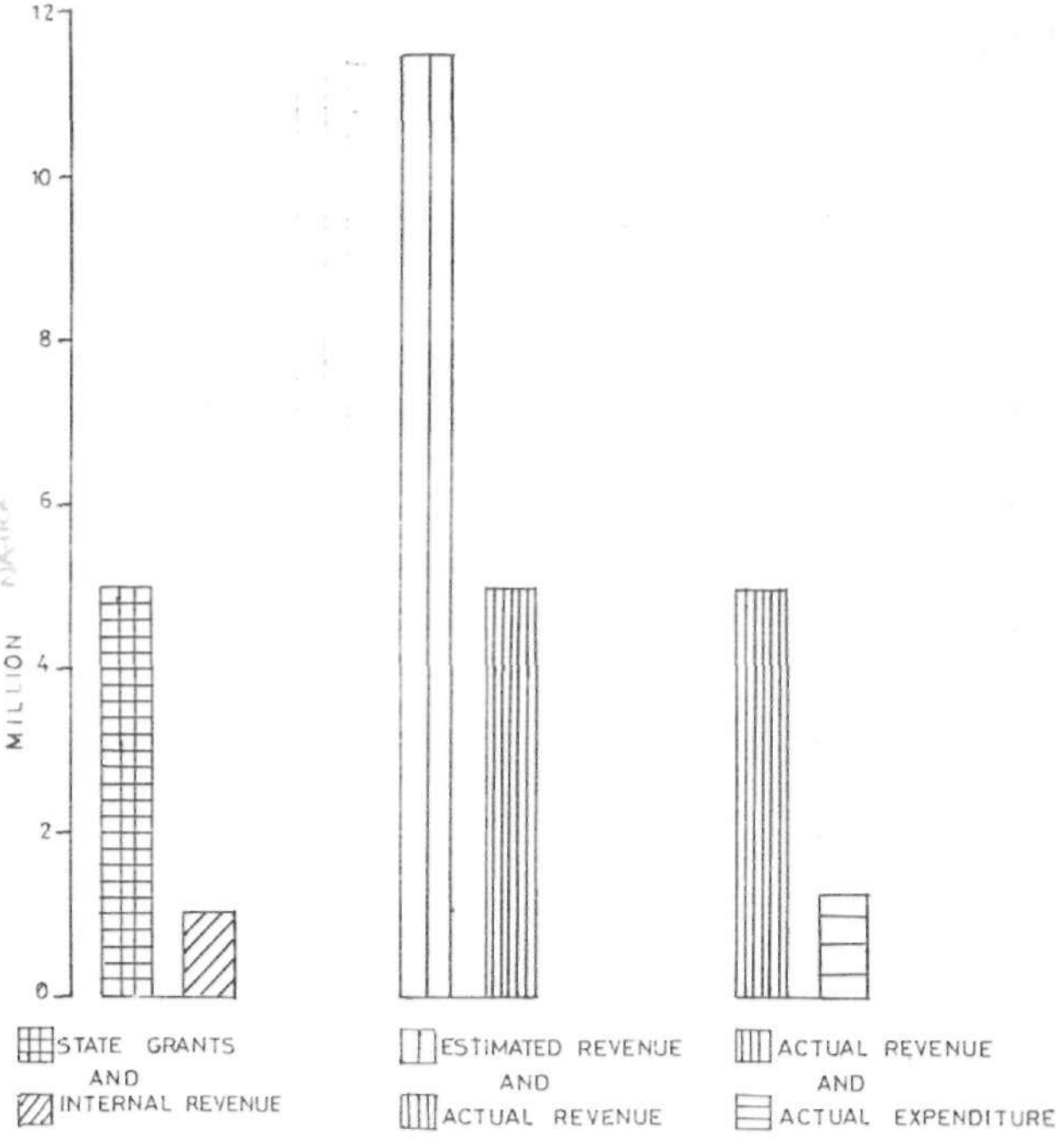


FIG. 3·3 ZARIA LOCAL GOVERNMENT REVENUE & EXPENDITURE, 1977–78.

SOURCE: ZARIA LOCAL GOVERNMENT ESTIMATES 1979

GALADIMAWA N. H.
M.SC. II U.R.P. 1984

organise entertainments without paying tax, and the only way the office could get such people is by going round even at might to check, but since they have few staff, they could not go round to check on defaulters. Property tax, an important source of revenue yields little to the government because the owners do not come forward to pay. Absence of a proper register of deeds prevents the office from knowing the property and owners in any local government.

(ii) Government expenditure generally exceeds revenue. This is because of large social overheads like the provision of basic services and utilities which has been the responsibility of government. Since revenues are poor, government has often resorted to deficit financing.

(iii) Internal revenue generated by state and local government is generally very much less than statutory and state grants-in-aid respectively. The normal thing would have been for internal revenue to be higher than grants.

(iv) At the state level, the only substantial revenue earner is income tax. At the local government, it was community tax, and presently they have no main source of revenue. Other sources at both level provide relatively small revenues.

(v) The poor financial situation in the country generally also affects Kaduna State in terms of shortage of financial resources.

(vi) Informal and improper method of tax collection especially in relation to poll and community taxes and other fees, according to 40% tax and finance officers interviewed, results in poor revenue collection.

(vii) Mismanagement and maladministration of revenue earned from various sources according to 70% of finance and tax officers interviewed results in shortage of financial resources. Some unscrupulous tax officers and government officials have been known to connive with tax payers to receive a token bribe in order to deprive the government of its revenue. The financial controller in the Ministry of Economic Planning confirmed that some government officials print fake receipts which they issue to the public and receive the money for their personal use, this happens in the area of licences such as Liquor licence. 85% of people interviewed attributed shortage of finance in Kaduna State to dishonesty by both the public and government officials.

(viii) State and local governments have very low investment, therefore no generation of financial resources. Investment in small-scale industries and agriculture would have multiplier effect for governments.

(ix) Local governments have no direct power to impose taxes. 80% of finance officers interviewed attributed the lack of funds to this .

In a survey conducted by Wahadzuvati[1] on local governments in Gongola State, he discovered that only about 20% of revenue is actually collected from the various sources by local governments. In Kaduna State, the finance officers interviewed said that between 15% and 20% is actually collected, taking all the sources of revenue together, while 80% is lost.

It appears that the re exist many sources of local finance in Kaduna State. The problem only lies intapping these sources properly and in the proper management and utilisation of such financial sources are necessary only as complementary sources. alternative sources

In a survey carried out on the general public, at the local government headquarters, to findout various ways of raising revenue locally, the following results were obtained;

48% of people interviewed have savings while 50% had none. Those who had no savings complained that their wages were too small, and 60% of them said the interest rates of 7½ given by banks is too small to encourage them to save. They also complained that with the exception of two to three banks, most banks require at least ₦50 – ₦100 as minimum for opening a savings account. In view of this, it shows that government as at now can not obtain revenue from savings to carry out development programmes because less than 50% of people save. It further suggest that some actions need to be taken to encourage at least 70% of people to save.

On property and wealth tax, 50% of people accept such a tax. 42% rejected any form of tax on their property or asset. Since 50% accept, it means property/wealth are potential revenue earners for the State.

68% of people interviewed agreed to have Toll tax, 30% rejected. So it can be introduced.

50% of people interviewed agreed to pay hospital fees while 82% are willing to pay school fees.

Of the people who have taken up loans with banks for development, 61% took it for Industrial development, 50% for agriculture, 45% for Medicare facilities and 91% for housing. This shows that a large proportion of development programmes by private individuals is on housing, followed by Industry.

78% were willing to contribute to an urban trust fund. This means that such a fund could be established in urban areas of the State.

It was suggested that there should be 2% tax on the value of property or wealth. 55% accepted, while 45% rejected. So this source of revenue could be helpful. On site and services scheme, 75% of people were willing to pay a tax of 5% of the value of developed plots if given to them.

