EFFECT OF REVENUE GENERATION ON INFRASTUCTURAL DEVELOPMENT OF GOMBE STATE

BY

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NSU/ADM/M.Sc/845/12/13

BEING A DESSERTATION SUBMITTED TO THE SCHOOL OF POSTGRADUATE STUDIES, DEPERTMENT OF PUBLIC ADMINISTRATION, NASARAWA STATE UNIVERSITY KEFFI, IN PARTIAL FULFILMENT FOR THE AWARD OF MASTER OF SCIENCE DEGREE (M.Sc) IN PUBLIC ADMINISTRATION

DEPARTMENT OF PUBLIC ADMINISTRATION
FACULTY OF ADMINISTRATION
NASARAWA STATE UNIVERSITY, KEFFI

MARCH,2018.

DECLARATION

I hereby declare that this dissertation has been written by me and it is a report of my research work. It has not been presented in any previous application for Masters of Science (M.Sc.) Degree. All questions are indicated and sources of information specifically acknowledge by means of my reference.

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CERTIFICATION

This Dissertation entitle "Effect of Revenue Generation on Infrastructural Development in Gombe State" meets the regulations governing the award of Masters of Science Degree in Public Administration, Nasarawa State University, Keffi for its contribution to knowledge and literary presentation.

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ACKNOWLEDGEMENTS

My Profound gratitude and Appreciation goes to those who have contributed in the course of my academic study. May almighty Allah (S.W.A) bless them abundantly.

I want to register my sincere thanks to my supervisor Dr. Abdullahi Mohammed and internal examiner Hussaini Tukur Hassan. Apart from being patient and ready to attend to me whenever I needed their attention, they offered fatherly advice which will remain indelible throughout my life. I learnt lessons of humility and readiness to help even when it is sometimes highly inconvenient from them.

My special gratitude to the lecturers and staff of the Department of Public Administration, Nasarawa State University, Keffi most especially our amiable and respectable H.O.D Dr. Abdullahi Mohammed for encouragement and support rendered to me from the beginning to the end of this program, I am really appreciated. Other lecturers include Prof. Adeoye Akinsanya, Prof. Rafiu. Ayo Akindele, Dr. Charlie Nwekeaku, Prof. Katuka Yaki, Dr. Chukwuma Okafor, Dr. John Abimuku, Dr. Dauda Odonye, Dr. Oklobia Omadachi, Mal. Isah Ibrahim Salisu, Mal. Yakubu Shehu Ibrahim (Babn Ihsan), Mrs. Bariratu Abdullahi, Mrs. Jummai Ali, Mrs. Comfort Adokwe Obed and host of others that cannot be mentioned for sharing their intellectual ability and knowledge. Also to all authors whose works are cited in this research work.

I am short of word to thank my H.O.D in my place of engagement; Gombe State University, Tudun Wada my father, my mentor and a role model in person of Dr. Mahmoud Umar for given me all the necessary support and advice throughout this academic pursuit may Almighty Allah bless you abundantly.

Special thanks to all my colleagues in the Department of Public Administration Gombe State University who’s efforts and advices assisted me to complete this programme.

I express my sincere appreciation to my parents, Late Alhaji Mahdi Abubakar (Mai deba) (may Allah grant him janatul furdausi) brothers and sisters who’s names must not be mentioned due to the high esteemed excitement, I will also not forget the effort, support, prayers and encouragement given to me by my one and only husband (Baban Nabila) may he live long and prosper to the height beyond imagination, my special gratitude to my children, Nabila, Nabil and Tahir for their patient despite the inconveniences they faced during this programme, May Allah (SWT) bless them all.

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ABSTRACT

Revenue Generation are vital to the survival of many states in Nigeria, but regrettably, many states have neglected the role of internally generated revenues in their development. They rely heavily on shared revenues from the federation account. Any reductions in allocations from the federation sent shocks throughout the federation due to over reliance on it by states. The study examines the effect of internally generated revenue on Infrastructural development of Gombe state, whether revenue generation has impacted on Gombe state by providing water, electricity and roads network. To achieve the objectives of the study, a documentary research method was designed relying on secondary data. The study found that the revenue generation by the state revenue agency was very low as to register any tangible effect on the state budget that rely heavily on allocation from the federation account and other sources. Internally generated revenue has minimal on the infrastructural development of the state, but it has significant impact on the annual expenditure on water, electricity and roads network. The study also revealed that internally generated revenue was economical and tax avoidance and evasion were also insignificant. The study therefore recommended that there should be equality in its allocation toward infrastructural development in the state. For instance, more IGR should be allocated to water than road. Good water provision will have a trickledown effect on healthcare because it will forestall and tackle bad water-related sickness like malaria that are commonly suffered by people of the state and extends their life span. Also there should be expansion of the state revenue base as well as improving the board capacity to generate more revenues that will contribute substantial to the state government annual budget.

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

The global economic crisis from 2008 has resulted in a chain-reaction with more unpleasant fiscal consequences on developing countries, especially those with import dependent economies and mono-product foreign exchange earner such as Nigeria. The situation is direr as most states of the Nigerian Federation cannot afford the settlement of their basic recurrent bills, This state of quagmire has left the country with an option of applying creativity and discipline to ensure a better and more productive approach to shore up the internally generated revenue profile without com-promising the business climate.

The overriding objective of boosting internally generated revenue according to Dike (2000) is to "collect the maximum revenue with the minimum economy and minimum interference with legitimate trade of the tax payer". The basic strategies that are currently in use to generate revenue by states according to Ojo (2003) include: original assessment; back duty assessment, deduction at source; tax clearance certificates; best of judgments; warrant of distrain; search and seizure as well as the use of consultants.

Akpo (2009) further highlighted the importance of using IGR to fund infrastructures. According to the authors, IGR does not develop hyper-inflation, it is free and does not carry any burden of repayment and interest like domestic borrowing and loan; through tax, IGR serves as the nerve centre of the social contract, it makes government more responsible and more responsive to the needs of the people, it serves as a tool for economic development, it is an important consideration in the planning of savings and investment and a powerful fiscal weapon to plan and direct the economy. IGR also serves as a tool for social engineering, it goes a long way to keep the society moving, because as government gets more revenue and commission more projects, more money is put in circulation, more employment opportunities arise and more business opportunities are created which impact positively on generality of the society. And above all it serves as tool for infrastructural development. On the other hand, IGR inspite of its benefits is not without challenges. It lack the capacity for revenue base data collection and analysis; lack register of revenue customers and information system; prone to unrealistic fees and tariffs, poor collection and analysis of performance data, lack performance evaluation against targets; poor method (being cash-based only) of generation; poor internal control and financial reporting; lack transparent accounting; non reconciled cash books and bank accounts; irregular returns to the Office of the Accountant General; irregularly audited account; lack a documented action plan for improving its collections; limited resources for its generation; poor coordination within and between organizational units; inadequate training of staff in revenue administration; low morale in the area of revenue administration; poor work environment in which tasks are performed; poor internal organizational arrangement for revenue generation; poor business process among others (Eze, Omole, Onyinka and Okonji, 2004).

This plethora of problems may, in one part account for the government's neglect of IGR in favour of the revenue from oil as noted by Akpo (2009) Revenue generation in Nigeria's local government is principally derived from TAX. Therefore, taxation is an internal source of government revenue within the domestic economy. Its collection and service to the government depends largely on the government itself. The most important source of fund available to the governments whether state or local governments apart from the statutory allocation given by the federal government is taxation. Proper tax administration and it collection is the primary duty of the state board of internal revenue, a division of the Gombe state Ministry of Finance being guided by the Income Tax Management Act (ITMA) 1961. Imposing and collecting taxes has been practiced in Gombe long before the advent of colonial administrators. The tax was collected by the then local chiefs and emirs for mainly defense and administrative activities. Citizens are expected to comply by surrendering part of their earnings from rearing animals,' cultivation of farmlands and other trade activities to the state. It is commonly enforced on persons and corporate bodies that make up a nation and country at large (Worlu & Emeka, 2012).

The resources delivered by tax are recycled by the State to support positive responsibilities that would add value to the community in areas such as education, health care facilities, pension scheme, unemployment assistance as well as public transport system (Chinyere, 2000). Today, taxes are imposed mainly to increase revenue for government even though the proceeds serve other purposes such as social welfare. In the developed nations, taxes are the most crucial and fundamental sources of revenue to government. It symbolizes a broad-spectrum duty of individual tax payers and are not charged or collected in exchange for any specific value rather than collective development as a nation (Leyira, 2012).

Gombe State Government has for a long period been incapable of accomplishing Infrastructural Development, its economic goals, resulting from small amount of revenue proceeds generated due to inadequate and inefficiency of prevailing tax collection procedures. The problems related to the procedures are primarily associated with inadequate skills and inefficiency with enormous bribery and corruption among the tax officials and tax payers (Afuberoh & Okoye, 2014). There were some instances, in which tax collectors issuing false tax clearance certificates and fake receipts to the taxpayer particularly the operators of private businesses and collect token amount to relief them from actual tax due from them (Abubakar, 2014). Accordingly, levies collected as income to the government (tax revenue) are as a result, not been accurately accounted for, therefore, the underperformance in tax revenue is predictable over the years (Adekanola, 1997).

