A Comparative Analysis of Swot on Sources of Internally Generated Revenue in Oyo State Locl Government

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I, II, III

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Abstract
The viability and sustainability of local government is contingent on the amount of revenue collection sources. This paper seeks to investigate the strength, weakness, opportunities and threats of each of these sources. A sample of 200 respondents from 20 local governments in Oyo State was used for the study. The twenty local governments were selected based on convenience sampling technique and a likert scale of 4 points (Strongly Agreed, Agreed, Disagreed and Strongly Disagreed) was used to test the level of agreement of respondents to the items and variables in the questionnaire. Frequency counts, student t – distribution and multiple regression analysis were used for data analysis.

The results revealed that marriage, Tenement rate, local license fees and fines and revenue consultancy accounted for 97.3% of sources of revenue to local governments. About 2.7% accounts for other sources outside the model. The regression equation shows that by ranking, marriage contributed a higher percentage to local government revenue followed by consultancy, local license fees and fines, Tenement rate and lastly rent on local government property. The two hypotheses tested showed that all the variables were significant to revenue collection.

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Introduction
In Nigeria, there are 774 local government councils and 33 local government councils in Oyo State. Local governments are the nearest-government to the people at the grassroots in Nigeria. They are strategically located to play a pivotal role in national development. Since they are responsible for the governance of about 70 percent of the population of Nigeria, they are in vantage position to articulate the needs of the majority of Nigerians and formulate strategies for their realization.

Local government can be defined as that tier of government closer to the people “which invested with certain power to exercise control over the affairs of people in its domain” (Lawal, 2000). Therefore, this study is aimed at performing strength, weakness, opportunities and threat analysis on the sources of internally generated revenue in Oyo State.

Statement of the problem
One of the recurrent problems of the three-tiers system of government in Nigeria is dwindling revenue generation as characterized by annual budget deficits and insufficient funds for meaningful growth and viable projects development. So many deductions are made from the total revenue collected before the rest is distributed according to the sharing formular. There is therefore, the dire need for the local government to source for fund through internally generated revenue. The sources of internally generated revenue include, tenement rates, fines and renewal of licenses, others are park collection, interest on investment and sales of property. This paper seeks to provide answers to the following questions:

(a) What are the actual sources of fund to the local governments?
(b) What are the constraints towards the generation of internal revenue in the local government?
(c) What strategies could be formulated to embrace the generation of revenue in the Local Government Councils?

Objectives of the study
The main objective of this study is to examine a comparative analysis of SWOT on sources of internally generated revenue in Oyo State local government.

The specific objectives are to:
(i) investigate the sources of fund to the local government;
(ii) assess the strength, weakness, opportunities and threats (SWOT) of these sources of internally generated revenue in local government councils;
(iii) examine the strategies that would improve the generated revenue of local government.

Conceptual Framework of Local Government
Local government system in Nigeria needs a moderate amount of financial autonomy to be able to discharge its responsibilities effectively. Public revenue distribution in a federal system assumes that there are benefits to be derived from decentralization. Sonkukim (1995) quoted in Oates (1996) opined that the rates of economic growth and revenue decentralization in most developed countries, are positive and encouraging. His results also shows that, other things being equal, more public revenue decentralization was associated with more rapid growth in GDP per capita during 1974 – 1989 period. Prud’home (1995) on the other hand, argues that decentralization can increase disparities, jeopardize stability, undermine efficiency and encourage corruption. He maintains that local authorities, for example, have few incentives to undertake economic stabilization policies.

According to Tanzi (1995) the interpretation of both Oates and Prud’ home assumes that local government levels already exist, hence the crucial problem becomes which of the existing government levels ought to be responsible for particular forms of spending. Studies on tax and public revenue mobilization in Nigeria have shown a high degree of centralization. According to Emenuga (1993), the allocation of revenue to the tiers of government has not adhere strictly to the expenditure requirements of each tier, thus the federal government has become a surplus – spending unit.
Sources of funding in the local government

There are three principal sources of revenue for local government councils. First is the statutory allocation from the federal accounts which is the major source, second is the non–statutory allocation including project grants from the state government or donor agencies and third is the internally generated revenue (IGR).

Taken together these sources of revenue produce a considerable pool of funds that should have great positive impact on the socio-economic development of the local government areas. Sadly, the reverse is the ease. Rather than live up to the billing as development centers, local government council have acquired the notoriety of being hot beds for non performance.