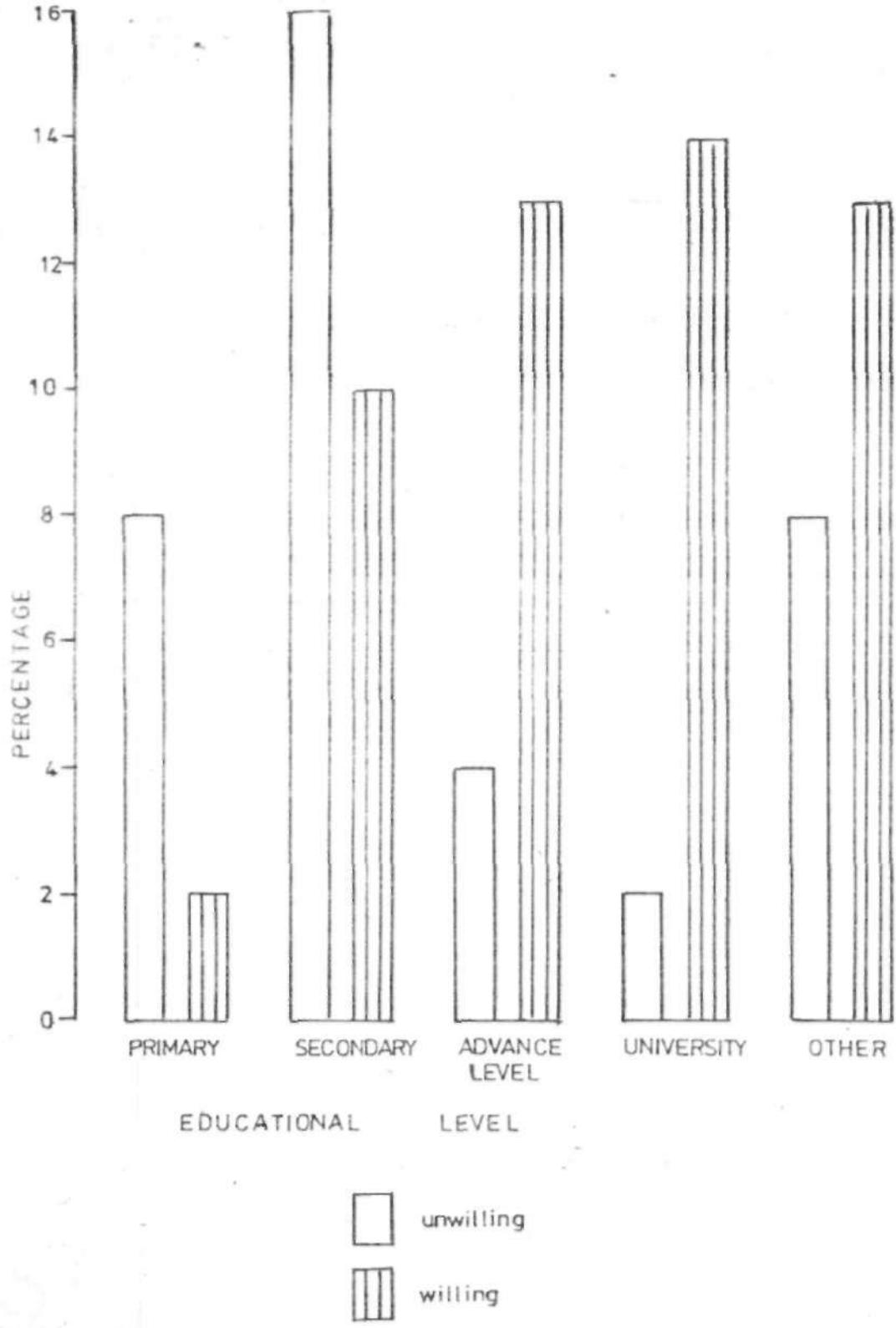
People were interviewed as regards contributions to community development .80% were willing to give cash donations to their various communities for development. 20% were willing to contribute in physical labour. Also 95% were willing to contribute to the Parents' Teachers' Association (PTA) of schools which their children attend. These findings are given in chart form in . Figs 3.4 to figs 3.10

These findings show that majority of people accept various forms of taxes in order to help generate revenue and carry out development programmes. In fact it has been observed that more people are willing to carry out self-help programmes especially at

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1. Wahadzuvati F. (1983) "Local government reforms as a basis for urban and Regional developmen A case study of Gongola State". Unpublished M.Sc. Thesis. Department of Urban and Regional Planning, A.B.U., Zaria.

