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EFFECT OF TAXABLE CAPACITY ON THE INTERNALLY GENERATED REVENUE OF KAGARKO LOCAL GOVERNMENT AREA OF KADUNA STATE

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Abstract

The idea behind the creation of local governments in Nigeria is primarily to provide essential public goods and services which have positive impact and directly affect the day-to-day lives of their inhabitants. To realise these primary responsibilities, they need viable sources of revenue and capacity to collect and administer such revenue. The capacity of any local government to enormously yield its *internal revenue* depends on among other things, on its taxable capacity. The problem has been that of weak tax structure, weak entrepreneurial initiative, inadequate provision of essential public goods and services, and the like. These have greatly affected their viability. It is on this note that this study was carried out to examine the effect of taxable capacity on *internally generated revenue (IGR)* of Kagarko local government area of Kaduna state. Data was gathered from both primary and secondary sources such as the Local Government financial memoranda become. Regression analysis was used to measure the level of effect taxable capacity on the IGR and the result revealed that taxable capacity has significant effect on the IGR of the local government. The paper therefore, recommends that for substantial yield of IGR there should be organised collection of information (database) of the revenue payers through using an electronic device and their standard of living should improved.

Keywords Internally generated revenue, Public Revenue, Local Government, taxable capacity.

Introduction

Generally local governments of the globe are established to exercise some important functions that affect every day lives of their inhabitants. In USA, France, India, China, for instance, local governments plan and pay for most roads run public primary schools, provide water, maintenance or support of public hospital to mention a few. However, Local governments in Nigeria have been seen as the prime institutional movers of development and their importance and impact on the daily lives of their inhabitants cannot be over-emphasized. Internally generated revenue of local governments has been considered as the bedrock for social and economic development of rural areas because it is assumed that, if the local government councils can ably generate their internal revenue adequately, they would deliver appropriate services and development programmes more effectively to the people with a view to promote rapid socio-economic development of the rural dwellers. Ugwu (2000) posits that, internal revenue strengthens local government's autonomy and fortifies its image because if local government can satisfactorily generate a large proportion to its revenue internally, it minimizes reliance on the state and federal government statutory allocations and consequently enhance the credibility of local governments as they would be able to fulfil their duties and obligations to their immediate communities.

It is eminent to note that, local governments in Nigeria are saddled with the responsibility of providing essential public goods and services such as protection of people's lives and properties, establishment and maintenance of schools, health centres, markets, provision of water and electricity supply, good roads amongst others. To finance these primary responsibilities they need viable sources of revenue and also need the capacity to collect and administer such revenue. However, the local governments have two main sources of revenue namely, external and internal. The level of internally generated revenue of local governments in Nigeria was very low, the 2018 annual reports of the Central Bank of Nigeria on local governments Internally Generated Revenue shows that, their level of contribution for that year was 1.9% to the total revenue (CBN, 2018). Meanwhile, the level of internally generated revenue of local governments in Kaduna state according to the Kaduna state government, office of the head of service, state local government interface self assessment report of 2012 was 0.1% to the total revenue and the 1985 federal government committee on the review of local government administration in Nigeria recommended that viable local governments should be capable of generating at least 50% of their annual recurrent expenditure from local sources

Table: 1 Kagarko local government IGR

Years	TRG	IGR	SA
2010	965,572,315	21,691,000	943,881,315
2011		-	-
2012	1,403,320,324	45,548,000	1,357,772,324
2013	1,403,320,324	45,548,000	1,357,772,324
2014	1,341,874,881	46,735,906	1,295,138,975
2015	1,377,444,315	5,452,304	1,371,992,011
2016	1,381,033,825	5,135,915	1,375,897,910
2017	1,388,758,394	5,904,706	1,382,853,688
2018	1,400,977,816	5,215,602	1,395,762,214

Source: Kagarko LG budget, 2010, 2012, 2013, 2014, 2015, 2016, 2017, 2018

For many years, there has been the problem of inadequate provision of essential public goods and services in the Nigerian local governments and this inadequacy may have negatively affected the capacity of the Local Governments to collect the maximum amount which the residents can pay to the public authority without having a really unhappy and downtrodden existence and without dislocating the economic organisation too much.