As such this brings about a serious economic consequence for the overall development of State and the country at large. Against this background this study seeks to examine the effect of Internally Generated Revenue on Infrastructural development of Gombe State.

1.2 Statement of the problem

It is one thing to place much emphasis on the development of infrastructure and another thing to have enough funds to finance infrastructural development. Although there are several sources of revenue (federal government allocation, corporate donations, individual donation, etc.), internally generated revenue (IGR) is one source which every state is expected to fully exploit to complement other.

The aim for provision of internal sources of revenue generation to Gombe state government is to supplement the statutory allocations from federal government. It is assumed that if Gombe state government can satisfactorily generate a large proportion of its revenue internally, it will cease relying heavily on the statutory allocations. Despite these constitutional provisions for sources of internal revenue, the state in Nigeria are still unable to tap all these internal sources. Hence, the problem of poor internal generated revenue in most state in Nigeria affect the infrastructural development in the state.

In the words of Oguonu (2000:136) “what makes the difference between its the ability state government to internally generate revenue”. The inability to generate income apart from resources from the federal government, has been a persistent problem in Gombe state government. Revenue generation entails generating and exploring all the sources of revenue for the State,

Empirical studies on IGR and infrastructural development, a number of authors have att empted to ascertain the relationship using different approaches. A research group, The Initiatives (2008) listed several areas of national development that revenue (i.e. IGR) can impact positively to include but not limited to, social infrastructure such as in education and health with emphasis on continuing education and constantly improving our health care; physical infrastructure to enable private sector investment: that is energy, transportation, security of life and property; access to Property, Capital, and Opportunity for Individual and Communal Development; provision of social amenities for the young, the disadvantaged, the physically challenged and the aged; security of Lives and Property. In their submission, this research group concluded that "a steady flow of revenue (IGR) that would enable Nigeria to lay the foundation for stability and relative self-sufficiency would help the country's Quest for national development".

In the similar study by Adenugba and Ogechi (2013) in Lagos State, the authors found out that the effect of internal revenue generation has led to infrastructural development. The researchers also discovered that the infrastructural development in Lagos state is as a result of adequate internally generated revenue and that revenue generation supports infrastructural development. Furthermore, they found that Lagos state is ahead of other states in the provision of basic infrastructures due to its efficiency in generating revenue internally.

The inability of the revenue board to collect substantial amount of money from tax is as a result of evasion, avoidance of tax and other factors. It is based on these that the problem of this study is centered. It raised the question to the effect of Revenue Generation on the infrastructural Development of Gombe State.

1.3 Research Questions

This study will examine the effects of revenue generation on infrastructural development of Gombe State by providing answers to the following research questions:

i. What is the effect of revenue Generation on Gombe State Annual Budget?

ii. To what Extend that the internally Generated Revenue Contribute to the provision of Potable Drinking Water in Gombe state?

iii. To what Magnitude that the internally Generated Revenue Contribute to the provision of Roads in Gombe State?

iv. To what Extend that the internally Generated Revenue Contribute to the provision of rural Electrification in Gombe State?

1.4 Objective of the study

The General objective of this study is to find out the effect of revenue generation on infrastructural development in Gombe State. The Specific objectives of the study include;

i. To find out the effect of Revenue Generation on Gombe State Annual Budget.

ii. To find out the extent of the internally Generated Revenue Contribute to the provision of Potable Drinking Water in Gombe state.

iii. To find out whether internally Generated Revenue Contribute to the provision of Roads in Gombe State

iv. To find out the extent when internally Generated Revenue Contribute to the provision of rural Electrification in Gombe State.

1.5 Significance of the study

The findings of this study will be significant to the future administration of the state. It will also serve as an instrument of measuring the capacity of the revenue board in increasing revenue generation and more specifically on taxes. When all the recommendations arising from the study are implemented by policy makers, it will improve the efficiency of tax administration in the state.

The study will also be of valuable importance to students and other researchers, because it will serve as a veritable source of literature to government specifically tax authorities.

Moreover, it is hoped that this work will serve as a reference text or sources of information for policy makers, administrators, managers and other scholars in the areas of revenue generation, enhancing the capacity of revenue agencies, enthroning economic scale in the administration of tax as well as ensuring that it contributes to the state annual budgetary provision for the overall development of the various communities and the state.

1.6 Scope of the Study

This research work centered on the effect of Revenue Generation on the infrastructural Development of Gombe State, using the Gombe State Board of Internal Revenue as a case study. The study covers the period between from 2009 and 2013 due to the fact that the period witnessed the introduction of the new method of tax collection electronic devices in urban areas, while in rural areas, the manual method of collection continued. The study specifically focused on the Internally Generated Revenue and it effect on the Infrastructural Development of Gombe state.

It also focused on the need to find out how economical is revenue generation is in the state. The reason for this is that it has been found in the past that the amount of revenue generated by many states revenue boards were far less that the amount allocated to them annual for the administration revenue generation. In other words, the revenue generated is far less that the amount being spent on the revenue agency. This, by implication means zero contribution to state budget. This investigated this in respect of Gombe state government.

1.7 Definition of Operational Terms

Tax: Tax is a compulsory levy by the government on eligible citizens for the provision of public goods and services and also fulfilling other government obligations.

Tax Administration: For the purpose of this study, it refers to the imposition of tax laws and subsequent collection of revenue based on approved tax laws.

Tax Evasion: This is the attitude adopted by tax payers to deliberately misrepresent the true state of their income to the tax authorities or include dishonest tax report such as declaring less income, profit or gains to escape tax liability (wholly or partially) by breaking the law.

Tax Avoidance: This is a legal way by which a tax payer takes advantage of the loopholes in the tax law and reduces his tax liabilities.

Revenue: Revenue is the income of a country, state or local government generated from direct or indirect sources, such as taxation, borrowing, grants, sales of goods and services e.t.c investments and returns; donations and aids.

Revenue Generation: This is systematic and continuous gathering / collection of income revenue from liable citizens or cooperate bodies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Revenue

Revenue has been defined by various scholars at different time. It lacks universal accepted definition. According to Dixon (2000) revenue is the total amount obtained from the sale of a merchandise services to customers. Fayemi (2001) sees it as all tolls, taxes, impress, rates, fees, duties, fine, penalties, fortunes and all other receipt of government from whatever source arising over a period either one year or six months.

Flesher [2007] define revenues as an increase in owners' equity resulting from the performance of a service or sale of something" this definition is anchored on the concept of equity which may increase due to sale of goods or provision of services in other words there are two sides revenue ; something received and given.

Adam (2006) 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 (Hamid, 2008). 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.

Bhatia (2001) 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, Pearce (1986) 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.

Oladimeji (1985) describes revenue as the total income generated from federal, state and local government. He stated further that what makes local government as constitutional matters is the revenue sharing perspectives. However, Hepworth (1976) describes revenue as an income or funds raised to meet the expenditure. He added further that revenue is arising resources needed to provide government services.

Public revenue according to Stephen and Osagie (1985) is concerned with various ways in which the government raises revenue. 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 (1994) 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.

According to Elamah, (2015) He posit revenue as the fund required by the government to finance its activities generated from different sources such as taxes, fines, fees, borrowings, 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 (Balogun, 2015). Ayegba (2013) equally defined revenue as a general term for all monetary receipts accruing from both tax and non-tax sources. He went further to elucidate that revenue from tax and non-tax sources as well as fees, grant and contributions constitute the live wire of the state government. As Adesoji and Chike (2013:421) expatriates, "state revenue comprise 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 interest and returns from loans and investment earning". Olusola (2011) equally asserts 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 on the contrary includes tax receipts, donations, grants, fees, fines and so on. From the above definitions, it can be said that revenue is the total amount of income acquiring to a statefrom various sources within a specified period of time. Nigeria Governor's Forum (2012) defined revenue as tolls, taxes, rates, fees, penalties, rents, forfeitures, dues and other receipts of government from whatever source arising over which legislature has power of appropriation including proceeds of loans raised. Section 160 (9) of the 1989 constitution and Section 5, 162 (10) of the 1999 constitution defined revenue as any income or returns accruing to, or derived by the government from any property belonging to government, any return by way of interest on loans and dividends in respect of shares or interest held by the government, in any company or statutory body, incidental sources resulting from a particular environment, permissive sources from normal operations and statutory sources recognized by the Nigerian constitution (FRN, 1999). Tapang (2012) states that there are basically two types of revenue that accrues to states governments.

These are internally generated revenue and revenue from the federation account. Recently the revenue that accrues to state government is derived from two broad sources, viz: the external sources and the internal sources. The increasing cost of running government coupled with dwindling revenue has left various state governments in Nigeria with formulating strategies to improve the revenue base. More so, the near collapse of the National Economy has created serious financial stress for all tiers of government. Hardest hit are the state governments all of whom have experienced unusual reduction in their share of the National Revenue from the Federation Account. Despite the numerous sources of revenue available to the various tiers of government as specified in the Nigeria 1999 Constitution, since the 1970s till now, over 80% of the annual revenue of the 3 tiers of government come from petroleum. The need for state and state governments to generate adequate revenue from internal sources has therefore become a matter of extreme urgency and importance. This need underscores the eagerness on the part of state and state governments and even the federal government to look for new sources of revenue or to become aggressive and innovative in the mode of collecting revenue from existing sources. To meet the inescapable need for increased revenue, the use of external tax consultants was introduced by the federal and state governments in Nigeria to boost revenue generation under a Programme known as the Accelerated Revenue Generation (ARG) Programme.

