

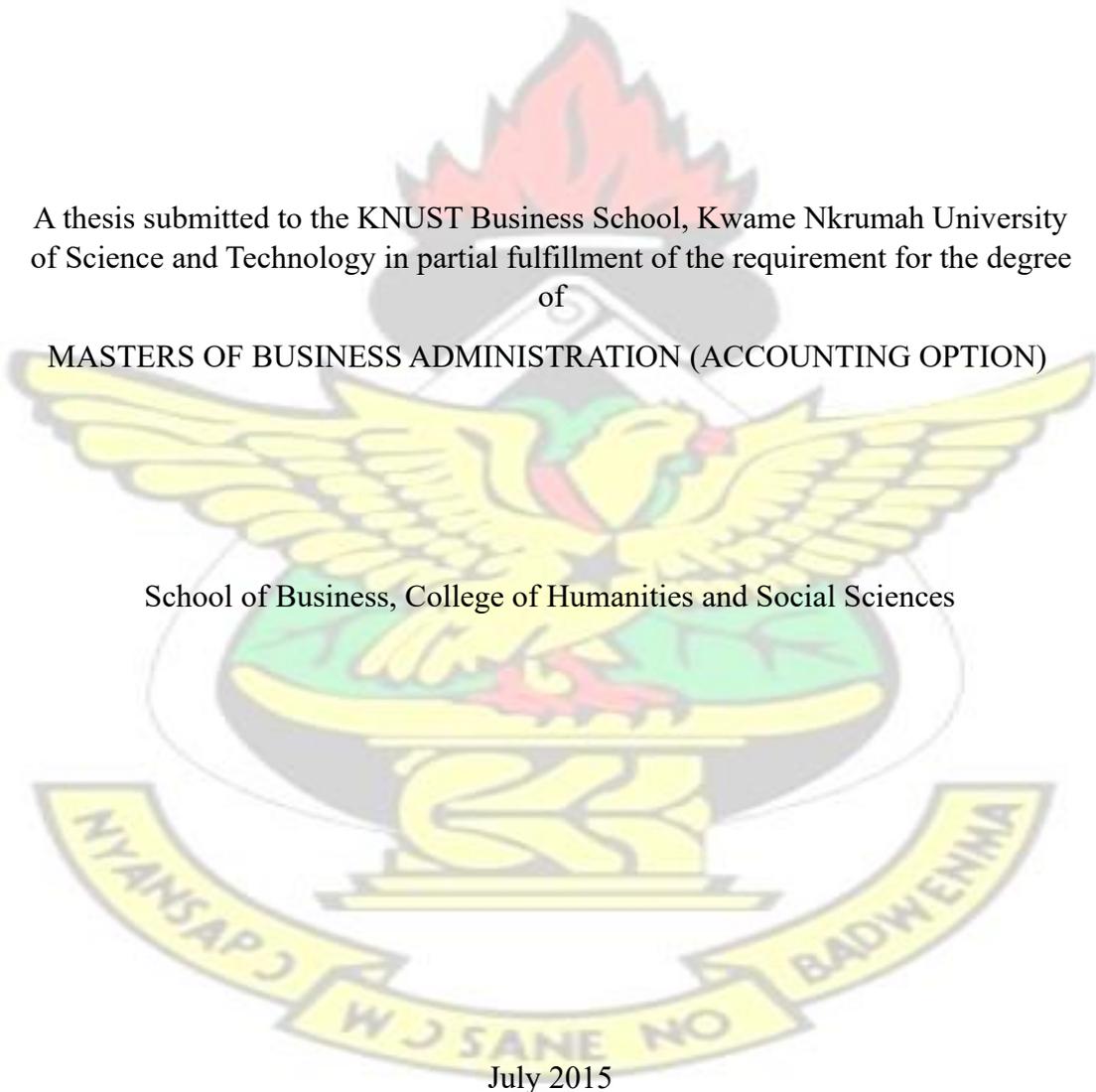
INTERNAL REVENUE GENERATION BY JAMAN SOUTH DISTRICT  
ASSEMBLY

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## DEDICATION

To God be the Glory, and to my entire family, especially to my elder brother Adusei Sarkodie, and my other siblings my gratitude to you all. I thank you for your support, love, deed of kindness and acts of caring.

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## ABSTRACT

Local governance and decentralization programme in Ghana took effect from 1980s and it was aimed at bringing governance closer to the local populace. This era witnessed the gradual transfer of power, authority and resources to the District Assemblies. The decentralization programme had since made diffident gains, especially in promoting local participation in political governance. It is however, disheartening to discover that most local government have failed woefully to meet local needs of its people due to the dwindling subventions that are always late coming from the central government, therefore, one of the biggest problems facing the District Assemblies in Ghana is how to successfully generate revenue internally to support local development initiatives. This study sought to examine internal revenue generation by Jaman South District Assembly, sources of internal revenue, strategies used by JSDA in internal revenue and problems facing internal revenue generation. The researcher used both primary and secondary data method of data collection to generate the needed data. The data collected by both primary and secondary data were analyzed and some of the findings were dearth of District data base, inadequate strategies mounted by management, limited infrastructures, lack of enforcements of revenue by-laws, overconcentration of statutory funds. The study also observed the continuous downfall of internal revenue source performance over the last four year period's that data were collected from Jaman South District Assembly. This research, therefore, recommended that there should be more creation of awareness of tax revenue and benefit to the District. The researcher also recommended that the District Assembly should intensify efforts towards carrying out aggressive collection on lucrative revenue source such as property rates, fees and license and at the same time block loopholes that have made the collections to decline in the last four years of this study. This study would be of value to 216 MMDAs who seeks to improve their internal revenue base, assist government on decentralization policy direction and NGOs that seeks to support activities of District Assemblies in Ghana.

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## LIST OF ABBREVIATIONS

OECD	-Organization for Economic Co-operation and Development
UNDP	- United Nations Development Programme
UNCDF	- United Nations Capital Development Fund
ERP	- Economic Recovery Programme
SAP	- Structural Adjustment Programme
GDP	- Gross Domestic Product
CIDA	- Canadian International Development Agency
CSO	- Community Service Organization
MTEF	- Medium Term Expenditure Framework
ADRA	- Adventist Development Relief Agency
GAIT	- Government Accountability Improvement Trust
MMDAS	- Metropolitan, Municipal and District Assemblies
JSDA	- Jaman South District Assembly
RIAP	- Revenue Improvement Action Plan
CBRDP	- Community Board Rural and Development Programme
STWSSP	- Small Town Water Supply and Sanitation Project
DDF	- District Development Fund
GSFP	- Ghana School Feeding Programme
RSTWSSP	- Rural Small Town Water Supply and Sanitation Programme
CAGD	- Controller and Accountant General Department
NADMO	- National Disaster and Management Organization
IGR	- Internally Generated Revenue
IGF	- Internally Generated Fund
DCD	- District Co-ordinating Director
DFO	- District Finance Officer
DA	- District Assembly
MLGRD	- Ministry of Local Government and Rural Development
RCC	- Regional Co-ordinating Councils
KMA	- Kumasi Metropolitan Assembly
DBO	- District Budget Officer

- DACF - District Assembly Common Fund
- MP - Member of Parliament
- GHS - Ghana Health Services
- GES - Ghana Education Services
- SPSS - Statistical Programme and Social Sciences

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## CHAPTER ONE

### GENERAL INTRODUCTION

#### 1.0 Background of the Study

The success of most government in developing countries is measured in terms of various services and development projects they undertake, however, extending development to remote areas is tremendously associated with funds, much revenue is needed to plan, execute and maintain infrastructures and facilities at the national and local government level. The needed revenue generated for such developmental projects like construction of roads, building of public schools, provisions of health care facilities, design of bridges among others are sources generated from taxes, royalties, fees, licenses grant from other countries and non-governmental organizations. Thus, particularly the local government cannot embark, execute and possibly carryout the maintenance of these projects and other responsibilities without adequate revenue generation. It is the main reason why development is skeletal at some local government level in Ghana.

The International Accounting Committee (1982) defines revenue as ‘‘ the gross of inflow of fiscal benefit during the period arising in the way of the ordinary activities of an enterprise’’ Efficient and adequate generation of revenue reflect an efficient and vibrant economy where development increases whereas inefficient and inadequate inflows connote a weaker economy causing less development. Therefore, for an effective development of a country, revenue mobilization must be high on the agenda of the government and its people.

Revenue could come from internal or external sources, internal revenue source is where the local government uses its own available resources, skills and means to generate funds within its jurisdiction, external source however, is where by funds are transferred

either from the central government or by any other organizations or individuals to the local government for its development.

In Ghana, Local government has been required by the central government since independence to act as an agent of change for transformation of society and the economy. It identifies and promotes development opportunities and also collects revenue for local development. In essence, revenue generation is important for the nation since programme and projects are carried out with it. Therefore, problems associated with revenue generation such as inefficiency in resources and strategies, default in revenue generation should be dealt with to ensure efficient development for the local communities.

### **1.1 Statement of the Problem**

There is a lot of literature about financing district development in Ghana. Much has particularly been written about the various ways of financing the District Assembly especially through District Assembly Common Fund (DACF) which has not been forthcoming on quarterly basis as the Act stipulate. Internal revenue generation for local development pattern in the district assembly has not been adequately research into. It is the aim of this study to establish empirically how revenue generated internally can be improved by Jaman South district assembly to develop their local communities devoid of over reliance on the external funds when delayed at times hindering the growth of the district development. It will also seek to suggest some revenue mobilization pattern to push local development without much dependence on the central government support.

The decentralization policy was introduced by the PNDCL 207 of 1988. Its prime objective is the restructuring of political and administrative machinery of government

for the improvement of decision making and the development at the remote areas. Realizing the critical role finance play in the successful implementation of the decentralization policies, numerous revenue sources are made available to the District Assembly through Act 462 of 1993. Government has also provided the District Assembly Common Fund to give the Assembly the necessary push to motivate them for a sustainable development. Before the inception of the District Assembly Common Fund, expenditure of Assemblies was often slanted towards the recurrent expenditure. Realizing that the situation does not augur well for the development, government introduced the District Assembly Common Fund (DACF) to streamline the path for development. According to (Boachie Danquah 1996), since the introduction of the fund, there has been some amount of smugness on the part of the District Assembly, he is convinced that the initial urge of the Assembly at revenue mobilization has been sacrificed on the altar of sudden privileged circumstances. As a result of that, it has affected the trend of development project expenditure patterns and the control over utilization of funds of most District Assemblies. This is so because, the District will have to wait for some time before funds are release from the central government to the Districts Assemblies.

It has been observed that the system put in place to generate revenue for the Jaman South District Assembly does not yield the maximum income expected. The basic problem is that, most of the collectors put in place are unable to collect the revenue envisaged by the assembly for its development; some of them even embezzle part of the funds collected, therefore, to move forward local development without depending too much on the central government support. The Assembly should turn inward and look for suitable and more effective revenue collection strategies which will help them develop their communities.

## **1.2 Objectives of the Study**

### **1.2.1 General Objective**

To examine internal revenue generation by Jaman South District Assembly.

### **1.2.2 Specific Objectives**

1. To identify the sources of internal revenue generation by Jaman South District Assembly.
2. To identify the strategies that the Assembly used in internal revenue generation.
3. To assess the internal revenue generation performance of Jaman South District Assembly from 2011 to 2014.
4. To find out the problems that Jaman South District Assembly faces in generation of internal revenue.

## **1.3 Research Questions**

1. What are the sources of internal revenue generation by Jaman South District Assembly?
2. What are the strategies used by the Assembly in generating internal revenue?
3. What is the performance of the Assembly in internal revenue from 2011 to 2014?
4. What are the problems the Assembly faces in generation of internal revenue?

## **1.4 Significance of the Study**

Behind the decentralization programme, Districts in Ghana has taken various governmental roles and responsibilities. The District Councils were made the central point of local government with managerial and exclusive power for local level governance and development. The nature of decentralization in Ghana, which encompasses devolution, administrative decentralization and fiscal decentralization has

made district to plan, implement, monitor and evaluate and co-ordinate their own development programmes under the broader national framework or guideline. District development programmes and plans which may have been started by the local communities or their representative require sufficient amount of financial resources. The major sources of finance available for District in Ghana come from central government transfers, internally generated revenue (IGR), grants and loans.

It is a common planning practice that every year a number of projects may be initiated by the local communities and only few are taken to be part of the District plan. This is mainly because the available resources for plan implementation are so limited as compared to the demand for development projects. It is understandably reasonable to think and thoroughly investigate the various sources of finance that the District has at hand. It is under the above ground that this study will empower the District authorities to identify the revenue sources, the strategies in revenue generation and problems encountered in revenue generation. The findings of the research may not be restricted to Jaman South District and henceforth it can be used by other District of the country.

### **1.5 Scope of the Research**

Geographically the range of the study is restricted to the Jaman South District Assembly in the Brong Ahafo region of Republic of Ghana. For a clearer and simplified analysis of data, the research is restricted to sources of internal revenue, strategies for the internal revenue mobilization, the performance of internal revenue for the past 4 years of the District and problems associated with internal revenue collection by the District Assembly.

### **1.6 Limitations of the Study**

One of the limitations was funding. Also adequate time for the study was a constraint bearing in mind the number of times personnel were available for interview and

answering of questionnaire. However, efforts were made to lessen the impact of the limitation on the research.

### **1.7 Organization of the Study**

The report of this study is structured into five chapters. Chapter one outlined the introduction that detailed the background of the research, statement of problems, Objectives of the study, research questions, significance of the study, scope of the study, limitations and organization of the study. Chapter 2 reviewed the relevant literature on theories of revenue for local development, decentralization in Ghana, fiscal decentralization, sources of internal revenue to District Assemblies, strategies for local assembly revenue generation, performance of some District Assemblies in Ghana, legal framework of local government in Ghana, agents of local development and problems associated with revenue collection. The third chapter focused on the methodology which described the research designs, tools for data collections, data capturing and processing, sampling techniques, data procedure data analysis and profile of Jaman South District Assembly. Chapter four dealt with data presentation, analysis and discussion. Finally, the last chapter dealt with the summary of findings, conclusions and recommendations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

Revenue plays an important role as far as the progress of a nation is concerned. This cannot be over emphasized as revenue generations in our Districts Assemblies are very low to sustain projects. In this part of the research, serious effort was made to look at what other writers and researchers have done and said about internal revenue generation employed by local authorities to help develop their local areas. This part of the research sought to reviewed the definition of key concepts, in the concept of decentralization in

Ghana, fiscal decentralization the legal framework of local government in Ghana, importance of local development, importance of internal revenue generation by District Assemblies, strategies of internal revenue mobilization, the challenges of internally generated revenue by some Metropolitan, Municipal and District Assembly in Ghana and conceptual framework of revenue generation and many more.

