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INTERNALLY GENERATED REVENUE AND IT IMPLICATIONS FOR SUSTAINABLE DEVELOPMENT IN AKWA IBOM STATE, NIGERIA

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Abstract
Revenue generation is the nucleus and the path to modern development. This study examines the effects of internally generated revenue on Health sector, Education sector and infrastructural development in Akwa Ibom State. This is because the State as the second tier of government needs revenue to provide basic social amenities to the people. Thus, the study specifically sought to ascertain the extent to which IGR has contributed to the provision in health and educational sector and also infrastructure such as road. An ex-post facto research design was adopted and the data used were obtained from secondary sources. The data were analyzed with simple percentage statistics with tables and graphs. It was found that IGR contributed significantly and positively to the provision of water, electricity and roads. However, these contributions were skewed more to roads than electricity and water. It was concluded that IGR has made positive, but uneven contribution to the development in the Health and Education sectors in the State as infrastructure was found to receive more boost from IGR than other development indicators. Consequently, a balanced approach to IGR appropriation for infrastructure and the two sectors in the study was recommended. It is through this that the people will fully benefits from their contributed revenue that form the bulk of internally generated revenue for the government.

Introduction

Revenue generation in Nigeria has been one of the topical issues in recent times especially with the drastic and phenomenal shift from agriculture to crude oil exportation. The occasional dwindle in the price of crude oil and the various predictions of the running out of oil wells in Nigeria in the near future time has rekindled government interest in agriculture and other non-oil sources of revenue to the country and its constituent states. The rebasing of Nigeria's Gross Domestic Product (GDP) by the National Bureau of Statistics (NBS) in April 2014 to better reflect the structure of the economy led to an increase of the GDP by 89 percent in 2013 Following this, Nigeria became Africa's largest economy with an estimated GDP of $510 billion in 2013, compared to $270 billion reported in previous year (NBS, 2015). But the country continues to face challenges relating to its fiscal federalism. The tax revenue to GDP ratio plummeted from about 20 percent to 12 percent and non-oil tax from 7 percent to 4 percent (NGF, 2016). These are some of the lowest ratios in the world. Anchored on a revenue sharing formula, that first pools all resources to the center and thereafter allocates to each tier of government according to a specific sharing formula, it has been a source of friction among federating units since the country transited into full scale federalism in the 1960's (NGF, 2016). Apart from the daunting challenges experienced with the revenue sharing formula, there are equally challenges emanating from the non-product nature of the funding sources with up to 70 percent coming from oil and other commodity prices are known to be unstable and such Instability is often transmitted first to revenue and thereafter to the rest of the economy. The Instability in oil revenues as a result of the volatility in global oil market is one major source of concern for such dependence of Nigerian state governments on revenue accruing to the Federation account (Oti, Odigbo & Odey, 2016).

The emphasis has always been on how to boost internally generated revenues so as to be less reliant on oil and other statutory allocations to states and the last tier of government. Besides, it has been a popular belief that a state with strong internally generated revenue can cater for the social and infrastructural needs of its citizens. No system can be effective whether foreign or nature unless it enjoys some measure of financial independence (Akpo, 2009). Most state governments in Nigeria no longer perform their responsibilities simply because of poor finances arises from internally generated revenue.

The bad financial situation is further aggravated by the prevailing inflationary situation in this country which erodes the value of funds available to render essential social services to the people. Economic growth is highly associated with funds, much revenue is needed to plan, execute and maintain infrastructures and facilities at the state government level. According to Asimiyu and Kizito (2014), economic development and sustainability of states in Nigeria depend on the ability of such states to generate revenue internally to supplement the revenue allocation from federation account. In other words, federal allocations are not sufficient to guarantee economic development of states and local governments, hence the emphasis on local generation of revenues to sustain the economy of the nation locally and at the federal level.

