

**AN ASSESSMENT OF REVENUE GENERATION STRATEGY  
IN THE PUBLIC SECTOR: A CASE STUDY OF FEDERAL  
INLAND REVENUE SERVICE, (FIRS) BENIN CITY.**

**BY**

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**BENIN CITY.**

**MARCH, 2023**

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**A RESEARCH PROJECT SUBMITTED TO THE  
DEPARTMENT OF POLITICAL SCIENCE AND PUBLIC  
ADMINISTRATION, FACULTY OF SOCIAL SCIENCES.**

**IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR  
THE AWARD OF BACHELOR OF SCIENCE (B.SC) DEGREE  
IN POLITICAL SCIENCE AND PUBLIC ADMINISTRATION,  
UNIVERSITY OF BENIN, BENIN CITY.**

**MARCH, 2023**

## CERTIFICATION

We, the undersigned certify that this research work was carried out by KALU GIFT UGOCHINYERE and is adequate in scope and quality and it is approved as meeting the requirement of the Faculty of Social Sciences, University of Benin, Benin City for a partial fulfillment of the requirements for the Award of Bachelor of Science (B.sc) in Political Science and Public Administration.

.....

**Dr. Joseph Unufe**  
*Project supervisor*

**Date:**.....

.....

**Dr. Joseph Aihie**  
*Head of Department*

**Date:**.....

## **DEDICATION**

This project work is dedicated to God Almighty - my heavenly Father and friend for his immense love, mercy, provision and dedication, and to my family for their love, provision and care, I must say, I love you dearly.

## **ACKNOWLEDGEMENT**

Firstly, I want to express my profound gratitude to God Almighty for His guidance and provision throughout my academic career. I also wish to express my immense and sincere appreciation to my diligent supervisor, Dr. Joseph Unufe for taking time out of his limited time to guide and supervised me during the course of this project work and his immeasurable support, love and guidance all through my stay in University of Benin. May God bless you sir.

I want to richly appreciate my father, my Director, my guidance, (God in human form) Rev. Dr. Frank Ezele for believing in me and rendering unrelenting support and prayers to me since I have been in this world. I love you daddy.

I want to express my gratitude to my distinguished man who financially contributed to immensely to the success of my academic programme Dr. Ceaser Osaheni Iyayi, the founder of Iyayi Efionayi

Foundation, CEO Caesar construction company, Benin City. I am indeed grateful for your concern and support towards my education. Thanks sir.

Also, I want to express my gratitude to my friends and course mate among whom are Faith Bayode, Mr. James, Mrs. Elizabeth, Mr. Osawaru, Mr. Romanus, Mr. Samson and Mr. Bathelomen. It was a nice time taking this academic session with you guys. Thanks for being my partner in progress.

I love you all dearly and may God bless you all.

## ABSTRACT

*The principal aim of this research work is to assess the need for states and local governments to generate adequate revenue from internal sources and the strategies that are being used to carry this out because it has become a matter of extreme urgency and importance. This need for states and local governments to generate revenue in this manner, underscores the eagerness on the part of the state and local government 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. Some of the causes of inadequate internal revenue generation includes: staggering population increase, diversion of revenue belonging to government into private pockets, the unscrupulous activities of some tax consultants etc. This research work attempts to answer questions like what has been the impact of federal Inland Revenue service in revenue generation in Edo state, what has been the effect of internally generated revenue in Edo state and other questions listed in the research questions. The result of this study is significant to both the state government and the local government. This research work is restricted to Edo state. The sampling technique that was employed for this research is the cluster sampling technique. Of the 18 local governments in Edo state, two of them (Egor and Ovia north east) were selected as our sample. The major source*

*of data is questionnaires. The simple percentage technique will be used for analyzing the data.*

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**CHAPTER ONE**  
**INTRODUCTION**

**1.1 BACKGROUND OF THE STUDY**

The world over, taxes are a major source of government revenue. However, not every government has been able to effectively exploit this great opportunity of revenue generation. This can be attributed to a number of reasons including; the system of taxation, tax legislation, tax administrative policy issues, over reliance on other sources of revenue such as foreign system especially as it relates to the system and citizens response towards tax payments (Akintoye and Tashie 2013).

However, the increasing cost of running government coupled with the dwindling revenue has led various state governments in Nigeria to formulate strategies to improve revenue base. As cited in Enahoro and Olabisi 2012, it is pointed that objectives of tax system are multi-dimensional in nature which includes; revenue generation, resource allocation, a fiscal tool for stimulating economic growth and development, and social functions like redressing the rural-urban population drift. Taxes and tax system are fundamental components of any attempt to develop a system and this is primarily the case of developing or transforming a nation.

The near collapse of the national economy has created serious financial stress for all tiers of government (Adenuga and Ogechi 2013). Despite the numerous sources of revenue available to the various tiers of government, oil alone accounts for 40% of the country's GDP, 70% of budget revenues and 95% of foreign exchange earnings, (Oloyode 2010). Unfortunately the serious decline in the price of oil in recent years has led to a decrease in the funds available for distribution to the states. Section 16(b) of the 1999 constitution of the Federal Republic of Nigeria, under the economic objectives, provides that government should control the national economy in such a manner as to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice and equality of status and opportunity.

Section 16(c) of the Constitution further provides that the state without prejudice to its right to operate or participate in areas of the economy, other than the major sectors of the economy, should manage and

operate the sectors of the economy. Generally, governments of the world over earn revenue from taxes, non-taxes and capital receipts.

## **1.2 STATEMENT OF THE PROBLEM**

The increasing running cost of governance coupled with rapid infrastructural requirement to meet expanding social needs of citizens has left various governments with formulating strategies to improve revenue base. The contending problem of tax evasion, collusion of tax officers, staggering population increase and diversion of revenue belonging to the government into private pockets reunions like a sore, refusing to go away. This in addition to the unscrupulous activities of some tax consultants curtails revenue drive. 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 are identified as some of the root cause of inadequate internal revenue generation (Ijewere, 1991)and (Ndekwe, 1991)as cited in (Ariyo, 1970).

In the case of Edo state, the story was a sordid affair. By the turn of the last century, Edo state had become an international poster child for the doomsayer of the coming urban challenge with a reputation of severe living conditions, high rate of crime, poor governance and transport chaos (Filani, 2012). An observation across Edo state shows that the state government has not really lived up to expectations in providing social and essential services to the people. This study seeks to discover how the federal Inland Revenue service managed the deplorable revenue situation in Edo state.

### **1.3 OBJECTIVES OF THE STUDY**

The aim of this study is to assess the revenue generation drive of Edo State through the federal Inland Revenue alongside other public sector. Since the bulk of revenue generation comes from the citizens and the public sector's "pocket". The payment compels the citizens to ask questions and show interest in how these entrusted with the management of the collective wealth of the citizens discharge their duties.

