

**EVALUATION OF STATE GOVERNMENT REVENUE GENERATING
STRATEGIES IN ADAMAWA STATE**

**BY
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OCTOBER, 2012

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**A PROJECT SUBMITTED TO THE
DEPARTMENT OF MANAGEMENT TECHNOLOGY, SCHOOL OF
MANAGEMENT AND INFORMATION TECHNOLOGY,
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**IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE
AWARD OF MASTERS DEGREE IN BUSINESS ADMINISTRATION
(MBA)**

OCTOBER, 2012

DECLARATION

I hereby certify that this research work has been carried out and written by me. It is my own original work. It has not been presented in any previous application for a higher degree. All consulted published and unpublished materials are duly acknowledged.

Alkali James Leda	_____	_____
Name of Student	Signature	Date

APPROVAL PAGE

This thesis by Alkali James Leda has met the requirements for the award of Master Degree in Business Administration (MBA) of the Modibbo Adama University of Technology, Yola, Adamawa State and is approved for its contribution to knowledge.

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DEDICATION

This thesis is dedicated to the ALMIGHTY GOD for his protection, provision and guidance to me through my life.

ACKNOWLEDGMENT

I wish to register my gratitude to God Almighty for granting me the grace, and wisdom to write this piece of work. I also thank all the numerous good people of high intellect which I consulted their books and materials, I owe them a satisfactory gratitude.

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ABSTRACT

This research was conducted to examine the sources of revenue the Adamawa State Board of Internal Revenue is currently using in generating revenue for the state and to find out better strategies the board can employ to burst its internal revenue generation capacity in order for the government to be able to meet with the developmental challenges in the state. The study also examined ways to help government curb excesses, check revenue leakages and reduce corruption among the staff of the Board of Internal Revenue. A sample of 80 respondents were randomly selected. Questionnaires were administered among four categories of the staff of the board, managerial level, line officers/supervisors, junior officers and field agents. The questionnaires were close and opened ended questions, the outcome of the analysis highlights that there are both dormant and new sources of revenue the board can use in bursting its revenue base. It was establish that not all taxable persons pay their appropriate taxes and at when due. Recommendations were provided for the board to embark on massive tax education and awareness campaigns and build confidence on the citizens assuring them of the proper usage of the revenue collected.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Revenue constitutes one of the most significant resources available to the Government world over in the discharge of its duties and responsibilities to the public. Citizens of the country expect government to provide security, economic, social and physical infrastructure for their wellbeing.

Like every other economic resources, money is not in unlimited supply, therefore, mechanism should be put in place to ensure its security and efficient management. It is pertinent therefore for Government at all level especially the State Government to continuously evaluate strategies of generating new revenue sources in order to meet their huge financial obligations. (Nyong, 2000)

The country's Constitution and other laws of the land have specified the sources of revenue that accrues to common pool (belonging to the three tiers of Government) and those that are specific to each tier of Government (Achaka, 2008). For the common pool, the revenue generated has to be subjected to a sharing formula that ensures fairness and equity. The Government agency responsible for the sharing of the amount generated into the common pool (Constitutionally called Federation Account) is the Revenue Mobilization, Allocation and Fiscal Commission (RMAC). This Commission proposes sharing formula for the approval of the National Assembly and uses the approved formulae for the sharing of the generated revenue among the benefiting three tiers of Government, on a monthly basis.

Most Nigerian States have been operating like children before the death of their father have been very industrious and productive to sustain themselves but when suddenly their father dies and they heard that there was pension coming, they

all abandoned their individual local efforts to give and collect their fathers' monthly pension benefit which is hitherto, not capable of solving the problems of their individual large families.(Bawa 2012).

This erroneous and dangerous assumption has made some States and public officials to relax and make little or no effort to invigorate and sustain alternative sources of revenue to the Government. In view of the over bearing power tussle as well as the dwindling and doubtful revenue coming from the Federation Account, there is therefore, the urgent need for the Adamawa State Government to de-emphasis "the common pool" as its main source of revenue and explore new strategies for enhanced Internally Generated Revenue (IGR) in the State.

A review of the audited accounts of some buoyant States in the past four years shows that their internally generated revenue has never exceeded 30% of statutory allocations while in some States internally generated revenue was as low as 3% approximately (Aminu 2007). It therefore follows that the States with poor IGR may run into trouble in case the Federation Account Committee fails to meet and share the proceeds in the Federation Account.

There are numerous source of revenue at the State level which should be utilized in generating as much revenue as possible for the execution of short-term and long-term projects that could accelerate sustainable development. There are many reasons why State Government must come up with new strategies for aggressive internal revenue generation.

One of every state in Nigeria has sufficient deposits of mineral and agricultural resources, tourism potentials and human resources potential to be harnessed, tapped and utilized for positive economic growth and sustainable development of the State. Achaka,(2008). Adamawa State Government through its Board of Internal Revenue should stop looking elsewhere for these resources and explore, develop, produce and utilize their own potentials.

Secondly, oil that serves as the main stay of the Nigerian economy now cannot continue to play that role forever, it is reducing and dwindling in quantity and value. It is estimated that Nigerian oil reserve stands at 37.2 billion barrel and can last for the next twenty nine (29) Years. Meaning that it will not last forever so why should states rely too much on it?

1.2 Statement of Research Problem

Adamawa State is currently faced with a lot of developmental problems/challenges as a result of inadequate funding of the State institutions that drives the economy. The State is faced with problems of paying its wage bill as at when due. This is due to lack of enough funds from the Federation Account especially with the implementation of eighteen thousand naira (N18, 000.00) minimum wage. There are no standard road networks, portable drinking water, medical facilities and inadequate basic social amenities that will make life meaningful for the people of the State.

Corruption and misappropriation of State Government funds are also major problems that lead to depletion of the State funds for developmental purposes.

1.3 Objective of the Study

The broad aim of this research work is to assess the various strategies used by the Adamawa State Board of Internal Revenue in its revenue generation process. The specific objectives are however to:

- i. Evaluate the present revenue sources in the State;
- ii. Identify new or dormant sources of revenue to the State;
- iii. Examine the level of compliance by tax payers; and
- iv. To determine the level of corruption in tax collection process.

1.4 Research Questions

In order to achieve the objectives of the study, the following research questions are established.

1. Are there no other viable alternative sources of revenue available to the State?
2. Are all sources of revenue tapped, collected and properly accounted for?
3. Do all taxpayers in the State pay their correct taxes and as at when due?
4. Are the account officers on revenue matters in the Board of Internal Revenue transparent and accountable?

1.5 Research Hypothesis

H₀: There are no new/ alternative source of revenue in the state.

H₁: There are new/alternative sources of revenue in the state.

H₀: All revenue collected are not properly accounted for.

H₁: All revenue collected are properly accounted for.

H₀: Not all taxable persons pay their correct taxes as at when due.

H₁: All taxable persons pay their correct taxes as at when due.

H₀: Most revenue officials are not involved in corrupt practices.

H₁: Most revenue officials are involved in corrupt practices.

1.6 Significance of the Study

The choice of this study was conceived to serve many purposes. The study is expected to serve as a guide to the State Board of Internal Revenue and other public organizations in understanding alternative sources of revenue and leakages in the revenue generating process. The study will also provide information on dormant sources of revenue to be reactivated and harnessed to enhance the State capacity in meeting its financial obligations. It will also give the State a focus or direction as to how other States in the country like Lagos State have been able to

achieve huge success in their Internally Generated Revenue (IGR) and lastly, to provide a guide to other intending researchers on similar field of study.

1.7 Scope of the Study

The research work would cover only staff and field agents of Adamawa state Board of Internal Revenue.

1.8 Limitation of the Study

Time, would be another major constrain in the conduct of this research work as only limited period is given to conclude the work. Huge financial commitment involved in carrying out research of this magnitude is also a constraint in the conduct of this work.

1.9 Definition of key Terms

Revenue: According to Oxford Advanced learner's dictionary, these are the total annual income of a state or an organization.

Strategy: These are plans set up to achieve a particular purpose.

Internally Generated Revenue (IGR): These are funds or revenues sourced locally within a state with external assistance. These funds are generated exploiting the internal sources of revenue of a state.

Revenue leakages: These are outlets through which state funds are lost to the government. The funds are deliberately embezzled by some people or sources are not properly harnessed to obtain the maximum benefits.

Fraud: This is an action of deceit or an instance of deceiving somebody or an organization or state in order to make money or obtain favor illegally.

Sources of Revenue: Sources are units or place where revenue comes from or are generated into the state treasury.