Theoretical Framework

Adebayo (1970) states that local government is a theoretical abstraction referring to a system of local authorities whose identify features are its lack of sovereignty being a creation of the central geographical based, giving power as well as the institutional structure necessary for achieving its purpose.

Governing at local level is exercise through representative councils established by law to exercise specific power within defining areas. This power should give the council substantial control over local affairs as well as the staff, institutional and financial power to initiate and direct the provision of service and to determine and implement projects to complement the activities of the state, federal government in their areas and to ensure through development of functions to these councils.

Public goods and services which are national in nature (foreign affairs, environment, immigration and defense) should be provided by the central government while those whose benefits are mainly localized should be assigned to the lower levels of government. Quasi – private goods or intermediate goods and services such as administration, health and welfare services should on account of efficiency delivery, be assigned to lower levels of government. (Vincent, 2001).

Summary of review literature

The increase in revenue from local government statutory allocations definitely enhanced their economic fortunes and service delivery ability. No doubt the institutions of statutory allocation as a local revenue mobilization mechanisms, the increase of the allocation from 10 – 20 percent of the federation account, the direct disbursement of federal revenues to local governments and the removal of some political bottlenecks and abolition of other administrative hindrances have boosted the revenue profile of local government in Oyo State and Nigeria in general.

Local Governments in Nigeria are no longer there to discharge administrative functions they are deeply involved in collective participation in governance, encourage physical and economic development, create the conditions for employment within their localities and provide social services that will improve the well being of their people.

Strength, weakness, opportunity and threat (SWOT) analysis

The SWOT analysis is an extremely useful tool for understanding decision making for all sorts of situations in business and organization. SWOT is an acronym for strengths, weakness, opportunities and threats. The SWOT analysis provides a good framework for reviewing strategy, position and direction of a company or business proposition, or any other idea used. It also measures a business market and potential according to external factors, political, economic, social and technological. It is often helpful to compete a pest analysis prior to a SWOT analysis.

SWOT analysis came from the research conducted at Stanford research institute in 1960 – 1970. The background to SWOT stemmed from the need to find out why corporate planning failed. The research was funded by the fortune 500 companies to find out what could be done about this failure. The research teams were Marion Dosher, Drotise Benepe, Albert Humphrey, Ribert Steward, Birger Lie.
Application of SWOT to local government Sources of revenue

<table>
<thead>
<tr>
<th>Internally generated revenue formular</th>
<th>Strength</th>
<th>Weakness</th>
<th>Opportunities</th>
<th>Threat</th>
</tr>
</thead>
</table>
| 1. Registration of marriage          | i. It provides a regular source of government revenue.  
ii. Easy to collect  
iii. Quick  
iv. Willingness of the members of the public is rather positive.  
v. Low population | i. Attendance is usually low compare to church or mosque programme.  
ii. Not well organized like church or mosque prorogamme | Create an atmosphere for church/mosque programme | Church/ Mosque wedding |
| 2. Tenement Rate                     | i. Enable the government to monitor the number of houses available in a local government.  
ii. Only occupier of shops remit their fees promptly | i. Unnecessary burden  
ii. Collection of the fee is not an easy task | Appeal | Violence |
| 3. Rent on local government properties | i. Easy to collect  
ii. Its provide a steady market for revenue collection  
iii. Boost revenue based of the local government | i. Inability of the government to collect fees from political associate  
ii. Lack of maintenance culture | It involves use of influence | Political affiliation |
| 4. Local Licence fees and fines      | i. It enable the government to monitor the number of hotels available in the local government.  
ii. Easy to collect | i. Logistics problem i.e. mobility | Regularity of revenue collection | Violence |
| 5. Revenue consultancy               | i. Collection of revenue is more easier  
ii. As a result of depolitisation, it boost the revenue base of the local government  
iii. Improved efficiency | i. It involve payment of ten percent service charge  
ii. Non remittance of amount of revenue collected from members of public. | It avoid the use of influence because there is accountability | Lack of control system |

Sources of fund and revenue generation to local government

According to Mefor (2009) the revenue mobilization, allocation and fiscal commission (RMAFC) sought to replace the formula which is a product of an executive order of former president Olusegun Obasanjo and has been in place since March 2003. That changed the formula:- Federal Government 52.68 percent: states 26.72 percent and local government 20.60 percent. The 1992 recommendation which was used before 1999 is FG 48.5 percent, states 24 percent LGS 20 percent and special find 7.5 percent distributed: FCT 1 percent , Ecology 2 percent; stabilization 1.5 percent and Natural resources 3 percent).

