E-ISSN: 1115 - 8530 P-ISSN: 3026-8958
MPRI-JFRBD | INTERNATIONAL JOURNAL OF FINANCIAL RES. AND BUSINESS DEVELOPMENT
VOL. 09 NO. 7 – JULY, 2025

ASSESSMENT OF THE SPREAD AND ALLOCATION OF TAXES TO LOCAL GOVERNMENT AREAS AS COLLECTED AND GENERATED BY THEM

***MADAKI DAUDA; *PROF. THERESA A. UDENWA; *MOHAMMED ABBAYA LAWAN; & **OTUBOR, CHRISTOPHER OSEGA, PhD**

*Institute of Capital and Market Studies, Nasarawa State University, Keffi, Nasarawa State. **Faculty of Management Sciences, Department of Banking & Finance, University of Jos, Plateau State.

Corresponding Author: daumadaki@gmail.com

DOI: https://doi.org/10.70382/mejfrbd.v9i7.055

Abstract

Some local governments could have not collected and generated enough taxes that they should benefit same ration as others that generated much. Some of these local governments had less volume of taxes collected and generated. This was of great concern. They should not benefit in the same ratio and shared like those that collected and generated large volume. The study assessed the justifications of how the spread and allocation of funds through the process of taxes as collected by the various local governments were shared among them. It emphasized the need and reason at which some of the local governments did not generate as much tax as others benefitted from the taxes generated by other local governments not considering the volume contributed by each. Each local government should be seen to get what they contributed rather than sharing the contributed taxes equally. The study design was descriptive survey. The researcher opted for describing the nature and the state of affairs as it set to archived. The methodology of this study included a population of 1750 employees from the 23 local government Councils of Kaduna State. The categories of respondents were

Keywords:
Assessment, Spread, Allocation, Taxes, Local, Government

EDITOR-IN-CHIEF
Prof. R. Rena [South Africa]

Directors, Supervisor, Senior Administrative Officers, and Junior Administrative Officers. For this study, the researcher considered the age bracket of the local government staff from 28 years and above. The whole population was used. The method adopted by the researcher for the selection of the staff was by visit to each local government from 9.30am to 2.00 pm for three weeks. The source of data used for this study was primary. The instrument used for the data collection used was a self-administered questionnaire that was made up of both open-ended and close-ended questions. The instrument was validated by four professors in the faculty of management sciences making available to each all the questionnaires to validate. The method of data analysis was by Chi-square statistical tool employed to test the hypothesis to see deviations of the actual observations (observed frequency) from the expected that led to the acceptance or rejection of the null hypothesis. Findings revealed that some local governments collected and generated large volume of taxes as against others but the sharing process did not recognize and considered the volume of each rather they were shared almost approximately, the same. In conclusion, the collected and generated taxes were done by the efforts of each local government hence each local government was unique in its own. Recommended therefore, was that each local government should be given its own share based on the level of what they contributed rather than sharing the taxes to each local government equally.

Introduction

In any country like Nigeria, there are different tiers of governments, made up of: the Federal, State and Local. In these tiers, taxes are collected at levels where rendition and accountability are expected to be made. Most often, all taxes collected are sent to a central pool where these taxes are shared among the Federal, States and Local Government. The attention of this study is however, on local government area. Some of these local governments collect and generate more taxes than others. Same also, special considerations are not given to those that generate more taxes than others. Rather they are share equally.

Olofin, Olubusoye, , Bello, Salisu and Olalekan (2014) poised that in some existing review of literature on revenue allocation in Nigeria, it shows more concern for merits and demerits of sharing principles and /or formulae. Several alternatives have been proposed and will continue to be developed to address the unending agitations from beneficiaries. More often, the principles adopted in sharing the taxes contributed by each local government areas are prone to various arguments.

Significantly, it could be said that there certain factors to be considered which could enhance each local government in collecting and generating its taxes. Some could be as

EDITOR-IN-CHIEF
Prof. R. Rena [South Africa]

a result of population, economic advantage, location, and the aggressive efficiency, capability and effectiveness of the tax administration in each local government.

Furthermore, Olabode and Ajibade (2019) posited that governments all over the world have adopted the term fiscal autonomy as an important discourse. These researchers suggested that granting full financial autonomy to local governments will enhance in her delivery of services. Their study provided an analysis on fiscal autonomy and local government administration in Nigeria with focus on Abeokuta south local government. The study adopted survey research design. Eighty five respondents formed the sample for the study. Questionnaires were properly scrutinized and analyzed. With responds from sampled respondents, the study observes that granting full financial autonomy to local governments will prevent the encroachment of State governments into local government affairs among other findings. Their research further concluded and recommended suggestion proffered to tackle the issue of local government fiscal autonomy in Nigeria.