Tax: These are compulsory levies paid by individuals or organizations to the government in order to raise revenue for state expenditure and provision of basic welfare amenities to the people.

Tax Evasion: This is a criminal activity which taxable persons or organization engage to deliberate deceive the government by not paying taxes.

Direct Bank Lodgment (DBL): This is a system of correcting revenue where all funds due are paid directly into the banks account of the benefiting state or organization and receipts issued.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter is titled literature review; it contains review of related literatures, on internally generated revenue, strategies of enhancing internally generated revenue, problems of internally revenue in Nigeria, the role of tax consultants in revenue makers and revenue leakages and fraud.

2.1 Literature Review

Revenue may be defined as the aggregate exchange value of the product or services of an enterprises, (Bull, 1976).

The word revenue in general in usage refers to income received by an organization in the form of cash or cash equivalent. Sales revenue is income received from selling goods or services over a period of time. Tax revenue is however income that a government receives from tax payer based on a particular accounting standard practices or roles establishment or its agency. Williams e'tal, (2008).

Revenue is the total amount of income that acmes to an organization (public or private) within a specified period of time. Achaka,(2008). Revenue is necessary for the effective functioning of the government machinery, as no government can survive without adequate revenue. However, other various studies have found that states, being the second tier of government in Nigeria, have over the years shown laxity toward enhancing internally generated revenue which leads to over dependence on allocation from the federation Account. Achaka,(2008). The most difficult problem that has faced Nigerians federal system of government since in dependence is revenue sharing and other question related to the fiscal relationship of various levels of government. The problem has never been far from the inability

of the states and local for their needs, and other developmental desires of their citizens.

Abimaje, (2008) view that state Government's revenue Comprises of receipts 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 from interests and returns from loans and investment or stationary allocation / grants from Federal Government, it is clear however, that revenue is the total income accruing to a state from various source within a specific period of time. He further opened that, there are two types of revenue that accrued to the state government these are internally generated revenue allocation from the federation Account.

There are also two methods through which revenue accruing to the federation gets to the state governments. These methods are statutory allocation and non – statutory they later takes the form of grant to state execs as many be deemed fit by the federal Government to help pursue a policy which in the opinion of the Federal Government should be to the benefit of the country as a whole.

Statutory Allocation on the other hand is prescribed by law, specifying the basis for distribution of the distributable revenue amongst the various tiers of government, the formula for distribution and mode of distribution.

The members of the Revenue mobilization, Allocation and fiscal commission meets on a monthly basis to share the revenue on the prescribed criterion by law to the states and local governments.

2.2 Internally Generated Revenue

All revenue source or receipts other than statutory allocation and federal grant accruing to state Government through the operations of Ministers, Departments and Agencies are referred to as internally generated revenue IGR. Akinwolemiwa,(2008).

It is funds received from taxation, fees, fines, earnings from sales, and rent of government properties. It also includes returns of investment in forms of interest and dividends, grants/contributions from donors or agencies, loans obtained and miscellaneous receipts including the foreign exchange rates.

The importance of internally generated revenue in a state cannot be reemphasized, as it is the blood or life line of any state in Nigeria. It determines the attitude, progress and major achievement of any state. Akinwolimewa, (2008).

2.3. Structure of Internally Generated Revenue

There are two basic realities that can be singled out as signposts of government revenue profile in general in most states in Nigeria including Adamawa state. The first is that the revenue sources have continued to remain virtually the same over years with only additions outside the petroleum sources. CBN, (2007). The second reality is that the resources of bickering between and among the three levels that make up the federating units in this country is never so much over who has the legislative power to task and administer the law as to how to share the federating funds. Abimaja, (2008). All the three tiers of government in Nigeria currently generate their revenue through four main sources; Federation Account, value added tax (VAT), Internally Generated Revenue (IGR) and loans both foreign and domestic.

However, the state government as the second tier of government derives its internally generated revenue from various sources.

- (a) Taxes – These refer to the levy collection by the state government mostly in the form of personal income tax, direct assessment, stamp duties, value added tax, sales tax, entertainment tax, property rating etc.
- (b) Fees, fines and Rates – This includes fines imposed on individuals, school fees collection from students, water rates collected from consumers etc.

- (c) Earning from sale – These cover money realized from the sale of government properties e.g. sales of government vehicle house etc.
- (d) License – These cover amount received for issuance of license of various types by the state.
- (e) Rent from government properties – These includes rents from government houses, quarters and land.
- (f) Interest payment and repayments on loans – These are interest payments by the state government employees and governments companies on loans granted by the state government e.g. payment of interest in motor vehicles/ motorcycle loans and the repayment itself.
- (g) Reimbursements – These are refunds for services rendered to the Federal Government, Local Government, Public corporation and statutory bodies by the state government.
- (h) Statutory Grants – This is allocated from the Federal Government to the State Government.
- (i) Earning from commercial undertakings.
- (j) Miscellaneous – These are other sources e.g. Contract deductions, developmental levels, divided dividends from investment tribunal recovered public funds etc.

In terms of relative field yield, it has been mentioned by Abimaje, (2008) that on account of the fact that all the states depend largely on the Federation Account to the tune of 74% to finance their budgets, the record of IGR effort of all the States has remained extremely poor, between 10-17 percent of the total revenue for the year, although some states like Lagos state have strategized within the past few years to improve on their IGR.

2.4 Structure of the Board of Internal Revenue

The emergence of what is now known as Adamawa State Board of Internal Revenue, a Board responsible for tax administration, could be traced as far as 1962 under the personal tax Law (Laws of Northern Nigeria 1963). This law saddled the Commissioner of Revenue as the Chief Executive overseeing tax administration in the then Northern Region.

1. This position remained intact even during the existence of North State except that this organ of tax Administration was run as a Revenue Division of the Ministry of Finance.
2. In 1986 the then Gongola State Government by virtue of Edict No. 14 of 1986 gave this Revenue Division an autonomy as Gongola State Board of Internal Revenue whose Chief Executive was Director Internal Revenue as against Commissioner of Finance as the Chairman of this Board.
3. In 1991 with the bifurcation of Gongola State into Adamawa and Taraba States, the Board's nomenclature was changed to Adamawa State Board of Internal Revenue. However it retained the powers conferred on the Edict though limiting its function to Adamawa State.
4. In 1993 with the promulgation of Decree 104 of 1993 (now personal income tax Acts Cap P. 8 Laws of the Federation), this ushered the establishment of uniform Boards of Internal Revenue for the various States in the Country (Adamawa State inclusive). This law gave the Board the needed autonomy recognizing a professional in tax administration as the Chief Executive steering the activities of the Board. The Adamawa State Government in conformity with personal Income Tax Act enacted its State Law Adamawa State Board of Internal Revenue Law 2007 No. 4

of 2007. The composition of Board as provided under Section 4 of this Law are as follows:-

- (a) the Executive Head of the Internal Revenue Service as the chairman who shall be a university Graduate with relevant qualification and experience in taxation, having served for at least six (6A) months in a Senior Management position of the Internal Revenue Service and appointed by the Governor;
- (b) The Directors and Heads of Departments within the Internal Revenue Service;
- (c) A Director from the Ministry of finance;
- (d) Legal Adviser to the Internal Revenue Service;
- (e) Three other persons nominated by the Commissioner of the Finance on their personal merits, whose tenure may be prescribed by the Commissioner subject to approved by the Governor;
- (f) The Secretary of internal of the Internal Revenue Service who shall be an ex-officio member;

According to the Adamawa State Board of Internal Revenue Law No. 4 of (2007), The setup consists of the board consists of five departments, as of now as follows: Administration, Assessment, Collection and Accounting, Other taxes, Intelligent and information. The Board has various units flowing from the above departments amongst which are: - Self Assessment, PAYE, T25 Major Cases, Special Investigation, Treasury, Collection Analysis etc.

The Board has its Area Offices Spread within the State in the following:- Jimeta, Yola, Mubi, Michika, Gombi, Numan, and Ganye. These offices oversee revenue collection within their respective Local Governments that fall within their Zone.

At the apex of the Board's structure is the Executive Chairman who is the Chief Executive/the Accounting Officer. He oversees the general administration of the Board and the functions of all the departments. Next in hierarchy is Secretary, a Lawyer conversant with the Tax Laws. He heads the Administration department and answerable to the Chairman. He equally serves as the Legal Adviser to the Board.

The 4 Technical Department;- Assessment, Collection, & Accounting, Other Taxes, intelligence & information are headed by Chief Executive offices (Rev) who are domestically designated as directors. They are answerable to the Board Secretary. Next to them are the Area Officers and the unit Heads.