Statement of the Research Problem

It is uncontested that the Internally Generated Revenue of Local Governments in Nigeria is far below expectation. The 2018 Annual Reports of the Central Bank of Nigeria on local governments IGR shows that, their level of contribution for that year was 1.9% and the 1985 federal government committee on the review of local government administration in Nigeria recommended that viable local government should be capable of generating at least 50% of their recurrent expenditure from local sources. It has become imperative to diversify areas of revenue generation, so as to meet the yearning and aspiration of the inhabitant and by extension to actualise the perfect standard behind the creation of local governments in Nigeria. This inadequate revenue may have remains one of the devastating challenges hindering effective local government administration in the country. However, this inadequacy of revenue may lead to the inadequate provision of public goods and services such as clinic, feeder roads, water and electricity supply etc in Kagarko local government area of Kaduna State.

The 1999 Constitution of the Federal Republic of Nigeria come up with sound public goods and services to be provided by the Nigerian local governments for the betterment of their populace and also recognises the sources of the local government

revenue to finance their constitutional mandates. The previous studies conducted in the study area such as the work of Anyio (2012), in his study: Over Dependence of Local Government on Statutory Allocations in Nigeria and its Impact on Development. The study examined local governments over dependency on statutory allocations in Nigeria and its impact on development; Adejoh & Sule (2013) Revenue Generation: It's Impact on Government Developmental Effort a Study of Selected Local Councils in Kogi East Senatorial District. The research work was to analyze the extent to which revenue generation had affected the development of the selected local Governments; **Aloysius & Fabian (2015) internally generated revenue in the local government system and Sustainable community development in Nigeria: A Study of Abakaliki Local Government area Ebonyi State.** The research work aimed at identifying strategies for improving the sources and utilization of internally generated funds in the local government system in Nigeria. However, the above studies fail to look at the taxable capacity of the Nigeria local governments and that of the revenue payers, method of IGR collection in the Nigeria local government, tax administrative machinery. This study is structured to fill in the gap of taxable capacity on the IGR of local government in Kaduna state.

It is important note that no any society can peacefully exist without sound education, health care as well agriculture. Despite the constitutional provision on public goods and services there has been the problem of inadequate provision of essential public goods and services in the Nigerian local governments particularly Kagarko local government which have positive impact and directly affect the day-to-day lives of their inhabitants. Is the local government is not observing the constitutional provision (1999 constitution of FRN) or the revenue accruing to the local government is not sufficient or what is the problem? The paper has the following as the research question;

What has been the effect of taxable capacity on the Internally Generated Revenue of Kagarko Local Government?

Objective of the Study

To examine the effects of taxable capacity on the internally generated revenue of Kagarko Local Government.

Research Hypotheses

The following hypothesis is to guide the study.

H₀₁: Taxable capacity has no significant effect on Internally Generated Revenue of Kagarko Local Government.

Literature review

Concept of Local Government

United Nations (1959) defined Local Government as political subdivision of a nation which is constituted by a law and has substantial control of local affairs including the powers to impose taxes or to exert labour for prescribed purpose. The governing body of such an entity is elected or otherwise locally selected.

Emezi (1984) gives a contrasting understanding of what the local government is all about. According to him, local government is a system of local administration under local communities that are organized to maintain law and order, provide some limited range of social amenities and encourage co-operation and participation of inhabitants towards the improvement of their conditions of living:

Taxable capacity

Dalton (1971) observes that 'taxable capacity is a common phrase but a dim and confused concept.' Musgrave (2006) posits that, the term taxable capacity refers to the sacrifice the community is able to sustain. Stamp (1987) sees taxable capacity as the maximum amount which the citizen can pay to the public authorities without having a really unhappy and downtrodden existence and without dislocating the economic organisation too much.