They need revenue generated for such developmental projects like construction of accessible roads, building of public schools, health care centers, construction of bridges among others are sources generated from taxes, royalties, haulages, fines and grants from states, national and international governments. Thus, state government cannot embark, execute and possibly carryout the maintenance of these projects and other responsibilities without adequate revenue generation.

Internally Generated Revenue (IGR) denotes the revenue that the Federal, State and Local governments generate within their respective areas of jurisdiction (Abiola & Ehigiamusoe, 2014). Internally Generated Revenue for State governments has also been described as revenues that are derived within the state from various sources such as taxes (pay as you earn, direct assessment, capital gain taxes, etc.) and motor vehicle license, among others (Adenugba & Chike, 2013). While the statutory allocation from Federation Account, Value Added Tax constitute the external source.

Revenue generation in Nigeria is principally derived from tax. Tax is a compulsory levy imposed by government on individuals and companies for the various legitimate function of the state (Olaoye and Adedeji 2017). Tax is a necessary ingredient for civilization. The history of man has shown that man has to pay tax in one form or the other that is either in cash or in kind, initially to his chieftain and later on a form of organized government (Ojo, 2003). There are issues with the options, capacity and opportunities for some of the federating units (State and Local governments) to raise internally generated revenues. A number of the revenue line items assigned to states by the constitutions are yet to be developed enough to yield robust revenues to them. As the price of crude oil in the international oil market plunges, dropping from about $115 in June 2014 to less $65 in December 2017, government across the three tiers were experiencing fiscal crunch. Federally collected revenue and the amounts of federal transfers to states have significantly reduced. This poses significant challenges to the state governments in managing their budgetary expenditure as a significant reduction in revenue hinders the capacity of state governments to deliver on basic infrastructure (Oti and Odey, 2017).

The Nigeria-specific studies ran the gamut from the South-South (Nnanseh and Akpan, 2013; Peter and Ferdinand, 2017); South East (Nkechi and Onuora ;2018); to the South West (Morufu and Babatope; 2017), essentially corroborating the fact that IGR tends to be used more for infrastructure-specifically, roads. Nationwide studies revealed a direct relationship was identified between the growth rates of IGR and capital expenditures (Asimiyu and Kizito (2014) and a positive impact of IGR on Economic development (Omodero, Ekwe and Ihendinihu, 2018). Many state governments including (Akwa Ibom State) are genuinely eager to grow their internally generated revenue base but seem largely unable to harness available opportunities to do so. Internally generated revenue in Akwa Ibom state stem from compulsory levies imposed by the state government on individuals, institutions, corporate bodies, expenditures, etc. for which no direct benefits are received. Taxes/Levies Collectible by Akwa Ibom State Governments include personal income tax, charges and fees, earnings and sales, license, fines, interests and dividend, rent on government property and other sources such as: agriculture, tourism and transportation.

Many of these legitimate sources of revenue in the state remained untapped, while procedures for the collection, remittance and accountability for the ones exploited often fall short of expectations, giving room for avoidable leakages. The state government is faced with myriads of problems ranging from corruption and embezzlement, poor financing, mismanagement of funds to poor leadership (Oti and Odey, 2017).

Udeh (2002) asserts that the poor financial status of states in Nigeria has escalated due to the non-provision of grants by the federal government which under the constitution are needed to be made available annually during budgetary disbursement to leverage sub-national governments in crisis to address challenges of inadequate financial resources needed to cope with their ever increasing areas of assigned services which include; shelter, health services, water supply, food, as well as qualitative education at primary and post primary schools level which usually engulf huge sums of money. This has deterred the development of state government in Nigeria.

Against these problems and the apparent devastative effect of the global financial meltdown on all economic activities, that has reduced the strength of every economy to generate an appreciable level of revenue internally and the less attention to IGR collection by government, there is a growing debate on how much IGR accrues to Akwa Ibom State and what such amount is used for, given the inefficient methods or strategies with which the state government shows towards the collection of IGR. Despite the seemingly poor collection of IGR in the state, the general feelings of the populace are that, the state is very buoyant considering the monthly receipts from the Federation account (National Bureau of Statistics, 2019).