The specific objectives of the study are to:

- I. Examine the sources of revenue generation in Edo state.
- II. Determine the various strategies used by the federal Inland Revenue Service toward revenue generation in Edo state.
- III. Examine the efficient and effective tax administration on the internally generated revenue in Edo state.
- IV. Examine the challenges of tax administration in Edo state.
- V. Evaluate the impact of increased revenue generation on the economic well-being of citizens in Edo state.

#### **1.4 RESEARCH QUESTIONS**

- I. What has been the effect of internally generated revenue in Edo state?
- II. Has the internally generated revenue in Edo state been poor?
- III. Why has the internally generated revenue in Edo state been poor?
- IV. How has the increase in revenue of Edo state affected the well-being of the citizens?

V. What has been the impact of federal Inland Revenue service in revenue generation in Edo state?

### **1.5 RESEARCH HYPOTHESIS**

In order to answer the above research questions, the following hypothesis was formulated;

Hypothesis 1

H<sub>0</sub>: The strategies of the federal inland revenue has not increased revenue base in Edo state.

H<sub>R</sub>: The various strategies of FIRS has increased revenue base in Edo state.

Hypothesis 2

H<sub>0</sub>: Edo state government is not generating its expected revenue.

H<sub>R</sub>: Edo state government is generating its expected revenue.

### **1.6 SIGNIFICANCE OF THE STUDY**

This study is significant to international analyst interested in the reforms going on in Edo state, what drives this development and the impact on the state. The result of this study will also be of benefit to:

1. The State Government: This study will provide the basis for state government to develop various ways of improving their internally generated revenue and depend less on the federal government. This will enable every state government to meet the demands of providing the necessary social amenities to the people and enable them to perform their primary functions of providing essential services more effectively.
2. The Local Government: This study will help local governments in Nigeria to improve their internally generated revenue.

## **1.7 SCOPE OF THE STUDY**

This study is restricted to the geographical area of Edo state. This is because it is believed that Edo state serves as a role model needed to other states in terms of public services, rules and regulations guiding all public sectors in Nigeria. It assesses the revenue generating machinery of Edo state, evaluating the impact of increased revenue generation on the citizens.

## **1.8 CLARIFICATION OF TERMS**

### **Revenue**

The term revenue has been defined by various authors in different ways. According to section 162 subsection 10 of the constitution of the federal republic of Nigeria 1999 CAP. 23 Laws of the federal Republic of Nigeria 2004 “revenue” means any income or return accruing to or derived by the government of the federation from any source and includes,

- (a) Any receipt, however described, arising from the operation of any law,
- (b) Any return, however described, arising from or in respect of any property

(c) any return by way of interest on loans and dividends in respect of share or interest held by the government of the federation in any company / statutory of body Adams (2006) defines revenue as the fund require by the government to finance it 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 specific period of time. Hamid (as cited in Adenuga and Ogechi 2013).

States' revenue comprises from taxation as well as those which are not the proceed of taxation either the realization or other interests and returns from loans and investment earning. Bhatia (2001) contends that revenue receipts includes "routine" and "earned" income. For this reason according to him revenue do not include borrowing and recovery of loan from other parties, but it includes tax receipts, donation grants, fees, fines e.t.c

**Government Revenue:** as defined by Pearce (as cited in Adenuga and Ogechi 2013) means all the money received other than from issue of and

debt, liquidation of investments. Government revenue includes tax collections charges, and miscellaneous revenues, utility and insurance trust revenue for all funds and agencies of a government.

**Public Revenue:** according to Stephen and Osagie as cited in (Adenuga and Ogechi 2013) is concerned with various ways in which the government raise revenues. From the foregoing definitions, it can be said that revenue is the total amount of income accruing to a state from various sources within a specific period. State government, like the other two tiers of government has sources and uses of revenue. Osisami (as cited in Adenuga and Ogechi 2013) states that there are two types of revenue accruing to state government. These are internally generated revenue and revenues allocated from the federation account to finance their expenditures. State government as the second tier of government in Nigeria derive their revenue from various sources. However it should be known that sources of revenue are by no means uniform among states. States derives revenue depending on the resources available to them (Anyafu, 1996, Daniel 1999, and Adam

2006). The share of federation account to states constitutions 57.97% in 2002 of the total revenue plus grant and this rose to 65.82% in 2006, which the internally generated revenue declined from 13.3% in 2002 to 8.11% in 2006 (CBN,2006). The average percentage of internally generated revenue in relation to the federal allocation were between 5-9 percent for most non-oil producing state in the recent past, Kano was able to slightly exceed 10% in 2004 to date due to aggressive revenues generation.

**Internally Generated Revenue:** are those revenues that are derived within the state from various sources such as taxes.

## **CHAPTER TWO**

## **LITERATURE REVIEW AND THEORETICAL FRAMEWORK**

### **2.0 INTRODUCTION**

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 desired.

According to Ariyo (1997) Nigeria's over dependence on oil revenue to the total negligence of other revenue sources was encouraged by the oil boom of 1973/74. This was unsustainable due to the fluctuation in the oil market which have in most cases plunged the Nation into deficit budget (Omolehinwa 2011) in the case of Edo state, it is believed that the non-implementation of tax law is making the Edo State government to lose revenue that could be generated internally. In order to carry out development in all nooks and crannies of the society, it is the responsibility of the Edo State Government to provide direct development to people to a certain level. Development is associated with funds and much revenue is needed to plan, execute and maintain infrastructures at the state level. The

needed revenue generated for such developmental projects like construction of accessible roads, building of public schools, health care centers and construction of bridges are generated from taxes, royalties haulages, lined and grants from the state, Nation and international governments. These funds are obtained either internally or otherwise.

## **2.1 BACKGROUND OF FEDERAL INLAND REVENUE SERVICE**

The Nigeria Federal Inland Revenue Service was created in 1943, it was carved out of the Erst while Inland Revenue Department that cover what the Anglo-phone West African (including Ghana, Gambia and Sierra Leone) during the colonial era. In 1958 the board of Inland Revenue was established under the income tax ordinance of 1958, after various transformations in 1961 and 1993, Federal Inland Revenue Service (FIRS) as the operational arm of government FBIR, secured its autonomy through the emergence of FIRS (establishment) act 13 of 2007. The act is a compendium of establishment, power, management, financial provisions, tax administration and other provisions guiding the administration of FIRS.

Currently, FIRS is one of the federal ministries, department and agencies (MDAs) charged primarily with the responsibility of accessing, collecting and accounting for the various taxes to the federal government. In a revenue collection agency like the FIRS, quality service delivery is critical to success.

The Edo state revenue administration law, 2013, established a board known as the Edo state board of internal revenue whose operational arm is known as the Edo state internal revenue services. This law effectively replace the board of the internal revenue which was established by the personal income Tax Act cap. 71 1972 law of Bendel state as amended in 1976 (as was applicable to Edo state) the board is statutorily charged with the responsibility of collecting all taxes, levies, and penalties, accruable to the state government. The board is also responsible for advising on the structure, incidence and administration of taxes in accordance with the provision of the personal income Tax Act of 2004-9 federal legislation that s applicable all over the country.