Bhatia (2008) define taxable capacity as the maximum capacity or ability to pay taxes. According to him the capacity of people to pay taxes depends upon the per-capita income which in turn depends upon the national income generated from agricultural sector, industrial sector and tertiary sector.

Public Revenue

Public revenue, like public expenditure, is very necessary for the government to perform its various functions for the welfare of the society (Bhatia, 2012). It is important to note that, the necessity of raising the public revenue follows from the necessity of incurring public expenditure as the modern government has discharge a number of functions for the welfare of the people and as these functions require huge amount of fund, which can be financed only through public revenue.

As all known that, there is no any single accepted definition in the field of social and management sciences. As such, different scholars have made attempt to define the concept 'Public Revenue' thus:

Dalton (1971) sees public revenue as all the income and receipts which the government happens to get during a particular period of time. Public income/revenue includes incomes from taxes, prices of goods and services supplied by public enterprises, revenue from administrative activities such as fees, fines etc.

Ndan, (2013) posits that "generally revenue is receipt of a government or a business. Governments raise revenue, mainly through taxation, in order to pay salaries and

wages, provide social goods and settle the cost of running government".

Types of public revenue

According to Dalton (1971) in a modern welfare state, public revenue is of two types

1. Tax revenue and
2. Non-tax revenue.

Tax Revenue:

A fund raised through the various taxes is referred to as tax revenue. Taxes are compulsory contributions imposed by the government on its citizens to meet its general expenses incurred for the common good, without any corresponding benefits to the tax payer.

Non-Tax Revenue:

Public income received through the administration, commercial enterprises, gifts and grants are the source of non-tax revenues of the government.

Thus, nontax revenue includes:

1. Administrative revenue
2. Profit from state enterprises
3. Gifts and grants

Source of Local Government Revenue in Nigeria

In Nigeria there are two main sources of local government revenue.

External Sources of local government revenue

Externally generated revenue which refers to the local government funds generated outside the local government area of administration. In Nigeria, section 7(6) of the 1999 constitution provides that (a) "the National Assembly shall make provisions for statutory allocations of public revenue to local government councils in the federation, and (b) the Houses of Assembly of a state shall make provisions for statutory allocation of public revenue to local government councils within the state" (Federal Republic of Nigeria, 1999). **The external sources of local government revenue include:**

- i. The 20.60% statutory allocation from the Federation Account

- ii. 10 % from State Governments internally generated revenue
- iii. 35% Value Added Tax (VAT) allocation
- iv. Grants- block and specific from the central government. Block grant is the usually monthly grant while specific grants is for specific project
- v. Loans to carryout special projects
- vi. Excess Crude Revenue
- vii. Stabilization Fund and
- viii. Exchange Rate Gain (Udey, 2005, RMAFC, 2009, Ndan, 2013).

The external revenue sources of local government are external because the size of such revenue as well as when and how to generate them are invariably not directly determined or influenced by the local governments.

Internal Sources of local government revenue

The internal sources of revenue simply refer to those sources which do not come outside the local government area of jurisdiction. These sources are coded as provided by the model financial memoranda for local government (2018) thus:

Head 1001 Taxes

Head 1002 Rates

Head 1003 Local licenses, fees, and fines

Head 1004 Earnings from commercial undertakings

Head 1005 Rent on local government property

Head 1006 Interest, payment and dividends

Theoretical framework

Ability to Pay Theory

Ability to pay theory was propounded by William E. M. 1970 in his book titled 'readings in State and Local Finance'. This approach treats government revenue and expenditures separately. Taxes are based on taxpayers' ability to pay. The taxpayers' ability to pay can be determined by ownership of property, expenditure, and income; there is no *quid pro quo*. This approach is one of the most popular and commonly accepted principles of equity or justice in taxation because citizens of a

country should pay taxes to the government in accordance with their ability to pay. It appears very reasonable and just that taxes should be levied on the basis of the taxable capacity of an individual. For instance, if the taxable capacity of a person A is greater than the person B, the former should be asked to pay more taxes than the latter.

