Evaluation of Landbased Revenue and Internally Generated Revenue in Enugu State Nigeria

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Abstract: **Annual budget of government contains all necessary expectations and activities earmarked for the year and some of these expectations fall short of the original design. This study investigated the extent of difference between projected recurrent revenue and the actuals from 2006 to 2019. Contribution of land-based revenue to the internally generated revenue and the growth of land-based revenue and internally generated revenue. The purpose is to evaluate the state performance in economic planning and revenue generation. Data sourced from the annual report of Enugu state accountant general was used. With the use of descriptive statistics is was discovered that the state land-based revenue estimates failed within the entire period to realize what was projected except in 2010 and the performance of her internally generated revenue was very poor. Average contribution of land based revenue to the internally generated revenue was 9% and the growth rate of land based revenue and internally generated revenue are 4.92% and -41% respectively. The study recommended a modernized revenue generation system and strategy for the state and evidenced based internally generated revenue determination approach.**

Keywords: **Land-based Revenue, Internally Generated Revenue, Enugu State, Economic planning, Revenue sources**

I. INTRODUCTION

Funds which state governments can generate within their jurisdiction are termed internally generated revenue and it is a major part of the state budget which guides government activities and programs. Various sources of internal revenue available to state governments as contained in accountant general's annual financial report includes taxes, fines and fees, licenses, earnings & sales, rent on government property, interests and dividends, among others and the viability of a state is measured in her capacity to generate revenue internally. Babalola (2009) submitted that the provision public infrastructure like schools, roads, health centers require huge government spending, especially in these modern times and internally generated revenue is a critical determinant of what can be done in this regard. So also, provision of adequate security, housing and many others. Therefore, the need for improved revenue at all levels of government has become imperative, given the expenditure profile of government aimed at reducing poverty, generating employment, boosting growth and creating wealth.

Nigerian constitution of 1999 identified numerous sources of revenue for different tiers of government and yet over 80% of the annual revenue of the three tiers of government still comes from petroleum and has been so since 1970s. However, the serious drop in the price of oil in recent years has led to a decrease in the funds available for distribution to the states. Kiabel and Nwokah (2009) were of the opinion that the need for state governments to generate adequate revenue from internal sources is of utmost importance. Government must identify new sources of raising IGR or become aggressive and innovative in the mode of collecting revenue from existing sources (Nwafor and Onyejiaka, 2018).

The increasing cost of running government coupled with dwindling revenue has led various state governments in Nigeria to formulate strategies to improve their revenue base. Enugu state automated all tax payments through pay direct system, brought all land-based taxes by the state and local governments into the single Enugu State Land Use Charge Amendment Law (2017). Introduced Enugu State Social Benefit Number as a tax card which will digitally document and increase the state's tax database, approved 50% discount of all assessed Land Use Charge payment for Year 2020, and also approved 50% discount on all assessed Capital Gains Tax (CGT) till December, 2020. These ideas resulted to increase in state IGR from N14.2b in 2016 to N31.7b at the end of 2019 (Nwakanma, 2020*)*. Which was not a straight upward curve though within the interval. It rose to N22b in 2017, declined by one per cent (N21b) in 2018 and then grew majestically to N31.7b in 2019. But in all, within a space of 3years these ideas resulted to 45% growth in IGR.

On the other hand, in government annual plan, otherwise known as budget, land based tax is a major component of the internally generated revenue, giving the enormous receipts that comes in through the sector. Oyedele(2017) opined that all states that can manage her land based revenue will be viable citing all the available revenue windows the sector enjoys. Fatokun(1995) said it is a significant contributor of revenue for governments worldwide. Rabiu (1998) submitted that 12-24% of the local government revenue in Lagos state comes from property rate. Therefore, in budget planning, the need to examine what comes from this sector and the overall performance need not be overemphasized.

During budget preparation, communities are expected to submit their chatter of demand, after which relevant stakeholders are invited for intensive deliberations and then call up letters are sent to ministries, departments and agencies of government to submit their estimates. A bilateral discussion will be held with heads of these departments and agencies after which the summary will be submitted as a bill to the state legislature. By virtue of financial regulation, the accountant general is under legal obligation to present annual financial report to the state based on the estimates made at the beginning of the year with actuals of all incomes and expenditure. These incomes vary from what was expected to the actuals. A study by Nwafor and Onyejiaka (2018) observed that there was a huge gap in projections made and actuals received on deed fees, a type of land based tax in Anambra, Enugu and Ebonyi states from 2005 to 2017.