This study therefore, goes further to assess the issue of sharing taxes collected and generated by local government. This is to assess if the principle of equal sharing should continue and encouraged or the sharing principle should be based on the level and amount contributed rater than same parity.

OBJECTIVE

To assess the extent to which each Local Government Area should get their share of the taxes they collected and generated

QUESTION

To assess what extent should each Local Government Area get their share of the taxes they collected and generated?

HYPOTHESIS

H_0: Each Local Government Area should not get their share of the taxes based on what they collected and generated

H_1: Each Local Government Area should get their share of the taxes based on what they collected and generated.

REVIEW OF RELATED LITERATURE

Yaru. (2020) revealed that population is a concern and contributory factor for tax base and overhead expenditure, which is a significant determinant of tax and non-tax revenue generation in the local governments. Most local government are densely populated that

they collect and generate more taxes than others. This is a significant factor to be considered.

According to Daniel, Oluremi, Zekeri, and Ombugu (2016), they posited that states' allocations; value added tax allocation and internally generated revenue have no significant contributions to local governments' budget in Nigeria. Their study recommended among others that the ministry of local governments and chieftaincy affairs who are envisaged to be in charge of the affairs of local government should ensure strict monitoring and implementation of local government budgets to ensure that allocation from the federation account is properly put to use by the local governments. Furthermore, they said local governments in Nigeria should engage the service of tax consultants to aggressively increase their internally generated revenue, in order to increase their budget.

Osho, Ajayi, and Ogunbodede (2019) in their submission revealed that taxation in no doubt have impacted the economic development of all the sections of government, Federal, State and Local. However, they recommended that periodical training of tax officials be introduced and undertaken by the various governments to maintain high generation of tax revenue and the system deserves autonomy that will enable it to hire the right quality of staff and equipment that it deserves to make it function effectively.

Sakpere (2016) assessed tax administration in Nigerian Local Governments, evaluated the relationship between tax administration process and tax administration efficiency and examined the challenges facing tax administration at Local Government Councils in Nigeria. The study used one thousand three hundred employees of the selected local government councils in the six geopolitical zones of the country as sample. Data from the study were analyzed using descriptive and inferential statistics particularly chi-square distribution test. The researcher's findings revealed that tax administration process at the local government councils in the country is characterized by inefficiency and ineffectiveness; hence tax administration affects internally generated revenue of the local governments. Further, the results showed that there is poor valuation and machinery for tax collection in the local government councils that poor monitoring and supervision of staff involved in tax administration process encouraged corruptible practices. In the the final revelation, unwillingness by tax payers to pay tax, interference in tax jurisdiction of local government councils by state governments, corruption, and failure of tax collectors in remitting total tax collected as challenges hindering tax administration in Nigeria. It therefore, concluded that ineffective tax administration system among the local government councils in Nigeria is adversely affecting their revenue base.

Iyoha (2021) reviewed revenue allocation under a Federal system of government which creates complex problems. The complexity stems from the distinctive nature of

federalism as a form of government in which the legislative, executive and judicial functions or powers of the states are shared amongst the three tier of government. The researcher spanned the study at primary and secondary sources such as articles, textbooks, lecture notes, journals, newspapers and academic research projects. The data the researcher collected were based on formulated hypothesis in order to assist in solving the research problem. To achieve the objectives questionnaire was structured in an open-closed index format of 3 point like scale "agreed, undecided and controversial issue among the units of government concerning revenue allocation to ascertain if revenue allocation formula is the problem behind revenue allocation in Nigeria and to determine whether ethnicity is associated with problem of revenue allocation in Nigeria. The researcher recommended that these is need to resolve the imbalance between assigned functions and tax powers of various tiers of government, because, the five principles currently applied in the horizontal revenue allocation formula are far from acceptable to all the stakeholders. There is usually a lack of correspondence between the spending responsibility and the tax power/revenue source assigned to difference levels of government

METHODOLOGY

The researcher adopted the descriptive survey design approach. The researcher opted for describing the nature and the state of affairs as it set to archived. The methodology of this study includes a population of 1750 employees from the 23 local government Councils of Kaduna State. The categories of respondents were Directors, Supervisor, Senior Administrative Officers, and Junior Administrative Officers. For this study, the researcher considered the age bracket of the local government staff from 28 years and above. The whole population was used. The method adopted by the researcher for the selection of the staff was by visit to each local government from 9.30am to 2.00 pm for three weeks. The source of data used for this study was primary. The instrument used for the data collection used was a self-administered questionnaire that was made up of both open-ended and close-ended questions. The instrument was validated by four professors in the faculty of management sciences making available to each all the questionnaires to validate. The method of data analysis was by Chi-square statistical tool employed to test the hypothesis to see deviations of the actual observations (observed frequency) from the expected that led to the acceptance or rejection of the null hypothesis.