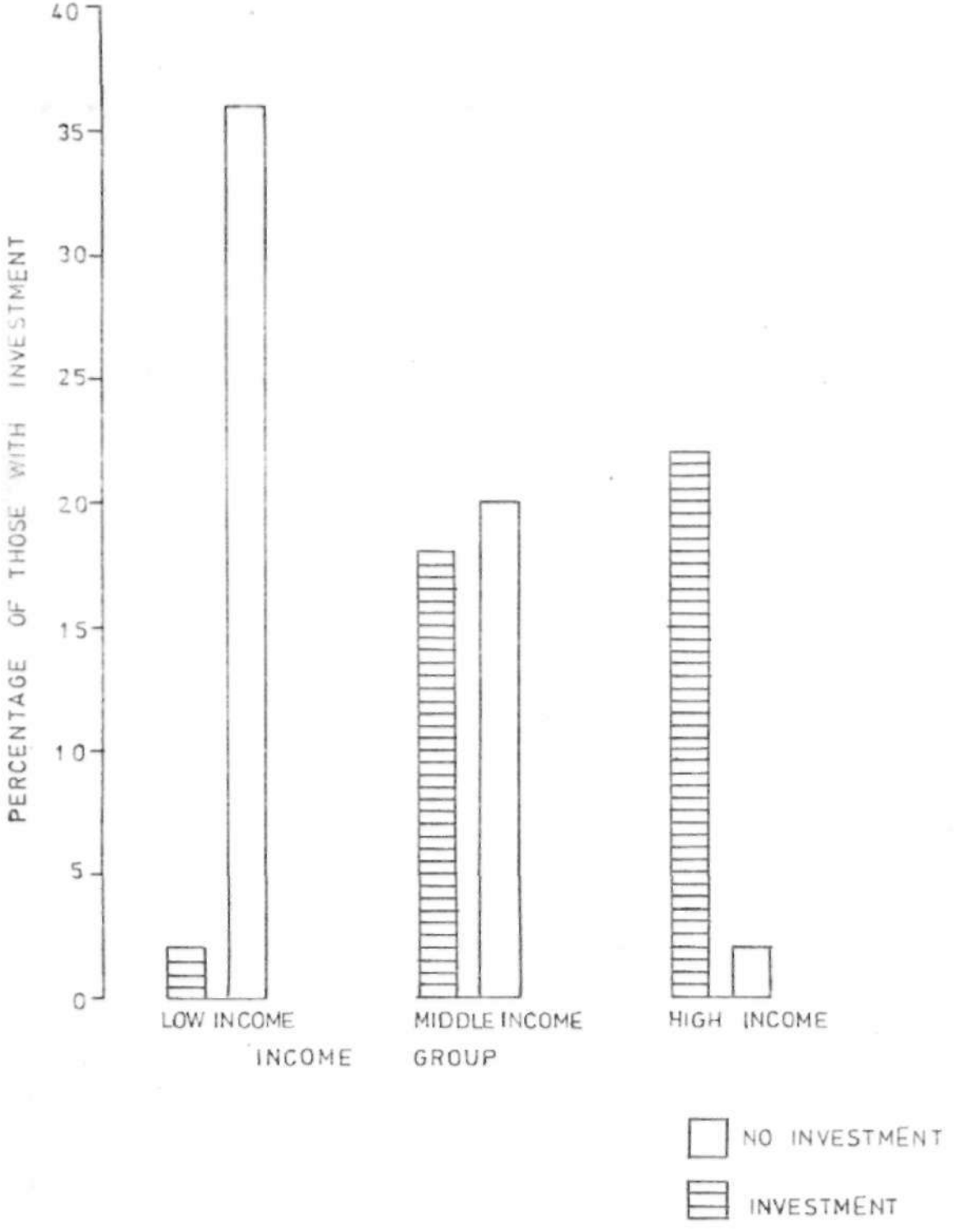
EDUCATIONAL BACKGROUND AND WILLINGNES TO PAY FEES & TAXES



FIELD SURVEY 1984

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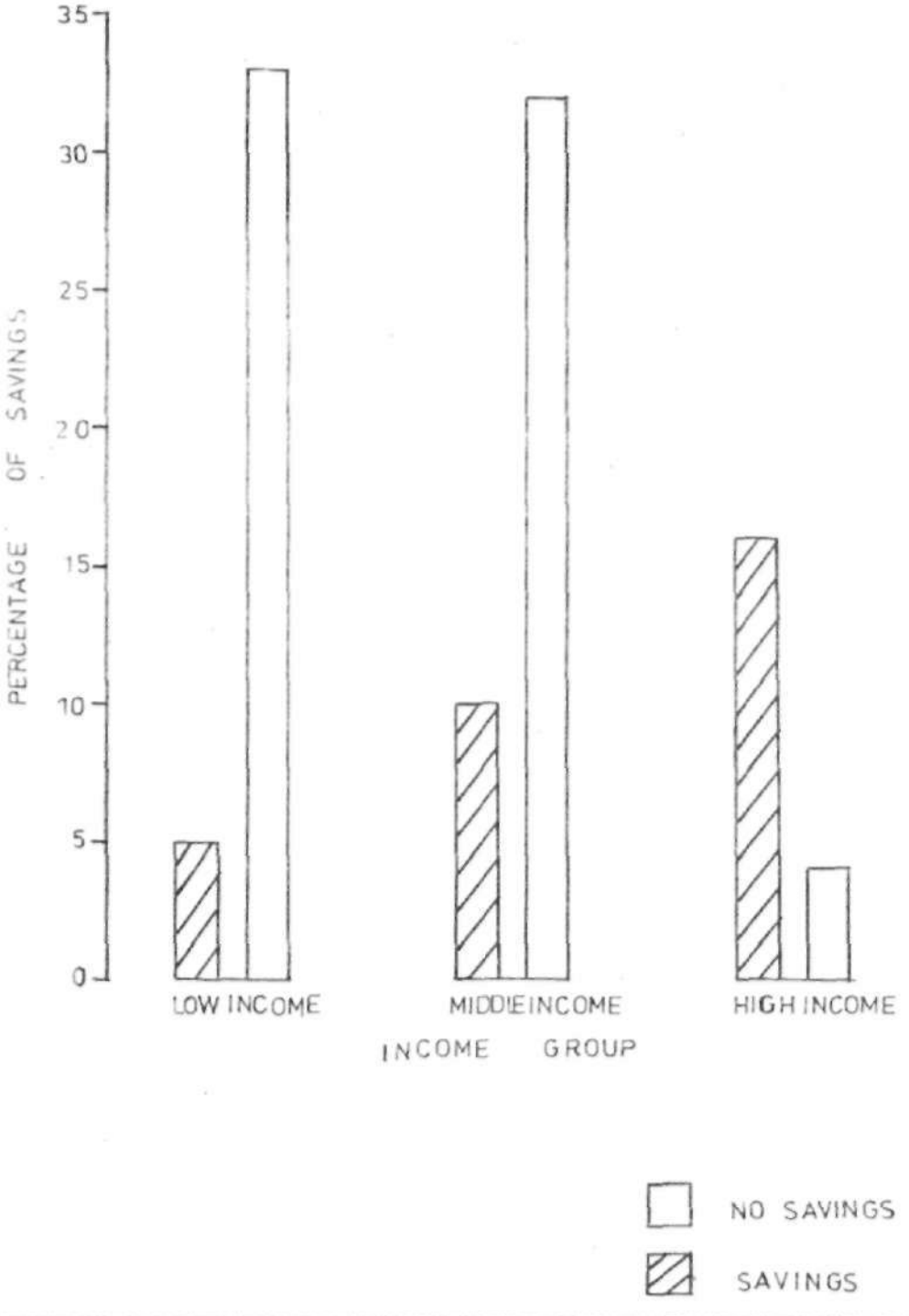
INCOME AND INVESTMENT



FIELD SURVEY 1984

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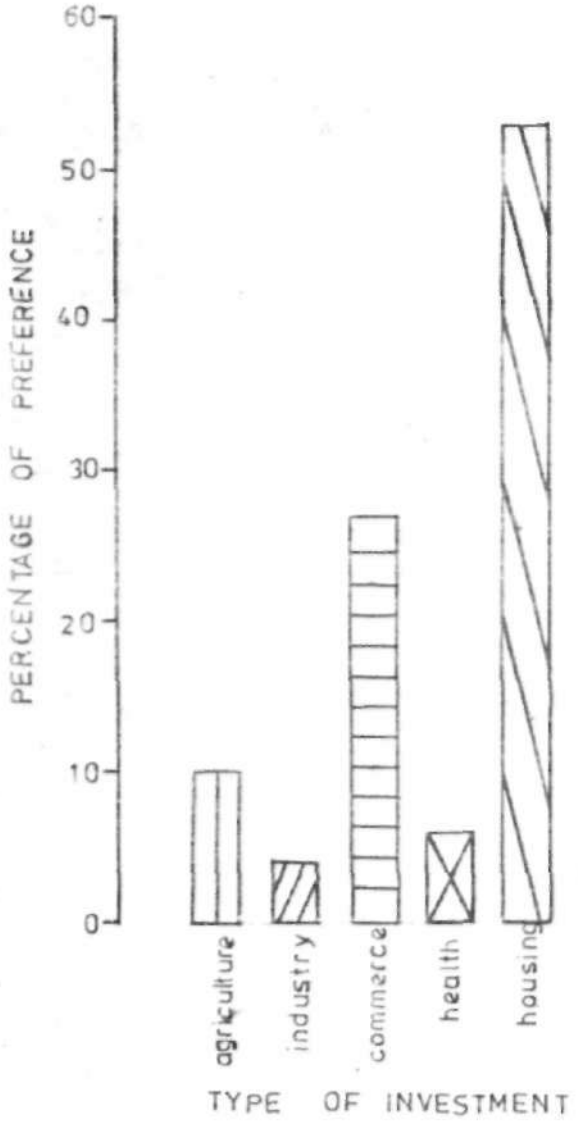
INCOME AND SAVINGS



FIELD SURVEY 1984

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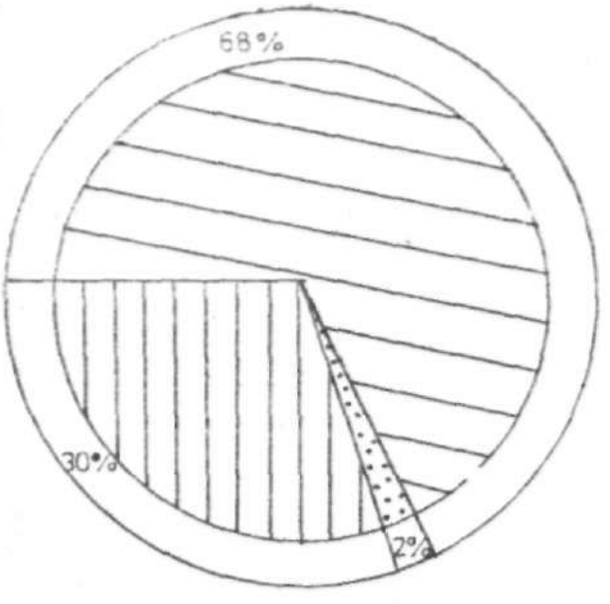
CHOICE OF TYPE OF INVESTMENT