The Federal government appointed Consultants/ Monitoring agents on Value Added Tax (VAT) and Withholding Tax (WHT) in the Oil Industry. Professional Import Duties Administrators (PIDA) was appointed in1996 by the federal government for the collection of import duties side by side with certain custom officials. Some State governments also appointed consultants to boost revenue generation in their states.

2.2.2 Concept of Internally Generated Revenue

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, etc), 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. (Mukhtar, 1996; Isyaku, 1997; Abdulkadir, 1998; Ibrahim, 2002; Ishaq, 2002 and Hamid, 2008).

State government 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; Daniel, 1999; and Adam, 2006). 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 Jimoh (2007) 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, etc.

Internally Generated Revenues (IGR) are those sources of government finance generated majorly by the federal, states and local councils, which help in broadening and widening the overall non-oil revenue structure of the state. The current challenges of the three tiers of government in Nigeria is the dwindling level of revenue generation, mostly by the state governments and the absolute dependence on federal allocation which is tilted more in favour of the Federal

Government, hence giving rise to annual budget deficits in the states and inadequate financial resources for meaningful growth and viable projects development (Adewoye & Fasina, 2008).

Udeh (2002) asserts that the poor financial status of states in Nigeria has escalated due to the non-provision of grants by the federal government which under the constitution are needed to be made available annually during budgetary disbursement to leverage sub-national governments in crisis to address challenges of inadequate financial resources needed to cope with their ever increasing areas of assigned services which include; shelter, health services, water supply, food, as well as qualitative education at primary and post - primary schools level which usually engulf huge sums of money. An observation of the income profile of Cross River State from 2007 to 2014 showed that the internally generated revenue is less than one fourth of the total inflows accruing to the state.

Internally Generated Revenue (IGR) is revenues generated internally apart from subventions, allocation, and grants from Governments. Every organization has various ways of enhancing her internal sources of revenue. Internal revenue generations are the exclusive sources of revenue accrued to the local government system in Nigeria. They are that revenue which the local government alone is in charge. They are the sources of revenue which has been sustaining local government before the 1976 local government reform. They are the sources of revenue in which local government fall back on if the external ones fail. In fact, they are the traditional sources of revenue due for local government system in Nigeria.

Internally Generated Revenue in normal day to day parlance refers to those revenue sources that are generated solely by the state and local governments. Adesoji and Chike (2013:241) defined it as "those revenues that are derived within the state from various sources such as taxes (pay as you earn, direct assessment, capital gain taxes, etc), and motor vehicle license, among others".

State government as the second tier of government in Nigeria derives its revenue from various sources which are by no means uniform among the states. Hence, states derive their revenue depending on the sources available to them (Okoh, 2004).

The fiscal potency with reference to tax assessment, which involves the jurisdiction to make tax laws and set the rate of taxes; the administrative authority as well as the right to revenue collection, largely resides with the federal government of Nigeria (Adesopo et al. 2004). To further exacerbate the funding challenges of states in the country, it has remained impracticable to get those who are self-employed to remit their tax liabilities realistically and since the public authority has not been able to device ways of assessing the income of those self-employed, they have been cases of evasion to the detriment of the internal revenue service and the government, and hence reducing the revenue generation strength of the states (Omogui, 2007).

2.2.3 Internally Revenue Generation Strategies

Strategies are designed as means of achieving desired goals and objectives. Neil (2011) defined strategy as the mediating force between the organization and the environment. Management, it is viewed as "organized development of the resources of the functional areas such as revenue service, marketing, manufacturing etc in pursuit of its objectives" (Alao and Alao, 2013:24).

From the foregoing, strategy is a means of achieving set objectives; its link to revenue generation require the strategically laying of plans that will move from general to specific with a view to executing the real intent of revenue generation effort particularly in the state and local government system and in public sector in general. Revenue generation is the main source of income to the states and local government. IFRS recommends that revenue recognition is dependent upon the terms of the contract between the entity and the buyer of goods, the recipient of the services or the users of the assets of the entity. The aim of revenue generation as stipulated by the Federal Government is income generation through personal and income taxes, adverts or bill-board, business premise registration, among others.

Alao and Alao, (2013) notes that due to the wideness of the revenue sources, tactical plans are required to get grip of harnessing resources to enable collection, and reduction or elimination of tax avoidance and evasion. The internal revenue department is the income generating organ for the state and is faced with the herculean task of collecting taxes in various forms from the public. According to Norton & Kaplan (2012), the finance focus is not enough to effectively handle the diverse types of revenue to be collected. Even though the financial health of an organization such as the state is essential, there are other intervening variables which are necessary for goal attainment. Strategic plans aimed at achieving organizational goals therefore should consider the satisfaction of everyone that is concerned or linked to achieving the revenue collection goal. Improving the approach to the task acquires setting of goals, which has to do with the quality of service, income generation mix along with other drivers directed at attaining organizational goals. In line with this, a tool to cater for better measures of the organization's capacities or that will create long term value by identifying relevant key drivers such as customers, financial and operational plans, innovativeness, etc, is the balanced scorecard that should be sought in this dispensation.

2.2.4 Sources of State Government Revenue

The sources of revenue of the state government can be divided into two parts viz: recurrent revenue and capital receipts. (Mohammed, 2015) posited the sources of State Government Revenue

The Recurrent Revenue:

Taxes: The taxes the states government collect are personal income tax; (excluding those of the Armed Forces, external affairs officers, foreign nationals, residents of the FCT, Abuja and the Nigerian Police Force) football pools and other betting taxes, capital gains tax, entertainment tax, stamp duties, capital transfer tax (CIT).

Licenses, Fees and Fines: These embrace motor vehicles and drivers' licenses. Land registration and survey fees and fines imposed on offenders.

Earnings from economic activities: State governments do engage in some activities with a view to making profits. These include: establishments of banks, and investment ventures (For example; Oodua Investments) which involves sales of goods and services. Others are lotteries, rent on government properties and dividends.

Allocation from the Federation Account: State governments are entitled to monthly allocation from the Federation Account which they share horizontally among themselves. It is, at present twenty-four percent of the total amount that accrues to the Federation Account.

Value-added Tax (VAT) allocation: It should be noted that VAT replaced sales tax which used to be exclusive preserve of the state governments. Therefore, at the inception of the VAT in 1994, the state government was given 80% of the proceeds from VAT. Even though the percentage has now been reduced to 50%, but the state government will still receive the largest share of the VAT proceeds.

b) The Capital Receipts:

I. Grants: These usually come from the Federal Government. The purpose could be to enable a new state take off, or to carry out specific projects or to finance Federal Government programmes in the state. A good example is the projects under the Directorates of Food, Roads and Rural Infrastructures (DIFRRI).

ii. Loans: These can be internal or external loans. The internal loans represent borrowings by state governments from sources within the country. The sources include: individuals, organizations such as commercial banks, the Federal Government or other states. On the other hand, the external loans are often taken from the World Bank, International Monetary Fund (IMF), as well as foreign countries or organizations. However, approval must be received from the Federal Government before the loans can be obtained. Besides there is a limit to the amount of loan a state government can borrow or have outstanding at a time.

iii. Financial aids: These are funds from foreign countries or charitable international organizations such as UNICEF to execute in the states some humanitarian programmes like children immunization, control of epidemic diseases. The aids could also be meant to assist states that suffer some disasters. A good example is the case of Jesse fire disaster in Delta State towards the end of 1998 in which about one thousand persons were roasted to death. In the wake of the problem, the United States of America (USA) gave about N200m to the state to help assist the victims of the fire incident. The aids can also be in kind in form of relief materials or technical services

2.2.6 Problem of Internally Generated Revenue in Gombe State

The problems of revenue generation in Gombe State government in Nigeria enjoyed an improved revenue from the 1970’s till date due to reforms introduced by different regimes all aimed at making the state government effective and efficient in discharging statutory responsibilities to the people.

Mohammed (2015) pointed out some challenges of Internally Revenue Generation in Gombe, According to him the increased sources of revenue generation in the state; this problem is multifarious ranging from low borrowing capacity, corruption, mismanagement and misappropriation of state government funds, ineffective strategies for enhancing internally generally generated revenue, lack of skilled and technical personnel, etc.

Mismanagement and misappropriation of state government funds

This is one of the major problems of revenue generation in Gombe State; in most cases the state government funds have been mismanaged. Tax collectors that are charged with the responsibility to collect all the revenue sources do not adequately use their freedom to collect them and exploit other sources of revenue available to the state government. Many state government officials embezzle local government funds through all sorts of manner like inflating contracts or embarking on white elephant projects or outright siphoning of funds which has affected the developmental process of Gombe State (Abdullahi, 2016).

