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Internally Generated Revenue in Nigeria: Prospects and Challenges

Fidelia Nebechi Onuigbo
Department of Economics
Enugu State University of Science & Technology
Enugu, Enugu State, Nigeria
ifeifeonuigbo@yahoo.com

Abstract
Revenue generation is the nucleus and the path to modern development. Thus, this study assessed the challenges of internally generated revenue in Nigeria and various ways of enhancing internal revenue generation in the states. The methodology adopted for this study is the technique of content analysis and data sourced from published documents used for data analysis. The result from the analysis showed that the various methods of generating internal revenue, which include taxes, borrowing and sell of bonds by the governments are not adequate. The implication of these findings show that revenue administration agencies need to be reformed and enhanced for effective revenue generation.
Keywords: Fiscal federalism, federalism, internally generated revenue, revenue, states.

Introduction

In 2019, states' internally generated revenues (IGRs) slipped implying an increasing dependence on Federal Accounts Allocation (FAAC) to fund state governments' expenditures, much of which is recurrent. Two per cent dip in revenue mobilisation, which was what the fall was when weighed against the general business environment, is fair and understandable. The uneven spread of the percentage loss among the states validates, once again, the viability concern raised by advocates of fiscal federalism in the past years. According to the internal revenue data released by the National Bureau of Statistics (NBS) recently, 18 states reported a decline of an average of 19 per cent in their 2018 IGRs (Olaoye & Bankole, 2019).

Benue emerged as the worst-performing state in the year with its income crumbling by as much as 41 per cent while Sokoto's slipped by 37.9 per cent. Kwara, Jigawa and Ogun states had their internal revenue earnings cut by 36 per cent, 33 per cent and 28.4 per cent, respectively, to join Benue and Sokoto at the bottom of the table. Abia, Akwa Ibom, Delta, Yobe, Bayelsa, Adamawa, Rivers, Ondo, Edo, Niger, Kano, Enugu and Cross River also recorded negative growth, which may have weakened their fiscal position and worsened their economic sustainability (Olaoye & Bankole, 2019).

Overall, states' IGRs slipped to N1.3 trillion as against N1.33 trillion realised the previous year. That puts the average figure generated per state in the entire year at N35.1 billion or N2.9 billion per month. Interestingly too, of the total revenue, N1.09 trillion or 83 per cent, came from taxes, while revenue drive efforts of ministries, departments and agencies (MDAs) contributed a meagre 218 billion to the pool. On average, the one-year non-tax revenue of a state was N5.9 billion. Lagos alone contributed almost a quarter of the total non-tax income (N51.8 billion) while Ogun earned N19.2 billion (Olaoye & Bankole, 2019). If one takes out the earnings of Lagos, and Rivers, FCT and Delta out, IGRs balloon by a paltry sum. Lagos alone contributed almost one-third to the entire IGRs, and that has been the trend for as far as anyone can recall. Its share of the IGRs has floated around 30 per cent in recent years.

Tax administration in Enugu state

Nigeria's federal system of governance reflects in her tax administration processes. The responsibilities of tax administration in Nigeria are divided among different agencies and levels of government – federal, state and local government. According Ogungbesan (2014), the federal government has a total of eight explorable tax bases; the states have eleven, while local governments have twenty. The tax authorities responsible for the assessment, imposition and collection of taxes in Nigeria are:

- Federal Inland Revenue Services (Federal Government)
- State Boards of Internal Revenue (State Governments)
- Local Government Revenue Committee (Local Governments)

In Enugu state for instance, the Enugu State Board of Internal Revenue Service is principally responsible for the administration of taxes. These taxes include: Personal Income Tax in respect of PAYE & Direct taxation, withholding tax (individuals only), Capital gains tax (individuals, stamp duties, Pool betting and lotteries taxes, Road taxes, Business premises registration fee in urban and rural areas, Development levy, Naming of street/registration fee, Right of occupancy, market taxes and levies. At the local government level, local governments' revenue committees are legally permitted to explore taxes from the following sources: Shops and Kiosk rates, tenement rates; on & off liquor license fees, slaughter slab fee, marriage, birth and death registration fees, motor park levies, signboard and advertisement permit fees etc.

Lagos, Rivers, FCT and Delta jointly cornered 53 per cent of the revenue for themselves while the remaining 33 states scampered for less than half of the pile. But that is far from the reality – not the figures but the impression conveyed by the use of 'cornered' and 'scampered'. States' revenue performance is nothing close to a zero-sum game where one entity's win is another's loss. Every state, notwithstanding what happens elsewhere, has an apple opportunity within the limitless possibilities of its endowment to demonstrate like Lagos and Ogun have done that it can stand on its feet. Though Lagos and Ogun have demonstrated this possibility, experts said they merely scratched the surface of their vast resources. A whole number of factors have caused mal-performance of State Governments but one of the salient ones is centred on the relationship between the Federal Government and the State Governments. More specifically, the financial relationship between them is a major causal factor; it is an obvious fact that without financial resources, an organization is bound to hit a brick wall, thus the saying that finance is the life wire of organizations.