Therefore, there is need to know the performance (estimated and actuals) of land based revenue and internally generated revenue from 2006 to 2019 in Enugu state, the contribution of land based revenue to the IGR and the growth rate of land based revenue and internally generated revenue of the state within the same period.

The question now is; what is the difference between projected land based revenue, internally generated revenue and the actuals of both in Enugu state from 2006 to 2019. What is the contribution of land based revenue to the IGR and what is the growth rate of land based revenue and internally generated revenue in Enugu state within the studied interval?

II. BACKGROUND ISSUES

2.1. Brief History Of Enugu State

Enugu State is in the South East geo-political Zone of Nigeria, created in 1991. It is located at $6_0$30'North of Equator, and $7_0$30' East of Latitude. It is plus one hour (+1hr) GMT on the World Time Zone (Enugu State Government[ENSG], 2019) and shares border with the following states: Abia and Imo to the south; Ebonyi to the east, Benue to the north-east, Kogi to the north-west and Anambra State to the west (Nweze, J. 2002). It includes most of the Udi-Nsukka Plateau, which rises to more than 1,000 feet (300 m) and is covered by open grassland, with occasional woodlands and clusters of oil palm trees. The state covers an area of 7,161 km2 (2,765sq mi), and ranks 29th out of the 36 States of Nigeria in terms of land area. All year round there is a good climatic condition in the state. The hottest month is February with about 87.16 $_0$F (30.64 $_0$C), while the lowest temperature is recorded in November/December, reaching about 60.54 $_0$F (15.86 $_0$C). lowest rainfall of about 0.16 cubic centimeters (0.0098 cu in) is recorded in February, while the highest rainfall is recorded in July at about 35.7 cubic centimeters (2.18 cu in) (ENSG, 2019).

With an estimated population of 4,411,119 as projected by the Nigerian bureau of statistics, it ranks 23rd out of the 36 States of the federation (Nigerian Bureau of Statistics[NBS], 2017). Enugu State is also densely populated, and is rated at 460/km2 (1,200/sq mi). This is regarded as one of the highest in Africa. However, demographers have however, continually put the realistic population figure of Enugu State at six million (ENSG, 2019). The State's area code is 042, while its ISO 3166 code is NG-EN.

The state since 2015, waived the payment of Personal Income Tax, as well as Market Tax, for all traders in the major markets of the State. The waiver which is part of this administration's pro-poor policies and which is still in force today will be sustained till the end of this administration as released from (internal revenue service of the state[IRS], n.d). other release from the office includes; waiver of penalty and interest charged for late remittance of Pay As You Earn (PAYE) deductions is hereby granted from January to December 2020 for all sectors, 50% discount on all assessed Capital Gains Tax (CGT) from now till December, 2020, 50% discount to all Personal Income Tax Assessment issued to owners of Schools and Hotels for Year 2020, 50% discount of all assessed Land Use Charge payment for Year 2020, waiver of Penalty and Interest on Land Use Charge for 2018 and 2019 once payment is made before December, 2020(ENSG, 2019).

2.2. Internal Revenue Sources For Some States In Nigeria

Fundamentally, the Nigerian Constitution of 1999 as amended recognized taxes and levies that are within the jurisdiction of federal, state and local government areas in the country. A cursory glance at it shows that State Government mainly has jurisdiction over the imposition and collection of taxes and levies such as personal income tax, withholding tax for individuals, capital gains tax for individuals, stamp duties on instruments executed by individuals, pools betting, lotteries, gaming and casino taxes. Others are road tax, business premises registration, development levy for individuals, naming of street registration fees in state capitals, right of occupancy fees on lands owned by state government, market taxes and levies where state finance is involved, hotel, restaurant or event center consumption tax (where applicable). There is also entertainment tax (where applicable), environmental (ecological) fee/levy, mining, milling and quarry fees (where applicable), animal trade tax (where applicable), produce sales tax (where applicable) and abattoir fees (where state finance is involved). In addition, there is infrastructure maintenance levy (where applicable), fire service charge, economic development levy (where applicable), social services contribution levy (where applicable), property tax and land use charge (where applicable), signage and mobile advertisement jointly collected by states and local governments (2010 Amendment, Nigeria 1999 Constitution). It is also worthy to mention that some of these taxes could be jointly administered between state/local and federal government.