He opines that ownership of property is a very good basis of measuring one's ability to pay. If someone own a property such as land, house, car etc he is expected to pay tax to the government. This to some extent determines his purchasing power and by extension ability to pay such tax. Also if someone committed an offence is expected to pay fine as a penalty for such act or wrong doing. In addition he asserted by some economists that the ability to pay tax should be judged by the expenditure which a person incurs. The greater the expenditure, the higher should be the tax and vice versa. This means that if a person is spending on different things for example buying recharge card, paying hotel accommodation fee etc, he is expected to pay tax to the government as value added. Furthermore, he believes that income should be the basis of measuring a man's ability to pay. It appears very just and fair that if the income of a person is greater than that of another, the former should be asked to pay more towards the support of the government than the latter.

The justification of ability to pay it can be view on grounds of sacrifice. The payment of a tax is viewed as a deprivation to the taxpayer. He might have spent the money for his own purposes but instead must turn it over to the public treasury from which it will be expended for social ends. In surrendering his money to the government, he is said to make a sacrifice. It is held, therefore, that sacrifice is the basic principle to which the levy of taxes should conform, for that is their meaning to taxpayers. The theory is relevant to this study because is concern with the taxpayers' ability to pay their tax or revenue toward the support of government and has the following as the determinants of the taxpayers ability to pay; ownership of property, income, and expenditure incur. All these determinants are relevant to the local government under study in such a way that the local government has a good number of population who have engage themselves in one or more economic activities such as ginger business, communication centre, provision stores, filling stations, pure water production, bakery, restaurant, hotel services host of others and earn income in return, spend some part of their earnings for personal consumption. All are expected to tax or revenue to the government in order to achieve it constitutional assigned responsibility and by extension uplift the standard of living of it populace.

Methodology

This study adopted primary and secondary sources of data. The total population of this study covered senior and junior staff of Kagarko local government. However, the researcher focused on one department i.e. Finance department, because the department is responsible for all revenue due to the Local Government as assigned by the 2018 model financial memoranda for local government. The responses of the

respondents were measured based on five point Likert scale of strongly agree, agree, undecided, disagree, strongly disagree. The population of Kagarko local governments' staff of finance department is presented in the table below.

Measurement of Taxable Capacity

- a) Population.
- b) Tax structure.
- c) Economic activities.
- d) Emotion- willingness of the revenue payers.

Population of the study

The staff population of Kagarko local government finance department is 108. In determining the sample size of the staff population for this study, Krecie and Morgan sampling-size table was used and the sample size for the study is 80. The research hypothesis was tested through the use of SPSS version 23.0.

Data Presentation and Analysis

Analysis of the data collected from the local government for the hypothesis which states that 'taxable capacity has no significant effect on Internally Generated Revenue of Kagarko Local Government'. The data collected were presented and analyzed as follow:

Table: 2 There are Revenue Payers in Your Local Government.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagreed	7	2.0	2.0	2.0
	Disagreed	9	6.1	6.1	8.2
	Undecided	8	4.1	4.1	12.2
	Agreed	21	30.6	30.6	42.9
	Strongly Agreed	35	57.1	57.1	100.0
	Total	80	100.0	100.0	

Source: Researcher's survey, 2018

From the above table, it shows that (7) respondents constituting 2.0% strongly disagreed that, there are reasonable numbers of revenue payers in the local government, (9) respondents constituting 6.1% Disagreed, (8) respondents constituting 4.1% were undecided, (21) 30.6% agreed. While a significant proportion of the respondents (35) constituting 57.1% strongly agreed. It has revealed that, majority of the respondents strongly agreed that, there are reasonable numbers of revenue payers in the local government.