Against this backdrop, the basic problem in this study is to address the challenges States are facing in order to improving their IGR. This study/paper is structured as follows: Following the background is the conceptual issues presented in section two, section three is the methodology while section four is the Results/findings and analysis. Section five is the conclusion and policy recommendations.

Conceptual Issue

Revenue, Revenue Generation and Internally Generated Revenue:

Revenue is the income that an organization or business has from its normal business activities, usually from the sale of goods and services to customers. Some organizations receive revenue from interest, royalties, or other fees. Revenue may refer to business income in general, or it may refer to the amount in a monetary unit, earned during a period of time.
Agu (2011) defined revenue as the fund required by the government to finance its activities. These funds are generated from different sources such as taxes, borrowing, fine, fees etc. It is also defined as the total amount of income that accrues to an organization (public or private) within a specified period of time (Alade, 2015). States revenue comprises of receipt from taxation as well as those which are not the proceeds of taxation, but of either the realization from the sale of government properties or other interests and returns from loans and investment earning. Onah (2006) contends that revenue receipt include “routine” and “earned” income. For these reasons, according to him, revenue do not include borrowing and recovery of loans from other parties, but it includes tax receipts, donations, grants, fees and fines and so on. Similarly, Erikume (2016) defined government revenue as all the money received other than from issue of and debt, liquidation of investments. Government revenue includes tax collections, charges and miscellaneous revenues, utility and insurance trust revenue for all

funds and agencies of a government. Public revenue according to Osita (2004) is concerned with various ways in which the government raises revenue.

On the other hand, revenue generation is the complete amount of money that is generated during specific time period. The money is used to calculate business profits (Eme, Emeh & Onyishi, 2012). From the above definitions, it can be said that revenue is the total amount of income accruing to a state from various sources within a specified period of time. State government, like the other two tiers of government, has sources and uses of revenue. Osisami (1992) states that there are basically two types of revenue that accrues to state governments. These are internally generally generated revenue and revenue allocated from the Federation Account. Internally generated revenue or self-financing sources are those sources by which Governments can raise revenue constitutionally aside from the statutory allocations and grants (Murana, 2016). It should be noted that internally generated revenue sources provide a wide scope for initiative towards attracting fund. For example, the extent to which these revenue sources can yield to the benefit of the Local Government council depends on the ability and vibrancy of the Local Government leadership. Bye-laws are very important in providing the enabling legal environment for proper revenue generation at the Local Government level (Murana, 2016). Bye-laws on finance prescribe the sources of revenue, the amount to be collected and mode of collection as well as the basis of incidence, that is, the person(s) to bear the burden of payment. Internally generated revenue are those revenues that are derived within the state from various sources such as taxes (pay as you earn, direct assessment, capital gain taxes, among others), and motor vehicle license, among others. While the statutory allocation from Federation Account, value added tax constitute the external source.

Most states of the federation get the bulk of their revenue in form of statutory allocation from the federation account to finance their expenditure programmes (CBN, 2014). State governments as the second tier of government in Nigeria derive its revenue from various sources. However, it should be noted that sources of revenue are by no means uniform among the states. States derive their revenue depending on the resources available to them; (Anyafo, 1996). The share of federation account to states constitutes 57.97% in 2002 of the total revenue plus grant and this rose to 65.82% in 2006; while the internally generated revenue declined from 13.38% in 2002 to 8.11% in 2006 (CBN,2006). The average percentages of internally generated revenue in relation to the federal allocation were between 5-9 percent for most non-oil producing states in the recent past. Kano was able to slightly exceed 10% in 2004 to date due to aggressive revenue generation efforts, with Lagos state as the only exception.

Recurrent expenditure according to Agu (2011) is the type of expenditure that happens repeatedly on daily, weekly or even monthly basis. The amount involved is charged to some operating account (e.g. profit and loss account or income and expenditure account).This includes for example payment of pensions and salaries, administrative overhead, maintenance of official vehicles, payment of electricity and telephone bills, water rate and insurance premium among others. There is no gain saying of the fact that internally generated revenue has a lot of benefits. These include,

- Provision of clean water for the people in the local government area
- Construction of good roads for easy movement of transportation
- Provision of a well-equipped health centre in the community to reduce the death rate of the people
- Provision of free education in the community to reduce the level of illiteracy in the society.
- Stability of electricity in the community

Many of the problems facing the generation of revenue in the local governments are those that can be corrected to improve their collection.