Dependence on taxes as major source of revenue for developmental needs of the state might be inadequate as submitted by (Ekankumo & Braye, 2011), available reports from some states in the country shows that huge financial resources can be generated through IGR with the right political will and policies in place. An example of such policies in this regard is the employment of the services of tax consultants in tax related activities (Kiabel & Nwokah, 2009). NBS (2017) revealed that 22 states in Nigeria earned N1.1 trillion as IGR. This is against about N682.7 billion and N707.9 billion generated in 2015 and 2014 respectively by 36 states in the country (NBS, 2017). Disaggregation of the total amount generated in 2020 among the states shows that Lagos State which had consistently generated the highest IGR over the years gulped about N418.99 billion which increased by 20.26Billion when compared with N398.73 generated in 2019. Rivers State was second with about N117.19 billion, while Enugu and Anambra States recorded 23.64billion and 28.01billion respectively.

III. BRIEF LITERATURE REVIEW

Outcomes of various studies on State governments' internally generated revenue in Nigeria suggest that the average performance of the states in most fiscal management questions is not laudable. Agu (2010), examined the performance of internally generated revenue in Nigeria using the five south-eastern states as his case study, and discovered that the performance of IGR in this region was substantially poor in relation to the total revenue of these states. Results from the study posit that the inconsistencies in the fiscal management of these states translated to the inconsistencies in IGR management and overall performance. He further submitted that there was a significant skewness in the internal revenue sources of the states. Nonetheless, there exists inadequate exploitation of many of the sources of internal revenue and over exploitation of others in the states. While taxes constitute the major source of internal revenue, other sources such as earnings and sales, rent on government property, interests, dividends, licenses, fees and fines are under-exploited by the state governments. The non-performance of other sources of internal revenue has more to do with a faulty IGR management system than it has with availability of such sources.

With the challenge of poor IGR in the states, there is obviously every need for total overhauling and reassessment of private sector relationship. Such reassessment should improve government's role as a facilitator of private enterprise and a partaker of its profits. A number of studies have been conducted on improving states revenue. Recommendations of these studies include improving efficiency in revenue collection from existing sources, increase in the rate of existing taxes and broadening the revenue base by introducing new taxes, increasing financial transfers and additional revenue sources from the centre to the state governments, greater fiscal discipline, among several means to increase revenue of state governments (See Anyanwu, 1999; Alade, 1999; Ekpo, 1999 &Agu 2010).

Some studies have also been conducted on Nigeria's fiscal federalism. These range from analyzing revenue and expenditure decentralization and financial autonomy of the different tiers of government as in (Agba and Obi, 2006; Ekpo 2004; Adesopo and Asaju, 2004; Jimoh 2003) to Local government financing. In Nigeria, the term 'resource control' has almost come to assume a life of its own, defining the contention between proponents of increased revenue devolution and federalists who fear that accountability is still too weak at the state government level to allow for such high devolution. Agba and Obi (2006), for instance, analyzed data on the federation account in relation to the unending contention about allocations to the different tiers of government. They calculated indices of revenue and expenditure decentralization and financial autonomy of the three tiers of government and concluded that expenditure power is concentrated at the federal government. They identified the usual non-correspondence between revenue and expenditure assignment especially to other tiers apart from the federal government and recommended conscious effort to allocate more revenues to the state governments.

Kiabel and Nwokah (2009) in their study on boosting internally generated revenue by state governments in Nigeria and posits that IGR performance was abysmally poor before the introduction of External Tax Consultants in Nigeria. He therefore recommended for the retention and efficient use of the External Tax Consultants in order to improve the internally generated revenue of the states. Citing Rivers state as a case study, the authors discovered that judicious use of External Tax Consultants drastically increased her IGR from N204,750,800 in 1991 to N7,657,340,922 in 1998. This astronomical increase was as a result of the innovation brought into the tax system by the External Tax Consultants. But on the other hand, Naiyeji (2011) is of the opinion that instead of using external consultants, modernizing tax system which is increasing the tax base will enhance revenue yield.

On how to stimulate internal revenue of the state governments, Ekankumo and Braye (2011) submitted that the dependence on taxation as the major source of internal revenue may not be the way out of increasing revenue to meet the consistently increasing capital and recurrent expenditures of the state governments. They discovered the failure of the use of taxation as the major source of internal revenue but revisited the entrepreneurial option as the only viable means to sustainable development, eradication of poverty and improving the fight against unemployment. To increase internal revenue in the states the authors therefore recommended the need for human capacity development in the areas of entrepreneurship, systematic sensitization process through constructive training and retraining of government officials and development of agriculture.