2.5 Functions of Adamawa State Board of Internal Revenue

The Adamawa State Board of Internal Revenue law No. 4 Of (2007) gives it the following powers:

- (a) Assess all persons chargeable with paying tax in Adamawa state;
- (b) Collect, recover and paying to the designated account any tax or levy due to the State Government under this or any other enactment;
- (c) Enforce payment of due taxes;
- (d) In collaboration with the relevant ministries and agencies review the tax regime and promote the application of tax revenues to stimulate economic activities and development;
- (e) In collaboration with the relevant law enforcement agencies, carryout the examination and investigation of all cases of tax fraud or evasion with a view to determining compliance with the provisions of this or any other relevant enactment;
- (f) Make from time to time, a determination of the extent of financial loss and such other losses by government arising from tax waivers and other related matters;

- (g) Adopt measures to identify, trace, freeze, confiscate or seize the proceeds of tax fraud or evasion;
- (h) Adopt measures which include compliance, enforcement and regulatory actions as well as introduction and maintenance of investigative and control techniques for the detection and prevention of non-compliance;
- (i) Collaborate and facilitate rapid exchange of scientific and technical information with relevant national or international agencies or bodies on tax matters;
- (j) Undertake exchange of personal or other experts with complementary agencies for the purpose of comparative experience and capacity building;
- (k) Establish and maintain a system for monitoring international dynamics of taxation in order to identify suspicious transactions and the perpetrators and other persons involved;
- (l) Provide and maintain access to up- to- date and adequate data and information on all taxable persons, individual or corporate, for the purpose of efficient, effective and correct tax administration and to prevent tax evasion and fraud;
- (m) Maintain data base, statistics, records and reports on persons, organizations, proceeds, properties, documents or other items or assets relating to tax waivers, fraud or evasion;
- (n) Undertake research and similar measures with a view to stimulating economic development and determining the manifestation, extent, magnitude and effect of tax fraud or evasion and make recommendations to the government on appropriate intervention and preventive measures;

- (o) Collate and keep under review all policies of the state government relating to taxation and revenue generation and undertake a systematic and progressive implementation of such policies;
- (p) Maintain a liaison with the office of Attorney- General of the state, all government security and law enforcement agencies and such other financial supervisory institutions in the enforcement and eradication of tax related offences;
- (q) Issue tax payer identification number to every person taxable in Adamawa state;
- (r) From time to time specify the form of returns, claims, statements and notices necessary for the due administration of the powers conferred on it by this law or any other enactment;
- (s) Carryout and sustain public awareness and enlightenment campaigns on the benefits of tax compliance within the state; and
- (t) Carryout such other activities as are necessary for the due administration of the powers conferred on it by this law.

2.6 Strategies for enhancing Internally Generate Revenue In The State

For the state to meet with its developmental challenges new strategies for enhancing revenue generation must be introduced to sustained and improved upon. Some of the various strategies are highlighted below under the main groups, effective tax administration, fostering voluntary compliance and enhancing tax payer moral and strengthening and enforcing compliance. Nyong (2008).

2.6.1 Tax payer education and enlightenment.

Fashola, (2009) opined that executive council should organize a Taxation stakeholder's conference where the state government can have a discussion with representatives of Chambers of Commerce, Professional groups, financial institutions, Traditional Rulers, Trade and Market Associations etc, on the

government's expectations from them. Various means and efforts to radically reform revenue administration in the state have been initiated. Tax payer education should also involve the state Board of Internal Revenue holding interactive sessions with market Associations, General merchants, Professional bodies to get feedback from the tax payers.

Also, public enlightenment should involve the Royal Fathers, Religious leaders, and prominent citizens, captains of industries, and notable musicians and film actors to make Television and Radio jingles on the benefit of paying taxes. The government should also tell the citizens what it is doing with the previous taxes collected which will serve as morale booster for paying tax.

2.6.2 Introduction of self Assessment voluntary compliance.

The state government should introduce self Assessment scheme where tax payer can assess themselves and pay the proscribed tax voluntarily without been forced. According to Fashola, (2009), Lagos state has introduced the voluntary compliance scheme first of its kind in Africa. The self assessed individual obtains the assessment form free of charge from the State Internal Revenue Service offices and designated bank branches, assess himself by reference to a table which shows various income brackets, the allowances and tax payable in respect of each and pay his tax at any of the over 1,200 bank branches across the state. The tax payer gets his automated receipt immediately and within forty –eight hours after payment, can pick up his electronic Tax card from the branch of the bank where the tax was paid.

2:6.3 Bringing Tax payments closer to the people.

The tax and revenue authorities should provide convenient and inexpensive ways of payers to interact with or undertake transaction with the revenue authority. For example, in recent years many tax authorities have sought to expand the range of electronic services (e-services) particularly for filling and for payment of taxes. There has been a rapid increase in the number of tax payers and tax advisers taking

advantages of the ease and convince provided. Kibiya,(2010). Also, Fashola,(2009) opined that mini tax officers should be established across the state for wider coverage and to bring the tax authorities closer to the people. The mini tax offices will also check for tax compliance, enlighten and educate the tax payers. Regular meetings are also held with market leaders to resolve issues and ensure compliance.

2. 6. 4 Creation of new operational units.

To improve the efficiency of the state administrative structures and move closer to the targets of total compliance, new operational units manned with well trained staff should be created. Fashola,(2009). The account relationship management unit should be check compliance and monitoring, an officer is assigned to each sector e.g. Oil and Gas, Aviation, Manufacturing, Banking, Insurance, other financial institutions, Engineering, Health Professional services, public sector, trading and construction. The informal sector should handle peculiar tax assessment of members of various professional associations such as the Lawyers, Accountants, Engineers, and Architects etc.

2.6.5 Enforcing Compliance

The overall strategy of a revenue authority should always be to encourage voluntary compliance wherever possible, and to facilitate such compliance by whatever means it can make available. But not all tax payers are compliant, and many who are compliant some of the time are not compliant other times. Tax payers move up and down the compliance pyramid, or adopt different position on the compliance- non compliance continuum, for a variety of reasons. The revenue authority must therefore also have a range of tools, graduated in severity, to deal with non compliance. These must be applied and must be seen to be applied as appropriate in relation to the level of risk. Kibiya, (2010). Also a dedicated task fraud unit should be established to tackle such cases as it requires special skills

including Knowledge of the tax fraud legislation, Knowledge of the courts and appeals systems, and law enforcement expertise and ability to liaise with other government officers.

2.6.6 Activation of Dormant sources

According to Abimaje,(2008), Not a fewer government internal revenue sources are lying dormant due to principally to organizational inertia and reluctances of tax payers to pay up. This is because funds from federation account are easier to get and commercial borrowing is easier. There is therefore need to re-activate these dormant sources by addressing the issue.

2.6.7 Collaborations with other Ministries, Departments and Agencies (MDA,s)

The Internal Board of Revenue should collaborate with major revenue generating agencies in the state. There should be a regular meeting where revenue performances are evaluated against targets, solutions are profound for emerging problems and debates are hold on best practices. Fashola,(2009). For example the state can make as part of its resolution requirement for traffic offenders as evidence of tax payment on individuals that seek to stand as surety in court for any bail able offence must show evidence of tax compliant before such request could be granted by the trial judge.

2.6.8 Making Revenue Authorities Autonomous.

The state government should make the Board of Internal Revenue to be autonomous without the interference of government. They would create better incentive for staff while also imposing greater accountability for performance.

2.6.9 Diversification of Revenue Base through Investment.

The state government should conduct environmental scanning so as to identify arrears of comparative advantage. In this regards, state should invest their

wind-fall receipts from excess crude oil account in non- oil opportunities e.g. solid minerals, micro, small and medium size ventures etc as well as in the budget stabilization fund to smoothen the unpredictable revenue flows. Abimaje, (2008).

2.6.10 Review of the existing Rates and Fees.

Etim,(2008) observed that when the government increases tax rates for the tax payer, Tax payers are most likely to pay their tax if there are evidences to show for the tax been paid in terms of provision of good services and developmental projects. Secondly, where the fees and rates are recklessly and exploitatively increased and the tax proceeds are stolen and taken out, the local economy would pay negatively for it. In other words, the revenues collected need to be deployed to improve the life of the people.

2.6.11 Use of Capital Markets.

Many state governments have never thought of using the capital market to raise developmental finances to be deployed on economically viable projects and programmed. If the banking sector is decongested to make sufficient room for the real sector to use that medium while government and its agencies resort to alternative sources, the dividend for the economy would be a lot enhanced. Lamido, (2011).