Corruption

Aboh (2009) posited that internally generated revenue which was hoped to accelerate the finance of the state government is bedeviled by corrupt practices on the part of revenue collectors. It has been observed that these revenue collectors have in the possession unofficial receipts; this enables them to divert state government funds into private use. Corruption is the locust that has eaten state government revenue, this manifested in the distorting of revenue return receipts, embezzlement and misappropriation of funds.

Poor financial management

This arises from poor attitude to work as well as lack of integrity of revenue collectors. Ineffective Strategies for Enhancing Internally Generated Revenue in the state government, was also contributed to poor revenue generation. These human related factors no doubt negatively affected development at the state government level which is the bedrock for genuine national development (Abou, 2009).

The greatest obstacles of effective tax administration in Nigeria today are: Tax avoidance and evasion. The twin evils have for years posed insurmountable obstacles to increased tax revenue.

According to the information by the Gombe State Board of Internal Revenue the major problem of Tax Administration in Gombe State includes;

(1) **Tax Evasion**: Tax evasion is a deliberate and willful practice of not disclosing full taxable income so as to pay less tax. In other words, it is a contravention of tax laws whereby a taxable person neglects to pay the tax due or reduces tax liability by making fraudulent or untrue claims on the income tax form.

Tax is evaded through different methods some of which include the following:

- Refusing to register with the relevant tax authority.
- Failure to furnish a return, statement or information or keep records required.
- Overstating of expenses so as to reduce taxable profit or income, which will also lead to payment of less tax than otherwise have been paid.
- A taxpayer hides away totally without making any tax return at all.
- .Entering into artificial transactions.

(2) **Tax Avoidance**: According to Okpe (1998) tax avoidance is a situation where the tax payer arranges his affairs legally so that he pays less tax than he might otherwise pay.

He also describes tax evasion as a situation where the tax payer adopts illegal means to pay less tax. Tax avoidance has been defined as the arrangement of tax Payers' affairs using the tax shelters in the tax law, and avoiding tax traps in The tax laws, so as to pay less tax than he or she would otherwise pay. That is, a person pays less tax than he ought to pay by taking advantage of loopholes in a tax levy.

Also, another factor that makes collection of tax difficult in the board is that so many people in Gombe State do engage in subsistence production. It is therefore difficult to estimate currently the tax of their production. This is because they do not produce on a commercial basis. Such sectors are therefore exempted from paying tax and this is a problem to the board.

However, According to Abubakar (2008), the reasons or causes of tax evasion and tax avoidance are numerous but some relevant ones for Nigeria are:

1. TAX RATE: Even though the rates in Nigeria are not high compared to other countries, tax payers will still complain of high rate of taxes.

2. **Greed And Selfishness**:- On the part of some tax payers even though many Nigerian tax payers live from hand to mouth, there are those that by an international standard they are rich. Those people who are rich in order to make themselves richer and also to ensure that the wide gap between them and the poor is not only maintained but further widened, so that they will continue to control and manipulate the masses through the power of money.

3. **Loopholes In Tax Law**:- This also encourage the practice of tax avoidance (i.e.) tax payers take the advantage of the loop holes in the tax laws to minimize their tax liabilities in the belief that it is a law act.

4. **Lack Of Qualified Personal**:- According to Rabiu (2003) rising of correct assessment and prompt collection of tax largely depends on quality and efficiency of the staff of the revenue departments. In most revenue department qualified and competent staff are inadequate.

5. **No Punishment For Evaders**:- Though tax evasion is said to be a criminal act, tax evaders are supposed to be punished when caught but it has not been the practice in Nigeria. This

situation does not only make tax evaders to continue in the act but also encourage other tax payer to emulate themselves Adenale(1999).

Moreover, in a symposium by the chartered Institute of Taxation, as part of Nigeria's 50th Anniversary celebration, Naiyeju, (2010) highlight the various challenges of tax administration as follow;

i. Administrative Challenge; Most of the tax authorities (especially the state and local Government) lack the desired institutional capacity to administer effectively. The taxes under their preview (capacity in terms of staffing, skills, salary pay, other funding computer and IT infrastructure e.t.c.)
ii. Lack of Equality: The bulk of personal income taxes today are paid by only the employees. Politicians, the rich, Professionals and the prevailed, few are not equitably taxed.
iii. Challenge of Multiple Taxes: It is still a major problem besetting our tax administration and collection.
iv. Poor Taxation Drive by the Tiers of Government: The political economy of revenue collection discourages a proactive revenue drive, especially by the state and local government. They heavily rely on their share of the oil revenue.
v. Challenge of Bad Government: Tax payers are not encouraged to pay more taxes because there is no visible evidence of good governance.
vi. Challenge of Corruption: The tax administration and collection is often prone to corruption risk erodes the tax yield and confidence in the system. Some tax collectors and tax assessors are very dishonest, the cases of tax collections being prosecuted from misappropriation of funds collected from tax-payers, some tax collectors also known to abuse of power because of their bad faith of tax collection.

vii. Challenge of Human Capacity Building and Training: At the state and Local Government, there is dearth of capable hands to administer the relevant taxes effectively.

viii. Lack of Knowledge of The P.A.Y.E Scheme: This gives rise to misappropriation of code member, which leads to loss of revenue by board of internal revenue.

ix. Problem of Identifying Tax Payers Place of Residence: The state government find it difficult to trace the place of residence of some tax payers because some of them stay in a remote village and to collect their tax, there problem of transportation to such areas in order to trace their place of residence not to talk of collecting taxes.

2.2.7 Tax Administration and Revenue Generation

Nigeria is richly blessed with oil and gas among other mineral resources, but the over dependence on oil revenue for the economic development of the country has left much to be deserved. According to Ariyo (1997) Nigeria's over dependence on oil revenue to the total neglect of other revenue source was encouraged by the oil boom of 1973/74. This is unsustainable due to the fluctuation in the oil market which have in most cases plunged the nation into deficit budgets. It was the view of Popoola (2009) that Nigerian tax administration and practice be structured towards economic goal achievement since government budget for the year centres on the oil sector. While decrying the low productivity of the Nigerian tax system, “deficiencies in the tax administration and collection system, complex legislations and apathy on the part of those outside the tax net” were identified as some of the root causes. Ariyo (1997). Those working in the informal sector of Nigerian economy do not see the need to pay tax whereas they dominate the economy. To them only, civil servants should pay tax on their earnings and this amount to over flogging the willing horse. Besides, the activities of the strong union in the formal sector do not even pave way for a successful tax policy implementation in the formal sector Ayodele (2006). Even revenue collection officers seem to be lenient or even connive with those in the informal sector during enforcement of tax policies. All this leads to revenue loss. In other to reawaken the consciousness of Nigerian government and citizens on the effective use of taxation as a developmental tool, and examine the effect the tax system have so far on the economy; this research work becomes very relevant. There is no doubt that taxation must have affected the economic development of Nigeria.

2.2.8 An Overview of Gombe State Board of Internal Revenue:

Board of internal revenue service's Gombe state, is one of the main organ of government responsible in the state for assessing, enforcing tax laws and collecting the due tax locally to the state. It was establish statutorily by the state edict No. 6 of 1997 following the creating of the state on 1 October, 1996 by the then military ruler General SaniAbacha. The edict was in-line with the Decree (NowAct) 104 of (1993) as amended mainly to unify administration of the tax in the country.

The Act also, provides and empowered state board as the policy making organ for the internally generated revenue to the various state government of the federation. Currently, the Gombe state board of internal revenue services have five main departments responsible for assessing, executing and collecting taxes due for the state. The departments are: administration and finance department, collection and accounting department, tax assessment department, tax audit department and other taxes department. Administration compositions of the board are headed by chairman and chief executive officer (permanent secretary of the board) and other three main directors. The directors are; director administration and finance, director of taxes and director of revenue. The board have 11 area offices/division within the state that is responsible for collecting taxes in their areas.

2.2.8 The Concept of Infrastructure

According to the Online Etymology Dictionary, the word infrastructure has been used in English since at least 1927, originally meaning "The installations that form the basis for any operation or system". Other sources, such as the Oxford English Dictionary, trace the word's origins to earlier usage, originally applied in a military sense. The word was imported from French, where it means subgrade, the native material underneath a constructed pavement or railway. The word is a combination of the Latin prefix "infra", meaning "below", and "structure". The military use of the term achieved currency in the United States after the formation of NATO in the 1940s, and was then adopted by urban planners in its modern civilian sense by 1970. The term came to prominence in the United States in the 1980s following the publication of America in Ruins, which initiated a public-policy discussion of the nation's "infrastructure crisis", purported to be caused by decades of inadequate investment and poor maintenance of public works. This crisis discussion has contributed to the increase in infrastructure asset management and maintenance planning in the US.

The public-policy discussion was hampered by lack of a precise definition for infrastructure. A US National Research Council panel sought to clarify the situation by adopting the term "public works infrastructure", referring to: "... both specific functional modes – highways, streets, roads, and bridges; mass transit; airports and airways; water supply and water resources; waste water management; solid-waste treatment and disposal; electric power generation and transmission; telecommunications; and hazardous waste management – and the combined system these modal elements comprise.