Theoretical Framework

This paper adopted the fiscal federation theory as the basis for this work. The basic foundations for the initial theory of Fiscal Federation were laid by Kenneth Arrow, Richard Musgrave and Paul Samuelson. Samuelson's two important papers on the theory of public good (1954, 1955), Arrow's discourse on the roles of public and private sectors (1970), and Musgrave's book on public finance (1959) provided the framework for what has come to be accepted as the proper role of the state in the economy. Within this framework, some roles were identified for the government sector. These were the roles of government in correcting various forms of market failure; ensuring an equitable distribution of income and seeking to maintain stability in the macro-economy at full employment and stable prices.

The theoretical framework in question, basically a Keynesian one, canvassed for an active role of the state in economic affairs. Thus the government was expected to step in where the market mechanism failed due to various types of public goods and the need for government to generate revenue to effectively provide them. By this, the role of government in maximizing social welfare through public goods provision came to be assigned to the lower tiers of government. The other two roles of income distribution and stabilization were, however, regarded as suitable for the central government until in recent times when it became proven that she cannot alone do that comfortably. The central government's expected role of ensuring equitable distribution of income, maintenance of macro-economic stability and provision of public good that are national in character are no more sacrosanct.

The next step in the theoretical framework was to determine the appropriate taxing framework. In addressing this tax assignment problem, attention was paid to the need to avoid distortions resulting from decentralized taxation of mobile tax bases. Adesoji & Chike (2013) emphasized that the extensive application of non-benefit taxes on mobile factors at decentralized levels of government could result in distortions in the location of economic activity. It should be pointed out however, that recent literature emphasizes the importance of reliance on own revenues for financing local budgets as a way out for the inadequacies in the fiscal equalization argument of the need for financial assistance to the poorer regions. A number of authors (Weingast, 1995; McKinon, 1997) have drawn attention to the dangers of decentralized levels of government relying too heavily on intergovernmental transfers for financing their budgets and this has formed the basis for the argument for the enhancement of internally generated revenues among local constituents in federal structures in recent time.

Methodology

The researcher adopted a historical method to carry out the research. The adoption of this method was informed by the need to look at an era within the historical period of Nigeria, specifically 2011 - 2019 within which state resources remarkably decreased. The researcher also adopted research evaluative design which was aimed at examining opinions and ideas of scholars on the subject matter as is contained in the various literatures reviewed within the study.

Sources of Data Collection

The source of data for this study is secondary source, it becomes expedient so as to achieve the objectives of the study. Secondary source of data refers to data gotten from other medium that are relevant to the subject matter under study. These sources of secondary data maybe through the internet, newspapers, magazines, journals, articles and other related documents

Method of Data Presentation and Analysis

The study adopted content analysis as its method of data presentation and analysis. The content analysis as a matter of fact, implies the search for the objective, systematic and qualitative description of the manifest content of communication. The content analysis enabled the researcher to examine and scrutinize the contents of the documents in order to understand their underlying structure, ideas, and concepts and the message they relate in this work. Hence, adopting this method of data presentation and analysis makes the content of the work appropriate and enabled the researcher explains reality, verify and validate the hypotheses of this research work.

Results and Analysis

Analysis of Revenue Trend in the State

States government in Nigeria enjoyed an improved revenue in the 1990's due to reforms introduced by different regimes all aimed at making the state government effective and efficient in discharging statutory responsibilities to the people. This was achieved through increased sources of revenue generation but this cannot be said now. This is as a result of problems which are multifarious ranging from high borrowing capacity, corruption, mismanagement and misappropriation of state government funds, ineffective strategies for enhancing internally generally generated revenue, lack of skilled and technical personnel among others (Eme, & Elekwa, 2013).

Governments in Nigeria was established for the purpose of rendering services and supplying amenities to the people in both rural and urban area according to the document establishing the1999 Constitution. Federal government cannot perform all the activities of the rural areas by themselves, but this role can be complemented by the people elected in that local government area. This also cannot stop the federal government from implementing their roles by providing all the social amenities, such as construction of roads, provision of pipe borne water, hospitals, good education for the youth, stadium, electricity and museum etc (Olaoye, 2008). All these social amenities are made available from the revenue generated from the people. Moreover, a lot has been written and said on the finances of local government in

Nigeria. Most of the contributors identified inadequate finance as a major problem hindering the efficient performance of governments in Nigeria (Adedeji, 2006).

In fact, the so called independent sources of revenue are not really independent because they require government authorization before they can be collected. For instance, no local authorities can increase the rate of local tax (community tax). Independently there must be legal provisions for local fees and all these are approved by government before inclusion in the estimates. The analysis done below supports these challenges.