Essien (2012) believed that, much should have been achieved given such receipts; especially in terms of industrialization, social security, youth empowerment, and general poverty reduction. In the opinion of this article, the state government has always been over dependent on the statutory allocation thereby causing the state government to underperform which is reflected in the areas of unavailability of social services to people, dilapidated infrastructural facilities, and underdevelopment of local communities.

Abiola and Ehigiamusoe (2014) noted the critical issue of potential bankruptcy facing numerous Nigerian states. The increase in both recurrent and capital expenditures has outpaced IGR growth, resulting in a significant shortfall in revenue generation. This inability to finance essential expenditures through IGR has been a persistent problem, exacerbated by several systemic issues.

Studies that identified several key challenges hindering effective IGR collection (Nkechi and Onuora, 2018; Morufu and Babatope, 2017; Peter and Ferdinand, 2017; Asimiyu and Kizito, 2014; Nnanseh and Akpan, 2013; Eze *et al.*, 2004) showed that a lack of robust data collection and analysis capabilities, outdated revenue customer registers, and suboptimal information systems. Additionally, unrealistic fee and tariff structures, poor performance data collection and analysis, inadequate performance evaluation, and reliance on a cash-based system contribute to the problem. Further issues encompass poor internal control and financial reporting, a lack of transparent accounting practices, reconciliation problems, irregular financial reporting, infrequent audits, and a comprehensive action plan for improving revenue collection. Limited resources, poor coordination, inadequate staff training, low morale, suboptimal work environments, and inefficient organizational structures impede IGR generation.

These challenges, as noted by Akpo (2009), may partially explain the government's preference for oil revenue over IGR. Additional challenges in tax collection include mismanagement, inadequate public awareness, human resource problems, corruption, non-remittance of collected income, and insufficient public awareness. Similar issues plague the collection of charges, fees, earnings, sales, licenses, and rent on government property. These challenges often involve poor internal control measures, a lack of accountability, corruption, non-remittance of revenue, and inadequate facilities.

While Internally Generated Revenue (IGR) is crucial for state development in Nigeria, a critical knowledge gap persists. A comprehensive understanding of the various revenue sources contributing to IGR is absent, hindering policymakers' ability to optimize revenue generation strategies. Additionally, the lack of insights into the relative contributions of different revenue sources to development outcomes may lead to suboptimal resource allocation, hindering the achievement of development goals. Furthermore, evidence-based policymaking is compromised by the absence of robust analysis on the impact of IGR sources on development outcomes. This can result in policies that fail to align with state development priorities and objectives. Lastly, variations in the contribution of different revenue sources may exacerbate socio-economic disparities within states, undermining inclusive development. Specifically, the research sought to access the extent to which internally generated revenue in Akwa Ibom State has affected the provision of quality health care in the health sector, ascertain the states internally generated revenue's contribution to the delivery of qualitative and quantitative education to the citizens of Akwa Ibom State, and to investigate the contributions of internally generated revenue in Akwa Ibom State to the provision of quality infrastructure in Akwa Ibom State.

Importance of Internally Generated Revenue

According to the authors, Internally Generated Revenue does not develop hyper-inflation; it is free and does not carry any burden of repayment and interest like domestic borrowing and loan; through tax. Internally Generated Revenue serves as the nerve centre of the social contract. It makes government more responsible and more responsive to the needs of the people and serves as a tool for economic development. It is an important consideration in the planning of savings and investment and a powerful fiscal weapon to plan and direct the economy (Nnanseh and Akpan, 2013). Internally Generated Revenue also serves as a tool for social engineering, it goes a long way to keep the society moving, because as government gets more revenue and commission more projects, more money is put in circulation, more employment opportunities arise and more business opportunities are created which impact positively on generality of the society (Oti and Odey, 2017).