A comprehension of infrastructure spans not only these public works facilities, but also the operating procedures, management practices, and development policies that interact together with societal demand and the physical world to facilitate the transport of people and goods, provision of water for drinking and a variety of other uses, safe disposal of society's waste products, provision of energy where it is needed, and transmission of information within and between communities." In Keynesian economics, the word infrastructure was exclusively used to describe public assets that facilitate production, but not private assets of the same purpose. In post-Keynesian times, however, the word has grown in popularity. It has been applied with increasing generality to suggest the internal framework discernible in any technology system or business organization.

The term “infrastructure” could be defined in various aspects but, the researcher will define it as the provision of essential services and amenities to the industry and households in the society (Martini and Lee 1996). Hence, investment in infrastructure development projects is a key input in the development of the economy and a panacea to economic activity and growth. However, what is regarded as “essential”, “key” and “panacea” changes from one country to another and from one period of time to another. For instance, the massive production of steel, coal and iron ore was once regarded as indispensable infrastructure.

Timms (1995), defined Infrastructure as a unique asset class, featuring the investment characteristics of indexed bonds and the unsystematic. Risk profile of direct property. Typically, infrastructure assets are:

- Capital intensive
- Involve high initial sunk costs,
- The output meets steady long term demand,
- Assets are site and use specific, and
- Generally operate under conditions of limited competition.

George Earl (2003), states that infrastructure assets involve large-scale distribution networks, their output forms an important part of the cost structure of other sectors and the services produced are generally essential in nature.

Infrastructure is generally characterized as a public good. This is to say that it is a non-rival and non-exclusive good or service available to the general community. Public goods are provided by the public sector and financed through consolidated revenue and taxation.

Regan (2002b), says that traditionally, infrastructure was provided, operated and maintained directly by the government or through government agencies. Until the 1980s, there was little privately owned infrastructure in Britain or Australia although the franchising of public services at local government level was commonplace in France from the early 1930s. In Britain and Australia, the generation and distribution of electricity, rail transport, ports and airports, telecommunications facilities, hospitals, water and sewerage services were all publicly owned. Today, there is still an expectation that essential services will be provided by the public sector. The reasons most often cited in support of this as written by George Earl (2003) include the risk of market failure, resource allocation decision, pricing concerns, mitigation of risk over a wide taxpayer base and the principle collective responsibility for what can be broadly described as strategic community interests.

After the international recession of 1989/90, developed economies experienced major structural changes. The liberalization of economic management, the importance of balanced budgets and low public sector debt and currency volatility meant that governments had to look to private sector for capital to fund the provision of assets and services.

The transfer of many government owned enterprises (GOE) to private ownership meant that infrastructure became a form of quasi- public good with some barriers to use and pricing often determined by a combination of negotiation and market forces.

2.3 Empirical Literature

Few empirical studies have been conducted on the impact of internally generated revenue on performance of Government. Ehule (2015) studied the relationship between internally generated revenue and performance of a public sector. Data were collected using questionnaires with a five point likert response scale from 125 staff of Obio/Akpor Local Government Council drawn from a random sample. The Pearson product moment was used to determine the nature of relationship.

The results show that permits and rates have a positive significant relationship with performance of Obio/Akpor Local Government Council.

Edogbonya et al (2013) studied the impact of revenue generation on government developmental efforts. Data were collected from three local government councils using the stratified sampling method. The ordinary least square (OLS) and the regression analysis were used to determine the nature of the relationship and its statistical significance respectively. Findings reveal a positive relationship between internally generated revenue and government capital projects.

Isaac (2015) studied the impact of indirect taxes on the economic growth of Nigeria. Data were collected from a sample of value added tax, import duties and GDP from 2009-2013 drawn from a systematic random sampling technique. The ordinary least squares and the t-test statistics were used to determine the nature of the relationship and its statistical significance respectively. The result shows that value added tax, import duties and excise duties have positive significant impact on gross domestic product. Export duties were found to have a negative impact on gross domestic product.

Essien (2015) studied the impact of tax revenue on economic growth in Nigeria. Secondary data from the CBN, financial statements, reports from the Federal Inland revenue service and other sources were obtained. The ordinary least square method of multiple regressions was used to establish relationship of tax revenue and economic growth. The results show that petroleum profit tax and company income tax are positively related to economic growth. That is a rise in petroleum profit tax and company income tax will cause a proportional growth in the economy.

The studies on tax revenue and economic growth are related contextually

to the study of internally generated revenue and performance. While we admit the fact that the terms may differ based on strict economic definitions they are, significantly related in context.

The context in which economic growth has been used in the studies mentioned above significantly points to performance at the federal Government level. The parameters used in measuring economic growth are synonymous and in material Ironkwe & Ndah terms refer to government expenditure on public goods and service. Tax revenues as used in the studies above reflect the revenues accruing to the federal government. In all, the empirical studies reviewed, dwelt much on the relationship between tax revenue and performance leaving little or no study on the impact of non-tax revenue on performance. Again studies in these areas have focused more on the other tiers of government leaving little or no study of performance at the Local Government. The study therefore will attempt to bridge the gaps idea.

Sanyal and Goswami O. (2000) investigated the relationship between corruption, tax evasion and Laffer curve. The study explains that corrupt tax administration leads to Laffer curve behavior (i.e. a higher tax rate leads to smaller net revenue). This portrays net revenue earned from a truth revealing audit probability always exceeds net revenue through audits, taxes, and penalties .

James and Moses (2012) used descriptive statistics to investigate the impact of tax administration on government revenue. They found that increasing tax revenue is a function of effective enforcement strategy, which is lacking in Nigeria. These enforcement strategies include; adequate manpower, computers, effective postal and communication system. Ngerebo and Musa (2012) used the ability to generate revenue and ability to influence consumption patterns as measurement parameters to appraise the tax system in Nigeria. Their major emphasis was on Value Added Tax (VAT). They found that VAT has been effective but not efficient. Hence, it was recommended that tax authorities should be record/proprietary conscious to enable them cover the cost of collection machinery and the target amount payable to the government.

Empirical evidence on the impact of IGR on developing countries points to varying experiences. For instance IGR (i.e. taxation powers) among other two aspects of decentralization namely expenditure assignments, and intergovernmental fiscal transfers have been investigated in such countries as Argentina (Schwartz and Liuksila, 1997), Colombia (Ahmad and Baer, 1997), Ethiopia (Brosio and Gupta, 1997), South Korea (Chuand Norregaard, 1997) and Mexico (Amieva-Huerta, 1997).The outcome of these studies generally was that developing countries do not reap the full benefits of IGR in terms of development. In nearly all cases, there were concerns about the sub-national governments not having enough taxing powers in a manner that balances their expenditure assignments to revenue sources available to them. Often, the case is for the former to be larger than the latter, making them largely dependent on intergovernmental fiscal transfers especially from the central government.

Moreover, a number of studies have been conducted on Nigeria's fiscal federalism. These range from analyzing revenue and expenditure decentralization and financial autonomy of the different tiers of government, (Agba and Obi, 2006; Ekpo 2004; Adesopo and Asaju, 2004; Jimoh 2003) to Local Government Financing. In Nigeria, the term 'resource control' has almost come to assume alife of its own, defining the contention between proponents of increased revenue devolution and federalists who fear that accountability is still too weak at the sub national level to allow for such high devolution. Agba and Obi (2006) for example analyzed data on the federation account in relation to the unending contention about allocations to the different tiers of government.

They calculated indices of revenue and expenditure decentralization and financial autonomy of the three tiers of government and concluded that expenditure power is concentrated at the federal government. They identified the usual non-correspondence between revenue and expenditure assignment especially to other tiers apart from the federal government and recommended conscious effort to allocate more revenues to the sub-national governments. However, as per empirical studies on IGR and infrastructural development, a number of authors have attempted to ascertain the relationship using different approaches. A research group, The Initiatives (2008) listed several areas of national development that revenue (i.e.IGR) can impact positively to include but not limited to, social infrastructure such as in education and health with emphasis on continuing education and constantly improving our health care; physical infrastructure to enable private sector investment: that is energy, transportation, security of life and property; access to Property, Capital, and Opportunity for Individual and Communal Development; provision of social amenities for the young, the disadvantaged, the physically challenged and the aged; security of Lives and Property. In their submission, this research group concluded that “a steady flow of revenue (IGR) that would enable Nigeria to lay the foundation for stability and relative self-sufficiency would help the country’s quest for national development”.

In the similar study by Adenugba and Ogechi (2013) in Lagos State, the authors found out that the effect of internal revenue generation has led to infrastructural development. The researchers also discovered that the infrastructural development in Lagos state is as a result of adequate internally generated revenue and that revenue generation supports infrastructural development. Furthermore, they found that Lagos state is ahead of other states in the provision of basic infrastructures due to its efficiency in generating revenue internally.

In 2014, Afuberoh and Okoye investigated the impact of Taxation on Revenue Generation in Nigeria: A study of federal capital territory and selected states. The major challenge of the study was to determining the Impact of Revenue derived from taxes and identifying the means taxation has been utilized to promote fiscal redistribution of income, identifying problems that militate against the use of taxation as revenue generation in federal capital territory and some states in Nigeria. The study adopted both primary and secondary source of data and regression analysis was employed with the aid of SPSS version 17.0. The finding of the study was that taxation has a significant contribution to revenue generation and has also a significant contribution on Gross Domestic Product. The researchers however recommended that well equipped data base on all tax payers should be established by federal, state and local governments with the aim of identifying all possible resources of income of tax payers for the purpose of tax collection process and must be free from corruption.

