

UNIVERSITY FOR DEVELOPMENT STUDIES

EXAMINING THE CONSTRAINTS AND PROSPECTS OF REVENUE
MOBILISATION IN SAGNARIGU MUNICIPAL ASSEMBLY IN NORTHERN
REGION, GHANA

BY

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DECLARATION

Student

I hereby declare that this thesis is the result of my own original work and that no part of it has been presented for another degree in this University or elsewhere.

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DEDICATION

I dedicate this thesis to the Almighty Allah for the life and strength given me throughout this research work. To my Dad Saaka Saani and Mum Martha Zakari, may Allah continue to grant you good health and wisdom for nurturing me to this turning point in my life. I also dedicate the work to my lovely wife Fatimata Adam and children Il-ham, Huda, Zakiya and Zakiyu for their understanding, sacrifices and support throughout this work.



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ABSTRACT

The purpose of the study was to examine the constraints and prospects of revenue mobilization in Sagnarigu Municipal Assembly of the Northern Region Ghana. Triangulation of research methods were employed in data collection. Both the quantitative and qualitative methods were used. These methods employed included survey questionnaires, interview and focus group discussions. Questionnaires were administered to 120 respondents in key areas of the assembly when it comes to revenue collection. Interviews were collected by interacting with the Chief Executive of the assembly, Municipal Coordinator, the Finance Officer owners of businesses and residents. Focus group discussions were conducted using business owners and residents located in the assembly geographical area.

The study found that residents had little knowledge on the essence of revenue collection. Also, residents expressed their misgivings and more importantly had a view that there was no justification of paying revenue since the developmental projects and programs were not being put up by the assembly.

Revelation also emerged that the assembly was not well resourced in terms of capacity and skills to mobilize the needed revenue. Then also the revenue collection personnel were inadequate and the strategies to collect revenue were demotivating. In light of the findings the study suggested continuous training of the assembly staff and also accompanying the assembly strategies was to tailor out attractive motivation packages for the hardworking staff. Residents and tax payers were also to be educated on the need to pay taxes and all tax defaulters were to be engaged in a dialogue to settle on tax liability payment plan. Some of the educational processes could be done on regular symposia's town hall meetings and also encourage the Assemblymen to sensitize their electorates to pay tax. These stakeholders could also be informed on the utilization of the revenue collected in such forum conducted which could invariably widen and deepen Sagnarigu Municipal revenue mobilization.



LIST OF TABLES

Table 4.1: Sex Distribution of Respondents	62
Table 4.2: Age of Respondents	63
Table 4.3: Status of respondent	64
Table 4.4: Working Experience of Respondents	65
Table 4.5: The Capacity of the Assembly in Revenue Mubilisation	66
Table 4.6: Revenue mobilization processes in Sagnarigu Municipal is cumbersome	67
Table 4.7: Sagnarigu Municipal Assembly has an effective/efficient strategy in revenue mobilization	68
Table 4.8: Conversance with the accounting reporting procedures of revenue collection	69
Table.4.9: If your response is positive to Q10, do you implement the procedures	70
Table.4.10: Do you have proper systems of control in the administration of revenue collected in the Assembly	71
Table 4.11: Do you have monitoring control unit in the Municipal Assembly	72
Table 4.12: Are there some developmental projects funded by the Assembly	73
Table 4.13: Are adequate funds generated internally for projects by the Assembly	74
Table 4.14: With the revenue mobilized by the Assembly, are you satisfied with projects executed over the years	75
Table 4.15: Does the Sagnarigu Assembly receive adequate share of funding from Central Government	76
Table 4.16: Central government remittances to carryout developmental project exceed projects that are financed with internally generated funds	77



Table 4.17: External sources of funding projects is more significant than the Assembly internally generated funds	78
Table 4.18: Government/External funding to the development of Sagnarigu Municipal Assembly	79
Table 4.19: Sagnarigu Municipal Assembly contribution to funding to t developmental Projects	80
Table 4.20: Philanthropic bodies/persons funding to the development of Sagnarigu Municipal Assembly	81
Table 4.21: Does Decentralized Departments collaborate to enhance revenue generation in the municipality	82
Table 4.22: Composition of Revenue of Sagnarigu Municipal assembly (2015-2018)	85
Table 4.5.1: Revenue Performance Index	94



LIST OF FIGURES

Figure 2.1: Inter-governmental transfers in Percentage in terms of total Local Government Revenues in Some eastern and Southern African Countries (2007)	29
Figure 2.2: Theoretical Frame work on Revenue Mobilization	46
Figure 4.1: Contribution of Rates to the revenue of Sagnarigu Municipal Assembly (2015/2016)	86
Figure 4.2: Contribution of fees and fines to the revenue of Sagnarigu Municipal Assembly	87
Figure 4.3: Contribution of Licenses in Local Government Revenue in Sagnarigu Assembly	88
Figure 4.4: Contribution of Rent to IGF of Sagnarigu Municipal assembly	89
Figure 4.5: Land contribution to IGF of Sagnarigu Municipal Assembly	90
Figure 4.6: Contribution of investments to the revenue of Sagnarigu Municipal Assembly	91
Figure 4.7: Contribution of miscellaneous to revenue generation in the Sagnarigu Municipal Assembly.	92



ABBREVIATIONS AND ACRONYMS

UDS	University for Development Studies
NOBISCO	Northern School of Business, Tamale
MMNDAs	Metropolitan, Municipal and District Assemblies
DACF	District Assemblies Common Fund
PNDC	Provisional National Defense Council
NALAG	National Association of Local Authorities, Ghana
MoLGRD	Ministry of Local Government and Rural Development
NRDC	Natural Resources Defense Council
PDCs	Peoples Defense Committee
USAID	United States Agency for International Development
DMTDP	District Medium Term Development Plan
MTEF	Medium Term Expenditure Framework
VAT	Added Tax
PE	Personnel Emoluments
OC	Other charges



SPSS	Statistical Product and Service Solutions
RPI	Revenue Performance Index
NABCo	Nation Builders Corps
NGOS	Non-Government Organisations
DPCU	District Planning Coordinating Unit



TABLE OF CONTENT

DECLARATION	ii
DEDICATION	iii
ACKWONLEDGEMENT	iv
ABSTACT	v
LIST OF TABLES	vi
LIST OF FIGURES	viii
ABBREVIAIONS AND ACRONYMS.....	ix
TABLE OF CONTENT.....	XI
CHAPTER ONE	1
1.1 INTRODUCTION	1
1.2 Background to the study	3
1.3 Statement of the Research Problem	6
1.4. OBJECTIVES OF THE STUDY	7
1.4.1 Main Objective.....	7
1.4.2 SPECIFIC OBJECTIVES.....	7
1.5 RESEARCH QUESTIONS	7



1.5.1 Main Research Questions.....	7
1.5.2 Sub-Research Questions	7
1.6 Justification of the Study	8
1.7 Limitations of the Study.....	9
1.8 Scope of the Study	9
1.9 Organization of the Study	10
CHAPTER TWO	11
LITERATURE REVIEW	11
2.1 Introduction.....	11
2.2. Brief History of Decentralization in Ghana.	11
2.3. The post-independence period	13
2.4. Legal Framework of MMDAs	14
2.5. The Powers and Functions of District Assemblies	17
2.6. Description of the concept of Public Revenue in Anglophone Africa.....	19
2.7. Government Revenue.....	20
2.8. Local Government Revenue	20



2.9. Means of Financing the MMDAs	21
2.9.1 Rates.....	21
2.9.2. Fees and Fines.....	22
2.9.3. Licenses.....	22
2.9.4 Investment on income	22
2.9.4. External sources	23
2.10. Types of Local Government Revenue	23
2.11 Taxes and Levis to be collected by Central and Local governments	25
2.11.1 Transfers from Central government	26
2.11.2 Inter-governmental Transfers in Southern African	27
2.12 Characteristics of Local Government Tax System	30
2.13 Reformation of the Local Government Revenue System in Tanzania.....	32
2.14 Local government Tax collection practices	34
2.15 Utilization of District Assemblies Common Fund (DACF) in Ghana	34
2.16. Revenue Mobilization and Procedures of Collection in Ghana	36
2.17. Reasons that Account for Poor Revenue Collection in Nigeria.....	37



2.18. Conditions that Cause Low Revenue Mobilization in the Local Government Level	39
2.19 Reasons for low Revenue collection in the Asuogyaman District	39
2.20 Constraints of Revenue Mobilization in the MMDAs.	40
2.21. Strategies to be adopted to enhance Revenue Mobilization in the MMDAs	43
2.22. Prospects of Mobilizing the requisite Revenue for the MMDAs.....	45
2.23 Theoretical Framework on Revenue Mobilization	46
2.24. Summary	47
CHAPTER THREE	49
RESEARCH METHODOLOGY	49
3.1 Introduction.....	49
3.2 Study Area	49
3.3 Research Design.....	51
3.4. Types of Data.....	52
3.4.1. Primary data	52
3.4.2. Secondary data	53
3.5 Sampling	53



3.5.1. Sampling unit	53
3.5.2 Sample Size.....	54
3.5.3 Sampling Techniques.....	54
3.6 Data collection instruments.....	55
3.7 Data Collection Procedures.....	57
3.8. Data Analysis	58
3.9 Time lines	60
3.10. Summary	60
CHAPTER FOUR.....	61
DATA PRESENTATION ANALYSIS AND INTERPRETATION	61
4.1 Introduction.....	61
4.1 Physical Characteristic of the Area.....	61
4.2 Demographic Characteristics of the Municipality	61
4.2. Mobilization of Revenue.....	82
4.2.1 Sources of Revenue in Sagnarigu Municipal Assembly	82
4.2.1.1. Revenue Mobilization Capacity of Sagnarigu Municipal Assembly	83



4.2.1.2 Analysis of Field Data	83
4.3 Revenue Structure of Sagnarigu Municipal Assembly	83
4.3.1 Rates.....	85
4.3.2 Fees and fines.....	86
4.3.3 Licenses.....	87
4.3.4 Rents	88
4.3.5 Lands.....	89
4.3.6 Investments	90
4.3.7 Miscellaneous	91
4.4. Revenue Performance of Sagnarigu Municipal Assembly	92
4.5.1 Revenue Performance Index (RPI)	94
4.5.3 Past Due-Index.....	95
4.8 Measures adopted by a Sagnarigu Municipal Assembly to enhance Revenue Mobilization	97
4.9 Strategies to be adopted by Sagnarigu Assembly to enhance revenue mobilization	98
CHAPTER FIVE	100
SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS	100





5.0 Introduction.....	100
5.1 Summary of Findings.....	100
5.2 Conclusion	102
5.3 Recommendations.....	103
APPENDICE	105
APPENDIX 1.....	105
SECTION I; Demographic	105
SECTION II: Revenue Mobilisation Items.....	106
SECTION III: Benefits of Revenue to the Municipal Assembly.....	108
SECTION IV: Government, Donors Agencies and Philanthropic Persons	110
SECTION V: Sources of Revenue and its contribution to the assembly revenue base	112
APPENDIX 2.....	113
Section A - Bio Data of the Respondents	113
Section B - Educational factors.....	113
Section C – Economic factors.....	114
Section D - Social Factors.....	114

Section E – Central Government, Local government and its policies on decentralization 114

REFERENCE..... 115





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CHAPTER ONE

1.1 INTRODUCTION

Revenue may be defined as the ordinary income the state receives which consist of taxation and earnings within fiscal period (ICAG Manual 2010) Also revenue may be the income resulting from government or organization receipts generated regularly. It is a well establish fact that a sound revenue system designed for a local government is an important ingredient for the success of fiscal decentralization (Bird 2010: Martinez: Vasques and Smoke 2010: Olowu and Wunseh 2003). Apart from mobilizing revenue the local government system also has obligation to foster political and administrative accountability by empowering the communities within its geographical area (Sahl 1998; Oates 1998). Unfortunately, it has been impossible to practice the well propounded theories base on international practice hence serious predicaments regarding governance and appropriate revenue instruments to be adopted by Local Governments.

In discussing the massive growth of Africa's population and for that matter Ghana, population has outpaced local authorities' capacity for better service delivery in the areas of management, infrastructure and financing (McCiskey et al 2003). Initially the metropolitan and the municipal councils were designed by the colonial masters as colonial administrative centers without the necessary structures in place to cope with the fast-growing urban population (Beall 2000). Also disastrous is the increasing number of residents who live in the informal settlements characterize by deficient basic and fundamental needs, services, like good housing, potable drinking water, electricity, sanitation, refuse collection and disposal,



roads and transport (Devas 2003). Thirdly, a greater number of the local governments do not have the financial muscle to finance their mandated projects just because they are financially weak and depend largely on transfers from central governments (Brosio, 2000). Also, local government tax systems are seemed mostly inefficient making them unable to properly account for the revenue collected. (Fjeldstad, 2000).

Indeed, most local authorities are facing serious governance crisis and service delivery challenges.