## **2.2 Definition of Key Concepts**

Olademeri (1985) termed revenue as the inflow from central and local government. Olademeri further indicated that local government legitimate matters are the revenue sharing outlooks. Revenue is monies raised to meet expenditure. Additionally, Hepworth said that revenue is raising resources needed to provide state services. Hepworth (1976) further stated that there are two forms of fiscal policy – inflow and outflow. In other words, the sources of revenue and usage of the revenue. (Fayemi 1991) described revenue as all apparatuses of revenue to the state such as licenses, fees, royalties and fines, investment proceeds and other forms of receipts to the state to which the government has the authority to spend. He further categorized state income into two forms –capital income and recurrent income. Kokor depicted local authority revenue sources into two fold, those that are generated from their legally assigned sources; and those that emanates from the central government as transfers to local authority in the form of grants, shared revenue and subsidiaries (Kokor 1991)

The revenue generated internally, as the term implies is the revenue that the local authority generates internally within the area of its control. (Adebayo, A and Rowland, L 1974). The revenue collectible by a local authority are diverse and several and is guided by bye-laws that are applicable in each of the local authority areas. Internally generated revenue is the main source of local authority sustenance. It is the life blood of the local authority. Because, that is the major source of funds that the local authority

has control over and as such, the degree to which a local authority can go in realizing its objective will largely hinge on internally generated revenue strong point to local authority.

### **2.3 Decentralization**

Ahwoi defined decentralization as a device for public administration transformation that includes the handover of functions, power, skills and competence and resources to lower levels of governance, ordinarily structures of local, though in some jurisdiction the transfers is to other spheres of governance (Ahwoi 2010). Decentralization may also be referred to as the restricting of power so that there is a structure of shared-responsibility between institution of state at the central, regional, and local levels according to the principle of supplementary (UNDP 2007).

Decentralization denotes “the movements of administrative, decision making capability and means from the state to local government” (Walker 2002). Rondinelli outlines decentralization as “the transfer of roles and responsibility for forecasting, managing, and the generating and distribution of resources from the state and its agencies to field unit of government agencies, subordinate department, semiautonomous public authorities, area-wide, regional or functional authorities, or nongovernmental private or voluntary organization” (Rondinelli 1989). Rondinelli classified the forms of decentralization into four: namely, decongestion, delegation, devolution and privatization.

The objective of decentralization began since the early 1970s and 1980s as governments in under developed nations tried to find more socially rightful procedure of economic development and to meet the basic needs of the poor in society. A lot of countries are decentralizing fiscal, political and administrative roles to lower-level government, the private and non-governmental organization.

There are number of rational justification for decentralization. Among others, decentralization programme is sought as a result of its relevant effects on resources generation and allocation, macroeconomic stabilization, service provision and equity, which has consequential effects on local economic growth and poverty reduction. This has resulted in the greatest demand to decentralization polices in most under developed nations (Ikeanyionwo 2001). A number of arguments have been advanced in support of decentralization. (Hadingham 2003) summarizes these are;

1. *Boosting revenue growth:* Sub-national authorities can boost the local sources of income by imposing local taxes, such as licenses, fees and other user charges and using the revenue for the local communities.
2. *Allocative efficiency:* sub-national authorities are more sensitive to local priorities and needs and can revise service delivery to reflect this;
3. *Answerability:* Local communities are well placed to sway politics and policy at the grass root level than at the national level. Local communities can put direct pressure on local authorities if they are unhappy with the provision of services; and,
4. *Delivery of Information:* Local authorities can keep people abreast with information as they are in straight contact with users of services;

However, decentralization is not without its risk and challenges (Hadingham 2003):

1. *Revenue minimization:* Local authorities may have limitation in their capacity to generate local financial means, or be unwilling to do so;
2. *Poor human resources base:* Professional staffs are often unwilling to live and work in remote areas. Staff that are available are often poorly trained, lacking in motivation and have low levels of capacity;

3. *High level of Corruption:* More people have political control under decentralization and consequently the risks of exploiting the system by corruption may be higher; and,
4. *Elite capture:* Local elites may capture the benefits of decentralization and are not necessarily micro pro-poor than national elites;

The way and manner in which decentralization matter is carry out and the impact that it has is deeply dependent on the circumstance in which it takes place. Consequently, it is not easy to simplify about what it takes for the operation of decentralization to be successful. And hence it is quite challenging to generalize on the extremes.

#### **2.4 Fiscal Decentralization**

Financial obligation is a key module of decentralization. If decentralized department are to carry out their duties effectively, then they need to have enough levels of income- raised within their jurisdictions/ or transferred from the state or from other sources- as well as the authority to make decision about spending. The procedure of sharing of state funds and duties to the various levels of government is typically referred to as fiscal decentralization. The emphasis of fiscal decentralization is to strengthen local government budget and thus their ability to deliver public goods and services. The brine behind this to offer local government some income power and spending duties, and permit them to decide on the level and structure of their spending budget. In this way, the local community will be able to express their needs and preferences, and contribute in governing their affairs.

Bahl and Linn define fiscal decentralization as a way of attaining local development is grounded on two main arguments that are commercial efficiency and local revenue generation (Bahl and Linn, 1992). Commercial efficiency argues that fiscal decentralization takes government closer to the people and makes sub- national

authorities more answerable for decision about the level and mix of revenue and spending, thus increasing welfare. The revenue generations supports for fiscal decentralization dwell on the statement that a decentralized revenue structure might lead to a surge in the overall rate of income generation.

## **2.5 Fiscal Decentralization in Under Developed Nations**

In contemporary years, there have been pervasive efforts to both redefine the role of the public sector in under developed nation and enhance its performance. (Bahl and Linn 1992) in the 1980s, just before the incipient fiscal decentralization trend, local government in *Organization for Economic Co-operation and Development* (OECD) nation attributed, on average, 11 per cent of aggregate sum of public occupation, and in some nation as plentiful as 25 per cent. In contrast, local authorities in under developed nations accounted for an average of 4.5 per cent of public occupation, going from 2.5 per cent in Africa to 8 per cent in Asia. Public spending data from the late 1980s and early 1990s indicate that the sub-national authorities part of total government expenditure average 32 per cent in the developed nations versus 15 per cent in under developed world.

In many under developed nation, an overall lack of administrative and technical expertise has prevented the composition of local government institution and an effective working relationship between the state and sub-national authorities (World Bank 2000). Given the inadequate staffing and the scarcity of training and educational facilities, some sub- national authorities feared competition for qualified staff if decentralized government were reinforced.

Local governance has been deserted in many under developed nations because there is a strong government opposition on transfer of power to local authorities (Rondinelli 1990). Some factors for this neglect are appropriate, such as the need for nation building

in culturally disjointed societies and fundamental macroeconomic control in brittle economies. Meanwhile, the reality is that those in power, who may be dominated by certain ethnic groups, fear the loss control, power and wealth in-built in useful devolution (decentralization). (Paul Smoker 2001)

A general assessment of National Human Development Report (UNDP 2007) directed on decentralization, established that efficient and effective decentralization can generate growth by;

1. Permitting local authorities to better initiate and take necessary action and policies that argument priority local need including better productive efficiencies to promote local economic growth.
2. Empowering the local people by providing a framework for multistakeholders participation in local decision making and in affecting local development initiatives, policies and programmes.
3. Limiting the period during which the time for decision making as well as having a cost effective approach.
4. Facilitating improvement of the quality and accessibility of basic services that includes provision of education, health and infrastructure.
5. Helping to affluence inter-district and intra-district inequalities and to ensure prioritization of expenditure to marginalized groups.

Experiences further indicates that in certain conflict areas and after conflict situations, decentralization can prove helpful in solving tension by ensuring the participation of all different interested party and ensuring greater access to decision making. It can also motivate local authorities to assume their leadership responsibility by spearheading the elaboration of a local development strategy and by organizing partners and means for implementation (UNDP 2007).

In the ideal case, national government will support the political decentralization process by suitable fiscal decentralization measures and helpful incentives such as targeted budget allocations for the implementation of the Medium Development Goals/ Pro-Poor agenda or through earmarked grants that target the needs of the vulnerable and marginalized. More systematically, it can use a combined planning system whereby the central government resources and public investment financed majority part of the local development target.

However, in many under developed nation political will is lacking and decentralization reforms have stagnated. Fiscal transfer are often absent or insufficient as a consequence, local government continue to be highly dependent on the national government for financial support, reducing local government to little more than deconcentrated local administration. In the absence of appropriate mechanism for fiscal transfers, political motivations are often more important than economics ones, resulting in fragmented municipal structures, ambiguous assessment of competencies, division of responsibilities and untended mandates of inadequate fiscal equalization mechanism (UNDP 2007).

## **2.6 Supports for Decentralization**

In a larger number of countries, United Nation Development Planning and United Nation Community Development Fund are supporting decentralization as a core component of their governance and poverty programme. They have been assisting the central government in drafting legal framework to raising awareness of local government, civil society organization and communities of their right and duties.

There have been fiscal decentralization activities in Bolivia, Georgia, Ghana and Uganda among others. In Uganda UNDP/UNCDF has pioneered the organization and development of efficient systems of inter-governmental fiscal transfers and local

government own sources of revenue in line with poverty reduction strategy which have been adopted as a national policy. Their work has helped to highlight the necessity to enhance mechanism for mobilizing local financial resources and local spending, through training around local financial administration revenue mobilization and accountability.

## **2.7 The Concept of Fiscal Decentralization in Ghana**

The first efforts at local administration began during the colonial time were the native authorities, which focused on a chief or some unit of local royalty, which was not well clear. Those native authorities were not constitutionally elected but were handpicked to stand in for the benefits of the British Colonial Government to maintain law and order (Inanga and Osei-Wusu 2004). According to Inanga and Osei-Wusu subsequent steps towards decentralization were for political and administration purposes. These, includes the Municipal Ordinance of 1859, which happened at the creation of municipalities in the coastal towns of the then Gold Coast, as Ghana was then known.

For the past years, various efforts have been made to institute decentralization in Ghana. The post-independence local Government Act, Act 54 of 1961 was passed. The characteristics of these efforts include a national government body, which dealt with national issues and the local authorities as central government agencies. Decision making at the sub-national level, however, delayed since many of the concerns had to be discussed at the ministerial levels. The implication is the stifling of local selfsufficiency, democratization, economic development and self-determination (Inanga and Osei-Wusu 2004).

Some problems to the first efforts in decentralizing the government machinery from the national to the local levels included the lack of human resources capability with professional skill and expertise as well as fiscal means to meet commitments. The

economic policies adopted in Ghana during the 1980s centered mainly on an aggressive programme of stabilization and economic liberalization. The foremost characteristic comprises of, Economic Recovery Program (ERP) and the Structural Adjustment Program (SAP), these policy programmes was led by private sector with limited government participations. However, the work of the state in development issues seems to have been neglected as at 1988. There was thus heightened economic and political force to decentralize the functions of government or state (Inanga and Osei-Wusu 2004). According to Ahwio (2010), academic and other writers on decentralization very often confuse the term ‘‘decentralization’’ with other concepts that look like decentralization but could be at best describe as variants of administrative decentralization. Rather, those concepts, namely devolution, deconcentration (decongestion), delegation and public private partnership or privatization are alternative methods aimed at achieving efficient and effective public administrative system; they are forms of decentralization. Devolution is defined as the movement of power to local authorities’, especially from national to the local or regional managerial roles. Decongestion is termed as the transfer or reduction of work load at the national level to the local level. Delegation on the other hand, is where part of a task or responsibility is transfer to one person. In most times are from the superior to the subordinates of which the subordinates report to the superior.

Ahwoi (2010) stated that Ghana’s public administration reforms embarked upon from the early 1980’s aim at decentralizing the system involving variants of devolution, decentralization and powers of central government were to be decentralized. It is different from, though related to the government of decentralization. It has also the vision and the objectives of the two programmes of decentralization to achieve national development.

Ghana's decentralized programmes and policies had local administrators as the centre for destination of the decentralized functions. The programme seeks to move functions, powers and resources in a programme of political decentralization to transfer skills and competences in a programme of administrative decentralization planning and to transfer means and resources through a programme of fiscal decentralization (Ahwoi 2010).

## **2.8 Local Government**

Local government has been defined individually by many authors and bodies. (Maddick 1963) termed local government as a department of governmental controlled by a local authority which is authorized by the national government to pass ordinances having a local claim, levy taxes or exact labour and within limit specified by the national government. The United Nation describes local government as political sub-division of a country which is founded by law and has considerable control of local affairs including the power to impose levies for prescribed purposes.

The administrative unit of such an organization is elected or otherwise locally selected (UNDP 2007). (Nsarko 1956) defines local government as a term which implies reliance and self-government. William Robson (2006) described local government as connecting the conception of local, non-sovereign community owing to the legal right and the necessary body to regulate its own affairs.

## **2.9 Importance of Local Government**

Local governance is widely known to provide needed services to people in remote areas. It is because democratic government consists of people's who are drawn from communities and therefore have local knowledge and commitment to the local area and its people. It enables tasks to be performed from the national government department and the civil services which would otherwise be overburdened with work to be

offloaded to the local authorities. As multi-purpose bodies, local government are able to safe guide a greater share of co-ordination, at least theoretically since the same local authority has responsibility of planning, constructing of roads and houses, the link between these different services and unit is easier. Local governments had far greater degree of autonomy and therefore, are able to take initiative and makes tryout, in this way, they may initiate and pioneer new services and measures of administration and positive ideas may extent to other local government activities.