In 2014, Samuel and Iyokoso investigated taxation and revenue generation: An empirical investigation of selected states in Nigeria. The challenge of the study was to examine the contribution of taxation on revenue generation, and to ascertain the extent at which taxevasion and avoidance has affected negatively on revenue generation, and the extent to which taxation has contributed to the steady growth in Gross Domestic Product in Nigeria. The study adopted both primary and secondary source of data, simple regression was employed in analyzing the data with the aid of SPSS version 17.0. The result of the study showed that taxation has a significant contribution on revenue generation and also has a significant contribution on Gross Domestic Product (GDP). More so, that tax evasion and avoidance have a significant effect on revenue generation in Nigeria. The study recommended among other things that well equipped database on tax payers should be established by the federal, state and local government with the aim of identifying all possible source of income of tax payers for tax purposes

2.4 Theoretical Framework

The theoretical framework of this study is the fiscal federalism Theory. This is to give answer to the research question. Theoretically, this study adopted the fiscal federation theory as the basis for discussion. In other words, discussions about internally generated revenue of sub-national or state government are located within the framework of the theory and practice of fiscal federalism. This theory has its foundation on the theory of public goods which establish the framework and explains the role the state in the economy (Arrow, 1970 and Musgrave, 1959).

These roles as identified for the government sector 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 role of interest in this study is government's role in correcting market failures. In this role the government is expected to step in where the market mechanism failed due to various types of public goods characteristics. Economics teaches us that public goods will be underprovided if left to private market mechanisms since the private provider would under-invest in their provision because the benefits accruable to her or him would be far lower than the total benefit to society. Governments and their officials were seen as the custodians of public interest who would seek to maximize social welfare based on their benevolence or the need to ensure electoral success in democracies.

The theoretical framework in question is basically a Keynesian one which canvassed for an activist role of the state in economic affairs. Thus once we allow for amulti-level government setting, this role of the state in maximizing social welfare then provides the basic ingredients for the theory of fiscal federalism. Each tier of government is then seen as seeking to maximize the social welfare of the citizens within its jurisdiction. This multi-layered quest becomes very important where public goods exist, the consumption of which is not national in character, but localized. In such circumstances, local outputs targeted at local demands by respective local jurisdictions clearly provide higher social welfare than central provision. This principle, which

Oats(1972) has formalized into the “Decentralization Theorem” constitutes the basic foundation for what may be referred to as the first generation theory of fiscal decentralization (Oats, 2004). The theory focused on situations where different levels of government provided efficient levels of outputs of public goods “for those goods whose special patterns of benefits were encompassed by the geographical scope of their jurisdictions” (Oats,2004). Such situation came to be known as “perfect mapping” or “fiscal equivalence” (Olson 1969). Nevertheless, it was also recognized that, given the multiplicity of local public goods with varying geographical patterns of consumption, there was hardly any level of government that could produce a perfect mapping for all public goods. Thus, it was recognized that there would be local public goods with inter-jurisdictional spillovers. For example, a road may confer public goods characteristics, the benefits of which are enjoyed beyond the local jurisdiction. The local authority may then under-provide for such a good. To avoid this, the theory then resorts to traditional Pigouvian subsidies, requiring the central government to provide matching grants to the lower level government so that it can internalize the full benefits. But in the face of dwindled matching grant from the central government and the assignment of social welfare maximization through public goods to the lower sub-national government, same government must have to raise fund internally to complement such grant in order to carry out its functions effectively.

CHAPTER THREE

RESEACH METHODOLOGY

3.1 Research Design

Research is simply the process of arriving at dependable solution to problems through the planned and systematic collection, analysis and interpretation of data. Osuala, (2005).

This chapter states the methodology used in carrying out this research. Hence it explains the various techniques employed in collecting data as well as the method used in analyzing the data collected, the population of the study, sample technique, the research design and the analysis of the data.

Documentary research design was used in this study, which involved document available by the Gombe State Board of Internal Revenue. The study has adopted the documentary research method. Documentary research method is the study of various documents-books, journals, government publications and other written materials relevant to the area of study. It subject the various information in the documents under study to deductive reasoning to find answers to research questions.

Deductive reasoning implies that the issues involved in the study are to be address through the collection of relevant information, scrutinizing, analyzing and interpreting them in their textual and contextual meanings before conclusions are reached.

The study however relied on the acceptable quality

y control criteria of quality control in analyzing documents. These include authenticity, credibility, representativeness and meaning (Scott, 2000). Authenticity refers to the geniuness of the materials and the sources of information inscribe on the material as well as their relevance to the study and their validity to the body of facts available.

Credibility on the other hand indicates that the evidence can stand the test of time as to its sources, time, and the transformation of the record over time as well as its interpretation by others over a period of time, especially when the documents are from government sources as is the case with this study. The concept of representativeness, however, refers to whether the documents available at the disposal of the researcher represent the totality of documents needed in finding answers to the research problem. Once the evidences are inconclusive from the facts on the ground, the credibility of the study will certainly be in question.

The last issue pertains to the meaning. This concept tries to establish the fact that all necessary information on the documents are clear, understandable, logical, straightforward and comprehensive enough to guide the research in arriving at an acceptable conclusion at the end of the study. In view of the above, the method used was mainly secondary data which includes the use of text books, magazines, journals, newspapers, unpublished research projects, library materials and the use of computer internet, relevant publications consulted.

3.2 Population, Sample and Sampling Techniques

The total number of elements (people and thing) that is of interest to the research for the purpose of a study is known as the population (Gravetter and Forzao, cited in Omale, 2014). Because it not possible for all members of a research population to participate in the research, researcher have distinguished “target population” from “accessible population”. Target population is the group defined by the researcher’s specific interest who typically share one characteristic (Gravetter and Forzano, cited in Omale, 2014).

In This study, the target population vary according to the function under consideration. The population of the study consist of the number of total population of Gombe State, The Sample size will be determine using purposive sampling technique.

The approach used in the analysis of the existing materials, the researcher will reviewed materials collected from appropriate authorities. The researcher adds one or more measurements of analysis to the study, often in a subset of the participation; the researcher also based his analysis on collected from the Gombe State internal Revenue Board database and interviews information from management of Gombe State internal Revenue Board.

The main materials to be consulted consist of Gombe State internal Revenue Board observer's report, official's bulletins, publication on Gombe State internal Revenue Board official's website.

Purposive sampling technique was adopted in carry out some face to face interviews with the staff and management Gombe State internal Revenue Board.

3.3 Method of Data collection

The data for this study will be collected using secondary method of data collection: the data for this study are data documented from the Gombe State internal Revenue Board interview will be conducted with key officials of the staff and management of Gombe State internal Revenue Board with regard to management of Gombe State internal Revenue Board in Nigeria. This is to elicit specific information regarding the operation of the Gombe State internal Revenue Board Secondary method: the data collected under this method were basically documented materials from hard and electronic copy such as Gombe State internal Revenue Board central data bases, statistical data internal Revenue Board, Gombe State internal Revenue Board officials bulletins, publication on Gombe State internal Revenue Board officials website, Newspaper, Journals and internets site for the period of 2009-2013.

3.4 Method of Data analysis

Descriptive statistics and inferential statistics would be used to analyse the data, Analysis of the data would be done through the use of descriptive statistics, especially the use of percentage, ratios and other measures of central tendencies over a period of the study (2005-2015). While the descriptive analysis using percentage is useful in understanding and interpreting the variable of the study and where inferential Statistics were used in solving the research questions. The essence of this was to compare the internal Revenue Board proxies of The analysis as involve selecting, focusing, simplifying, abstracting and transforming the raw data into useful information. The process was also involved making decision about the particular data that provided the initial focus of the study. The next stage was to draw conclusions from the coded data.

3.5 Justification of Method

The use of percentage is defensible on the ground that assessment studies depend on percentage to determine the extent or level of relationship (Omale, 2013). The descriptive statistical, which is used for analyses in some part of this study, is a qualitative tool of analysis that enables social scientists to describe and summarize data. It involves organizing, picturing and summarizing large amount of information from samples or populations. This approach will serve the purpose of aiding the researcher to summarize and communicate his findings to his audience and inferential statistics will be used in analysing the research questions.

The main Justification of Method for the analysis of existing data research method is the fact that, it allows structural evaluation of information previously collected by local, state, or government agencies. Existing sources of public project data (statistics, tracking records and instrument used) are available on the government agencies, local or university libraries, public works departments, schools, existing research or World Wide Web.

3.6 Summary

This chapter discusses the research blueprint, i.e the research design, the research method of the study is the Analysis of existing data research design method. The population of the study, and the sampling technique.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter presents the data obtained during the study. The data is presented using the numbers and percentages. The data analysis conducted systematically in line with the research questions. To answer the research questions, inferential statistical model and simple percentage was used.