FIELD SURVEY 1984

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ACCEPTANCE OF TOLL TAX



ACCEPT

DO NOT ACCEPT

NEUTRAL

FIELD SURVEY 1984

GALADIMAWA N. H.
M.SC II U.R.P 1984

CONTRIBUTION TO AN URBAN TRUST FUND



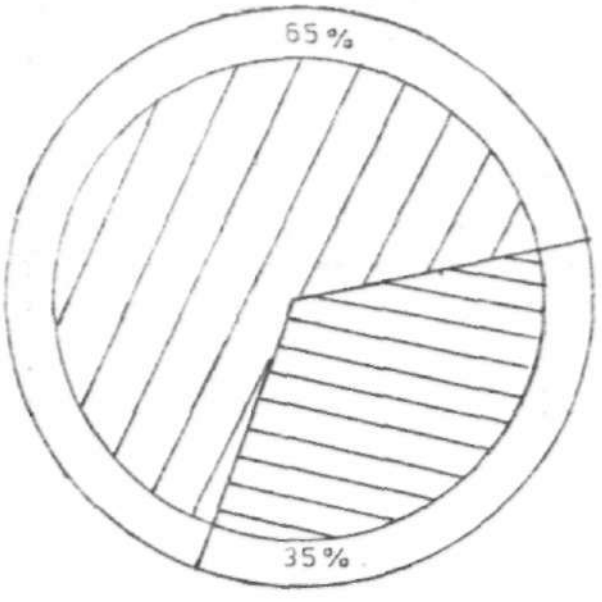
UNWILLING

WILLING

FIELD SURVEY 1984

GALADIMAWA N. H.
M. SC. II U.R.P. 1984

ACCEPTANCE OF HOSPITAL & SCHOOL FEES



ACCEPT

DO NOT ACCEPT

FIELD SURVEY 1984

GALADIMAWA N.H.
M.SC. II U.R.P 1984

community level than in the past because people are becoming aware of the limited resources of government. In 1983, most of the newly created local governments by the ousted civilian administration launched endowment fund and collected large sums of money which they planned to used in opening up such new local governments. For example, Kauru local government collected N12,000. Moroa N100,000, Zangon Kataf N130,000 and Zonkwa N85,000. Various communities are taxing their sons to enable them collect money for development programmes. This means that community self-help programmes should be encouraged.

3.20 Selected case studies of projects already implemented in Kaduna State.

In this section, examples of local government programmes have been given and the sources of finance for such projects.

Table 3.5 shows some community Development Projects executed in Saminaka Local Government Area in 1977. For all the projects, the community concerned contributed 40% of the total estimated cost of the project. The Saminaka local government contributed 10% of the total cost of each project. Area Councils contributed 20% while State Government grant to community projects constitutes 30%.

The community members obtain their share of contribution by taxing members a fixed amount or by launching development or endowment fund. For example, the Galadimawa community through its social Youth Club collected money from each member of the community based on income to finance its own quota towards the construction of a dispensary in 1977. It also used part of the dues collected monthly by members. Recently, in 1982, all members were taxed to raise money for the construction of a bridge to facilitate easy transportation to the village especially during the rainy season. All farmers in the village including their wives were taxed N20 each. Workers from level 01–05 were taxed N30 each. Level 06 N50, Level 07 N70, and Levels 8 and above N100 each. The local Governemnt made its contribution, and the bridge has been completed.

Table 3.6 shows Zaria Local Government capital projects for 1980. For local government initiated projects, the projects are financed entirely by them since they receive general grants from the state government. Communities do not make contributions towards such programmes. It is to be noted that the porjects listed in table 3.6 were financed mostly from deficit, borrowings from banks. This is because the local government budgets more than its resources, and State grants are mainly used for payment of salaries, so that very little is left for capital development projects.

Table 3.7 is a list of state government projects executed in 1982. The state government finances all projects on its own without contribution from other sources. More projects are implemented at community level than at local and state government levels; this is because projects at community level are smaller and involve relatively smaller sums of money

Table 3.5 1976/77 PROJECTS: SAMINAKA DIVISION.

Dist.	Name or description of project	Location	Total Estimated cost N	Community Contribution N 40%	Local Autho-contribution N 10%	Area Council contribution N 20%	Government grant N 30%
LERE	2 No. 3' Span culvet	Lere town	1,350.00	540.00	135.00	270.00	405.00
"	4 No. 3' " "	Kayarda	2,700.00	1,080.00	270.00	540.00	810.00
"	2 No. 3' " "	Yarkasuwa	1,350.00	540.00	135.00	270.00	405.00
"	1 No. 3" " "	Saminaka	675.00	270.00	68.00	135.00	202.00
"	Bridge (small)	Kahugu–Galadimawa Rd	1,965.00	786.00	197.00	393.00	589.00
"	" "	Maresu–Saminaka Rd	1,965.00	786.00	197.00	393.00	589.00
"	" "	Karanbana–Piti Rd	1,965.00	786.00	197.00	393.00	589.00
"	" "	Tuddai–Doka Rd	1,965.00	786.00	197.00	393.00	589.00
"	Adult Edu. Class	G/Kurama	3,990.00	1,596.00	399.00	798.00	1,197.00
"	1 No. Market Stall	Karanbana	2,962.00	1,185.00	296.00	592.00	889.00
"	1 No. " "	Maigamo	2,962.00	1,185.00	296.00	592.00	889.00
"	Rural Comm. Centre	Lere Town	6,809.00	2,724.00	680.00	1,362.00	2,043.00
"	Maternity Clinic	Gure	5,880.00	2,352.00	588.00	1,176.00	1,764.00
Kauru	2 No. 3' Span Culvet	Makami	1,350.00	540.00	135.00	270.00	405.00
"	3 No. 3' " "	Geshere	2,025.00	810.00	203.00	405.00	607.00
"	Adult Edu. Class	Kitimi	3,990.00	1,596.00	399.00	798.00	1,197.00
"	Market Stall	Kwassam	2,962.00	1,185.00	296.00	592.00	889.00
"	" "	kushcka	2,962.00	1,185.00	296.00	592.00	889.00
"	" "	Kadage	2,962.00	1,185.00	296.00	592.00	889.00
"	Slab	Kwassam	675.00	270.00	68.00	135.00	202.00

Source: Community Development Office, Saminaka Local Government.

Table 3.6 Zaria Local Government Estimated Capital Projects, 1979/80.

Project	Estimated cost(N)	Source of funds
Constructing Senior Staff quarters at Zaria.	30,000	Zaria local Govt.
Improvement of roads and drainages	500,000	"
Constructing culvets	63,000	"
Purshaces of four tractors	28,000	"
Estab. of plantations	10,000	"
Nursery to raise Seedlings	5,000	"
Uprooting for projects	4,000	"
Amenity planting along streets	2,600	"
Weeding and fire tracing for project	2,600	"
Maintenance of existing forest reserves boundaries	10,000	"
construction of one cattle market at Yelwa	5,000	"
Improvement of urban markets	100,000	"
Markets stall in rural areas	100,000	"
constructing motor parks	10,000	"
Purchasing of well-digging equipment	10,000	"
Well sinking in 5 districts	100,000	"
Adult education courcse centre at Zaria	4,000	"
Total		

Sources: Zaria Local Govt. Estimates, 1981.

Table 3.7 Some Kaduna state government Projects, 1982.

Project		Place	cost	Source of finance
1.	Refuse disposal plant	Kaduna	11,600	Kaduna State
2.	sewerage reconstruction	Kaduna	49,140	" "
3.	Landscaping, water connectionground and over-heads Tanks	Kaduna	13,880	" "
4.	Lowcost houses	Katsina	6,397,551	" "
5.	Lowcost houses	Zaria	2,620,574	" "
6.	Lowcost houses	Funtua	1,659,447	" "
7.	Govt. Staff Housing Loan	Whole State	949,275	Kd. State(Housing Authority)
8.	consttruction of a civic centre and shopping complex	Kaduna	870,928	Kaduna state

so urce: Kaduna state Perspective, June 4, 1982.

which are usaully met by the communities themselves, with small aid from government. Local and State governments projects are usually large involving large sums of money, so that they find it more difficult getting such projects executed. With the deficit budgets characterising the economy of Kaduna State, a lot of Planned projects never get completed.

State projects encounter lots of problems because there is no community participation. They are given to contractors, most of who collect mobilisation fees, and abscond ., abandoning the projects. Apart from this, the contracts are ususally inflated, and this does not happen with community projects.