The nature of the questionnaire used for this study was a five-point Likert-scale which ranges from "strongly agree" to "strongly disagree" (1 = 'Strongly Agree', 2 = 'Agree', 3 = 'Neutral', 4 = 'Disagree' and 5 = 'Strongly Disagree'). The method of data analysis was by Chi-square statistical tool employed to test the hypothesis to see deviations of the actual

observations (observed frequency) from the expected that led to the acceptance or rejection of the null hypothesis. The method of data analysis was by Chi-square statistical tool employed to test the hypothesis to see deviations of the actual observations (observed frequency) from the expected that led to the acceptance or rejection of the null hypothesis. The chi-square formula is thus:

Chi square $\chi^2 = \frac{\sum [(fo - fe)^2]}{fe}$

Where:
O = Observed value (frequency);
E = Expected value (frequency) and
$\sum$ = Summation sign.
Degree of freedom = (Rows - 1) (Column -1)
Level of significance = 0.05
Expected frequency (E) is calculated as;

$$E = \frac{R \times C}{N}$$

Where R = Row total
C = Column total
N = Sample Size

RESULTS AND DISCUSSION

H_0: Each Local Government Area should not get their share of the taxes based on what they collected and generated
H_1: Each Local Government Area should get their share of the taxes based on what they collected and generated.

Decision Rule

If the P-value is greater than the level of significance of 0.05, accept **H_1** and reject **H_0**.

Table 1:
Some Employees of Local Government Areas as captured in the survey distribution

Directors	Supervisors	Senior Administrative Officers	Junior Administrative Officers	TOTAL
125	264	462	899	1750

Source: Researchers' Survey

EDITOR-IN-CHIEF
Prof. R. Rena [South Africa]

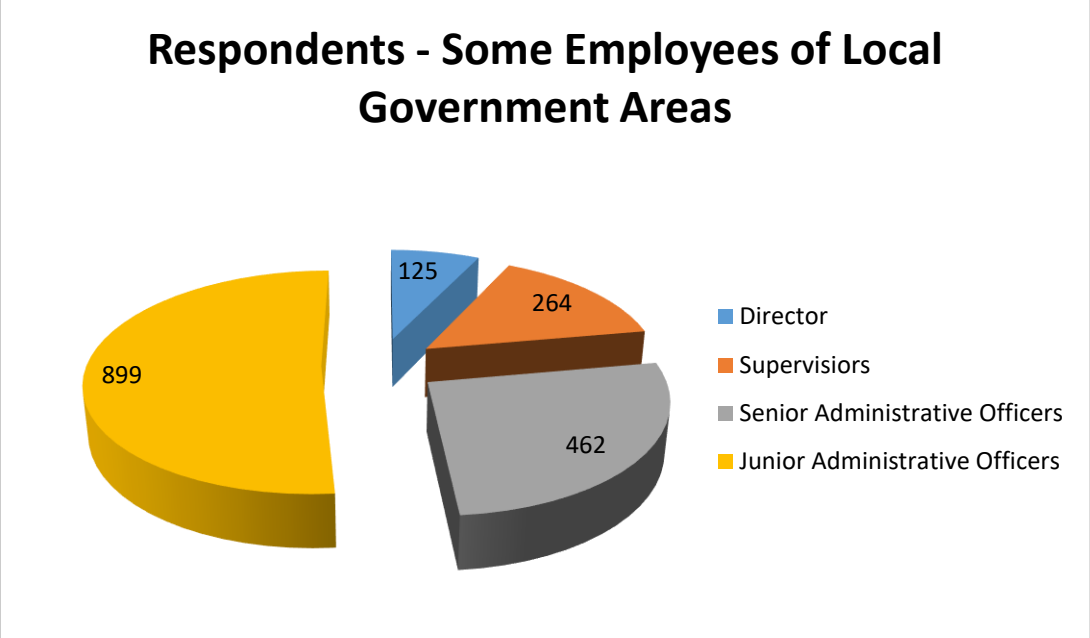


Fig 1: Graphical representation of Respondents of Some Employees of Local Government Areas as captured in the survey distribution

Fig 1 shows the respondents of some employees of Local Government Areas. This spread, of course.