4.1. 1 Data Presentation and Analysis

4.1.1 Research Question 1: What is the effect of revenue generation on Gombe State Annual Budget?

Gombe State is one of the most important commercial centers in Nigeria. It is rich in fertile land and agriculture plays a vital role in the income and development of the people of the state. The productivity in agricultural products has attracted small and medium scale industries in the state, besides being an attractive commercial center. The state has huge potential internally generated revenue if well harnessed and could contribute substantially towards the budget of the state government annually.

It has been well established over the years that most Nigerian states are not viable in terms of internally generated revenue, because the internal sources are not exploited and that there is over dependence on oil/gas which provides huge revenue to the state from the federation account shared on monthly basis. The sharing formula provides substantial money to the state which discourages them from seriously pursuing internally generated revenue. For these reasons, internally generated revenues contribute virturely nothing tangible in the running of the states.

This question is an attempt to look at the internally generated revenue over the period of study and how it contributes to the annual budget of the state and its development in terms of social amenities, projects and projects among others.

Table 4.1.1 internally generated revenue of Gombe State 2009-2013

Years	Internally Generated Revenues in Gombe State
2009	**N 2, 629,672.000.00**
2010	**N 2, 629,672.000.00**
2011	**N 3, 255,595,000.00**
2012	**N 4,255,595,000.00**
2013	**N 5,665,405,914.00**

Source: Gombe State Revenue Board 2015

Table 4.1 shows the amount of revenue generated by the state government in five-year period, which also indicates on yearly basis the contribution of the internally generated revenue into the state government budget. From the table the total amount contributed is estimated to about N18.2 billion. Since the concern of the study is about the effect of revenue generation (Internally Generated Revenue) on Infrastructural Development of Gombe State, the budgets of the state in the five period is displayed to indicate the contributions to the state on yearly basis and the percentage point contribution. The annual increase in the revenue stood at 1.3 percent. This indicated that the income base of the state has not been on the increase rather it depended on other sources of revenue rather than internally generated to provided basic services as well as run the affairs of the state. The table below provides information on the state government budgets and its internally generated revenues for the period of the study which is 2009 to 2013. The table displays the figures as well as the percentage point contribution to the state budget by internally generated revenues during the period.

Table 4.1.2 Gombe State Revenue generation and estimated budgetary allocation to the Gombe State Board of Internal Revenue from 2009-2013

Years (period)	Internally Generated Revenues	Estimated budgetary allocation	% in terms of revenue generations
2009	N2,629,672,000.00	N210,000,000.00	12.5%
2010	N2,629,672,000.00	N205,000,000.00	12.8%
2011	N3,255,595,000.00	N225,000,000.00	12.5%
2012	N4,255,595,000.00	N260,000,000.00	16.3%
2013	N5,665,405,905.00	N275,000,000.00	20.6%
Total	N18,435,939,000.00	N1, 173,000,000.00	15.7%

Source: Gombe State Revenue Board 2015 and estimates on budgetary allocation from state Finance Ministry 2013

The data on table above indicates that the board generated about 13 percent annually of the total amount it was allocated for the administration of its activities for three consecutive years 2009, 2010 and 2011 respectively. For instance in 2009, the board was allocated N210million, but it was able to generate N2.6 billion. The same situation applied in 2010, and 2011. It was 2012 and 2013 that it allocated 16.3% and 20.6% of the total revenues it generated respectively for the running of its affairs. The decision might have been informed by the fact that revenue generation has also been on the increase in the state year-in-year-out during the period of the study. Therefore t the revenues generated by the state through the board of internal revenue was highly economical, in the sense that it board consumed less than 20% of all the revenues it generated on annual basis . There revenue generating agencies that consumed far more that what they are able to generate on annual basis. This is in fact highly uneconomical, as one of the major principles of taxation requires that more generated should not be more the money spent in generating it.

This does not however preclude the fact that the state could have generated more revenues if the huge potential of state revenue sources could have been exploited and the capacity of the agency expanded.

Table 4.1.3 Gombe State Government Budgets and Internally Generated Revenues 2009-2013

Years	Gombe State Budgets	Gombe State IGR	IGR % Contribution to state budgets
2009	N54,662,122,000.00	N2,629,672,000.00	3.7%
2010	N66,592,817,000.00	N2,629,672,000.00	0.30%
2011	N69,445,245,000.00	N3,255,595,000.00	4.3%
2012	N100,173,222,000.00	N4,255,595,000.00	4.0%
2013	N116,289,905,914.00	N5,665,405,905.00	4.3%

Source: Gombe State Revenue Board 2015

IGR: Internally Generated Revenue

Table 4.2 shows the state government annual budgets for five years which is the period under study. This indicates the minimal contribution of the state revenue generated relative or vis-vis the state annual budget. In terms of percentage point, the year 2010 was the lowest. It shows that the internally generated revenue was less than half a percentage point standing at 0.30 percent. The remaining years indicate that in no single year a contribution was up to 5.0 percent was made. From the data available, therefore, the state revenue generation made little contribution to the state government and in this sense registered minimal effect in terms of contribution to the development of the state. The fact is that without the allocation of revenue shared among states from the federation account and other sources such as subventions, grants in aid, loans and other sources.

4.2.2 Research Question 2,3 and 4

Table 3.1 Volume and Percentage Changes in Gombe State Government Annual Internally generate revenue (GIGR) and Annual expenditures on water (AEW), Annual Expenditure on Electricity (AEE), and Annual Expenditure on Road (AER), 2001-2012

Year	GIGR		AEW		AEE		AER	
	N'Billion	%∆s	N'Billion	%∆s	N'Billion	%∆s	N'Billion	%∆s
2009	9,316,258,637.00	17.99	3,510,000,000.00	158.65	3,113,161,752.27	1676.35	33,041,247,656.18	126.83
2010	11,799,977,299.00	26.66	2,276,937,876.63	-35.13	173,326,943.93	-94.43	37,962,430,893.71	14.89
2011	12,118,365,789.00	2.70	351,961,723.55	-84.54	122,333,000.00	-29.42	76,088,750,711.89	100.43
2012	8,957,326,511.74	-26.08	n/a	0.00	2,345,813,566.32	1817.56	66,111,563,816.83	-13.11
2013	9,167,235,971.31	2.34	n/a	0.00	1,010,143,435.53	-56.94	86,426,183,057.23	30.73

Source: Gombe State Government Annual Budget Appropriation (various years), (1.b) SBIR Annual Report and Statement of Accounts (various years)

Table 3.1, data on GIGR and the various measures of infrastructural development along with their percentage changes were presented. These include data on annual expenditure on water, electricity, and road. The first analysis is done on the first objective of this study which was to ascertain IGR’s contribution to the provision of water in Gombe State. From table 3.1, it is seen that in year 2009, IGR recorded 17.99% increase in volume/amount. This led to 158.65% increase in the expenditure on water for that year. In the next year (2010) IGR increases by 26.66% but the expenditure on water declines to -35.13, Also in 2011 IGR declines to 2.70% and the expenditure on water for that year is -84.54%. Other years that IGR recorded a reduction in the amount collected does not have any expenditure on water i.e 2012 and 2013.

The above Table shows that in 2009 IGR recorded 17.99% in volume/amount and the expenditure on Electricity increases to about 1678.35%. In 2010 IGR increase by 26.66% but the expenditure on electricity declines to -94.43 so also in 2011 the IGR is 2.70 the Expenditure on electricity also declines to -29.42. In 2012 despite IGR was -26.08 the Expenditure on Electricity increase to 1817.56 and in 2013 the IGR is 2.34 while the expenditure declines to -56.94.

Finally, the Table shows that in 2009,the IGR was 17.99% and the expenditure on roads was 126.83%,in 2010 the IGR recorded about 26.66% increase but roads expenditure declines to 14.89%, in the next year (2011) IGR declines to 2.70% but the expenditure on road increase to 100.43%. In 2012 and 2013 the IGR recorded -26.08% and 2.34% while the expenditure on electricity was -13.11 and 30.73% respectively.

4.2 Data Analysis and Results

The study also attempted to find out the effect of Gombe State Board of Internal revenue on infrastructural development in Gombe state. The reason behind this effort is based on the fact that many state revenue generating agencies in Nigeria spend more than what they generated. As a result they become burden to the society and net lost to the government.

The presentations of the data as displayed in various tables show that the annual increase in the revenue stood at 1.3 percent on yearly basis. Even though the state internally generated revenue is very low, this indicated that the income base of the state has not been on the increase in five years from 2009 to 2013 the internally generated revenue stood at N18.2 Billion. The state rather depended on other sources of revenue than internally generated to provide basic services as well as run the affairs of the state and also fulfill the obligations of the people.

The data on this aspect of the internally generated revenue can seen displayed on table 4.1. Allied to this important and vital information is the contribution that the internally generated revenues make in the state annual budget. This invariably indicates the effects it has on the budget and its contributions to the development of the state. Table 4.2 shows the state government annual budgets for five years, which is the period under study stood at N406.8 Billion. The data on the table indicates low contribution of the state revenue generated relative or vis-vis the state annual budget. In terms of percentage point, the year 2010 was the lowest. It shows that the internally generated revenue was less than half a percentage point standing at 0.30 percent.

