

An Appraisal of Utilization of Local Government Funds in Edo State, Nigeria: 2006 To 2017

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Abstract

It is believed that the only reasonable form of development is that which comes from within, the sustainable development that comes through the will and desires of the people. The idea behind the creation of Local Governments in Nigeria is that the people at the local level will have the fullest awareness of their needs. Every local jurisdiction has its unique economic, social and physical characteristics and its historical tradition which are better understood by its people. Thus, the Local Government Areas are created to provide the services which the Federal and State Governments cannot easily undertake due to their remoteness from the local communities. This paper appraised the utilization of Local Government Funds in the Nigerian Local Governments with focus on Edo State. The study suggested feasible and pragmatic ways to maximize internal revenue generation in the local governments. It observed that prior to the 1976 Local Government Reforms; most local governments were able to maximize their internal revenue generation and thus discharged their primary responsibilities with little or no financial assistance from the higher tier governments. However, with the introduction of statutory allocations to the local governments following the 1976 Reforms, most of the local governments abandoned the hitherto viable internal revenue sources in preference to the revenue from the statutory allocation. This unwholesome attitude of most local governments, among other things was identified as the bane of internal revenue generation at this level of government. The paper concluded that unless the local governments looked inwards to maximize their internal revenue sources, they would not be financially self-reliant. The implication of this is that they cannot enjoy a reasonable degree of autonomy as a third tier of government if they continue to be heavily dependent on the financial assistance from both the federal and the state governments to function effectively. This is because, as the saying goes, "he who pays the piper dictates the tune."

Keywords: Local, Relevant, Mobilize, Revenue, Autonomy, Utilization.

Introduction

It is believed that the only reasonable form of development is the development that comes from within, one that comes through the will and desires of the people. The idea behind the creation of local government in Nigeria is that the people at the local level are assumed to have the fullest awareness of their needs. Every local jurisdiction has its unique economic, social and physical characteristics and its historical tradition which are better understood by its people. Thus, the Local Government Areas are created to provide the services which the Federal and State Governments cannot easily undertake due to their remoteness from the local communities (Uhunmwuango and Epelle, 2007).

As a result local governments have been the object of numerous reforms and developments since the period of the Transition in 1979. These changes have been targeted at improving the capacity, organization, finance and operations of local governments to enhance effectiveness in relation to goals within the Federal scheme. The continuing puzzle however is the question of survival, given the past history, the present efforts and expectations.

The 1976 Local Government Reforms in Nigeria have since remained the greatest in the development of local government administration in the country. The aims and objectives of the Reforms were meant to make the local government in Nigeria a real third tier or level of governmental administration after the Federal and State Governments. The main thrust of the Reforms was to enable the local government to extend social services and develop rural infrastructure at the grassroots. It was in recognition of these objectives that the Fourth Schedule of the 1999 Constitution of the Federal Republic of Nigeria as amended, outlined in detail, the development functions of local government in Nigeria (Atakpa, 2012). In addition to the participation by the local governments with state government in drawing up the economic development policies and programmes of the state, local governments should also provide, maintain and control social services at the local government level. Local governments also have the responsibility for primary education, agriculture and natural resources, primary health services, construction and maintenance of rural roads and rural markets. Also, the Committee on the Review of Local Government Administration in Nigeria, 1984 (otherwise referred to as the Dasuki Committee) recommended the following basic/detailed functions which should be carried out through strict compliance with the budgetary guidelines to be set annually by the Local Government Council in their Approved Annual Estimates:

- a) Basic environmental sanitation and other aspects of preventive health;
- b) Provision of maternity centres, dispensaries, leprosy clinics and health centre;

- c) Construction and maintenance of roads and drains, excluding Federal and state roads;
- d) Local inland waterways not designated for international waterways;
- e) Provision of rural water supply and extension of urban supply;
- f) Community development;
- g) Agriculture and veterinary extension services;
- h) Construction, maintenance and equipment of primary schools;
- i) Town and country planning;
- j) Markets, motor parks, parks and gardens;
- k) Maintenance of law and order; and
- l) Afforestation (Atakpa, 2012).