2.6.12 Reduction in the cost of governance.

To reduce cost and save more money for the state government, the state can take a queue from the current Federal Government's decision to reduce overhead cost of governance by merging some Ministries, Departments and Agencies that have similar functions. Reduction in overseas tours and travels, entertainment for government officials and block other wastages and leakages that usually increases the cost of overheads. This will create more funds for the state government to meet its challenges. Lamido, (2011).

2.6.13 Out sourcing of non critical services.

The current global trend in cost – conscious jurisdiction, out to grow their economy is to outsource all non critical service, this avoiding waste and saving resources to be deployed to other beneficial opportunities. Achaka, (2008).

2.7 New Revenue Sources

According to Achaka,(2008), Management should be alert to proposed new programs either to counter a threat to existing operations or to take advantage of new capital investment i.e. capital budgeting.

When an organization purchases fixed assets, it makes an investment. The organization commits funds today in expectation of a return in the form of earnings generated by profitable use of asset i.e. cash flows. It can be restated that the investment is a purchase of a future stream of expected cash flows. An organization can only be effective in the area of new venture when it embraces corporate planning. Corporate planning is a term used to denote a formal comprehensive and systematic appraisal of environmental and internal incorporates all types of plan-short and long range, divisional and functional as well as operational plans.

2.7.1 Diversification:

It is necessary for a dynamic state to constantly appraise its role to ensure a continue relevance of its state. In the wake of challenging opportunities and availability of resources at affordable cost, government of a state can take bold steps towards diverting its operation to create sustainability. The utilization of any window that is available in the economy should be promptly undertaken. For instance, in the agricultural sector, cross boarder trading can be undertaken to take advantage of comparative cost.

Emphasis can also be made on consultancy to private sector operations and individuals as the governments has abundant reservoir of knowledge in such areas. Achaka,(2008).

2.7.2 Billing of sale or services:

Most sales of goods and or services are never billed promptly to the customer. No sufficient record is available to revert to case there is default. The processes that bring debtors to existence are not through enough to safeguard the organization. Reconciliation of sales made and analysis of same cash/credit are often done in the public sector.

In the circumstances, it is possible to have unrecorded debt. This provide venue for clerks to manipulate collection as a result of inadequate record of transactions.

2.7.3 Collections:

You can only collect what you have as a reward for parting with goods or services produced. However, the absence of any documentation relating to the sales will frustrate the desire for efficient collection of revenue. All collections must be receipted and referenced to invoices and notes earlier issued.

Reconciliation of collections, banking of same can provide a check on the cashiers and guarantee a minimum safety for all cash collected for the organization.

2.7.4 Recording of transactions:

Billing must be recorded independent of the collection. The stream of totals of both billing and collections should form the basis for reconciliation. Recording of transactions ensures that all accrued due to the organization have in fact will

create in the books of accounts. A systematic approach to this aspect will create accountability and transparency in the process and so ensure that protected machinery exists.

2.7.5 Bank/Lodgment:

The effort of revenue generation is claimed when the proceeds of collections is lodged in the bank. Companies became bankrupt and so collapse, not because they are not profitable, but because they do not have enough cash or liquid assets to transact their business or honoring their obligations. Indeed most of the assists to transact their business or honoring their obligations. Indeed most of the companies that fail are profitable illiquid. Most of their cash will tied up in debtors, immobile stocks and in idle assets.

Abimaje,(2008).The consequences of not monitoring the cash collected through the lodgment process are enormous. It therefore calls for proper scrutiny and actual lodged/credited into the account of the organization. It is only in this way that the effort of management of generating revenue can be realized.

2.7.6 Enhancement of Revenue Collection:

The primacy of revenue as a driving wheel to business transaction for survival and successes will necessitate a concerted effort towards ensuring that a more stringent approach to generation, recording and accountability is evolved. Achaka,(2008). The following are pertinent:-

2.7.7 Quality service:

It is necessary to evaluate the main source of supply of goods or and successes. This is to ensure that what is traced on is efficiently delivered to the customer promptly with its associated high quality comparable with others.

2.7.8 Pricing:

A good pricing policy must be in place and communicate to customer. Predictability of future pricing should be facilitated. Meanwhile there should be a guarantee that is priced is not a transfer of redundancy cost to the customer. This is found mostly in the public sector.

2.7.9 Management of Customer

Good policy is essential and crucial since it is not possible to altogether divert credit transaction from business operation. The establishment of a good credit policy will increase the turnover and ensure that what is sold is actually collected. Efficient billing, collection, lodgment and reconciliation are the essential ingredients in ensuring that protection is accorded the working capital.

2.7.10 Object of Revenue Accounting and Control

According to Adeoye,(2003), Revenue generation and collection is aimed at attaining the following objectives, which in turn will ensure revenue optimization.

- i. All revenue generated by and in the name of the organization should accrue beneficially to the organization
- ii. Revenue collection should equal revenue generated
- iii. All revenue generated must be collected in full as promptly as possible
- iv. All revenue must be accounted for in the books of the organization.

2.7.11 Mischieves to be guided against

In pursuance of the above objectives, the internal control and accounting system put in place should drastically minimize, if not eliminating the following risks:

- i. Sales of goods/services without proper authorization
- ii. Sales without invoicing
- iii. Under-or over-invoicing
- iv. Granting of unauthorized discounts
- v. Under or over – statement of sales in the books of accounts
- vi. Delayed collection and bad debts
- vii. Diversion or conversion of cash collected to personal use
- viii. Theft or loss of cash, either in transit or within the office
- ix. Under-collection of invoice value
- x. Receipt of fake currencies and invalid cheques
- xi. Inflation of collection commission
- xii. Misappropriation of fund.

2.7.12 Accounting Documentation and Recording:

The accounting procedure should entail the use and maintenance of source documents and accounting record, the most essential of which are listed below:-

a. Source Documents

- i. Order (or application) form
- ii. Allocation/work ticket
- iii. Billing docket
- iv. Invoice/bill

- v. Dispatch Note/Waybill
- vi. Credit Note
- vii. Receipt

b. Accounting Record

- i. Order Booking/Register
- ii. Dispatch/Installation (Or work) Register
- iii. Sales Boo/Journal
- iv. Sale Ledger
- v. Cash book
- vi. Customer statement of account
- vii. Debtors age analysis

2.8 The Challenges of enhancing Revenue Generation at States Level

In view of the over bearing power tussle as well as the dwelling doubtful revenue coming from the Federation Account, there is the urgent need for the states and local government to de-emphasize “the common pool” as their main source of revenue and explore many other available to them.

A review of the audited accounts of even the buoyant states showed that from 2001- 2004 the internally generated revenue has never exceeded 30% of statutory allocations while in some state internally generated revenue was as low as 3% approximately, Aminu, (2007). It therefore allows that the allocation committee fails to meet to share the proceeds in the federation account.

It is worth noting that taxes provide the second largest source of revenue to states government, Achaka, (2008). While not much can be done to alter the allocation due to state government from the federation account, not much has also been realized through the taxation machineries as well as commercial activities at state level. It is therefore pertinent to look at problems bedeviling activities at state level and proffer solutions to the problems.

There are numerous sources of revenue at state and local government levels that should be utilized in generating as much revenue as possible for the execution of short-term and long-term projects that could accelerate sustainable development. There are many reasons why state government must come up with new initiatives for aggressive internal revenue generation.

One, every state in Nigeria has sufficient deposit of mineral and agricultural resources, tourism potentials and human records potential to be harnessed tapped and utilized for positive economic growth and sustainable development, Nyong, (2008). States government should stop looking elsewhere for these resources and explore, develop, produce and utilize their rather.

Two, oil that serves as the main stay of the Nigerian economy now cannot continue to play that role forever; it is reducing and dwindling in quantity and value. It is a wasting resource. Why too much on it?

Three, taxation and related resources of income are the most sustainable revenue resources all over the world, from time immemorial Nyong and Achaka, (2008). The states and local government should face the challenge of reactivating all forms of taxes, levies and rates for enhanced internal revenue generation.

Four, Public funds should be prudently utilized in executing projects that would touch the lives of the masses and, where excess/surplus is obtained the government should learn to make wise investment for the benefit of the future generation, Cost minimizing is a dimension of revenue generation.

2.8.1 Problems of Internal Revenue Generation at State Government Level

The following are the problems of internal revenue generation at state government level, Williams, (2002).