Corroborating the above finding the 1985 federal government committee on the review of local government administration in Nigeria recommended among other things that before a local government is created must have a minimum taxpaying

population of twenty thousand (20,000). According to the 2006 census, the local government had the population of two hundred and forty thousand, nine hundred and forty three (240, 943). However, the interview conducted with the finance staff of the local government shows that, all of the respondents opined that the database of the revenue payers was not captured by the LG.

Table: 3 There is Good Tax Structure in the Local Government

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagreed	15	18.4	19.1	19.1
	Disagreed	9	6.1	6.4	25.5
	Undecided	9	6.1	6.4	31.9
	Agreed	33	55.1	57.4	89.4
	Strongly Agreed	11	10.2	10.6	100.0
	Total	77	95.9	100.0	
Missing	0	3	4.1		
Total		80	100.0		

Source: Researcher's survey, 2018

The above shows that, 15 respondents composing 19.1% strongly disagreed that, there is good tax structure in the local government, 9 respondents comprising 6.4% disagreed. Also 9 (6.4%) were not certain i.e. undecided. While larger number of the respondents 33 (57.4%) agreed. However, 11 respondents comprising 10.6% strongly agreed, while 3 respondents composing 4.1% have not answered the question. Therefore, it has been discovered that, majority of the respondents 27 (57.4%) agreed that, there is good tax structure in the local government.

Table: 4 There are Different Series of Economic Activities in Your Local Government

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagreed	7	2.0	2.0	2.0
	Undecided	9	6.1	6.1	8.2
	Agreed	42	61.2	61.2	69.4
	Strongly Agreed	22	30.6	30.6	100.0
	Total	80	100.0	100.0	

Source: Researcher's survey, 2018

From the above table 7(2.0%) respondents strongly disagreed that, there are different series of economic activities in the local government, 9 (6.1%) were not certain i.e. undecided. While larger number of respondents 42 (61.2%) agreed. However, 22 constituting 30.6% strongly agreed. Therefore, it has established that, majority of the respondents 42(61.2%) agreed that, there are different series of economic activities in the local government.

In supporting the above finding, the IGR Profile of the local government as shown in the budgets records of the local government shows that, there are different varieties of economic activities in the local government such as food services (eating houses, bakeries etc), security services, social services (cinematography, mobile sales promotion, etc) health services (dispensaries and maternities, laboratories etc), economic activities (petty traders, printing presses, hair dresses and barbing salons,

cloth dyers etc).

Table: 5 Revenue Payers Pay their Entitlement Willingly to Your Local Government

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagreed	11	8.2	8.2	8.2
Disagreed	30	49.0	49.0	57.1
Undecided	17	22.4	22.4	79.6
Agreed	15	18.4	18.4	98.0
Strongly Agreed	1	2.0	2.0	100.0
Total	80	100.0	100.0	

Source: Researcher's survey, 2018

The above table indicates that 11 respondents representing 8.2% strongly disagreed that, revenue payers pay their entitlement willingly to the local government, 30 (49.0%) respondents disagreed. 17 (22.4%) undecided. While 15 (18.4%) agreed, 1 respondent constituting 2.0% strongly agreed.

Complementing the above finding was the interview session conducted to further educate responses in respect to the reactions of the revenue payers. Among the 6 revenue collectors interviewed from the local government, four of them were on the opinion that majority of the revenue payers pay their entitlement unwillingly, while two of them were on the view that revenue payers pay their entitlement willingly. However, among the 5 revenue payers interviewed, 2 of them said, they pay their revenue willingly to the local government because the local government cannot perform its statutory functions without adequate funds. Contrarily, 3 of the revenue payers responded that they pay their revenue unwillingly to the local government because their expectation from the local government after paying the revenue was to receive or witness adequate provision of public goods and services such as clinics, market stalls, water, electricity, good feeder roads, schools which at the tail end would improve their standard of living but reverse was the case. The ability to pay theory posits that, there is no quid pro quo but the fourth schedule (section 7) of the 1999 constitution provides that the local government councils should provide essential public goods and service.