The null hypothesis here, of course is, each Local Government Area should not get their share of the taxes based on what they collected and generated and the alternate hypothesis is, each Local Government Area should get their share of the taxes based on what they collected and generated.

So what chi square does is compare these numbers (the observed frequencies) with those that would be expected by chance (the expected frequencies).

The first question in doing the calculation is, how do we get the expected frequencies? If we are testing the observed frequencies (Table 1) against what we would expect by chance, since we have five categories of small businesses, we would expect one-fifth of the individuals to fall in each of the categories. One-fifth (20%) of 1,750 is 350. So if the selection of small businesses is largely a chance pattern, we would expect to find 350 people in each small business.

Table 2 shows the observed and expected frequencies for each small business, computes the difference between them (O–E), squares O–E ($(O–E)^2$), divides the squares by the expected frequencies ($(O–E)^2/E$), and sums those quantities to give us our X^2, which is 1,062.76

EDITOR-IN-CHIEF
Prof. R. Rena [South Africa]

Table 2: Observed and Expected Frequencies for the selection of majors

Respondents	O (observed frequency)	E (expected frequency)	O-E	$(O–E)^2$	$(O–E)^2/E$
Directors	125	350	-225	50,625	144.64
Supervisors	264	350	-86	7,396	21.13
Senior Administrative Officer	462	350`	112	12,544	35.84
Junior Administrative Officer	899	350	549	301,401	861.15
TOTAL	**1,750**	**1,400**			**1,062.76**

Source: Researchers' Calculations

Recast: Decision Rule

If the P-value is greater than the level of significance of 0.05, accept $\mathbf{H_1}$ and reject $\mathbf{H_0}$.

The purpose of this study was specifically to assess the extent to which each Local Government Area should get their share of the taxes they collected and generated. From the analysis shown, the P-value is greater than the level of significance 0.05 thereby rejecting Ho and accepting H_1. It therefore, means, each Local Government Area should get their share of the taxes they collected and generated

From the analysis in table 2, each respondent had different observed frequency. None was the same. But the level of significance of 0.05, that is, one-fifth (20%) of the total observed frequency gave 350 expected frequency which is common to all there respondents.

FINDINGS

Findings revealed that some local governments collected and generated large volume of taxes as against others but the sharing process did not recognize and considered the volume of each rather they were shared almost approximately equal sharing.

With the P value greater than the level of significance 0.05 from the chi-square, H1 will be accepted and Ho will be rejected meaning: Each Local Government Area should get their share of the taxes based on what they collected and generated.

CONCLUSION

In conclusion, considering the very importance of taxes in the running the activities of local government areas, it is paramount that special this aspect is not taken and considered with levity.

EDITOR-IN-CHIEF
Prof. R. Rena [South Africa]

RECOMMENDATIONS

Each Local Government Area should be given its own share based on the level of what they collected and gathered, rather than sharing the taxes to each local government equally.

REFERENCES

Iyoha, A. E. (2021) Fiscal Federalism: The problem of Revenue Allocation in Nigeria, African Scholar Publications & Research International, 20(2) 69-74

Daniel, A., Oluremi, A. S., Zekeri, O., Ombugu, T. T. Assessment of the Contributions of Local Governments Finance toLocal Governments Budget in Nigeria, *Research Journal of Finance and Accounting, .7(16)* 2016

Olabode , B. M. and Ajibade, O. E. (2019) Fiscal Autonomy and Local Government Administration in Nigeria: A Study of Abeokuta South Local Government Council, Journal of Public Administration 1(4) 5-9

Olofin, S. O., Olubusoye, O. E., Bello, A. K., Salisu, A. A. and Olalekan, . A.A. (2014) Fiscal Federalism in Nigeria: A Cluster Analysis of Revenue Allocation to States and Local Government Areas, 1999 – 2008, *CBN Journal of Applied Statistics 3(1)*64-72

Osho, A. E., Ajayi, D. A. and Ogunbodede, R O. (2019) Taxation as a Source of Revenue Generation in Local Governments, Nigeria, *Research Journal of Finance and Accounting 10(6),* 23-27

Sakpere, O. R. (2016) An assessment of tax administration in Nigerian Local Government Council, *International Journal of Research in Arts and Social Sciences 9(1)* 38-43

Yaru. M. (2020) Determinants of tax collection by local governments: empirical evidence from Kwara State, *Journal of Taxation and Economic Development 19, (2)20-28*

EDITOR-IN-CHIEF
Prof. R. Rena [South Africa]