- i. Tax Evasion: tax is an illegal method of reducing one's tax liability by misstating or omitting a source or source of income. In words, it is an illegal and deliberate violation of the tax law by the tax payer. Many businessmen, professionals and a lot of self-employed persons indulged in such refusal to disclose some of their sources of income so as to evade being correctly taxed. They spend time and money to plan on how to play with the intelligence of tax officials employed by the government in order to escape the payment of tax.
- ii. Tax Avoidance: Tax avoidance is a lawful method of reducing one's tax liability, by engaging the service of accountants with a view of exploiting the loopholes in tax law to reduce tax liability. At times people evade tax because they feel that they do not benefit from the government's expenditure programmes or that the taxes they pay are not used in providing social amenities to their communities
- iii. Lack of trained, effective and motivated personnel: Tax administration in some state is poor due to lack of trained, effective and motivated personnel.
- iv. Attitude of some tax officials: some times, behavior of some tax officials result to negative effects on the entire system, as well as the cost of administrating the system. While some of the officials are honest and dedicated others are found to be dishonest and corrupt, conniving with unpatriotic taxpayers to help them and avoid and evade the payment of taxes.

- v. Problem of assessment: a large number of small business entrepreneurs do not keep accounting records thereby hindering the process of realistic assessment.
- vi. Lack of adequate motivation and working facilities: another factor militating against revenue generation at state level is lack of adequate motivation and requisite working facilities. Boards of internal revenue of some states are not adequately equipped to enable revenue official to carry out their responsibilities effectively. There are no enough computers for record keeping, no adequate communication facilities, no transportation facilities and the staff are not well motivated to carry out their duties effectively, etc.
- vii. High tax rate: High tax rate may tempt a taxpayer to evade tax: government tax policy of raising tax with a view to increasing revenue usually backfires as tax defaulters finds it more profitable to evade when the rates are high.
- viii. Problems of legal proceedings: there are also problems of legal proceeding and monetary penalties. One of the major weakness in the prosecution of tax cases is that court proceedings are frequently delayed
- ix. Lack of up-to-date statistic on tax payers.
- x. Lack of commitment to pursue all internal revenue sources available to the state, for example withholding tax on rent and investment incomes.
- xi. Lack of commitment to collect capital gains tax on all gains accruing to individuals.

- xii. Low income from investment due to lack of willingness to participate actively in the stock market through state investment's investment and property development companies.
- xiii. Non collection of development levy from taxable persons by most state governments.

2.9 Revenue leakages and Fraud

Revenue constitutes one of the most significant resources available to government in the discharge of its duties to the public. Citizens of the country expect government to provide economic, social and physical infrastructure for their wellbeing.

Like every other economic resource, money is not in unlimited supply; therefore necessary mechanisms should be put in place to ensure its security and efficient management. Etim,(2008).

The single most damning threat to revenue security is fraud. The challenge therefore lies in taking steps to prevent fraud. Risk management experts are unanimous on this one fact, that preventing losses is more manageable than managing losses. While the former could be expensive, no doubt, the latter could be quite costly.

We shall take a look at ways of creating environment that would make it difficult for fraud to thrive. In doing this we would highlight some of the tools of public finance management that should be employed to sustain a fraud free environment

2.9.1 The Fraud Menace

The Nigerian society is plagued with the desire to get rich quick, thereby creating ugly scenes of corruption across board. As the days go by more methods of perpetrating and perpetuating frauds become more sophisticated. For the purpose of this paper, we shall define fraud as misappropriation, theft or embezzlement of public asset. Incidence of fraud is a loss to society.

Once a loss occurs, or a loss is caused (in the case, of criminal losses, such as fraud) it may never be detected; could be detected late, or too late, could be highly damaging, could be hard to recover or replace and/or could be unrecoverable or irreplaceable.

a. Types of Fraud: Achaka, (2008), highlighted the following as the types of fraud.

- i. Bite Fraud:** This occurs when the assets are taken and the individual taking it disappears. This usually involves large assets, hence it is usually detected quickly, therefore to avoid being tracked down, the thief absconds to a protected environment.
- ii. Nibble Fraud:** Involves small assets taken piecemeal. Therefore the possibility of early detection is very slow; hence the fraud takes place on many occasions.
- iii. Management Fraud:** This has been defined as deception by those in authority in an organization which results in loss or disadvantage to the organization or to those dealing with it. (e.g. manipulation of the financial statements or unauthorized withdrawals from revenue accounts to meet business and financial expectations to obtain indirect personal gain).

- iv Con Artist or "419":** A con artist could be anybody. He or she is a unique thief. He thinks and survives with the help of his victims who willingly and without duress succumb either because of their inherent greed or gullible nature. He can divert your attention from the laid down procedure and advance a reason as to why you should skip or overlook required procedure (e.g. those parading themselves as Internal Revenue Service Agents for Collection of Revenue).

2.9.2 Causes of Revenue Leakages

As mentioned earlier by Achaka,(2008), fraud is a loss of revenue through leakages may be grouped into two major classes,

- i. Institutional factors
- ii. Environmental/social factors

A. Institutional Factors

These are traceable to the internal environment of the organization and include the following:

- i. Poor Internal control:** Inadequate internal control and ineffective or inefficient application of internal control measures create loopholes for self-inclined staff, customers and non-customers to defraud the system.
- ii. Inadequate training and re-training:** Lack of adequate training and re-training on both the technical and theoretical aspects of the job leads to poor performance that breeds malpractice.

iii. Inadequate knowledge and Experience staff:

Malpractice occurs with higher frequency among staff with lack of experience and knowledge. There is less likelihood that malpractice would pass through experienced staff undetected unless with his active connivance.

- iv. **Use of sophisticated Accounting Machines:** In order to curb manipulations by dishonest staff, robust accounting systems should be employed to plug loopholes e.g. rejection of forged documents by the computer system etc.
- v. **Security management:** Fraudsters and thieves always have their way without detection i:n organizations where security arrangements for valuable documents and assets are weak, poor or vulnerable.
- vii **Staff Negligence:** Negligence is a product of several factors including poor supervision, lack of technical knowledge, apathy, pressure, etc.
- iv. **Bad Management:** Management practices, when negative to the aspirations and developmental needs of staff, could result in generality of them being frustrated and corrupt.
- x. **Poor Remuneration:** When remuneration packages cannot conform to the economic realities of the times, staff would be compelled to become rather opportunistic in making money from' some other sources which may lead to widespread corruption, revenue leakages and misappropriation of assets.
- xi. **Other causes:** These include absence of detailed operational manual, poor book-keeping and accounting and staff infidelity.

B. Environmental/Societal Factors

- i. **Personality Profile:** Some people are over-ambitious hence prone to committing fraud. They are bent on making it by hook or crook. They dismiss morality as an unnecessary pre-requisite for virtuous life.
- ii. **Societal Values:** Where the possession of wealth determines the reputation and recognition ascribed to a person, such society is bound to witness illegal acquisition of wealth. In one of his papers presented at public

lectures Professor Ejiofor, wrote: *"The Nigerian Society does not reward hard work diligence, objective soullessness patience and inventiveness. The emphasis is on short-cuts, hot cash me-first now now-now and quick-quick-quick"*

iii. Indiscipline and law enforcement: Lack of discipline and inability of law enforcement agents to prosecute offenders.

2.9.3 Practices of Revenue Leakages: The following practices of Revenue leakages have been identified by Suleiman,(2008).

- a. Falsification of figures in revenue receipts, revenue cash books and bank tellers.
- b. Teaming and lading by revenue collectors, cashiers and accountants.
- c. Eloping with revenue collected.
- d. Defalcations on revenue booklets issued or collected and vehicle number plates issued or collected.
- e. Improper sales records and returns on vehicle number plates.
- f. Unauthorized loans given from revenue collected, short listing and taxing of Pools Agents.
- g. Under assessment of tax due to improper declaration of employees strength and circumstances by the employers.
- h. Cashing of personal cheques from revenue.
- i. Syndicated revenue leakages perpetrated by the revenue staff and their clients/bank staff.
- j. Ineffective revenue lodgments, some lodgments are not reflected in bank statements.
- l. Lack of revenue receipts when needed by revenue collectors.
- m. Printing of revenue receipts outside the Security Printing and Minting

Company, making scanning and duplication very easy.

n. Very low impost to revenue field offices to generate.

o. Weak monitoring and poor logistics for field offices.

p. Spending of revenue at source without authority and incomplete records.

q. Destruction, counterfeiting and forgery of documents that support revenue payments.

r. Fraudulent additions/subtractions if} revenue cash books.