### **2.1.1 TAX ADMINISTRATION.**

While tax policy and tax laws create this potential for raising tax revenues the actual amount of taxes flowing into the government treasury, largely depends on the efficiency and effectiveness of the tax administration authorities. Efficiency and effectiveness should be the watchword in designing a tax administration structure that will give the desired result (Abiola and Asiwch 2012). Tax administration in Nigeria is the responsibility of the various tax authorities as established by the relevant tax laws (Kiabel and Nwokah,2009) noted “tax authority to mean federal board of inland revenues the state board of inland revenue and the local government revenue committee. The tax authority in Edo State is the Edo state board of inland revenue.

Weaknesses in revenue administration lead to inadequate tax collection (Adenuga and Ogechi 2013). The Nigerian tax administration is in line with the British model of tax administration since 1960 and has been operating this up to 1990 when the self-assessment scheme came into play

which is similar to the American model of tax administration system (Adesola 2004). The British model of tax administration assumes tax payer are incompetent as to tax process and tax authorities do not rely on information supplied by, tax payers (Enahoro and Olabisi 2012). Effective tax administration designed to enhance revenue generation requires both the commitment of government and time.

### **2.1.2 SOURCES OF REVENUE**

The sources of revenue of the state government are divided into two parts viz: recurrent revenue capital receipts.

#### **A.THE RECURRENT REVENUE**

- i. **Taxes:** Ogundele (1999) defined tax as the levy by public authorities with a tax jurisdiction, of compulsory contribution by citizens of defray part of the cost of government activities in providing the needs of the society. The taxes the state government collect are personal income tax; (excluding those of the armed forces, external affairs officers, foreign nationals, residents of the federal capital territory Abuja and the

Nigerian police force), football pools and other betting taxes, capital gains tax, entertainment tax, stamp duties, capital transfer etc.

- ii. **Licenses, Fees and Fines:** These embrace among others, motor vehicle, drivers licenses, land registration and survey fees and fines imposed on offenders.
- iii. **Earnings from economic activities:** State governments engage in some activities with a view to making profits. These include establishments of banks and investment ventures. Others are lotteries, rent on government properties and dividends.
- iv. **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 total amount that accrues to the federation account.
- v. **Value added tax (VAT):** This is a tax levied on the added value that results from the exchange of goods and services. It should be noted that

VAT replaced sales tax which used to be exclusive preserve of state governments. Sales tax is imposed as a percentage of the selling price of goods or services payable by the customer. The state government receives 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 programs in the state. A good example is the directorate of food, roads and rural infrastructures.

ii. **Loans:** These can be internal or external loans. The internal loans represents borrowings by state governments from sources within the country. The sources include individuals, organizations such as commercial banks, federal government or other states. On the other hand, the external loans are often taken from the world bank, international monetary funds (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 time.

iii. **Financial Aids:** These are funds foreign countries or charitable international organization such as UNICEF execute in the states, some humanitarian programs like children immunization control of epidemic diseases. The aids could also be meant to assist states that suffers some disaster.

### **2.1.3 CHALLENGES OF TAX ADMINISTRATION IN EDO STATE**

Under the Nigeria tax administration, Ayua (1996) pointed out that the major problem lies in the procedures, machinery and approaches adopted in collection assessment and corrupt, practices of tax. Naiyeju (2005) pointed out the most of the tax authorities in Edo state lack the desired institutional capacity to administer tax system effectively. Mostly employee paid the bulk of tax at the time in the state. Politicians, the rich, the professional and the privileged individuals were inequitably taxed. According to Ekpo and Ndebhio (1998), other problems of tax

administration center was inadequate personnel in terms of quantity and quality. The shortage of qualified tax personnel is partly responsible for the poor enforcement. At the local government level, tax collectors include messengers and tax clerks who are not knowledgeable in tax practice, supervises some daily rated employees. This category of staff are generally not adequately equipped to carry out the tax operations. It is observed that due to their low level of education, tax officials are not conversant with the tax laws and regulations (Enahoro and Jaiyeola, 2012). The sharp and dishonest practices of some tax officials especially in the local government posed a serious threat to tax administration in Edo state.

#### **2.1.4 STRATEGIS FOR REVENUE GENERATION**

Hofer and Schedal (as cited in Adenuga and Ogechi 2013) describe strategy as game plan through which aims and objectives of an organization are achieved. They also defined the strategy of revenue generation as a fundamental pattern of present and planned resource department, and

environmental interaction that indicates how the organization will achieve its aims and objectives.

Furthermore, for effective revenue generation, Hofer and Schedal (1978) suggested the following strategies.

- i. Introduction of additional sources of revenue
- ii. Providing an incentive for extra efforts of revenue generation staffs
- iii. Periodic raiding by officer of the revenue generation
- iv. Efficient and effective collection of existing taxes
- v. Public enlightenment and campaign that will educate the tax payers on the importance of prompt payment.

Edo state enjoyed revenue growth over the years which has triggered rapid expenditure expansion, especially on capital budget. The growth in revenue has been because of high world oil prices, a growing economy,

increased in federal transfers and most significantly increased tremendously with the introduction of the (PAYE) pay as you earn by the federal inland revenue service (FIRS). The Edo state government continues to undertake the necessary reforms to increase internally generated revenue in the state. The state revenue profile has improved remarkably over time. Strong IGR growth has led to a substantial change in their percentage share of revenue between transfers and IGR. The share of capital receipts in state revenue has been stable at about 5 percent, but rose sharply in 2008 to 14% percent, owing to one of the proceeds from the sales of shares.

Internally generated revenue (IGR) collection has increased substantially, owing to the broadening of the tax base and the tightening of collection processes against various types of fraud. As at 2005, individual tax payers totaled about 4 million and this figure was projected to reach 5 million by 2010, or 50% of officials resident up from 44% co-operation grew to 330,600 in 2007 from about 250,000 in 2004, as the state sought to diversify its taxpayers profile by bringing more medium- scale enterprises

into the tax net. However, despite diversification effort, taxes related some firm accounts for a significant share of Edo's total IGR.

### **Computerization of revenue collection and monitoring**

Some years back, the Edo state government federal inland revenue put in place a new computerized infrastructure for tax collection and monitoring known as the electronic banking system of revenue cycle management (EBS-RCM). The EBS-RCM is a sophisticated information network system linking tax stations and other revenue agencies to lodgment banks. The objectives of EBS- RCM is to go online with the direct bank lodgment system (DBLS) of the revenue collection process and provided information for tax administration and planning while monitoring and co-ordination of all revenue generating activities of the state. As a result, the system has led to the introduction of more effective and fraud reducing measures such as automated payment receipts and electronic tax clearance certificates and automated payment receipts and electronic tax clearance certificates, increased autonomy of the Edo state board of internal revenue.

A new board of internal revenue (BIR) was created with a member representation including more individuals from outside public service, and acting through Edo state internal revenue service (EIRS) that has large operational autonomy to manage the collection and monitoring of revenue. The new BIRS and EIRS commenced operation.