CHAPTER FOUR

4.00 SUGGESTED ALTERNATIVE LOCAL RESOURCES FOR FINANCING DEVELOPMENT PROGRAMMES IN KADUNA STATE.

4.10 Identification of resources that could be used for financing development programmes and projects to be financed from such resources.

4.11 Compulsory Savings

Societies which have high propensity to save always have funds available for both private and public development programmes. Savings is a potential source of revenue; in view of this, some societies have often directed their banks to raise their interest rates so that people would be attracted to save rather than spend their money.

In Nigeria, there is a very low propensity to save. In a survey carried out for this report, only 48% of people interviewed operate any form of savings. Of this 48%, majority are in the high income bracket. This is due to the vicious cycle of property particularly among the low-income group, and also the lack of adequate incentives for the rich in terms of interest rates offered by banks. For instance, in countries such as India, interest rates are as high as 13%. Those interviewed indicated that generally, it is more profitable to invest ones money directly as this yields higherprofit or returns within a shorter time than saving it in the bank at such an interest rate.

In view of these findings as regards savings, it is suggested that the interest rate should be raised to attract people to save, so that funds could be made available for banks from where people could obtain loans for development. Raising the interest rate would require some sort of change in national fiscal or monetary policy. That is, the Federal Government or Central Bank would have to direct banks in the whole country to do so.

The government of Kaduna State can utilise peoples savings for development by introducing compulsory savings referred to as COMPULSORY CUMMULATIVE TIME DEPOSIT SCHEME. The state government and private institutions could deduct the amount of a fixed saving directly from monthly salaries and direct it to the State Co-operative bank, or any other bank. Every employee obtains a passbook from the bank. The saving could befor 5 or more yearsdepending on choice of individuals, but the minimum should be 5 years, after which the people concerned collect the cummulative savings with interest. Non salary earners could pay directly to a bank the amount of saving every month. The amount of saving should be based on the average incomes of people. Those who receive or get N100– N300 monthly could save N5. Those who get N310–N500 monthly could save N10 monthly. Those who get N500 and above could save N20. An estimate of number of potential savers and the amount of savings expected annually is given in table 4.1.

Table 4.1 Estimated Number of People in various establishments/schools in Kaduna State.

	Sector/establishment	Number of peoples
1	Civil service	52,000
2.	Business establishments engaging 5 or more persons	21,000
3.	Business establishments engaging less than 5 persons	3,300
4.	Hawkers	3,800
5.	Stalls	13,500
6.	Farmers	1,400,000
	Total Number of persons	1,493,600

Source: 1. Field survey 1984
2. Ministry of Economic Development– Business Directory.

Table 4.2 Income groups and expected annual savings.

Income group in terms of naira/month	number of persons in the group	% of total state population	Amount of monthly saving (₦)	Expected yearly savings (₦)
100–300	1,045,520	70	5	63 Million
310–500	373,400	25	10	45 Million
510 and above	74,680	5	20	17 Million
	1,493,600	100		125 Million

Source: 1. Field survey 1984
2. Directory of Business establishments, 1978, Ministry of Economic Planning, Kaduna State.

From table 4.2, it can be seen that an estimated 125 Million is expected to be saved annually. This is almost half of the Kaduna state budget.

The Kaduna State Government can loan the savings from the banks for its development programmes. Individuals and groups can also have access to such loans facilities, and also when the saving scheme mature, the owners would have funds available for implementation of their programmes.

Revenue from savings would be used specifically for developing agro-alied industries, particularly in rural areas, where the growth of raw material can be evcouraged and facilitated. Alternatively, the fund could be used for other profit yielding investments like public transportaion, and housing, projects that would directly benefit the people who provide the savings.

4.12 Revolving Fund

According to Kulshrestha[1], local governments or authorities such as urban Development Boards and Housing boards may borrow some money from a financial Institution, or may get a grant from the government as a revolving fund. This fund under the revolving fund strategy is invested for implementing development programmes. It is used in such a way that the initial capital with some premium is recovered from the client. This recovered sum is again invested for further development, thus making it a revolving fund.

For example, a private company, Haruna and Sons Limited, obtained a loan of ₦70,000 from a commercial Bank, and used the loan to purchase 6 Peugeot Station wagons for use as taxis. The interest rate on the loan was 10% per annum. The taxis plied Zaria – Kano route, each comveyed 6 persons at N5 each. Each taxi made an average of 4 trips daily.

Table 4.3 reveals the amount of money realised in the first , second and third year.

Table 4.3 Application of revolving fund strategy by Haruna and Sons Limited.

Year	Capital ₦	number of items bought	Amount realised Daily ₦	Annual Returns ₦	Running cost (drivers, fuel, services, etc) ₦	Balance ₦
1.	70,000	6 taxis	540	194,400	13,200	104,200
2.	100,000	9 taxis	810 + 540	291,600 + 194,400 486,000	51,000	435,000
3.	400,000	2 luxurious buses	2,400	912,600	63,000	849,600

Source: 1. Field survey 1984

For the first year the Return was ₦104,200 after paying back the loan with 10% interest (77,000) and taking care of running cost. The company took 4,200 as profits and for other uses, and reinvested 100,000 in the purchase of 9 additional taxis. At the end of the second year, the company had 435,000 as returns, it had no loan to pay back. So it reinvested 400,000 in the purchase of 2 luxurious buses. These 2 buses in addition to the 15 taxis gave them ₦849,600 returns at the end of the third year. In this way, the fund kept on revolving.

The Kaduna state urban Development Board could adopt the revolving fund strategy by acquiring land for developing commercial, residential or industrial uses. The Kaduna city centre is being planned by the Mogadishu properties Development Corporation. The total land area for the city centre is about 40 hectares(9,840 m^2). The corporation can decide to sell each square metre at N300. N300 x 9,840 = 2,952,000. Assume the cost of developing the plots or area is about 1.5 Million (cost of land, compensation, sub-division and site development). The Corporation may borrow this amount (1.5 Million) at an interest rate of 10% per year from a bank and establish this fund as a revolving fund. 1.5 Million plus 10% interest gives 1.65 Million naira. 2.95 Million minus 1.65 million gives 1.3 million as balance. This balance could be reinvested in the same way. Alternatively, the Corporation could sell the land by auction, in this case, the Returns may be higher than 1.3 million naira.

The State government can establish a revolving fund for the purchase of the much needed rice or milk. The imported rice is imported at the cost of N10 a bag, and sold at N37 a bag to the public. 15% (N5) goes for the transportation. N10 price plus N5 transport cost gives N15 as cost of each bag. The government makes N22 profit on each bag of rice. Assume the Kaduna State Government buys 1,000,000 bags of rice, it would make an average of 20 million naira as profit.

4.13 urban Trust Fund.

An urban trust fund could be established for the development of urban areas. Urban centres in Kaduna State are in a bad state. The roads are poor, there are poor housing conditions, shortage of utilities and services and a chain of other urban problems. An urban trust fund could be stablished to harness financial resources which could be used in solving some of the problems.

Such a fund could be obtained by asking every taxable adult to contribute 50 kobo monthly to the fund. State government and private institutions or organisations could deduct 50 kobo monthly from employee salaries and direct the sum to the urban trust fund. The urban development authorities could be the care takers of such a fund. The state government and other organisations can donate some amount annually to the fund, so that the fund would be used for developing urban areas, instead of government having to budget money towards such projects.

Using the figures for persons in the civil service and business establishments, in table 4.1, the total number of income earners, who would contribute to the fund is estimated at 76,000. Others such as farmers, Hawkers and stall owners could pay monthly and collect receipts. The payment should be along with payment of hawking permits and market fees. This group is estimated at 1.4 million persons. The sum total of 1.49 million persons would contribute 8.9 million naira annually. This sum is sufficient to maintain major urban roads. Contributions from government and organisations would increase the fund. Other projects for which the fund could be used include water supply, urban parks, toilets and public taps.

In a survey conducted in 1984 for this report, 78% of those interviewed accepted to contribute to this fund.