Research Methodology

Research Design

The study used ex post facto research approach to assess the extent to which internally generated revenue affect development in Akwa Ibom State from 2010 to 2020.This design was chosen because the data in this study was derived from secondary source and were not modified. These data were collected as a result of the objectives of this study and to answer the research question. The data which are in billions of Naira are presented in Table 1. The percentage change was calculated using the initial value of the earlier year as an index value to ascertain the relative change between the index value and the current value.

Data and Sources

The data, both the Internally generated revenue and expenditure on Health and Education sector and Infrastructure were pooled from Government of Akwa Ibom State Annual Report of the Accountant General of 2010 to 2020 for the study.

Analytical Techniques

All the objectives were measured using table and graphs to examine development implications on selected sectors of the economy in Akwa Ibom State.

Results and Discussion

Statistics of Internally Generated Revenue in Akwa Ibom State

Akwa Ibom is Nigeria's largest oil producing State, churning approximately 504,000 barrels per day. This peculiar development is a likely contributor to the growth of its internally generated revenue (IGR). As at the end of fiscal year 2011, IGR stood at ₦16.5bn, a significant rise from ₦12.0bn in 2010. However, IGR came to ₦18bn and ₦18.7bn in 2013 and 2014 respectively. In 2015, IGR was ₦18.7bn, in 2016 it drop to ₦16.2bn. Akwa Ibom's internally generated revenue in 2017 stood at ₦19.5bn and 2018 at ₦28.2bn. There was a tremendous rise in IGR in 2019 to ₦35.5bn while in 2020, we had a drop to ₦26.6bn as result of Covid. IGR is projected to increase significantly.

Table 1: Volume and percentage changes in the internally generated Revenues and Annual Expenditure on Health sector, Education Sector and infrastructure from 2010 to 2020

YEAR	IGR		EXP. ON HEALTH		EXP. ON EDUCATION		EXP. ON INFRASTRUCTURE	
	₦ in Billion	**%Δs**	**₦ in Billion**	**ExH%Δs**	**₦ in Billion**	**ExE%Δs**	**₦ in Billion**	**ExI%Δs**
2010	12,086,460,227.07	-	3,653,207,169.71	-	9,456.121,491.22	-	95,514,771,043.46	-
2011	16,554,319,166.19	36.97	4,647,435,365.53	27.21	5,886,543,804.93	-37.75	95,467,955,502.88	-0.04
2012	17,059,385,909.19	3.05	5,592,436,725.29	20.34	3,214,380,471.37	-45.40	139,043,955,502.88	45.63
2013	18,005,802,296.31	5.55	8,767,475,612.15	56.78	6,442.809,136.72	100.44	112,904,368,494.29	-18.80
2014	18.715,737,159.01	4.14	8,561,638,762.48	-2.35	1,992,304,108.66	-70.16	82,062,728,589.05	-27.32
2015	18,730,338,859.70	0.08	8,021,135,575.00	-6.31	15,037,445,530.00	682.36	55,849,121,578.26	-31.94
2016	16,290,953,095.00	-13.03	772,321,790.84	-90.38	475,128,573.00	-96.84	47,745,225,602.36	-14.51
2017	19,513,860,606.75	19.79	2.272.099,805.00	194.30	2,138,057,736.00	350.11	44,386,306,692.17	1.34
2018	28,213,636,273.00	44.59	3,486,889,200.00	53.43	1,727,177,000.00	-19.22	84,131,767,770.34	73.87
2019	35,504,936,358.00	25.84	4,059,717,500.00	16.44	2,278,140,500.00	31.91	65,408,241,865.00	35.90
2020	26,608,481,531.08	-25.06	7,522,815,000.00	85.31	4,310,000,000.00	89.20	57,318,489,660.00	-12.37

SOURCE: Government of Akwa Ibom State Annual Report of the Accountant General, (2022)

Discussion of Results

This work intends to determine the relationship between IGR and the various key development indicators in Akwa Ibom State.