In order to carry out these functions at the grassroots, the Federal Military Government extended in 1976, a grant of N100 million to the then 301 Local Government Areas in the country and also proceeded, in 1977, to appoint the Aboyade Technical Committee on Revenue Allocation to determine a revenue formula that would be entrenched in the 1979 Constitution of the Federal Republic of Nigeria. Even though the recommendations of that Committee were not included in the 1979 Constitution, the Revenue Act of 1981, in accordance with Section 149 of the 1979 Constitution, made local governments in Nigeria, for the first time, to be recognized and included among the three tiers of government that would benefit from the statutory allocation of the Federation Account; and the following formula, was adopted for the local governments:

- a) 10 percent share of the Federation Account;
- b) 10 percent share from the total revenue of the state;
- c) Internally generated revenues of the local government from community taxes and rents, fees, charges, licenses, monies accruing from commercial ventures embarked upon by the individual local governments, rents on local government landed properties, interest payments, premiums and dividends from shares and other investments on private or public companies, loans and legal gift from private individuals and corporate bodies, etc.

Since then, many modifications have been made to the above formula all seeking to enhance the local governments' revenue generating capacity especially from the Federation Account. The share go to the local governments in Nigeria from the Federation Account has been fixed at 20 percent. However, prior to the Revenue Act of 1981 and the availing of the Federation Account as a result of bulging oil proceeds of the 1980s, most local governments in the country had a greater share of their total revenue coming from internally generated revenue.

(The percentage of internal revenue generated to the total revenue was as high as 85 for some local governments between 1962 and 1983).

However, with the oil boom of the 1980s and a one-time Head of State of Nigeria claiming that not finance, but executive capacity, was the major bottleneck to Nigeria's economic growth and development, some political parties, capitalizing on this rather regrettable statement, abolished some local taxes in the states they controlled. The result was that starting from 1976, statutory allocations from the Federation Account played a highly increasing role in the total of the ratio of total revenue generated by local governments in Nigeria. However, even the oil boom and revenue accruing to the Federation Account started declining from 1983. With the dwindling of revenue sources to the local governments in Nigeria, it means that local governments in the country should seek for more potential/substantial areas of internal revenue generation if they are to execute their numerous responsibilities and programmes to their people (Atakpa, 2012).

Currently, the revenue sharing formula from the Federation Account is as follows:

Table1: Revenue Sharing Formula

(a)	Federal Government	=	50%
(b)	State Government	=	24%
(c)	Local Government	=	20%
(d)	Special Funds	=	6.5%
	Total	=	<u>100%</u>

The Valued Added Tax (VAT) is also currently distributed as follows:

(i)	Federal Government	=	15%
(ii)	State Government	=	50%
(iii)	Local Government	=	35%

Source: Federal Office of Statistics, Benin City

However, local government effective utilization of funds, despite its wide acceptance and usage, has exhibited several difficulties in the course of its operations.

Problems

The development ratio between the urban cities and the rural dwellings in this country is abnormally lopsided and highly unacceptable for an even and

sustainable development of Nigeria in particular and Africa in general. The lopsided development policy has created many avoidable problems, some of which are massive rural-urban migration thereby over congestion and heating up the lives in the cities, infrastructural decay at the rural areas due to total neglect and abandonment and mass poverty in the country due to lack of proper harmonization of the nation's resources (Ibhawaghele, 2012)

The important question at this juncture thus relates to how much impact local governments have made on the lives of the people in their areas vis-à-vis the high expectations from the latter. No doubt, with the substantial increase in revenue accruing to local governments for sometime now, some of them have been able to embark on significant projects in various spheres with a positive impact on social infrastructure, agriculture, health, industries, and water supply. However, available facts still show that our local governments in Nigeria cannot be counted among the high-performing ones in the world, indeed, not even among the average performing local governments in the third world. Rather, our local governments have been sharply criticized for poor performance in terms of scope, depth and quality of services, particularly in such areas as provision of infrastructure, medical and health services, water supply, waste disposal and many other services listed in the 1999 Nigerian Constitution. In fact, some of the constitutional functions are not performed at all. And as a former Edo State top government official (Egonmwan, 1984) observed:

with the massive increase in the revenue from the Federation Account following the 1976 reform, many Local governments engaged in wreckless spending on grandiose projects which have little relevance to the needs of the local communities. With the oscillations and dwindling of revenue from oil, many of these projects became abandoned leading to colossal waste of resources. There can be hardly any local government area in Nigeria today where corpses of abandoned projects are not found.