2.9.4 Curbing Revenue Leakages

It is true that all thieves do not think alike so every fraud has its own unique approach, hence there may be no unique approach to forestall fraud. Revenue collection is perhaps the most vulnerable area of organizational accounting malpractice both within and outside the system. I Control system must be designed to combat possible malpractice on both sides simultaneously. Within the control procedures, the following may be considered. Suleiman,(2008).

i. A continuous monitoring of taxes, fines and fees to assess their reasonableness in relation to economic realities of the time.

ii. Policing the revenue administration system by trained revenue enforcement units.

iii. Timely collection; accurate recording and immediate deposit into banks of all collections, Modern Direct Bank Lodgment (DBL) system is commendable. Supervising and checking controls on collecting banks according to terms of the agency.

iv. Eliminate as much as possible staff contact with physical cash and cheques.

v. Use of revenue receipts booklets, licenses and other revenue collecting documents with high and protected security markings.

- vi.** Making sure that banks send in revenue bank statements promptly for verification before receipts are issued to revenue payers. Daily Manifest of Cleared Funds is a veritable tool in this regard.
- vii.** Revenue collector's receipts and licenses are made available to revenue collectors on demand and properly monitored.
- viii.** Adequate logistics are given to revenue field offices and the staff motivated.
- ix.** Provide need related incentive and motivation to staff. Evolve a more result-oriented and accountable management based on performance and integrity.
- x.** Give staffs a proper orientation on integrity, transparency and accountability.
- xi.** There should be on-the-job training/retraining and exposure to modern techniques of revenue collection and security of funds.
- xii.** There should be adequate internal check in the areas of tax assessment and collection.

C. The Human Factor

In creating a fraud free environment for the organization, human security issues cannot be overlooked. The recruitment and selection of personnel in strategic positions is directly related to the effectiveness and success of any organization. Personnel security is therefore a critical factor. Achaka,(2008).

"Personal Security" is how to avoid bad, risk by an organization/s management using certain security criteria in the process of recruitment and selecting candidates for employment into sensitive and strategic portions which will sustain and improve the revenue profile.

Since all organizations are very particular about employing professionals into sensitive and strategic positions, revenue generation agencies of government should be more careful because employees are exposed to fraudulent practices and situations willy-nilly. Therefore, serious effort must be made to employ honest and

trustworthy personnel into sensitive positions in the organization.

In order to guarantee the presence of a sincere sense of professionalism, dedication, honesty and trust on the part of the applicant, the following criteria should be adopted religiously. Pre-employment screening which include:

- a) Screening interview.
- b) Honesty test, Integrity Profile/Polygraph examination.
- c) Background investigation and other job related tests as appropriate.

The issue of back grounding the candidate is fundamental. The prospective employees must be thoroughly investigated. Since we cannot finitely programmed the human mind, nor store its processes in a retrieval system in anticipation of producing a stereotype of a behaviour, it becomes obvious and important that applicants must be checked and re-checked, and all their claims scrutinized and verified before employing the. The human mind is capable of change for the better or for the worse as the case may be within a short period of time. The purpose of the multiple-check system is to detect contradictions if there are any. A number of strategies have been developed and tools invested to aid the detection of lies and half-truths in people's claims as they are made to pass through one process of screening or the other before being finally engaged to work for any organization. Government is encouraged to employ these tools and strategies before engaging personnel for revenue duties.

Of all the problems that may be experienced by any organization for that matter, human problems are the most difficult to manage. This is because around every human problem there are several things of attitude, behaviour, ego, self-mentality, suspicion, conspiracy, competition, envy and so on, by which every little problem is blown out of proportion. This is coupled with the possibility that

some people will be out to sabotage any effort or programme that may hinder their criminal intentions.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

Asika,(1991) gives the meaning of research design as the structuring of investigation/research aimed at identifying variables and their relationship with one another. This research is carried out as a survey research and the data for the research are to be collected through primary and secondary sources. The major tool to be used in gathering the primary data would be structured questionnaire while the secondary data are to be obtained from library materials, textbooks, journal publications, workshop materials and class notes.

3.2 Population of the Study

The entire staffs of the Adamawa State Board of internal Revenue are estimated to be about 400 including local areas staffs and agents at collection points. One hundred (100)questionnaires would be designed and distributed to the respondents based on stratification and samples selected from each quadrant in the ratio 10:20:30:40, totaling 100 samples.

3.3 Sampling of the Study

These refers to the portion of the population selected for the study Osuagwu,(2008). Since it is not possible to study the whole population, the population is stratified into four quadrants, managerial level, line officers /supervisors, junior officers and field agents.

3.4 Sampling Technique

Simple random sampling and stratified random sampling would be employed in selecting the sample of the population. This is to avoid subjective bias arising from a personal choice of sample unit.

3.5 Method of Data Collection

These research works will utilize both the primary and secondary data. The primary data will be in the form of administered questionnaires to staff of Adamawa State Board of internal Revenue, while the secondary data would be data collected from materials from Adamawa Board of internal Revenue, laws, library, materials e.g. textbooks, journals, reports, published and unpublished materials, internet.

a. Primary Sources of Data

- i.** Structured questionnaires would be administered which will be simple, direct and straight forward to avoid unnecessary delay from the respondents to supply the needed information.
- ii.** Personal observation of how events are carried out in the Board will be undertaken.

b. Secondary sources of Data

- i.** Library materials such as textbooks, workshop, materials and journals
- ii.** Government publications e.g. CBN Journals and taxation materials.
- iii.** Paper presentations on strategies of enhancing internally generated revenue.

3.6 Instrument of the Study

Statistical tools including simple percentage would be used to analyses the data gathered. This is because it is easy to use and is likely to give reasonable accuracy. The questionnaire would be used primary to collect the raw data from the field.

3.7 Validation of Instrument

The information gathering process and other strategies to be employed are reliable. Questionnaires have greater level of reliability and validity in

content, more so, respondents would be contacted on their duty post and observation made while the work is in process.

3.8 Method of Data Analysis

Data analysis involves categorizing, ordering, manipulating and summarizing of data to obtain answers to research questions. Osuagwu (2008).

The method of data analysis to be used is descriptive analysis using simple percentages and frequencies of respondents to review structured questionnaires. This method would facilitate the coding of results in tabular form so that people will easily understand the research. Also, research data would be analyzed using the chi-square (X^2) test. Chi-square (X^2) is a frequency statistical tool used to determine the proportion in which an event occurs. It is helpful in evaluating the probability of obtaining differences between the actual (observed) frequencies and the expected frequencies. The expected frequencies are the average or mean frequencies. The chi-square distribution is expressed symbolically thus;

$$X^2 = \frac{(O-E)^2}{\sum}$$

Where;

X^2 = Chi- Square

\sum = Summation symbol

O = Observed frequency

E = Expected or mean frequency

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

Introduction

The research work employed the simple percentage ratio in the analysis of the data from the field which were made easy for understanding and were critically analyzed based on the presentation which was done in a tabular form in order to obtain a more accurate result in relation to the responses of the staff of Board of Internal Revenue. Furthermore, four (4) hypothesis were tested using the chi-square (χ^2) to know whether the assertions made from the beginning of this research work come up to be true or false.

However, out of the one hundred (100) questionnaires distributed to the various respondents, only eighty (80), representing 80% were fully completed and returned in good time. Secondly, sources such as textbooks, journals, seminar materials constituted some of the data. Subsequently, all the presentation and analysis were thoroughly done in accordance with the relevant research questions which were as follows:

4.1 Data Presentation

Analysis of the questionnaires was based solely on the questions considered crucial to this research work. The available statistics are gotten from the eighty (80) questionnaires recovered from the field out of the one hundred (100) that were distributed for the study.

Views of respondents are coded and summarized in a tabular form for ease of comprehension as can be seen below:

Table 4.1 *Do you know the various sources of revenue to the State?*

	Responses	Frequency	Percentage (%)
A	Yes	68	85.00
B	No	10	12.50
C	Indifferent	2	2.50
	Total	80	100.00

Source: Field work, 2012.