Olusola (2011) in his study "boosting internally generated revenue in Ogun state" discovered that the yield from IGR of the state was poor. The author went further to identify the following as some inherent factors responsible for the low yield of IGR: porous sources, negligence, human resource problems, non-remittance of income collected, poor internal control measures, lack of accountability, etc. He therefore recommended that revenue sources that are found to be significant should be re-structured and re-engineered through increased public awareness, keeping of accurate data and methodical manner of collection.

Abiola and Ehigiamusoe (2014) on growth rate of IGR in Urban and rural state governments in Nigeria and viability of the state to finance her expenditure discovered that the growth rate of state IGR is very low, and it is even higher in rural states than urban states. They therefore recommended that more revenue should be giving to rural states to finance capital projects to enable them grow their IGR so as to promote economic development.

The message from the above review of literature is that the performance of state governments IGR in Nigeria is poor, and there is the need to stimulate internal revenue. Projections made during budget planning cannot be achieved therefore leading to abandonments and failures of projects. The focus at present is to ascertain the extent of achieving IGR projections made during budget preparation, contribution of land based revenue to the IGR and the growth rate of both land based revenue and internally generated revenue. This study intends to contribute to knowledge in this regard. Peculiar challenges were identified on all sources of IGR and they were presented in table one of the appendix.

IV. RESEARCH METHODOLOGY

4.1 Data Structure And Technique Of Analysis

Secondary data were used for the purpose of this study. Data were sourced and collected from relevant materials such as textbooks, Newspapers, Journals and other official documents. Data in

respect of states governments' finances in the Annual Reports of Enugu state government accountant general report from 2006 to 2019 were used. This period was chosen mainly because it was the time when the new accounting standard in use currently was adopted. The format clearly identified sectoral contribution to the IGR of the state, thus the ability to examine the performance and growth of LBR and IGR and the contribution of land based sector to IGR of the state. Descriptive techniques such as summary statistics and line graphs were employed for analyzing the sourced data.

V. RESULTS AND DISCUSSION

The discussion in this section is based on the research objectives as stated earlier in the introduction of the study.

5.1 What Is The Performance (Estimated As Against Actuals) Of Land Based Revenue And Internally Generated Revenue Of Enugu State From 2006 To 2019?

Planning is about identifying intentions and ensuring achievement of them all. Land based revenue (LBR) is a part of internally generated revenue (IGR) in any state of Nigeria it can be identified in fees and fines, licenses, earnings and sales, and rent on government property. Their performance in Enugu state from 2006 to 2019 is presented in table 2 below to examine the extent of accomplishment of state plans (projected and actuals) in this sector within the interval.

Table II: Performance Of Land Based Revenue Of Enugu State From 2006 To 2019

Year	Actual LBR	Budgeted LBR	Variance	% Yield
2006	89,875,757.68	206,380,000.00	-116504242.3	44
2007	203,268,346.78	390,379,610.00	-187111263.2	52
2008	261,154,328.01	475,837,996.00	-214683668	55
2009	497,058,133.88	1,535,788,000.00	-1038729866	32
2010	709,770,338.06	443,453,200.00	266317138.1	160
2011	507,313,028.40	731,580,097.00	-224267068.6	69
2012	960,961,379.17	1,013,715,000.00	-52753620.83	95
2013	635,350,714.09	1,415,847,000.00	-780496285.9	45
2014	508,084,907.96	651,440,480.00	-143355572	78
2015	465,479,378.48	503,920,800.00	-38441421.52	92
2016	525,979,845.63	3,570,276,000.00	-3044296154	15
2017	2,582,475,070.64	3,224,430,000.00	-641954929.4	80
2018	1,694,924,647.04	4,315,129,600.00	-2620204953	39
2019	1,160,104,438.59	2,990,784,000.00	-1830679561	39

Source: Annual Accountant General's Report of Enugu State, from 2006 to 2019

From table 2 above, projections made within the studied interval could not be achieved in the state except 2011. All other years fell short of the expectations. Factors that encouraged figures adopted as estimates is another issue to be considered in future studies, but all relevant stakeholders in the state should put in more efforts to improve their records. Estimates must match with strategies to achieve same otherwise the situation as contained in table 2 above will continue to prevail in the state.