Table: 6 Local Government Provides Adequate Public Goods and Services.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagreed	25	36.7	37.5	37.5
Disagreed	15	18.4	18.8	56.3
Undecided	14	16.3	16.7	72.9
Agreed	18	24.5	25.0	97.9
Strongly Agreed	4	2.0	2.1	100.0
Total	76	98.0	100.0	
Missing	0	4	2.0	
Total	80	100.0		

Source: Researcher's survey, 2018

The above table indicates that, 25 respondents representing 37.5% strongly disagreed that, the local government provides adequate goods and services, 15 (18.8%) respondents disagreed. 14 (16.7%) undecided. While 18 (25.0%) agreed, 4 respondents constituting 2.0% strongly agreed. It revealed that 25 of the respondents disagreed that, the local government provides adequate goods and services.

Strengthening the above finding, the records of capital project dully completed and ongoing obtained from works department of the Kagarko Local Government shows that only 34 projects were completed from 2009-2014 while 39 projects were ongoing. However, Ability to pay theory is on the track that each individual is subject to some fiscal pressure; his economic resources are reduced by the amount of tax that he bears (ability to pay). His real income is increased by the benefits he receives from government services (goods and services provided for his upliftment).

Table: 7 Local Government Generate a Huge Amount of Revenue from Local Licenses, Fees and Fines.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagreed	30	44.9	46.8	70.2
	Disagreed	13	14.3	14.9	23.4
	Undecided	10	8.2	8.5	8.5
	Agreed	22	28.6	29.8	100.0
	Total	75	95.9	100.0	
Missing	0	5	4.1		
Total		80	100.0		

Source: Researcher's Survey, 2018

The above table shows that, 30 respondents representing 44.9% strongly disagreed that, the local government generate a huge amount of revenue from local licenses, fees and fines, 13 respondents constituting 14.9% disagreed. 10 (8.5%) were undecided. While 22 respondents representing 29.8% agreed. Finding revealed that 30 respondents strongly disagreed that, the local government generate a huge amount of revenue from local licenses, fees and fines. In collaborating the above finding the LG realized ₦2,791,000 from local licenses, fees and fines out of the TIGR N 21,691,000 constituting 12.9% in 2009. The LG generated N 3,100,000 representing 6.12% from the local licenses, fees and fines out of the TIGR N 50,669,261 in 2011. While in 2012 the LG realized N 3,445,000 representing 6.8% out of TIGR 50,669,261.

Table: 8 A reasonable Numbers of Economic Activities Contribute Significantly to the Revenue Base of the Local Government.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagreed	12	12.2	12.8	12.8
	Disagreed	19	26.5	27.7	40.4
	Undecided	11	10.2	10.6	51.1
	Agreed	32	44.9	46.8	97.9
	Strongly Agreed	2	2.0	2.1	100.0
	Total	76	95.9	100.0	
Missing	0	4	4.1		
Total		80	100.0		

Source: Researcher's Survey, 2018

The above table signifies that, 12 respondents constituting 12.8% strongly disagreed that, A reasonable numbers of economic activities contribute significantly to the revenue base of the local government; 19 respondents constituting 27.7% Disagreed, 11 respondents constituting 10.6% were undecided. While 32 respondents constituting 46.8% agreed while 2 respondent constituting 2.1% strongly

agreed. It revealed that, majority of the respondents 32 (46.8) agreed that, a reasonable numbers of economic activities contribute significantly to the revenue base of the local government.

H_0 : Taxable capacity has no significant effect on IGR of Kagarko Local

Government.

Table: 9 Summary of Regression Results. Dependent Variable: IGR

Variables	Coefficient	t-statistics	p-values
Constant	-.159	-2.971	0.000
Taxable Capacity	.360	39.747	0.000
R-squared	.312		
Adjusted R-squared	.302		
F-statistic	1579.863		0.000 ^b
Durbin-Watson stat	1.282		

Source: SPSS Version 23, Output, 2018

The empirical findings above revealed that the F-statistic, which measures the adequacy and fitness of the model used in the study, stood at 1579.863. Its probability being 0.000 indicates that it is statistically significant at 99% confidence level; as such, the model of the study is adequate and fit.

