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COLLEGE OF HUMANITIES AND SOCIAL SCIENCES**

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**INTERNALLY GENERATED REVENUE AND PHYSICAL DEVELOPMENT  
PROJECTS IN THE WASSA AMENFI WEST MUNICIPALITY**

**BY**

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**A THESIS SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND  
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PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF  
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## DECLARATION

I, Atta Nsiah Isaac, hereby declare that this submission is my own work towards the Masters of Business Administration in Finance and that to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any degree of the University, except where due acknowledgement has been made in the text.

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## DEDICATION

This Thesis is dedicated to GOD ALMIGHTY, for favouring me with wisdom to apply the knowledge and understanding he has bestowed in me.

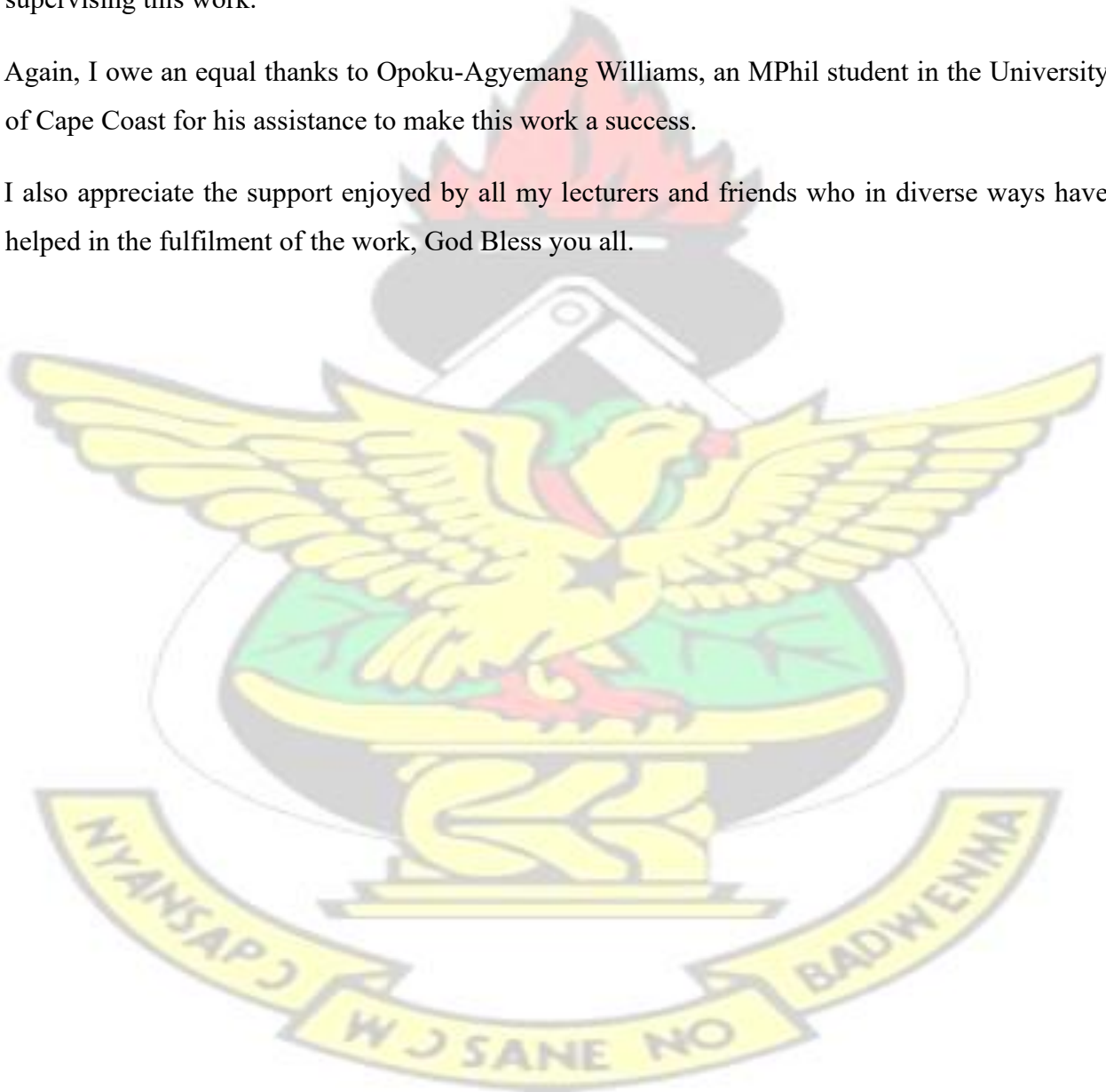


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## ABSTRACT

The study aims to investigate and appraise how internally generated revenue contributes to the provision of physical infrastructures in the Wassa Amenfi West Municipality. Considering the nature of the research objectives and data collected from the field, A mixed-method study strategy is used to examine how internally generated income contributes to physical development in the Wassa Amenfi West Municipality. However, the population for the study consisted of all taxpayers in the study area. Through a convenient sampling method, 96 respondents were used as the sample size for the study. The results were analyzed using both descriptive and inferential statistics. The findings indicated that licenses form the highest proportion of IGF in Wassa Amenfi West Municipality with rents being the least-performing source. The correlation analysis indicated a positive relationship between the two variables such that an improvement in the Internally Generated Revenue at any given time is expected to lead to the development of Physical Infrastructure. Binary logistics regression was analyzed to find the factors that affect taxpayers' willingness to pay taxes. It was found that gender was the only significant variable. Finally, the study found that the lack of current and accurate data on district activities ( $\chi^2 2.24$ ) with respect to IGF mobilization was the major constraint facing collectors. The study then recommended that the Assembly makes a deliberate attempt to move into other potential areas like tolls on mobile money services and night market, fees on refuse dumping, revenue checkpoint, Embossments, billboards, tourism user fees, Burrier fees, as well as on-street parking fee, Licenses on sand winning and fines on unlawful parking, the Assembly put in place procedures to ensure efficient management of internal revenue generation, as well



as effective supervision and monitoring of tax collectors, and the Assembly, should start a regular education campaign and engage in interactions with ratepayers.

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## **LIST OF ABBREVIATIONS**

<b>DACF</b>	District Assembly Common Fund
<b>DDF</b>	District Development Fund
<b>IGF</b>	Internally Generated Fund
<b>IGR</b>	Internally Generated Revenue
<b>MMDAs</b>	Metropolitan, Municipal and District Assemblies
<b>NDPC</b>	National Development Planning commission
<b>SOE</b>	State-Owned Enterprises
<b>WAWMA</b>	Wassa Amenfi West Municipal Assembly

## **CHAPTER ONE**

### **1.0 INTRODUCTION**

#### **1.1 Background**

Community Development process is an intentional way of acting that calls for significant resource allocation. Building a sustainable society and mutually respectful communities and changing power structures have taken up a lot of resources in the effort to break down the barriers preventing people from being involved in the decisions that influence their lives (Davis, 2015). Local governments have been one of the main pillars through which the central government channeled growth to ordinary citizens. In their quest to see some improvement in the living standards of their citizens, Local governments undertake developmental projects some of which are financed internally. According to Adu-Gyamfi (2014), the local development process is a great initiative that sometimes comes with a huge cost and it is in this regard that the local assemblies depend on internally generated funds to facilitate some of their projects.

Gilchrist and Taylor (2011) indicate that significant funds have been invested in creating socially equitable and mutually respectful communities as well as in changing power structures to remove

obstacles to engagement in issues that directly affect people's lives. Local development refers to a scenario when individuals working toward a similar objective get together to address issues that the community may be facing or support the creation of a shared vision that will be advantageous to many parties.

Local development is one of the ways in which community-based projects and needs can be quickly addressed which will change the lives of the citizens and help improve their standards of living. With enough funds and resources, the support needed to undertake community projects can easily be met and this will aid in achieving the objectives of the notion of community development.

The push for community-based and participatory techniques of local planning, according to Marcela Gonzalez Riva (2014), has been one of the developing world's most significant responses to the decentralization process over the past few decades. The brilliant idea of decentralization and community development has been met with huge challenges which make its implementation quite difficult. It has not met the needed expectations and this has called for more in-depth exploration from the citizens and scholars on whether community participation can help the idea of development.

Most of the funds used to support local development initiatives are raised internally via taxes, as well as outside through commerce and assistance from international organizations. Two primary revenue streams for District Assemblies are identified by the Local Government Act 936 (2016). They are GOG from the Central government and internal income source. Central government funds include DACF, DDF, Central Government Transfers as well as Donor support. Income from the internal source includes land and concessions, fees, property rates, tolls, levies, licenses, fines and miscellaneous. These internal revenue streams are known as internally produced income or

revenue, which are controlled by the District Assemblies and used to fund ongoing expenses, development initiatives, and project completion.

The decentralized development planning system is governed by the Local Government Act 936 (2016), the National Development Planning commission (NDPC) and the 1992 Constitution, which was founded by Acts 479 and 480. These legislative frameworks also dictate how the NDPC interacts with other development organizations, such as Municipal Assemblies, which fall under Local Government and are in charge of overseeing local development.

Despite certain difficulties, particularly when generating and utilizing funds, the Wassa Amenfi West Municipality has a strong track record of mobilizing internally generated revenue. The use and distribution of these funds are somewhat threatened by this challenge. As a result, this study aims to assess how, in spite of difficulties with resource allocation and outflow, the community benefits from its tax-payer funding of the Assembly. If this problem isn't solved, the community's ability to contribute to and benefit from the Assembly as well as its ability to do so may be negatively impacted. Resources may be misallocated, and the community may end up being ignored.

Emphasis as far as this study is concerned is thereby made on how the Wassa Amenfi West Municipal Assembly mobilizes and utilizes its internally generated revenues. Special attention is also placed on the percentage of income generated locally that is allotted to building physical infrastructure in the municipality.

## **1.2 Problem Statement**

The Wassa Amenfi West Municipality faces a complex and pressing issue concerning the optimal utilization of Internally Generated Revenue (IGR) for advancing crucial physical development projects. Despite the municipality's earnest endeavours to foster growth and development, the



intricacies surrounding its financial landscape have given rise to formidable challenges. Financial instability poses a persistent threat, compounded by the inefficiencies in revenue collection mechanisms and the persistent mismanagement of funds (Adams, Daly, & Williford, 2013; Agu 2011; 2010).

This study seeks to unravel the multifaceted problems that hinder the seamless integration of Internally Generated Revenue into impactful physical development projects within the Wassa Amenfi West Municipality. The financial instability faced by the municipality necessitates a thorough examination, as it often compels reliance on external support, hampering the autonomy and sustainability of local development initiatives (Mogues, & Benin, 2012).

One of the central issues pertains to the inefficiencies in revenue collection systems, where local administrations responsible for collecting taxes are frequently deemed ineffective. The resultant mismanagement of funds exacerbates the challenge, as highlighted by Alm (2001) and further emphasized in the Auditor General's reports on the Public Accounts of Ghana (Ministries, Departments and Agencies, 2015). The inadequacy of assigned income to cover essential local expenditures necessitates reliance on central government transfer programs, perpetuating a cycle of dependency (Shirai 2005).

Furthermore, the study explores the impact of misallocation of funds, particularly the disproportionate allocation of Internally Generated Revenue towards recurrent expenditures at the expense of crucial physical infrastructure projects. The prevalent trend of directing a significant proportion of funds to items such as fuels, out-of-station allowances, meetings, and protocol services raises concerns about the overall efficiency and effectiveness of budgetary distribution. By delving into these intricate issues, the research aims to provide a critical analysis of the challenges surrounding Internally Generated Revenue and its translation into tangible physical

development projects within the Wassa Amenfi West Municipality. The findings of this study are expected to offer valuable insights for policymakers, local administrators, and stakeholders, guiding potential reforms and strategies for fostering sustainable and impactful development in the municipality.

### **1.3 The objective of the study**

The study aims to investigate and appraise how internally generated revenue contributes to the provision of physical infrastructures in the Wassa Amenfi West Municipality. In order to achieve the general objective, the study will address the following specific objectives:

- i. Determine and investigate how Internally Generated Revenues are utilized.
- ii. Examine the extent to which Internally Generated Revenues contribute towards Physical development projects in the Municipality.
- iii. To identify the Internally Generated Revenue mobilization challenges in the Municipality

### **1.4 Research Questions**

The following research questions guided the study:

- i. How are Internally Generated Funds utilized?
- ii. To what extent do Internally Generated Revenues contribute toward Physical Development Projects in the Municipality?
- iii. What are the Internally Generated Revenue mobilization challenges in the Municipality?

### **1.5 Significance of the study**

This study on Internally Generated Revenue (IGR) and its impact on physical development projects in the Wassa Amenfi West Municipality is highly significant. It provides crucial insights for policymakers to make informed decisions on resource allocation, financial management, and infrastructure development. By examining challenges in IGR mobilization, the study contributes to fostering financial accountability and transparency within the municipality. The direct impact of IGR on community welfare, particularly in the construction and maintenance of communal amenities like hospitals, underscores its immediate relevance. Additionally, the research informs capacity-building initiatives and adds valuable knowledge to the academic discourse on local governance and effective resource utilization. Lastly, this study empowers stakeholders and resonates beyond Wassa Amenfi West, addressing the broader imperative of aligning revenue generation with tangible community development.

### **1.6 Scope of the Study and Delimitation**

Geographically, the study focused on the Wassa Amenfi West Municipality's internally generated revenue and its associated challenges. From a theoretical perspective, the study further concentrated on the fiscal decentralization component of decentralization. The study's subject area focuses on the Municipal Assembly's internal revenue and how it contributes to its spending on local development at the local level.

### **1.7 Organisation of the Study**

The first chapter introduces background information, problem statement, objectives and research questions and also the scope of the study. The second chapter will attempt to review pertinent recent literature on the themes of the research issue. Chapter three is the research methodology, showing how the data will be collected and the reasons for the chosen methods. Chapter Four talks

about the results and discussions obtained from the data used in the work. The summary, recommendations, implications for policy, study limitations, and suggestions for further research will be presented in Chapter Five.

## **CHAPTER TWO**

### **2.0 LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents a review of related studies on the topic, “Internally Generated Revenue and Physical Development Projects in the Wassa Amenfi West Municipality”. It specifically involves topics, including community development, decentralization, and the ways in which Metropolitan, Municipal and District Assemblies (MMDAs) of local governments mobilize and use funds, with a focus on internally generated revenues (IGRs) and the various specific objectives. Also, the conceptual and theoretical framework and empirical review.