Objectives

The general and specific objectives were:

- (a) To determine whether local government funds are judiciously utilized;
- (b) To determine whether State Government interference hinders the local government's effective utilization of funds;
- (c) To ascertain the extent to which the internally generated revenue is utilized.
- (d) To examine the extent to which the use of committee system has assisted in the management and utilization of funds.
- (e) To find out if there are leakages in the internally generated revenue.

Hypotheses

In order to achieve these objectives, the following research hypotheses were formulated:

1. There is no significant relationship between Local Government Funds and Judicious Utilization.
2. There is no significant relationship between State Government Interference and effective utilization of funds.
3. There is no significant relationship between Internally Generated Revenue and effective utilization of funds.
4. There is no significant relationship between the use of Committee system and management/utilization of funds.
5. There is no significant relationship between leakages and revenue generated.

Theoretical Exposition

The particular theory that can sufficiently act as guide for the analysis of issues in this paper is group theory. The group theoretical framework is perhaps the most ambitious methodology in the study of social sciences. The most distinctive characteristic of the group theory to the conduct of political and democratic analysis is the theoretical assumption which sees society, the political process and the entire political process as nothing but a gigantic network of interacting groups. The exponents and principal promoters of the group theory are of the view that every society includes within it a large number of groups which remain engaged in perpetual struggle for power and domination over each other. For instance, to them politics could be understood only in terms of interactions between various groups. They tried to establish the group rather than the individual or the society as the basic unit of analysis in the study of politics. The first explicit and systematic development of the group theory as it relates to analytic study of political systems was provided by A.F. Bentley in his book "The process of Government" which was published in 1908.

However, the work of Bentley was given boost nearly half a century later when David Truman advanced it further in his book governmental process, the analytical impact of group theory in 1951. Other scholars of this theory are Robert Darl, John Stuarde Mill among others. Bentley was interested in de-emphasizing the institutions and re-emphasizing processes. He conceived the group as a mass of activity and not a collection of individuals. Accordingly, he defined a group as a certain portion of men of society taken not as a physical mass out-off from other masses of men, but as a mass of who participates in its form like in many other group activities (Ojo, 1989).

In a nutshell, this framework is associated with this work because of the characteristic nature of the groups that make up the polity under study. For example, the nature of perpetual struggle for power and admonition over each other by major social groups.

Methodology

This paper adopted a descriptive survey method. The survey was based on selected Local Government Areas in Nigeria, Edo State, Nigeria. The scope of the study is therefore restricted to years 2006 to 2017. The population of the study consist of 250 base on two categories (Senior and Junior) staff of the Local Government Areas in Edo State (see table one). Out of this number, one hundred and seventy of them met our criteria and therefore form our sample size as can be seen in table one below:

TABLE 1: POPULATION OF STUDY

S/N	Local Government Areas	Category of Respondents	No. of Returned Questionnaires	No. of Not Returned/ Invalid Questionnaires	Total No. of Sampled Respondents
1.	Uhunmwonde	Senior Staff	16	6	31
		Junior Staff	5	4	
2.	Orhionmwon	Senior Staff	17	8	31
		Junior Staff	4	2	
3.	Egor	Senior Staff	18	7	32
		Junior Staff	4	3	
4.	Ikpoba-Okha	Senior Staff	15	7	31
		Junior Staff	6	3	
5.	Oredo	Senior Staff	17	6	32
		Junior Staff	5	4	
6.	Ovia South West	Senior Staff	17	8	31
		Junior Staff	4	2	
7.	Ovia North East	Senior Staff	18	7	31
		Junior Staff	4	3	
8.	Esan Central	Senior Staff	16	6	31
		Junior Staff	5	4	
TOTAL			170	80	250

Source: Field Survey 2020.