The National Bureau of Statistics, NBS, in its 2015 IGR report on named Ogun, Anambra, Borno, Edo, Bauchi, Abia, Kogi, Nasarawa, Niger, Taraba and Sokoto as the only states that bettered their 2014 records of revenue generation performance in 2015. The NBS, which relied on records obtained from the Joint Tax Board and states' boards of internal revenue, said the IGR earnings in 24 other states declined from the levels attained the previous year. Among the 24 states that performed poorly included Kwara, Imo, Bayelsa, Adamawa, Akwa Ibom, Benue, Cross River, Delta, Ekiti, Enugu, Gombe, Jigawa, Kaduna, Kano, Katsina, Kebbi, Lagos, Ondo, Osun, Oyo, Plateau, Rivers, Yobe, and Zamfara. Ebonyi was the only state whose internally generated revenue records were not available. Overall performance of the 36 states showed that the total IGR realised for the year dropped by 3.69 per cent, from N707.86 billion in 2014 to N682.67 billion. Details of the respective states' performances showed that Ogun State's IGR records were adjudged best, with a 49.42 per cent increase, almost doubling the N17.5 billion revenue earned in 2014 to N34.6 billion. Anambra followed closely, with its IGR rising by about 29.32 per cent from N10.45 billion in 2014 to N14.79 billion, while Borno came third with a 21.8 per cent improvement from N2.76 billion the previous year to N3.53 billion. Other states with improved performances included Edo (10.95 per cent), Bauchi (10.2 per cent), Sokoto (9.75 per cent), Taraba (8.57 per cent), Abia (7.33 per cent), Nasarawa (4.59 per cent), Niger (3.98 per cent) and Kogi (3.05 per cent).

Among the poor performers, the NBS showed that Kwara state topped, with its IGR declining massively by about 73.57 per cent, from about N12.46 billion realised in 2014, to about N7.18 billion in 2015. The state was followed by Imo, whose IGR in 2014 dropped by 48.3 per cent, from N8.12 billion to N5.47 billion the following year. Yobe state came third with a 36.53 per cent drop in its IGR from N3.07 billion in 2014 to N2.74 billion in 2015. Others included Bayelsa (25.76 per cent), Jigawa (23.46 per cent), Plateau (19.42 per cent), Ondo (16.05 per cent), Cross River (16.01 per cent), Zamfara (14.88 per cent), Adamawa (12.19 per cent), Kaduna (10.8 per cent) and Gombe (8.61 per cent). Also included among the poor performers were Benue (8.55 per cent), Rivers (8.54 per cent), Katsina (7.46 per cent), Kebbi (6.73 per cent), Enugu (6.47 per cent), Akwa Ibom (5.99 per cent), Osun (5.45 per cent), Ekiti (4.99 per cent), Delta (4.93 per cent), Oyo (4.11 per cent), Lagos (2. 96 per cent), and Kano (0.37 per cent). Among the oil producing states of the Niger Delta, apart from Edo and Abia, all others could not meet their 2014 IGR levels, with their average earnings dropping by about 6.6 per cent. In terms of IGR volume, Lagos state was ranked highest with a total of N268.23 billion during the year, followed by Rivers with N82.1 billion, and Delta, with N40.81 billion. The table below captures the poor state of affairs in the states in terms of internal generated revenue.

Table 1: Internally Generated Revenue Summary by States between 2008 – 2014 in ₦ bn