#### **2.2 Local Development**

Local development is an essential component of national development and the socioeconomic progress of community members. Local development is a grassroots process that calls for the engagement of all community members to make a conscious and diligent effort to come up with solutions that will address the problems that the community faces as a whole and enhance and build on the community's well-being (Kadoyama, 2018). Furthermore, Local development is inextricably linked to a multifaceted definition of change that integrates economic, social, cultural, and environmental elements, as well as innovation within and within these dimensions (Nader,



2016). It could be viewed as a strategy that contributes to enhancing the quality of life, promoting or accelerating the empowerment of common people, enhancing or maintaining local assets, overcoming market failures, boosting cohesion, and defining and implementing grass-roots development projects (Ledwith, 2020). According to this definition, local development is a joint effort by the government and a number of stakeholders to aid in nation-building and enhance a community's livelihood and its vicinities. According to this literature, local development is the mobilization of resources by the community's members to improve their own living situations.

Sekuła (2017) highlighted that Local development creates new and improves existing utilitarian values within that commune, to foster a thriving local economy, and ensures spatial and ecological order when there is an orderly and systematic activity within a local community, local government, and other organizations working within the commune. Morrison et al. (2017) wrote that to achieve long-term environmental sustainability, deliberate approaches to addressing environmental change are essential. As a result, it allows communities to identify their needs and create the necessary strategies and tactics to meet those needs.

It is established from the literature that Community leaders, groups, politicians, and government organizations are all involved in local development in addition to the actual community members (Veelen, 2018). According to Gbadago (2020), one of the essential requirements for ensuring full involvement in development efforts to ensure the effectiveness and sustainability of the programs in question is the provision of access to pertinent information for locals or beneficiaries. Furthermore, He explained that in terms of planning, policymaking, and shared decision-making, many participatory communication academics have claimed that the call for the application of holistic participatory approaches in development initiatives has stayed in theory rather than in practice. For instance, community development is a focus of the majority of non-governmental

organizations in Ghana. Keep an eye out for specific organizations that have improved neighbourhoods.

Effective development, according to Fisher (2018), cannot occur without sufficient financial backing, and they also noted that the majority of local developments are financed by economic development avenues like taxes and grants from the government. For instance, in Ghana, the start of the decentralization program has mandated that local governments or district assemblies raise their own revenues by levying taxes on products and services to improve their effective development. Agyemang-Duah *et al.*, (2018) highlighted that in order for sub-national governments to successfully accomplish their targeted development goals and objectives at the local level, it has become crucial to grant sub-national entities the capacity and power to create, allocate, and use financial resources.

As a result of the decentralization process, District Assemblies now have a responsibility to oversee the adoption of successful community development initiatives that meet the demands of society's constituents. The District Assembly should also design programs and strategies for the efficient mobilization of resources essential for the overall development of the district, such as the creation of basic infrastructure, in accordance with the Local Government Act (936), 2016. According to Owusu (2017), this duty makes it imperative for District Assemblies to generate their own revenue so they can fund the various assemblies' development programs including infrastructure such as markets, schools, and hospitals.

### **2.3 The Concept of Decentralization**

Decentralization is the process of transferring decision-making power, accountability, and responsibility for a certain outcome (Jeong & Luschei, 2018). An organization's various categories

of people or groups, including those that are not represented in the central government or other key institutions, have a certain amount of influence. It can also be explained as a top-down restructuring of a political, administrative, financial, or economic unit in order to move authority from an upper location to a less central one (Chacha, 2020). Power is transferred from a dominant or central region to a less dominant location. It is a phrase that pops up frequently in discussions about contemporary development. It is employed all around the world as a remedy for poor government, particularly in developing nations. The basic concept behind decentralization is the diffusion of authority. Decentralization is the process of giving lower-level management decisionmaking power. Unit Committees have been established among MMDAs in Ghana to promote community participation in the decision-making process. This promotes community input into the decisions of the assembly. The primary stage of delegation is the decentralization of authority, whereas centralization refers to the degree to which authority is not transferred. Decentralization, in the words of Fayol, is "anything that goes to strengthen the importance of the subordinate's position".

### **2.3.1 Types and Forms of Decentralization**

Two main sub-types of decentralization exist, namely Deconcentration which refers to the distribution of the various parts of the central governing authority without a true transfer of power to lower levels. Deconcentration would occur if the Ministry of Mines and Natural Resources established district-level offices in an effort to enhance the work of field staff.

The second subtype is delegation, in which the authority to make decisions is entrusted to subordinate categories that are nonetheless largely answerable to the core organization but are not under its direct supervision.



### **2.3.2 Types of Decentralization**

The most common types of decentralization fall under the four main categories of administrative, fiscal, political, and economic decentralization.

#### *2.3.2.1 Political Decentralization*

Political decentralization is a notion in governance that entails shifting power, authority, and responsibility for decision-making from a central authority or government to lower levels of government or local entities. Political decentralization's main objective is to distribute and share political power in order to promote more participation, independence, and representation at the local or regional levels.

#### *2.3.2.2 Administrative Decentralization*

Administrative decentralization is the movement of management, planning, and policy-making responsibilities from the national level to the local level. Administrative decentralization occurs when a central administrative authority assigns subordinate offices the responsibility for making specific pertinent decisions. The extent of such delegation varies widely between central administrations and even between organizations under the same government and is susceptible to interpretation. Such a transfer of authority promotes effectiveness and relieves congestion at the central office. However, it is challenging to establish any guidelines by which administrative decentralization can be uniformly accomplished given the wide range of functions carried out by modern governments. Such delegation is frequently referred to as deconcentration by experts in public administration (Gębczyńska & Wolniak, 2018)

#### *2.3.2.3 Fiscal Decentralization*



The term "fiscal decentralization" typically refers to initiatives to alter how and where local governments receive their funding. These initiatives can take a number of different forms, including transfers between tiers of government, cost recovery, approval of local borrowing, and modifications to the tax, user fee, and contribution options available to local governments.

#### *2.3.2.4 Economic Decentralization*

It entails efforts to give non-state entities actual authority over the distribution of resources. The most prominent example is privatization, which can be used to affect large portions of the economy in addition to State-Owned Enterprises (SOE).

### **2.3.3 Benefits of Decentralization**

Decentralization fosters innovation and motivation. Local level authority governance, fosters the development of brighter brains and idea networking by entrusting such individuals with unique and challenging responsibilities. In the exchange of ideas, there are no bureaucratic obstacles. Because decentralization entails delegating, it fosters greater incentive and inventiveness.

They now have more time to work on projects that will help the organization realize its long-term vision because the top-level governance of the organization has distributed the decision-making authority. The primary focus of top-level governance is no longer daily problem-solving. As a result of some load being lifted, they may focus on their primary responsibilities and plan for the organization's future.

Weak links that frequently impact lower levels can be easily found in a decentralized system. As a result, it is simpler to stop the leaks before they spread and to ensure that every other lower-level management within the organization receives the lessons learned efficiently.

Greater accountability comes with power right now. At lower levels and even further down the hierarchical ladder, there are incentives to take ownership of one's work or decision. Compared to the severe limitations of a centralized setup, the general atmosphere or work environment of a decentralized configuration tends to increase morale and result in greater job satisfaction. In such a setting, developing future leaders is also much simpler.

Decentralization encourages the diversification of activities. This brings about organizational divisions and consequently, new duties, increases the number of employment prospects. In a decentralized setup, multiple operations and activities are clearly better coordinated.

#### **2.3.4 Disadvantages of Decentralization**

Decentralization is not always the ideal strategy to take when starting out, particularly if the organization or national structures are still trying to establish themselves. Making decisions down in the hierarchy without first determining whether those levels genuinely possess the required competencies and skills is a mistake that could be expensive. This design encourages duplication of routine, activities, procedures, results, and equipment, making it expensive and dissuasive for small organizations to implement.

A bottom-up approach to decision-making may wind up changing the larger vision if it receives too much attention. It is possible to lose sight of the organizational vision as you go down the ladder.

Decentralization suffers from less specialization. Staff or structures cannot specialize as much as they could within a core structure when they are dispersed among various sectors or units. Specialists outperform generalists in performance. They are more productive since they have

greater experience in their field. Additionally, they are knowledgeable about the literature and debates in their profession that supports creativity.

A highly decentralized system may foster unhealthy competition, which hinders coordination and cooperation. As a result, when authority has been delegated, interdependent units may suffer and resolving interdepartmental issues is difficult.

## **2.4 Local Government Revenue Mobilization**

In both advanced and developing nations, efforts have been made over the years to shift the authority to collect revenue and other financial asset to the sub-national government. Local governments receive funding from a variety of sources, including subsidies and transfers between governments, their own sources of revenue, and borrowing (Ladner, Keuffer & Baldersheim, 2016). To pay for their allocated obligations and responsibilities, they need enough income. On the other hand, it is asserted that the local government's revenues are generally insufficient compared to their expenditures. The main source of income for subnational governments differs across countries. It is asserted that in Africa, the majority of local government's revenue comes from the central government (Crook, 2017). Due to their incapacity to generate income on their own, local governments have a heavy reliance on transfers, which leaves them open to the demands of the central government. Therefore, it can be argued that local governments should have complete control over the levying of tax rates, identifying the tax base, and collecting revenues in order for them to earn enough own-source income.

### **2.4.1 Local Tax**

A local tax is one that meets the criteria of being assessed by a local government, having rates set by that government, being collected by that government, and giving that government the proceeds



(Mohammed, 2016). The local government is solely responsible for the collection, management, and administration of local taxes. On the other hand, while problems with rate setting, collection, and management vary from country to country, the majority of local taxes do not share these characteristics.

However, it is crucial to stress that the ability of local governments to choose the tax rate is the most significant aspect of local taxation. They may become more responsible to their citizens as a result (Mohammed, 2016). Local governments do have some taxing authority, but it is restricted. In Ghana, the central government is in charge of lucrative tax sectors like income tax, sales tax, export charges, and import tariffs (Brown, Ofosuhen & Akenten, 2019).

#### **2.4.2 Sources of Local Government Revenues in Ghana**

The Local Government Act 936 and the 1992 Constitution both give MMDAs a variety of responsibilities. One of them is the exercise of legislative, deliberative, and executive powers in their particular jurisdictions. Another is the efficient mobilization of resources required for the general development of their localities. A fourth is accountability for the growth of their communities (Brown, Ofosuhen & Akenten, 2019). The execution of these duties requires a steady and dependable source of income.

Ghana's DAs units consist of the Metropolitan Assembly, which has a population of over 250,000, the Municipal Assembly, which has a population of over 95,000, and the District Assembly, which has a population of over 75,000. (Hackman, Ayarkwa, Osei, Adjei-Kumi & Kissi, 2021). There are 261 Metropolitan Municipal and District Assemblies (MMDAs) across the country as of currently now. Local governments' independence in Ghana is allegedly threatened and weakened in a number of ways. Particularly clear evidence of this is the central government's continuous power through presidential nominations, nonpartisan elections, and administrative and financial control



(Brown, Ofosuhenne & Akenten, 2019). District assemblies are now the highest political authority in each district under the local government act, but they are also the least powerful in terms of managing the nation's finances. Given that the effectiveness of any government depends on the financial resources at its disposal, which also holds true for the MMDAs, it can be argued that this tends to affect the effective and efficient functioning of the MMDAs.

Transfers from the central government, locally generated monies, and gifts from donor organizations and NGOs are the sources of income accessible to local governments in Ghana (Delali, 2019). The ceded revenue and the District Assembly Common Fund are included in the transfers from the national government (DACF). MMDAs' primary source of income at the moment is the DACF (Delali, 2019). It consists of a transfer to the MMDAs of 7.5% of the central government's overall revenue. It is only allowed to finance community development initiatives. According to Delali (2019), donor organizations' help is a significant source of funding for local governments. These aids focus on water and sanitation, agriculture, health, education, reducing poverty, and microprojects. MMDAs typically have poor financial conditions relative to their expenditures, which places them in strong need of the central government.

#### **2.4.3 Internally Generated Fund (IGF)**

District assemblies are permitted to earn revenue from their respective areas under the Local Government Act 936 of 2016. Additionally, it gives them the ability to raise money locally. This is the transfer of funding sources and responsibility for spending to lower tiers of government (Osei 2017). The income that MMDAs create on their own is known as internally generated funds (IGFs). Both taxable and non-taxable sources are covered. Tax money comes from payments that businesses and real estate have to make to the assembly, while non-tax money comes from

payments that people choose to make. The principal avenues for generating local income are as follows:

#### *2.4.3.1 Fees and Fines*

The ability to impose fees for provided services or facilities rests with local governments. These are fees that users must pay for the services the assembly offers. The "direct recipients of benefits, whether residents, businesses, or things (real property)" are subject to user charges (Kim, 2019). It includes fees assessed at marketplaces, lorry parks, abattoirs, etc. The fines are paid to the assembly by district tribunals or courts.

#### *2.4.3.2 Licenses*

Licenses are taxes generated from issuance of business operating permits from the Assembly. They include hawkers' license, extension of houses, hotels and restaurants, lorry parks overseers, selfemployed artisans etc. Metropolitan, Municipal and District Assemblies by sections 76 to 78 and schedules 4 and 5 have been mandated as licensing authority for a number of activities within their area of jurisdiction (Local government act, 2016). However, the tendency of business owners and local authorities to engage in rent-seeking behavior prevents the collection of local revenue through business licenses. Additionally, according to Isak & Mohamud (2022), the complicated processes involved in the high compliance cost result in low revenue creation.

#### *2.4.3.3 Property Rates*

These are fees imposed on immovable properties payable by public corporations and organizations owning property in the area of jurisdiction of the Municipal Assembly. A District Assembly according to section 96 of Act 936 has the authority to levy rates on immovable property, possessions and persons throughout the district and special rates for special projects in the district. Although it has been claimed that property taxes are a significant source of income for local

governments, the lack of clearly defined ownership rights, the inability to enforce payment, and poor valuation processes all place restrictions on their use (Isak & Mohamud 2022). In Ghana, property taxes make up between 40% and 60% of all direct tax revenue (Fjeldstad & Goodfellow, 2017).

#### *2.4.3.4 Investment Income*

According to the local government act, MMDAs are allowed to invest "Money of the Assembly or a portion of those Money" in projects that the assembly has approved. The assembly receives income from the proceeds of these investments.

#### *2.4.3.5 Land*

Lands are revenues generated from payment of royalties from stool lands, sale of building permit jacket, plot registration fee, transfer fee, building plan/permit fee River sand and Communication Mast permit. Although the aforementioned revenue sources have been characterized as low yielding according to Yeboah & Andrew (2020), they have the potential to provide MMDAs with significant and consistent income if properly managed and administered (Fjeldstad & Goodfellow, 2017).

### **2.3.4 Challenges with IGF Mobilization**

When it comes to generating Internally Generated Revenue (IGR), MMDAs encounter a number of difficulties, including:

- i. The purpose by which IGR is mobilized and the connection between taxes paid and services received is not well understood by assembly members, employees, and residents of several MMDAs
- ii. MMDAs' overall revenue has not been benchmarked in order to calculate the appropriate ratio of IGF collects to the total.



iii. Over time, there has not been strong central government leadership or assistance iv.