Participatory local government encourages responsibility citizenship, local democracy and promotes political education in its broadest sense. This happens by the inclusion of large number of individuals in the political decision process. Local individuals may discover the businesses of the modern government too large and cumbersome to understand, but the local governments are more easily and naturally participate with their neighbours in assisting to cope local community business. The rapport between selector and elector is nearer at the local levels than at the national levels and aids to create alertness among local voters of their capability to effect decisions.

Effective and good governance is conveyed about by a set of bodies, mechanism and process through which inhabitants and groups can express their interest and needs, mediate their differences and exercise their right and responsibility at the local level.

It involves effective citizen's participation, transparent flow of information and functioning accountability mechanism (UNDP 2007). Decentralization helps to set the stage for greater interaction of these different interest group and their individuals and collective capability to perform at the local level which in turn can help empower local actors to exercise their right and duties in support of local development. Local government may be a barrier against all dominative national governments and the abuse

of incumbency. It helps to disband political control and diminish the danger of an over-decentralized country.

## **2.10 Agent of Local Development**

Local government is significant vehicle by which country's progress towards realizing its growth priority. Such growth is not just growth that happens locally. This is a process that influences the comparative and competitive advantages of localities, organize their specific economic, political, social and physical resources and institution (UNDP 2007) and it is entrenched on national development processes and frameworks such as the existing national and sectorial growth strategies of the Medium Term Expenditure Framework (MTEF) and decentralized and civil service reforms.

The word Local development inclines to be used both for the process and for result of the intricate interaction and actions of different interested party at the local level to enhance human development. As highlight above, these interaction do not take place in isolation, but are framed by national frameworks and policies especially (Fiscal) decentralization, even in situations where the devolution of power and administrative authority are limited. Promoting local development in an integrated manner, therefore, involved paying attention to all these factors simultaneously through a comprehensive development approach.

As a progression, local development involves a range of different interested parties such as civil society organization, local communities, local government, and private sector companies, national government that comes together to support access to quality basic services and broad economic growth. For such effort to yield a positive result, local actions reforms need to enabled and assisted to improve their situation. This needs the

plan of organization for development decision-making structures, roles and procedure for policy direction, project estimate and action oriented.

Thereby, effective prudent political machinery depend on proper institutions arrangement relationship among institutions (both governmental and nongovernmental) and effective co-ordination of activities, bodies and agencies in the district. Established structures for plan implementation which set up essential component for governance of development for promoting local government level planning and decision making has sufficiently been catered for in the local government Act 1993 (Act 462) where adequate requirements for effective attainment of the objectives of decentralization are preserved.

#### **2.10.1 Non-Governmental Organizations' (NGOs)**

The various Non-governmental organization and agencies exists to complement the effort of the District Assemblies to speed up the pace of development. Nongovernmental organizations are prospective source in the delivery of resources, materials, training and machinery for programmes implementation. For instances, few have been delivered by the Canadian international Development Agency (CIDA) and Adventist Development Relief Agency (ADRA) in some chosen assemblies in Ghana.

#### **2.10.2 Participatory Citizens**

The District Assemblies in conjunctions with the Government Accountability Improvement Trust (GAIT) has assisted the formation of a civic union in some district. There are a number of registered civil society's organizations which is currently in operation and helping in the development of many Districts. The civil society organizations (CSO) have linked up with district in many ways by entrenching the democratization practice. The civil union cooperated with Assemblies to organize community forum and town meeting in the various communities. This forum helped as

a platform for the core members of the Assembly to act together with community members so as to address all questions bordering their minds. Civic unions have been made to facilitate the interaction between the Assemblies and recognized groups and association during budget planning so that a settlement could be reached in the fee fixing resolution of the Assembly.

## **2.11 Legal Framework of Local Government in Ghana**

The local government Act 462 1993 is the statutory instrument that defines and regulates all activities of the local government concept. The relevant sections are;

Section.33 provides that subject to the approval of the Minister of Local Government and Rural Development, a District Assembly may join any other District Assembly in the carrying out of any economic activity that falls within the scope of their respective functions and may determine as between themselves the allocation of the cost and the benefits in respect of that activity. Section 34 also states the power to charge fees and subject to such guidelines in respect of the charging of fees as may be recommended by the Minister by statutory instrument, a District Assembly may charge fees for any service or facility provided by the assembly or for any license or permit issued by or on behalf of the assembly. Section 86 of the local government Act 463 1993 also talk about revenue of local government bodies section 86 subsection (2) talk about the District Assembly Common Fund Administrator shall distributed monies to and from the District Assemblies Common Fund to District Assemblies in accordance with the provisions of the District Assembly Common Fund Act 455, 1993 and monies shall constitute a share of the monies referred to in subsection (1) of this section. Moreover subsection (3) of this section also indicates that regardless of the provision of any enactment to the contrary all revenue from the sources listed in the Sixth Schedule to this Act and all incomes from, taxes levies, fees and licenses charged in respect of the

activities in the Sixth Schedule shall be taxed or collected wholly by or for the District Assembly.

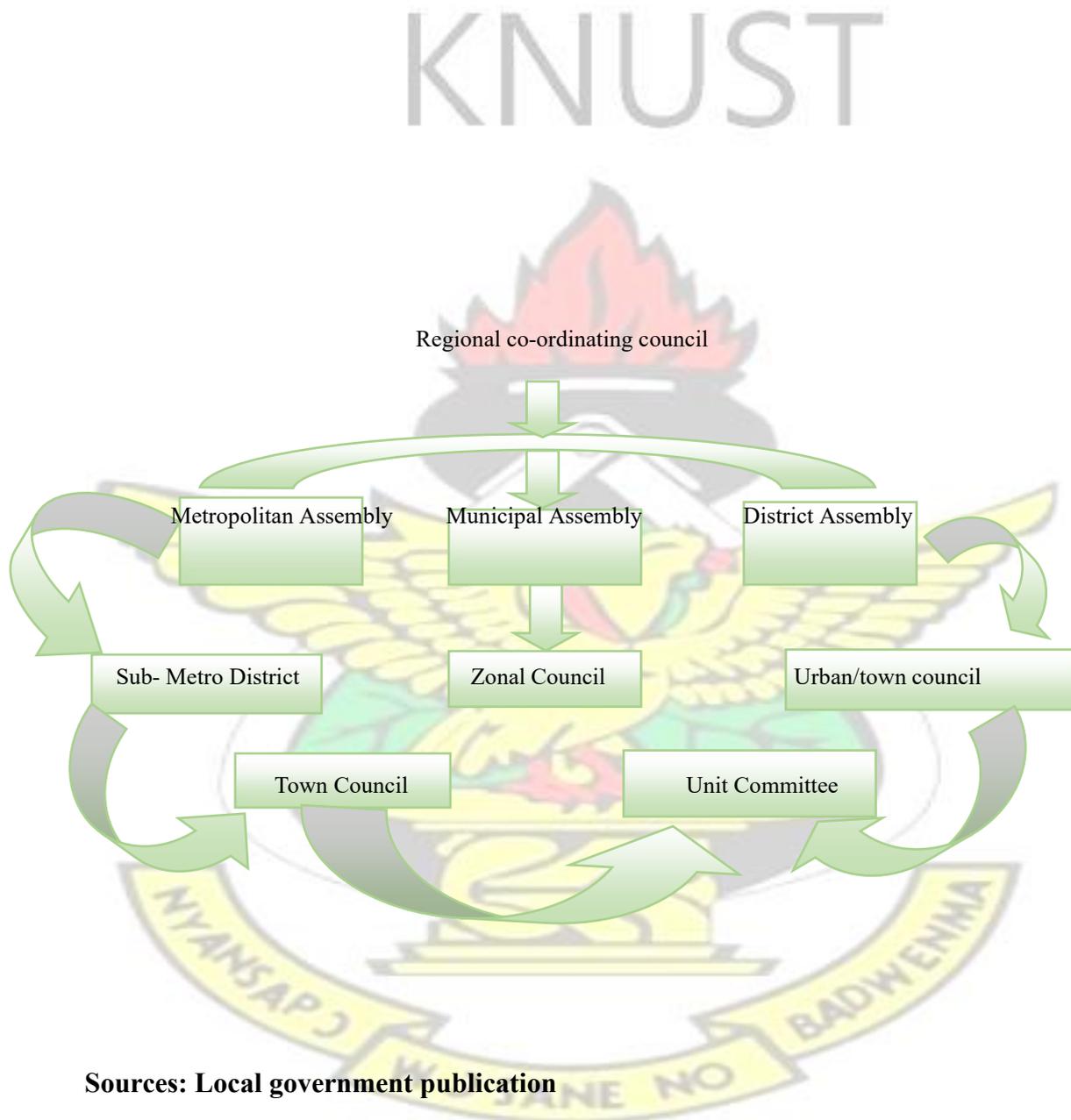
Section 88 of the local government Act 463, 1993 empowers District Assemblies to obtain loans or raised overdraft in Ghana of an amount not exceeding GH¢2,000.00 on their own initiative and do not need a guarantee by the national government and borrowing beyond GH¢2,000.00 is subject to approval by the Ministry of Finance.

Ghana's local government systems comprising of Regional Co-ordinating Council a four tier Metropolitan and a three tier Municipal/District Assemblies systems. The local government is made up Metropolitan Assembly with Population over (250,000), Municipal Assembly with Population over (95,000) and District Assembly (Population 75,000) and over. In all, we have Two Hundred and Sixteen (216) Municipal, Metropolitan and District Assemblies in the country including 46 newly created MMDAs in 2012.

## **2.12 Institutional Framework for Local Government in Ghana**

From figure 2.1 below the Regional Co-ordinating Council which is the utmost decision making body in the Local government system consist of the Regional Minister is the Head, one or two deputy(s), the presiding member of each District Assembly and the District Chief Executive of each District in the region, two Chiefs from the Regional House of Chiefs and the Regional Heads of Department of the Regional Co-ordinating Council.

**Figure 2.1 Structures of Local Governments in Ghana**



**Sources: Local government publication**

### **2.12.1 Composition of District Assembly**

According to the 1992 constitution of Republic of Ghana article 242, it state that

District Assembly shall comprises of;

1. The District Chief Executive
2. A individual from each voting area within the District elected by collective adult suffrage in accordance with regulation made from the purpose by the electoral commission;
3. A member(s) of parliament from the constituent that fall within the area of authority of the District Assembly, except that the member(s) shall not have voting right, and;
4. Any individuals not exceeding 30 per cent of the total membership of the assembly appointed by the president of the Republic in consultation with the traditional authorities and any other interest group within the District.

### **2.13 Sources of Revenue to District Assembly**

Sections 33, 34, 85, 88 and 95 of Local government Act 462 of 1993 indicate some of the sources of revenue to the Assembly these includes;

1. Internally Generated Fund which comprises of Rate, land and royalties, fees, licenses, fines and penalties, rent of land and building and investment;
2. Central government transfers which also comprises of Common fund, Compensation of employees and grants;
3. Those from donors and non-governmental organization. Government involvement in the revenue generation of the district play a key function and this helps in raising the standard of life of the citizens through development programmes using

the generated revenue. This means that the imposition of tax on the citizens is inevitable and helps the government in undertaking developmental projects.

#### **2.14 Internally Generated Revenue by Local Assembly**

District needs revenue to carry out their duties. Some of the way of generating revenue for the District Assemblies includes:

- 1) **Basic Rates:** This is the general rate to be paid by all individuals of 18 years and above. This is a pool tax and broad based. Exemption however, is given to those who are above the age of 70 years (Section 99 of Act 462) as well as people in the educational training.
- 2) **Property Rate:** This is a rate charge on immovable assets at a special rate per cedi in a rateable charge of premises be it business or house. Determination of the rateable value is done by land valuation.
- 3) **Special Rate (section 96(4) of Act 462):** A rate levied on over a specified area for specific projects.
- 4) **Possession Tax:** This is a tax charge on movable property for example cattle, sheep, motor and bicycles.
- 5) **Fees:** Fees allowed for District Assemblies to charge for any service or facility provided. This is referred to as user charges levied on services provided by the Assembly. They include lorry parks, market, conservancy and burial services, slaughter houses.
- 6) **Penalty and fines:** These are from tribunal/court, tax default which is payable to the Assembly for default by citizens in the District on chargeable rate or any offence relative to the District Assembly by-laws.
- 7) **Licenses:** District Assemblies by virtue of Act 462 are licensing authorities for various activities.

Theoretically; the issue of licenses is for control purposes rather than a revenue instrument. They include drinking bars, artisans, restaurant, chop bar, hotels and

- 8) Investment Income: Section 89 permit any District Assembly to invest all or any share of its excess funds in any interest yielding investment as may be approved by the Assembly.

Section 85 provides for payment of development charges by property developers for lands acquired and maintained by the District Assembly.

### **2.14.1 Importance of Internal Revenue Generation in Local Governance**

(Oke 2004) indicated some of the benefit that accrued to a local government on revenue it internally generates unlike depending on central government for support for it development, these includes;

1. Local government has certain level of autonomy to levy fees and charges on facilities and business; this enables them to plan, initiates and executes programs and project to the needs of community.
2. Revenue mobilizes internally are used to build, maintain peace law and orders among communities,
3. Internal revenue gathered is used to provide water boreholes and well for the community.
4. Provision of scholarship and bursary awards to brilliant but needy students in the community.
5. Again, the revenue generated locally is used in building and maintaining health and maternity centres for the community.
6. Funds are used to train, equip and empower unemployed youth to curb the influx of rural urban migration;

7. Provision of sewage and sanitation to keep the communities clean to avoid outbreak of disease.
8. The revenue goes to develop community markets, parks and other recreational centres in the localities.
9. The revenue generated internally is also meant for the day to day administration of the local offices.