4.14 Parking Fees

In Kaduna State, there is nothing like parking fee. Parking fee could be introduced to raise revenue and to control indiscriminate parking in urban areas.

The government could declare certain areas along major roads as parking areas. For instance, from Leventis Stores in Kaduna up to 1 kilometre towards Administrator's Office could be declared parking area. The government could then develop and lease the area to business men by auction. For long term parking, the fee could be N1, while for short term parking of less than one hour, it should be 20 kobo. The buyers could employ some jobless boys to collect the fee for them. Parks such as the central market park could collect parking fees based on the same period and cost.

For example, at any time between 8 am and 5 p.m, there are over 1,000 cars parked in the central market area of Kaduna. Using this 1,000 figure, the estimated amount to be realised is as follows:–

Parking Period	Fee charged	number of vehicles	monthly revenue
long term (1–8 hrs)	N1.00	300	N 9,000
short term (5–60 mins)	N0.20	700	N 4,200
TOTAL		1000	N13,200

Sources: Field survey 1984

From the table, a total of 158,400 naira would be realised on the central market park annually as parking fees. This revenue goes to the businessman who has already paid to the government at time of auction.

4.15 Co-operative Credit Unions and Housing Societies.

Co-perative Credit Unions could be very useful for rural areas in Kaduna State in terms of facilitating loans for development programmes. It is suggested that the Kaduna State Government should set up or encourage the setting up of such unions in rural areas. These unions could be controlled by the government through the use of by-laws. Members could then register, and make regular contributions of small sums of money , based on their rural incomes. The union could then give credit to members, particularly active members. Such credit could be used for programmes like housing, purchase of vehicles, financing children's education and agriculture. The payment should be at a low interest rate of about 5% per year .

In Cameroun, co-operative credit unions have proved very useful to communities by facilitating credit for their small development programmes.

A related organisation, the Housing Society could be set up in urban areas, and even rural areas too, to provide housing loan schemes for members. The village housing Scheme of India in 1957 assisted villages in constructcon and improvement of houses, provision of sites for landless agricultural workers, and helped them in construction of streets and drains. Housing Societies work in the same pattern as the co-operative credit unions, except that they are specially for financing housing programmes. The loans or credit could be given for periods ranging from 3 to 10 years. The loan could be recovered by deducting instalmentally from the payroll of the beneficiaries, or by accepting a share of the payment received against crops (in the case of farmers), or by charging a co-worker or next of kin with joint responsibility for the loan repayment .

In addition to the two organisations, Self financing strategy could be applied by individuals or groups for implementing commercial, industrial and housing programmes. This is possible through the use of their own savings.

4.16 Taxes

The following taxes are suggested as cources of revenue for Kaduna State :

(a) Toll tax or user charges.

Toll tax is levied for the use of roads, bridges, parking vehicles in the motor park, selling in the market or any other such funtions. In Kaduna State State, such tax is levied only in markets and motor parks. It should be levied for the use of state owned hotels, for tourist centres like Mairuwa Dam in Funtua, Kasugu well in Daura, government gardens, parks and some play grounds. For example, an average of 300 persons use the Zaria Hotel daily. At weekends, and month ends the figure is higher, sometimes 500 persons are recorded. Charging a toll tax of 20 kobo per person, the hotel would realise about 3,600 yearly based on 500 persons and 20 kobo each daily. This amount though small, can pay the salaries of two cleaners in the hotel. There is a motel in each major town in the state. So the revenue realised from all of them as toll tax would be substantial. Such revenue could be used for maintenance of the places, and development of tourism.

In a survey conducted in 1984, 68% of people were found to be willing to pay this tax if introduced.

(b) Agricultural and Sales Tax.

Since the People's Redemption Party of Kaduna State during the civilian regime abolished poll and community tax, most farmers and other people in the private sector have not been paying tax. The introduction of of Agricultural and Sales tax would

take care of some of these people. Farmers' co-operatives could be established in rural areas, so that all farmers would be registered with them and sell their produce with them. At the time of sale, the tax should be deducted based on the volume of sale of each farmer. The co-operatives would in turn pay the tax collected to the state treasury. The existing Integrated Rural Development Authority Zones could be used as bases for the co-operatives. The co-operatives would be responsible for the resale of the produce to the public or government and agencies. This will encourage farmers to join the agricultural co-operatives

For sale of other items other than agricultural, the tax should be collected from the source of items (industry, factory or warehouse). The producers would then pass the tax over on to the consumers. There is already sales tax on most items, but it is suggested here that additonal taxes be levied on luxury goods, alcohol, cigarettes and electronics. For instance, the government could collect additional 5 kobo sales tax on every bottle of Kronengborgh manufactured in Kaduna. ₦50,000 would be realised from 1 million bottles of Kronengborgh

Revenue from Agricultural and sales tax should be utilised by government in boosting rural industries.

(c) Surcharge on income above 10,000 naira/annum.

In a field survey, 1984, it was discovered that the greatest tax defaulters and evaders in Kaduna State are businessmen. Most of them would not give their exact income. An estimate of business names, with turnover of about 50,000 a year was given by the Ministry of Economic Planning, Kaduna as over 1,200. In addition to the income tax paid by such business names, the government could charge an extra N200 on each businessman with income above 10,000/annum. Using the estimated 1,200 business names given by the Ministry of Economic Planning, the State would collect N240,000 from 1,200 people alone at the rate of N200.

Based on a field survey, 1984, and the Kaduna State Business Directory, there were about 2,700 business establishments in Kaduna State in 1978. As at January 1984, they were over 3,000. The government can collect an average registration surcharge of 200 naira per annum from each establishment. Thus, 600,000 naira would be collected yearly. This brings up a total of 840,000 naira annually, as revenue from surcharge on businesss.