S/N	State	No of Local Government Councils	2010	2011	2012	2013	2014	2015	Total Gross Allocation for States/LGCS	% of IGR
1	Abia	17	11,124,643,033.22	11,763,510,585.86	16,751,700,375.58		12.4	13,349,444,263.72	58,145,094,691.02	23.0
2	Adamawa	21	4,208,037,781.45	4,149,550,775.70	4,615,407,803.00	4,149,550,775.70	4.9	4,451,736,117.84	62,295,543,772.58	7.1
3	Akwa Ibom	31	10,133,958,927.00	11,678,520,984.00	13,516,810,150.00	15,398,828,428.00	15.6	14,791,175,253.00	173,902,779,602.28	8.5
4	Anambra	21	7,655,785,733.05	6,148,922,395.00	7,601,585,012.15	8,731,599,921.43	10.4	14,793,120,188.67	63,654,309,711.92	23.2
5	Bauchi	20	3,402,848,015.39	4,463,780,451.92	4,064,710,425.23	4,937,242,874.83	4.8	5,393,721,996.00	72,613,430,598.92	7.4
6	Bayelsa	8	4,710,021,000.00	10,500,936,262.88	4,958,806,727.00	10,500,936,262.88	10,958,263,688.00	8,713,516,526.24	95,408,284,755.19	9.1
7	Benue	23	6,877,690,630.00	11,131,343,534.58	8,436,560,608.98	8,373,720,592.15	8.2	7,631,789,841.37	73,823,754,968.40	10.3
8	Borno	27	2,108,612,985.25	2,282,102,699.76	2,444,613,205.37	2,132,815,258.00	2.7	3,530,261,222.31	78,717,920,659.55	4.5
9	Cross River	18	7,870,941,915.00	9,159,651,948.00	12,734,560,333.00	12,002,167,999.57	15.7	13,567,122,507.38	59,049,491,133.09	23.0
10	Delta	25	26,087,346,526.00	34,750,081,881.93	45,566,897,481.00	50,208,229,986.91	42.8	40,805,656,911.96	144,706,571,893.61	28.2
11	Ebonyi	13	12,998,269,207.69	---------------			11.0	11,032,472,512.00 (2004 IGR Figure)	49,400,218,495.52	22.3
12	Edo	18	10,651,999,356.60	14,764,018,237.44	18,880,055,380.83	18,899,322,710.47	17.0	19,117468,369.25	66,041,595,150.93	28.9
13	Ekiti	16	1,554,020,325.64	2,489,797,191.33	3,787,607,515.35	2,339,670,199.77	3,462,341,448.32	3,297,707,703.96	50,460,337,004.42	6.5
14	Enugu	17	13,795,511,815.00	7,287,161,299	12,209,587,683.00	20,203,801,863.00	19.2	18,081,014,527.00	59,609485,755.91	30.3
15	Gombe	11	2,954,868,571.34	3,153,362,788.35	3,717,188,863.22	3,870,998,757.79	5.2	4,784,605,861.47	49,802,580,045.16	9.6
16	Imo	27	5,714,554,547.72	5,806,462,989.22	6,810,221,957.04	7,583,501,933.27	8.1	5,472,581,634.18	71,694,047,410.89	7.6
17	Jigawa	27	1,241,956,756.54	1,482,918,912.88			6.3	5,081,424,105.40	73,065,332,210.82	7.0
18	Kaduna	23	11,564,414,063.48	9,781,946,157.96	11,531,795,961.69	10,932,071,462.59	12.7	11,536,729,988.59	83,447,953,776.39	13.0
19	Kano	44	6,618,936,565.04	6,618,936,565.04	11,051,971,481.61	17,142,211,079.94	13.7	13,611,853,935.85	117,852,408,096.50	11.5
20	Katsina	34	3,151,689,985.00	4,239,692,674.00	5,029,720,846.00	6,852,511,585.00	6.2	5,791,008,741.00	88,880,271,506.43	6.5
21	Kebbi	21	3,807,258,812.42	4,472,397,621.47	5,424,015,848.65	3,732,343,145.11	3.8	3,592,406,108.00	64,896,141,433.46	5.5
22	Kogi	21	2,217,504,390.25	2,848,556,782.15	3,185,459,549.72	5,020,349,740.18	6.5	6,776,580,756.17	67,200,907,459.88	10.1
23	Kwara	16	7,295,348,963.22	8,816,657,944.50	11,317,269,584.36	13,838,085,972.51	12.5	7,178,922,182.76	52,384,587,394.46	13.7
24	Lagos	20	149,966,383,196.47	202,761,061,679.60	219,202,426,843.89	384,259,410,959.19	276.1	268,224,782,435.23	178,549,361,363.13	150.2
25	Nasarawa	13	1,850,541,963.18	4,132,282,812.68	4,132,282,812.68	4,012,291,835.93	4,085,127,585.70	4,281,701,806.50	50,554,539,354.39	8.5
26	Niger	25	3,257,215,894.60	4,115,777,679.30	3,782,827,634.99	4,115,777,679.30	5.7	5,975,149,921.86	74,851,989,994.10	8.0
27	Ogun	20	7,917,662,341.92	10,838,698,403.20	12,438,765,025.22	13,777,026,969.63	17.4	34,596,446,519.52	60,070,767,635.93	57.6
28	Ondo	18	6,480,372,918.69	8,015,725,375.26	10,153,042,597.01	10,498,697,469.99	11.7	10,098,000,000.00	71,491,617,166.92	14.1
29	Osun	30	3,376,735,645.43	7,398,572,036.48	5,020,250,633.94	7,284,225,003.77	8.5	8,072,966,446.00	66,005,570,597.93	12.2
30	Oyo	33	10,488,362,233.80	8,915,603,182.50	14,598,808,723.10	15,251,369,563.24	16,307,233,700.20	15,663,514,824.74	84,044,983,198.03	18.6
31	Plateau	17	3,398,815,261.07	4,520,622,617.37	6,927,858,653.07	8,486,806,640.08	8.2	6,937,349,802.70	61,450,215,048.92	11.3
32	Rivers	23	49,632,280,280.92	52,711,985,543.27	66,275,698,676.01	87,914,415,268.80	89.1	82,101,298,408.43	130,712,237,312.44	62.8
33	Sokoto	23	3,888,400,925.16	4,185,153,701.13	4,313,699,006.03	5,509,132,929.43	5,617,763,260.35	6,224,448,122.53	69,767,717,468.53	8.9
34	Taraba	16	1,284,745,422.40	2,869,031,498.92	3,418,289,991.33	3,344,006,052.45	3.8	4,155,053,816.15	56,399,948,000.85	7.4
35	Yobe	17	5,960,502,339.45	2,385,653,776.94	1,785,221,060.95	3,072,005,109.88	3.0	2,251,330,427.39	58,145,094,691.02	3.9
36	Zamfara	14	2,068,729,575,95	1,714,432,462.63	2,592,935,139.95	3,039,396,601.83	3.1	2,741,632,541.03	56,621,635,820.29	4.8