### **2.15 External Sources of Revenue to District Assembly**

The central government transfers stands for revenue which is transferred from the central government sources to the Assemblies. They are mainly in the forms of grants in aid, recurrent expenditure, transfers, ceded revenue. The District Assembly Common Fund (DACF) and specific transfers comprising stool lands revenue, timber royalties and amount from the mineral development fund. Grants as a component of central government funding of local government mandated the outline of the present local government system. Grants in aid which is received by the community councils, councils hosting the Regional Capital and the District council in a formula of 3:2:1 respectively shared by the Ministry of Finance. Compensation of employees, administration and services used to constitute what was referred to as Recurrent expenditure ‘‘ The government has since 1992, resumed full accountability for salaries and other remuneration, that comprises of pensions of staff of assemblies, provided these lie within the agreed manpower upper limit for the particular Assembly. Central administration also carries responsibility for sources of the operational and administrative spending of the Assemblies. Under the original decentralization programme, it had been planned that ones the recurrent expenditure was fully localized, these payments would be transferred to the assemblies as untied grants. This will allow

the assemblies to rationalize their manpower and adopt other cost cutting measures in order to save money for growth and development.

Ceded revenue used to be collected by the state through now the Ghana Revenue Authority formerly of Internal Revenue Services. The total ceded revenue mobilized for the year was given to the Ministry of local government and rural development which share it among the assemblies, using the cabinet approved formula. Section 11 of the Ghana Revenue Authority (Registration of Business) Act, however, repeals the income Tax law 1988 PNDCL 156 and paragraph 2, 4, 5, & and 9 of the sixth schedule of the local government Act 1993, Act 462. The repeal effectively abolished ceded revenue as sources for the Assemblies.

According to the 1992 Constitution of Republic of Ghana, article 252 established the District Assembly Common Fund which:

- a) Shall be allocated annually by parliament not less than five percent of the total revenue of Ghana and payable in quarterly installment for development.
- b) Shall be shared between District Assemblies on the basis of a formula to be approved by parliament and
- c) Shall be administered by a District Assemblies Common fund administrator.

The main objective of the establishment of the Common Fund, according to the constitution and the Act that set it up is to make available to the Assemblies additional resources for growth and development. Apart from the internally generated revenue and District Assembly Common Fund discussed above, central government grants for the payment of salaries of staff on the mechanized payroll, there are also other intervention from the central government, Non-governmental organization, churches, civil society and benevolent organization and donors programmes such as the

Community Water and Sanitation Programme, Community Board Rural Development Programme (CBRDP), Small Town Water Supply and Sanitation Programme (STWSSP), Rural and Small Town Water Sanitation Project (RSTWSSP), District Development fund (DDF), and Ghana School Feeding Programme (GSFP).

## **2.16 Strategies of Internal Revenue Generation by Local Assemblies**

Hofer and Schedal defined strategy as a game plan via which goals and objectives of organizations are accomplished. They advance their argument by describing strategy as revenue generation as the central pattern of current and planned resources department, and environmental interface that indicate how the organization will achieve its goals and objectives. Both further stated that it is the skill engaged in managing any affairs, such as the local government affairs particularly as a way of mobilizing resources. Hofer and Schedal (1978). Hofer and Schedal (1978) again describe that; strategy of revenue generation must focus on these:

1. Safeguarding the survival of sub-national authorities as it relates to determining the priorities and decision making.
2. Improving the capability of local government aims and objectives.
3. De-emphasizing on central and legal allocation.
4. Taking advantage of all existing opportunities in their communities.
5. Making sure that there is effective and efficient control of financial resources.
6. Achieving cost effectiveness whiles increasing revenue maximization.

Nonetheless, for effective income mobilization, Hofer and Schedal (1978) recommended the following strategies:

1. Looking to add more sources of revenue to the already existing ones.
2. Being able to provide further incentives and package to hard working Revenue Collectors.

3. Tapping all available opportunities in the areas.
4. Frequent unannounced visit to officers who collects revenue.
5. Ensuring the efficient and effective mobilization of existing taxes.
6. Being competitive in business or commercial opportunities in their local communities.
7. Public education and campaign will help to educate and inform the tax payer on the need to make prompt payment of their tax obligation.

The authority to collect is the approved rate of notice and fee fixing resolution of the Assembly. Part III of the financial memoranda set out the rules or governing the collection of receipts and payment of revenue by revenue collection and they include:

1. When receipts are cancelled the original duplicate shall be presumed in the receipts books.
2. Duplicate receipt not to be removed from the books;
3. Receipts issued by a cashier/treasure to a revenue collection for money paid shall give the opening and closing numbers of the receipts issued by the revenue collector;
4. Restriction on issue receipts forms; No Revenue Collector shall normally have in his possession more than two of any one type.
5. Revenue Collectors responsible for the safe custody of receipts form.
6. Every Revenue Collector shall keep a Revenue Collector cash book, the pages of which shall be number consecutively and shall not be removed.
7. Collector to make daily entries in their cash books all amount received.
8. Frequency of payment – Revenue collections shall except where bailing facilities are available, pay all monies collected to treasury every week for more often.
9. Amount to be paid in full

The modern or current trend adopted a sure strategy for improving revenue generation and is to develop Revenue Improvement Action Programme (RIAP) and its includes

- a) Identifying, documenting and accessing revenue sources in the District;
- b) Create an adequate, accurate and reliable database;
- c) Determine target for the various revenue sources;
- d) Undertake a public education through workshop and media programmes.

### **2.17 Challenges of Internal Revenue Generation by Local Assemblies**

Payments of tax and tax mobilization have generated a lot of problems; (Oduro 2007) said the most entrepreneurs or business are influenced to pay their tax to some extent by government regulation. (Larson 1985), in fundamental accounting principle indicated that revenue generation becomes extremely difficult in the developing countries where perimeters for determining the values of production being sought are virtually non-existent. Those statements buttress the fact that there are problems associated with revenue mobilization.

According to a study by World Bank (2000) the following major problems were identified with regards to internal revenue mobilization. These issues include the legislative requirements, implementation strategies and style, funding relationships as well as concerns about commercial efficiency and accountability which determine the magnitude of income to be generated in the District Assemblies.

Even though sufficient statute has been instituted to enable DAs to improve internally generated revenues, there are 4 serious challenges that Districts encounters (Inanga and Osei-Wusu 2004). The first one is the revenue bases of local governments are inconsistent because of poor databases for determining income prospect. Parts of the

Districts where income could be mobilized are not well recognized and therefore the revenue mobilization level is not ideal. The second challenge is that, there are delicate systems in relations with planning for revenue mobilization in some of the Districts. The last but one challenge is the mechanisms for generating internal revenues are ineffective. In particular, revenue generations from property rates are on the low side because properties have not been properly valued. In additions, there are short of Revenue Collectors in most Districts. The last and fourth challenge is the lack of appropriate penalty for tax defaulters. Most residents, particularly business men and women, do not feel obliged to pay taxes. Literacy rate of some Revenue Collectors are high in some District. Again, there is a level of unwillingness of rate payers to pay their taxes the reason being that tax payers do not experience direct benefit to the rate they pay.

### **2.18 Revenue Indicators Performance of Local Assemblies**

According to Gill (2000) there are a number of essential revenue performance indicators in local government institutions. These consist of:

1. **Total income compared to Gross Domestic Product (GPD)** which is utilized for nation with similar economic and revenue structure and gives virtually effectives of the revenue management.
2. **Estimated income as compared with Actual income** which does not talk about coverage in terms of prospective tax payers but commonly utilized in Ghana and most under developed countries.
3. **Income gap** which also measures the change among estimate and revenue actually mobilized. With dependable data it may point out revenue loss due to non-compliance and tax evasion.

4. **Amount of revenue paid willingly compared with total revenue** mobilized indicates that those that has a voluntary compliance of the tax payers and utilized to evaluate the perception of tax payers of their civic right and responsibility.
5. **Tax payers opinion** which is qualitative indicator and can make available pointers as to the honesty, credibility and efficiency of revenue administration: and lastly
6. **Cost/benefit** ratio that is the ratio of cost administrating the revenue as compared with the revenue mobilized. Cost benefits ratio is calculated as total annual expenditure of the authority expressed as a percentage of the revenue mobilized in the given period of time. It also shows per unit cost incurred as compared with the unit of revenue generated and could be one of the most finest indicators. It is anticipated to be the primary indicator used to estimate efficiency of revenue administration.

### **2.19. Empirical Literature on Internal Revenue Generation**

There are several studies that had been conducted on internal revenue generation across Africa and particularly in Ghana. This section sought to look at the empirical review literature on some of these researches on internal revenue generation.

Jonas et al (2013) studied Local Government Revenue Mobilization and Management in Asante Akim South District Assembly and indeed the result shows that twenty two percent (22%) of the internally generated revenue are mobilized from the Assembly's resources. The study further revealed that internally generated revenue contributed the least to the Total District revenue in general. According to Dickovick (2005) only five per cent (5%) of local provincial revenue or budget are mobilized by local authorities.

An empirical evidence revealed from Jonas et al (2013) studies on Local Government Revenue Mobilization and Management in Asante Akim South District showed that the Assembly had not put in place any plan for effective strategies in addressing local revenue mobilization in the District, the study further showed that even the strategies that exist as at the time of the research was weak in the District. According to Mearegu (2011) studies on Assessment of internally generated Fund and its Contribution for District Development Expenditure in Asutifi District Assembly pinpointed that the Assembly strategies for revenue mobilization mostly are limited to property rates and land to the neglect of other source of revenue.

Mearegu (2011) studies revealed the performance of internally generated revenue from land especially stool lands contributed more than eighty four percent (84%) of the total internally generated revenue from Asutifi District Assembly. The results indicated that stool lands revenue from mining company was the major source of revenue. Jonas et al (2013) research on performance of internally generated performance came out that, land, rates and fees contributed the highest revenue heads in Asante Akim South District Assembly. The three sources of revenue contributed over fifty percent (50%) of the total revenue generated from the District during the period under study.

An empirical evidence from Jonas et al (2013) research indicated some of the problems that emanates from revenue that were generated internally in Asante Akim District Assembly, these were;

1. Revenue collectors who were not able to properly write.
2. The local populace uncooperative altitude toward revenue collectors.
3. Tax payers refusal to declare their taxable assets as a way of evading tax

revenue.

4. The low levels of economic activity in the district, mostly the majority of the local populace were peasant farmers.
5. The study also revealed that there is a level of corruption on the part of some revenue collectors.



## **CHAPTER THREE**

### **METHODOLOGY AND ORGANIZATIONAL PROFILE**

#### **3.1 Introduction**

This chapter of the research tries to provide information on general method and procedure for data collection, research design, instrument used, sample selection, administration and method of data analysis. This chapter will also give the profile of the organization under which the research is being conducted.

#### **3.2 Research Design**

The research design adopted in this study is descriptive design which sought to defined the existing position of what was being examined and it would also helped the researcher to know where the variables are developed and how the objectives could be accomplished. The research design comprises of the population of the study, method of data collection, method for data collection and technique of data processing and analysis.

#### **3.3 Sources of Data**

##### **3.3.1 Primary Data**

The primary data source was basically from questionnaires and interview guide. The questionnaire data was gathered mainly from Revenue Collectors in the District Assembly. The interview guide, on the other hand was used to gather data mostly from a selected key management staffs such as District co-ordinating Director, District Finance Officer and Budget Officer of the Assembly.

##### **3.3.2 Secondary Data**

Secondary data are second hand information which already exist and have served the purpose for which they were initially taken. These were obtained from 2010 housing

population census, revenue charts and books from head revenue officer, financial statements, approved estimates at the budget unit.

### **3.4 Population**

The study population used in this research comprises of 39 Revenue Collectors of Jaman South District Assembly as well as management and staff of the Assembly.

### **3.5 Sample Size and Sample Technique**

This establishes the actual sample size required and selects the most appropriate sampling technique to obtain a representative sample. Five (5) revenue zones or station were sampled from the total population of eight to help as a representative of the remaining revenue zones. Multi stage techniques were used where by procedural method was utilized at different stages of the research. The first stage was, purposive sample technique was used to select revenue zones in the District, the zones or the towns were; Drobo, Japekrom, Kwamesekrom, Zezera and Adamsu. These towns were the major revenue collections centres where there were a lot of citizens dwellers, vibrant market centres, many commercial activities and some share the Ghana Ivory Coast boarder where trading was prevalent.

A judgmental sampling was employed in the selection of Revenue Collectors in the revenue stations from which the Revenue Officer is posted to ensured sufficient participation in order to provide the maximum variation possible in the data gathering. The third stage of the sampling was convenient sampling technique that was applied to Revenue Collectors who were readily available at the time the researcher visited those particular revenue zones and were selected for the administration of the questionnaire. Respondent to questionnaire were based on 5 Revenue Collectors from each of the selected revenue stations or zones.

Lastly, purposive sampling was used to select the key District Assembly Management staffs that were directly involve in the decisions of generation of revenue in the District. They were the District Co-ordinating Director, District Budget Officer and District Finance Officer. A total of twenty revenue workforce of the Assembly were selected for the research out of a total population of 39 Revenue Collectors and three (3) key Management staffs of the Assembly were chosen for the interview conducted.

Table 3:1 Distribution of Sample Size to the various Revenue Station Zones

<b>Towns / Zones</b>	<b>Number of Revenue Heads/ Officers</b>	<b>Sample Size</b>
Drobo	10	5
Japekrom	8	5
Kwameseikrom	7	5
Zezero	7	5
Adamsu	7	5
<b>TOTALS</b>	<b>39</b>	<b>20</b>

**Sources: Authors Constructed based on respondents**

Table 3: 2 Selection of Sample Size from Jaman South District Assembly

<b>Number of Staff</b>	<b>Sample Size</b>
Number of Revenue Collectors	20
Core Management Staff	3

<b>Totals</b>	<b>23</b>
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Sources: **Authors Constructed based on respondents**

### **3.6 Data Collection Instrument**

Primary data was employed in gathering information from Revenue Collectors of the Assembly, thus interview guide was meant for the key staff of the Assembly. The questionnaires limited to both open and closed ended questions. The open ended questions allowed respondent to express themselves on how they understood the questions. The closed ended questions provided multiple choice answers. The questionnaires consisted of two sections. Section A elicit the bio-data of respondents like age, sex, qualification, status, while Section B maintained structured items relating to the research questions that compelled this study to be undertaken. The interview guide was administered on three key management officers who were believed to have the necessary information on the trend and changes of performance, potential strategies of improving revenue generation and the existing challenges on internally generated revenue administration in the District.