Methodology

Two sets of questionnaires were designed. The first section which is section A is designed to get information on the personal data of the respondents while section B of the questionnaire contains structured questions aimed at addressing the topic.

Population sample

This research work relied on two sets of data collected from two different sources. Revenue collected through direct methods and revenue collected through indirect method.

Sample size

A sample of 20 local government councils were randomly selected among the 33 local government councils in Oyo State. Twenty local government councils were grouped into three zones namely; Ogbomoso zone, Oke – Ogun Zone and Oyo township Zone respectively. A total number of 10 questionnaire were distributed to staff of revenue department of each of the twenty local governments. Of the total 200 questionnaires distributed, all the 200 were duly completed and returned. Interviews were also conducted with the staff to gather valid information about their respective local governments.

Research hypothesis

For this study, two hypotheses were formulated to carry out a thorough investigation on comparative analysis of strength, weakness, opportunities and threat (SWOT) on sources of internally generated revenue in Oyo State Local Government Councils. These hypotheses are:

i. Ho: There is no significant relationship between bonus/salary pay to worker and level of revenue collected.

ii. Ho: There is no significant relationship between adequate mobility and communication and level of revenue collected.
Test of hypothesis 1

Table 1(a) : showing the significant relationship between bonus salaries paid to workers and level of revenue collected

<table>
<thead>
<tr>
<th>Opinion</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong disagreed</td>
<td>15</td>
<td>7.5</td>
</tr>
<tr>
<td>Disagreed</td>
<td>60</td>
<td>30.0</td>
</tr>
<tr>
<td>Agreed</td>
<td>100</td>
<td>50.0</td>
</tr>
<tr>
<td>Strongly agreed</td>
<td>25</td>
<td>12.5</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Researcher’s Administered Questionnaire, 2011

T-test procedure Variable: Response (1b)

Table 2(a) showing the significant relationship between adequate mobility/communication facilities paid to workers and level of revenue collected

<table>
<thead>
<tr>
<th>Opinion</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong disagreed</td>
<td>23</td>
<td>11.5</td>
</tr>
<tr>
<td>Disagreed</td>
<td>24</td>
<td>12.0</td>
</tr>
<tr>
<td>Agreed</td>
<td>13</td>
<td>6.5</td>
</tr>
<tr>
<td>Strongly agreed</td>
<td>140</td>
<td>70.0</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Table (b) calculated from the scores of the response to item 1 on the questionnaire

Test of hypothesis 2

Table 2(b) calculated from the scores of the response to item 2 on the questionnaire

T-test procedure Variable: Response (2b)

Sampling Technique

It is always impossible to reach all the members of the desired group for which the research is concerned. Consequently, there is Data Analysis

The analytical techniques adopted and used in this study were drawn from both descriptive and inferential statistics particularly with t-test analysis and multiple regression.

Test of the hypothesis

The hypothesis is tested as follows:

Ho: Bonus/salary pay to workers and level of revenue collected

The above hypothesis result is tested based on the result of the questionnaire.

Table 1 (a & b): The T- calculated (Tc) = 47.707 is greater than T-tabulated (Tt) = 1.658, the null hypothesis that there is no significant relationship between salary/bonus paid and amount of revenue collected is rejected while the alternative hypothesis that there is a significant relationship between salary/bonus paid and amount of revenue collected is accepted.

Table 2(a & b)

Ho: Mobility and communication and level of revenue collected

The T-calculated (Tc) = 49.981 is greater that T-tabulated (Tt) = 1.658, the null hypothesis that there is no significant relationship between adequate mobility and communication facility and amount of revenue collected is rejected while the alternative hypothesis that there is a significant relationship between adequate mobility and communication facility and amount of revenue collected is accepted.

Table 3

Hypothesis testing on sources of internally generated revenue

Multiple regression analysis of a comparative analysis on strength, weakness, opportunity and threat on sources of internally generated revenue in Oyo State Local Government Councils.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Parameter estimates</th>
<th>Std error</th>
<th>Beta</th>
<th>Significant level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>.326</td>
<td>.219</td>
<td>-</td>
<td>.138</td>
</tr>
<tr>
<td>Marriage</td>
<td>.750</td>
<td>.059</td>
<td>-.946</td>
<td>.000</td>
</tr>
<tr>
<td>Tenement rate</td>
<td>.239</td>
<td>.029</td>
<td>-.946</td>
<td>.000</td>
</tr>
<tr>
<td>Rent on local Govt. properties</td>
<td>1.203E.03</td>
<td>.36</td>
<td>.000</td>
<td>.974</td>
</tr>
<tr>
<td>Local license fees and Fines</td>
<td>.248</td>
<td>.033</td>
<td>.250</td>
<td>.000</td>
</tr>
<tr>
<td>Revenue consultancy</td>
<td>.690</td>
<td>.024</td>
<td>1.928</td>
<td>.000</td>
</tr>
</tbody>
</table>