Inconsistent street and house numbering has been implemented nationwide

v. Many MMDAs lack adequate databases and those that do often struggle to keep them up to date vi. The land valuation board lacks sufficient funding to fulfill its duty to regularly value and revalue assets

Local development and for that matter, public infrastructure is heavily reliant on the funding and upkeep provided by local governments' own sources of income. Additionally, it serves as the foundation for local governments' enjoyment of fiscal autonomy. Each local entity requires a financial, geographical, and demographic foundation upon which to exercise its rights and assume its obligations (Rhodes, 2018). In order to help local governments to maximize their efforts to mobilize revenue as well as to create and profit from other possible local revenue sources, appropriate procedures must therefore be put in place to address these issues.

## **2.4 Theoretical Framework**

A theoretical framework is crucial for conducting research, keeping coherence, and establishing the parameters of the study (Anderson & Holloway, 2020). Theories and concepts act as lenses to help researchers see their subject of interest in more detailed. This is in connection with Schlager (2019) who realized theories assign values to some of the parameters that a framework identifies as crucial, postulate linkages between the parameters, and forecast likely course of events. In other words, theoretical perspectives and conclusions about what constitutes knowledge, the substance of that knowledge, and how it is obtained can be used to make sense of a collection of facts or data. Similar to this, the goal of a theory is to offer tools for interpreting the data gathered, prevent information fragmentation due to order, give the inquiry a focus, and offer theoretical descriptions and a clear grasp of what is being examined.



The study adopted the theory of federation. Kenneth Arrow, Richard Musgrave, and Paul Samuelson contributed significant papers on the theory of public goods in 1954 and 1955. These papers, along with Arrow's speech on the functions of the public and private sectors in 1970 and Musgrave's book on public finance in 1959, laid the groundwork for the initial theory of fiscal federalism. Three roles for the government sector were determined within this framework. These were the duties that the government played in addressing different types of market failure, maintaining a fair income distribution, and attempting to maintain macroeconomic stability at full employment and stable prices. The theoretical foundation in question was essentially Keynesian and advocated for the state to take an active role in economic affairs. Therefore, where the market mechanism failed because of different public goods characteristics, the government was expected to step in. Economics teaches us that if public goods are left to private market mechanisms, they will not be adequately delivered since the private provider will not invest in their provision because the advantages accruable to him or her will be far smaller than the overall benefit to society. Governments and their representatives were viewed as the guardians of the public interest who would work to improve social welfare to the greatest extent possible out of altruism or the necessity to win elections in democracies.

The function of the state in maximizing social welfare then offers the fundamental components for the theory of fiscal federalism once we allow for a multi-level government arrangement. The social welfare of the people living under each level of governance is then considered as being maximized. If there are public goods that are used on a local level instead of on a national level, then a multilayered effort is needed. In this situation, it's clear that local goods that are made to meet local needs by the right local authorities do much more good for society than core requirement.

Fair income distribution, maintaining macroeconomic stability, and delivering public goods on a national scale are all tasks that fall under the purview of the central government. Decentralized levels of government, on the other hand, are projected to concentrate on providing local public goods, with the central government providing targeted funds in circumstances when local public goods have jurisdictional spillovers.

Reference from this theory, it is emphasized that the Wassa Amenfi West Municipal assembly would, through the little internally generated fund mobilized, be able to provide some essential public goods such as road reshaping, schools, markets, health centers, among others in the Municipality.

## **2.5 Empirical Review**

In Nigeria, at Akwa Ibom State, Omodero, Ekwe & Ihendinihu (2018) investigated the relationship between internally generated revenue (IGR) and infrastructure development. In this study, ex-post Facto research design was used. Simple percentage statistics were employed to evaluate the data, and simple regression was utilized to test the hypothesis. Research indicates that internally generated revenue considerably and favorably impacts the provision of water, electricity, and roads, with a greater skewed contribution to roads than to electricity and water. The study was able to draw the conclusion that IGR has contributed positively but unevenly to the state's infrastructure development because it was discovered that some infrastructure components, like roads, have benefited from IGR more than others.

In a related manner, Nkechi & Onuora (2018) examined the impact of internal revenue generation on the development of infrastructure in South East States of Nigeria. Descriptive and inferential statistics were applied during the analysis. Simple percentages were utilized in the descriptive analysis, whereas spearman's rank was applied in the inferential analysis to determine the direction

of the relationship between the variables. Results of the study show a strong correlation between internal revenue production and infrastructure development. The research also listed a number of methods for obtaining internal revenue, such as public awareness campaigns and tax enforcement. The report also states that in order to increase revenue, revenue administration agencies need to be evaluated.

In Ghana, numerous research projects on the effectiveness of local governments have been carried out, that is MMDAs in mobilizing Internally Generated Funds to undertake development projects. One such study was conducted by Dick-Sagoe, Tingum & Asare-Nuamah on the Abura-Asebu-Kwamankese District Assembly during the 2021–2022 fiscal year (2022). They proved that the assembly's failure to fulfill its income goals was partially caused by a lack of the necessary employees and abilities, and partially by a lack of innovation on their part. Not only was this problem present in the Abura-Asebu-Kwamankese District Assembly, but it was also present in the Kumasi Metropolitan Assembly, which had been anticipated to generate a lot of IGF due to their enormous revenue source (Dick-Sagoe, Tingum & Asare-Nuamah, 2022).

Local revenue mobilization in Ghana is characterized by its arbitrary decisions and corruption, which has made it unattractive and unsuccessful. In 2010 (Prichard 2010) found that poorly constructed revenue collection and management systems offer opportunities for corrupt behaviour. The revenues that are mobilized suffer when adequate supervision, monitoring, and evaluation are lacking. The issues MMDAs encounter in their IGF creation include the propensity of collectors to understate revenues collected, the lack of adequate revenue reporting systems, district officials misusing funds, and many others Akudugu and Oppong-Pepprah (2013).

According to Danquah et al. (2016), the local government service made up of various MMDAs and the national government in Ghana have routinely spent more money than they are able to bring



in. This awful performance was attributed to the citizens' ignorance of the necessity to pay taxes to the assembly, inadequate logistics, and the revenue collectors' lack of motivation. Salisu (2017) revealed that local governments are not able to afford to fund the necessary infrastructure, as a result of the lack of income was primarily caused by corruption among revenue collectors, police, and assemblymen in various. The assembly, like many local governments in Ghana, relied excessively on the DACF to cover its capital expenses while spending a large portion of its IGF on administrative costs.

Nwanne (2015) looked into how Imo State's local government councils' spending was affected by tax policy. The goal of the study was to assess how Nigeria's tax laws affected local governments' capacity to raise and spend money in order to carry out their legal obligations. The research was required because sub-national governments appear to be so enamored with the annual statutory allocations from the Federation Account that they overlook using their own internal resources to pay for both ongoing and capital expenses. The Ordinary Least Squares regression was utilized, and a descriptive method was applied. The Chow Test of Structural Stability was used to determine if Imo State's tax policy on internally generated revenue has a considerable beneficial impact on public spending at sub-national levels.

It is not unique to Ghana that local governments struggle to generate local revenue for development initiatives. If proactive measures are not taken to maintain the diversification of the revenue base, the risk of the economy becoming stagnant exists (Saleh & Daluma, 2017). This was attributed to the political system's volatility, the lack of formal structures for raising IGF, and the unreliability of the sources of IGF that had been found. Nevertheless, Nigeria has experienced a few achievements (Ogbodo & Mehara, 2021). According to Omodero et al. (2018), while the remaining revenue is forwarded to the federal government, each region uses IGF to develop its own area. The



major tactics Lagos State used to mobilize IGF were enforcement by fining non-payers, training tax staff, and educating the broader people, thus, the potential taxpayers about their obligation to pay.

When it is possible to identify direct recipients, it is standard practice in public finance to charge for services. Particularly in local governments, user fees and charges play a relevant role in supporting infrastructure (Osei-Kyei & Chan, 2017). Similar to this, Osei-Kyei & Chan (2017) asserts that in order to minimize potential distortions in the flow of factors and goods within a nation, high degrees of national uniformity are preferable for taxes like the corporate income tax and the value-added tax. They admit that local governments are less well-suited for using company taxes. That is why the national government must always provide financial support to the local governments. In a similar vein to Williams (2017), the central government has the option to equalize resource allocation from the centre in order to enhance funding to local governments because resources and investments are not fairly distributed throughout the geographical boundaries of local governments. These problems with natural and investment inequalities present difficulties for local and subnational governments in raising income to fulfill theirfulfile delivery obligations.

The difficulties local governments face when trying to collect taxes in many developing countries stem first from the general sentiments of the populace regarding paying taxes in any form. The second concern is with individuals hired by local governments to collect taxes who either underpay what they collect to local institutions or occasionally engage in outright fraud by issuing false receipts (Touchton, Wampler & Peixoto 2019). Touchton, Wampler & Peixoto add that research suggests that, for instance, Ghana's District Assemblies' tax or revenue streams are extremely low

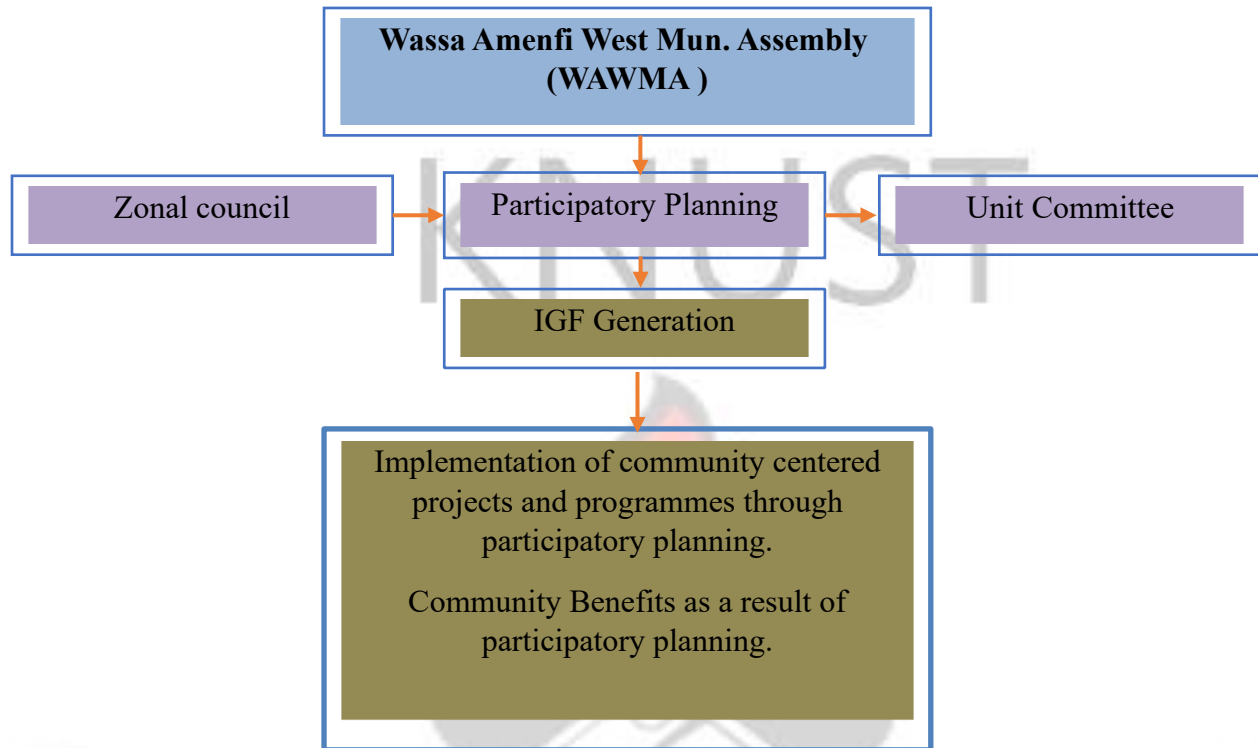
yielding and challenging to collect. For instance, he claims that it is expensive and not worthwhile to collect the basic rate of \$1,000 per year from each adult.

Acheampong, (2019) stated that in Ghana, some taxes owed by businesses and people are not being collected by the revenue service and local governments. Because there aren't adequate ICT systems in place to help identify properties and their owners, maintain records current on tax rolls, and confirm payments made by property owners, money is lost. He continued to say that the manual approach used in revenue collection prevents management from identifying all short-paid, incorrectly priced, and underpaid products.

## **2.6 Conceptual Framework**

A conceptual framework is a research tool used to help a researcher gain knowledge and comprehension of the topic being studied and to express this based on their observations or personal experiences (Hancock, Algozzine & Lim 2021). It expresses the researcher's perspective on the issue and provides the study's direction by revealing the connections between the various themes the researcher is interested in examining (Galdas, 2017).

The conceptual framework of this study explains the nature of the internally generated fund and its effects on local development with much emphasis on physical infrastructure. The conceptual framework of this study gives the indication that internally generated fund has the ability to cause an effect on Wassa Amenfi West Municipality. In light of this, the relationship between the internally generated fund and local development is depicted in the diagram below.



**Figure 1: Conceptual Framework**

*Source: Author's own construct (2022)*

## CHAPTER THREE

### 3.0 METHODOLOGY

#### 3.1 Introduction

The study's methodology is presented in this chapter, which also outlines the strategy for collecting data for analysis. Research design, the study's target audience, sample size and sampling methodology, as well as the method and tools used for gathering data, are among the issues that are discussed. Along with this, the chapter covered the validity of the tool and ethical decisions that were taken that had an impact on the study.

### **3.2 Research Design**

Research design is essentially a structure that outlines the numerous research activities needed to address the research topic in an efficient manner (Ahiadeke, 2008). The process of answering the research questions of a given study is known as research design (Deming & Swaffield, 2011). Flick (2002), asserts that a research's design may be qualitative, quantitative, or a combination of the two, which Johnson et al (2007), call the “mixed research design”. This study makes use of both quantitative and qualitative data. Using both quantitative and qualitative research design in a single study to understand a research topic is known as a mixed research design, according to Creswell (2012). According to Bowen (2002), when qualitative and quantitative research approaches are combined in a single study, the advantages of one approach complement the other, resulting in a superior research design that produces more reliable and accurate results.

Taking into account the specifics of the study's goals and the information gathered in the field, A mixed-method study strategy is used to examine how internally generated income contributes to physical development in the Wassa Amenfi West Municipality. The aims of this study consequently require both qualitative and quantitative data, thus the term "mixed research," which refers to a method of inquiry that combines qualitative and quantitative methodologies to create a full understanding of a research subject (Creswell, 2014). This method effectively examined and produced the necessary data for the study's research objectives. The goals of the study involved interviewing respondents and evaluating the results of a statistical test.