Secondary data was gathered based on the relevant financial document of the Assembly; particularly the financial statements obtained were the necessary data from the District Finance Office. The data collection was through the annual audited financial statements and monthly trial balances of the Assembly within the period of four years (2011 – 2014). 2010 Population and housing census was taken from the

District Planning Unit on the District Medium Term Development Programme (MTDP). This process was utilized in order to obtain the revenue zones of the District Assembly and the statistical population of the revenue zones.

### **3.7 Method of Data Analysis**

Information collected from both primary and secondary source were sorted out for analysis. The first process was editing of the collected data was carried out to reduce any potential error that might pose a serious challenge to the reliability of the research results. At this stage checking the accuracy, consistency and completeness of the information from the primary and the secondary sources was carried out. Then, coding process was followed where the answers provided were classified in terms of the research questions and objectives. This was carefully done to ensure that all data collected were taken into consideration. Finally, the data was then transformed into usable presentation that includes tables, charts and diagrams with respect to descriptive statistical tools such as frequencies and simple percentages. The data collected from the questionnaire was analyzed using Statistical Software Programmes for Social Sciences (SPSS). Microsoft excel application was used for data processing of the secondary data. The interview data was analyzed using content analysis.

### **3.8 Profile of Jaman South District Assembly**

The Jaman South District Assembly is one of the 27 Metropolitan, Municipal and District Assemblies in the Brong Ahafo Region with Drobo as its administrative capital. Jaman District Assembly was established by LI 1376 of 1998 and following the split of the District into South and North, Jaman South was then established by Legislative Instrument LI 1777 of 2004. The District shares borders with the Jaman North District in the North, Berekum Municipal in the South-East, Dormaa Municipal in the South -West and La Cote D'Ivoire in the West. The vast land mass of the District couple with its strategic location offer economic opportunities in the area large scale agriculture and a reliable market opportunity for farm produce.

The Assembly currently had a total staff strength of 264 that comprises of 227 permanent and 37 temporarily staff. With Ghana decentralization policy in place coupled with the government policy, the Ministry of Local Government and Rural Development (MLGRD) had already enrolled some government department and agencies under the Ministry of Local Government and Rural Development. Currently some departments had been decentralized under the supervision of Jaman South District Assembly, Department of Agricultural, Social Welfare Department, Physical planning, Works and Engineering, Department of Birth and Death Registry, Department of Co-operatives, Department of Parks and Garden and Environmental Health and Sanitation. On the other hand, the District Health Service (GHS), District Education Office (GES), National Disaster and Management Organization (NADMO) are not fully decentralized under Ghana decentralization concept.

### **3.8.1 Political/ Administrative Structure of Jaman South District Assembly**

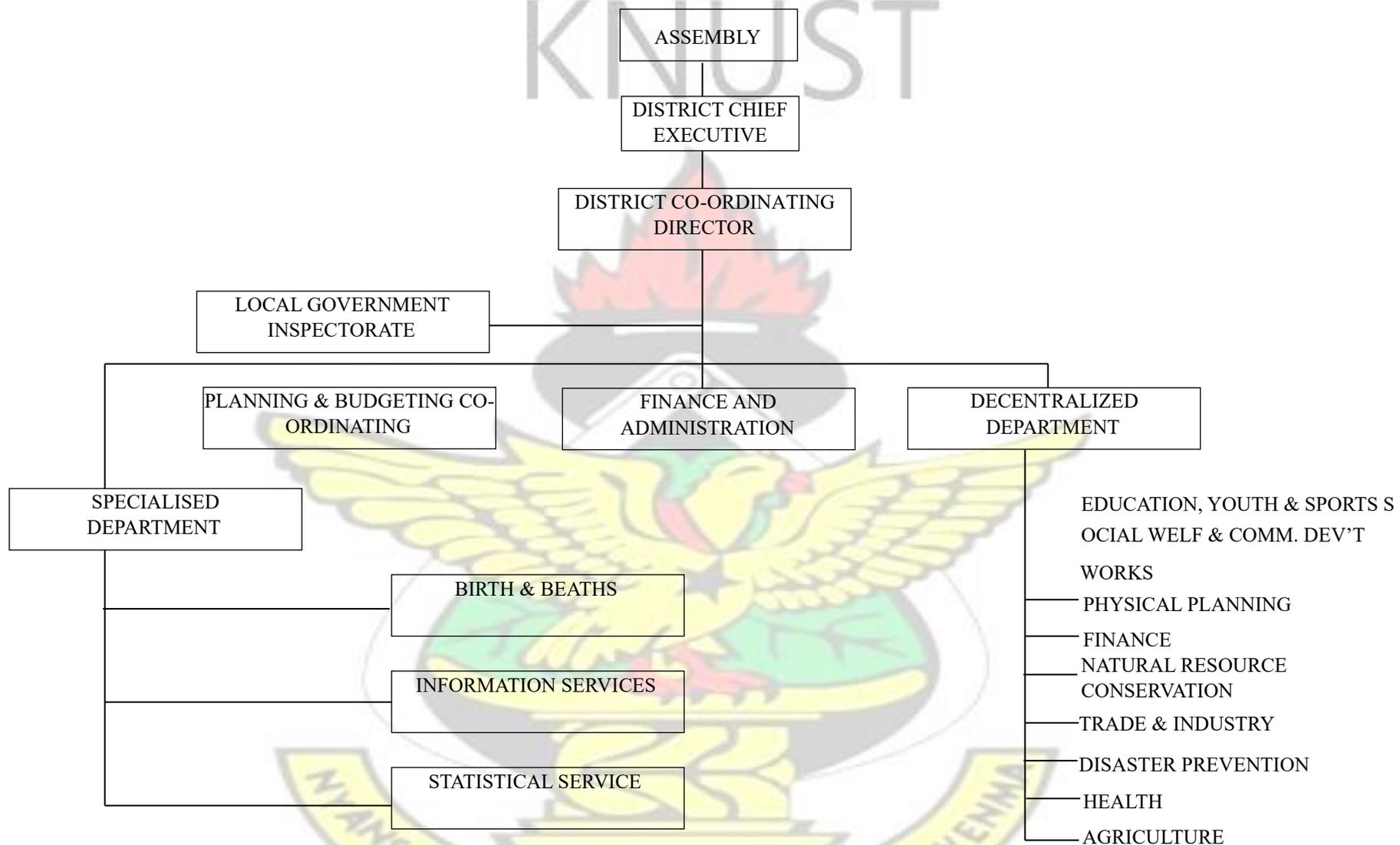
The Jaman South District is made up of General Assembly at the apex. The general Assembly was represented by fifty four (54) members, 37 members were elected by their various electoral areas, sixteen (16) have been appointed by the Head of state to the General Assembly in consultation with opinion leaders and chiefs within the district catchment area . A Member of Parliament (MP) for Jaman South was an exofficio member of the Assembly with no voting right. The structure is followed by eight (8) sub-structures or town councils which are subordinated bodies of the Assembly carrying out functions given by the instrument that set up the District Assembly. The District Assembly administration is headed by a DCE with an able support from the District Co-ordinating Director (DCD), unit's heads and constituted sub-committees from the General Assembly.

Figure 3.1 Organogram of Jaman South District Assembly.

Table 3:3 ORGANOGRAM: JAMAN SOUTH DISTRICT ASSEMBLY

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## CHAPTER FOUR

### DATA ANALYSIS AND DISCUSSION OF RESULTS

#### 4.1 Introduction

This chapter indicates how the data collected were subjected to analysis, interpretation and synthesis to produce the final report. It also analyzed and discussed the findings of the research. After analyzing the result, findings appropriate and useful comment were made.

#### 4.2 Demographic Characteristics of Respondents

Table 4.1 Bio Data of Respondents

<b>Bio Data</b>	<b>Options</b>	<b>Frequency</b>	<b>Percentage (%)</b>
<b>Age Group</b>	21 - 30years	2	10
	31 - 40years	7	35
	41 - 50years	7	35
	51 - 60years	4	20
	<b>Totals</b>	<b>20</b>	<b>100</b>
<b>Gender</b>	Male	13	65
	Female	7	35
	<b>Totals</b>	<b>20</b>	<b>100</b>
<b>Higher Level of Education</b>	Degree/HND	1	5
	Vocational School	1	5
	Senior High School	2	10
	Junior High School	5	25
	Commercial School	3	15

	Middle School Certificate	8	40
	<b>Totals</b>	<b>20</b>	<b>100</b>

**Sources: Authors Constructed based on respondent**

From Table 4.1 above, the bio data of the respondents that comprises of the Age Group, Gender and Higher Level of Education. Looking at the age group of respondents at Jaman South District Assembly, the majority of the respondents accounted for 35% each and was between the ages of 31 to 40 years and 41 to 50 years while those of 50 years and above respondents represents 20% and the youthful and energetic age of 21-30 years accounted for 10%. The implication was that majority of the collectors were in their middle age and therefore the Revenue Collectors in the District though experience in the work they do but do not have the needed strength and stamina to go after the tax payers to collect revenue. As in the case of Ghana unless the collector chases the tax payer there is little voluntarily payment by the tax payer.

Gender of respondent was also evaluated and from Table 4.1 above, the gender of respondent indicates that 13 respondents were males and 7 of the respondents were female that represents 65% and 35% respectively. The result therefore shows that majority of the Jaman South District Assembly Revenue Collectors were males.

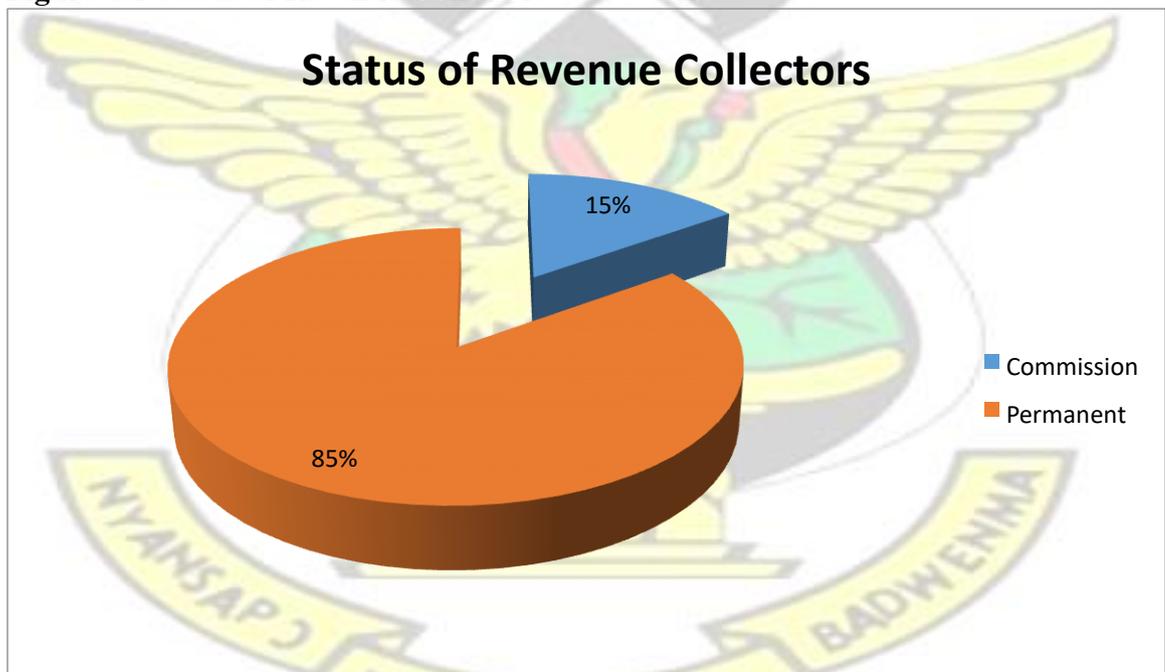
Lastly from the bio data of Table 4.1 above and deducing from the Higher Level of Education of respondent, 40% of the Jaman South District Assembly respondent of 8 being the majority of the Revenue Collectors held middle school leavers certificates; 25% of respondent were holding Junior High School certificates; Revenue Collectors with vocational and commercial school certificates representing 5% and 15% respectively; while Senior High School leavers of 2 respondents accounted for 10%;

and first Degree/HND holders of the Revenue Collectors stood at 5%. The implication was that most of the Revenue Collectors were not well educated, therefore there is a need to organize training programme to enrich their skills on how to collect revenue locally.

#### 4.2.1 Status of Revenue Collectors

From Figure 4.1 below, the status of Collectors in the District shown many of the respondents representing 85% of the Revenue Collectors were permanently engaged and 15% are Commission Collectors. This portrays that many of the collectors were paid at source from the central government and their salary is not tied to any performance on the field.