Table 4.2 *Are you satisfied with the present strategies the Board uses presently in generating Internal Revenue for the State?*

	Responses	Frequency	Percentage (%)
A	Yes	71	88.75
B	No	6	7.50
C	Indifferent	3	3.75
	Total	80	100.00

Source: Field work, 2012

Table 4.3 *Do you think there is any problem in the Revenue generating Process of the State?*

	Responses	Frequency	Percentage (%)
A	Yes	48	77.50
B	No	28	35.00
C	Indifferent	4	5.00
	Total	80	100.00

Source: Field work, 2012

Table 4.4 *Are there any new revenue sources the Board can explore to boost its revenue generating strategies?*

	Responses	Frequency	Percentage (%)
A	Yes	62	77.50
B	No	13	16.25
C	Indifferent	5	6.25
	Total	80	100.00

Source: Field work, 2012

Table 4.5 *Do you think there are dormant sources of revenue that needs to be revived?*

	Responses	Frequency	Percentage (%)
A	Yes	48	60.00
B	No	29	36.25
C	Indifferent	3	3.72
	Total	80	100.00

Source: Field work, 2012

Table 4.6 *Do you think that all taxable persons pay their appropriate tax?*

	Responses	Frequency	Percentage (%)
A	Yes	15	18.75
B	No	65	81.25
C	Indifferent	0	0
	Total	80	100.00

Source: Field work, 2012

Table 4.7 *Does the Board prosecute tax evaders?*

	<i>Responses</i>	<i>Frequency</i>	<i>Percentage (%)</i>
A	Yes	71	88.75
B	No	5	6.25
C	Indifferent	4	5.00
	Total	80	100.00

Source: Field work, 2012

Table 4.8 *Do you know of any case of corruption involving staff of the Board in the past?*

	<i>Responses</i>	<i>Frequency</i>	<i>Percentage (%)</i>
A	Yes	39	48.75
B	No	35	43.75
C	Indifferent	6	7.50
	Total	80	100.00

Source: Field work, 2012

Table 4.9 *Do you think that all tax collecting units of the Board remits the appropriate revenue collected?*

	<i>Responses</i>	<i>Frequency</i>	<i>Percentage (%)</i>
A	Yes	44	55.00
B	No	20	25.00
C	Indifferent	16	20.00
	Total	80	100.00

Source: Field work, 2012

Table 4.10. *Which category of staff do you think are more likely to be Engaged in corrupt practices?*

	<i>Responses</i>	<i>Frequency</i>	<i>Percentage (%)</i>
A	Management	20	25.00
B	Other staff	24	30.00
C	Field Agents	36	45.00
	Total	80	100.00

Source: Field work, 2012

4.2 Data Analysis

Table 4.1 shows that 68 respondents knew the sources of revenue to the State with 85% while 10 respondents representing 12.5% do not really know the sources of revenue. 2 respondents consisting 2.5% were indifferent on the issue.

Table 4.2 revealed that 71 respondents making a total of 88.75% are satisfied with the various ways the State Board of Internal Revenue employs in its revenue generation while 6 respondents totaling 7.5% are not satisfied. However, 3 respondents were indifferent consisting of 3.75% of the result.

Table 4.3 shows that 48 respondents of about 68% believe that there is a problem in the revenue process in the State and 28 respondents of about 35% do not think there is any problem with the process. However, 4 respondents were indifferent totaling 5% of the result.

Table 4.4 shows that 62 respondents of about 77.5% believe there are new sources of revenue the State can explore to boost its revenue base while 13 respondent

consisting 16.25% do not see any new sources the State can explore also, 5 respondents making 6.25% were indifferent on the matter

Table 4.5 shows that 48 respondents indicated 60% of the total respondents do not think that there are dormant sources that should be revived in the State and 36.25% representing 29 respondents believe that the government has some dormant sources of revenue to revive. Also, 3 respondents representing 3.72% remained indifferent on the matter.

Table 4.6 reveals that 65 respondents making up 81.25% do not think that all taxable payers in the State pay their appropriate taxes while 15 respondents totaling 18.75% think that all taxable persons pay their appropriate taxes.

Table 4.7 reveals that 71 respondents indicated by 88.75% of respondents shows that the Board of Internal Revenue prosecutes tax evaders while 5 respondents as indicated by 6.25% say that the Board does not prosecute tax evaders. Meanwhile, 4 respondents totaling 5% of the total respondents were indifferent.

Table 4.8 shows that 39 respondents indicated by 48.75% admitted that they are and are of cases of corruption involving staff of Board of Internal Revenue while 35 respondents of about 43.75% say they do not any corruption case involving the staff of the Board but 3 respondents making up 7.5% were indifferent on the issue.

Table 4.9 shows that 44 respondents as indicated by 55% think that tax collecting units of the Board remits appropriate revenue collected. 20% respondents indicated by 25% do not think that all tax collecting units remits the appropriate revenue while 16 respondent making 20% were indifferent on the question.

Table 4.10 shows that 20 respondents indicates by 25% of the respondents believe that management cadre are more likely to perpetrate corrupt practices in the board of internal revenue while 24 respondents making 30% believe that corruption is more among line staff, Junior Officers and other staff of the Board of Internal Revenue. Similarly, 36 respondents as indicated by 45% are of the opinion that the field agents who are at the collection points are the ones that are more likely to be involved in corrupt tendencies.

4.3 Hypothesis Testing

Hypothesis One

Are there any new revenue sources the Board can explore to boost its revenue generating strategies?,

	<i>Responses</i>	<i>Frequency</i>	<i>Percentage (%)</i>
A	Yes	62	77.50
B	No	13	16.25
C	Indifferent	5	6.25
	Total	80	100.00

The ratio of the respondents that agree that there are new sources of revenue that can be explore to the “NO” respondents and the Indifferent are Ratio 6:1.5: 0.5 = 8

parts. Each part = $\frac{80}{8} = 10$.

E = YES = 6 x 10 = 60, NO = 1.5 x 10 = 15, INDIFF. = 0.5 x 10 = 5.

	O	E	O-E	(O-E) ²	$\frac{(O-E)^2}{E}$
YES	62	60	2	4	0.07

NO	13	15	-2	4	0.27
INDIFF	5	5	0	0	0
TOTAL	80	80	0		$X^2 = 0.34$

Observed values do not fit expected values.

Degree of Freedom

$$df = (\text{Row} - 1) (\text{column} - 1)$$

$$(3-1) (2-1)$$

$$2 \times 1 = df = 2$$

The value of x^2 of 2 degree of freedom at 5% level of significance = 5.9991 in the chi square.

Decision Rule

Since the calculation of 0.34 is less than the value of 5.991, the alternative hypothesis which says “There are alternative sources of revenue in the state is accepted.

Hypothesis Two

Do you think that all tax collecting units of the Board remits the appropriate revenue collected?

	Responses	Frequency	Percentage (%)
A	Yes	44	55.00
B	No	20	25.00
C	Indifferent	16	20.00

	Total	80	100.00
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The ratio of the respondents of Yes, No and in different are 4.5: 2:1.5 = 8 parts,

$$\text{each part} = \frac{80}{8} = 10.$$

$$E = \text{YES} = 4.5 \times 10 = 45, \text{NO} = 2 \times 10 = 20 \text{ and INDIFF} = 1.5 \times 10 = 15.$$

	O	E	O-E	(O-E) ²	$\frac{(O-E)^2}{E}$
YES	44	45	-1	1	0.02
NO	20	20	0	0	0
INDIFF	16	15	1	1	0.07
TOTAL	80	80	0		$X^2 = 0.09$

Degree of Freedom

$$df = (\text{Row} - 1) (\text{column} - 1)$$

$$(3-1) (2-1)$$

$$2 \times 1 = df = 2$$

The value of x^2 of 2 degree of freedom at 5% level of significance = 5.9991 in the chi square.

Decision Rule

Since the calculation of 0.09 is less than the value of 5.991, the alternative hypothesis which says ‘Not all tax collecting units remits the appropriate tax collected’ is accepted.

Hypothesis Three

Do you think that all taxable persons pay their appropriate tax?

	<i>Responses</i>	<i>Frequency</i>	<i>Percentage (%)</i>
A	Yes	15	18.75
B	No	65	81.25
C	Indifferent	0	0
	Total	80	100.00

The ratio of the respondents YES: NO: INDIFF that think that all taxable persons pay their appropriate taxes are: 1.5: 6.5: 0 = 8parts

each part = $= \frac{80}{8} = 10$.

E = YES = 1.5 x 10 = 15, NO = 6.5 x 10= 65, INDIFF = 0 x 10 = 0.

	O	E	O-E	(O-E) ²	$\frac{(O-E)^2}{E}$
YES	15	15	0	0	0
NO	65	65	0	0	0
INDIFF	0	0	0	0	0
TOTAL	80	80			X ² = 0.00

Observed values here fit into expected values.

Decision Rule

Since the observed value fit into the expected value the Null hypothesis which says that not all taxable persons pay their appropriate taxes is accepted.

Hypothesis Four

Do you know of any case of corruption involving staff of the Board in the past?