### **3.3 Study Area**

This section gives a brief background of the study organization, Wassa Amenfi West Municipal Assembly.



### **3.3.1 Wassa Amenfi West Municipal Assembly**

By means of Legislative Instrument (L.I) 2288, the Wassa Amenfi West Municipal Assembly (WAWMA), which has Asankrangwa as its capital, was upgraded from a district status to municipal and inaugurated on March 15th, 2018. Which has around 198 villages with a total land area of 1448.6 square kilometres.

The Municipal shares boundaries with Sefwi Akontombra and Aowin Municipal to the West, to the East with Prestea Huni Valley and Amenfi Central and to the South Jomoro, Ellembele and Nzema East. It lies between latitude 530<sup>0</sup>N and longitude 145'W and 211'W. It has one paramount based in Wassa Akropong with three (3) Divisional Areas i.e., Asankrangwa, Asankran Breman and Oda Kroforom and has one (1) constituency.

### **3.3.2 Composition of The Assembly**

The Wassa Amenfi West Municipal Assembly operates under three (3) tier systems, namely; the Municipal Assembly, Zonal Councils, and Unit Committees. The Assembly is composed of Twenty-Eight (28) Assembly Members made up of Nineteen (19) elected, eight (9) Government Appointees, and one Hon. Municipal Chief Executive, and the Hon. Member of Parliament.

### **3.3.3 Economic Activities**

Agriculture is the primary economic activity in the municipality. In agriculture, more than 90% of the labor is employed. Cash crops, such as cocoa, oil palm, and coffee, are the main crops farmed in the municipality. Food crops include rice, corn, plantains, and cocoyam. veggies and fruits include oranges, pears, coconuts, and pineapple. Most farmers just produce enough to meet their basic needs, and there are very few medium-scale farmers.

### **3.3.4 Investment Opportunities**

The following investment opportunities exist in the Municipality:

- i. Large-scale cocoa production
- ii. Large-scale rice production
- iii. Lumbering
- iv. Bee production
- v. Cattle rearing
- vi. Transportation
- vii. Gold mining

### **3.4 Population of The Study**

The population of a study is the large pool of people or items from which a researcher intends to study or solicit information (Bless, et al., 2006). The population, as far as this study is concerned consists of all taxpayers such as business owners, shop owners, owners of properties such as buildings, drivers and riders etc. Revenue Collectors, Nananom, Assembly Members, organized groups, as well as core Administrative Staff including the Municipal Chief Executive, Municipal Coordinating Director, Budget Analyst, Planning Officer, Internal Auditor, Works Engineer, Procurement Officer, and Finance Officer. The group was selected because the researcher anticipated they would be able to supply the necessary knowledge on the issue under investigation. There was no preference for length of service or academic credentials.

### **3.5 Sampling Procedure and Sampling Size**

Sampling is a technique used to choose observations (Babbie, 2008). Probability sampling and non-probability sampling are the two forms of sampling. To obtain pertinent information from the target group, the basic random sample approach under probability sampling was used. This is due to the fact that everyone will have an equal probability of getting selected. To supplement the earlier technique, a non-likelihood sampling approach called convenience sampling was also used to choose respondents who are Wassa Amenfi West Municipality stakeholders

One of the crucial components of doing research that needs the researcher's significant attention is determining the sample size. Somekh and Lewin (2005) contend that sample size, not the relative size or the percentage of the population sampled, is the most important consideration. Therefore, it is crucial that when choosing the sample size for a study, the researcher makes an estimation of the population being studied and the size that might reflect such a group. Due to cost, time, manpower and time constraints, it is practically not possible to undertake the study in the entire population, therefore a representative sample from the population will be selected to provide results that can then be generalized to the entire population. The researcher relied on the individuals who have registered their businesses with the Municipality. Three (3) groups of respondents were included in the study, all of whom played a regular part in IGF mobilization in the Municipality. They include Tax Payers, Revenue Collectors, and key Administrative Staff. Out of 2686 taxpayers, 96 were selected using the Yamane formula (1973), the recommended formula below which was deemed appropriate. Even though 96 respondents were selected 100 questionnaires were distributed to the target population. Ten percent (10%) of the questionnaires were assumed as non-response rates.

$$n = \frac{N}{1 + N(e)^2}$$

Where, n=the sample size, N=total population, e=margin of error (10%), and 1=constant

$$n = \frac{2686}{1 + 2686(0.10)^2} = 96$$

### 3.6 Data Collection

This section offers specific information regarding the types and sources of data used for the study, the data collection methodologies, and the data collection procedures.



### 3.6.1 Types and Sources of Data

Primary and secondary sources of data are the two main types of data sources. This research ascertained both primary and secondary sources of data. The primary data are first-hand data from the field through questionnaire administration, interview or observation. Primary data used in this study consisted of the perception of the participants on the internally generated fund. This data was sourced from the participants by means of questionnaires. The secondary data includes information from the district's trial balance report for the years 2016 through 2021 and annual administrative reports.

### 3.6.2 Data Collection Technique and Tools

Data collection technique is defined as the ways by which data is generated and processed in the research study. Using data collecting techniques, we can methodically gather details on the subjects of our studies, such as people, things, and occurrences, as well as the environments in which they take place. Techniques for gathering data fall into one of two categories: those that support qualitative analysis or those that support quantitative analysis.

Anecdotal evidence, comments made, and participant-generated ideas serve as the foundation for qualitative analysis. Data gathered from a sizable participant sample serves as the foundation for quantitative analysis. Statistics are used to evaluate the sample data, and they can be applied to the entire population (Jakubiak et al, 2010). The table below therefore, provides information on the data collection technique and tools adopted for the study.

#### *Data Collection Techniques and Tools*

<b>Respondent</b>	<b>Data Collection Technique</b>	<b>Data Collection Tool</b>
Administrative Staff	Questionnaire Administration	Questionnaire
Tax Payers	Interviewing	Interview Schedule/Guide



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IGF Collectors	Interviewing	Interview Schedule
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*Source: Author's Own Construct, 2022*

### **3.7 Data Analysis**

The quantitative data from the questionnaires were analysed using Statistical Product for Social Sciences (IBM-SPSS v 26.0). the objectives were analysed using descriptive ad inferential statistics. Descriptive statistics such as frequencies and percentages, graphs, and charts were also utilized to decide the respondents' perspectives on objective one. However, the study employed a Binary logistic model and Kendall's Coefficient of Concordance for both objectives two and three respectively.

### **3.8 Validity and Reliability**

Since reliability and validity are important aspects of selecting a survey instrument. After the questionnaire was prepared, a pretesting of the instrument was done to ascertain if the instrument would yield the same results over multiple trials. This was important to verify the reliability of the instructions. The pre-test was also necessary to ascertain the magnitude to which the instrument measures what it was designed to measure. That is the validity of the instrument.

In accordance with Bless and Higson-Smith (2000), an instrument is considered to have high dependability if it can be relied upon to calculate an unchanging quantity with accuracy and consistency. For the purpose of evaluating a measure's dependability, the Cronbach's Coefficient Alpha scale is utilized. In decreasing order of dependability, the scale goes from 0 to 1. Reliability is defined as 0.7 or above for an instrument.

An instrument's validity refers to how accurately an instrument tests the precise definition it was intended to test (Saunders et al., 2009). The researcher checked other related literature to ensure

the validity of the questionnaire, and the literature that accepted the instrument's construct. Scientifically tested items were some of the items on the scale. In addition, before administering it to the respondents, the drafted questionnaire was presented to the project supervisor for vetting, correction and approval (Wyatt, 2000).

### 3.9 Ethical Considerations

Ethical considerations are obligatory for research projects the reason being that participants do have their moral and legal rights. The researcher made sure not to invade the privacy of participant without their consent, not to cause harm to their emotions and that information received was acknowledged the fact that whatever information provided is true and exactly so. During the collection of data for the study, the researcher took into consideration the secret of respondent and in the way it would not be uncovered without their approval.

### 3.10 Model specifications

#### 3.10.1 Kendall's Coefficient of Concordance estimation on challenges of tax collectors in revenue mobilization

For the ranking of challenges faced by the revenue collectors, the researcher utilized Kendall's coefficient of concordance. Kendall's W, according to Steedle and Shavelson (2009), is a calculation of the deviation of the row sum of rank R1 divided by the highest range of values that the variance could have. Nonetheless, this becomes valid when there is a total agreement between all the variables under consideration. The model denotes  $0 \leq W \leq 1$ , where 1 represents a perfect agreement.

Compute Kendall's W statistic, S is computed first from the row-marginal sums of ranks  $R_i$  values received by the objectives.

$$S = \sum_n (R_i - r)^2 \dots\dots\dots (1)$$

$$i=1$$

Considering that  $\bar{r}$  is the mean of the  $R_i$  value and that  $S$  is a sum of squares statistic over the row sums of ranks  $R_i$ . Given that, the following formula can be used to determine Kendall's  $W$  statistics:

$$W = \frac{12s}{m(n-1)(n+1)} \quad (2)$$

### 3.10.2 Estimation of tax payers' willingness to pay tax

The researcher employed binary logistics to determine taxpayers' willingness to pay the tax. For an event happening, (a tax payers' willingness to pay is represented by 1) and a taxpayer not willing to pay tax is denoted by 0.

A regression equation is typically written as  $Y = B_0 + B_1X_1 + \dots + B_KX_K$  where each  $X_i$  is a predictor and each  $B_i$  is the regression coefficient. In the study, the regression denotes;  $Y$  (willingness to pay)  $= B_0 + B_1(\text{Gender}) + B_2(\text{marital status}) + B_3(\text{educational level}) + B_4(\text{annual income}) + e_i$

Consider that the dependent variable in binary logistic regression is a dichotomous (binary) variable with a coding of 0 or 1. So, rather than using  $Y$ , we express the regression model using the logit:

$$\text{logit} = L_i = B_0 + B_1X_1 + \dots + B_KX_K$$

## CHAPTER FOUR

### 4.0 DATA ANALYSIS AND DISCUSSION OF RESULTS

#### 4.1 Introduction

The Chapter discusses the findings from fieldwork conducted to investigate Internally Generated Revenue and Physical Development Projects in the Wassa Amenfi West Municipality, Asankrangwa. The researcher sought the views of respondents or the participants that will appropriately answer the research questions by administering the questionnaires to 96 of respondents. This chapter discusses the findings of the study under three main objectives; to determine and investigate how Internally Generated Revenues are utilized, to examine the extent to which Internally Generated Revenues contribute towards Physical development projects in the Municipality, and to identify Internally Generated Revenues mobilization challenges in the Municipality. It is imperative to note that the analyses of the findings of this study are done in connection to the relevant literature. The data from the questionnaires were analysed using Statistical Product for Social Sciences (IBM-SPSS) vs 26.0 and STATA vs 16.0.

The outcomes of the three (3) particular research objectives were presented and analysed using descriptive statistics, such as mean, standard deviation, and rank score. Tables and figures using

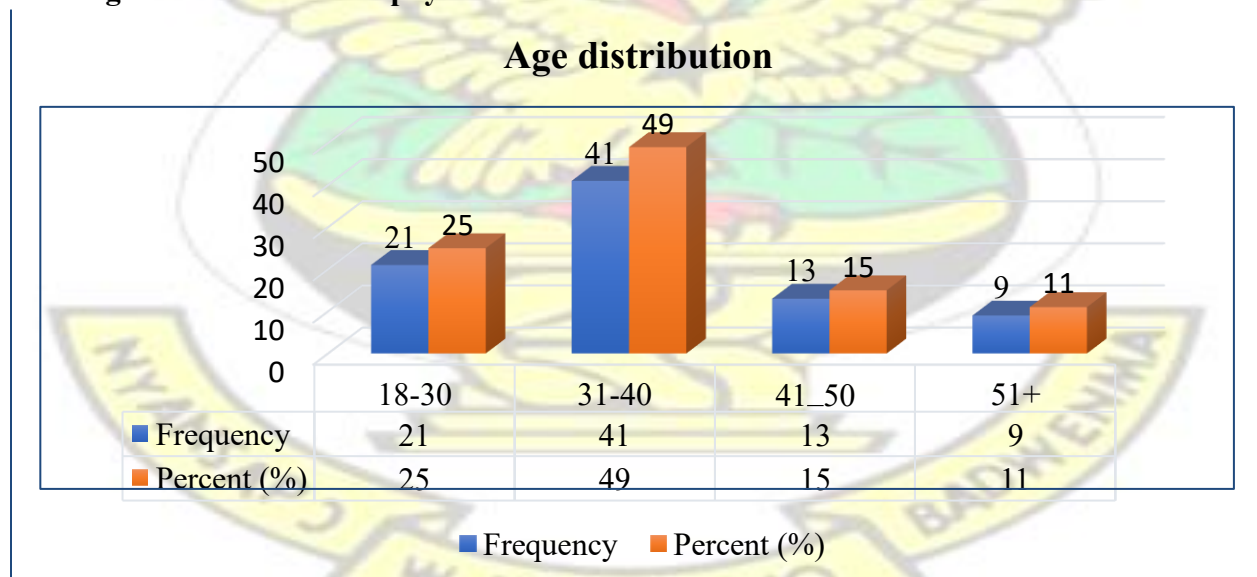


percentages and frequencies were also applied where necessary. Additionally, a binary logistics model was performed to examine the taxpayer's willingness to pay tax as well as Kendall's coefficient of concordance for analysing the challenges faced by revenue collectors in the Municipality.

The study recorded a 100% turnout which is an indication that the findings presented were based on the views of all the respondents sampled for the study. The total number of respondents (taxpayers) were ninety-six (96) and they all responded to the questionnaires. Apart from the 96 taxpayers, 20 Administrative staff made up of Municipal Chief Executive, Municipal Coordinating Director, Budget Analyst, Planning Officer, Internal Auditor, Works Engineer, Procurement Officer, Finance Officer, and (25) Revenue Officers who the researcher believed had the required information about the topic under study were also selected to participate in the study.