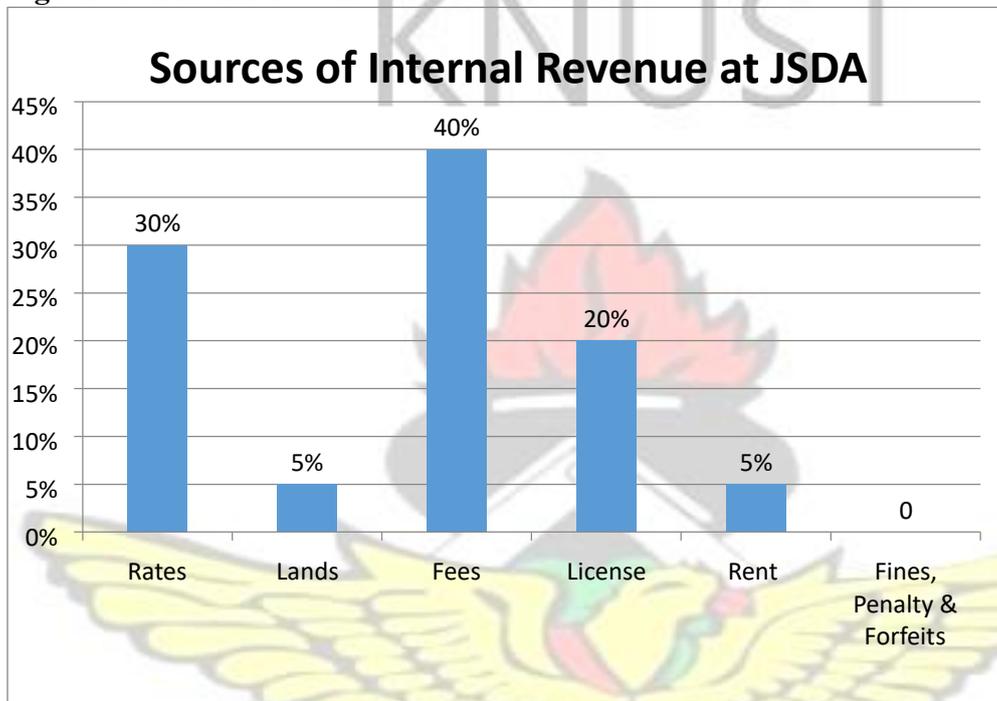
**Figure 4:1 Status of Revenue Collectors**



Source: Author Constructed based on Respondent

### 4.3 Sources of Revenue Collection in the District Assembly

Figure 4.2 Sources of Internal Revenue at JSDA



**Source: Author constructed based on respondents**

From Figure 4.2 above, majority of the respondent indicated fees as the most collected revenue tax source representing 40%, while, 30% of the collectors provided rates including property rate as the second most collected revenue tax sources for the Assembly, Lands, rent of building and equipment were represented by 5% and 5% respectively of the revenue source. Meanwhile, fines, penalty and forfeits represented zero percentage. The effect of the data gathered was that the economic activities in the District are concentrated at one area particularly in fees and rates. Also with fines, penalty and forfeits, it is either the people are defaulting in their tax obligation or they are not being processed for court when they default in their tax obligation.

#### **4.3.1 Consideration for Revenue Generation by Jaman South District Assembly**

During the interview conducted with the District Finance Officer, the Finance Officer indicated that in considering the revenue sources by the Assembly the following important criteria were taken into consideration;

1. The recognized income sources should be capable of yielding a higher income because small incomes are expensive in terms of their collection cost.
2. Identified revenue source should be capable of bringing in extra income to answer to the increasing demand for facilities from the community overtime.
3. The cost, time and effort involved in managing particular revenue should not exceed the revenue collected.
4. The economic impact of the tax should be considered, since some charges or fees may adversely affect the tendency of taxpayers to work, consume, save or invest.
5. Identifying the tax base is also vital since some of the information on property or business is non-existent, incomplete, outdated or uncoordinated.

Good practices leading to revenue collection is to operate within the legal framework grounded on the 1992 constitution, the local government Act 462, 1993 and the Financial Administration Act 654, 2003. For revenue sharing among the stakeholders in the collection chain, the best practice is that the taxes they pay reach their respective cities, towns and villages in terms of development project. Timely distribution of shared revenue is also vital. This ensures that the tax payer acknowledges the benefit of the revenue they pay, it also encourages taxpayers to pay more to increase the revenue of the District in other for them to get development project in their respective areas.

#### **4.3.2 Method of Revenue Generation by Jaman South District Assembly**

Procedures for collecting revenue in the District vary from one revenue point to the other. The Co-ordinating Director stated that for instance the collection of market tolls is done on a daily basis by human contact with traders on the market. Most of the time, the collection is strengthened on the market days when a lot of traders come together. Revenue Collectors only collect revenue from the traders only when they come into contact with them and this is a weakness in the arrangement. At times too, when a Collector who is assigned to a particular market did not turn-up, then it is a tax holiday for the tax payers. The Revenue Collectors indicated that the poor market infrastructure like stores and stalls in the market centres result in a large number of traders selling in the open air. Days that the weather is bad affects market turnout and revenue that could be generated. Also, market rent from the stores and stalls are absent, therefore there are none for the collectors to collect. The Revenue Collectors pinpointed house to house was used for the collection of basic rate and property rate.

This is due to the rural characteristics of the district. In a discussion with District Coordinating Director, he claimed that the arrangement is more effective than what is normally done in the Municipality and Metropolitan Assemblies. This is because they know the people personally unlike in the big cities, also tax collectors is not liked by taxpayers, the Revenue Collectors personally contact them to collect the taxes rather than leaving the payment to their discretion as collection in stipulated places will reduce revenue that can be generated especially in the rural communities. The same process is adopted in case of license issued to artisan, restaurant, drinking spots and guest house and small business.

#### **4.4 Strategies for Revenue Generation by Jaman South Assembly**

Upon the interview conducted with the key staff of the Assembly, the DCD, DFO and the DBO, they all indicated some of the strategies that they have mounted to improve Revenue Collection in the District. These are:

1. Management has set up revenue task force which goes around once every quarter to each of the various market centres to monitor collection.
2. Rotation of Revenue Collectors in each of the various revenue stations.
3. Consistent sensitization of the citizenry about the necessity to pay revenue to the District Assembly at the market centres.
4. The District Budget Officer indicated that they have deployed National Services Personnel who were posted to the District Assembly to help in data collection of kiosks and stalls in the District Capital.
5. The District Co-ordinating Director revealed that management was in discussion to outsource some part of the revenue tax source to a private organization.
6. The Finance Officer indicated that Revenue Collectors who operate in towns far from the District capital are given travel and transport allowance to help them to pay monies collected to the banks on regular basis since all the banks were located in the District Capital, Drobo. This would help to curb embezzlement of revenue by Revenue Collectors.
7. The Director indicated that they have in place a quarterly review meeting with the Revenue Collectors for assessment of revenue performance.

#### **4.5 Revenue Generation Performance in JSDA for 2011 – 2014**

##### **4.5.1 Internally Generated Revenue Performance**

Table 4.2 below presents the estimated and actual total revenue and internally generated revenue during the research period. The actual revenue for the Assembly had been

declining from just below half a million in the year 2011 to 2013 then it increased to 2 million a little close to three million in year 2014. On the other hand, the actual internally generated revenue, as part of the total revenue of the Assembly had shown a similar trend but with a further decline year by year. The decline was thirty thousand in the year 2011-2012 and moved a further down to 3 thousand 2012-2014.

Table 4.2 Total Revenue as Against IGR for Jaman South District Assembly (2011-2014) in Ghana Cedis

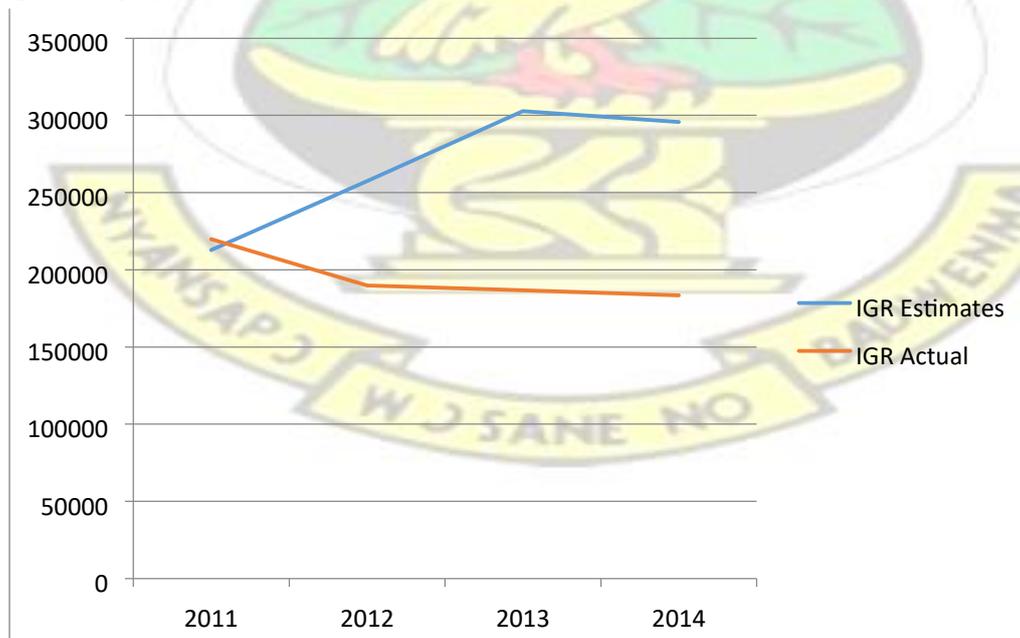
Year	Total Revenue			Internally Generated Revenue			% Share of IGR in total Actual Revenue
	Estimate	Actual	% Performance	Estimate	Actual	% Performance	
2011	366 203 4	308 933 3	84	2127 93	219 885	103	7
2012	659 626 4	379 887 7	58	2574 80	189 797	74	5

	421	343					
<b>20</b>	001	328		3027	186		
<b>13</b>	1	0	82	13	681	63	5
	687	598					
<b>20</b>	480	967		2958	183		
<b>14</b>	6	3	87	13	468	62	3

Sources: District Finance Office, Annual Financial Statement 2011-2014 However, the share of IGR in the District total revenue stayed below 5% in the last three years and was stable in the middle year (2012-2013) of the research period but decreased to 3% in the last year of 2014. The 2011 better performance was due to the low target set according to the Budget Officer, however, the Finance Officer indicated the decline in performance of the IGR in subsequent years could be attributed to the upward review of rates charges which many taxpayers felt was too high or expensive to pay.

**Figure 4.3 Jaman South District Estimates versus Actual IGR (2011-2014) in**

**Ghana Cedis**



Source: Author Constructed Based on District Finance Office Data

As indicated in Figure 4.3 the internally generated revenue of the Assembly was below the targeted plan. However, the 2011 actual revenue exceeded what was budgeted. The decline gap between the budgeted and the actual kept on widening in the successive years.

#### 4.5.2 Contribution of Revenue Heads to the District Budget

The JSDA derives its sources from both internal and external sources. The Assembly using its machinery has control over the internal sources but does not have control on the external sources which were made up of grants, Common funds, District Development fund.

Table 4.3 Jaman South District IGR Main Component/Types, in Ghana Cedis

IGR Component	Year				Total	Average	% Percentage
	2011	2012	2013	2014			
Rates	102870	57824	58218	41967	260879	65220	33.5
Lands	6979	13351	24630	42980	87940	21985	11.3
Fees and fines	41298	50520	55332	53763	200913	50228	25.7
Licences	18241	67923	40207	41776	168147	42038	21.6
Rent	1080	180	5961	2986	10207	2552	1.3
Miscellaneous	49418	-	2333	-	51751	12938	6.6

<b>Totals</b>	<b>2198</b>	<b>1897</b>	<b>1866</b>	<b>1834</b>	<b>7798</b>	<b>19496</b>	<b>100</b>
	<b>86</b>	<b>98</b>	<b>81</b>	<b>72</b>	<b>37</b>	<b>1</b>	

**Source: Data from district finance officer, annual financial statement for (2011-2014)**

From Table 4.3 it is observed that rates were the major contributor to the internally generated revenue of the District Assembly. Rates which constituted an average of 35.5% contributed a greater percentage of the total internal revenue generated for the Assembly in each of the yearly assessment with exception of year 2014. The best part of it came from property rate. The next highest revenue from internal source was fees which contributed on an average 25.7%. The bulk came from market tolls in the District; lorry parks and cashew farm produce as well as the trading activities. Annual licenses, comprising chop bars, restaurant, and guest houses constituted the third most internally generated revenue of 21.6% and the least contributor of internal revenue to the Assembly was rent of building, grounds and equipment. Meanwhile, response from the Revenue Collectors indicated that the least fetch or non-existent revenue to the Assembly was fines and penalties which also were confirmed by the District Finance Officer during the interview sessions.

The amount of revenue generated from land had significantly improved from ₵6979 Ghana Cedis in the year 2011 to more than thirty thousand Ghana Cedis ₵ in 2014. The main reason for this was revenue from the increase in Telecom Mask mounted in District towns and villages of which the Assembly receives a substantial amount on a yearly basis. On the other hand, the rates component that include property rate and basic rate declined sharply to 45,046 Ghana Cedis ₵ in the year 2011 to 2012 and a little bit decline to 394 Ghana Cedis ₵ from year 2012 to 2013 and the rate further fell to 16251 Ghana Cedis ₵ in 2013 to 2014. A reason that was attributed to this decline was local citizen were no longer or unwilling to pay basic rate, which is compulsory for every

citizens under the age of 18 years and above. Although, the District Finance Officer indicated that workers that resides within the District and who draws salary from the central government payroll are deducted from Controller and Accountant General Department (CAGD) and then remitted to the Assembly later on, while majority of the populace that do not take salary from the central government were not paying.

#### 4.5.3 Internal Revenue Generation by Major Settlement (Revenue Zones)

The District Assembly had structured its settlement into 8 zones and positioned a Revenue Officer and a number of Revenue Collectors based on the size, economic and rational of each zone. The weekly registration file at the District Chief Revenue Superintendent who writes contribution from each revenue zone on the District Notice board and summed up to find each year and for each zone. A two year (2011-2012) data was used for this analysis. The 2010 population census figure was obtained from District Planning Office on the report of the District Medium Term Development Plan. (MTDP 2010 -2013)

Table 4.4 Jaman South District Internal Revenue by Revenue Zones (2 years 2011-2012)

Revenue Station/Zones	Population 2010	2 Years average IGR	% Share of each zones	Per capital of each zones
Adamsu	4403	2151	7.43	0.34
Drobo	12565	10116	34.95	0.35
Dwenem	6322	2416	8.35	0.35
Japekrom	7211	5516	19.06	0.35

<b>Jejemerija</b>	1975	994	3.43	0.35
<b>Kwameseikrom</b>	2298	3903	13.49	0.35
<b>Atuna</b>	3773	1530	5.29	0.35
<b>Zezero</b>	2270	2315	8	0.35
<b>Total</b>	<b>40817</b>	<b>28941</b>	<b>100</b>	<b>0.35</b>

Sources: Author constructed derived from District Finance Office and District Planning Office

From Table 4.4 above, Drobo and Japekrom backed the highest share of 34.95% and 19.06% respectively. The contribution of Jejemerija and Atuna were the least with 3.43% and 5.29% respectively.