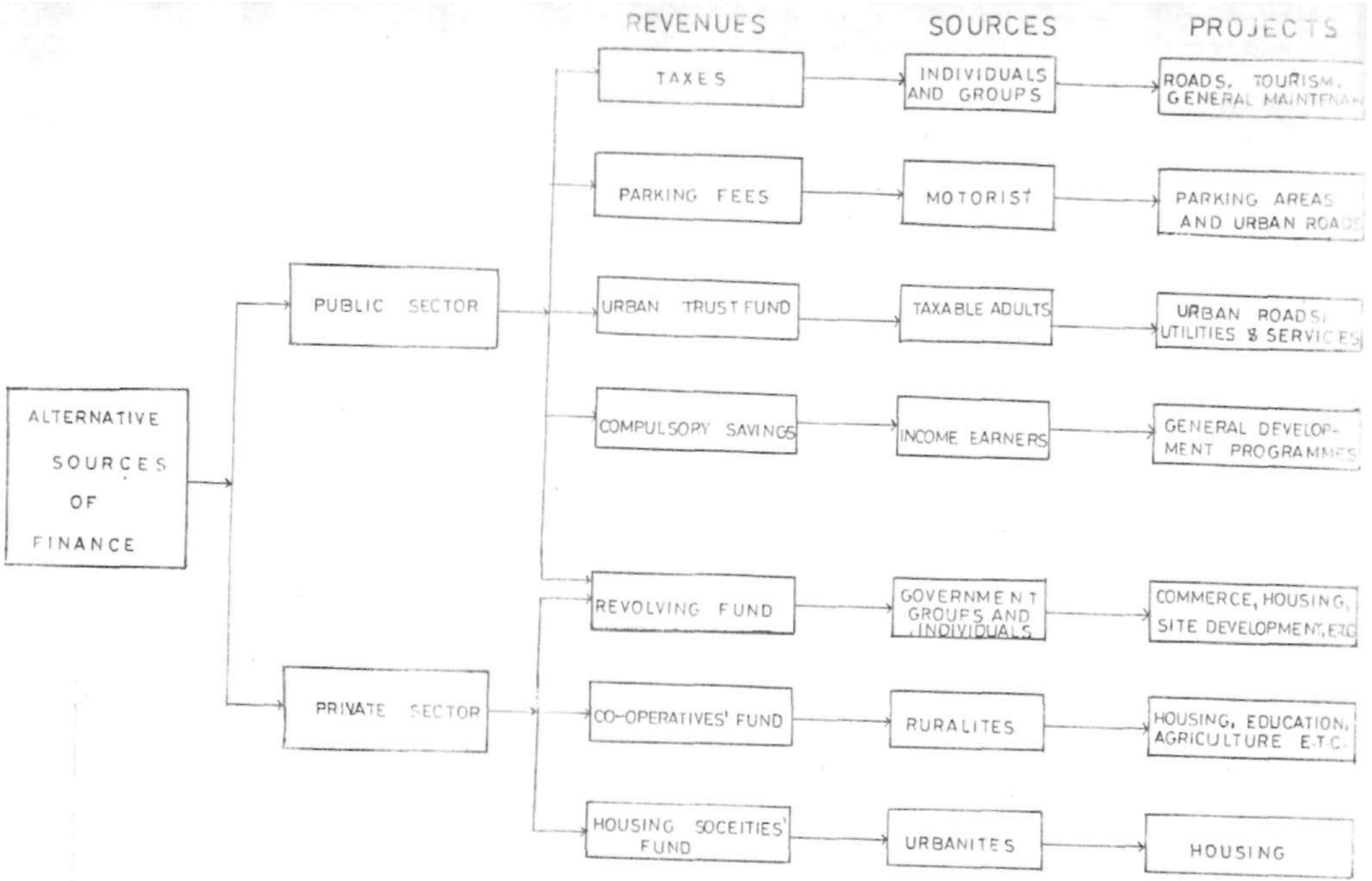


FIG. 4.1. SUMMERY OF SUGGESTED SOURCES OF REVENUE FOR KADUNA STATE.

CHAPTER FIVE

5.00 SUMMARY AND RECOMMENDATIONS.

5.10 Summary.

Having examined the financial situation in Kaduna State , in terms of existing sources of finance, it appears that there is no need suggesting alternative local resources for financing development programmes. Taking a whole view of the situation, it would be right to say that the state does not need additional or alternative sources of finance. What Kaduna State needs essentially is proper management and utilisation of existing financial resources,

There are many sources of finance in the state, but a majority are lying unexploited. Some, for political reasons have been abolished (community and cattle tax). The greatest enemy of the state, and the main cause for shortage of finance is corruption. If corruption can be eliminated, more funds would flow into the government treasury, and make them available for implementation of development programmes.

In Kaduna State, the last record of Expenditure and revenue for various Ministries was last kept in 1980. This was discovered during the field survey. Since 1980, there has been no proper records kept. Public money is being spent without public accountability. The problems of finance in the state is due to lack of accountability and maintenance of records.

In view of the foregoing paragraphs, what is actually needed most in Kaduna state is proper collection of revenue and management of financial resources. Corruption and carefree attitude towards public property must be eliminated so that the available resources and the additional or alternative ones would be utilised for the progress of the state.

5.20 RECOMMENDATION.

The following recommendations are made to the government of Kaduna State to help in improving the financial resources of the state.

(i) Government should try to reduce corruption and in particular tax evasion and default by imposing strict penalties on those who are found guilty. This can be done by setting up a revenue collection tribunal, making use of lawyers working for the government. All those found guilty of evading or defaulting tax should be tried and punished severely by the tribunal. This will instill fear in people and reduce the rate of evasion and default.

(ii) Government should emphasise public accountability, Recording and auditing of all public funds and property. Government can do this by asking all ministries and departments to submit their statements of accounts (expenditure and or revenue by the end of January of the following year. Then it should ensure that auditors audit the

accounts of every department or section of the state and all these reports should be made public in the state annual estimates.

(iii) Government should re-introduce community and cattle tax. It is believed that the ruralites and cattle owners can afford to pay these taxes. However, the old system or method of collecting these, which was informal should be changed to formal methods whereby they pay the tax at their district offices and collect receipts. The amount of tax should be fixed and a flat rate to eliminate cheating and exploitation by village heads and some unscrupulous officials as was the case before these taxes were abolished.

Government should ensure that the revenue from these sources is used in developing rural areas only because they have always been neglected.

(iv) Government should re-vitalise those available sources which are presently underutilised or not utilised at all. The revenue collection tribunals, when set up, would make people come forward to pay taxes which they have hitherto not paid. This would inrcease its revenue and reduce its dependence on statutory allocation.

(v) As stated earlier in this thesis, government expenditure exceeds its revenue. Government should therefore, reduce its expenditure. It has already shown a trend towards this in the 1984 revised budget.

(vi) State and Local Governments should invest more on profit yielding ventures. As shown earlier in the thesis, (table 3.2 and 3.4), revenue from this source is very small.

(vii) Finally, it is recommended that government should utilise the alternative local sources of finance suggested in this thesis, namely: Compulsory Savings, Revolving fund, urban trust fund, parking fees, co-operative credit unions, housing Societies, Toll tax. Surcharge on income above ₦10,000, and Agricultural and Sales tax.

Appendix A

Kaduna State Revenue Sources

Head	Source of revenue	type
I	Personal Income Tax	1. Pay as you earn
		2. Direct Assessment
		3. Tax on Company dividents
II	Other sources of taxes	1. Entertainment tax
III	Licences, fees and fines	1. Audit fees
		2. Marriage fees
		3. Film production fees
		4. Safety certificate fees
		5. Training fees
		6. Special licences
		7. Drivers licences
		8. Motor Vehicles licences
		9. Motor Vehicle Registration fees
		10. certificate of road worthness fees
		11. Other Trafic registration fees
		12. Stamp duties and Penalties.
		13. Registration and processing of State contractors' fees
		14. Course fees for non-government Sponsored students.
		15. Applications fees
		16. Examination fees
		17. Tuition fees
		18. Registration fees

19. Games licences
20. hides and Skins licences
21. Trade Cattle licences
22. Veterinery Treatment fees
23. Abbatoir slaughter fees
24. Produce Inspection fees
25. Land Clearing fees
26. Boarding fees
27. Vaccination certificate fees
28. Dental services fees
29. Nursing Home charges
30. Cinematograph licences fees
31. Agency fees
32. Trade test fees
33. Deeds Preparations and execution.
34. Registration of documents and searches.
35. Development levy Land Document charges
36. Land Document charges
37. Fees from rent Tribunals
38. Court fees
39. Court fines
40. Probate fees
41. Business Premises licences fees
42. Evening classes registration fees

IV	Earnings and sales	1. proceeds from staff canteen
		2. Sales of Photographs
		3. sales of flags
		4. sales of Telephone Directories
		5. Advertisements in Telephone Directories
		6. Hire of public A-dress systems
		7. sale of colour materials and equipment
		8. sales of photo frames
		9. Boarding charges
		10. Re-payment charges
		11. Fishers product sales
		12. Pest control charges
		13. Agricultural products sales
		14. Irrigation services development charges
		Forest products : Miscellaneous
		16. Runka Dairy Scheme
		17.Motor transport services
		18. Workshop receipts adjustments
		19. Workshop receipts cash
		20. Plant hire charges
		21. Revisionary Interest
		22. Deposition certificate of occupancy
		23. Right of occupancy compensation recovered
		24. Printing and sales of documents
		25. Tourism proceeds
		26. Proceeds from catering services
		27. Condemned plant and vehicle sales
		28. sales of condemned stores
		29. sales of law reports

V.	Rent on govt. property	1. State lands certificates of occupancy 2. Temporary certificate of occupancy 3. Penalty rent for contravention 4. Rent on staff quarters 5. Rent on shops
VI.	Interest	1. Bank deposits 2. Repayment of Bicycles loans
VII.	Reimbursments	1. seconded officer contribution Rates of Federal and other govt. buildings
VIII.	Recurrent grants	Grants from Federal govt. for vocational training centres. 2. Grant for educationally disadvantage areas.
IX	Miscellaneous	1. Refunds of overpayments 2. Unspecified
X.	Statutory allocation	1. Revenue receivable from statutory allocation.
TOTAL number of sources		90.