The BIR is a regulatory and supervisory agency whereas the FIRS is the actual service provider in terms of revenue collection and monitoring. The Edo state government was convinced that a properly organized public agency was enjoying sufficient autonomy, especially in the areas of human resources management and budgets, could in due course take over a number of functions performed by the consultants at a lower cost to the government and ultimately the tax payer.

### **Introduction of a self-assessment tax filling system**

The new system was introduced in 2008 and is aimed at making tax payment convenient as well expand the tax payers list individuals can conveniently pay their taxes at any of banks designated as well as the EIRS

tax stations spanning all over the state and receive their receipt within 72hours of payment.

### **Taxpayer education campaigns and improved taxpayer services**

The Edo state internal revenue service (EIRS) has pursued a vigorous tax payers education campaign and expanded its network of taxpayer service points in the state as a way of encouraging Edo residents to embrace tax payments as a measure of their responsibility to the society thereby making them pay taxes voluntarily without being forced. Enlightenment efforts has been boosted through tax campaigns in the print media, radio and television these campaigns have been taken to traditional rulers and major trade associations as a way of co-opting them into the tax drive. Moreover, as a means of taking tax awareness and education to the potential tax- paying public as well as bringing the tax assessment and revenue collection closer to them, the EIRS has also established several stations in markets and banks branches throughout the

state. This explains how to fill in tax return forms and responds to all other types of tax payer enquires.

In appraising the impact of revenue on citizens and state development, FIRS 2008 posited that beyond revenue, a country must also be able to prioritize its expenditure pattern and its natural plan in a way that will give the country the best from whatever resources the country has. Though the following is not exhaustive, development would involve the availability of the following;

- a. Social infrastructure such as in education and health with emphasis on continuing education and constantly improving health care.
- b. Physical infrastructure to enable private sector investment i.e. energy, transport, security of life and properties
- c. Access to property, capital and opportunity for individual and communal development.

- d. Provision of social communities for the young, the disadvantaged, the physically challenged, the old and the dead
- e. Security of live and properties

In buttressing the above, Adeyeye (2004) stated that “the money collected from taxes should be judiciously spent on programs that would improve the standard of living of the citizens of the state.

## **2.2 THEORETICAL FRAMEWORK**

The fiscal federation theory was adopted as the basis for this work. The term “Fiscal Federalism” was introduced by Richard Musgrave in 1959 and popularized by Wallace E Oates in 1970s with a book “Fiscal Federalism”. The public sector in nearly all countries consists of several different levels. The basic issue is one of aligning responsibilities and fiscal instruments with the proper levels of government. As Alexis de Tocqueville (as cited in Oates, 1999) observed more than a century ago, the federal system was created with the intention of combining the different

advantages which result from the magnitude and the littleness of nations. However, to realize these “different advantages” we need to understand which functions and instruments are being centralized and which are best placed in the sphere of decentralized levels of government. This is the subject matter of fiscal federalism. To carry out their functions, the various levels of government requires specific fiscal instruments. On the revenue side, governments will typically have access to tax and debt instruments. The normative framework for the most of the literature of fiscal federalism consists of the traditional principles of welfare economics (Oates, 1999). From this perspective, institutions are evaluated by virtue of their impact on efficiency in resource allocation and the distribution of income. Quigley (1997) said, the delivery of public services, the structure of taxation, and the economic relations within nations are greatly affected by the portioning of space into regions. Musgrave (as cited in Quigley, 1997) categorized the economic functions of government into three branches, the stabilization branch, the distribution branch and the allocation branch.

The stabilization branch is responsible for aggregate demand, fiscal policy, and for maintaining a stable price level. The distributional branch is responsible for tax and transfer program, so that a given level of economic efficiency is consistent with ethical notions of the appropriate distribution of household incomes. The third, the allocation branch, is concerned with the production of those goods and services for which competitive private markets fails to operate efficiently and it is to this branch that this study relates in contrast to the first two important aspects of government activity. For the allocation branch, which produces goods and services, there are strong technical reasons for providing goods and services at the local level, depending upon economies of scales in production and diversity of tastes in demand. Thus, the appropriate economic role for regional government and for lower levels of government is to be found in the provision of public services, infrastructure, and in the organization of public goods supply.

In the context of developing countries like Nigerian state, there are at least three issues having important implications for the choice of

centralize versus decentralized government finance (Arowolo, 2011). These issues are essentially dynamic in nature and include the effects of centralization on revenue capacity, the relationship between the level of government providing the services and administrative responsiveness. Revenue capacity can include an enhanced ability to raise revenue by levying and collecting certain taxes locally. It can also include the ability to recover costs for area wide public services from the tax revenue generated in those areas. The former is an issue in tax administration. The latter is a rough approximation of user charge finance (Akindele and Olaopa, 2002). The tax administration issue can cut two ways. On the one hand, local authorities may possess an inherent comparative advantage in the valuation of local land and property for tax purposes, and in the estimation of agricultural output. Similarly, for the taxation of mobile financial resources, or even in evaluating the total income of individuals national authorities may possess a natural co-operative advantage. On the other hand, local authorities may not initially be as well trained and thus, would be less capable of revenue collection, regardless of the comparative advantage of

their formal organization. The second issue, administrative efficiency in service provision and tax collection, can also cut two ways a presumption in developing countries that central government employees are more competent because they are recruited nationally) is surely reputable (Quigley 1997). Moreover, it may be completely offset by the specialized knowledge of local officials, about adaptations of services to local conditions or about political economics of service production in particular circumstances. Thirdly, the dynamic and responsiveness issues tend to favor greater scope for services provision and taxation at lower levels of government. The advantage the local provision may include both adaptability in service production and increased flexibility in administration.

Thus, it may be well worth sacrificing some of the short run efficiency of central government provision to reap the long run benefits of local provision by more adaptability local officials. The next step in the theoretical framework is to determine the appropriate taxing framework. The division of revenue sources among federal and sub-national

government, constitutes the tax assignment problem (Anwar shah, 2007). The “assignment problem”, or the allocation of expenditures, regulatory, and tax functions to various orders of government, is the most fundamental issues in a federation. The literature on fiscal federalism argues that fiancés should follow function. In order words, assigning responsibilities for spending including the exercise of regulator functions must precede the assignment of responsibilities for taxation because tax assignment is generally guided by the spending requirements of the different orders of government and cannot be determined in advance. It may be desirable to decentralize taxation at the same time as decentralizing spending so that subnational governments will not have to rely exclusively on grants from the national government.