## 4.2 Socio-demographic characteristics of the respondents

### 4.2.1 Age distribution of taxpayers



**Figure 2:** *Age distribution*

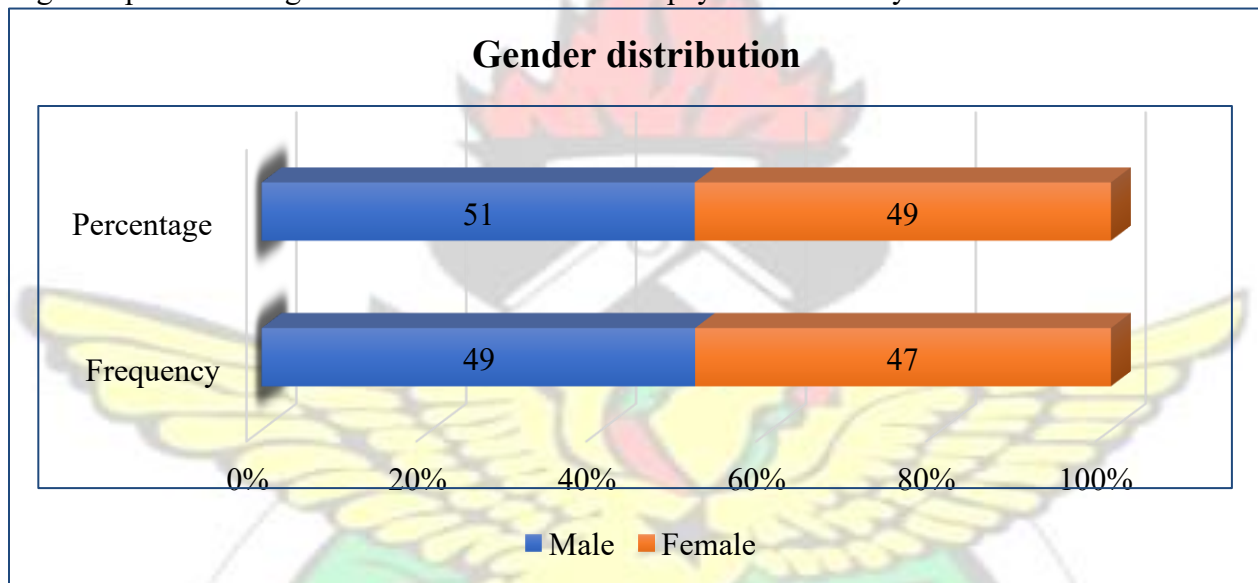
Note:  $n = 96$

**Source:** *Author's Field Survey, 2022*

The age range of the taxpayers was from 18 to 51+. Out of the total participants sampled, the highest proportion of them was in the age range of 31-40 years, however, 25% were between the ages of 18-30 years while both the third (41-50 years) and the last (51+ years) accounted for 15 % and 11% respectively.

#### 4.2.2 Gender distribution of the taxpayers

Figure 3 presents the gender distribution for the taxpayers in the study area.



**Figure 3:** *Gender distribution of the taxpayers*

Note:  $n = 96$

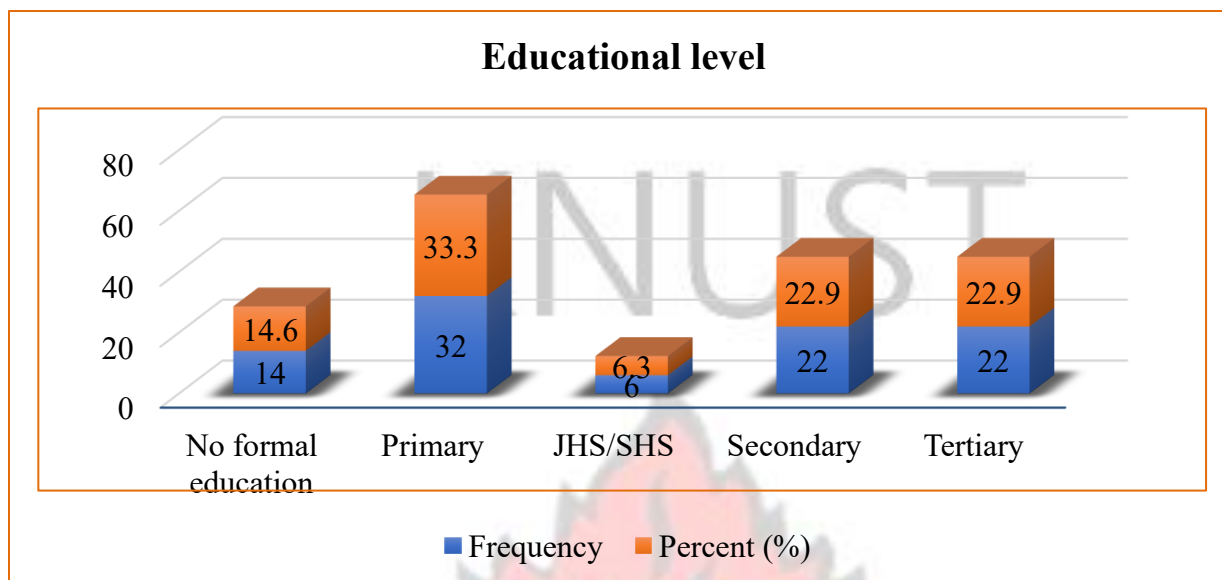
**Source:** *Author's Field Survey, 2022*

From the results of the 96 taxpayers sampled, males were found to be dominant of the study in the study area accounting for 51% of the sample whilst females comprised the remaining 49%. were those between the ages of 31 and 40 years.

#### 4.2.3 Educational level of the taxpayers

Education helps individuals how to comprehend the usefulness and significance of paying taxes.

However, education could foster taxpayers' compliance with taxes.



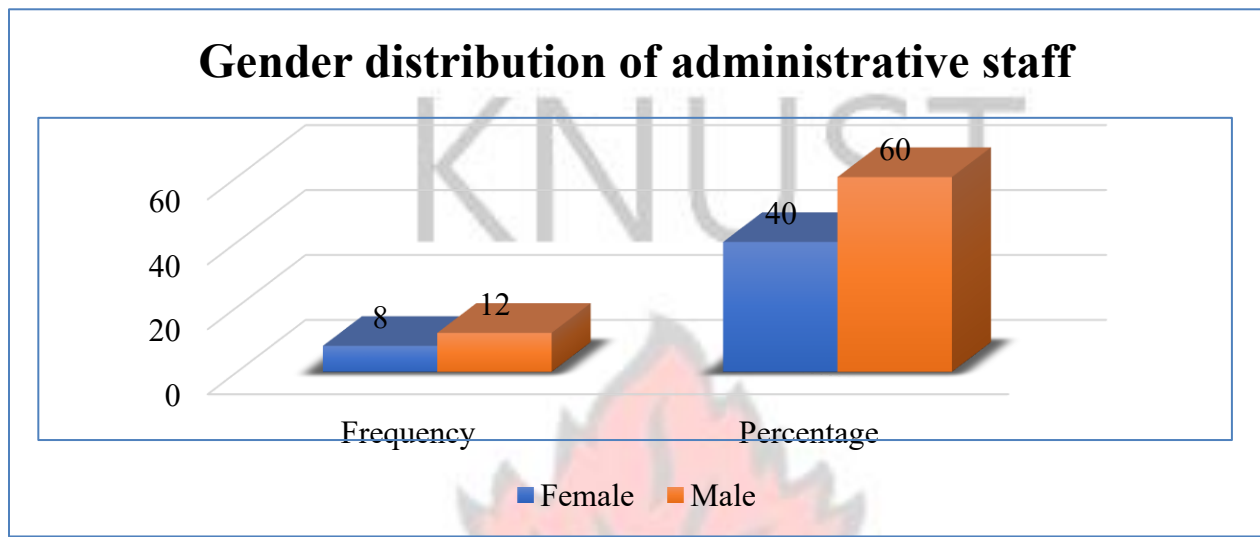
**Figure 4:** *Educational level*

Note:  $n = 96$

**Source:** *Author's Field Survey, 2022*

The educational level of the taxpayers was characterized into five (5) variables, no formal education, primary education, JHS/JSS education, secondary education, and tertiary education. After the analysis, according to the descriptive statistics performed, it was found that the highest level of education for the taxpayers was primary which amounted to 33.3% though the least was JHS/SSS educational level which accounted for 6.3% of the taxpayers. This indicates that most of the taxpayers were educated formally.

#### 4.2.4 Age distribution of administrative staff



**Figure 5:** *Age distribution of administrative staff*

Note:  $n = 20$

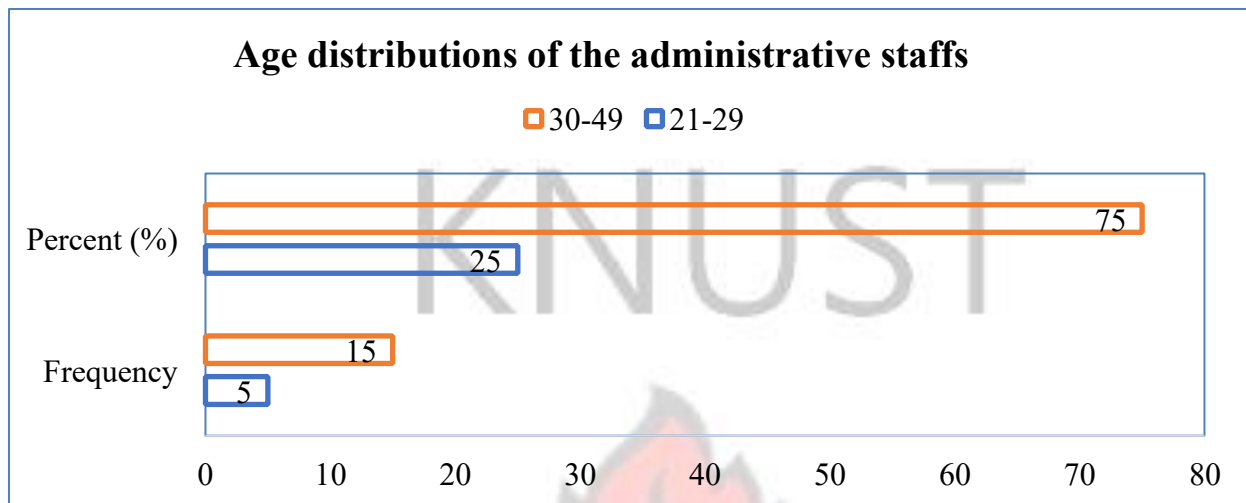
**Source:** *Author's Field Survey, 2022*

The gender distribution of the administrative staff analyzed shows that males dominated the most administrative staff in the study area as compared to their female counterparts which accounted for 60% and 40% respectively. This could be because females are much more interested in commercial work as compared to males who prefer more administrative and rigorous work.

#### 4.2.5 Age distributions of the Administrative Staff

The study area's administrative staff's age distributions are shown in the table below.





**Figure 6:** *Age distributions of the Administrative Staff*

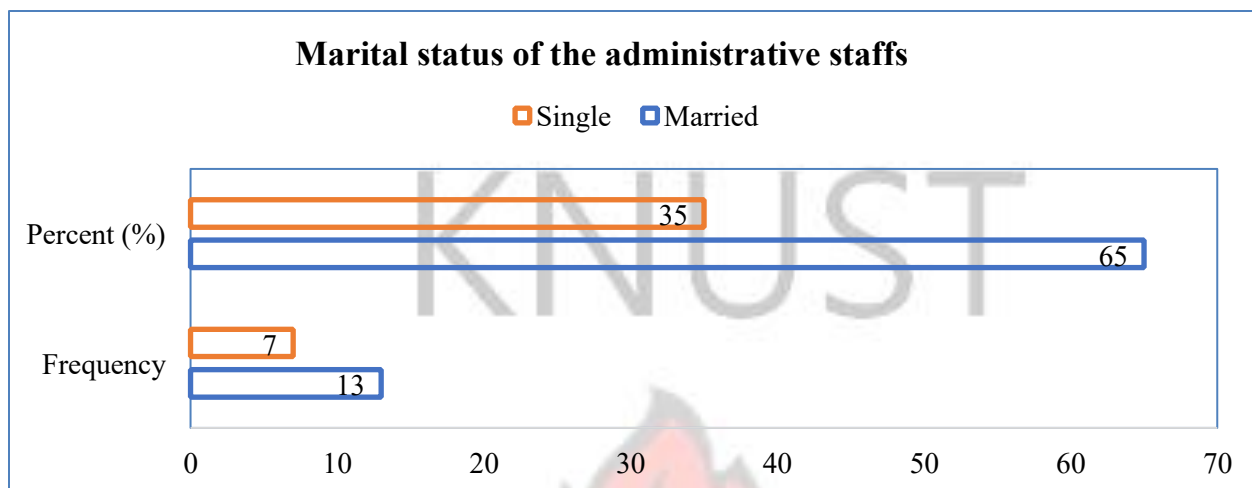
Note:  $n = 20$

**Source:** *Author's Field Survey, 2022*

The results from the age distribution indicate that the majority of the administrative staff are in their 30-49 years of age which accounted for 75% whilst those with 21-29 years were 15%. The results indicated that the administrative staffs are in their adulthood.

#### 4.2.6 Marital status of the administrative staff

It is worth noting from the results presented in the figure below that there are more married administrative staffs which comprise 65% as compared to 35% single administrative staff in the study area.



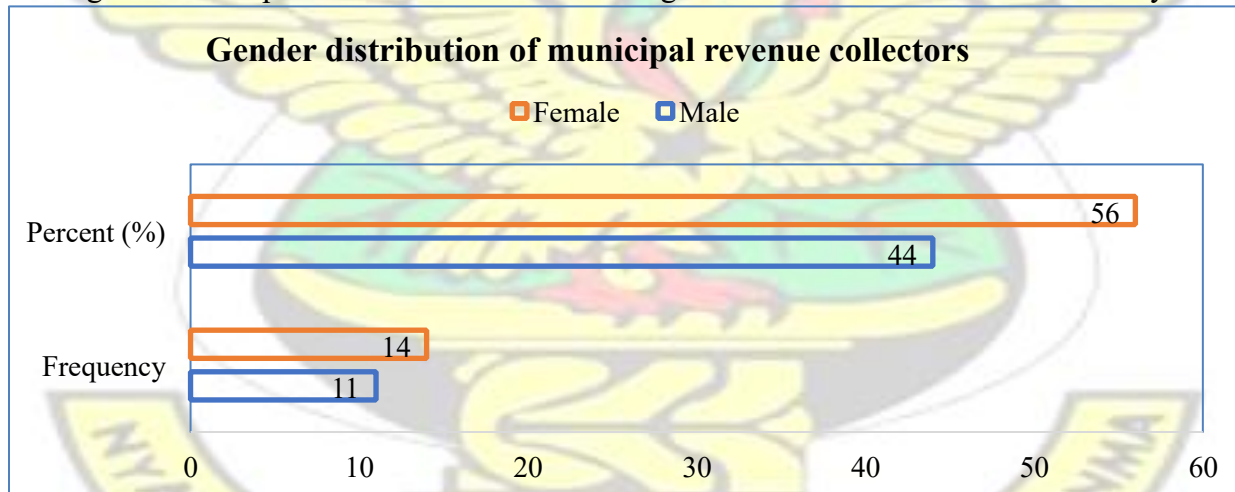
**Figure 7:** *Marital status of the administrative staff*

Note:  $n = 20$

Source: *Author's Field Survey, 2022*

#### 4.2.7 Gender distribution of municipal revenue collectors

The figure below represents information about the gender of the tax collectors in the study area.