The annual internally generated revenue data, the annual expenditure data on the health sector, the education sector and the expenditure data on infrastructure was obtained for 11 years (2010-2020) from Government of Akwa Ibom State Annual Report of the Accountant General, along with their percentage changes is presented in Table 1.

Analysis based on the first objective which was to access the extent to which internally generated revenue in Akwa Ibom State has affected the provision of quality health care in the health sector. From Table 1, it is seen that between 2011 -2013, there was a steady increase in the IGR which is significantly reflected in the health sector annual expenditure of 27.21%, 20.34% and 56.78% respectively. It was also observed that in the following years of 2014 - 2016, expenditure on health recorded a decline of -2.35%, -6.31% and -90.38% respectively which thereafter received a boost between 2017 -2020 with positive changes of about 194.30%, 53.43%, 16.44% and 85.31% respectively. The trend of the annual expenditure on health is however non-linear in nature as presented in fig. 1.

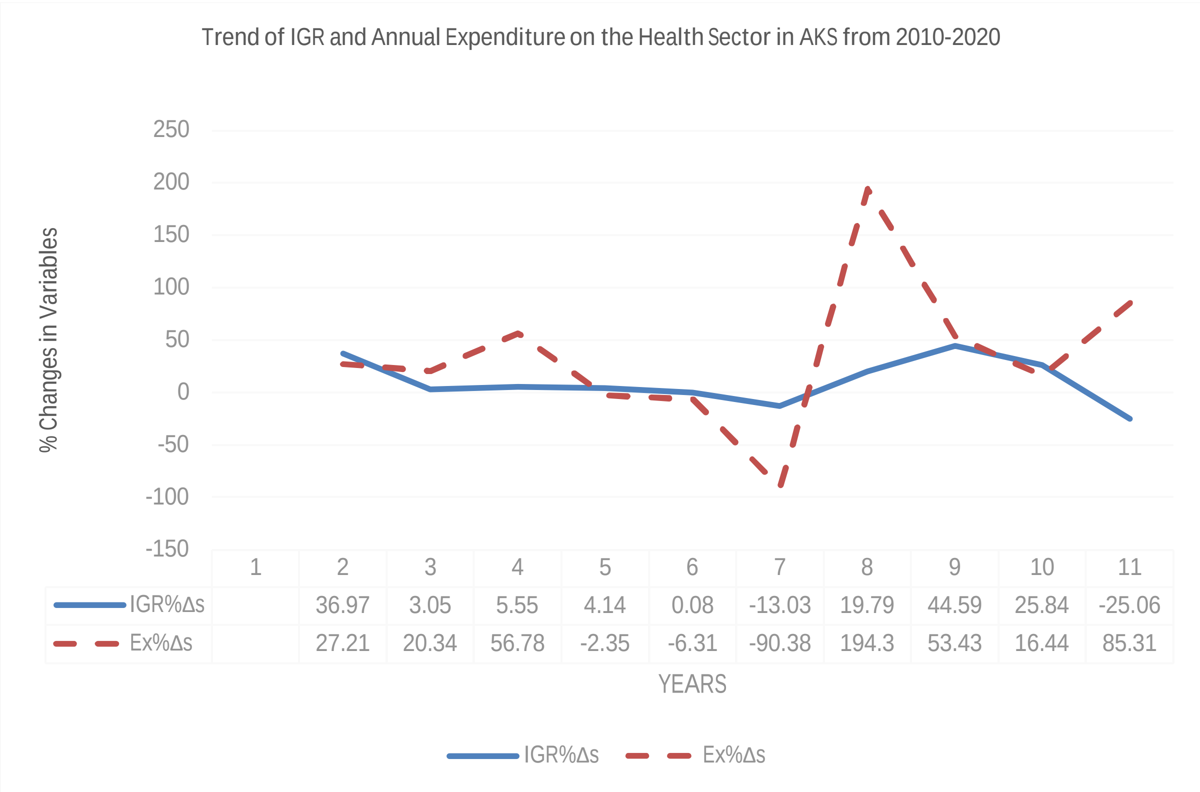

Figure 1: Trend of Akwa Ibom State IGR and annual expenditure on t Health sector from 2010-2020