If subnational governments are not responsible for raising at least some level of their own revenues they may have too little incentive to provide local public services in a cost effective way. From the fore going we can summaries the role assignment which flows from the basic theory of

fiscal federalism. The central government is expected to ensure equitable distribution of income, maintain macroeconomic policy and provide public goods that are national in character. Decentralization of the level of government on the other hand are expected to concentrated on the provision of local public good with the central government providing targeted grants in cases where there are jurisdictional spill-overs associated with local public goods (Arowolo, 2011). Once expenditure and regulatory assignments have been agreed on tax assignment and the design of transfers become critical elements in matching expenditure needs with revenue means at various orders of government. Although tax assignment can be undertaken independently of expenditure assignment, a common practice in developing countries. The advantage of centralized tax administration and a decentralized provision of public services becomes apparent when tax assignment reflects anticipated spending such arrangements prevents an over dependence by the state and local government on intergovernmental transfers, which can otherwise distort local spending priorities. Four

general principles requires consideration in assigning taxing powers to various government (Anwar Shah 2007).

- i. First, the economic efficiency criterion dictates the taxes on mobile factors and tradable goods that have a bearing on the efficiency of the internal common market should be assigned to the national government subnational assignment of taxes on mobile factor may facilitate the use of socially wasteful beggar-they-neighbor policies to attract resources to own areas by regional and local government.
- ii. Second, national equity considerations warrant that progressive rides attribute taxes should be assigned to national government. This assignment limits the possibility of regional and local governments following perverse redistributive policies using both taxes and transfer to attract high-income people and to repel low income people. Doing so however, leaves open the

possibility of supplementary, plant rate, local tax and resident base national taxes.

- iii. Third, the administrative feasibility criterion (lowering compliance and administrative cost) suggest that taxes should be applied to the jurisdiction with the best ability to monitor relevant assessment. This criterion minimize administrative cost as well as the potential for tax evasion. For example, land properties and betterment taxes an good candidates for local assignment because local government are in better position to assess the market value of such assets.
- iv. Fourth, the fiscal need, or revenue adequacy criterion suggest that to ensure accountability, revenue means the ability to take revenues from one sources should be matched as closely as possible with expenditure needs. The literature also argues that long- lived assets should primarily be financed by raising debt to ensure equitable burden sharing across generations

The final element of this basic theory to note is the need for fiscal equalization. Maneur Olson argues in a paper by Adenuga and Ogechi (2013) that, if a political jurisdiction and benefits area overlaps, the free-rider problem is over section have boosted internally generated revenue (IGR) and this has been utilized in providing social services to the citizens. Some of these includes:

- I. Integrated mass transit system. In 2011, the Edo state government created the Edo state transport service signaling its intention to re-orient the way in which transport services were managed. One of the most effective of ETS's initiative has been the introduction of the comrade Bus system. A fleet of high-capacity buses runs on a segregated, dedicated lane for about 65 percent of the state, significantly reducing cost of transportation.
- II. Health care services: The Edo state government has been constructive in the provision of health care services to the people

and introduction of primary health care service to the rural communities.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 INTRODUCTION**

The entire focus of this chapter is on the research methods available and adopted in collecting data and processing them in achieving the objectives of this research work. The target population of the study and the techniques of sampling employed is stated in this section. This aspect of the research will discuss the selected research instrument to be used in data collection and its characteristics.

#### **3.1 RESEARCH DESIGN**

According to Selliz et al (as cited in Asika 2010) a research design is the arrangement of condition and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. Kothari (2004), also stated, “The research design is the conceptual structure within which research is conducted. It constitutes the blueprint for the

collection, measurement and analysis of data. As such the design includes an outline of what the researcher will do from writing the hypothesis and its operational implications to the final analysis of data. As such the design includes an outline of what the researcher will do from writing the hypothesis and its operational implications to the final analysis of data.

This research is expository. It involved the gathering of information to give a general overview of the revenue generation strategies. This research design is based on population characteristics and representative sample of the population. It is structured to obtain data using questionnaires administered to the respondents.

### **3.2 POPULATION OF STUDY**

The target population of study is the number of elements or attributes in our focus of interest. From this population, samples are selected to gather data for analysis and interpretation. The focus of this research work is on the eligible individual taxpayer and organizations in Edo state. These include workers in both the formal and informal sector.

Those in the formal sector and all civil servant and officers with their different salary level and proportionate tax rates E.g Teachers, Doctors. Accountants, all workers at the state and local government level. The informal sector form a large percentage of the working or taxable population of Edo State they include all self employed and their employees and agents. The sample population for this study, consist of two (2) Local Government Area purposively selected out of the 18 Local Government areas in Edo State, Nigeria being homogenous and having no selection bias.

### **3.3SAMPLE SIZE AND SAMPLING TEACHINQUE**

The sampling technique that was employed for this research is the cluster sampling technique. 18 local governments which form Edo state will be grouped into clusters, two of them (Egor and Ovia north east) will be selected as our sample. A simple random sample of 200 will be drawn from Egor which had a population of 339,899 at the 2006 census and Ovia north east which had a population of 153,849 at the 2006 census. The

sample size includes all individuals that pay taxes: those that receive salaries and those that are self-employed.

### **3.4 SOURCES OF DATA**

In the course of the research work, both primary and secondary sources of data were used. Primary data included oral interviews and questionnaires issued to respondents. Secondary data were obtained for literature review and for analysis. Sources of secondary data include textbooks, tax bills, newspaper articles, published journals, reports as well as statistics from the Edo state treasury.

### **3.5 INSTRUMENT OF DATA COLLECTION**

The research instrument of data collection is the questionnaires which were distributed to the respondents in the study location. The questionnaires will be administered personally to the respondents. The questionnaire will be divided into two sections: Section A, consist of the respondents Bio data while in section B, tabular format will adopted for

questions related to the study. The questions will be read orally for those who may be in a hurry and unable to read the questions and their responses will be ticked on the questionnaire.

### **3.6 TECHNIQUES OF DATA ANALYSIS**

The simple percentage analysis was used for effective drawing of inferences from the questions that have direct relationships with the hypothesis based on the manual labor of analysis. This procedure is the main tool of analyzing the data because the respondents were closely interviewed. When the percentage is high, it would imply that the respondents had a positive response to the question that was asked and vice versa.

## **CHAPTER FOUR**

### **DATA PRESENTATION AND ANALYSIS**

#### **4.0 INTRODUCTION**

This chapter deals with the presentation and analysis of collected data from the questionnaires administered to respondents. Questionnaires were divided into sections. Section A consists of the respondent's Bio data such as age, sex, qualification, position, etc. In section B, a tabular format was adopted for questions related to all the objective of the study. It was structured in columns, rows, and each column represents the observed response while the rows are the variables.

Of the 200 copies of questionnaires administered only 150 copies were validly completed and returned by respondents. The questionnaires were administered over the local government of Egor and Ovia North East.

#### 4.1 ANALYSIS OF RESPONDENTS DATA

TABLE 1 Gender of the respondents

<b>GENDER</b>	<b>FREQUENCY</b>	<b>PERCENTAGE</b>
Male	80	53.33 %
Female	70	46.67%
Total	150	100%

Source: Field work 2023

The table 1 above shows that 80 respondents are male and 70 respondents is female which represent 53.33 % and 46.67 % respectively. The result shows that majority of the respondents are male.