Table 3 below evaluated the entire IGR of Enugu State, to also examine the performance recorded within the period.

Table 111: Performance Of Igr Of Enugu State From 2006 To 2019

Year	Actual IGR	Budgeted IGR	Variance	%Yield
2006	1,703,851,054.61	2,709,175,010.00	-1005323955	63
2007	4,755,471,509.43	3,731,568,900.00	1023902609	127
2008	3,963,978,722.06	6,503,700,002.00	-2539721280	61
2009	4,702,872,549.01	8,300,000,000.00	-3597127451	57
2010	9,346,797,669.56	6,620,092,358.00	2726705312	141
2011	988,423,723.10	7,263,537,267.00	-6275113544	14
2012	12,377,298,787.94	7,996,200,000.00	4381098788	155
2013	20,236,601,895.16	14,309,922,000.00	5926679895	141
2014	19,662,869,639.57	14,494,081,895.00	5168787745	136
2015	17,982,225,270.50	19,168,129,700.00	-1185904430	94
2016	14,235,512,226.09	27,765,167,100.00	-13529654874	51
2017	22,039,060,902.95	25,987,709,960.00	-3948649057	85
2018	21,743,012,253.22	30,000,000,000.00	-8256987747	72
2019	31,142,966,700.14	27,734,000000.00	3408966700	112

Source: Annual Accountant General's Report of Enugu State, from 2006 to 2019

IGR is a strong determinant of infrastructural development in the state, and instances where it fell short of expectation, project failure and abandonment is likely to happen. Table 3 above shows IGR projections made within the studied period and like table 2, six years out of the 14 studied years, the state could not meet up with her projected IGR figures. 2007, 2010, 2012, 2013, and 2019 were years the state surpassed her plans, which ordinarily should be on yearly basis.

5.2 What Is The Contribution Of Land Based Revenue To The Internally Generated Revenue Of Enugu State From 2006 To 2019?

Almost all Ministries, Departments and Agencies of government in Enugu have one way or the other through which they raise funds, especially on services they render to the general public. They are categorized in the different component of recurrent revenue of the state. Land sector has many revenue windows giving the central position of land in any meaningful physical development.

Therefore, their contribution is shown in table 4 below to examine percentage contribution made from the Land based Revenue(LBR) to the internally generated revenue(IGR) of the state.

Table Iv: Contribution Of Lbr To Igr Of Enugu State

Year	Actual LBR	Actual IGR	%Contribution
2006	89,875,757.68	1,703,851,054.61	5.3
2007	203,268,346.78	4,755,471,509.43	4.3
2008	261,154,328.01	3,963,978,722.06	6.6
2009	497,058,133.88	4,702,872,549.01	10.6
2010	709,770,338.06	9,346,797,669.56	7.6
2011	507,313,028.40	988,423,723.10	51.3
2012	960,961,379.17	12,377,298,787.94	7.8
2013	635,350,714.09	20,236,601,895.16	3.1
2014	508,084,907.96	19,662,869,639.57	2.6
2015	465,479,378.48	17,982,225,270.50	2.6
2016	525,979,845.63	14,235,512,226.09	3.7
2017	2,582,475,070.64	22,039,060,902.95	11.7
2018	1,694,924,647.04	21,743,012,253.22	7.8
2019	1,160,104,438.59	31,142,966,700.14	3.7

Source: Annual Accountant General's Report of Enugu State, from 2006 to 2019

There is a non-proportionate contribution of land based revenue to the IGR based on the distribution in table 4 above. LBR contribution to the IGR is abysmally poor except in 2011 where it recorded 51.3%. All other years are below 11%, of whichit shows that many land based taxes are either not enforced in the state or they are being evaded.

5.3 Growth Of LBR And IGR Between 2006 And 2019 In Enugu State Nigeria

Actuals of LBR and IGR are based on compliance to payment of state taxes. Affordability, simplicity, and ease of administration are germane factors that can improve state IGR. So also bringing more people into tax database, closing up all leakages through e-payment system and modernizing tax administration can aid revenue growth. Table 5 below presented annual growth rate of LBR and IGR from 2006 to 2019.