The remaining years indicate that in no single year a contribution was up to 5.0 percent. From the data available, therefore, the state revenue generation made little contribution to the state government annual budget from 2009 to 2013 of only N18.2 Billion, while the state budget was N406.8Billion. In this sense, it registered minimal effect in terms of contribution to the development of the state. This means that without the allocation of revenue shared among states from the federation account and other sources such as subventions, grants in aid, loans among others, the Gombe State Government could not have been able to fulfill its minimum basic obligation to the people of the state.

The study found from the data available that the board generated about N18.2 billion in five years and for three consecutive years was allocated only 13 percent of the amount it generated annually for the running its activities. It was in 2012 and 2013 that it was allocated 16.3% and 20.6% of the total revenues it generated respectively to handle its affairs. Of the total revenues the board generated in five year 18.4billion, it only spent N1.2 billion. This therefore that the revenues generated by the state through the board of internal revenue was highly economical. However, this does not however preclude the fact that the state could have generated more revenues if the huge potential of state revenues could have been exploited and the capacity of the agency expanded.

The data on Gombe state IGR and the various measures of infrastructural development along with their percentage changes were presented. These include data on annual expenditure on water, electricity, and road.

The first analysis is done on the first objective of this study which was to ascertain IGR's contribution to the provision of water in Gombe State. it is seen that in year 2009, IGR recorded 17.71% increase in volume/amount. This increment led to 158.65% increase in the expenditure on water for that year. But in the next year (2010) IGR increase by 26.66% and this led to a -35.13% decline in the expenditure on water that year. Other years that IGR recorded a reduction in amount collected and the respective percentage reductions include 2011 (-2.70%), and 2012 (-26.08%); while the years that expenditure on water was less include 2010 (-35.13%) and 2011 (-84.54%). For 2012, and 2013, , there were no official records for the expenses on water even though there was evidence of IGR and expenditure on water for the period covered in this study

The second analysis is on the third objective of the study was to investigate the degree that the amount of IGR has impacted on the provision of electricity in Gombe State. Beckoning on the earlier analysis of IGR in the preceding paragraph, it is seen that expenditure on electricity were less in the years 2010, 2011,and 2013 by -94.43%, -29.42%, -56.94%, respectively, apparently caused by the low revenue collection and the capital intensive nature of the electricity project. This may also be traced to the global financial meltdown which affected all economic activities and the crude methods with which the IGR collectors adopted. But in other years,(_2009 and 2012) expenditure on electricity improved by 1676.35%, and 1817.56% respectively. We noticed that between 2009 - 2013, government promulgated very robust policy on entrepreneurship that saw many people engaged in economic ventures. The resultant effect of this policy brought remarkable improvement in the capacity to pay tax (IGR) to government thereby energizing government ability to spend on electricity.

For the other objective which was to examine the level that the amount of IGR has influenced the provision of roads in Gombe State, the trend of expenditure on road is also non-linear. In the years; 2009, 2010, 2011 and 2013, annual expenditure on roads (bridges inclusive) changes positively by 126.83%, 14.89%, 100.43% and 30.73% respectively, whereas in the years 2012, annual expenditure on road recorded negative changes by about -13.11%. Similar factors that gave a boost to high expenditure profile on electricity also affected the spending on roads/bridges construction.

4.3 Discussion of Findings

The study found that the internally generated revenue in Gombe is low and has less effect on Gombe State annual budget. In this wise therefore does contribute in any substantial way in the infrastructural development of Gombe state in terms of the provision of social amenities such as Water, electricity, roads etc

The result of the first test indicated that Annual Expenditure on Water decreased and Also, a percentage increase in IGR resulted in improvement in annual expenditure on water and that the relationship between IGR and Annual Expenditure on Water has a significant effect on water supply in Gombe State, this in in line with the findings of Dundas (2014), whose find out that an increase in the internally generated revenue would enhance infrastructural development by providing essential service like essential water supply to the citizens.

The study reveals that the provision of electricity in Gombe State within the period of study. The Gombe state Internally Generated revenue (GIGR) has positive effect on the Annual Expenditure on Electricity, This means that GIGR exert a significant effect on the provision of electricity in

Gombe State. The higher the revenue generated within the period the higher the increase in expenditure on electricity supply within Gombe State, Despite the low revenue generation by the Gombe state board of internal revenue, the little revenue generated contribute on the annual budget on electricity supply within the period of the study, that is between 2009,2010,2011,2012 and 2013.

The study reveals that, increase in Gombe Internally Generated Revenue (GIGR) will lead to increase in the provision of electricity in Gombe State. And consequently, Thus GIGR relate significantly with the provision roads in the state. The incremental approach on the expenditure on electricity was as a result of increase on the Gombe state internally revenue that led to increase on the expenditure on electricity, especially rural electrification project within the period of study, this is in line with the findings of Ahmed (2009) that the increase on internally generated revenue by some state government led to increase on executing various project and improve the infrastructural development of Lagos state in Nigeria.

The study found out that the internal revenue of Gombe State has been used to build more roads, followed by water, and electricity. This trend is not too good for the people of the state; water would have been more positively influenced than the roads because, of all the infrastructure, water is one need that has to do with the lives of the people than road. Water has a direct link with peoples' good health and longevity. This is in line with the finding of Abdullahi (2009) that with good health and long life, the people or even the community, responsible corporate citizens and spirited individuals can provide for themselves other infrastructural needs that government cannot readily provide for them often said that when there is life, there is hope, and good water can guarantee good health and long life.

In the final analysis, the contribution internally generated revenue to budget of Gombe State Government is very low and therefore of little effect in the development of the state, in spite of the fact that revenue generation is economical in the state

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

The study was to find out the effect of Revenue Generation on infrastructural development of Gombe State annual budget for the period of five years. The study is made up of five chapters.

The statement of the problem in this study, which stated in question form is: what is the effect of revenue Generation on infrastructural development of Gombe State, what is the Effect of Internally Generated revenue in the provision of water supply, to what extend Internally Generated revenue affect in the provision of electricity and roads in Gombe state in Nigeria between 2009-2013.

The study reviewed relevant literatures which includes conceptual clarification of Internally Generated Revenue, infrastructural Development, etc The theoretical framework in question is basically a Keynesian one which canvassed for an activist role of the state in economic affairs. Thus once we allow for a multi-level government setting, this role of the state in maximizing social welfare then provides the basic ingredients for the theory of fiscal federalism. The study discuss the research methodology, The Analysis of existing data is employed to this study, under this study data are obtained, lifted out, analyses and interpreted using simple percentages in order to find answers to our research questions. The study will rely on published document of government offices or government published materials. The data obtained were from the secondary sources and were used to answer the research questions in chapter four. Chapter five featured the summary of the study and conclusion was reached based on the research findings. The limitations encountered by the study were explained and recommendations were also made and suggestions for further or study were also made.

5.2 Conclusion

The major objective was therefore to examine the relationship between internally generated revenue (IGR) and infrastructural development in the state. From the various findings made, it is save to conclude that IGR has contributed to infrastructural development in the state, but such contributions are skewed , The study found that the internally generated revenue of Gombe State is very low compared to its annual budgets for the period of five years i.e from 2009 to 2013. Therefore the contribution of internally generated revenue to the infrastructural development of Gombe state is minimal and for this reason has little effect on the development of the state in terms of the provision of social amenities, such as water, electricity and roads.

5.3 Recommendations

i. There is the urgent need to expand the revenue base of the state in order to generate more revenues to have effect on the state government annual budget.

ii. There should be equality in its allocation toward infrastructural development in the state. For instance, more IGR should be allocated to water than road. Good water provision will have a trickledown effect on healthcare because it will forestall and tackle bad water-related sickness like malaria that are commonly suffered by people of the state and extends their life span.

iii. Every economy requires electricity for domestic and industrial transformation as such, government should also allocate more IGR toward power generation and distribution. They can do this by investing more of the tax payers' money in the Independent Power Plant to generate and distribute power to the people of the state.

iv. Tax administration on revenue generation in Gombe state can be improved i.e rebranded by adopting the following measures:

a) A study should be commissioned study the operational capability of the revenue board with a view to expand it and also expand the revenue base of the state.
b) This will make the internal revenue board to recruit the best professionals to manage the professional posts in the state.
c) In this regard, it will be possible for the authorities to attract the best brains and pay them handsomely.
d) Tax officials being at the vanguard of generating revenue and increasing the wealth of the nation should be given full autonomy in tax administration.
e) There should be an efficient information system which will enable tax authorities to deal with tax payer that avoids or evades tax payment through the application stringent penalties under the tax laws.
f) This will help significantly in limiting the incidence of tax evasion and avoidance.
g) People should be mobilized and enlightened on the need to pay tax, fees and financial obligations to contribute to the development of the state. Most people have this natural dislike for taxation. If proper tax education is conducted, the tax payer will appreciate the importance of tax and not just its dark side.

5.4 Limitations of the Study

The study faced challenges in obtaining relevant information on the operational capability of the agency, its staff abilities, competence, facilities, operational offices, process and procedures of operation among others, which would have a basis for concluding on revenue generation. Recommendations on improving the agency performance could have been made.

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