The intention of this research work is therefore to examine critically the constraints faced by local authorities more importantly on revenue mobilization in the Sagnarigu Municipal Assembly. The study also examined the revenue instruments available, their potentials, how they could enhance economic efficiency, income distribution and accountability. More also political and administrative constraints faced by local level revenue mobilization and factors inhibiting on citizens compliance attitude This research work also reechoed that local authorities need to be given access to adequate funding to enable them execute the projects and programs with which they are mandated and entrusted. However, the revenue raised by the local authorities is woefully inadequate to finance the teaming needs of the fast- growing population of the designated areas.

Therefore, the general conclusion that emerges from this research is that locally generated revenue is necessary but not a sufficient base to sustain the fiscal decentralization policy of governments in Africa and for that matter what Ghana is yearning for.



1.2 Background to the study

For several decades now the Government of Ghana has made tremendous efforts to propel the wheel of the developmental agenda of the nation through local governance systems. In fact, classical developmental policies regarding reforms and prudent measures have been designed to restructure the public administrative system tailored towards creation of political, economic, social, spatial, territorial and environmental balance aimed at sustainable growth and development (Badu 2007). Incidentally, from 1957 the District Assemblies of Ghana have been mandated to finance local developmental programs with revenue generated in their geographical and territorial location. However, this fiscal decentralization program of central government to delegate certain obligations to carry out development projects and programs has been a major constraint for successive governments due to lack of investment capital at the local level (Buffour, 2008).

More importantly decentralization reforms started in Ghana at the later part of the 1980s. Thus, the period between 1957 and 1988 where there were efforts put up by successive governments to decentralize authority to the local level. This only operated, at the regional and district level in areas of administration. Actually, very little efforts were made to decentralize governance until in the 1970s when the decentralization concept was reformulated to a four- tier structure comprising of Regional, District, Local Council, Town and Village Development Committees respectively. Under these reforms the Districts were given power and authority in terms of administrative and executive powers to effectively carryout local level development and governance.



With the establishment of decentralization policy in Ghana five sources of revenue have been spelt out by the Local Government Act 462. Among them are District Assembly Common Fund (DACF), ceded revenue, Internally Generated Fund (local taxes, loans, permits, etc), and others like sale of landed properties. The DACF is the major source of revenue which the constitution stated categorically that, the share of a district shall be allocated based on a formula instituted by the legislature. The ceded revenue is normally little taxes collected. These revenues are usually Entertainment duty, betting tax, advertisement, and others as stated by the Ghana Revenue Authority (Ayee, 2000).

In reality, for decentralization to be effectively executed at the local level, adequate revenue needs to be mobilized at the local level or the central or other sources, to enhance effective implementation and practice of local governance. This therefore calls for the adaptation of pre-defined measures to generate revenue and accountability. MMDAs are therefore tasked by the central government to raise revenue largely internally instead of always depending on the District Assembly Common Fund which is not substantial and payment of which is often delayed by government.

In other jurisdictions, MMDAs have been re-oriented over the years on the recommended sources of revenue of which the local governance system in Ghana is not an exception. In Ghana, they can raise revenue internally, from bilateral and multi-lateral donors in terms of financial and technical assistance.

The core mandates of the district assemblies are mostly the provision of local administration, fiscal, other public services, and other social amenities to the citizenry of its jurisdiction. In countries where local governance is much predominant such as France and the Great Britain



local government authorities are vested with powers to initiate and implement policies. This is mostly possible because they normally raise the needed revenue to execute their developmental programs and projects, hence the autonomy of local governments. Though the concept of decentralization is the major tool in deepening democracy and development at the district assembly level, measures have to be put in place to resist interference policies of the central government (NALAG, 2003).

If development is to be effective and efficiently executed at the local level there has to be financial discipline to ensure that the proper means of raising revenue are adopted and proper accountability done (NALAG, 2011)

In fact, MMDAs depend largely on the Common Fund with the excuse that they are constrained in collecting revenue internally even with recommended Bye-laws put in place empowering them to collect such revenues. The concept behind this financial arrangement in PNDCL 207 of the 1992 constitution and Act 462 of 1993 is to ensure that MMDAs are made financially autonomous in order to be able to carry out their mandated functions. With such a backing it is therefore disheartening that the MMDAs are still battling with constraints when it comes to revenue mobilization and financial management.

Based on the above predicaments facing the MMDAs I am prompted to conduct a study to examine in a detailed manner the constraints and prospects of revenue mobilization in the Sagnarigu Municipal Assembly.



1.3 Statement of the Research Problem

The practice of decentralization seems to be more advantageous as compared to centralized system of governance with regards to identifying the needs of the local people and fashioning out appropriate programs to meet their developmental challenges. The local governance system also permits the MMDAs to carve out avenues of raising revenue to be financially sound to execute their mandatory obligations and projects. They are therefore enjoined by the Local Government Act to raise revenue through rates, market tolls, property rates or tax, fees, and sometimes invest to raise funds in order to finance their developmental projects. They are also obliged by the Local Government Act to make certain expenses in accordance with the Act and the acceptable accounting standards.

Unfortunately, the criteria used in the collection, generation and management of revenues are flooded by several constraints in almost every MMDA. In fact, successive governments have tried to examine the effects of weaknesses bedeviling MMDAs as far as revenue mobilization is concern but yet still the problems persist. Moreover, the Ghana poverty reduction policy indicates that there are still several areas the MMDAs can raise revenue, provided they are steadfast (MMDAs Manual, 2011).

Hence, with the shortcomings in raising the needed revenue by the MMDAs, this investigation sought to examine the constraints and prospects of raising revenue to meet the developmental agenda of Sagnarigu Municipal Assembly which was carved out of Tamale Metropolitan Assembly.



1.4. OBJECTIVES OF THE STUDY

The main and specific objectives of the study are enumerated below:

1.4.1 Main Objective

To examine the constraints and prospects of revenue mobilization in the Sagnarigu Municipal Assembly

1.4.2 SPECIFIC OBJECTIVES

- i) To identify the sources of revenue available to Sagnarigu Municipal Assembly
- ii) To examine the methods and strategies used in collecting the revenue
- iii) To examine the procedure used in accounting for the revenue collected
- iv) To assess the impact of revenue collection in the Municipality
- v) To fashion out prospects for collecting revenue effectively

1.5 RESEARCH QUESTIONS

This study will attempt to provide answers to the following questions:

1.5.1 Main Research Questions

What are the constraints of revenue mobilization in Sagnarigu Municipal Assembly?

1.5.2 Sub-Research Questions

1. What are the sources of revenue available in Sagnarigu Municipal Assembly?
2. What are the methods adopted to collect revenue in Sagnarigu Municipal Assembly?



3. By what measures can the Sagnarigu Municipal apply to mobilize the needed revenue in order to meet the much-needed developmental projects?
4. What are the challenges hindering measures to enhance revenue collection in the Sagnarigu Municipal Assembly?
5. What are the benefits of generating higher IGF in Sagnarigu Municipal Assembly?

1.6 Justification of the Study

The study will assess the constraints in revenue mobilization in the municipality and identify strategic means of generating revenue peculiar to the municipal assembly.

The study will also, create the needed awareness regarding challenges facing the Assembly in the area of revenue mobilization and as well design appropriate recommendations that will help in encouraging tax payers to honor their tax obligations.

The research will further enhance scientifically the basis to access the development of the municipality.

It will also provide effective means of revenue collection in the municipal assembly.

Based on the above, the study will also outline the prospects of revenue mobilization in Sagnarigu Municipal assembly.

Lastly, the study will augment the body of knowledge and the existing literature on revenue mobilization for the benefit of local government authorities and the central government as a whole, and as well stimulate the interest of other researchers who intend to venture into this developmental phenomenon.



1.7 Limitations of the Study

The researcher encountered numerous challenges in carrying out this study. A few of the numerous challenges encountered are spelt out below.

1. The lack of cooperation in administration of questionnaire and the difficulty involved in gaining access to relevant data.
2. The constraint of span of time within the academic calendar to conduct this study.
3. The inadequacies of financial resources and other logistics could not enable the researcher to research extensively to cover the entire assemblies in Ghana on the constraints regarding revenue mobilization and strategies to overcome them.

1.8 Scope of the Study

The study focuses specifically on the constraints and prospects of revenue mobilization in Sagnarigu Municipality of the Northern Region, Ghana. The Sagnarigu Municipality was carved out of the present Tamale Metropolitan Assembly. The area was known as Tamale rural, which goes to depict the level of development in the area.

The Municipality shares boundaries with the Tolon District assembly to the west, the Kumbungu District to the north-west, the Savelugu Municipal Assembly to the north-east, Nanton District Assembly also to the east and the Tamale metropolitan assembly to the south.

The research was conducted to unravel the constraints that hinder revenue generation in this infant Assembly and to identify desirable means of raising revenue so as to propel the development agenda of the Municipal Assembly.



1.9 Organization of the Study

This research work has been organized into five chapters. Chapter one gives a general introduction and background of the study problem statement, research questions and objectives, as well as justification of the study and scope of the study.

Chapter two has been devoted by the researcher to review the available literature on this topic.

The methodology employed in the research work is-explained in chapter three.

Then presentation and analysis of the findings in the research work is dealt with in chapter four.

The chapter five comprises summary of the findings, conclusions and recommendations of the research findings.



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter gives an overview of the MMDAs concept in Ghana. It also traces the Decentralization process, the contemporary status of MMDAs with reference to legal framework and functions. The sources of revenue available to MMDAs, the constraints in revenue collection and prospects are also examined critically.

2.2. Brief History of Decentralization in Ghana.

Decentralization may be described as the process of governance that brings government closer to the governed and helps improve the general administration of the public by empowering local authorities which thereby ensuring the enhancement of the capacity of government in order to achieve local participation.

The involvement of local authorities in governance started with the colonial authorities of the then Gold Coast who used the traditional rulers as assistance in the Gold Coast colony. The pre-independence era had the natives' authorities' participation in a system of governance known as indirect rule which operated in the center of local government (Aye 2008).

The legislation that set up local authorities was enacted base on the wisdom that local areas had unique developmental challenges and hence their creation. As such in 1959, municipalities were created for the coastal towns under the municipal ordinance council. This came to effect in 1953 and later the Local Government Act 1961(Act 54) was enacted.



The legislation made local bodies to designed and vested with the authority specifically on local issues hence operated alongside central government agencies that had existed at the local level. The responsibility of the local authorities was to provide local governance services and developmental amenities to the people within its jurisdiction. Consequently, the weaknesses and ineffectiveness of the local administration was addressed with the enactment of the local administration Act 1971(Act 359) which was later passed. This act could not come into force until in 1974 when an amendment was made to the local administration Decree 1974 NRDC 258. This provision made the creation of sixty-five (65) District Councils under the decree with the appointment of councilors. Unfortunately, this could not stand the test of time and hence failed accordingly.

Decentralization concept in Ghana was traced back by Ayee (2000:48), starting with the indirect rule system established in our governance system in the later part of the eighteenth century. During this period the Colonial Administration ruled indirectly through the Chiefs and their Elders, who were supposed to serve at the local authority with the powers to establish treasuries, appoint staff, and carryout local governance functions, Nkrumah (2000:55). Nkrumah (2000) observed also that the chiefs and their Elders were given directives to account only to the Colonial Administration instead of the people which is alien to the Ghanaian culture. This approach of leadership therefore showed a disrespect of the Ghanaian culture. As a result of this cultural shock many of the Traditional leaders had little regard for their subjects.



2.3. The post-independence period

The post-independence period showed a sharp difference from what was practiced during the pre-independence era. After 1957, Local level administration became less vibrant as certain structures were put in place to centralize governance. In fact, several policies were introduced to make governance centered at the top. For instance, during the era of Col. Acheampong in 1974, the military regime de-emphasized the process of centralization which was aimed at strengthening central government control at the local level (Nkrumah 2000:58).

Decentralization reforms were introduced during the early part of Ft. Lt. Rawlings's Provisional National Defense Council (PNDC) rule (1981-1992). The PNDC government under Ft. Lt. Rawlings introduced a policy to decentralize government ministries to work together with the People's Defense Committees (PDCs) concept in every town and village. The PDC members constituted local level sympathizers, who effectively took over local government responsibilities often with the execution of self-help projects (Nkrumah 2000:58). Ayee (2000:49) also stipulates that the PNDC government's system of decentralization rather emphasized decentralization of administration of governance through political authority to the local level. Moreover, Ayee (2000:48) notes that one of the main features of decentralization in the pre-1988 periods was in a dual hierarchical structure in which the central and local government institution operated in parallel but the central government only had little influence whenever there was the need to supplement them in the appropriation of resources.