The second objective of the study which was to ascertain the states internally generated revenue's contribution to the delivery of qualitative and quantitative education to the citizens of Akwa Ibom State was duly attended to in the analysis. From the analysis of the annual IGR with the expenditure in the education sector, it was observed that the annual expenditure on education declined in 2011, 2012, 2014, 2016 and 2018 by -37.75%, -45.40%, -70.16%, -96.84% and -19.22% respectively which is apparently as a result of the dwindling IGR and the capital-intensive nature of funding education in the various levels at the same time. In the years 2013, 2015, 2017, 2019 and 2020, the expenditure on education improved by 100.44%, 682.36%, 350.11%, 31.91% and 89.20% respectively. It was noticed that in the previous years that the need for quality education was drastically lacking which informed the drive for a more purpose driven education policy which was emphasized by international organizations like the Unite Nations (UN) and UNICEF. The relationship trend between the IGR and the annual expenditure on education is presented in fig 2.

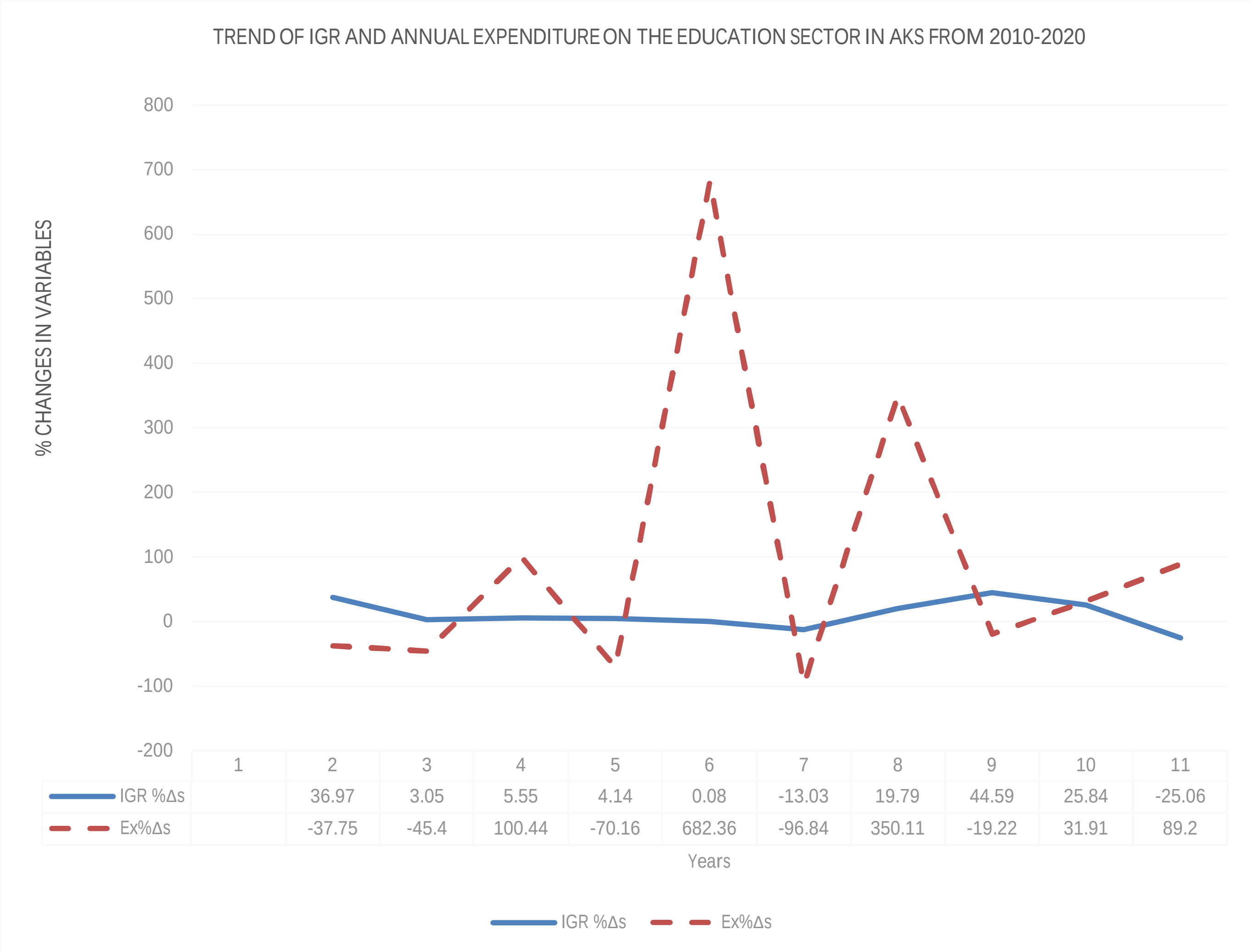

Figure 2: Trend of Akwa Ibom State IGR and annual expenditure on Education sector from 2010-2020

Considering the third objective which was to investigate the contributions of internally generated revenue in Akwa Ibom State to the provision of quality infrastructure in Akwa Ibom State. It was discovered that in the years 2011, 2013, 2014, 2015, 2016 and 2020, the annual expenditure on infrastructure changes negatively by -0.04%, -18.80%, - 27.32%, -31.94%, -14.51% and -12.37% respectively whereas in the year 2012, 2017, 2018 and 2019, the expenditure on infrastructure recorded positive changes by about 45.63%, 1.34%, 73.87% and 35.90% respectively. It was further observed that much attention and priority was given to infrastructure between 2017 - 2019 as a state of emergency was declared by the government of the day. Due to the COVID-19 pandemic where the impact was felt in 2020, a decline was observed in the annual expenditure on infrastructure with a percentage value of -12.37%. It can also be observed that the trend of expenditure on infrastructure is a non-linear trend.

Fig. 3 below shows the interactive relationship and the trend of IGR and expenditure on infrastructure for 2010 – 2020.