	Responses	Frequency	Percentage (%)
A	Yes	39	48.75
B	No	35	43.75
C	Indifferent	6	7.50
	Total	80	100.00

The ratio of the respondents that knew of cases of corruption in the Board of internal Revenue Yola are in the ratio YES: NO: INDIFF = 4:3.5:0.5 = 8 parts:

Each part = = $\frac{80}{8} = 10$.

E = YES = 4 x 10 = 40, NO = 3.5 x 10 = 35, INDIFF = 0.5 x 10 = 5.

	O	E	O-E	(O-E) ²	$\frac{(O - E)^2}{E}$
YES	39	40	-1	1	0.03
NO	35	35	0	0	0
INDIFF	6	5	1	1	0.2
TOTAL	80	80	0		X ² = 0.23

The observed value do not fit the expected values

Degree of Freedom

df = (Row - 1) (column - 1)

(3-1) (2-1)

2 x 1 = df = 2

The value of x² of 2 degree of freedom at 5% level of significance = 5.9991 in the chi square.

Decision Rule

Since the calculation of 0.23 is less than the value of 5.991, the alternative hypothesis which says must revenue officials are involved in corrupt practices is accepted.

4.4 Research Findings

In the cause of this research work, the following findings were made;

- i. There are still some staff of the Board of Internal Revenue who do not know the various sources of revenue the Board uses in generating internal revenue for the State.
- ii. Most of the staff of Board of Internal Revenue, Yola are satisfied with the various strategies the board is using in generating its revenue for the State, many still believe there is a problem that needs to be sorted out in the revenue generating process in the State.
- iii. It is very clear, that the board can still explore new revenue sources to burst the current revenue base of the State so that the government can meet the developmental needs of the people of the State.
- iv. There are indications that some old forms of revenue or dormant sources that can be revived are available as options for the board to look into in enhancing the revenue base of the State.
- v. It was also found that not all taxable payers pay their appropriate taxes and as at when due.
- vi. There is the need for public enlightenments, campaigns and tax education to encourage tax payers to live up their civic responsibilities as citizens of the country in paying taxes.

- vii. Multiple taxation is also a major setback in encouraging people to pay taxes.
- viii. Self assessment should be introduced and encouraged for persons to assess themselves and pay the appropriate tax due.
- ix. Staff motivation will encourage the staff to work harder to achieve higher productivity.
- x. The use of Tax Identification Number (TIN) should be encouraged to ensure proper records and monitoring tax payments by individual.
- xi. Government is not providing the desired dividends of democracy and as such tax payers are not encouraged to pay their taxes willingly.
- xii. Most revenue collected are not fully accounted for in the revenue books creating opportunities for fraud and other corrupt practices in the system.

4.5 Discussion of Findings

From the findings made in the cause of the research work, it is very important that must staff of the board needs training and retraining in order for them to be properly aware to handle the issue of revenue generation professionally in the state. They should also be properly motivated to reduce the tendencies of corruption among them.

Some new sources of revenue like tax on packing space for persons having more than one or two cars can be introduced. This will discourage people from buying many cars than they actually need. Also House landlords should pay taxes on the rent they collect from their tenants. The government should also engage in the hospitality business, tourism and sport in order to gain more revenue for the state.

In 2010, the state estimated a revenue of N6,097,916,490 but realized N4,207,759,781.45 at the end of the year. In 2005, the state generated little above One billion naira (N1,110,213,000.69) as revenue compared to over four billion naira generated in 2010. It means the state is increasing in its revenue generating capabilities.

Some of the major ways the Board of Internal Revenue generates its revenue includes the following:

1. Direct Assessment
2. Entertainment Tax
3. Pools Betting/casino/snooker
4. Property tax
5. Capital Gains Tax
6. Plate number registration
7. Motor vehicle registration and weight fees
8. Penalty for offences
9. Direct tax
10. Motor vehicles
11. Driving/license/learner's permit
12. Certificate of road worthiness
13. Development levy
14. Road traffic (miscellaneous offence).

During this research work, I personally observed that for the government to effectively generate revenue in form of taxes from the citizens there must be seriousness on its part in providing basic social amenities in the state. I believe that people will come forward voluntarily to pay their taxes when they see that their monies are being used for developmental purposes, but most of our leaders are corrupt and greedy, a situation which is leading to the decay in our infrastructural

development. Secondly the government should diversify and open up investments and other forms of companies to enable the government generate more revenue to cater for the yearning and aspirations of its citizens. One of the major constraints encountered during this research was the unwillingness of respondents to give answers to questions concerning fraud and corruption in their areas.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The objective of this research work was to evaluate the entire revenue generation strategy in the State, determine how to improve on it by reviving dormant sources of revenue and identifying new ones. Also try and analyze the reason why people do not want to pay taxes and determine how to improve tax compliance while proffering ways to curb corruption in the system. In the bid to achieve the above objectives, this research work considered some strategies the Board of Internal Revenue can employ in achieving a sustainable level of Internal Revenue taking a cue from Lagos State which adopted some new strategies and improved on its IGR from about ₦ 3.6 billion per month in January, 2006 to an average of ₦ 20 billion per month in 2012.

The work extensively analyzed various strategies to enhance internally generated revenue in the State, new revenue sources that could be exploited and also identified some of the major challenges the state is likely to face in implementing the new strategies and also offer suggestions on how to tackle some of these challenges. Revenue leakages, fraud and all forms of corrupt practices among the revenue officers was also identified as one of the major setback in the revenue generation effort of the State.

However, the study was précised to the Board of Internal Revenue, Yola, where about eighty (80) of its staff were questioned in order to get a better insight into how activities are carried out in the Board. Some of their comments, observations and suggestions were incorporated into the work to give it a true reflection of the activities going on in the board.

Furthermore, the study not only evaluated the strategies on how to improve revenue base in the State but also identified challenges that has continue to hamper

the growth of the State's IGR. In addition, it made recommendations on the way forward to achieve positive result and guide for future researchers to look at in order to improve IRG in the State and reduce over dependency on Federal Allocation.

5.2 Conclusion

Based on the research analysis of primary data collected, it is clear that the Board of Internal Revenue in Adamawa State has not fully harnessed the various means of generating more revenue to the State. Low tax awareness, enlightenment and public sensitization on the importance of payment of taxes and corruption were identified to be the major hindrance to increased revenue generation.

However, the management of the Board of Internal Revenue should consider the application of some of the strategies identified in this research work and the recommendations as a matter of urgency because the importance of IGR to the development and sustainability of the State cannot be overemphasized.

The task of re-engineering the tax administration and revenue system of any government is a multifaceted one that requires the effort of all major stakeholders and must be confronted with thorough dedication and political will on the part of the leadership of the State. The Government must shun corruption and be accountable to the taxpayers, giving detail reports of what is done with taxpayers' money in order to encourage them to continue to pay their taxes. No matter the effort and sacrifice it entails, people buy-in can be secured when that linkage is vividly established between taxation and development.

5.3 Recommendations

It is important to note that this research work could not have covered all that is to be covered on the issue of improving internal revenue in Adamawa State. However, based on the study conducted, the following recommendations are proffered as ways to further improve on the IGR of Adamawa State.

1. There should be proper tax enlightenment campaigns for the general public to be aware of the importance of paying taxes
2. The board of internal revenue should encourage the use of self assessment as a measure to make tax payers involved in the tax administration in the state voluntarily.
3. The government should consider other new sources of revenue e.g. sport, tourism diversification and use of the capital markets to raise funds for developmental project in the state.
4. The board of internal revenue should ensure that dormant sources of revenue such as taxes on mining activities, agricultural farm produce illegal parking fee, should be revitalized to serve as sources of funds to the government.
5. The board should encourage the out sourcing of tax collection to private organization that has the competence to do that. This will avoid waste and save cost to government operations.
6. The board of internal revenue should encourage the assurance and use of tax identification number base that can easily be referred to when the need arises.
7. Tax evaders and other offenders should be sanctioned appropriately according to the provisions of the law to serve as deterrent to others.
8. The Board should ensure that it introduces a policy “Direct cash lodgment” where all cash collected as tax are immediately urged into the bank to avoid

corrupt tendencies by some of its staff and delay or non – remittances of collected revenue.

9. Government should ensure that that tax payer get the dividend of democracy by providing the basic social amenities like good roads, drinking water, electricity etc. to encourage the tax payers to put more effort in paying their taxes.

This field of research is rich and in exhaustive and it's a good area hat will help in the development of the state. I therefore encourage other researchers to venture into this area of knowledge.

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