2.4. Legal Framework of MMDAs

The decentralization system practiced now came into effect at the beginning of the Fourth Republic. The then PNDC administration introduced the reforms in the local government law (PNDC Law 207). This law stipulated the creation of 110 District Assemblies in the 10 regions in the country. The first district assembly elections were held in 1988/99 and subsequent elections were to be held every four years. This Law stipulates that the composition of the District Assemblies shall be 2/3 elected members and 1/3 government appointees who shall serve four years per tenure and could be re-elected into office the second term. The District Chief Executive shall be nominated by the president but appointment could only be possible if he/she polls 2/3s or 75% of the special elections' votes.

The District Assemblies are also vested with powers to perform administrative duties and also mobilize resources with support from central government (Map Consult 2002:35).

The Distract Assembly concept was not effectively practiced then because they depended largely on donors as the main source of funding; however, these resources also came with conditions which prevented the assemblies from exploring other areas in their developmental agenda.

The local government Act and the 1993 constitution mention that the District Assembly shall be the highest authority in a District and shall perform legislative and executive powers. The local government Act 1993 (Act 462) states that there shall be 110 MMDAs categorized into 3 Metropolitan Assemblies, 4 Municipal Assemblies, and 103 District Assemblies. The compositions of the districts have shot up significantly as the number of districts now stands



at two hundred and sixteen (216). This came about when on June, 28th 2012, the current administration added forty-six (46) districts to the already existing one hundred seventy (170) Metropolitan, Municipal and Districts Assemblies.

The MMDAs were to serve as a platform where administrative and developmental decisions concerning their catchment areas were to be taken. Per the 1992 constitution the MMDAs were to assume the status as the highest political authority in the district. Thus, the constitution grants the district the deliberative, legislative and executive powers [Article 24i (3)].

The Assembly is responsible to bring about the interpretation of administrative, political, and developmental results into being, for the effective implementation and progress of every district. It is the main obligation of every district to ensure that absolute peace, security and development are executed to the latter, in order to transcend good governance at the local level.

The local government Act 1993 (Act 462),-mentions that there shall be 83 statutory functions to be performed by local government bodies with jurisdictions over a geographical area. The Act also provides that there shall be the establishment of Sub-Districts and Unit Committee and they shall have power to create access to political authority in a larger character. The District Assemblies include Sub-Metros, Metro/Urban/Town/Zonal/Area councils and Unit Committees respectively.

The then District assemblies were actually classified into 3 types; thus, metropolitan municipal, district assemblies by which composition was based on size and resources



available. There were to be three (3) metropolitan, seven (7) municipal and one hundred and twenty (120) district assemblies (USAID 2003:9).

The 1992 constitution of the Republic Ghana has stated that, district assemblies were to comprise of seventy percent (70%) elected members and (30%) thirty percent appointed members. Elections to the assemblies were to be conducted every four years possibly in the middle of every central government administration. The 1992 constitution also mandates the Member (s) of Parliament of every MMDA to be a permanent member of the assembly. The Presiding Member of the assembly shall be elected from the existing members of the assembly. The local government act also stipulates that each general assembly be held at least 3 times or at most 4 times in a calendar year. By this, the structure of the assembly shall compose of principally executive committee, which shall be responsible for the assembly policy formulation and direction. It shall also have oversight responsibility of planning the development programs of the assembly. This committee shall comprise of at least a third (1/3) of the district assembly membership. The local government act also avails executive and administrative functions to the executive committee.

The executive committee by function shall form sub- committees in the special areas like development and planning, social services, works and technical, and infrastructure, justice and security and finance and administration.

All Executive committee shall be chaired by the District chief executive. The Chief Executive of a district is to be appointed by the president subject to his/her getting 75% or 2/3s majority vote win in a special voting supervised by the electoral commission. The members of parliament of the district and presiding member are to be excluded from all executive



committees. Per the 1992 constitution, MMDAs are mandated to assume the oversight functions of the 22 central government MDAs for local government service Act [Article 240(2) (d)].

The Government of Ghana has made it a priority to pursue vigorously and continuously deepening of local level governance. The country's decentralization policy seeks to create a platform for more people and institutions to be involved in the formulation and delivery of developmental policies geared towards poverty reduction and growth. The District Assemblies are expected to use approved mechanisms to raise revenue to enable them pursue their developmental agenda steadily and also make for proper accountability and transparency.

However, many District Assemblies are still bedeviled with serious challenges including; inadequate skills in financial management and budgeting, limited capacity to fund their developmental projects and programs, inadequate supervision, and poor oversight functions. Also, the revenue base in most District Assemblies is still too low to meet their developmental needs; hence many of them often expect the central government to fund service delivery and provision of infrastructure (Azeem et al, 2003).

2.5. The Powers and Functions of District Assemblies

The powers and functions of district assemblies are spelt out in the 1992 Constitution and the local government Act (Act 462). They are however instances where the District Assemblies share some powers with central government ministries and departments.



The District Assemblies are vested with several powers by the 1992 Constitution and the local government Act (Act 462) to be executed in their geographical area. Among these powers are;

- I. They are the highest political and administrative authority
- II. They have development authority
- III. They have planning authority
- IV. They have budgeting authority
- V. They have rating authority.

The 1992 Constitution and the local government Act (Act 462) mention the following as the functions of district assemblies;

- I. To give political and administrative directions, guidance and to supervise all other administrative authorities in the District.
- II. To encourage deliberation, legislation and executive functions.
- III. To be responsible for the overall development of the district and ensure the preparation of district plans, budget etc.
- IV. To effectively mobilize revenue for the overall development of the district
- V. To promote productive activities and social development
- VI. To coordinate, integrate and harmonize the execution of programs and projects under approved development plans of the District, and other development programs considered in the ministries, departments, agencies, public corporations and other statutory bodies and Non-governmental Organizations in the District (Ayee 2000:466).



2.6. Description of the concept of Public Revenue in Anglophone Africa

According to the Macmillan English *Dictionary* (2006) revenue may be defined as money government receives as taxes and other sources. In other words, it could be referred to as the income an organization receives in the process of carrying out its activities through sale of goods and services to clients. In other jurisdictions like the United Kingdom revenue may be described as turnover.

Bird *et al* (2010) stipulate that a well-structured revenue system for local authorities is an essential precondition to enhance fiscal decentralization. Apart from raising revenue, political and administrative accountability could be translated as the local communities when given some empowerment. The growing population of Africa outpaces the capacity of the local councils to provide resources that would meet the developmental needs of the people in terms of infrastructure, administration and the needed financial resources. Also many of the local authorities were constituted just to provide administrative services to their areas of jurisdiction; however, with their fast growth in population and its accomplish needs they are seriously constrained, A larger number of the residents live in the informal sector where basic amenities like housing, potable drinking water, sanitation, disposal of refuse, electricity, roads and transport are mostly inefficient (Devas, 2003). Many local authorities are financially weak in terms of revenue generation and assistance; hence they depend largely on the central government to finance almost all their developmental projects and programs (Brosio 2000). Most of the local authorities' tax administration is generally not efficient to account properly the revenues collected over a period (Fjeldstad, 2006).



2.7. Government Revenue

Government revenue in countries like Australia may be referred to as proceeds from taxes levied from corporations, individuals, custom duties, excise duties, sale of goods and services, dividends, interest and other taxes. In simple terms revenue could be referred to as income received in the form of cash or cash equivalents over a period of time. Sales income is proceeds from sale of goods or services. Tax revenue is revenue accruing from payments made by tax payers. Local government revenue may be termed as user fees and charges, property tax, and other revenue collected by the local authorities. Revenue mobilization is the act of assembling, raising and organizing revenue from formal incomes accrued to organizations and individuals for carrying out economic activities within a geographical area in a period of time.

2.8. Local Government Revenue

The function and operation of the local government system depend largely on the revenue available to the local authority. This therefore calls for the arrangement and execution of the appropriate measures to raise the needed financial resources.

The local government system has spelt out modalities of revenue collection and receipts by the MMDAs. The acceptable accounting Manual for MMDAs (2011) refers to revenue as earnings of the assembly within an accounting period. Revenue is only recognized when cash or receipt associated with the transaction flows to the assembly with cash transactions is received.



The local government Act (Act 462) clearly states that the District Assemblies shall be the planning authority responsible for the overall development of the district. District assemblies are expected to propose District Medium Term Development Plan (DMTDP). This should be linked to the Medium-Term Expenditure Framework (MTEF) as a public sector budget system. The budget should provide the districts with programs and avenues of finance to meet the funding of the proposals.

Article 245 and 252 of the 1992 constitution (34) part (17) states that the MMDAs shall be financed from three areas. Namely:

- i. Internally generated funds
- ii. Transfer from central government and
- iii. Donor support.

2.9. Means of Financing the MMDAs

The revenue to be collected by MMDAs in Ghana is classified into internal and external sources. The internal sources are made up of the following revenue to be collected.

2.9.1 Rates

This is made up of basic rates which are levied on persons not below eighteen (18) years. It also includes property taxes charged on landed properties within a particular area.



2.9.2. Fees and Fines

These payments made for a particular work or a right to a service. Kassey 1995 explained fees to be the amount of money paid for a particular right service or a piece of work that is in proportion to the cost of distribution of government services provided to the payers. Fines on the other hand are penalties charged on organizations and individuals' misconduct in the way they carry out their daily activities. The 6th schedule of the local government act 462 mentions a range of items and activities to levy as fees and fines.

This form of revenue also includes court fines, market tolls, lorry park fees, slaughter house charges; cemetery charges cattle ponds, est. cetera.

2.9.3. Licenses

They are official documents which give people permission to own do or use something usually after payment has been made. It is also classified as being part of the current revenue of government.

This revenue rose as a result of granting permits to certain businesses in the jurisdiction of a local authority. It includes motels, hotels, rest houses, palm wine cellars, pito sellers, and chop bars, restaurants, hawkers, bankers, kiosks, commercial vehicles, and district lottery licensing fees.

2.9.4 Investment on income

Revenue could also accrue to a local authority as a result of engaging in commercial activities. However, with the management crisis facing most MMDAs revenue generated from



commercial activities seem to be insignificant to enhance the revenue base of the district assemblies. Some of these areas of income may be interest on savings in financial institutions, investment in treasury bills.

2.9.4. External sources

The MMDAs can also mobilize revenue externally through the following means;

- i. Grants-this may be ceded revenue and the District assembly common fund.
- ii. Donations- these are both financial resources and technical support normally in the form of gifts to organizations to pursue their mandated obligations.

2.10. Types of Local Government Revenue

The effective operation and function of every District Assembly depends largely on the amount of revenue raised at a particular period of time. The revenue collected is normally used in financing developmental projects, pay allowances, pay sitting allowances of assembly members, pay ex-gratia, etc. (MMDAs Manual 2010).

With the above numerous expenditures to be finance by District Assemblies, the local Government Act has therefore mentioned the following as the approved sources of revenue a district can exploit.

These sources of revenue are;

- i. Appropriation from central government,
- ii. Retained internally generated funds,
- iii. Grants and donors support



Bahl and Bird 2008 also stipulate that in general there are two categories of revenue for local government authorities in Africa.

- i. Own revenue which includes taxes, user fees and other licenses fees and
- ii. Other transfers from central or regional levels which is normally in the form of grants and revenue sharing.

Yatta and Vaillancourt 2010, also argue that many African countries have given some local authorities the option to borrow in order to finance investments in area of local capital infrastructure.

More also many sources of revenue in the local government areas. Some of these could be from external funding from contribution of the constituents of the rural areas living outside the country.

These sources of revenue are mostly demonstrated by the projects funded by a mix of international Non-governmental organizations, bilateral and multi-lateral donors (Yatta and Vaillancourt 2010; Fjeldstad 2001). In most countries local authorities have little knowledge or have no idea on these projects regarding planning and execution. Further also, most rural inhabitants do contribute or carryout self-help developmental activities within their communities in areas like maintenance of rural roads, construction of pre-secondary schools' buildings, and primary health facilities. The unfortunate phenomena is that, there has not been a comprehensive data on the input of local communities in self- help programmes in Tanzania up to the 1990s that spell out the rate of immerse contribution of rural areas (Cooksey and Mmuya 1997; Samboja and Therkildsen 1995).



Recently, constituencies' development funds and social activities funds operating outside the local authorities have had their yearly budget streamlined so as to make significant portion resources tailored towards social and economic development projects in several African countries. Kenya, Malawi, Tanzania, Uganda and Ghana are some of the African countries where this impact is much felt (Baskani 2001).

2.11 Taxes and Levis to be collected by Central and Local governments

There has not been a clear-cut form of revenue pertaining to the central or local government system in the world of taxation. However, a set of tax assignment has been developed appropriately for traditional federalism theory (Oates 2005-2007; Musgrave 2000; Bird 2010). This theory elaborates the respective responsibilities of central and lower tiers of governance's vis-à-vis macroeconomic stabilization, income redistribution and resources allocation (Broadway et al, 2000). Also, in developing countries the administrative capacity of local governments in the areas of revenue design and collection needs to be given adequate attention to enhance their revenue base in order to accomplish their mandated agenda. In fact, in well-developed and diverse countries it is imperative to address the challenges of revenue harmonization before jurisdiction when assigning tax powers.