R = .987 = 98.7%
R2 = .973 = 97.3%

Let marriage = X1
Tenement rate = X2
Rent on Local Govt. Properties = X3
Local license fees and fines = X4
Revenue consultancy = X5

Source of revenue generation = Y

The regression equation could be written as

Y = .326+.750X1+.239X2+1.203E.03X3+.248X4+.690X5

Using the multiple regression, the table above shows that these variables X1 (marriage), X2 (Tenement rate), X3 (local license fees and fines) and X4 (Revenue consultancy) are correlated with dependent variable (Sources of revenue generation). In all, coefficient of 0.987 and r² of 97.3 was obtained indicating that about 97.3% of the variation in sources of revenue generation is explained by 4 factors jointly in operation.

Discussion of findings

Based on the analysis of the data and reviewed of related literature the data gathered are discussed below;
1. Mobility and Communication
Mobility and communication constitute the major factor that was found to affect the performance of the internally generated revenue under study. The role of mobility and communication in revenue generation cannot be over-emphasized. Just-like any other civil service outfits, the sampled local government lack effective means of mobility and communication. On the other hand, local government that are equipped with modern communication facilities complemented with functional mobility facilities, it makes it easy for information to be gathered so easily for the building of revenue data base. The usefulness of this revenue data base in raising and processing assessment notices makes communication and mobility a critical factor in internally revenue generation.

2. Salary/Bonus
On the issue of bonus, it was found that in all the sampled local government, the bonuses are remuneration. The importance of bonus as a motivating factor cannot be over emphasized. It is not surprising therefore that salary/bonus stands out as one of the critical factors that motivated the staff to achieve an improved internally generated revenue. On the issue of salary, it was found that in all the sampled local governments the staff were not paid as at when due. This is as a result of the fact that the local government are still within the civil service structure. The tendency therefore is for the remuneration of the staff of the local government to be less progressive than what obtain in the private sector.

Recommendations
1. From the foregoing research finding, the following were recommended for upward improvement of internally generated revenue. Mobility and communication constitute a great impediment to the revenue generation in the sampled local government. On the other hand, for effective and enhance revenue collection, offices and staff should be equipped with modern communication facilities complemented with functional mobility facilities.

2. Another factor which has contributed to the organizational performance has to do with salary/bonus incentive, either as a thirteenth month pay or as a constant disbursement for above average performance is a popular motivating scheme. This type of scheme is totally absent in the sampled local government. On the contrary, for effective internally revenue generation this should be encouraged.

3. The importance of training cannot be over-emphasized in civil service and private sector. Moreover, staff are trained with the aim of performing better on duty. We recommend that staff should be continuously trained on the job for effective revenue collection.

4. Designated revenue courts should be established as a result, in most cases affected tax payers promptly pay up their tax liabilities so as to avoid their properties from being detained. It was indeed this phenomenon that led to immediate boosting of revenue performance.

5. The use management information system. The decision making process in the sampled local government is very slow. The reason for this is that the sampled local governments are yet to be computerized. Of particular interest is the assessment procedure. It is difficult for the local government to keep track records of such notices and ensure prompt recovery. On the other hand, with high – tech facilities, the turn around for assessment is very short hence the low level of delinquent taxes.

Conclusion
In this study tax as been single out as one of the major sources of internally generated revenue Ezeh (2001). Unfortunately, the efforts of government to increase their internally generated revenue as a means of coping have not met with much success because of some logistics problem, lack of control system and lack of accountability, transparency and honesty in revenue collection. It is the serious problem associated with the inadequate revenue collection coupled with the methods of internally generated revenue that have provided the vocal point of this research work. The justification of this study lies in its numerous implications. It contributed to knowledge. Apart from contributing to knowledge, it also has some equally important policy implication. Its theoretical implication is that within the framework of theory (SWOT) strength, weakness, opportunities and threats on methods of internally generated revenue, the study helps to establish a much desired connection of theory and research method. On the other hand, the policy implication of this study is that it is relevant for anyone who wants to understand the SWOT on sources of internally generated revenue in developing economy.

References