Per capital revenue internally generated, which was the ratio of revenue generated internally to the population of the respective zones, was below one Ghana Cedis (GH¢) to all settlement. Looking at the constraint on the completeness of the data, this indicated that on average, every resident in Drobo paid 0.35 Ghana Cedis GH¢ and residents in Adamsu paid 0.34 Ghana Cedis GH¢ per year as internal revenue generation.

#### **4.5.4 Major Sources of Revenue to Total District Revenue for (2011-2014) in Ghana Cedis**

Metropolitan, Municipal and District Assemblies in Ghana have three major sources of revenue, Grants (DACF central government transfer), IGF and other sources including borrowing. The revenue component of the audited financial statement for 2011-2014 of Jaman South District was summarized as follows. Meanwhile, Jaman South District Assembly has never utilized borrowing as a source of finance.

Table 4.5 Major Sources of Revenue to Total District Revenue for (2011-2014) in GhanaCedis

Revenue Component	Year and Level of Performance							
		%		%		%		%
	2011	Performance	2012	Performance	2013	Performance	2014	Performance
<b>IGR</b>	219 884	7.12	189 797	5	18 66 81	5.44	183 468	4.8
<b>Grants</b>	21 93 42 9	71.3	211 986	55.8	238 277 5	69.4	22 16 26 9	57.95
<b>Donor Funds</b>	676 019	21.88	148 921 7	39.2	86 38 24	25.16	14 24 49 9	37.25
<b>Totals</b>	<b>308 933 2</b>	<b>100.7</b>	<b>379 887 7</b>	<b>100.0</b>	<b>343 328 0</b>	<b>100.6</b>	<b>382 423 6</b>	<b>100</b>

Source: Derived from District Finance Office, Annual Audited Financial

Statement (2011-2014)

As depicted in Table 4.5 the District Assembly grants and donor funds constituted the major sources of revenue to the Jaman South District Assembly during the four years period of this study. Grants contributed 71%, 55.8%, 69.4% and 57.95% in 2011, 2012, 2013 and 2014 respectively. The grants comprise Personal Emolument and District Assembly Common Fund (DACF). The least contributor to the total revenue of the Assembly was the internally generated revenue that made up less than 10% of each of the yearly contribution during the four years period under this study. This indicates that the revenue generated internally were insignificant to the development of the District.

#### 4.5.5 Pattern of Expenditure of Internally Generated Revenue by JSDA

The most significant dimensions of fiscal policy were expenditure patterns. As has been recognized by (Cole 1994), budget itself have the functions of not only pinpointing priorities and distributing resources, but also allowing those resources to be shared out with a reasonable degree of impartiality. The internal revenue generated by Jaman South Assembly was meant to be spent on both capital and recurrent items.

**Table 4.6** Internally Generated Revenue Expenditure Pattern for (2011-2014) Ghana

Cedi

Year	Internally generated revenue (IGR) expenditure pattern					Total % Performance
	IGR capital expenditure	IGR recurrent expenditure	IGR total expenditure	% capital expenditure	% recurrent expenditure	
2011	12461	216221	228682	5.45	94.55	100

<b>2012</b>	9319	169805	179124	5.2	94.8	100
<b>2013</b>	18462	174839	193301	9.55	90.45	100
<b>2014</b>	13461	198654	212115	6.35	93.65	100
<b>Total</b>	<b>53703</b>	<b>759519</b>	<b>813222</b>	<b>6.6</b>	<b>93.4</b>	<b>100</b>

**Source: Derived from District Finance Office, Monthly Trial Balance 2011-2014** As

shown in Table 4.6 less than 10% of the revenue generated internally was spent on capital expenditure alone in the four years period of the research, which was very insignificant compared to 93.4% representing recurrent expenditure alone. The recurrent expenditure contributed the major outflow of expenditure from the internally generated revenue and the main recurrent expenditure areas from the data gathered were casual labourers wage, travelling and transport, maintenance of vehicles, fuel for running of the office and stationeries. The high recurrent expenditure was attributed to the daily operational activities of the Assembly. The District Budget Officer in the interview reviewed that major part of annual budget provision for recurrent expenditure were earmarked to be used by internally generated revenue. Looking at Table 4.6 above, the low level of capital expenditure investment for the past 4 year period were spent on construction of wooden bridges, provision of street light and poles, reshaping of roads and self-support community projects such as toilet building.

#### **4.6 Problems Facing Internal Revenue Generation in JSDA**

Various responses from revenue collectors and the key staff of the Assembly interviewed provided some of the major problems that affect revenue generation in the District. Among the problem frequently experience on the field and reported on are as follows;

- 1) Lack of motivation and rewards for efficient and effective collectors who meet their target at the end of the year.
- 2) High level of unemployment in the District resulting in low income, thus reducing people ability to pay tax.
- 3) Management failure to take action on tax defaulters to serve as a deterrent to would be defaulters.
- 4) Inadequate logistics like rain coat, boots, bicycle, motor cycles, and other materials which are needed by the collectors to work efficiently.
- 5) Occasional harassment, insult and vilification from taxpayers on collectors and revenue task force that put fear into some Revenue Collectors from doing their work.
- 6) Delay in payment of commissions due Commission Collectors which dampens their spirit.
- 7) Political interference when tax payers are being processed for court on failure to honour their tax obligation.
- 8) Many exit point in the markets centres and lorry parks leading to evasion of tax revenue.
- 9) Poor Sanitation condition in the market and lorry parks in the district.
- 10) Lack of basic facilities such as water, urinal and toilets facilities.
- 11) The Budget Officer during the interview lamented the unavailability of reliable and accurate database of houses and business in the district. The unreliable database affects the revenue estimates.
- 12) The District Finance Officer also reiterated under declaration of Revenue Collected by the Revenue Collectors.
- 13) Tax payers perceived misunderstanding between revenue mobilized and service delivery in the district.

14) Lack of co-ordination and support from Revenue Collectors on policy initiatives by management.

15) Interview with the District Co-ordinating Director reviewed that embezzlement of revenue by the Revenue Collectors also resulted in widespread unwillingness by communities to pay tax.

These problems are said to be the major driving force behind the inadequate internal revenue collection toward the development of the District Assembly.

#### 4.7 Interview Results

This section of the study examines the information collated through the interview conducted with District Co-ordinating Director, District Finance Officer and District Budget Officer. The interview results have been summarized and presented in table 4.7 below:

Table 4.7 Interview Results

Interviewee	Questionnaire	Results
District Co-ordinating Director	1. Source of Internally generated revenue	Basic rate, property rates, fees and licences.
	2.The most lucrative revenue sources.	Market toll, fees on cashew buying and property rate.
	3. Strategies for internal revenue generation.	Regurlar quartely review meeting with revenue staff, plan to outsource some revenue items.
	4.Performance of Internal revenue from (2011-2014)	Lands improved but total IGR keeps on declining.

	5. Problems of internal revenue generation	lack of co-operation from tax payers and community leaders interference
<b>District Finance Officer</b>	1.Sources of internal revenue to the Assembly	Licences, fees, rates, rent and lands
	2. The difficult revenues source to mobilize	Fines and penalty and market tolls
	3. Internal revenue leakages to the Assembly	Personal contact, familiarity and absence of monitoring team.
	4. Strategies for internal revenue generation	Revenue mobilization task force and inspection of collectors books.
	5. Trend of performance of IGR from (2011-2014)	Revenue generated internally has been declining for the last four years
	6. Problems of internal revenue generation	Under declaration of revenue by collectors and poor accessible roads.
<b>District Budget Officer</b>	1 Fee fixing in the district	Stakeholders poor participation.
	2.Target set for internal revenue generation.	Target were set for zones and not on individual basis.
	3. Strategies for internal revenue generation	National service Personnel to assist in collecting businesses database in t the district.

#### 4.8 Discussion of Results

Jaman South District has thin sources of revenue, though some making a significant contribution while others were bringing in some small margin of contribution particularly lands, rent and fines which was pointer to the fact that these areas were being overlooked and not properly tapped because of the levy or revenue imposed on

local government by the legislative distribution of tax raising powers, to the constant infringement of the revenue right by the central government. This according to Fayemi (1991) confirmed that local government are constraint by the central government legislative power that allows the Assemblies to mobilize only a small narrow of internal revenue source which prevents the local authorities from exercising it revenue powers outside of it tax raising powers. Section 34 of the local government Act 462 1993 underscores this by stating that local Assemblies have power to charge fees for any service or facility as may prescribed by the Minister by a Legislative instrument.

As important as plan is to every institution, it was revealed that Jaman South District Assembly had some level of strategies to generate internal revenue but those strategies were barely enough to achieve the intended target, this the Assembly need to take up steps to rekindle and deplore other strategies which will better the internal revenue generation which according to Adeosun (1999) indicate that adequate and effective strategy given a greater attention could bring in more revenue to the assembly.

The study also revealed that there is a significant relationship among IGR and total generated revenue by Jaman South District. The percentage contribution of internal revenue heads, though insignificant cannot be ignored. The Assembly needs to work more on increasing its internal revenue to meet its obligation to the local people. The total revenue from the central government and donor funds which was above 90 per cent constitute statutory allocation for the four years period of this study and is buttressing the fact that local government depends largely on statutory funds and not local taxes. Hence, the need and wake-up call to local government to improve on their source of internal revenue generation. However, the remaining 10 per cent revenue generated internally out of the total revenue source for the Assembly majority of the amount accounted for 90 per cent were expended on recurrent expenditure whiles the capital

expenditure which has to do with major activities for the betterment of the local populace was just a meager percentage of 10 per cent..

Additionally, Jaman South District Assembly faces many problems with regard to internal revenue generation. Some of the problems identified during the course of the study were, low staff motivation; lack of basic amenities at the commercial towns; inadequate logistic support for Revenue Collectors; corruption and embezzlement of revenue. These challenges in additions to other factors like ineffective strategy and over concentration of some revenue sources such as rates and license might have accounted for the continuous decline of revenue performance of the Assembly. This therefore calls for a concerted effort and involvement of all stakeholders of the District Assembly to come together to find a way to mitigate these problems to harness more revenue for the district development.

(Inanga and Osei-Wusu 2004) asserted to some of the problems that District Assembly faces in its revenue generation. Some of the problems enumerated were weak data base, lack of proper valuation of properties, failure to sanction revenue defaulters among others.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION**

This chapter outlines the summary of the research findings, recommendation and conclusion of this study.

## **5.1 Summary of the findings**

### **5.1.1 Sources of Internal Revenue Generation**

*Weak data base:* The District as well as the revenue stations or zones have a weak data base that is so vital for the internal revenue generation. Property valuation which is the base of rate determination has been carried out last in 2001. This has not been updated until date. The Assembly might have lost much of its revenue due to this.

*Staffing:* Looking at the rate at which the District is growing, the revenue staffing position is gradually ageing and therefore there is a need to engage more young Commission Collectors on the field. The lower level of education of Revenue Collectors also affects the quality of staff as most of them were below the required level of education to do the job. Also job training for the development of skills of the collectors is low. This will reduce the inefficiency of revenue collection staff in terms of good recording of tax revenue and the application of fiscal policies. Also, most of the field Revenue Collectors had stayed in their revenue station for long and results in giving of tax favours by collectors at the expense of meeting target. The end consequence is low revenue generation.

*Lack of effective monitoring and evaluation of revenue sources:* No comprehensive monitoring systems exist for revenue generation and reporting. Whatever amount that is collected is accepted by the Assembly creating room for collection inefficiencies as well as leakages. This situation leads to decrease public confidence in revenue generations machinery and for that matter people's unwillingness to pay taxes.

*Understanding and knowledge of revenue:* The understanding and knowledge of Revenue Collectors, tax officers, and tax payers on revenue was inadequate. Competent, qualified and disciplined human resources is very vital in revenue mobilization. The

findings of the research indicated most of the Revenue Collectors have no professional background. The staffs work on experience bases.

*Poor continuous awareness and education on tax collection:* The public feel overburdened by the tax. The commercial vehicle drivers, the market women, and cashew buying agent pay other dues and levies, they however complain of double taxation resulting in tax evasion at times. Education on fees fixing and importance of revenue to the state particularly to local government institution is very low.

### **5.1.2 Strategies of Internal Revenue Generation**

*Weak strategy by management on revenue generations:* From the Revenue Collectors response to strategy on revenue generation, it came out that the District Assembly administration on its own, also does not have so much planned or strategy for improved revenue drives because of their large dependency on statutory allocation most especially the District Assembly Common Fund.

*Lack of Coordination among revenue task force and Revenue Collector:* Though the District Assembly as part of the strategies for revenue mobilization had put in place a task force that often goes round to assist in revenue collection, but the Revenue Officers indicated that there seems not to be a clear demarcation on which revenue sources to be collected by the task force and the Revenue Collectors. This might weaken the revenue task force strategy instituted by management.

### **5.1.3 Performance of Revenue Generation**

The District Assembly internal revenue generation level of performance for the past fours has not seen any much improvement instead a decline in the successive years

The revenue performance for the period of 2011 to 2012 declined heavily thus to 30088 Ghana Cedis ¢, it however, began to fall steadily in the year 2012 to 2013 and 2013 to 2014 of 3116 Ghana Cedis ¢, 3213 Ghana Cedis ¢ respectively. The internal revenue performance compared to other sources of funds to the Assembly also kept on declining from year to year. For instance the IGR in 2011 to 2012 fell from 7.12 per cent to 5 per cent and 5.44 per cent in year 2013 to 4.8 per cent in the year 2014 as against the grants and donor funds to the Assembly.

However, the internal revenue performance by some of the major component like lands and fees showed a remarkable improvement. For instance the lands component improve from 6979 to 13351 Ghana Cedis ¢ in 2011-2012, 13351 to 24630 Ghana Cedis ¢ in 2012-2013 and 2013 to 2014 was 24630 to 42980 Ghana Cedis ¢. In these periods, the District had not managed to collect internal revenue above what it had estimated in the annual budget. The trend of declined was thought to be the result of non-existent package of motivation for Revenue Collectors, lack of management cooperation with revenue staff, hikes in rateable charges, power crises, dearth of tax payers data base and unwillingness to pay taxes on the part of taxpayers. From the performance of the different revenue zones, it could be deduced that revenue zones such as Zezera and Kwameaseikrom have performed better than the others compared to their potential population size. Perhaps the reason might have been their geographical position in the District because they are boarder towns to Ghana Ivory Coast and there were a lot of commercial activities across these border towns.