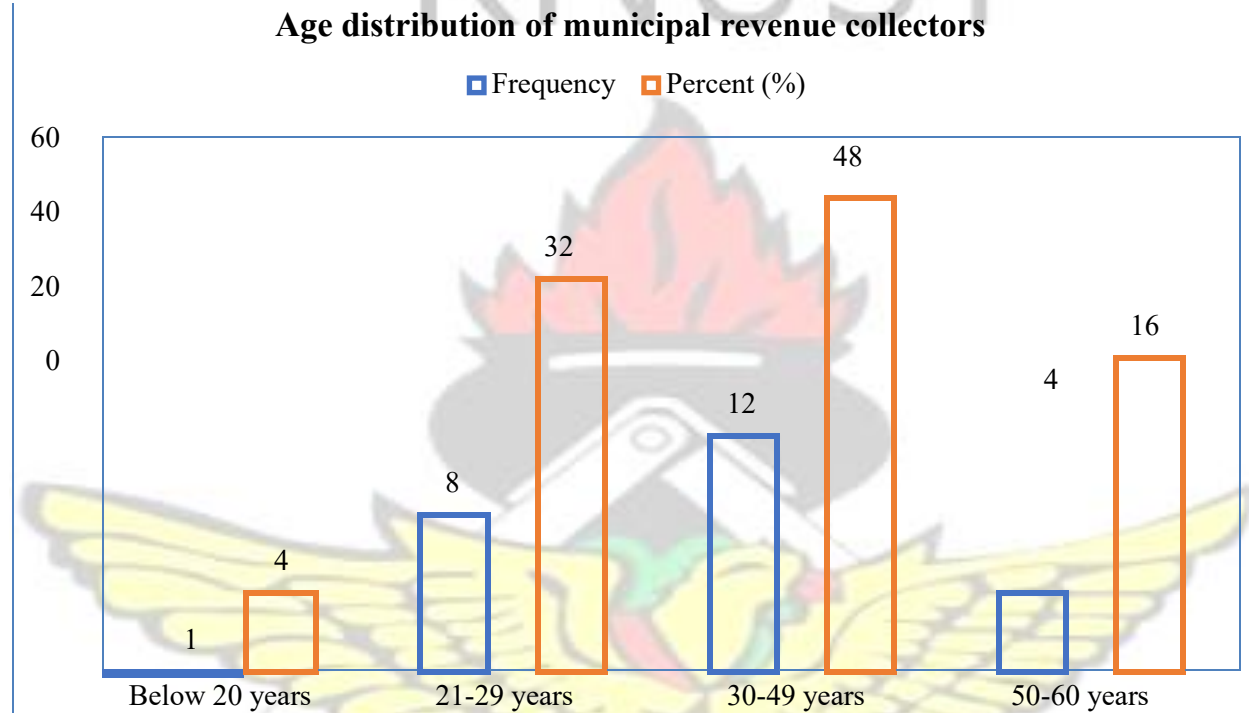
**Figure 8:** *Gender distribution of municipal revenue collectors*

Note:  $n = 25$

Source: *Author's Field Survey, 2022*

From the results, it was noted that females were found to be the main tax collectors in the study area constituting 56% and males accounted for the remaining 44%. The results are not surprising since females prefer less rigorous work as compared to their male counterparts.

#### 4.2.8 Age distribution of municipal revenue collectors



**Figure 9:** Age distribution of municipal revenue collectors

Note:  $n = 25$

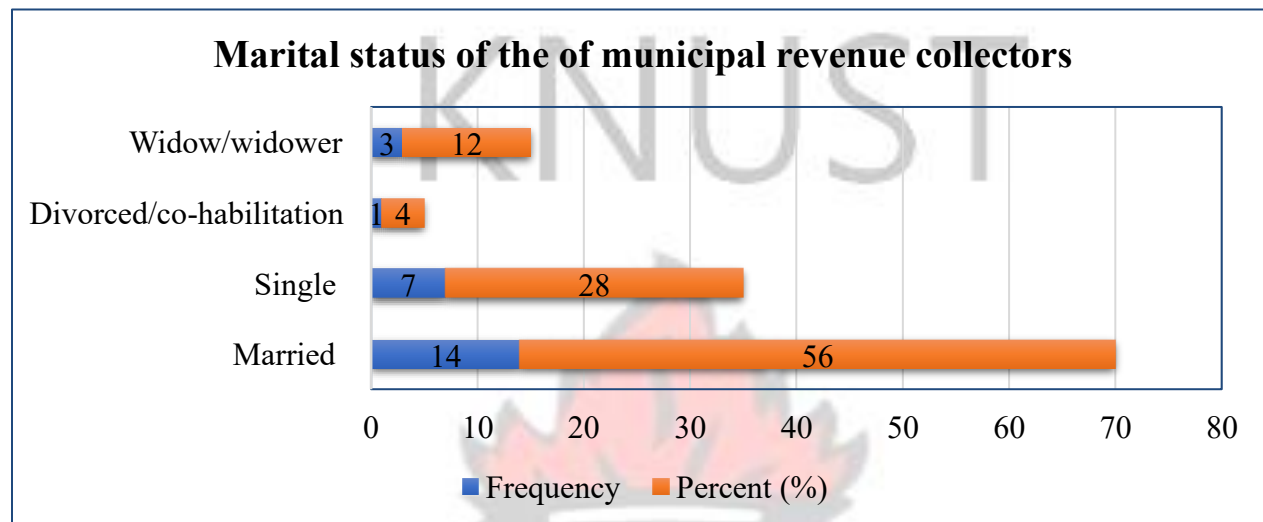
**Source:** Author's Field Survey, 2022

From the results in Figure 9, it could be noted that almost half of the total sample of the revenue collectors were in the age range of 30-49 years which constitutes 48% however, the least among them were within the age range of below 20 years.

#### 4.2.9 Marital status of the municipal revenue collectors

Marital status is one of the socio-economic factors analyzed by the researcher. It was discovered that more than half of the revenue collectors were married, whilst single people were 28%. The

Widow/widower and divorced/co-habilitation lists accounted for 12% and 4% accordingly. The results were expected since the age distribution revealed that most of the respondents were in their marriage age.



**Figure 10:** *Marital status of the municipal revenue collectors*

Note:  $n = 25$

Source: *Author's Field Survey, 2022*

#### 4.2.10 Years of working with the organization

Years of working experience give employees a whole lot of skills, experience and knowledge in their field of work. It is worth noting that revenue collection experience is crucial in the field since it gives the individual the necessary skills to communicate with the taxpayers to comply.

**Table 2:** *Years of working with the organization*

Years of working with the organization	Frequency	Percent (%)
Less than a year	3	12.0
1-3 years	6	24.0
4-6 years	10	40.0
7 years and above	6	24.0

Note:  $n = 25$

Source: *Author's Field Survey, 2022*



The researcher estimated the years of working experience of the revenue collectors. It was categorized into years ranging from 1 to 7 years and above. The findings indicated that revenue collectors with 4-6 years of experience dominated which represent 40%, followed by those with 1-3 years and 7 years and above which accounted for 24% and 24% of the total sample respectively. This is an indication that the years of experience of the revenue collectors is relatively fair. This could be because the district was created not do long ago.

#### 4.2.11 Training for revenue collectors

Through training, everyone acquires a thorough understanding of their responsibilities as well as the abilities and information needed to fulfill them. As a result, they will feel more assured, which will improve their general performance. Investing in training and development programs for employees is necessary to improve staff performance.

**Table 3: Profile of Administrative Staff**

Training for revenue collectors	Frequency	Percent (%)
Yes	24	96.0
No	1	4.0

Note:  $n = 25$

Source: Author's Field Survey, 2022

This was not surprising since one needs a regular strategy on how to communicate the relevance of paying taxes in the country. However, training to boost the possibility of winning several taxpayers is necessary. The results show that a greater proportion (96%) have a substantial training since employment. Yet, just 1 person has never had any form of training since employment.

### **4.3 Utilization of Internally Generated Revenues**

#### **4.3.1 IGF Performances (2016-2021)**

The objective one sought to determine and investigate how internally generated revenues are utilized in the study area. In finding out how internally Generated Revenues are mobilized by the Assembly; the researcher collated the various revenue sources available to the Assembly in running its administrative and development projects. Table 4 shows the yearly analysis of IGF generation from various sources from 2016 to 2021. It can be observed from the table that licenses form the highest proportion of IGF in Wassa Amenfi West Municipality with rents being the least performing source within the same period. The Assembly did not do well in terms of Fees and Miscellaneous. It was noted from the study that, the Assembly mostly depended on the collection of tolls and other financial duties rendered to it by the people in raising IGF rather than the provision of charged services or engaging in productive business. The Assembly generated high revenues from the licenses, rates, and Lands and concessions within the period and it is attributed to the emergence of commercial activities, especially within the two largest communities; Asankrangwa and Samreboi. The two communities are commercial hub and currently has two big markets. Also, small and medium enterprises, hawkers and traders engaging in various trading activities are mandated to pay register with the Assembly and also pay their Business Operating Permits. Commercial drivers as well as Tricycle Operators are to obtain city driver's licenses and also pay daily tolls to the Assembly. The assembly has also contracted the collection of property rates to a special task force and as indicated by the table, the revenue generated from the rates has increased since 2016

**Table 4: IGF Performances (2016-2021)**

Source of IGF	2016	2017	2018	2019	2020	2021	Total
<b>Rates Land and</b>	39,018.10	34,008.05	235,805.61	373,347.13	33,210.52	98,154.80	<b>813,544.21</b>
<b>Concessions</b>	71,825.00	50,588.00	150,831.00	106,221.74	142,884.05	85,507.00	<b>607,856.79</b>
<b>Fees</b>	69,088.00	71,964.30	67,732.00	79,309.80	140,024.00	106,402.80	<b>534,520.90</b>
<b>Fines</b>	-	-	1,420.00	-	-	2,080.00	<b>3,500.00</b>
<b>Licenses</b>	93,486.00	136,786.65	207,675.13	231,267.69	123,892.76	303,854.02	<b>1,096,962.25</b>
<b>Rents</b>	17,179.57	30,787.34	30,061.80	66,769.09	15,500.57	19,498.04	<b>179,796.41</b>
<b>Miscellaneous</b>	44,234.95	11,422.95	6,485.74	-	1,860.00	2,080.04	<b>66,083.68</b>
<b>Total</b>	<b>334,831.62</b>	<b>335,557.29</b>	<b>700,011.28</b>	<b>856,915.45</b>	<b>457,371.90</b>	<b>617,576.70</b>	<b>3,302,264.24</b>

Source: WAWMA, 2022

#### 4.3.2 The Trend of Internally Generated Revenue Mobilization

The trend of Internally Generated Revenue in the Wassa Amenfi West Municipality has seen an increase since 2016, although it is still insufficient to support municipal infrastructure development. As indicated in Table 4, in 2016, the total internally generated revenues mobilized by the Municipality was 334,831.62 Ghana Cedis. This figure increased to 335,557.29,

700,011.28, and 856,915.45 in 2017, 2018, and 2019 respectively. It declined massively in the year 2020 to 457,371.90 which the research revealed was due to the Covid-19 pandemic but jumped to 617,576.70 Ghana Cedis in 2021.

Moreover, Table 5 further shows that the Assembly uses almost all the Internally Generated Revenues on recurrent expenditures every year. The gap between internally generated revenues and recurrent expenditures will continue to widen if essential expenditures like stationery, fuel for official vehicles, labor costs, protocol services, and allowances on the Assembly's payroll continue to experience huge percentage increases in comparison to slow and economically unfeasible increases in revenue rates and collections. The result is that, the Assembly will not have enough resources from IGR to fund physical infrastructure as almost all the amount realized are geared towards recurrent expenditure. According to Danquah et al. (2016), the local government service and the national government in Ghana have routinely spent more money than they are able to bring in. This appalling performance was attributed to the citizens' ignorance of the requirement to pay taxes to the assembly, insufficient logistics, and the revenue collectors' lack of desire.

**Table 5: IGF Performance and Expenditure (2016-2021)**

<b>Year</b>	<b>Budgeted</b>	<b>Actual IGR</b>	<b>Performance (%)</b>	<b>Recurrent Expenditure</b>
2016	340,450.00	334,831.62	98.3	334,831.53
2017	323,800.00	335,557.29	103.6	335,556.96
2018	659,870.00	700,011.28	106.1	697,961.73
2019	692,863.50	856,915.82	123.7	650,953.18



2020	879,208.98	457,371.90	52	414,160.45
2021	991,423.89	617,576.70	62.3	612,856.43
<b>Total</b>	<b>3,887,616.37</b>	<b>3,302,264.61</b>	<b>84.9</b>	<b>3,046,320.28</b>

**Source:** *WAWMA Treasury, 2021*

### 4.3.3 Potential Sources of Revenue

Some possible revenue streams for the Municipal Assembly were identified during the study. According to the study, this will assist the Assembly in increasing Internal Revenue Mobilization in order to improve IGF collection and reduce the reliance on already-exploited sources such as the District Assembly Common Fund (DACF). The need of taking the right steps to guarantee that the identified potential sources are used to fund the assembly was underlined. The assembly will be able to fund its complete projected development project for the communities thanks to the financial success of this.

The study identified the collection of tolls on mobile money services, Night market. There should also be a fee on refuse dumping (Pay as you dump) which is currently free, revenue check point, Embossments, billboards, tourism user fees, barrier fee, as well as on-street parking fee. The study also identified licenses on sand winning and fines on unlawful parking by drivers and riders as well as other road safety defaulters. The researcher believes that increasing revenue generating into these new areas will help in the increased internally generated revenue and the start of development initiatives in the Municipality.

**Table 6:** *Potential Revenue Sources*

<b>Potentials</b>	<b>Revenue</b>
Revenue Check Point	Fee
Night Market	Tolls

Waste Disposal	Pay as you Dump or Fees
Embossments	Fee
Sand Winning	License
Billboards	Fee
Tourism	User Fee
Lorry Park	Fines
Burrier Fee	Fees
Mobile Money	Tolls
On-Street Parking	Fee

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**Source:** *Author's Field Survey, 2022*

#### **4.4 IGR and Physical Infrastructure**

The research objective two sought to determine the relationship between Internally Generated Revenue and Physical Infrastructure between 2016 and 2021 using the Pearson Correlation coefficient the data is presented in Table 7. As can be deduced from the table, there is a positive relationship between Internally Generated Revenue and Physical Infrastructure. The data in the correlation coefficient gives the indication that Internally Generated Revenue can impact Physical Infrastructure in Wassa Amenfi West Municipal Assembly by up to (0.488 or 48.8 percent) when the “R” is considered. A marginal change in Internally Generated Revenue will result in a marginal change in Physical Infrastructure up to 0.048 or 4.8 percent. In order words, as Internally Generated Revenue increases, Physical Infrastructure is expected to increase. In the case of Wassa Amenfi West, as the study revealed, the funding of these physical infrastructures is not necessarily from IGF. An increment in IGF reduces the burden on other statutory funds such as DACF on

recurrent expenditure. Instead of being used for recurrent expenditures when IGF is low, the fund is directly channeled to the provision of physical infrastructure.