Both Primary and Secondary sources of data were explored in trying to generate data for this study. The specific information required for the study was

Effective Utilization of Local Government Funds in Nigeria, Attitudes, Leakages in the administrative mechanism put in place among others. The questionnaire formed the main instrument used in generating primary data, while documented information on prints that are relevant to this study, constituted the secondary source of generating data. To complement the information received through the questionnaire, respondents were also interviewed. As the research is based on attitude and opinions, the statistical tools employed in analyzing responses include, tables and simple percentages. All the one hundred and seventy copies of the questionnaire distributed to the respondents studied were duly completed and returned in a useable form. The Statistical Package for Social Sciences (SPSS) was used for the data analysis.

Demographic Data

Of all the one hundred and seventy respondents, eighty (47%) of them are married; fifty (29%) are single while twenty one (13%) are divorced and the remaining nineteen (11%) are either widow or widowers. Thirty (18%) of them are within the age bracket of 18 – 25, Fifty (29%) are between the age bracket of 26-35 years; while eighty (47%) are within the age bracket of 36-45 years and the remaining forty six years and above are ten (6%).

Table 2: Hypothesis 1

There is no significant relationship between Local Government Funds and Judicious Utilization

Responses	No. of Respondents	Percentage
Yes	110	65
No	60	35
Total	170	100

Source: Statistical Analysis

Table 2 shows that 110 (65%) of the total respondents agreed that there is effective utilization of Local Government Funds in Nigeria have more relevance and impacted negatively on people enjoying the dividends of democracy in Edo State in particular and Nigeria in general, conversely responsible for the lack of attitudinal change, none performance and fragrant disregard for rules and regulations.

Therefore, the hypothesis one which states that there is no significant relationship between Local Government and Judicious Utilization of Funds in Nigeria is accepted.

Table 3: Hypothesis 2

There is no significant relationship between State Government Interference and effective utilization of funds.

Responses	No. of Respondents	Percentage
Yes	105	62
No	65	38
Total	170	100

Source: Statistical Analysis

Table 3 shows that 105 (62%) of the respondents agreed that there is correlation between State Government Interference and effective utilization of funds while 65 (38%) were not satisfied or disagreed.

Table 4: Hypothesis 3

There is no significant relationship between Internally Generated Revenue and effective utilization of funds in Nigeria.

Responses	No. of Respondents	Percentage
Yes	120	71
No	50	29
Total	170	100

Source: Statistical Analysis

Table 4 shows that 120 (71%) of the respondents agreed that Internally Generated Revenue has no relationship with effective utilization of funds in Nigeria which substantially led to economy drawback and also hampered significantly on dividends of democracy in local government while 50 (29%) disagreed with the opinion.

Therefore, the hypothesis which states that there is no significant relationship between Internally Generated Revenue and effective utilization in Nigeria is accepted.

Findings Based on Hypotheses

Based on the analysis of the hypotheses, all the research hypotheses were positive which implies that (**H₁**) **1-3** were accepted.

More so, the study revealed that Effective Utilization of Local Government among Politicians in Nigeria could impact negatively on developmental strike on Local Government Administration in Nigeria.

1. Furthermore, this paper have highlighted several challenges and solutions as per the findings in the hypothesis carried out in the research. However, again, it was found that, the application of necessary mechanism in checkmating leakages in Local Government Administration was not put in place.

2. It was revealed that a clear understanding of the concept of revenue collection and utilization which would effectively, efficiently and economically enhance the process of public service delivery was absent.
3. It was also revealed according to some findings that the focus should rather be placed on the day-to-day check by Independent Audit Committee so as to avoid embezzled funds.
4. Effective by-laws should be put in place by Local Government Authorities in order to avoid abuse by some unsuspecting fraudsters (Akintoye and Uhunmwuango, 2018).
5. Transparency or openness appears to be the desideration to the stop of fraudulent practices amongst Nigerian politicians.
6. Power and wealth seems to be the driving force of some Chairmen of Local Government Chairmen in Nigerian politicians, hence it is opined that there should be regular audit of the Local Government.