Tax stabilization objective of the fiscal system is a tool of central government control that is used to control deflation or central budget deficit. The tax revenues from international transactions (customs duties) and general sales tax (VAT) should be the preserve of the central government. Where there are disagreements in incomes and wealth across regions as in most African countries then the local government can design a local taxing system to exacerbate these differences. With powers available to central government to borrow when



financial resources are not adequately available to fund its functions or in unstable revenue then sources like custom duties, income taxes. Bahl et al, 2003 stipulates that the capacity to administer revenue instruments is usually an imperative constraint to the assignment of taxing powers to local authorities in developing countries. Also, but important the sources of revenue available to local authorities should be politically accepted.

Despite the fact that the available literature mentions that any tax regime enforced should be peculiar to the level of governance, the cost- benefits needs to also be weighed for effective implementation. However if fiscal decentralization is to be a reality then local authorities must be allowed to control their own revenues (Martinez-Vazquez et al 2006) Bird 2010 argues that it might not be easy to satisfy the tax system between the central local level governments as several central governments do out their standard model in practice assign less productive taxes to local authorities. Base on this, the local authorities usually are mostly left with insignificant levies except to manage with property taxes, business licenses, user charges and market fees.

2.11.1 Transfers from Central government

Most commonly, governments across the globe assign more expenditure function in local authorities which are clearly impossible to be financed by the available revenue sources. This phenomenon is mostly prevalent in Anglophone Africa. This then led to mix-trading of functions and finances. Hence many local governments generally depend on the transfer from the central government (Bird et al 2010). In addition, inequalities on local revenue base and administrative capacities could create problem of equalization between rural and urban areas. The possibilities of such imbalances therefore call for the creation of an opposition tax system



that could enhance intergovernmental transfers (Bird 2010). The transfers could be in a form of surcharges or revenue distribution where local governments receive their share from a specific tax collected by central within their area of jurisdiction.

Fjeldstad et al (2010) asserts that in Anglophone Africa, inflows from central to local governments are normally categorized as follows;

- i. Recurrent block grants, personal emoluments (PE) component.
- ii. Recurrent block grants; other charge (O/C) component.
- iii. Recurrent subventions and basics funds.
- iv. Development (investment) grants and development funds.

With the above sources it is only the recurrent block grant system that mostly generates larger funding for local governments. For instance, in Tanzania 65% of the total annual revenue of local government was allocated by the central government in the fiscal years 2006 and 2007 respectively. The personal emolument (PE) component a greater proportion while the other charges component accounted for a magnitude not greater than 25% of the recurrent block grant allocation.

2.11.2 Inter-governmental Transfers in Southern African

Revenue raised nationally is often distributed among the national, provincial and local spheres of the government based on a laid down distribution principle by the South African constitution. This instrument is a classical important document regarding the distribution of the national cake of South Africa. The instrument spells out the year on year total revenue collected by the central government; this figure is then lessened by contingency reserves and



interest payments (obligations and debts). Whatever amount remains is shared among the three spheres equitably. The Division of the Revenue Act allocates revenues to the various bases on the constitution. The equation directs as to how the revenue portion to shared base on decision arrive at by consulting the provincial governments organized, local governments and recommendations of the financial and fiscal commission. The constitution of South Africa advocates that a Non-partisan financial and fiscal commission (CFF). This body advises parliament and sub-national governments on issues relating to inter-governmental fiscal relations.

The thematic areas for consideration by the Financial and Fiscal Commission (CFF) are taxing powers, allocation of revenue mobilized between tiers of governments, the grant system established and borrowing powers of the sub-governments (www.ffc.co.za/).

Several nations of the globe have adopted the formula-based grant system to determine the allocation of revenue attributable to the local governments. The areas of consideration are normally prioritized in sections such as primary education, healthcare, rural water supply, agricultural extension services, and local road maintenance. The formula-based system adopted by local government authorities pays much consideration to the following factors when disbursing financial resources: i.e. size of population; number of school aged children; poverty count; infant mortality rate and distance from local council headquarters to service centers. For effective implementation of local government system, the Ugandan constitution has established a pro-social formula that determines an unconditional grant paid to local authorities to effectively and efficiently carry out decentralization policy. It is also a national policy that allows the local authorities receive a conditional and equalization grant annually to

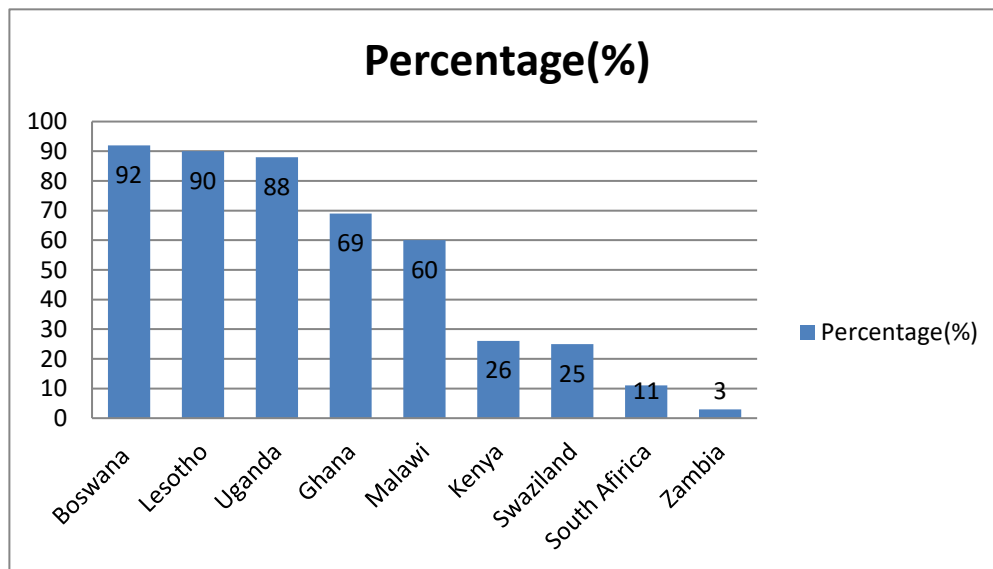


beef up their revenue base when there is a shortfall (Mugabi2004; Steffensen and Tidemail 2004).

The level of intergovernmental transfers seems to vary widely between countries and even between rural and urban councils within the same country in East and Southern African countries (Chitembo 2009).

The pictorial representation of inter-governmental transfer grants from central government to local authorities in the Eastern and Southern Africa is illustrated in the diagram below.

Figure 2.1: Inter-governmental transfers in Percentage in terms of total Local Government Revenues in Some eastern and Southern African Countries (2007).



Source: Adopted from Chitembo (2009:11) Citing Commonwealth Handbook 2007.

Intergovernmental grants also constitute a larger share of total revenue recently to local authorities in most Anglophone West African countries. Jimbao 2009, stipulates that local councils in Nigeria had total revenue receipts not lesser than 78% from the central



government as their share of disbursement. Local authorities in Sierra Leone also received 74% of their total transfer grants, in Ghana also, 60% and in Gambia 65%. However, the most unfortunate is that 100% of the total revenue of local governments is transfer grants from the Republic of Liberia subventions. The major reason for this system is the central government collects all revenues and disburses appropriately.

Averagely, it is common pattern in Africa that the dependency rate on central government transfers to local government is high and this is a deficient in the successful implementation of developmental agenda of the local councils. The transfers are mostly volatile and seldom paid at the right time. For instance, in Tanzania, the budget preparation procedure that includes the projection of local council is mostly developed by the Ministry of Finance. The estimates are normally received by local government authorities at the later period of the budget process (Fjeldstad et al 2010a). Jibao 2009 also argues that local authorities in Ghana receive their first quarter allocations of the common fund sometimes at the second or fourth quarter of the year with the remaining quarters overlapping into the next fiscal year and on.

However, a major challenge in Anglophone African countries is the implementation of a stabilization and fairly transparent system of geared towards closing loopholes that exist between the statutory expenditures and revenue mobilization responsibilities of local authorities (Broadway and Shah 2009).

2.12 Characteristics of Local Government Tax System

Several tax systems in Anglophone African countries ate characterize by greater levels of arbitration, coercion and corruption (Bahiigwaa et al 2004; Juul 2006; Fjeldstad Therkildsen



2008; Prichard 2010; Pimhidzai and Fox 2012). Another deficient of the local government tax system is a huge number of instruments used by the local government institutions (Brasio 2010; Fjeldstad and Semboja 2000). In fact, local authorities could just at a flip raise whatever taxes fees and charges they are capable of raising most a times without analyzing the economic distortions and distribution effects that these instruments could create.

Also, the complicated and non-transparent nature of local government tax system is often expensive to administer and this facilitates corruption and mismanagement (Bardham and Mookherjee 2002). More too, the local government tax system has a distribution effect on revenues allocation decision and this has a negative repercussion effect on new business and the achievement of economic growth (Bahigwa et al, 2004; Devas and Kelly2001; Sander 2003)

This phenomenon is deepened when effective tax rates varies greatly on the goods traded or license fees are set too high for newly established businesses or even small-scale enterprise that might compel them not to survive. A case in Zambia where the variation of tax rates for small and medium size enterprises where effective tax rates sometimes burden firms substantially is a question for deliberation (Mishch et al, 2011). This study went to reveal that there is discrimination tax system for firms with the same sectors. It further discloses that enterprises within the same market and the same municipality pay different types of fees and levies substantially.

Secondly, the level and types of local authorities' revenues instruments out of it their own weaknesses could result in tax burden falling seriously on the poor then on the relatively middle-income earners in local communities. A recent finding from Uganda indicates that



small informal enterprises pay taxes that are regressive (Pimhidzai and Fox 2011). These phenomena culminated as a result of the design of the local revenue system and the manner and ways revenue are collected in the local authorities. As such the policy formulated could be counter production and lead to vulnerability of the informal micro-economic enterprise.

The lack of coordination and cooperation between the central government revenue collection agencies and the local authorities are generally limited. Prichard 2010 mention that in Ghana national tax collection agencies normally report that local tax officials often discourage tax payers within their jurisdiction not to pay national taxes but rather pay only the local taxes .Also on contrary the local tax authorities normally accuses the central government tax agencies for monopolizing the tax base and hence often little support to this course.

The lack of coordination also leads to duplication of taxes in constituencies between taxes imposed by the local authorities and the central government policy to encourage export driven economy.

2.13 Reformation of the Local Government Revenue System in Tanzania

Before the middle of 2003 it was a state; policy that instruct local governments in Tanzania to collect taxes from seventy (70) different sources in the form of taxes, fees and other charges. Also, there were numerous sub-groups of specific revenue instrument implemented. A wide range of taxes were implemented with variations of rates which led to smuggling of tradable goods across the local authorities' bodies with Tanzania.

To make the revenue base robust a more comprehensive local government revenue system was carried out. This led to the nuisance taxes which were expensive to collect and generates



lower revenues rationalized. Also, in the 2004, local businesses licenses were abolished on the grounds that they were disincentive to the development of local enterprises

More also, the Local Government Act of the Republic of Ghana (Act 462) proposes the under-mention as the sources of revenue to MMDAs in Ghana;

1. Special rates,
2. Property rates,
3. Basic rates,
4. License fees,
5. Rent,
6. Investment income,
7. Trading services etc.

Augustine Addo (2010) also mentions that the MMDAs are empowered by law to raise local taxes to finance their developmental operations. These sources of revenue available to the MMDAs include:

1. Basic rates
2. Property rates and special rates

Licenses and rents e.g. market rent, slaughter houses rents, dressing stations rents, kraals licenses, lorry parks rents, sanitation facilities licenses, marriage registration licenses, building permits licenses, birth and death registration, court fines etc.



2.14 Local government Tax collection practices

Local government authorities encounter numerous difficulties in collecting taxes, charges and fees in their respective jurisdictions in Anglophone Africa. Thus, several attempts have been made by most local authorities to find a lasting solution to this societal dilemma. Among the procedures adopted to increase the revenue base of the local councils are;

The means of collecting revenue by local authorities have been sole collection by the staff of the local councils, or the appointed private agents and or central government.

It is worth noting that some assemblies have gone into agreement with the central government where the taxes are normally collected by the central government for onwards transfer to the local authorities.

In Malawi, the central government is mandated to collect non-tax revenue on behalf of the local authorities for subsequent disbursement to the local authorities using a formula established by the central government.

2.15 Utilization of District Assemblies Common Fund (DACF) in Ghana

The 1992 constitution of the Republic of Ghana has made provisions for the establishment of a fund to support the operations of district assemblies and local government institutions to accomplish the objectives of the decentralization process. This process is buttressed by Article 252 of the 1992 constitution which mentions that 'there shall be a fund to be known as the District Assemblies Fund and subject to the provision of this constitution, parliament shall annually make provision for the allocation of not less than five percent (5%) of the total



revenue of Ghana to the District Assemblies for development. The fund is purposely created to strengthen the fiscal capabilities of the district assemblies and give practical meaning to the decentralization process the country has been pursuing.