Table V: LBR and IGR growth in Enugu State from 2006 to 2019

Year	LBR Growth rate	IGR Growth rate
2006	--------	-------
2007	55.78	64.17
2008	22.17	-19.97
2009	47.46	15.71
2010	29.97	49.68
2011	-39.91	-845.63
2012	47.21	92.01
2013	-51.26	38.84
2014	-25.06	-2.92
2015	-9.15	-9.35
2016	11.50	-26.32
2017	79.63	35.41
2018	-52.37	-1.36
2019	-46.10	30.18

Source: Compiled by the authors

Table 5 above shows the percentage annual growth rate of land based revenue and internally generated revenue of state governments from 2006-2019. The LBR growth rate ranges from -52.37% to 79.63%, while IGR growth rate for the period ranges from -845.63% to 92.01%. The highest percentage growth rate of 79.63 in LBR was recorded in 2017, while lowest growth rate of -52.37% was recorded in 2018 whereas in IGR, the highest percentage growth rate of 92.01 was recorded in 2012 and the lowest of -845.63% was recorded in 2011

The overall average growth rate of land based revenue and internally generated revenue of the state is 4.92 per cent and -41.40 per cent respectively for the period under review. This shows that the growth rate of state governments IGR is very low and if this trend continues, Enugu state will continue to substantially depend on revenue from the Federation Account which in turn depend on Oil revenue. And any fluctuation in the Federation Account occasioned by poor performance of Oil revenue would impact negatively on the development efforts of the state governments (Abiola and Ehigiamusoe, 2014).

Pictorial representation of LBR and IGR behavior within the years under review is shown below in fig 5.1 and 5.2

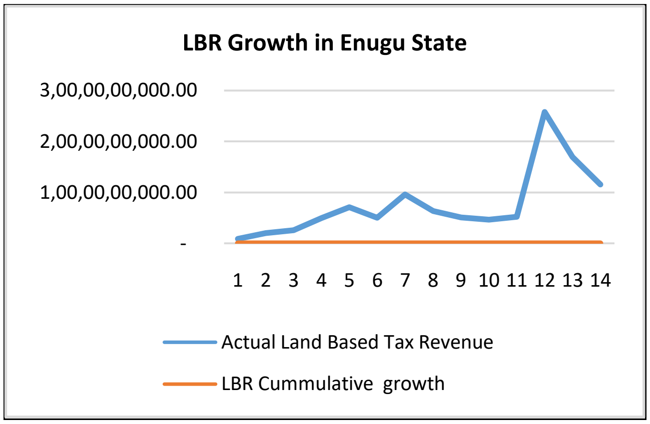

Figure 1: LBR Growth in Enugu State from 2006 to 2019

From the graph above a non-proportionate behavior of LBR is witnessed within the entire period. Increasing from 2006 to 2010, decreases and rises again from 2011 to 2012, then decreases from 2013 to 2016. Increases in 2017 but came down in 2018 and 2019. Land based taxes are mostly affected by economic realities of any country, since the desire to buy land and register the transaction stems from the ability to live a comfortable life first, have a steady income and desire to invest. Therefore, economic recession witnessed in 2014 and 2015 affected the contribution ordinarily would have been enjoyed by the sector. The drop from the graph in 2018 and 2019 maybe occasioned by the economic recession in Nigeria and Covid 19 pandemic. Figure 2 below presented the behavior of the entire internally generated revenue.

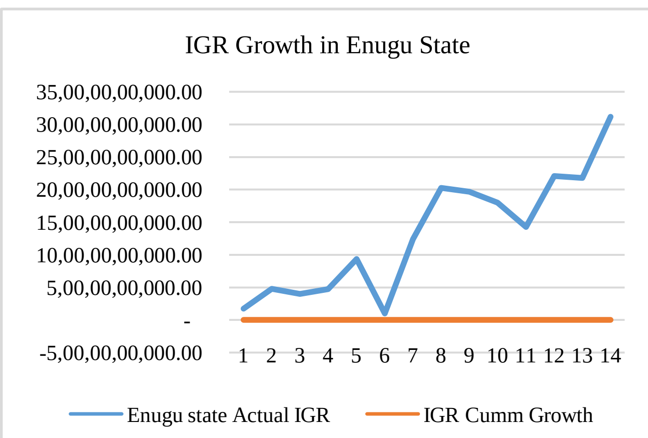

Figure 1: IGR Growth in Enugu State from 2006 to 2019

like the LBR, the state IGR has been fluctuating, no steady progression within the interval, sharp drop in 2011, 2014, 2015, 2016 and 2018. Policy makers must embrace modern means of revenue generation, especially ones that can work efficiently in the state and ensure that right personnel are in charge of this drive to improve the state IGR.