This study is in line with Nkechi & Onuora (2018) who examined the impact of internal revenue generation on the development of infrastructure in South East States of Nigeria. Descriptive and inferential statistics were applied during the analysis. Simple percentages were utilized in the descriptive analysis, whereas spearman's rank was applied in the inferential analysis to determine the direction of the relationship between the variables. Results of the study show a strong correlation between internal revenue production and infrastructure development. The research also listed a number of methods for obtaining internal revenue, such as public awareness campaigns and tax enforcement. The report also states that in order to increase revenue, revenue administration agencies need to be evaluated.

**Table 7:** *Correlation between IGR and Physical Infrastructure*

	INTERNALLY GENERATED REVENUE	PHYSICAL INFRASTRUCTURE
INTERNALLY GENERATED REVENUE	Pearson Correlation 1 Sig. (2-tailed) .488 N 6	.488 .0326 6
PHYSICAL INFRASTRUCTURE	Pearson Correlation .488 Sig. (2-tailed) .0326 N 6	1 6

*Source: Author's Field Survey, 2022*

#### 4.4.1 General public involvement in policy formulation

Because people understand their problems better and can offer better answers, it is crucial that they participate in decisions that will have an impact on them. However, the results were the opposite where several proportions of the taxpayers claimed they weren't involved in the decision-making process regarding policy formulation in the community this accounted for 69%. Nonetheless, 28.1% of them have been involved. Those involved perhaps be the opinion leaders, chiefs, or close relatives of the district assembly workers.

**Table 8:** *General public involvement in policy formulation*

General public involvement in policy formulation	Frequency	Percentage
Yes	27	28.1
No	69	71.9

**Source:** *Author's Field Survey, 2022*

#### 4.4.2 Adequate provision toward the community

People want value for the tax they pay in their community and this could increase their willingness to pay the tax. When one could set his or her eyes on the money he or she has paid as a tax used for a developmental project, it gives them the edge to comply with the payment of the tax. However, the story could be otherwise if their tax is seen as not utilized well or for the development of their community. It was recorded that more than half of the taxpayers indicated that there are not enough provisions towards their community development after they paid tax and this constitutes 64.6% of the total sample. At the same time, 35.4% asserted that there is a provision for the development of their community. These individuals could be those who have had scholarship opportunities, provision of toilet facilities, or probably market women and men benefiting from some sort of renovation in their marketplace. However, there seems to be a valid



reason declared by Salisu (2017) associated with the failure of the local government to provide for community development. Salisu (2017) revealed that local governments are not able to afford to fund the necessary infrastructure, as a result of the lack of income was primarily caused by corruption among revenue collectors, police, and assemblymen in various. The assembly, like many local governments in Ghana, relied excessively on the DACF to cover its capital expenses while spending a large portion of its IGF on administrative costs.

**Table 9:** *Adequate provision towards the community*

Adequate provision towards the community	Frequency	Percentage
Yes	34	35.4
No	62	64.6

**Source:** *Author's Field Survey, 2022*

#### 4.5 Willingness to pay tax

Tax collection depends on the willingness of the taxpayers to pay their taxes. Because of this, a lack of willingness to pay taxes will lead to indirect taxes that the taxpayers would experience. It's because the general population is unaware of the current, tangible benefit of money spent on tax payments. It's revealed in the table below that most (67.7%) of the taxpayers are willing to pay tax whilst a few (32.3%) still insist on not being compliant with tax.

**Table 10:** *Willingness to pay tax*

Willingness to pay tax	Frequency	Percentage
Yes	65	67.7
No	31	32.3

**Source:** *Author's Field Survey, 2022*

#### 4.5.1 Rating tax payers' willingness to pay tax

Taxes are one of the nation's main sources of income and they also represent a type of national self-reliance in terms of funding. Tax collection depends on how willing taxpayers are to pay their taxes. In rating taxpayers' willingness to pay tax, three variables were introduced. Thus, high, medium and low. It was revealed that most of the taxpayers have a relatively medium 41.7% probability to pay tax, followed by low willingness 37.5% and lastly, high willingness 20.8%

**Table 11:** *Rating taxpayers' willingness to pay tax*

Rating tax payers' willingness to pay tax	Frequency	Percentage
High	20	20.8
Medium	40	41.7
Low	36	37.5

**Source:** *Author's Field Survey, 2022*

#### 4.5.2 Binary logistics model for willingness to pay tax

The authority, privilege, and opportunities that certain individuals have, and others do not in a particular culture are strongly influenced by gender. Policymakers can act to address gender disparities in taxation, which actually matter. To find out the taxpayers' willingness to pay taxes, a binary logistic model was performed by the researcher. The results are presented in the table below. However, the model presented that the probability for a taxpayer to pay tax is 1 thus, willingness to pay tax, and 0 denotes not willingness to pay tax. A total of four independent variables was estimated.

As presented in the table, it is evident that out of the four variables estimated, one variable was statistically significant. The estimation revealed that gender is statistically significant with a positive influence on the taxpayer's willingness to pay tax. This implies that gender has an

influence on willingness to pay tax at a p-value of 0.001. It is evident that from the odd ratio that a female taxpayer will be willing to pay tax at a rate of 0.1618 times. An increase in a female taxpayers will influence the probability of paying tax at 0.1618.

This study is in line with numerous studies (Kastlunger et al., 2010; Lohse and Qari, 2014) on tax compliance which revealed that women are more compliant than men in terms of conduct. Additionally, it seems that men and women behave and think differently when it comes to taxes in particular. Studies have revealed that compared to males, women tend to believe that the tax code is reasonable, that getting caught for evasion is more likely, and that the consequences of evasion are overestimated.

**Table 12:** *Binary logistics model for willingness to pay tax*

<b>Willingness to pay tax</b>	<b>Odds Ratio</b>	<b>Std. Err.</b>	<b>Z</b>	<b>P&gt;z</b>	<b>[95% Conf. Interval]</b>	
Gender	0.1618078***	.0900265	-3.27	0.001	.0543761	.4814934
Marital status	1.246804	.4098712	0.67	0.502	.6546002	2.374761
Educational level	.9389955	.1602342	-0.37	0.712	.6720644	1.311947
Annual income	.9999607	.0000216	-1.82	0.069	.9999183	1.000003
Constant	57.03886	73.7453	3.13	0.002	4.525388	718.9286
Log likelihood =	53.490636					
Number of obs =	96					
LR chi2(4) =	13.80					
Prob > chi2 =	0.0080					
Pseudo R2 =	0.1142					

p-value=1\*\*\*, 5\*\*, and 10\*

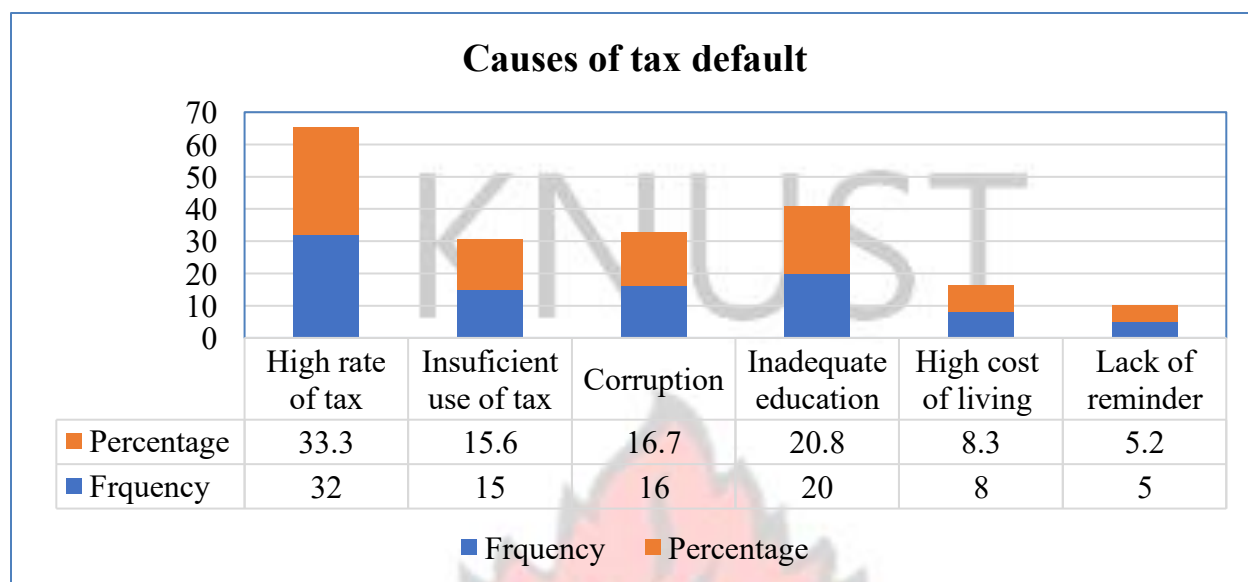
**Source:** *Author's Field Survey, 2022*

#### **4.5.3 Causes of tax default**

The figure below represents the causes of tax default by taxpayers. It is apparent to note that a greater proportion of taxpayers asserted that a high rate of tax is the main cause of tax default. However, some 20.8% also claimed inadequate education causes tax default, 16.7% associated tax default with corruption, 15.6% added insufficient use of the tax revenue for development hinders them from paying tax, and both 8.3% and 5.2 % finally revealed that due to high cost of living and lack of constant reminder causes tax default.

In fact, as opined by Armah-Attoh and Awal (2013), Ghanaians seem to find economies with higher taxes and more development to be more appealing than those with lower tax rates and less development. A slight majority (58%) think it is preferable to pay more taxes to fund more government services. Contrarily, and this is extremely alarming, a sizable minority (35%) prefers lower taxes, even though this will result in a reduction in government services. Conversely, gender disparities have been especially explored in relation to tax evasion and economic, legal, philosophical, political, psychological, sociological, anthropological, and historical aspects (Mc Gee, 2012). Similar to the age-related argument, the gender argument contends that female taxpayers are more risk-averse and prioritize social concerns.





**Figure 11:** *Causes of tax default*

**Source:** *Author's Field Survey, 2022*

#### 4.6 Generated Revenue mobilization challenges

Objective three was to examine the Municipality's Internally Generated Revenue mobilization challenges. Mobilization of tax could be constrained by several factors. The tax collectors were presented with 6 challenges to be ranked based on the most challenged to the least challenged.

Using Kendall's Coefficient of Concordance, the researcher ranked the challenges faced by tax collectors in the municipality. the study utilized 6 variables for the ranking. The rate represents the extent to which these variables cause challenges to the tax collectors.

**Table 13:** *Generated Revenue mobilization challenges*

Challenges	N	$\bar{x}$ Rank	SD	Min	Max
Inadequate public education	25	3.24	1.87705	1.00	6.00
Lack of reliable data	25	3.56	1.55671	1.00	6.00
Government interference	25	4.44	1.29357	1.00	6.00
Inadequate Logistics	25	4.36	1.18603	1.00	6.00

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Poor expertise	25	3.24	1.58850	1.00	6.00
Lack of current and accurate data on district activities	25	2.24	1.73877	1.00	6.00
Kendall's W <sup>a</sup>		.189			
Chi-Square		23.64			
Df		5			
Asymp. Sig.		.000			

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**Ranked options:** 1, 2, 3, 4, 5, 6. with 1 as the most challenged and 6 as the least challenged

**Source:** *Author's Field Survey, 2022*

The response from the twenty-five (25) tax collectors did not vary much. Justification from the field indicated that tax collectors are constrained by a lack of current and accurate data on district activities ( $\bar{x}$  2.24). it can also be noted that both inadequate public education ( $\bar{x}$  3.24) and poor expertise ( $\bar{x}$  3.24) affect revenue mobilization by tax collectors significantly. However, the lack of reliable data ( $\bar{x}$  4.56) was noted as one of the factors that challenged the mobilization of revenue in the municipality. finally, it is worth knowing that both Government interference ( $\bar{x}$  4.44) and Inadequate Logistics ( $\bar{x}$  4.36) negatively affect the mobilization of revenues for the municipality as purported by several tax collectors.

The study confirms Acheampong, (2019) statement that in Ghana, some taxes owed by businesses and people are not being collected by the revenue service and local governments. Because there are not adequate ICT systems in place to help identify properties and their owners, maintain records current on tax rolls, and confirm payments made by property owners, money is lost. He continued to say that the manual approach used in revenue collection prevents management from identifying all short-paid, incorrectly priced, and underpaid products.

## CHAPTER FIVE

## **5.0 SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

The section of the study summarizes the overall findings of the study into one concrete and conclusive evidence of the revelations by the research. The purpose of the research was to investigate and appraise how internally generated revenue contributes to the provision of physical infrastructures in the Wassa Amenfi West Municipality. In light of the research objective and findings from the analysis of this study, this chapter aims to provide a summary, conclusions, and recommendations. First and foremost, this chapter presents a summary of findings based on the objectives of the study, the second part concentrates on the conclusion drawn from the results, and the final part presents the recommendations made from the study and areas for further research.

### **5.2 Summary of Key Findings**

- i. The summary and findings of this study are provided under the following sub-headings:
- ii. Background information
- iii. The Utilization of Internally Generated Revenues.
- iv. The Contribution of Internally Generated Revenues towards Physical Development Projects in the Municipality
- v. The internally Generated Revenues mobilization challenges in the Municipality
- vi. Taxpayers' willingness to pay tax
- vii. Challenges that revenue collectors face in mobilization

A sample size of ninety-six (96) answered the administered questionnaire using the simple random sampling and convenience sampling technique to select participants in the Municipality. The analysis of the answers to the questionnaire revealed the following:

### 5.2.1 Demographic Data

Out of the ninety-six (96), twenty (20), and twenty-five (25) who participated in the study as taxpayers, administrative staff, and municipal tax collectors respectively, aside from tax collectors, the males outnumbered the females. Specifically, the taxpayers constituted 51 percent males and 49 percent females. Regarding the administrative staff, males were 60 percent whilst the female counterparts constitute 40 percent. The tax collectors recorded 56 percent females and 44 percent males. The male dominance is not surprising since they are found in administrative works as well as commercial engagements.