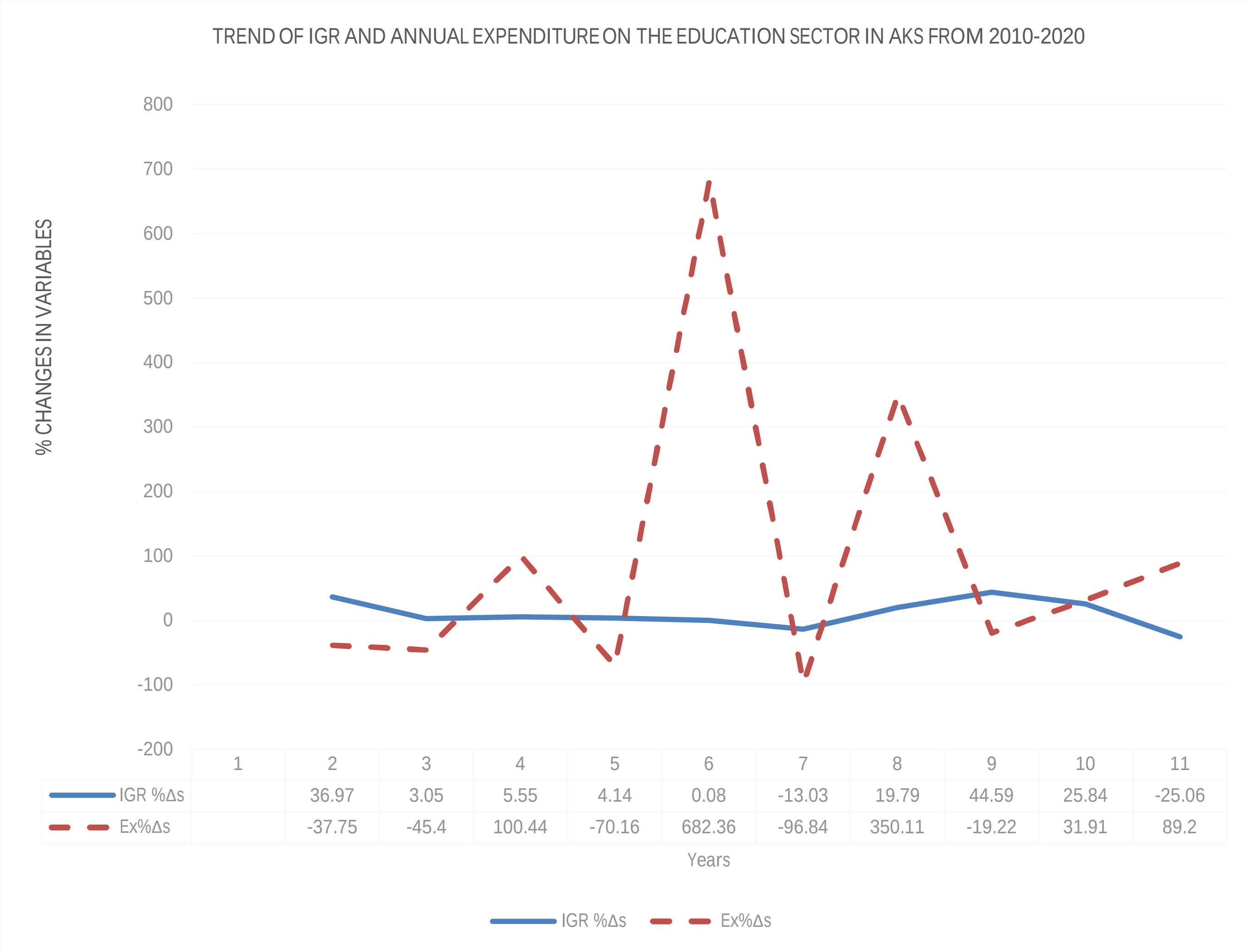

Figure 3: Trend of Akwa Ibom State IGR and annual expenditure on Infrastructure from 2010-2020

Conclusion/Recommendations

In this study, the concept of internally generated revenue and its effects on the provision of infrastructural needs and also in health and educational sector in Akwa Ibom State has been examined. From the various findings made, it is safe to conclude that IGR has contributed to infrastructural development in the state, but such contributions are skewed. Based on that we recommend that:

i. For effective use of IGR, there should be equality in its allocation toward infrastructural development in the state. For instance, more IGR should be allocated for the development of Health and Educational sector. For instance, good water provision will have a trickledown effect on healthcare because it will forestall and tackle bad water-related sickness like malaria that are commonly suffered by people of the state and extends their life span.

ii. The inability of States in Nigeria to generate enough revenue to cope with their expenditure responsibilities has been a serious challenge. The improper use of IGR and corruption have remained a setback to economic development in Nigeria, therefore, there is need to re-strategize and put-up measures that will boost internally generated revenue in Akwa Ibom State in order to achieve economic development.

iii. Akwa Ibom State government should increase its aggregate revenue mostly from internally generated revenue base, since only revenue from internal sources, can boost the state's income.

iv. More IGR collection will attract massive development in the state, training of tax administrators both locally and internationally is recommended for efficient and effective collection of IGR as the continuous used of unprofessional staff of the State Internal Revenue Service can do very little to maximize IGR collection.

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