Appendix B

Details of Local Government Sources of Revenue

Head	Details of revenue
I.	1 community tax
II.	1. Property rates
	2. general rates
III.	Local licences and fees
	1. Advertisements fees
	2. Animal grazing
	3. Bake-house licences
	4. Beggar-Minstrels' licences and drumming fees
	5. Bicycle licencing and hire permits
	6. Birth, death registration fees
	7. Brick making licences
	8. Buki cigarettes licencing
	9. Burial fees
	10. Hand cart licencing
	11. Cattle market licensing
	12. Circumcission fees
	13. Commill licensing
	14. Dane-gun licensing
	15. Dried meat licence
	16. Dog licensing
	17. fishing fees
	18. Gold smith licensing
	19. Hawkers permit
	20. Hides and skins buying licence

	21. Hotels/Restaurant licence
	22. Hunting permit
	23. Liquor licence
	24. marriage registration fees
	25. Palm wine fees
	26. Slaughter fees
	27. Ground rent plot fees
	28. Animal grazing fees
	29. Pit-sewing fees
	30. produce buying licence
IV.	Investment revenue
	1. Interest on Investments
	2. Interst on deposits with accountant General
	3. Profit on sale of investments
V.	Revenue from from services
	1. Finance department
	2. Police
	3. Prisons
	4. Education
	5. Medical Health
	6. Welfare Services
	7. Agriculture
	8. Livestock Services
	9. Forestry
	10. Works
	11. Maintenance
	12. Treasury
VI.	Grants for specific services
VII.	Contributions from other Local governments

VIII. Commercial Undertaking

1. Urban markets
2. Rural markets
3. Urban Motor parks
4. Rural Motor parks
5. Govt. Development Grant

IX General grants - in - aid.

1. Block grants
2. Retiring benefits
3. Education
4. Federal Government
5. Capital grants on Zaria Local Government.

TOTAL number of sources 64

APPENDIX 4

GENERAL QUESTIONNAIRE

Please mark X in the appropriate box in answer to the following questions.

1. Educational Background

   (a) Primary School ☐

   (b) Secondary/T C/Technical College ☐

   (c) Advance Level ☐

   (d) University ☐

   (e) Other (specify) _____

2. Profession _____

3. Where do you work

   (a) government establishment ☐

   (b) Educational Institution ☐

   (c) Industry/firm ☐

   (d) Other (specify) _____

5. Income per annum

   (a) 01 - 05 (N1,500 - 2,000) ☐

   (b) 06 - 08 (N2,100 - 3,900) ☐

   (c) 09 and above (N5,000) ☐

6. Do you save some amount of money from your salary

   (a) Yes ☐

   (b) No ☐

7. If you have some savings, how much of this can you invest in a housing programme

   _____

8. Would you like to buy shares in an Industry as a form of investment

   (a) Yes ☐

   (b) No ☐

9. Can you afford to, and are you willing to buy some agricultural equipment, say plough, harvesters, harrow etc., to be used on your own farm ot to be lired out to those who need it in other to boost Agriculture.

(a) Yes /__/

(b) No /__/

10. Given that you have the money, would you like to invest it on health services, if your answer is yes, which of the following would you prefer.

(a) buy some hospital equipment as a dash to a hospital /__/

(b) open your own private clinic or hospital /__/

(c) Contribute physical cash to the building of a health centre /__/

(d) Other (specify) _____

11. Are you prepared to pay school fees, and buy books for your children assuming you are from a state where government provides these) to ensure qualitative education.

(a) Yes /__/

(b) No /__/

12. Would you be prepared to contribute financially as a member of the Parent' Teachers' Association to enable the school where your child(ren) attend purchase a school bus, or build additional class rooms/domitories.

(a) Yes /__/

(b) No /__/

13. If you were given a housing or car loan, would you actually utilise the loan on these two projects.

(a) Yes /__/

(b) No /__/

If no, what would you use the loan for _____

14. If you were given a developed plot (plot with access roads, water electricity, etc) by the government, would you be prepared to pay a tax of 5% of the value of the plot as the cost of development by the government, in addition to the fee you paid to get the plot.

(a) Yes /__/

(b) No /__/

15. If you were given a loan by the government or some financial Institution to use it in implementing any development programme or your choice, what problem do you envisage in implementing such a programme (pleae specify type of programme).

_____

(a) No problem ☐

(b) Managerial ☐

(c) Technical ☐

(d) Labour ☐

(e) Other (specify) _____

16. If your local government or community launched a programme, say to build a community school, a clinic or a town-hall, would you be willing to contribute financially to such a programme.

(a) Yes ☐

(b) No ☐

17. You probably work with a firm parastatal, government establishment, Institution etc., what is your organisation/firms' development policy on housing, particularly housing for its workers _____

_____

18. If toll taxes were re-introduced, would you be prepared to pay (a toll tax is a tax or fee charged on the use of a road, bridge etc.)

(a) Yes ☐

(b) No ☐

19. If you own property, would you accept an annual tax of about 2% on the value of the property.

(a) Yes ☐

(b) No ☐

20. You are probably a wealthy person, or you might have inherited some wealth from your parents, would you accept a tax on your wealth

(a) Yes ☐

(b) No ☐

21. Are you prepared to pay hospital fee in government owned hospitals

(a) Yes ☐

(b) No ☐

22. Can you pay fees on advertisements such as pesting a poster, a sign board etc.

(a) Yes ☐

(b) No ☐

23. Are you prepared to contribute to an Urbqn trust fund

(a) Yes ☐

(b) No ☐

24. If you own preperty, are you prepared tc mortage it for a loan to enable you embark on a development programme, such as building a house, or a factory.

(a) Yes ☐

(b) No ☐

Appendix E

QUESTIONAIRE FOR FINANCIAL ORGANISATIONS, INDUSTRIES/FIRMS, PARASTATALS, AND OTHER ORGANISATIONS.

1. What is your organisations' policy on housing for its workers and the public _____

_____

2. Do you give some aid or loan to your workers to help them finance some development programmes, please mark programmes for which your organisation gives loan or aid-

(a) Housing ☐

(b) Commercial/business ventures ☐

(c) Industrial programmes ☐

(d) Education ☐

(e) Health ☐

(f) Other (Specify) _____

3. To which category of your workers do you give the loan/aid.

(a) Low income group ☐

(b) Medium income group ☐

(c) High income group ☐

(d) All income groups ☐

(e) Other (Specify) _____

4. What are the terms of such loan/aid _____

5. Do you have problems of recovering the loan from your workers.

(a) Yes ☐

(b) No ☐

6. Do your workers really utilise the laon for the projects for ehich the loan is given.

(a) Yes ☐

(b) No ☐

Appendix 6

QUESTIONAIRE FOR GOVERNMENT AND LOCAL GOVERNMENT FINANCE OFFICERS.

1. Government does not collect revenue on property, and where it does, the revenue collected is very smally,

   (i) Why is revenue obtained from property small-_____

   _____

   (ii) What can be done to enable government collect more revenue from this source_____

   _____

2. If government were to increase taxes, would you prefer an increased tax on wages and salaries or an increased tax on property.

   (a) Increased tax on property

   (b) Increased tax on wages/salaries.

3. At the local government level, there are many sources of revenue, but only community taxes, vehicle licensing and hire permits, motor park and market fees and Forestry seem to provide reasonable revenue,

   (i) Why do the other sources yield little revenue_____

   _____

   (ii) What can be done to improve these sources_____

   _____

4. Local government utilise revenue collected from their local sources mostly for payment of salaries and other claims to workers, rather them for implementing major development programmes.

   (i) Why is it so_____

   (ii) can you suggest steps to be taken to ensure that local revenue is utilised on projects only._____

   _____

5. Local governments have limited powers in terms of fiscal policy (taxation), do you think this lack of autonomy to impose taxes affects their ability to raise sufficient revenue from the various sources.

(a) Yes

(b) No

If yes, do you think they should be given full powers to impose taxes (all sorts of taxes) in their areas of jurisdiction.

(a) Yes

(b) No.

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