Table2: Age of respondents

<b>AGE</b>	<b>FREQUENCY</b>	<b>PERCENTAGE</b>
21-30 years	30	20%
31-40 years	88	58.67%
41-50 years	17	11.33%
51-60 years	15	10%
Total	150	100 %

Source: Field Work, 2023

The table two above shows that 30 respondents are between the age of 21 and 30 which represent 20%, 88 respondents are between the age of 31 and 40 which represent 58.67 %, 17 respondents are between the age of 41 and 50 which represents 11.33 % and 15 respondents are between the age of 51 and 60 which represents 10 %. The result shows that the majority of the respondents are matured, between the age of 31 and 40 years.

Table 3: Marital status of the respondents

<b>MARITAL STATUS</b>	<b>FREQUENCY</b>	<b>PERCENTAGE</b>
Single	50	33.33%
Married	100	66.67%
Total	150	100%

Source: Field Work, 2023.

The table 3 above shows that 50 respondents are single which constitutes 33.33% of the study while 100 respondents are married which constitute 66.67% of the study. This results shows that more married people are amongst the respondents.

Table 4: Rank/ Positions of the respondents

<b>RANK/POSITION</b>	<b>FREQUENCY</b>	<b>PERCENTAGE</b>
Top management	48	32%
Middle management	51	34%
Junior management	51	34%
Total	150	100%

Source: Field Work, 2023

The table 4 above shows that 48 respondents are top management level which represent 32 % while 51 respondents are middle management which represent 34% of the study and finally, 51 respondents are low level management which represent another 34%. The result shows that the respondents are evenly distributed among the three management levels.

Table 5: Educational qualification of the respondents

<b>EDUCATION/QUALIFICATION</b>	<b>FREQUENCY</b>	<b>PERCENTAGE</b>
HND/Bsc	120	80%
Masters/PhD.	20	13.33%
Professionals	10	6.67%
Total	150	100%

Source: Field Work, 2023.

The table 5 shows that 120 respondents have HND/Bsc which represents 80%, 20 respondents have MASTERS/PhD which represents 13.33% and 10 respondents have professional qualification which represents 6.67%. The result shows that more of the respondents are HND/Bsc holders.

Table 6: Working Experience

<b>WORKING EXPERIENCE</b>	<b>FREQUENCY</b>	<b>PERCENTAGE</b>
1 year -5 years	45	30%
6 years – 10 years	69	46%
11 years – 15 years	30	20%
16 years-20years	3	2%
Above 20 years	3	2%
Total	150	100%

Source: Field work 2023.

The table 6 above shows that 45 respondents have between 1-5 years working experience which represent 30 %, 69 respondents have between 6-10 years working experience which represents 46 %, 30 respondents have between 11 -15 years working experience which represent 20%, 3 respondents have between 16 -20 years working experience which represent 2 % and 3 respondents have above 20 years of working experience. The

experiences gathered will enable the respondents be a better judge for this study.

#### 4.2 DATA ANALYSIS ACCORDING TO RESEARCH QUESTIONS

<b>S/ N</b>	<b>ITEM</b>	<b>AGREE</b>	<b>DISAGRE E</b>	<b>UNDECIDE D</b>	<b>Total</b>
<b>1</b>	Edo state government is doing enough to create awareness about the importance of paying taxes.	<b>30 (20%)</b>	<b>120 (80%)</b>	<b>0 (0%)</b>	<b>150 (100%)</b>
<b>2</b>	The level of infrastructural development has encouraged more people to pay their taxes.	<b>90 (60%)</b>	<b>60 (40%)</b>	<b>0 (0%)</b>	<b>150 (100%)</b>
<b>3</b>	Tax enforcement laws in Edo state are adequate.	<b>110 (73.33%)</b>	<b>40 (26.67%)</b>	<b>0 (0%)</b>	<b>150 (100%)</b>

		)			)
<b>4</b>	There would be more infrastructural development in Edo state if citizens pay their taxes regularly.	<b>120</b> <b>(80%)</b>	<b>30</b> <b>(20%)</b>	<b>0</b> <b>(0%)</b>	<b>150</b> <b>(100%)</b>
<b>5</b>	The effect of revenue generation is rated on provision of social amenities.	<b>100</b> <b>(66.67%)</b>	<b>50</b> <b>(33.33%)</b>	<b>0</b> <b>(0%)</b>	<b>150</b> <b>(100%)</b>
<b>6</b>	Non-residents of Edo state contribute to the revenue generation.	<b>130</b> <b>(86.67%)</b>	<b>20</b> <b>(13.33%)</b>	<b>0</b> <b>(0%)</b>	<b>150</b> <b>(100%)</b>
<b>7</b>	Edo state is ahead of other states in the provision of basic infrastructures.	<b>100</b> <b>(66.66%)</b>	<b>37</b> <b>(24.67%)</b>	<b>13</b> <b>(8.67%)</b>	<b>150</b> <b>(100%)</b>
<b>8</b>	The infrastructural	<b>100</b>	<b>20</b>	<b>30</b>	<b>150</b>

	development in Edo state is as a result of effective and efficient tax administration.	<b>(66.67%)</b> )	<b>(13.33%)</b>	<b>(20%)</b>	<b>(100%)</b> )
<b>9</b>	Revenue generation agencies in Edo state are effective.	<b>105</b> <b>(70%)</b>	<b>45</b> <b>(30%)</b>	<b>0</b> <b>(0%)</b>	<b>150</b> <b>(100%)</b> )
<b>10</b>	The internally generated revenue in Edo state has been poor.	<b>28</b> <b>(18.67%)</b> )	<b>122</b> <b>(81.33%)</b>	<b>0</b> <b>(0%)</b>	<b>150</b> <b>(100%)</b> )
<b>11</b>	The increase in revenue generation in Edo state has increased the well-being of the citizens.	<b>95</b> <b>(63.33%)</b> )	<b>37</b> <b>(24.67%)</b>	<b>18</b> <b>(12%)</b>	<b>150</b> <b>(100%)</b> )
<b>12</b>	Edo state internal revenue service has achieved the purpose it	<b>102</b> <b>(68%)</b>	<b>43</b> <b>(28.67%)</b>	<b>5</b> <b>(3.33%)</b>	<b>150</b> <b>(100%)</b>

	was created for.				)
<b>13</b>	The strategies of EIRS has increased revenue base in Edo state.	<b>70</b> <b>(46.67%</b> )	<b>65</b> <b>(43.33%)</b>	<b>15</b> <b>(10%)</b>	<b>150</b> <b>(100%</b> )
<b>14</b>	Edo state government is generating its expected revenue.	<b>56</b> <b>(37.33%</b> )	<b>72</b> <b>(48%)</b>	<b>22</b> <b>(14.67%)</b>	<b>150</b> <b>(100%</b> )

### 4.3 TESTING OF HYPOTHESES

The simple percentage system would be used to determine the degree of responses to the questionnaire used for this research work. The research hypotheses would be accepted, if the positive responses are 70% and above, while the null hypotheses would be rejected. But if the positive responses are lesser than 70%, the null hypotheses would be accepted while the research hypotheses would be rejected.