The coefficient of determination, R^2 , stood at 0.312, indicating that about 31.2% of the total variation in the IGR of this LGA is explained by the implementation of Taxable Capacity. The adjusted R^2 stood at 0.302, indicating that the implementation of Taxable Capacity would still explain 30.2% of the variations in their IGR even if other variables are added to the model.

Given the coefficients, the regression model is represented thus:

$$RG = -.159 + 0.36TC + \varepsilon$$

Where:

RG = IGR in Kagarko Local Government.

TC = Taxable Capacity

From the above, Taxable Capacity gives a beta coefficient of 0.36 and a t-statistic value of 39.747 with a probability of 0.000; The probability being less than 0.01 gives us enough statistical evidence for the rejection of the null hypotheses at 99% confidence level.

Being statistically significant in affecting IGR, the beta value of the independent variable being positive implies that an increase in Taxable Capacity implementation will lead to an increase the Internally Generated Revenue in Kagarko Local Government.

Based on the above analysis we reject the null hypotheses, H_0 , which states that Taxable capacity has no significant effect on Internally Generated Revenue of Kagarko Local Government and accept its alternate, H_1 , which states that Taxable capacity has significant effect on Internally Generated Revenue of Kagarko Local Government.

Summary of Findings

The hypothesis tested shows that Taxable capacity has significant (statistically significant at 99%) effect on the Internally Generated Revenue of Kagarko Local Governments. It was discovered that, there was inadequate provisions of public goods and services; the level of this inadequacy for the local government is 57.1%, it was found out that there were reasonable numbers of revenue payers in the local government, the rate of this for the Local Government is 57.1% but the database of the revenue payers was not been captured by the local government. It was found out that there were different series of economic activities in the local government, because of it over dependence on monthly statutory allocation from federal government and 10% of the state Internally Generated Revenue, the local government showed less concern to these internal sources. These have contributed to the low yield of Internally Generated Revenue in the local government.

Conclusion

In view of the data generated and analyzed for the purpose of inference, the study concludes that there is no any meaningful project that can be carried out or executed in the local government without sufficient fund and the fund is expected to be generated largely from the internal sources of the local government. Revenue should be regarded as the fuel or engine that ensures local government is run smoothly and in sustainable manner for the betterment of its populace. The too much reliance of the local government on monthly allocations should be reduce to the minimal level by giving more priority to its internal sources of revenue and coming up with new ways of exploiting the sources such as e-collection. However, as it was discovered that, there was inadequate provision of essential public goods and services in the local government, for enormously yield of Internally Generated Revenue, the local government should devoted it efforts toward providing positive public goods and services which would improve the standard of living of its inhabitants and which at the tail end would encourage/motivate the residents to pay their entitlement (revenue) toward to the support of the government activities.

Recommendation

Sequel to the findings of this study, the research work recommends that for substantial realization of Internally Generated Revenue there should be organised collection of information (database) of the revenue payers through using an electronic device such as computer. The local government should ceased reliance on statutory allocation by engaging fully in commercial undertakings such as pure water production, filling

stations, block making industries, commercial farming such as ginger, rice and palm production, bakeries etc. The local government should make sure that it improves the standard of living of its residents by providing adequate essential public goods and services which in turn will increase the level of IGR of the local government.

The researchers find it very difficult to retrieve the questionnaire administered to the respondents, some of the respondents were unwilling to attend or collect the questionnaire; the researchers conclude that whether they are not familiar with the job they are saddled with, they did not fit the job or they have some technical problems. However, the researchers suggest that a study should be conducted on the quality of revenue staff on the IGR of the Nigeria local governments.

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