VI. FINDINGS, RECOMMENDATIONS AND CONCLUSION

6.1 Major Findings

From 2006 to 2019, the state only surpassed her projected LBR in 2010 and had shortfalls in all other years. In IGR, within the same period, the state surpassed her IGR in six different years only; 2007, 2010, 2013, 2014 and 2019. Planning for what you can achieve is the beginning of every task, those figures adopted as budget estimates are obviously in doubt and using same for project execution will adversely affect the state.

The contribution of LBR to IGR in the state ranges from 3% to 51%, though an average contribution of LBR to IGR within the years under review is 9.2%.

The overall growth rate of LBR and IGR within the period is 4.92% and -41.40% respectively and it shows that there is a looming danger of bankruptcy in the state, supposing if the federal government fails to send in her monthly allocation.

6.2 Recommendations

a) Capacity building is highly needed for officers who prepare annual estimates, government must ensure that realistic economic indices are used empirically to arrive at figures put in place as expected recurrent revenue.
b) There is need for state governments to enhance the growth rate of their internally generated revenue by diversifying their economies in such areas as agriculture, tourism and solid minerals development.
c) Internal revenue sources that are found to be significant especially taxes should be restructured and re-engineered through increased public awareness, keeping of accurate data and methodological manner of collection with a view to increasing their revenue.

6.3 Conclusion

Planning and ensuring the achievement of same is a strong positive step to building a formidable economy. There is every need to boost the economy at the state government level through internally generated revenue with a view to reducing unemployment and poverty. If public goods, health, education, infrastructure, roads, etc., are to be provided in adequate quantity and quality in states in Nigeria, there is need to strengthen and diversify the sources of internal revenue and expand the tax base with a view to raising enough fund to finance development projects in the states.

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Table 1: Sources And Challenges Of Internal Revenue Of State Governments In Nigeria

Table 1 shows the sources and challenges of internal revenue of state governments in Nigeria S/N	Revenue Sources	Description	Challenges
1.	Taxes	These are mandatory levies imposed by the state government on individuals, institutions, corporate bodies, expenditures, etc, for which no direct benefits are received. Taxes/Levies Collectible by State Governments includes: Personal income tax: Pay-As-You-Earn (PAYE); Withholding tax (individuals only); Capital gains tax; Stamp duties (instruments executed by individuals); Pools betting, lotteries, gaming and casino taxes; Road taxes, etc. These constitute major sources of internal revenue to state governments.	Misuse of Tax Collected. Lack of public awareness. Human Resource problem. Bribery and corruption. Non-remittance of income collected. Lack of public awareness.
2.	Charges & Fees	These are imposed on goods and services provided by the state government and they include tuition at state-owned colleges and universities, tolls and transportation charges, hospital charges, parks and recreation fees, solid waste charges, and other fees for the use of government services.	Bribery and corruption. Non-remittance of income collected. Lack of accountability.
3.	License	These include money state governments charge individual for obtaining various types of licenses such as vehicle licenses and other certificates. Licenses have to be obtained to operate hotels, pool- betting, Casinos, etc.	Poor internal control measures. Lack of accountability.
4.	Earning & Sales	These include the incomes or profits which state governments derive from their investments or business ventures such as state owned hotels, transport business, production outfits, etc. They also include incomes government derive from the sale of government property such as land, houses, vehicles, equipment, etc.	Poor internal control measures. Lack of accountability. Bribery and corruption. Non-remittance of income collected. Inadequate facilities
5.	Rent on government property	Most state governments also derive significant amount of revenue from rent paid by people who hire government property such as houses, land, etc.	Poor internal control measures. Lack of accountability. Bribery and corruption. Inadequate facilities.
6.	Interests and dividend	State governments also get revenue from interests on capital which they lend out to individuals, institutions or Local governments. They also receive dividends on state-owned shares and stocks.	Bribery and corruption Non-remittance of income collected
7.	Fines	These include money imposed on law offenders/breakers in the state. Fines are paid in courts and they form part of government revenue.	Bribery and corruption. Non-remittance of income collected
8.	Miscellaneous	Apart from the sources of revenue mentioned above, state governments also get revenue from other means. These include agriculture, tourism, transportation, etc.	Porous sources. Poor internal control measures.

Source: Douglas, 2010, Omotoso, 2009, and Olusola, 2011