Sources: National Bureau of Statistics / Joint Tax Board

Put this table in the appendix

At the inception of the present administration, no fewer than 30 states were said to be distressed financially as a result of the declining earnings from oil exports. Global oil price dropped from an average of $100 per barrel to $24 late last year. Oil now sells for about $40 a barrel. To enable the states meet their minimum obligations, particularly in respect of payment of workers' salaries, the federal government unfolded a bail-out package for all the states. But, Central Bank of Nigeria, CBN, said only 19 of the affected states applied for and received various sums from the facility. Beneficiaries included Kwara, Zamfara, Osun, Niger, Bauchi, Gombe, Abia, Adamawa, Ondo, Kebbi, Ekiti, Imo, Ebonyi, Ogun, Plateau, Nasarawa, Sokoto, Edo and Oyo states. Although Akwa Ibom and Rivers states were not among the beneficiaries of the bail-out, their respective legislative assemblies recently approved requests from their governors for various loan facilities to enable them survive. The two states are among those that receive the highest allocations from the federation account every month

Given that generation and management of internally generated revenue (IGR) is simply a component of overall fiscal strategy of a government, it is natural that such weak fiscal statistics as we have seen in the preceding section should also produce weak internally generated revenue statistics. The inconsistencies in fiscal management should translate to inconsistencies in IGR management and overall performance. It might be unrealistic to expect that IGR strategies will be more consistent than overall fiscal strategies. If the noted discrepancies between fiscal planning and actual fiscal performance be anything to go by, even the relatively good performance of the states on IGR budgeting may not reflect in an impressive IGR raising or management system. But then these are all assumptions. In this section, we explore actual IGR performance in relation to these assumptions. The aim is to evaluate the consistency or otherwise of the IGR policies and programmes and to what extent they are impacted by overall weak fiscal strategies of the states. The discussion in the section shall be issue based though examples shall be drawn from a specific state or group of states on the issue of discussion at each point. We shall take the issue of minimum wage fixation first.

The need for an increase in government's revenue is rather apparent. At the moment, the Federal Government spends at least 60% of all it earns on salaries and wages, and as the last minimum wage increase from ₦7,500 to ₦18,000 saw a 19% year-on-year jump in personnel expenses from

2010 to 2011, we can expect something like a 15% rise this time around. Unless the Federal Government will somehow double non-oil revenues in the next 18 months, or that oil prices will hit $100/bbl again, this effectively indicates that the FG needs to keep borrowing just to maintain its current spending pattern. The National Tax Policy, the Economic Recovery and Growth Plan (ERGP) and the 2018 International Monetary Fund (IMF) Report on Nigeria all stress the need for an increased focus on revenue generation from VAT in Nigeria. However, while increased revenue from VAT may be a necessity, the pertinent question becomes whether there is a need for a 35% - 50% increase in VAT rate to achieve the projected 11% increase in VAT collection to meet the National budget.

Looking at data from the first half of 2018, not up to half of Nigeria's 36 states are currently able to cover their recurrent monthly expenditure with their recurrent monthly revenues (internally generated revenues and federal allocations). And of these states, only 12 have monthly revenues that are 20% higher than recurrent expenditure. In essence, maybe a third of Nigerian states would be able to afford the new minimum wage. A practical example is Imo state whose immediate past governor Okorocha established about a combined eight polytechnics and colleges of education, not minding the fact that the state does not have the capacity to run and maintain them. In fact, Imo state remains one of the least developed states in Nigeria in terms of internally generated revenue and land mass.

Meanwhile, it is hard to see how states like Cross River would manage—their recurrent expenditure is already seven times larger than their monthly earnings. Furthermore, many states have substantial salary arrears and it is incredible that the Federal Government forced this new wage without any plan for how states would cover their liabilities. Federal allocations are not going to rise soon, most states raise a pittance in internally generated revenues, and some cannot even borrow in the capital markets. The likely "solutions" are continued Federal Governments budget support which is simply throwing good money after bad—and more salaries owed.

According to the minister of labour and employment Chris Ngige, we cannot allow government to shut down the economy because it wants to pay salaries and wages. The 2020 budget of N10.3trillion has N3.8trillion as personnel cost without overhead. If you add running cost and other incidental costs, the total recurrent budget as presented to the National Assembly has taken

76%. Where do we get the money to build roads, airport, rails, health centres, schools etc. It is a matter of balancing a budget that is 76% recurrent and 24% capital, for me, it is nothing to cheer about. In the 76 % government has captured N200 billion for consequential adjustment for the minimum wage and so on. These are all part of personnel. N160 billion is for consequential adjustment of the minimum wage and not total package of workers' salaries. Everybody has to make sacrifice. We must plug leakages."