## **HYPOTHESIS 1**

H<sub>0</sub>: The strategies of the federal inland revenue service has not increased revenue base in Edo State.

H<sub>R</sub>: The strategies of the federal inland revenue service has increased revenue base in Edo State.

To test this hypothesis, the researcher uses the response to question No. 1, 2, 6, 9, 10, 11 and 13.

Question 1: Edo state government is doing enough to create awareness about the importance of paying taxes.

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Agree	30	20%
Disagree	120	80%
Undecided	0	0%
Total	150	100%

The above table of 30 respondents representing 20% of the sample population says that, Edo state government is not doing enough to create awareness about the importance of paying taxes while 120 respondents representing 80% disagree. This shows that Edo state has not done enough in creating awareness about tax payments.

Question 2: The level of infrastructural development has encouraged more ppl to pay their taxes.

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Agree	90	60%
Disagree	60	40%
Undecided	0	0%
Total	150	100%

The table shows that 90 or 60% of the respondents agreed that the level of infrastructural development has encouraged more people to pay their taxes

while 60 or 40% disagreed. This means that the level of infrastructural development in Edo state is a motivation to citizens to pay taxes.

Question 6: Non-residents of Edo state contribute to revenue generation.

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Agree	130	86.67%
Disagree	20	13.33%
Undecided	0	0%
Total	150	100%

The above table shows that 130 or 86.67% of the respondents agreed that non-residents of Edo state also contribute to revenue generation in the state while 20 or 13.33% of the respondents did not agree. This means that the presence of non-resident individuals who pay taxes in Edo state also help to increase the revenue level of the state.

Question 9: Revenue generation agencies in Edo state are effective.

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Agree	105	70%
Disagree	45	30%
Undecided	0	0%
Total	150	100%

The above table shows that 105 or 70% of the respondents are of the view that the revenue generation agencies has been effective while 45 or 30% disagreed. This also means that the revenue generation agencies in Edo state have been working effectively.

Question 10: The internally generated revenue in Edo state has been poor.

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Agree	28	18.33%
Disagree	122	81.33%
Undecided	0	0%

Total	150	100%
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From the above table, it can be seen that 28 or 18.33% of the respondents agreed that the internally generated revenue in Edo state has been poor while 122 or 81.33% of the respondents were of the view that the internally generated revenue of Edo state has not been poor. This means that Edo state's internally generated revenue has been adequate.

Question 11: The increase in revenue generation in Edo state has increased the well-being of the citizens.

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Agree	95	63.33%
Disagree	37	24.67%
Undecided	18	12%
Total	150	100%

The table above shows that 95 or 63.33% of the respondents agreed that the increase in revenue generation in Edo state has increased the well-being of the citizens, 37 or 24.67% of the respondents disagreed while 18 or 12% of the respondents were undecided about the question.

Question 13: The strategies of Edo state internal revenue service has increased revenue base in Edo State.

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Agree	70	46.67%
Disagree	65	43.33%
Undecided	15	10%
Total	150	100%

The above table shows that a total of 70 respondents representing 46.67% of the sample population say that, the strategies of the Edo state internal revenue service which is a body under federal inland revenue service has increased revenue base in Edo State, 65 respondents representing 43.33%

disagreed while 15 respondents representing 10% of the population were undecided about the question. This shows that the strategies of the Edo state internal revenue service has increased revenue base in Edo State.

From the above interpretation, the null hypothesis ( $H_0$ ) is rejected, while the research hypothesis ( $H_R$ ) is accepted. That is, the strategies of the Edo state internal revenue service has increased revenue base in Edo State.

## **HYPOTHESIS 2**

$H_0$ : Edo state government is not generating its expected revenue.

$H_R$ : Edo state government is generating its expected revenue.

To test this hypothesis, the researcher uses the responses to question No 3, 4, 5, 8, 12 and 14.

Question 3: Tax enforcement laws in Edo state are adequate.

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Agree	110	73.33%
Disagree	40	26.67%
Undecided	0	0%
Total	150	100%

The above table shows that 110 or 73.33% of the respondents agreed that tax enforcement laws in Edo state are adequate while 40 or 26.67% of the respondents believe that tax enforcement laws in Edo state are not adequate.

Question 4: There would be more infrastructural development in Edo state if citizens pay their taxes regularly.

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Agree	120	80%
Disagree	30	20%
Undecided	0	0%
Total	150	100%

The statistics in the table above shows that 120 respondents representing 80% of the sample population says that there would be more infrastructural development in Edo state if citizens pay their taxes regularly while 30 respondents representing 20% of the sample population did not agree.

Question 5: The effect of revenue generation is rated on provision of social amenities.

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Agree	100	66.67%
Disagree	50	33.33%
Undecided	0	0%
Total	150	100%

The above table shows that a total of 100 respondents representing 66.67% of the sample population agreed that the effect of revenue generation is rated on the provision of social amenities while 50 respondents representing 33.33% of the sample population disagreed.

Question 8: The infrastructural development in Edo state is as a result of effective and efficient tax administration.

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Agree	100	66.67%
Disagree	20	13.33%
Undecided	30	20%
Total	150	100%

The figures shows that 100 or 66.67% of the respondents, agreed that the infrastructural development in Edo state ia as a result of effective and efficient tax administration, 20 or 13.33% disagreed while 30 or 20% of the respondents were undecided about the question.

Question 12: Edo state internal revenue service has achieved the purpose it was created for.

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Agree	120	68%
Disagree	43	28.67%
Undecided	5	3.33%
Total	150	100%

The table above shows that 120 or 68% of the respondents agreed that the Edo state internal revenue service has achieved the purpose it was created for, 43 or 28.67% disagreed while 5 or 3.33% were undecided about the question.

Question 14: Edo state government is generating its expected revenue.

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Agree	56	37.33%
Disagree	72	48%
Undecided	22	14.67%
Total	150	100%

The above table shows that 56 respondents representing 37.33% of the sample population agreed that Edo state is generating its expected revenue, 72 respondents representing 48% disagreed, while 22 respondents representing 14.67% were undecided about the question. This shows that a large number of the respondents are of the view that Edo state is not generating its expected revenue.

From the above interpretation, the null hypothesis ( $H_0$ ) is accepted, while the research hypothesis ( $H_0$ ) is rejected. That is Edo state is not generating its expected revenue.

**CHAPTER FIVE**  
**DISCUSSIONS OF FINDINGS, CONCLUSION AND**  
**RECOMMENDATIONS**

**5.0 INTRODUCTION**

This chapter attempts to interpret and summarize the major findings of this research work based on the test carried out. The research questions at the beginning of this work are listed to determine the degree and extent of reliability and validity of the finding from which correlations are drawn and recommendations are made.

**5.1 DISCUSSION OF FINDINGS**

The statistical analysis used for this study revealed that the effect of internal revenue generation has led to major infrastructural development and provision of basic social amenities to the citizens of Edo state.