Kroes (1996) argues that the insufficient revenue mobilized from the internally generated funds is mostly woefully inadequate to meet the general pressing expenditure at the local authorities hence local governments always need grants from the central government. In fact, the percentage of District Assemblies Common Fund allocated to district assemblies has since been increased to 7.5% (Ahwoi 2010).

On the distribution of the DACF Article 252(3) of the 1992 constitution states that ' this fund shall be share among all the districts assemblies in the country using a formula approved by the parliament of the Republic of Ghana. The allocation of the district assemblies' common fund to the district assemblies would be based on a formula that is considered and shared with the use of the following factors;

The Need Factor- This considers the relative deprivation of one district to another. This is essentially considered to narrow the developmental gap between district and region in the country

The Equalizing Factor- This factor ensures that all district assemblies in the country an equal proportion to the DACF.

The Responsiveness Factor- This provision also ensures that District Assemblies are allocated greater allocations of DACF for the fact that they have been able collect higher internally generated funds. It encourages district assemblies to mobilize higher revenue.



The Service Pressure Factor- District assemblies with greater population density are allocated more from the DACF. It caters for the pressure exerted on facilities and deterioration of the facilities.

The Reserve Fund- The district is oblique by the constitution to set aside ten percent (10%) of DACF by all districts Assemblies. It is to be shared among the Members of Parliament in the districts to cater for their constituencies' projects, for the Regional Coordinating Councils for monitoring purposes and for bulk purchases for all District Assemblies (Banful 2011).

2.16. Revenue Mobilization and Procedures of Collection in Ghana

According to the Local government Act 462, MMDAs shall raise revenue from two main sources, i.e., the funds from central government and the internally generated funds. The leadership of the District Assemblies is therefore obliged to employ properly acceptable procedures to collect revenue with the use of approved sources. All the money collected is therefore supposed to be lodged in the Assembly's designated bank account (Accounting Manual 2011).

The District Assemblies normally contract commission collectors to collect revenue at a fee or its uses staff. These revenue collectors are normally issued with ledgers, daily report books and identification cards. At the end of the day, the ledgers are collected and checked. The used and unused ledgers are returned with the daily report and serial Numbers are recorded on both the used and unused books. These are normally submitted to the senior collectors for verification. This study discloses that the few that are available and ready to work lack skills



in management systems and financial budgeting. Below are the few challenges encountered by Revenue Staff in revenue collection and management;

2.16.1 Lack of capacity to retain qualified personnel

These local government authorities and administration also lack the needed resources to retain and motivate these qualified personnel to work so as to bring about the desired development expected.

2.16.2 The dependence syndrome

This officer shall scrutinize the documents and passes them through the progress sheet. The revenue collected is then delivered to the Finance Officer to up-date the register (MMDAs manual 2010).

2.17. Reasons that Account for Poor Revenue Collection in Nigeria

The under mentioned constraints have been the causes of low local revenue generation in Nigeria as stipulated by Adedokum (2007). Among the constraints he identifies are;

Even though there have been numerous constitutional provisions that try to wean local governments from state controls many of the local organizations still have much constraints to function properly.

This had persisted for many years because the statutory allocations and internally generated funds had always been controlled by the state governors through transfers and manipulation when disbursing the financial resources to the local government organizations. A larger proportion of revenue generated by local governments in Nigeria comes from external sources. These sources are normally disbursements from federal and state financial transfers



allotted to local authorities in a form of grants, statutory allocations, VAT, loans and receipts etc. The chunk of external sources serves as a hindering to greater internally generated revenue as many of the local administrations feel comfortable funded and controlled.

2.17.1 State control over local budget

The huge power the state has in the control of local government budget is also a factor that hinders the process of effective decentralization. The tradition that local government budget, must pass through series of approval at the state and a federal level is a cause for concern. The undue delay for several months before the annual budget is approved is a major financial challenge in the administration and execution of programs; i.e. the payment of remuneration and financing of infrastructural projects. Based on this predicament, a greater number of local government leaders in 1996 vehemently condemned the formula of allocating revenue to the local governments. The formula mentioned that equality takes 40%, Population allotted 30, Land mass 10%, Social development factor 10 % and internally generated funds 10%. The senior executives felt the formula was not encouraging the local government to be autonomous over the state and federal governments.

2.17.2 Corruption

A greater number of local government staff who has questionable characters sometimes connives with the citizenry to cheat the state when paying their statutory taxes. In fact, some officials do divert the council revenue or sometimes manipulate the payment process just to cheat the councils. The few that collect this revenue sometimes also lodge the funds in private accounts to yield interest before they declare the revenue collected.



2.18. Conditions that Cause Low Revenue Mobilization in the Local Government Level

Ayee (2003) stipulates the under mentioned reasons for low revenue mobilization at the local level of governance.

- a. Inadequate capacity of revenue collection staff to mobilize the desired revenue and enforce the revenue collection bye-laws,
- b. Explicit and deliberate evasion of taxes and unwillingness of the citizens in honoring tax obligation.
- c. Corruption and deliberate embezzlement of tax revenue collected.
- d. External pressure on the department of councils in making budgeting projection that cannot become operational.
- e. Political influence on the councils to relax tax collection and administration policies during election years.
- f. Weak budget formulation and implementation policies.

2.19 Reasons for low Revenue collection in the Asuogyaman District

The Asuogyaman District Assembly in conjunction with MolGRD, Private Public Partnership arrangement and Marks Publication and Media Services also unravel the following as being the reasons that account for low revenue generation in the district;

Inadequate revenue collectors

- i. The use commission collectors is not properly monitored
- ii. Inadequate data on revenue sources leading to ad-hoc approach to revenue collection, thus the setting of persistently over estimated or under estimated targets



- iii. Laxity in the management of existing sources.
- iv. Lack of enforcement of revenue mobilization by-laws
- v. Low caliber of assembly members and junior staff.

2.20 Constraints of Revenue Mobilization in the MMDAs.

The decentralization concept has imposed several responsibilities on the MMDAs. They are expected to control the total development of their coverage area. As part of their responsibilities the MMDAs are supposed to design and implement their internal revenue plans effectively to raise the needed revenue that would meet their developmental agenda. The districts have made significant progress in revenue as they sometimes raise about sixty percent of the revenue to be collected, yet still; they are constrained severally when the need arises for them to collect revenue. Among the constraints bedeviling the district assemblies in revenue mobilization are;

- i. The lukewarm attitude of taxpayers towards payment of taxes.
- ii. Apathy on the part of revenue collectors.
- iii. Lack of enforcement of by-laws on the payment of rates.
- iv. Poor tracking of economic activities.
- v. Poor record keeping.

With the above stated challenges that curtail the quick implementation of the decentralization process, the challenges can also be grouped into four thematic areas. That is low level of local government autonomy, fiscal independence, lack of capacity and participation, and low level of local government autonomy.



Even though successive governments have made tremendous efforts for decentralization to be deepened in the local level, it is still seen to be rhetoric as the political commitment on central government to the devolution of power to the local level is mostly restricted. In Ghana, it is clear that the autonomy of local government was mostly compromised and undermined in several ways which points that the central government control remains very real.

Nkrumah (2000) stipulates that the state wields much power and influence over the local government machinery in several levels. Thus, in the levels of presidential appointments, non-partisan elections, administration control economic controls and other developmental programs respectively.

The local government machinery is mostly restricted or controlled by central government in the distribution of the national cake. This is usually, the result of the inability of the local authorities to be financially autonomous. Base on this underpinning challenge, decentralization could only be successful in a local authority when the district is fiscally independent, where their financial resources commensurate their responsibilities and the powers of the law enforcement agencies assist are proactive in ensuring that the right revenue is collected from taxpayers.

According to Nkrumah (2000), the local government authorities have three sources of raising revenue in their respective jurisdictions. These are District Assemblies Common Fund (DACF), the ceded revenue and taxes collected locally. The DACF is the main source of revenue-for the district assemblies. The provision of a constitutional guarantee that a certain percentage of the national purse be allocated to the fund normally serves as reliable fund for the assemblies. Even though payments from the fund seldom come these years it has received



a significant increase. For instance, 38.5 billion was disbursed in 1994 and 165 billion in 1999 (Nkrumah 2000:63). However, there is still the question of whether the state actually allocates the 5% of total annual revenue to the fund as mandated by the District Assembly Common Fund (DACF) law. This was disclosed by USAID that government only disbursed 4.3% of actual annual revenue to the fund over the period. (USAID2003:15).

Also, there are serious arguments that the minimum disbursement of 5% is insignificant and hence it should be beefed up, as the responsibilities of the district are so numerous.

Another significant area of raising revenue by the districts is ceded revenue. It is levies collected from entertainment centers, casinos, betting advertisement taxes other lesser taxes. (Aye 2000:32).

Local authorities depend largely on central government when they need financial resources to finance their developmental projects. However, they are blessed with attractive avenues to raise revenue that could wean them financially from central government if they have revenue raising powers. But Nkrumah mentions that the lucrative tax field to raise revenue includes: income tax, sale tax and import duties which are normally collected by the central government. Whiles they depend on only basic rates and market tolls.

With the extensive responsibilities granted by decentralization to district assemblies, a serious predicament that came was their weak capacity of revenue mobilization. It came up that they were weak in raising the needed revenue to accomplish their financial agenda; they also lack fiscal independence and mostly depended largely on the central government for their financial resources. The bane of this constraint was that the assemblies had a problem of lack ability to



raise revenue and hence were limited in capacity. Oyugi (2000:12-3) raises concern that the over-dependence of the local government authorities on central government in terms of funding leads to loss of operational autonomy of the district assemblies.

2.21. Strategies to be adopted to enhance Revenue Mobilization in the MMDAs

According to Korkor (2003) effective revenue can be generated by the MMDAs when the under mentioned conditions are taken into consideration:

- i. Re-orientation of the corporate bodies, property owners, citizenry, etc. on the need to honor tax obligations,
- ii. Evaluation and proper assessment of all immovable assets to ascertain actual tax payment,
- iii. Fresh registration of all businesses to avoid tax evasion,
- iv. Building capacity of revenue collection personnel,
- v. Seeking assistance from security officials and revenue tax forces in the enforcement of MMDAs bye-laws and tax collection.

The potential areas that the MMDAs can raise the needed revenue for the enhancement of the positive achievement of the local authorities have to be worked on assiduously. More importantly with the following sources of revenue; property tax, fees, trade licenses and renting out market stalls, and shops.

Management need to tailor out a workable plan to reduce cost of administration and project costing.



Management could also apply effective and prudent management practices that could increase revenue like the under-mention techniques:

Creation of data base-it can be done by mapping and registering all business shops, and property within the district. This would enable management to prepare a realistic estimates and appropriate annual review of the area. The data base could be carried out through the following processes;

1. Identification of all properties,
2. Registration of properties
3. Valuation or assessment of properties,
4. Billing
5. Collection
6. Enforcement of by-laws;
7. Review of district assembly by-laws
8. Capacity building of through continuous training of district assembly staff,
9. Contracting to the private sector.



2.21.1 Strategies to be adopted in improving Performance

- i. Documents for ratable persons and tenement
- ii. To facilitate the developmental agenda of the district in the planning and execution of revenue collection the district is oblique to enforce the function of the geographical main controls area. The control area is segmented into sub-controls areas. A ledger

book is then assigned to a sub-control area. The ledger book is further segregated to more managerial proportions.

- iii. The area is given revenue code, revenue code can shed and accounts number are the signs that differentiate a ratable person and tenement in any sub-control area (MMDAs Manual 2010)
- iv. Periodic Revenue collection Mechanism to be adopted by a District
- v. In practice, a sub-control area must constitute a program of revenue collection in the mid-month for the ensuing month. The unit or area council in the MMDAs must establish a unit committee in the main control showing the date revenue should be collected and at what specific time (MMNDAs Manual 2010).

2.22. Prospects of Mobilizing the requisite Revenue for the MMDAs

According to Ziaria (2008) the under-mentioned can be some of the important ways or prospects of raising revenue in MMDAs.