#### **5.1.4 Problems in Revenue Generation**

*Lowly contribution of important stakeholders:* The local government's guidelines for District Assembly made suggestion on sub-district structures that include area councils and community leaders are required to play a part in data collection, community

members, plan preparation. However, with the interviewed conducted with the District Co-ordinating Director and Budget Officer, they both indicated that these structures including religious leaders and traditional leaders were not playing their role in the internal revenue generations processes.

*Lack of enforcement of tax laws:* Enforcement of tax laws on defaulters had been relaxed. This tends to soften the hands of Revenue Collectors to work harder, while taxpayers refuse to comply with tax payment, opinion and community leaders in the District also intervene when defaulters were being processed for court, the leaders also pleads on behalf of their peoples for every fines and penalty to be waived off, this then leads to many tax payers defaulting and not ready to pay taxes at all. This had accounted for low revenue source on fines, penalties and forfeitures.

*Limited infrastructure:* There were no properly built market centres in most of the market centres except the District capital market Drobo; also the major lorry station in the District capital too was dusty but was in the process of being tarred. Urinal facilities are non-existent in the market and lorry parks and sanitation situation is not the best. There is lack of centres for artisan to operate since most of them are scattered around making it difficult for Revenue Collectors to locate them, this affect the Assembly revenue.

*Underutilized resources:* The District has some resources potential that has not been fully developed to generate revenue for the Assembly. In an interviewed with the budget officer he indicated the District can boost of some tourist attraction centres on the Ghana–Ivory Coast boarder at Kwamesekrom and Zezera which when well develop can roll in some revenue and bring development to the District.

*Revenue leakage:* Leakage means the outflow of revenue collected into private hands at the bottom level of generation at the transitional stage (Kessey 1995). Revenue

loopholes or leakages are strictly related to corruption, which usually means misuse of power. The District Finance Officer and District Co-ordinating Director interviewed pointed out that the internal revenue collected were exposed to some level of misuse and corruption, contrary to the views expressed by the Revenue Collectors and their supervisors.

*Over dependency on statutory funds:* the management of the District Assembly often looks up to the central government transfer particularly the DACF for the development needs of the local populace. This stifles initiatives of management knowing very well that at all cost the District share of the Common fund would be release to kick start or undertake project development of the District.

## **5.2 Conclusions**

Revenue is the important fluid that ensures that governments, specifically local government is run effectively and in a sustainable manner. Development and many activities in the District depend much on revenue from the central government which is not the best.

The evidence from the findings indicates that all is not too well with the Jaman South District Assembly as long as internal revenue generation is concerned. The District Assembly had low revenue generation internally that can barely support any meaningful development project in Jaman South Assembly. Looking at the internal revenue generation making as little as less than 10 per cent contribution to the overall Assembly annual revenue budget. Information is very essential in planning, and financial planning cannot be compromised in such situation. The dearth of data in the Assembly particularly data base of tax payers in the District was affecting revenue generation in the District. This bemoans the bad picture of the state of affairs on the ground concerning the capability of the different revenue zones in their revenue collection effort, this

coupled with highly untrained level of Revenue Collectors, lack of effective monitoring and control of revenue sources, poor awareness creation on tax revenue and ill motivated staff will carry on to thwart the realization of the Assembly targeted revenue. Again the inadequate and weak revenue generation machinery and strategies in fashion that will ensure effective revenue mobilization was not up to task. Seeing the continuous decline in revenue performance over the last four year period, the lack of enforcement of revenue by – laws on defaulters together with limited infrastructures, passive participation of stakeholders in the district and over reliance of statutory fund from the central government, which has a greater possibility of causing a substantial dip in internal revenue generation in the District Assembly.

There is thus the crucial need for the District Assembly to develop measures to address these concerns for effective internally generated revenue. This has become necessary because the mere fact that local government particularly Assemblies exist is largely depends on the volume of financial resources at their disposal. It is important in this system like this. It is also important for management to invest in revenue generating ventures as a way of expanding the revenue base District wide.

### **5.3 Recommendation**

#### **5.3.1 Focusing on Revenue Sources that brings in the Highest Revenue**

The sources of revenue that was significant and lucrative such as property rate, fees on lorry parks, cashew crop buyers, and markets tolls should be re-constructed and reengineered through public awareness. The Assembly could therefore concentrate on

these sources by mounting up aggressive mobilization on these lucrative revenue sources and improved generation's efficiency, whiles, minimizing the collection cost, instead of identifying and using several unprofitable revenue instruments.

### **5.3.2 Developing Highly Lucrative Revenue Sources**

The Assembly could also develop car parks and market centres in some of the major towns in the District, since the District can boast of many market days with some of the towns where major foods stuff are grown. This can increase the revenue of the Assembly; the Assembly could as well mount up roads block at vantage areas in the major farming communities to tax the farmers who convey their produce to their various towns and market days.

### **5.3.3 Strengthening Existing Strategy and Develop Workable Strategic Plans**

The Assembly should develop adequate and practicable strategies to improve on the sources of internally generated revenue by monthly rotating Revenue Collectors at the various revenue zones as well as setting of realistic target for the collectors. This would ensure that collectors do not stay in a particular revenue station for so long.

### **5.3.4 Improving Performance of Revenue Zones, Revenue Head from Rates, Fees and License**

It was realized that the District IGR has been declining over the last four years. However, such decline was mainly associated with the upward adjustment of fee fixing. Internally generated revenue emanating from rates, licenses and fees contributes more than 20% of the total revenue collected; it is quite evident that the District IGR is heavily relied upon by these revenue sources. The District has to therefore diversify and provide equal attention, even more, to revenue such as lands, rent of equipment and the others. There

is also a need to further evaluate the performance of revenue zones, as the data gotten indicated a changing level of performance.

### **5.3.5 Provision of Basic Logistics to Minimize Revenue Leakages**

During the cashew buying peak season many cashew buyers evade tax revenue payment by using access roads link to outside the District this leads to loss of revenue, management should therefore mount barriers and assigned some revenue collectors to station some of these towns such as Bodaa, Asare, Konsia and the others to stop cashew products from being smuggled out.

### **5.3.6 Effective Utilization of Internal Revenue**

The use of internally generated revenue through visible projects should be encouraged at the District level. The culture of demanding accountability from the management of the Assembly through local media briefing, community dubar and town halls meeting should be developed and sustained and would help build a culture of voluntary tax revenue payment compliance and will further spur them to pay their levies without complain.

### **5.3.7 Regular and Strong Monitoring and Evaluation of Revenue Source**

Revenue Collectors should be inspected on consistent basis by the Internal Auditor of the Assembly and with support of the District Assembly management team if anyone found guilty of corrupt practices should be punished accordingly.

### **5.3.8 Adherence and Strict Enforcement of the District Revenue by-Laws**

Enforcement of revenue by-laws. Most people take advantage of evading revenue payment when the tax enforcement laws are relaxed. The Assembly by-laws and procedures should be initiated to ensure that legal actions are taken against rate defaulters when they are reported and management must see to the conclusion of any

case in court. There must be speedy prosecution of rate defaulters in the District to discourage people from defaulting in rates payment. This can be done by the Assembly using the penalties of tax default that are enshrined in the by-laws. One of such penalty is that,

“ A person who without lawful justification or excuse, the proof of which shall be on him, refuses or willfully neglect to pay any basic rate payable by him /her under this act or after the date on which it is payable commit an offence and is liable on conviction to a fine not exceeding GH¢50 or to imprisonment for a term not exceeding one month or both. Local government Act, 1993 (Act 462) section 10”

### **5.3.9 Well-Tailored Capacity Building Training for Revenue Collectors**

On capacity building, the Assembly should have a robust continuous training programme driven by clear National/District standards that are set in a manner that will ensure focus on the needed competencies for effective and efficient performance, based on proper training needs analysis. Future recruitment of Commission and Permanent Collectors should be based on needed skills, knowledge and experience. Capacity building should emphasize what it takes to ensure proper and effective collection of revenue.

### **5.3.10 Reduce Over-Dependency on Central Government Transfer**

The Assembly must not over relied on government statutory funds and other donor funds from the central government rather look for other potential revenue avenues to generate more internally, this would enable the Assembly to meets the challenges of the new millennium.

### **5.3.11 Motivation to Revenue Collectors**

Revenue Collectors should be motivated and encouraged when target are met, as well as provision of working tools such as rain coat jacket, hat, books and the rest so that the collectors could give of their best on the field this could result in better improvement of internally generated revenue to the assembly.

### **5.3.12 Regular Update Development of District Data Base**

In order to overcome the problem of dearth of data base on property and businesses in the District, the Assembly must carry out property and business registration exercise to create a data base. The Assembly is currently conducting a street naming exercise district wide. Without a clear knowledge of the building properties and businesses, it would be difficult to have an articulated strategy for effective revenue generation.

### **5.3.13 Active Participation of Stakeholders.**

Many stakeholders of taxpayers see themselves as passive payers who have no role to play except the revenue payment. There is therefore a strong need of incorporating their view and raising their knowledge and obligation. This would assist in building common understanding, voluntary compliance and confidence in the structure of revenue collection. The District Assembly should ensure that their contribution is not wasted; rather it is invested for the well-being. Traditional leaders, area council's members, community leaders and different association and religious institutions that could have contributed on the IGR mobilization have not been properly utilized. Stakeholders' participation is very relevant.

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## APPENDIX I

This questionnaire is to facilitate the working of thesis on improving revenue generation for local development. The thesis is in partial fulfillment of the requirement for the degree of Masters in Business Administration at KNUST, Kumasi. It therefore hoped that respondent will co-operate to make the exercise successful.

### QUESTIONNAIRE FOR REVENUE COLLECTORS IN THE DISTRICT

1. Name of collector.....
2. Revenue Station.....
3. Sex ( ) Male ( ) Female
4. Age ( ) 20 - 29 ( ) 30 – 39 ( ) 40 – 49 ( ) 50yrs and above
5. Year you started working in the district?.....
6. What is your present Status? ( ) Permanent Collector ( ) Commission Collector
7. How long have you been working under the revenue station ( ) 1yr ( ) 2yrs ( ) 3yrs ( ) 4yrs ( ) 5yrs and above
8. What is your level of education attained? ( ) Middle School ( ) Junior High School ( ) vocational School ( ) Senior High School ( ) HND/Degree ( ) Diploma ( ) Commercial School
9. Have you ever attended any training course since you were employed as revenue collector? ( ) Yes ( ) No
10. What kind of taxes do you collect? ( ) property rate ( ) lands & royalty fee ( ) fees ( ) licenses ( ) rent of land, building & Equipment ( ) fines, penalties & forfeits
11. Which of these tax sources do you find lucrative in your revenue station? ( ) property rate ( ) lands & royalty fee ( ) fees ( ) licenses ( ) rent of land, building & Equipment ( ) fines, penalties & forfeits
12. Which of these do you find difficult to collect? ( ) property rate ( ) lands & royalty ( ) fees ( ) licenses ( ) rent of land, building & Equipment ( ) fines, penalties & forfeits
13. Give reason(s) for the difficulty in collection?

14. What ways can we sustain and improve on these lucrative taxes?
15. Suggest ways by which we can improve upon the difficult tax sources.
16. How do you pay the revenue collected to the District Assembly treasury? ( )  
Bank ( ) Cash to district assembly office ( ) others
17. How many times in a week do you pay revenue collected to the District treasury?  
( ) Once ( ) twice ( ) thrice ( ) four ( ) five
18. How would you assess the performance of the lucrative tax revenue source? ( )  
( ) good ( ) average ( ) above average ( ) excellent
19. Does your revenue HEAD or Officer set a specific collection target for you every year? ( ) Yes ( ) No
20. What problem do you face in meeting the target set?
21. What problems do you face in paying monies collected to the sources indicated in point (8) above?
22. What problems do you encounter in the performance of your duties which slow down revenue collection?
23. Suggest ways of solving the problems in the performance of your duties.
24. Is there anything you would wish to add which is not part of this questionnaire since it affects revenue generation of the Assembly?

## APPENDIX II

This questionnaire/Interview Guide is to facilitate the working of thesis on improving Revenue generation for local development in Jaman South District Assembly. The thesis is in partial fulfillment of the requirement for the degree of Masters in Business

Administration at KNUST, Kumasi. I therefore hoped that respondent will co-operate to make the exercise successful.

**INTERVIEW GUIDE FOR DISTRICT CO-ORDINATING DIRECTOR,  
DISTRICT FINANCE OFFICER AND DISTRICT BUDGET OFFICER**

1. What are the sources of taxes the district assembly collect?
2. Which of these taxes fetch the assembly the greater part of their internally generated fund base?
3. Which of these taxes have been difficult to collect?
4. Do you consider your sources of revenue in the district adequate enough for development in the district? Yes /No
5. If yes explain, if No explain.
6. How does the assembly fix rate/fees in the district?
7. Are tax payers involved in fixing rate? Yes / No
8. In what ways can the community help the District Assembly generate more revenue for the development in the district?
9. Are there any revenue leakages from collection point till funds come into the Assembly treasury?
10. If yes, what are the causes of these leakages identified?
11. How can the leakages identified be minimized or possibly be stopped?
12. How often do the revenue collectors pay monies to the assembly treasury in a week?
13. In what ways does the Assembly monitor revenue?
14. In what ways can the Assembly do to improve the monitoring of revenue in the district

15. Do you have strategies in place that enhances revenue mobilization? Yes / No

If No or Yes, Explain

16. How would you assess the performance of the assembly for the last 4 years period?

17. Do the assembly set target for revenue collectors? Yes / No

18. Are there any incentives given to revenue collectors who exceed their target?  
Yes / No

17. What are some of the major problems in estimating revenue? Explain

18. What are the problems that the Assembly faces in revenue mobilization?

19. How does the Assembly hope to address the problems mentioned above?