See figure 1 below for more details of Nigeria Political map.

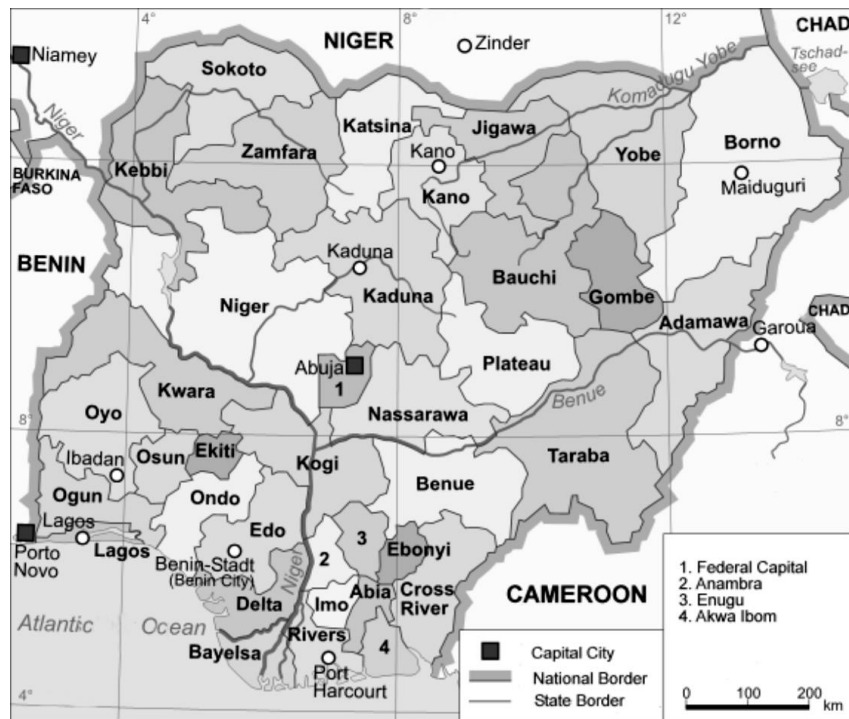


Figure 1: Political map of Nigeria

Source: Wikipedia caught 20 November, 2019.

Conclusion

We have seen from discussions above, that local governments have a lot of internal sources of revenue. These sources as can be seen have not been fully tapped or exploited by the local governments. It is interesting to note that local government themselves are largely responsible for non-maximization of their internal revenue sources. The reason for this is because they lack the political will to set the necessary machinery in motion for effective and efficient internal revenue generation.

The local governments pay more attention to collection of statutory allocations and lip service to internal revenue maximization. Most local governments have refused or paid little or no attention to updating their by-laws as they concern revenue payment, collection and enforcement. It is shocking and surprising to observe that some local governments still charge old rates and other fees as was the case during the colonial period. This they do notwithstanding the rate of inflation and other changes in the economy as well as the capacity and willingness of the members of the public to pay (Uhunmwangho and Aibieyi 2013).

Apart from lack of political will by the local governments to maximize their internal revenue generation, there is also another problem on their part which is the prebendal attitude of their workers. Prebendalism is an attitude that public office is essentially held for personal gains. In other words, people seek for public office purely for personal gains. This attitude is manifest in most of the staff of the local governments, which today are “centres and fortresses” of corruption. However, this is a general cankerworm affecting the Nigerian society. A number of measures have been suggested on how the local government can maximize their internal revenue generations. These measures have been fully discussed in the main body of the work. We strongly believe that if the above suggested measures are adopted by the local governments, they will revert back to self-sufficiency in internal revenue generation and utilization as was the case in pre-oil boom era in Nigeria.

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