It was however observed that a fair number of non- resident who work in Edo state add their quota to revenue generation. It was also discovered that the infrastructural development in Edo state is because of adequate

generated revenue and the revenue generation supports the government in fulfilling its duties of securing lives and properties and advancing the economic wellbeing of the citizens of the state.

Furthermore, it was observed that Edo state provides basic infrastructures for her citizens, this was largely attributed to an efficient and effective tax administration in place in Edo state amidst the enabling laws and autonomy of tax authorities generating adequate internal revenue.

However, the study brought to light the role played by tax consultant with result suggesting that the Edo state internal revenue service (EIRS) can be equipped to generate adequate revenue by training of her staffs and thus has no use for tax consultants. This is seen in the results suggesting that the citizens perceive that the tax burden increase with the use of consultant. Findings from this study buttress the fiscal federation theory adopted in this work. The theorem suggests that the state and local government be closer to the people, be more responsive to the particular preferences of their constituencies and will be able to find new and better

ways to provide these services. This is evident in this research work as the Edo state government has been able to respond to the needs of its citizens. The gains to an increased size of the region arise from the larger number of people over which the average cost of service provision can be spread. On the other hand, efficiency losses from increased size of region arise from congestion. That is when the number of people with whom the public goods must be shared increases, this reduces the quality of goods. In the case of Edo state, although there is a relatively large population from which to generate revenue, the impact of the increased revenue is not readily felt across the state as a number of people still disagree that the government has done enough. The efficiency and effectiveness of the tax administration in Edo state is thus seen as a major reason behind the increased internal revenue generation of the state in fulfilling its obligations to the citizens and has attempted to impact on their lives with positive feedback from the citizenry.

## 5.2 CONCLUSION

Given the very low starting level of internally generated revenue (IGR) in 1999, the continuous improvement in revenue collection since the return to democracy is not a sufficient proof of the efficiency of the revenue administration in Nigeria. There remains a significant scope to improve the performance of tax revenue. For example, the Edo state does not draw much from its property tax base. While property taxes account for a substantial share of municipal budget around the world ranging from an average of 20 percent in India, over fifty percent in Germany and 70 percent in many countries in USA, property tax rate in Edo have been historically low.

In 2008, actual collection from property tax was 2 percent of internally generated revenue against the estimated potential of over 15 percent (World Bank Review 2023). Results of property tax reforms, initiated in 2001 have remained elusive, at least in part due to its poor implementation and administration. However, this Edo state government is

committed to re-launch its original plan to improve property tax collections, as the potential yield from this revenue source remain substantial in the medium term.

Although IGR has increased, it has also increased cost. To entrepreneurs that still face a very challenging overall environment for doing business in Edo state. The sharp increase in IGR achieved during the last decade exploited some lower and more visible tax payers and sustaining this pace of growth has proved to be challenging (world bank review, 2010).

Furthermore, tax collection cost remain high in spite of the significant reforms undertaken by the state government, the electronic banking system of revenue cycle management (EBSRCM) has raised questions regarding the level of its operating cost. The consultancy service cost about 10 % of total IGR collected. This represent a higher cost than is typically found in Western revenue administrations where cost of collections of less than 3 percent are common (world Bank Review, 2014). The percentage currently charged should be negotiated by the government

downward, especially given that revenue are likely to continue to grow in the medium term. Addressing the high collection cost will be critical to sustaining gains in revenue collection. This will also require building the capacity of the Edo state board of internal revenue to enable them take over a number of functions currently profited by the consultants.

While Edo state reduced in poverty rate, the lowest of any Nigerian state, this still implies that some 1.5 million Edo citizens live below the poverty line. Thus, the number poor citizens are still high, and new poor migrants continue to pour into the city. The widening of the tax net may affect some poorer citizens. The Edo state government have prioritized the development of a culture of tax compliance that includes bringing smaller tax payer into the tax net. While this policy represent a continuation of Edo state programme to solidify a culture of tax compliance on its territory, which have generally brought positive dividends to poorer Edo citizens. There is a possibility of a negative impact on some smaller tax payers who currently work entirely in the informal sector.

### **5.3 RECOMMENDATION**

Based on the study, the following actions are recommended.

1. Edo state tax officials should be properly trained and equipped to take-over the Job of tax consultants. This would help to reduce the overall cost of tax collection and in turn to reduce the burden on Tax payers.
2. There should be clear-cut policies for tax administration to avoid duplicity of taxes between the state government and the local government that is double taxation.
3. There should be wide spread public awareness on the tax administration process. Most of the citizens are in the dark about the process. The tax administration process should be made more transparent through enlightenment campaigns.

4. The tax should be broadened to include the informal sector of the Edo state economy. This will involve recruiting of tax officials that are close to the people and easy relatable.

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## **APPENDIX**

**DEPARTMENT OF POLITICAL SCIENCE AND PUBLIC  
ADMINISTRATION  
FACULTY OF SOCIAL SCIENCES  
UNIVERSITY OF BENIN  
BENIN CITY.**

I am a (400 level) student of the above named institution. I am writing a research project on the topic: An assessment of revenue generation strategy in the public sector, A case study of federal inland revenue service (FIRS), Benin city. Please this is purely for academic purpose any information given will be treated/handled confidentially.

### **INSTRUCTION.**

Please tick [] in the appropriate box applicable to your responses

### **Section A Bio Data**

#### **1. Gender**

Male [  ]    Female [  ]

#### **2. Age**

21-30 years [ ] 31-40 years [ ] 41-50years [ ] 51 and  
above [ ]

**3. Marital status**

Single [ ] Married [ ]

**4. Rank/Position**

Top management [ ] Middle [ ] Junior management [ ]

**5. Educational qualification**

HND/Bsc [ ] Masters / Phd [ ] Professionals [ ]

**6. Working experience**

1-5 years [ ] 6-10 years [ ] 11-15 years [ ] 16-20 years  
[ ]

Above 20years [ ]

## Section B: Questions on the research

S/N	ITEM	AGREE	DISAGREE	UNDECIDED
1	Edo state government is doing enough to create awareness about the importance of paying taxes.			
2	The level of infrastructural development has encouraged more people to pay their taxes.			
3	Tax enforcement laws in Edo state are adequate.			
4	There would be more infrastructural development in Edo state if citizens pay their taxes regularly.			
5	The effect of revenue generation is rated on provision of social amenities.			

<b>6</b>	Non-residents of Edo state contribute to the revenue generation.			
<b>7</b>	Edo state is ahead of other states in the provision of basic infrastructures.			
<b>8</b>	The infrastructural development in Edo state is as a result of effective and efficient tax administration.			
<b>9</b>	Revenue generation agencies in Edo state are effective.			
<b>10</b>	The internally generated revenue in Edo state has been poor.			
<b>11</b>	The increase in revenue generation in Edo state has increased the well-being of the citizens.			
<b>12</b>	Edo state internal revenue service has achieved the purpose it was created for.			

<b>13</b>	The strategies of EIRS has increased revenue base in Edo state.			
<b>14</b>	Edo state government is generating its expected revenue.			