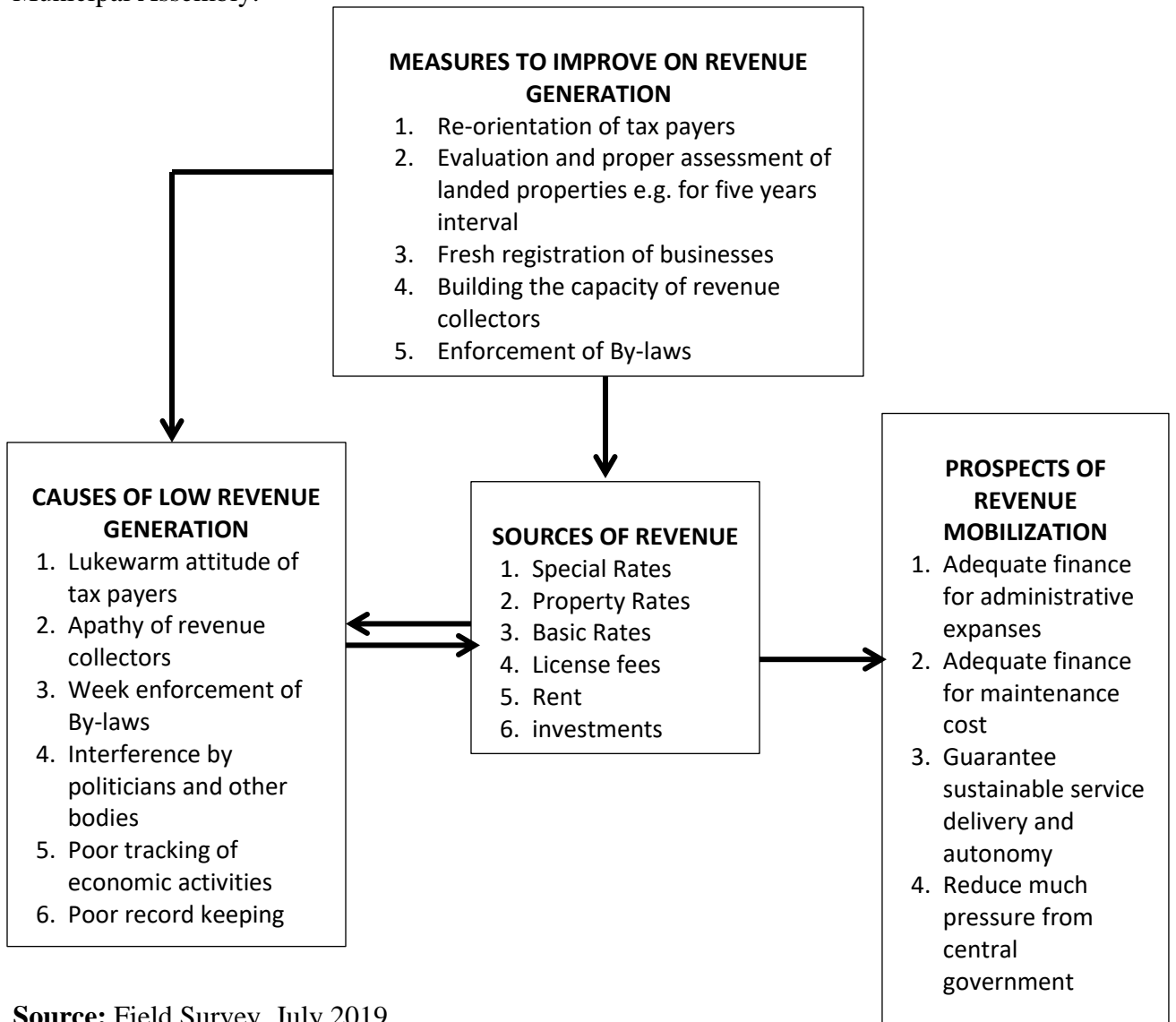
- i. To finance administrative expenses,
- ii. To finance maintenance cost,
- iii. To guarantee sustainability of service delivery and autonomy of the local government authorities,
- iv. To regulate the activities of corporate bodies or businesses and provide the needed developmental projects peculiar to the area.
- v. To reduce much pressure on central government and other philanthropic bodies.



2.23 Theoretical Framework on Revenue Mobilization

This theoretical framework compares the relationship of sources of revenue generation and revenue prospects. It further shows the implications of the measures that could enhance the sources of revenue. None the less, the framework depicts the weaknesses of the measures which invariably could lead to low revenue generation.

The diagram below shows the theoretical framework of revenue generation in the Sagnarigu Municipal Assembly.



Source: Field Survey, July 2019



2.24. Summary

District Assemblies in Africa and for that matter Ghana have faced several challenges of which revenue collection and administration is the predominant challenge. The dilemma of revenue collection in Ghana has been a serious constraint since the era of the colonial administration period and it is one of the socio-economic constraints that still send the nation backward. Base on this, the framers of the local government system argue that a high revenue mobilization was a key for effective development of every local authority if well administered.

In addition, the decentralization concept practice in many African countries has spelt out the benefits that shall accrue to the administration of district assemblies if the requisite revenue is collected at the right period. The decentralization concept has therefore enumerated comprehensive ways of revenue collection backed by legislation. Unfortunately, because of lack of capacity, most districts assemblies do not generate adequate revenue, which is a key problem of fiscal decentralization. The picture enumerated in the literature review systematically mention that many district assemblies in most developing countries and more importantly Ghana has over relied solely on the District Assemblies Common Fund which rarely come and most occasions suffers from bottlenecks of inadequacies and bureaucracies, which in effect hampers effective growth and development.

To resolve the challenges which impede the speedy development of local authorities in Ghana, despite the fact that frantic efforts have been made to enhance the revenue base at the local level, the local governments must act swiftly to ensure that the various Districts Assemblies Bye-laws are strictly observed without any interference. Perhaps, importantly it



would be prudent to mention categorically, that if adequate strategies are employed enormous prospects could be earned in accomplishing the developmental agenda of the local authorities which is the enviable goal every assembly is yearning for.



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter three would present a detailed description of the area chosen, sample size and sampling, instruments data collection procedures and analysis of the data.

This methodology section of the research is critically important as it spells out the methods applied in the research work. With regards to the research problem and objectives, the researcher used the descriptive method of data analysis.

Also, quantitative and qualitative methods of data collection was employed and analyzed to address the research questions. The researcher did also carry out quantitative data collection in Sagnarigu Municipal Assembly with the use of financial data on revenue and expenditure collected over a period which was then analyzes effectively.

3.2 Study Area

This research is carried out in Sagnarigu Municipal Assembly which was carved out of Tamale Metropolitan Assembly in the Northern Region. The Municipality stretches from the Tolon from the west, extends to Kumbungu District, and takes a boundary to the north-east of Savelugu Municipality. Sagnarigu Municipal Assembly is one of the forty-six (46) Municipal/Districts that were inaugurated on the 24th of June, 2012 by the Late President Atta Mills. It was then named as a District Assembly and subsequently renamed as a municipal Assembly in 2018.



According to the Population and Housing Census conducted in 2012, the Sagnarigu Municipal assembly catchment area is blessed with a population of about one hundred and sixty thousand (160000) people. However, this report also went further to mention that the Assembly has a larger illiterate population mostly dominated in the Pere-Urban communities.

A survey conducted by the Municipal assembly also indicated that the area is endowed with on-going housing and other developmental projects coupled with business opportunities but seriously handicap in collecting the said revenue to finance the projects and programs Sagnarigu municipality is yearning for. Therefore, it is prudent to assess the revenue generated, by all persons, business organizations that are by the assembly by-laws legible to pay taxes in order to fast-track development of the municipality. However, it is a major problem for management of the municipal assembly to even determine who to pay and how to collect revenue from the residents. The assembly itself is not well-resource to collect the needed revenue and as well educate residents and businesses on the essence of payment of tax to the assembly.

To address this financial setback, an investigation of this kind is indeed has to be embrace by members within the jurisdiction of the municipal assembly as the research has been done to collate data from management staff (Municipal Planning Committee), permanent revenue collectors, the Municipal Commission collectors, Staff of Town and Area Council, Organizations that pay larger taxes to the assembly, and the Assemblymen and Women. The data was collated from these said categories of people because they are the major players in revenue collection, management and administration of developmental projects and programs in the Assembly as well.



3.3 Research Design

A research design could be explained as the plan structure and investigation adopted to find answers to research questions and problems. The plan is the scheme or the program of research to be executed. Thyer (1995) stipulates that research design is the blueprint or outlined plan spelling out research study to be completed, or operational so as to make the process measurable.

Completed, operational in order to make the process measured in sampling the issues that have to be studied alongside the data to be used and as well analyzed the results. A research design could also be the arrangement of conditions, collection and analyze of data in a manner that aim to combine relevance to the research purpose with economy in procedure (Selltiz et al, 1962).

The researcher adopted the cross-sectional study design to study the phenomena of the society or environment by taking a cross-section of it's at a particular time (Babbie, 2005). By this design the researcher decided what is to be found out, identify the study population, and collate data from the selected source of respondents (tax payers in the districts).

The cross-sectional design seems to stand tall as far as this study is concern, as it involves a single content with a cross-section of the study population which is male and female petty traders, business and corporate bodies located within the district. This would enable researcher gather adequate data regarding revenue mobilization in order to analyze and draw conclusion as compared to longitudinal or trend analyze as well as before- and- after design.



Hence cross-sectional design approach is comparatively cheap and also easy to undertake and analyze.

The researcher did also employ descriptive survey to examine the variables of the study. This method was adopted to investigate the opinion of respondents on revenue mobilization in the Sagnarigu District Assembly with regards to the constraints and prospects.

This investigation would further also adopt a qualitative approach in examining the variables.

3.4. Types of Data

The researcher carried out this work by relying on both primary and secondary data sources. The sources of data used in the research work are explicitly discussed thereof.

3.4.1. Primary data

The researcher sourced primary data from the following categories of respondents in the research expedition. Thus males and female petty traders located in Sagnarigu Municipal Assembly. These groups of people were contacted to obtain firsthand information on the problems on revenue collection in the municipality as they contribute greatly to the revenue basket of the district.

Businesses and corporate bodies were also contacted to get their views on the constraints and prospects of revenue collection in the district. Opinion leaders and other stakeholders who matter regarding to the mobilization of revenue were also contacted where they made significant suggestions that could help in the revenue drive of the municipal assembly



3.4.2. Secondary data

The researcher consulted several available sources of secondary materials to gain an insight into the current practice, theories and solicited opinions from the public domain that could help to support the assertion that constraints and prospects of revenue mobilization in the municipal assembly are a setback. Most of materials relied on in this regard included textbooks, journals, magazines, and other materials from the 1992 constitution, the local government Act 462 Act 1993 and other relevant materials from the MMDAs.

3.5 Sampling

This is the process of selecting a few (a sample) from a large group or sampling population to serve as a base for establishing or predicting the prevalence of an unknown piece of information situation or outcome regarding the bigger group (Babbie, 2005). Hence a sampling is a sub-group of the population.

3.5.1. Sampling unit

The sampling unit under this research findings included males and females' petty traders, businesses and corporate bodies, management and staff of the Sagnarigu Municipal Assembly. A total of 120 respondents were selected from the interest groups in municipal assembly catchment area. These included 70 females and 50 males across all the levels of the interest groups.



3.5.2 Sample Size

The researcher did employ the assistance of one hundred (100) respondents and twenty (20) participants representing the non-respondent's ratio given a total of one hundred and twenty (120) respondents for the purpose of this study. The one hundred and twenty (120) respondents were people who owned business and properties of some kind and eligible to pay tax to the Assemble. The business owners, petty traders and property owners were categories into three groups using cluster sampling techniques and all members of each group were given equal opportunity to be selected using the probability sampling technique to be part of the study. This sample size was arrived at base on the data received from the Assemble for eligible tax payers. The researcher distributed one hundred and twenty (120) questionnaires to make room for default in submission just to ensure that the right numbers of questionnaires were analyzed.

3.5.3 Sampling Techniques

Sampling techniques are imperative in the investigation of an issue related to social life. Twumasi (2001) stipulates that in making findings a question that normally come to mind is when an investigator begins to select a sampling technique are;

How wide coverage is considered adequate; what type of respondents would be able to give answers to the research questions; will the selected group of respondents be adequate representation of the popular views of residents in the municipality; what typical groups of respondents are available; and whether a typical community can be selected; With the above scenarios the researcher used both probability sampling and non-probability sampling



methods. With the probability sampling method, the technique employed included simple random sampling and on certain occasions cluster sampling technique which gives every respondent in the population an equal opportunity to be part of the targeted sample. The non-probability sampling technique included purposive sampling which is a deliberate selection of respondents of the sample size base on meeting certain criteria like in-depth knowledge member of a group and education.

The researcher also adopted purposive and quota sampling technique to cater for the varied categories of people in the Municipal Assembly. In fact, the researcher did appeal to the conscience of the respondents to accept and be involved in the findings.

Also, the researcher utilised the personnel who are directly involved in revenue collection in the Municipal Assembly. This measure was employed because the researcher needed accurate and credible information.

Last but not least, even distributions of all the categories of respondents were identified, for the study.

The sampling technique adopted ensured that twenty-five (25) respondents were selected to represent each of the four (4) sections of the Municipal Assembly.

3.6 Data collection instruments

Under this stage, triangulation of instruments adopted included interviews and focus group discussions as qualitative method were employed in the collection of data as well as the use of questionnaires as a form of quantitative method. The interviews carried out generated



qualitative data. This was mostly formal and informal conversation between the researcher and the interviewees on the topic under study. This process adopted entailed a question answer form or free-flowing conversation. In furtherance to the above the researcher employed semi- structured interviews which enabled the interviewer to stay focus while allow for new ideas in free-flowing form.