Nigeria operates a federal structure in which the states constitute the federal units. On issues of salaries and wages, the minimum wage is on the exclusive list of the federal government. The implication of this is that when the federal government fixes the minimum wage, the federating states are expected to take a cue from that and do likewise for the state civil servants, Nwokolo (2011). But contrary to this expectation, many state governments have always claimed that they don't have the financial capacity to pay the minimum wage fixed by the federal government. The consequence of such actions has always been industrial actions of large proportion by the workers with negative implications for productivity and output (Olaleye, 2012). Though the minimum wage is on the exclusive list of the Federal Government, it is necessary for the states and local governments to have the option of negotiating wages and salaries in their respective areas. This is because not all states in Nigeria have the same capacity to generate enough funds to effectively implement minimum wage in Nigeria. An obvious example is that the cost of living in states such as Lagos, Abuja, Port-Harcourt in Rivers State among others cannot be compared to the cost of living in states such as Benue, Kogi, Ondo, Imo states etc.

Table 1. States Recurrent Expenditure

Amount in Billion Naira				
States	**Average Monthly Recurrent Expenditure**	**Average Monthly Revenue**	**Abiity to meet Recurrent Expenditure Obligations**	**Sustainability Rank**
ABIA	5.70	5.65	-0.05	12
ADAMAWA	6.50	4.47	-2.03	33
AKWA IBOM	17.96	18.03	0.07	5
ANAMBRA	5.37	5.85	0.48	11
BAUCHI	5.59	4.63	-0.96	32
BAYELSA	13.33	13.90	0.57	3
BENUE	6.83	5.42	-1.41	26
BORNO	5.27	5.42	0.16	28
CROSS-RIVER	32.50	4.36	-28.14	36
DELTA	12.27	21.19	8.92	2
EBONYI	3.56	4.03	0.47	18
EDO	5.63	7.59	1.97	6
EKITI	5.54	3.40	-2.14	34
ENUGU	5.06	6.01	0.95	10
GOMBE	4.41	3.88	-0.54	25
IMO	4.83	4.80	-0.02	15
JIGAWA	5.96	5.35	-0.62	29
KADUNA	7.12	7.69	0.57	14
KANO	6.95	10.18	3.23	7
KATSINA	4.28	5.24	0.95	13
KEBBI	3.58	4.69	1.10	16
KOGI	5.24	5.13	-0.11	21
KWARA	6.69	5.20	-1.49	20
LAGOS	28.92	37.75	8.83	4
NASARAWA	4.44	4.29	-0.15	27
NIGER	4.43	5.08	0.65	17
OGUN	10.09	9.37	-0.72	8
ONDO	6.54	6.07	-0.47	9
OSUN	7.22	2.25	-4.97	35
OYO	10.14	6.56	-3.58	30
PLATEAU	6.33	4.33	-1.99	31
RIVERS	11.00	21.63	10.63	1
SOKOTO	5.63	4.95	-0.68	23
TARABA	4.27	4.23	-0.04	24
YOBE	3.90	4.50	0.60	22
ZAMFARA	3.87	3.61	-0.26	19
Sources: OAGF, NBS, State Government websites, BudgIT Research(Year)				

The Table 2 below indicates states with the ability to pay workers the new improved minimum wage.

Table 2. Recurrent Expenditure of states in Nigeria as at 1st quarter of 2019

States	**Recurrent Expenditure *budget estimate**	**Personnel Cost**	**Overheads (Including Debt servicing)**	**Overheads (Including Debt servicing)**
ABIA	68.4	32.4	36	36.0
ADAMAWA	78	32.9	45.1	45.1
AKWA IBOM	215.51	53.1	162.41	162.4
ANAMBRA	64.4	21.6	42.8	42.8
BAUCHI	67.12	28.5	38.62	38.6
BAYELSA	160	48.0	112	112.0
BENUE	81.9	51.0	30.9	30.9
BORNO	63.18	32.1	31.08	31.1
CROSS-RIVER	390	57.8	332.2	332.2
DELTA	147.27	71.5	75.77	75.8
EBONYI	42.7	14.2	28.5	28.5
EDO	67.5	31.8	35.7	35.7
EKITI	66.53	20.9	45.63	45.6
ENUGU	60.7	37.5	23.2	23.2
GOMBE	52.97	18.0	34.97	35.0
IMO	57.9	25.0	32.9	32.9
JIGAWA	71.565	24.2	47.365	47.4
KADUNA	85.4	42.0	43.4	43.4
KANO	83.43	59.2	24.27	24.3
KATSINA	51.41	24.7	26.75	26.8
KEBBI	42.99	18.2	24.8	24.8
KOGI	62.874	28.2	34.674	34.7
KWARA	80.308	13.9	66.408	66.4
LAGOS	347	112.2	234.8	234.8
NASARAWA	53.241	24.1	29.141	29.1
NIGER	53.2	28.5	24.7	24.7
OGUN	121.1	81.9	39.231	39.2
ONDO	78.5	37.9	40.6	40.6
OSUN	86.60	63.98	22.62	22.62
OYO	121.70	39.84	81.86	81.86
PLATEAU	75.90	26.60	49.3	49.30
RIVERS	132.00	62.50	69.5	69.50
SOKOTO	67.60	25.00	42.6	42.60
TARABA	51.24	28.61	22.63	22.63
YOBE	46.75	21.77	24.98	24.98
ZAMFARA	46.40	25.20	21.2	21.20