The study exhibited the age group 18 to 50+ years for taxpayers with the age range of 31-40 years being the most with 49 percent representation. However, the age distribution of the Administrators was 30-49 years, and the municipal revenue collectors were also 30-49 as well. The research discovered that, most of the respondents who crossed the three departments were in adulthood.

It was revealed that aside from the municipal revenue collectors which recorded most of the respondents being females, the other two categories; taxpayers, and administrative staff were males dominated. This is quite surprising since females are known for commercial activities such as trading.

In terms of respondents' educational backgrounds, the study found that most of the respondents have attained some form of formal education. education is very significant in all aspects ranging from taxpayers, administrative staff, and municipal revenue collectors.



## 5.2

### **.2 Utilization of Internally Generated Revenue**

The first objective was to determine how Internally Generated Revenues are utilized. It comprised IGF performance against recurrent expenditure from 2016 to 2021, the trend of internally generated revenue mobilization, **and** the identification of the potential sources of revenue. The study found that licenses form the highest proportion of IGF in Wassa Amenfi West Municipality with rents being the least performing source. The Assembly did not do well in terms of Fees and Miscellaneous. It was noted from the study that, the Assembly mostly depended on the collection of tolls and other financial duties rendered to it by the people in raising IGF rather than provision of charged services or engaging in productive business.

With regard to the above, the study identified some key revenue potential areas, when adopted, would help the Assembly mobilize enough revenue for the development of the Municipality. They include the collection of tolls on mobile money services and night market tolls. There should also be a fee on refuse dumping (Pay as you dump) which is currently free, revenue check point, Embossments, billboards, tourism user fees, barrier fee, as well as on-street parking fee. Licenses on sand winning and fines on unlawful parking by drivers and riders as well as other road safety defaulters were also identified.

The Assembly's Internally Generated Revenue has been increasing, from 2016 to 2021 except 2020 due to the Covid-19 pandemic according to the study. However, almost all the Internally Generated Revenues were spent on recurrent expenditures such as stationery, fuel for official vehicles, labour cost, protocol services, allowances every year. The result is that, the Assembly will not have enough resources from IGF to fund physical infrastructure as almost all the amount

## 5.2

realized are geared towards recurrent expenditure. That notwithstanding, the increment on the IGF eases pressure on other statutory funds such as the District Assembly Common Fund (DACF).

### **.3 Relationship IGF and Physical Infrastructure**

The second objective was to find out the relationship between Internally Generated Revenue and Physical Infrastructure. In other words, the study looked at the extent to which Internally Generated Revenues contribute towards Physical development projects in the Municipality. The correlation analysis indicated a positive relationship between the two variables such that an improvement in the Internally Generated Revenue at any given time is expected to lead to a development of Physical Infrastructure. An increment in IGF reduces burden on other statutory funds such as DACF on recurrent expenditure. The fund instead of being used for recurrent expenditures when IGF is low are directly channeled to the provision of physical infrastructure.

#### **5.2.4 Taxpayers' willingness to pay tax**

The study revealed that out of the total sample estimated, 67.7% stipulated that they are willing to pay tax though fewer proportion do not see the need of paying tax. Nonetheless, the percentage willingness to pay tax is significant and shows a positive sign that the taxpayers are much concern about national development rather than any other. Again, the research wanted to know the extent at which these tax payers are willing to pay tax. A statement was posed to them to finds out their rating in terms of the willingness to pay tax. It was found that majority of them sowed positive concern about their willingness to pay tax by claiming their willingness is moderate. Lastly, a binary logistic model was estimated to find factors that affects taxpayers' willingness to pay tax. Four independent variables were introduced. It was finally revealed that gender was the only

## 5.2

variable significant. The odd ratio indicated that a unit positive change in the number of female tax payer, the higher the willingness to pay and vice versa.

### **.5 Internally Generated Revenues Mobilization Challenges in the Municipality**

The last objective was to identify the Municipality's Internally Generated Revenues mobilization challenges. According to the taxpayers, justification from the field indicated that tax collectors are constrained by a lack of current and accurate data on district activities ( $\chi^2 2.24$ ) with respect to IGF mobilization. Other key challenges with revenue mobilization identified were an inefficient use of tax revenue, poor expertise, inadequate public education, lack of reliable data government interference, and inadequate Logistics. The views of the Assembly key staff did not vary more from that of the taxpayers on challenges with IGF mobilization in the Municipality.

## 5.3 Conclusion

The study aimed to investigate and appraise how internally generated revenue contributes to the provision of physical infrastructures in the Wassa Amenfi West Municipality.

It is possible to draw the conclusion that internally produced funds are growing in real terms but at a pace that is practically equal to recurrent expenditures based on the findings of the performance of internally generated income between the years of 2016 and 2021. Since all recurrent expenditures are to be taken care of with the Internally Generated Fund, deficits are recorded.

The research suggests that, the Assembly should take into account the collection of tolls on mobile money services and night markets, fees on refuse dumping, revenue checkpoints, Embossments, billboards, tourism user fees, burrier fees, as well as on-street parking fee, Licenses on sand

## 5.2

winning, and fines on unlawful parking by drivers and riders as well as other road safety defaulters in the area of potential for increased internally generated revenues.

The study again concluded that most of the respondents are willing to pay taxes and females have a positive significant effect on the probability of gender influencing the taxpayer's willingness to





tax. Tax collection depends on the willingness of the taxpayers to pay their taxes. Because of this, when there is a lack of willingness to pay taxes, it will lead to indirect taxes that the taxpayers would experience. This seems to be due to the fact that the general population is unaware of the actual concrete benefits of tax payments.

With respect to challenges according to the taxpayers, justification from the field indicated that tax collectors are constrained by a lack of current and accurate data on district activities, other key challenges with revenue mobilization identified were an inefficient use of tax revenue, poor expertise, inadequate public education, lack of reliable data government interference, and inadequate Logistics. It was observed from the study that an improvement in internally generated revenue would lead to the development of physical infrastructure as there will be less pressure on another statutory fund such as the District Assembly Common Fund (DACF) to fund physical infrastructure instead of recurrent expenditure.

Finally, during the years under consideration, monies generated internally did not directly support the Assembly's physical development. This is due to the Assembly's shortfalls in terms of internally generated revenues and recurring expenses. Even where surpluses were recorded, they were insufficient to properly sustain the Assembly's service delivery function, leaving the DACF as the primary source of funding for construction projects.

#### **5.4 Recommendation**

It is recommended that the Assembly makes deliberate attempt to move into other potential areas like tolls on mobile money services and night market, fee on refuse dumping, revenue checkpoint, Embossments, billboards, tourism user fees, burrier fee, as well as on-street parking fee, Licenses on sand winning and fines on unlawful parking which have been overlooked because of

accessibility issues, inadequate revenue staff, and the lack of logistics for the revenue collection.

This needs to be addressed since the Assembly cannot rely too much on a small number of funding sources and expect to optimize its capabilities to meet its goals.

It is recommended that the Assembly put in place procedures to ensure efficient management of internal revenue generation as well as effective supervision and monitoring of tax collectors.

It is advised that the Assembly in its effort to increase internally generated revenues, should equip its revenue collectors with the tools they need, such as motorbikes, bicycles, and vehicles, to improve their mobility to difficult locations for revenue collection and to improve their working conditions in terms of pay and incentive benefits.

It is recommended that the Assembly should start a regular education campaign and engage in interactions with ratepayers to help them understand the importance of paying their rates on time and to help the Assembly understand their challenges and needs so that the Municipal Assembly can respond to them appropriately.

It is recommended that the Assembly strengthen its ties with the general public and taxpayers from whom it receives funding and actively involve them in the formulation of fiscal policy so that they can actively contribute and understand how the Assembly arrived at its set fees and distribution of development projects.

### **5.5 Future Research Scope**

This study was restricted to only Wassa Amenfi West Municipal Assembly in the western region of Ghana. This theme can be applied to districts within and outside Ghana. It is also possible to perform more research on a large scale with a large sample size, taking into account several more variables related to the subject.

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## APPENDIX

### APPENDIX 1

#### QUESTIONNAIRE

##### Introduction

Atta Nsiah Isaac is my name. I am a final-year MBA Finance student at Kwame Nkrumah University of Science and Technology in Kumasi, studying in the Department of Accounting and Finance. I'm doing research on "**Internally Generated Revenue and Physical Development Projects in the Wassa Amenfi West Municipality**" as part of the master's degree requirement.

The objectives of the study include:

- i. To determine and investigate how Internally Generated Funds are utilized.
- ii. To examine the extent to which internally generated revenues contribute toward physical development in the Municipality.
- iii. To identify the Internally Generated Revenues mobilization challenges in the Municipality

The results have only academic implications, and the provided information will be handled in the strictest confidence.

##### PART A: QUESTIONNAIRE FOR KEY ADMINISTRATIVE STAFF

1. Department/Unit .....
2. Designation .....
3. Sex: Male [ ] Female [ ]

4. Please indicate your age:     ( ) Below 20    ( ) 21 – 29    ( ) 30 – 49    ( ) 50 – 60    5. Marital Status: Married [ ] Single [ ] Widow/widower [ ] Divorced Co-habitation [ ]
6.    Number of years as Head of Department/Unit?.....
7.    Which brand-new internally generated revenue streams did you roll out over the past five years?
8.    What are the main challenges to effectively generating local revenue in the Municipality?  
.....
9.    How receptive are people to taxation a. Very receptive [ ] b. moderately receptive [ ] c. not receptive [ ]
10.   What strategies have you used to make individuals aware of their tax obligations?.....
11.   What fresh sources of internally generated revenue will you suggest?
12.   What steps have you taken to get around current obstacles and enhance the performance of internally generated revenue?
13.   Do you have any problem with the existing staffing position of the Revenue Unit? Yes [ ], No. [ ]
14.   If yes, how is this affecting internally generated revenue mobilization in the Municipality?  
.....
15.   Who participates in the formulation of fiscal policy (Budget, fee-fixing, revenue estimation, etc) in the Municipality? List each person's responsibilities in order.
16.   Do the Assembly's Revenue Collectors have set targets?

17. What happens if targets are not met?

18. Are the Assembly's Revenue Collectors supervised and monitored?

a. If yes, how? (Give details).....

b. If no, why?.....

19. How do you assess the Assembly's performance so far as revenue generation is concerned?

i. Very good ( )

ii. Good ( )

iii. Fair ( )

iv. Poor ( )

v. Very Poor ( )

20. Do you have revenue check points? Yes( )No( )

21. If yes to 20, please rate the performance of these check points in revenue mobilization. a. Very good ( )

b. Good ( )

c. Fair ( )

d. Poor ( ) Give Reason for your answer.....

e. Very Poor ( ) Give Reason for your answer.....

## APPENDIX 2

### QUESTIONNAIRE

#### Introduction.

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The results have only academic implications, and the provided information will be handled in the strictest confidence.

### INTERVIEW SCHEDULE FOR MUNICIPAL REVENUE COLLECTORS

1. Sex: Male ☐ Female ☐
2. Please indicate your age: ☐ Below 20 ☐ 21 – 29 ☐ 30 – 49 ☐ 50 – 60
3. Relationship Status: Married ☐ Single ☐ Widow/widower ☐ Divorced Co-habitation ☐
4. Level of Education? ☐ Post-graduate ☐ Degree ☐ Diploma ☐ Secondary
5. identify the years worked with the organization?  
a. ☐ Less than 1 year b. ☐ 1-3 years c. ☐ 4-6years d. ☐ 7years and above
6. Employment Type Temporal worker ☐ Permanent worker ☐
7. Have you sign any bond with the assembly during your employment? Yes ☐ No ☐
8. Have you being trained since you started job as Revenue Collector? Yes ☐ No ☐
9. complete the table if yes;

Training year	Training type	Organizer	Venue	Duration	Funding Source

10. how much do you received monthly? .....



11. Have the municipality given you any incentive? yes ( ), no ( )

12. if no why haven't you received any incentive? .....

13. complete the table if yes;

Which year	Type of incentive	What did you do to receive incentive from the municipality	Were you satisfied with the incentive	How has the incentive motive you in revenue mobilization

14. Any suggestion on incentive? What are they if yes .....

15. Please rank the following challenges in revenue mobilization in the Municipality. Rank all the options from 1, 2, 3, 4, 5, and 6. Where 1 is the most challenged and 6 is the least challenged.

Challenges	Ranking
Inadequate public education	
Lack of reliable data	
Government interference	
Inadequate Logistics	
Poor expertise	
Lack of current and accurate data on district activities	

16. what are your suggestions for the municipality to do for people to willingly to pay their tax?

# KNUST

## QUESTIONNAIRE

### APPENDIX 3

#### Introduction

Atta Nsiah Isaac is my name. I am a final-year MBA Finance student at Kwame Nkrumah University of Science and Technology in Kumasi, studying in the Department of Accounting and Finance. I'm doing research on "**Internally Generated Revenue and Physical Development Projects in the Wassa Amenfi West Municipality**" as part of the master's degree requirement. The objectives of the study include:

- i. To determine and investigate how Internally Generated Funds are utilized.
- ii. To examine the extent to which internally generated revenues contribute toward physical development in the Municipality.

- iii. To identify the Internally Generated Revenue mobilization challenges in the Municipality
- The results have only academic implications, and the provided information will be handled in the strictest confidence.

### INTERVIEW SCHEDULE FOR TAXPAYERS

1. Indicate your Age.....
2. Gender: Male ( ) Female ( )
3. Marital Status: Married ( ) Single ( ) Widow/widower ( ) Divorced Co-habitation ( )
4. Level of education .....
5. Are you a business owner? Yes ( ) No ( )
6. If so, what form of business ownership is it ? a. ( ) sole proprietorship ( ) b. family business ( )  
c. Partnership [ ] d. others, pls specify .....
7. How long have you been in business? .....
8. Do you provide the Municipal Assembly with any kind of taxation? Yes ( ) No ( ) Don't Know ( )
9. If so, which kind of taxes?
10. why, if no?
11. How frequently do you pay the Municipal Assembly your tax? Daily ( ) Monthly ( ) Quarterly ( ) Yearly ( ) Others ( )
12. How will you rate your willingness to pay tax? High [ ] medium [ ] low [ ]
13. What causes failure or default to mobilize revenue?.....

14. what is the benefit of taxation .....

15. Are the General Public involved in the formulation of fiscal policy (Budget, fee-fixing, revenue estimation, etc.) in the Municipality? Yes [ ] No [ ].

11. Has the Assembly made enough contributions to the growth of your community? Yes( ) No( )

i. List them if yes,..... ii.

If no, why .....

12. Have you gotten any tax education from the Municipal Assembly? a. Yes ( ) b. No ( )

13. what are your suggestions for the municipality to do for people to willingly to pay their tax?

***THANK YOU***