The interview technique adopted by the researcher was chosen for the purpose of ensuring detailed or in-depth information about revenue mobilization in the municipal assembly. More also the technique has an advantage of ensuring higher expected response rate as compared to other techniques. Also, the technique has a chance of recording fewer incorrect respondents resulting from human errors like respondents misunderstanding of some of the questions due to lack of clarity.

The focus group discussion employed is also an important tool that gathers qualitative information. Under the focus group discussion, a small group of (6-10) member discusses a subject spontaneously while being guided by the facilitator. Due to the use of interview technique it is referred to as focus group interviewing (Berg, 1995) as cited in Sarantakus (2005). The method entails selection of individuals with particular interest and expertise to form groups by bringing them together in the same venue for the introduction of the topic (constraints and prospect of revenue mobilization). By the researcher who acts as a facilitator and as well encourage members of the group rather than between the members and the researcher. For the group to be effective it is normally prudent that the researcher should have knowledge in the thematic area, expertise in the theme, interest and be a good facilitator.



The focus group discussion guide was adopted in some instances to enable the researcher gather wide and important data within a short period to address the challenges of time and inadequate resources. The guide also serves as a platform for tax payers to have their voices heard. With regard to the use of questionnaires as a quantitative instrument a questionnaire is seen as a written list of questions than answers are provided and recorded by respondents. For a questionnaire, the respondent read the question interpret what is expected and then write down the answer (Tamakloe et al, 2005). The questionnaire as a Tool was employed because of the study area and the population to be considered was indeed very large. Hence to ensure much representation of all tax payers the questionnaire technique was chosen and employed.

3.7 Data Collection Procedures

There are several methods of data collection in research work pertaining to social life and commerce. But it is imperative to know that the method chosen has to be suitable to the phenomena under study. For the purpose of certainty, it is necessary to use methods more than one (Twumasi, 2001). ‘There is no protocol to be followed in the use of any of the designs or procedures that should be adopted base on its circumstances and guided by judgment of its propriety and its usefulness’ (Blumer, 1970) as cited in (Sarantakus, 2006:152). In this regard and the quest to carry out a perfect finding, the researcher deems it fit to employ interview guide, focus groups, and survey questionnaires in the data collection process.

The qualitative survey questionnaire was administered to all the 120 respondents in the various levels of local level tax collection and management assisted by the very able Research Assistants. Based on the commitment of the research assistants and respondents the research recorded a 100% response rate.



On the data gathered during focus group discussions 5 female petty traders and 3 small scale businessmen transacting their businesses within the district were put in a group alongside one revenue collector supported by two assemblymen at a suitable venue. The researcher then introduces the topic; constraints and prospects of revenue mobilization in the Sagnarigu Municipality. As a facilitator, the researcher guided the discussion so as to address the research topic, encourage the discussion among members of the group whiles stay neutral. The discussion was observed and recorded. The 12 respondents were chosen because of their expertise, influence and achievement. They were interviewed to explain further group discussions. The interview schedule was prepared and the researcher met the interviewees' one-to-one bases. The session involved each individual interest at a little distance for interaction which was structured to avoid leading and double barrel questions.

At the end of the interview session the researcher thanked the interviewees. In furtherance to that an open forum was given for comments if any about the interview. To ensure that ethical acceptance was adhered to, in the process, researcher adopted measures that assured respondents that the information provided would be managed confidentially. In fact, the researcher kept on reminding respondents that investigation was purely for academic exercise and also more importantly, a project work to assist their swell cherishes Sagnarigu District Assembly.

3.8. Data Analysis

The raw data collected would not make any meaning unless it is subjected to critical organization, through proper analyzes and scientific interpretation. The researcher administered the questionnaires exhaustibly on the bases that; focus group discussion was



carried out and interviews well conducted. Then, the raw data collated was systematically arranged and carefully organized in a manner to help facilitate an effective analysis.

Interviews design and focus group discussions were both on qualitative hence the analysis was carried out in a similar process. In a nutshell the data collection and analysis process were executed simultaneously. The researcher earnestly began the analysis the very moment focus group discussions, or interview started. The under-mention levels of performance were observed;

- i. The researcher organized the data by reading the field notes collected and listen to attentively to the recordings made
- ii. The themes and categories were created to make meaning to colour coding
- iii. The data was analyzed and interpreted as soon as the themes or categories had been identified
- iv. The relationship common to categories was then established,
- v. Lastly, a report was written to give a clear attention of the finding carried out by the researcher.

With regard to the quantitative survey questionnaires, analysis was executed successfully by the use of Statistical Product and Service Solution (SPSS). The data was done on few questionnaires presumed to have risen with challenges pertaining to coding errors. The researcher then, processes and analyzed the data into tables and graphs including cross-tabulation. At the end of the investigation the researcher came out with a report that give a clear description of the study and findings made.

The raw data collected would be organized and interpreted appropriately.



The interviews conducted, and discussions would be effectively carried out, systematically organized such that it would facilitate effective analysis.

3.9 Time lines

The research work was carried out over a period of six (6) months. The first two (2) months was used to collect data using semi-structured interviews.

The data collected was diligently analyzed over a period of another two (2) months.

The findings were discussed based on the analysis made, conclusions drawn and recommendations arrived at using the remaining two (2) months.

3.10. Summary

The methodology employed by the researcher regarding the research topic “The constraints and prospects of revenue mobilization” can be looked at from the following themes; research design, types of data, instruments of data collection, sampling, procedures of data collection, techniques of data employed, data analysis and timelines.



CHAPTER FOUR

DATA PRESENTATION ANALYSIS AND INTERPRETATION

4.1 Introduction

This section reports on the data results carried out. It deals with the profile of the study area which encompasses areas the physical characteristics of the area, the population characteristic of the area, the population characteristic and as well as the demographic features of the study area. It as well analysis and interprets the data collated.

4.1 Physical Characteristic of the Area

The Sagnarigu Municipal Assembly is located at the North-Eastern part of Tamale Metropolitan Assembly and shares a boundary with the Tolon District assembly west and also shares boundary with Savelugu Municipal Assembly and Kunbungu District Assembly to the north of the municipality. It further shares boundary with the Nanton District assembly to the eastern corridor of the Municipal assembly.

4.2 Demographic Characteristics of the Municipality

Sagnarigu Municipal Assembly is populated with about 154980 people. It was inaugurated in 2015 as a District Assembly and further upgraded to a municipal status in 2017. Per the increasing nature Tamale Metropolitan population, it was deemed necessary for the assembly to be divided hence the birth of the Sagnarigu Assembly. The Assembly is considered to be the fasters in population growth and residential accommodation. The reason attributable to



this is the continuous springing up of residential accommodation as well as the shift of businesses activities of most commercial activities to this area of Tamale.

Table 4.1: Sex Distribution of Respondents

		Sex of respondent			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	62	62.0	62.0	62.0
	Female	38	38.0	38.0	100.0
	Total	100	100.0	100.0	

Source: Field Survey June, 2019

In this study males and females' staffs of the Sagnarigu Municipal assembly were contacted to administer the questionnaires. A total of 120 questionnaires were given out of which 100 questionnaires were administered and retrieved. The study reveals that sixty-two of the respondents who answered the questionnaires were males representing sixty-two percent (62%) of the total respondents. Then also per the findings thirty-eight respondents were females representing thirty-eight percent (38%) of the entire respondents. The data therefore depicts that majority of the respondents used in the study were males. This means that, the Assembly Staff is male dominated.



Table 4.2: Age of Respondents

Age of respondent					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21-29	22	22.0	22.0	22.0
	30-39	42	42.0	42.0	64.0
	40-49	28	28.0	28.0	92.0
	50-59	8	8.0	8.0	100.0
	Total	100	100.0	100.0	

Source: Field Survey June, 2019

This table examines the age characteristics of the respondents in the study. The results from the study reveals that majority of the respondents were in the age range of 30-39 years representing 42% of the total respondents. This was closely followed by respondents with ages between 40-49 years which is 28% of the total respondents. Ages between 21-29 years were 22% while the ages between 50-59 years were barely 8% of the total respondents.

Hence, it can be concluded that majority of the respondents in the study were both youth and adults. Therefore, it can be deduced that more revenue could be generated by Assembly with effective monitoring and supervision of this youthful groups. Indeed, they are physically strong, and more importantly capable to endure the harsh weather and other challenges in raising the needed revenue.



Table 4.3: Status of respondent

		I am a ...			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Permanent revenue collector	25	25.0	25.0	25.0
	Staff of Urban/Town Area Council	21	21.0	21.0	46.0
	Assembly Member	22	22.0	22.0	68.0
	Commission Revenue Collector	17	17.0	17.0	85.0
	head of Department/DPCU	15	15.0	15.0	100.0
	Total	100	100.0	100.0	

Source: Field Survey June, 2019

Also, the researcher carried out a survey in the various position or roles taken by members of Sagnarigu Municipal Assembly to ascertain their status of employment. The results of the study revealed that employees of the Assembly were permanent, revenue collectors, commercial revenue collectors, Staff of Urban and Town Area council, heads of departments of the decentralized bodies, and Assembly Members who represent the various Electoral areas of the Municipality. Per the study, Permanent Revenue collection Staff was 25% of the total respondents. 22% of the respondents representing good number of participants were Assembly Members. This was closely followed by Staff of Urban, Town and Area council who contributed 21% of the respondents. Commercial Revenue collectors engaged by the Assembly constituted 17%. Whiles 15% was Heads of Departments. From the survey it can be deduced that 60 % of the respondents were actually engaged in the collection of revenue. The rest of the respondents were either administrative staff or policy makers in the Assembly.



The skeletal number of revenue collection staff in the Assembly could have a significant implication in revenue collection.

Table 4.4: Working Experience of Respondents

		Number of years working in the Assembly			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-4yrs	59	59.0	59.0	59.0
	5-8yrs	22	22.0	22.0	81.0
	9-12yrs	11	11.0	11.0	92.0
	13-16yrs	2	2.0	2.0	94.0
	17 and above yrs	6	6.0	6.0	100.0
	Total	100	100.0	100.0	

Source: Field Survey June, 2019

The study also revealed that the respondents had varying degree of working experience at the Sagnarigu Municipal Assembly and other MMDAs. The analysis depicts that majority of the participants had worked with the Assembly for not less than five (5) years.

Specifically, respondents representing 80% of the total respondents indicated to have worked with the assembly and other Assemblies in the past five (5) years.

Also 20% of the total respondents mentioned to have worked with the Assembly and other Assemblies for period between 6-10 years. With this longer period of working experience, the Assembly has the men to mobilise the needed revenue.



Table 4.5: The Capacity of the Assembly in Revenue Mubilisation

Capacity of Sagnarigu Municipal Assembly in revenue generation					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very effective	8	8.0	8.0	8.0
	Effective	67	67.0	67.0	75.0
	Ineffective	23	23.0	23.0	98.0
	Very ineffective	2	2.0	2.0	100.0
	Total	100	100.0	100.0	

Source: Field Survey June, 2019

The analysis further revealed that the Sagnarigu Municipal is capable in raising the needed revenue. Per the findings 67% of the respondents did affirmed that the Assembly was capable to execute the strategies in raising the required revenue. Also, out of the total respondent 8% said the Assembly was very effective in raising the estimated revenue. A total of 25% out of the respondents had issues with the capacity of Municipal Assembly in raising revenue.

It therefore can be concluded that Sagnarigu has all that it takes to raise the budgeted revenue with a total of 75% affirming the Assembly capability.



Table 4.6: Revenue mobilization processes in Sagnarigu Municipal is cumbersome

Revenue mobilization processes in Sagnarigu municipal cumbersome					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	I strongly agree	21	21.0	21.0	21.0
	I agree	36	36.0	36.0	57.0
	I don't agree	17	17.0	17.0	74.0
	I disagree	21	21.0	21.0	95.0
	I strongly disagree	5	5.0	5.0	100.0
	Total		100	100.0	100.0

Source: Field Survey June, 2019

The researcher also requested the respondents to rate the Municipal Assembly in terms of the difficulty levels of revenue collection in the Assembly. Out of the total respondents who administered the questionnaires, 21% strongly agreed that revenue collection was very difficult as many businesses were not prepared to honour their tax obligations. 36% of the respondents also responded that organization and persons are not interested to pay tax to the Assembly. However, 17% of the total respondents did not agree that revenue collection is difficult. 21% of the respondents disagreed that revenue collection was difficulty. Only 5% of the total respondents did also strongly disagree that revenue collection was difficult in Sagnarigu Municipal Assembly. Per the data it can be deduced that, 57% of the total responded that revenue mobilization in Sagnarigu Municipal was cumbersome base on the processes involved. This therefore is a caring call on the Assembly to fashion out the necessary processes to mobilise the budgeted revenue to finance the assembly developmental agenda.