Source: National Bureau of Statistics and BudgIT (2019)

From the above table, it can be noted that only 16 states from the 36 states in Nigeria, excluding the FCT have the ability to pay workers. The table shows that Rivers State with 10.63% and Lagos with 8.83% have the most ability to pay while Abia state with -0.05% and IMO state with -0.02% have the least ability to pay. The sustainability rank column shows states that have the capacity to continually pay workers. The implication is that most states in Nigeria do not have the ability to pay workers and without other sources of revenue, such as internally generated revenue will have problems implementing the new minimum wage. From the table 2 , it can be seen that majority of states in Nigeria will have difficulty in implementing the new minimum wage because most of the revenue generated, either from the federation account and internally generated revenue will be used in servicing debts. The implication of this is that states will have to borrow both locally and externally, which will be difficult. The other options are to increase VAT and look into other avenues for generating revenue. However, this will tell on the workers' wages as it is already inadequate.

Policy recommendations

Strategies for Improving Revenue Generation:

Good infrastructure:

A location with good road network will have every access to the coming and going out of the local government's cars and people. If they get to the local government and see good roads, pipe-borne water, hospitals, schools etc. they may decide to stay (Eme and Elekwa,2013). This will increase the number of people and business that will be paying tax and this will definitely increase the revenue generation because more people will be paying tax. If the government can provide good infrastructure for the local government, there will be more business and people will see reasons to pay tax.

Staff motivation:

According to Henry Fayol, there are fourteen principles of management of which motivation is among the list. Henry Fayol however defined motivation as a driving force which stimulates a worker in action. Workers should be encouraged so that they can put in their maximum services and when this is done, there may be increase or solid improvements in revenue collection. Training of workers for knowledge enhancement should be one of such motivational factors. It is fervently hoped that when the above suggestions are fully implemented, the local government will not only improve internally but also with the outside world.

Establishment of projects:

The states should embark on the establishment of some mini-sized industries, which will provide employment opportunities to the people. There should also be development and improvement in agricultural ventures like crop farming etc. The participation in agriculture will encourage the inhabitants of this local government area to improve their standard of living.

Revenue management:

There is a general trend going about most governmental establishment, there are mismanagement and embezzlement. The revenue so collected is mismanaged by the officer thereby not making the revenue to have any effect on the general populace of the local government. This can be reduced by the centralization of the collection department and rotation of jobs and assignments. If a worker is occupying a particular position for a long time he tends to have all the ways by which he can fraud the department.

Loyalty of tax payers:

If people can change their attitude of tax evasion, more revenue will be generated. The number of people that pay up their dues (tax) as at when due are very small compared to the number of people that are supposed to pay. If the orientation can change, it will go a long way in increasing the amount of revenue that will be generated in the local government.

Conclusion

The discussion shows that the state governments are partly responsible for the problem. The reason is because most state governments do not tap to the full, existing internal revenue sources. They seem to be more interested in the collection of the statutory allocations from the centre. This explains why most state governments have not taken pains to revise the relevant laws that concern their internal revenue generation and collection to be in line with recent development or changes in the society. Furthermore, most state governments in Nigeria today have become centres or fortresses of corruption. It is thus against this background that the following proposal are made which will enhance revenue generation in the state. Among them include,

State Governments should provide an accurate database integrated with the Assessment and Collection system which will store data for registered taxpayers and record returns, assessed figures and penalties which will widen the taxpayer base. The process of tax collection and remittances should be fully automated assessment systems and taxes collection by State MDAs and LGAs should be harmonized. Board of Internal Revenue should engage the services of professionals to review assessment done by revenue collection and a high level of dialogue with all stakeholders (CSOs, CBO, FBOs, Traditional Institutions, Market Associations, Organised Private Sector, Professional Organisation, etc) should be encouraged. Continual taxpayer education programmes should be encouraged and taxpayers advised to register to avoid prosecution.

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