Table 4.7: Sagnarigu Municipal Assembly has an effective/efficient strategy in revenue mobilization

Sagnarigu Municipal Assembly has an effective/efficient strategy in revenue mobilization					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	I strongly agree	14	14.0	14.0	14.0
	I agree	51	51.0	51.0	65.0
	I don't agree	20	20.0	20.0	85.0
	I disagree	13	13.0	13.0	98.0
	I strongly disagree	2	2.0	2.0	100.0
	Total		100	100.0	100.0

Source: Field Survey June, 2019

This response was to affirm the effectiveness or efficiency level of the Municipality in the implementation of the Assembly's revenue mobilization strategies. Out of the total respondents 51% agreed that the Assembly strategies adopted were effective and efficient in the revenue mobilisation derive. Also, 14% of the total respondents did affirm strongly that the Assembly has effective and efficient strategies to mobilise the budgeted revenue. However, 20% of the entire respondents did stated that they were not sure whether the Assembly has the effective and efficient strategies to mobilise the needed revenue. In contrary, 13% of the respondent said they disagree that the Municipal Assembly has what it takes to raise their budgeted revenue. In support of this, 2% of the total respondents strongly disagreed that the Sagnarigu Municipal Assembly has effective and efficient strategies to mobilise the revenue needed to prosecute its developmental agenda. Per the data it can be concluded that 65% of the total respondents were sure that Sagnarigu Municipal Assembly is



poised to raise the needed revenue, hence with proper coordination and support from management the Assembly could mobilise the budgeted revenue.

Table 4.8: Conversance with the accounting reporting procedures of revenue collection

Conversance with the accounting reporting procedures of revenue collection					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	I strongly agree	19	19.0	19.0	19.0
	I agree	47	47.0	47.0	66.0
	I don't know	22	22.0	22.0	88.0
	I disagree	12	12.0	12.0	100.0
	Total	100	100.0	100.0	

Source: Field Survey June, 2019

This response was to ascertain whether or not the Assembly was adhering to the financial administration Act in reporting. 19% of the total respondents strongly agreed that the Assembly was reporting in adherence to the financial administration Act. 47% of the respondent did also affirm that the right Accounting practices and procedures were being used in reporting. Contrary to this, 22% of the respondents stated they were not aware as to whether the proper reporting procedures were being followed in reporting by the Assembly.

More also, 12% of the total respondents did said they disagreed that the Assembly was in effect adhering to the accepted procedures and practices of reporting. From the data it can be concluded that over and above 66% of the respondent admitted that Sagnarigu Municipal Assembly was following the acceptable procedures of reporting even a little over 10% of the entire respondents disagreed that the right procedures were being adhered to. Perhaps, more training and recruitment of competent staff could help in enhancing the capacity of the



Accounting staff report their financial statement in adherence to the requisite accounting procedures and practices.

Table.4.9: If your response is positive to Q10, do you implement the procedures

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	59	59.0	59.0	59.0
	No	11	11.0	11.0	70.0
	I am not sure	30	30.0	30.0	100.0
	Total	100	100.0	100.0	

Source: Field Survey June, 2019

The researcher used this questionnaire to explore as to whether the assembly was implementing the accounting procedures. Out of a total of 100 respondents, 59% responded positive that the procedures were being implemented. Only 11% of the entire respondents disagreed and responded negatively that the right procedures were being implemented. In contrast to the above, 30% of the respondents were not sure as to whether or not the right procedures were being implemented. It therefore can be concluded that over half of the respondents are aware of the proper implementation of the right procedures. Perhaps majority of the Assembly cannot read meaning out of the proper practices adhered to or the annually Auditors Report can attest to proper adherence.



Table.4.10: Do you have proper systems of control in the administration of revenue collection in the Assembly

Do you have proper systems of control in the administration of revenue collection in the Assembly					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	59	59.0	59.0	59.0
	No	10	10.0	10.0	69.0
	I am not sure	31	31.0	31.0	100.0
	Total	100	100.0	100.0	

Source: Field Survey June, 2019

Internal controls well enforce in every organization could help boost its activities especially when it is about prudent management of financial resources. It therefore behooves on Sagnarigu to establish and enforce the necessary internal controls to raise and manage the revenues collected. This response in effect seeks ascertain whether or not there are proper internal control measures put up by the Assembly in the administration of revenues collected. From the data, 59% of the total respondents admitted positively that the Assembly has put in the necessary internal controls in the administration of revenues. However, 10% of the respondents were skeptical and responded negatively that the right internal control systems were not practiced hence there were leakages and fraud in the management of the Assembly revenues. Contrary to the above 31% of the entire respondents indicated that they were not sure as to whether the right internal control systems were being implemented in the administration of revenues generated.. It therefore can be deduced that the Assembly is doing well in the implementation of the necessary internal control systems even it still needs to step up monitoring collection of revenues.



Table 4.11: Do you have monitoring control unit in the Municipal Assembly

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	69	69.0	69.0	69.0
	No	4	4.0	4.0	73.0
	I am not sure	27	27.0	27.0	100.0
	Total	100	100.0	100.0	

Source: Field Survey June, 2019

In exploring as to whether or not Sagnarigu Municipal Assembly has set up a unit or department to enforce the monitoring internal control systems this response was established. Of the total respondents 69% did responded positively the Assembly had internal control unit. Only 4% of the entire respondent responded the assembly had no unit in charge of monitoring internal controls. In contrary 27% of the respondents indicated that they were not sure as to whether or not such unit existed in the Assembly for purpose of monitoring the implementation of internal control systems. From the data it therefore can be deduced that 69% of the total respondents affirmed there existed internal control monitoring unit. What management needs to do is to make the unit vibrant and proactive for it to prosecute its established mandate.



Table 4.12: Are there some developmental projects funded by the Assembly

Are there some developmental projects funded by the Assembly					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	68	68.0	68.0	68.0
	No	7	7.0	7.0	75.0
	I am not sure	25	25.0	25.0	100.0
	Total	100	100.0	100.0	

Source: Field Survey June, 2019

The purpose of this response was to explore whether or not there existed developmental projects executed by Sagnarigu Municipal Assembly. From the table, 68% of the total respondents responded positively that the assembly has solely funded some projects. Only 7% of the respondents indicated the assembly never solely executed a project. Then also, out of the total respondents 25% indicated that they were not sure the assembly ever executed a project on its own. Per the table it can be concluded that about 70% of the population are aware of the developmental project carried out by the Assembly. Perhaps, the publicity committee and the general assembly need to disseminate information on the activities to the assembly catchment area. Photo exhibition on the programs and developmental project executed could also assist in this direction.



Table 4.13: Are adequate funds generated internally for projects by the Assembly

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	28	28.0	28.0	28.0
	No	55	55.0	55.0	83.0
	I am not sure	17	17.0	17.0	100.0
	Total	100	100.0	100.0	

Source: Field Survey June, 2019

Internally generated funds are one of the major sources of mobilizing funds for in the Sagnarigu Municipal Assembly. This response was therefore to explore whether or not adequate revenue was generated locally for the Assembly development. Of total respondents who responded to the questionnaires 28% indicated the Assembly was generating enough revenue internally for development, Whiles a total of 55% of the respondents stated that the Assembly was not generating enough revenue for development However, 17% of the entire respondents indicated they were not sure as to whether the Assembly was generating enough internally revenue for development and programmes. In effect, it can be deduced that enough revenue is generated locally and the assembly needs to put up the necessary assailants to help generate revenue for development.



Table 4.14: With the revenue mobilized by the Assembly, are you satisfied with projects executed over the years

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly satisfied	10	10.0	10.0	10.0
	Satisfied	25	25.0	25.0	35.0
	I am not sure	21	21.0	21.0	56.0
	Not satisfied	36	36.0	36.0	92.0
	Strongly not satisfied	8	8.0	8.0	100.0
	Total		100	100.0	100.0

Source: Field Survey June, 2019

The response here was to determine the level of satisfaction by residents on the developmental projects executed. Only 10% of the respondents did indicate they were strongly satisfied with what has been done by the Assembly so far. Also, 25% respondents did affirm they were satisfied with the project under taken by the Assembly. 21% of the total respondents were not to be sure whether they are satisfied or not. Then, 36% were not satisfied. Additionally, 8% of the entire respondents indicated they were strongly not satisfied with project and programs executed by Sagnarigu Municipal Assembly. Per the data it can be deduced that the Assembly has to beef up its publicity and also educate residents on the fortunes and challenges facing the Assembly. A 35% satisfaction on the activities and programmes executed by the Assembly is weak grade and the Assembly must sit up.



Table 4.15: Does the Sagnarigu Assembly receive adequate share of funding from Central Government

Does the Sagnarigu Assembly receive its share of funding from the central government					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	90	90.0	90.0	90.0
	No	2	2.0	2.0	92.0
	I am not sure	8	8.0	8.0	100.0
	Total	100	100.0	100.0	

Source: Field Survey June, 2019

This data was to ascertain whether or not Sagnarigu Municipal Assembly receive adequate share of its funding from central government. Per the responses a total of 90% of the respondents did indicate that the Assembly receipts from central government to prosecute its developmental agenda. 2% of the entire respondent indicated that the receipts were woefully inadequate for the Assembly to carry out its developmental mandate. However, respondents amounting to 8% expressed doubt that the Assembly receipts from central government were enough to execute its developmental projects. From the data it therefore can be concluded that many off the respondents perceived that the assembly receipts to prosecute its projects. Maybe the Assembly needs to organize a public forum to educate residents and organizations on revenue available each year against the needs of the Assembly. Hence, 90% of the respondents expressed their satisfaction that the Municipal Assembly receipts of kits share of funding.



Table 4.16: Central government remittances to carryout developmental projects exceed projects that are financed with internally generated funds

Central government remittances to carryout developmental projects exceed projects that are financed with internally generated funds					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	I strongly agree	26	26.0	26.0	26.0
	I agree	26	26.0	26.0	52.0
	I am not sure	29	29.0	29.0	81.0
	I disagree	12	12.0	12.0	93.0
	I strongly disagree	7	7.0	7.0	100.0
	Total		100	100.0	100.0

Source: Field Survey June, 2019

This response was to ascertain the ratio of financial input by central government and the Sagnarigu Municipal Assembly. Per the response from the respondents 26% strongly agreed that central government remittances exceeded the Assembly internally generated funds. 26% also affirmed that they agreed with notion that central Government remittances exceeded the Assembly IGF. 29% of the respondents indicated not to be sure of the assertion that central government remittances exceeded locally generate4d funds. However, 12% disagreed. Just exactly 7% did also strongly disagree that central government remittances for developmental projects exceeded the assembly internally generated funds. Per the survey it therefore can be deduced that over 52% of the respondents accept the assertion that central government contribution to the Municipality development projects exceed what is generated locally by the assembly.



Table 4.17: External sources of funding projects is more significant than the Assembly internally generated funds

External sources of funding projects is significantly than the Assembly internally generated funds					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	I strongly agree	19	19.0	19.0	19.0
	I agree	41	41.0	41.0	60.0
	I am not sure	29	29.0	29.0	89.0
	I disagree	9	9.0	9.0	98.0
	I strongly disagree	2	2.0	2.0	100.0
	Total		100	100.0	100.0

Source: Field Survey June, 2019

As part of the developmental agenda of every local authority sourcing of revenue within or without the geographical area is well cherished. The assemblies have the mandate to generate revenue once the motive is for the betterment of the people. The response was to ascertain the significance of external funding against revenue generated locally. Per the table below 19% of the respondents strongly agreed that external funding exceeded locally generated funds contribution. Also 41% of the respondents did indicate that they agreed to the assertion. Of the entire respondents 29% expressed their indifference to the assertion. However, 9% of the total respondents explicitly disagreed. More also 2% of the respondents did indicated that external sources of funding projects have never significantly exceeded the contribution of local generated funds.



Table 4.18: Government/External funding to the development of Sagnarigu Municipal Assembly

Government/External funding to the development of Sagnarigu Municipal Assembly					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very significant contribution	46	46.0	46.0	46.0
	Significant contribution	40	40.0	40.0	86.0
	Little contribution	14	14.0	14.0	100.0
	Total	100	100.0	100.0	

Source: Field Survey June, 2019

The response below was to exploit the rate of significance of central government funding to developmental projects in relation to that from internal generated funds. Per the survey it came out that central government funding was very significant as a total of 46% of the total respondents admitted to the assertion. Additionally, 40% of the respondent who administer the questionnaires did indicate government funding to be significant. However, only 14% of the entire respondents expressed their misgivings and stated that government funding was just little significant since they can't physically pinpoint projects in the Municipality executed by the central government. Per the findings it can be deduced that government funding to projects is significant since a total of over 86% attest to this assertion.



Table 4.19: Sagnarigu Municipal funding to the development of Sagnarigu Municipal Assembly

Sagnarigu Municipal funding to the development of Sagnarigu Municipal Assembly					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very significant contribution	36	36.0	36.0	36.0
	Significant contribution	51	51.0	51.0	87.0
	Little contribution	13	13.0	13.0	100.0
	Total	100	100.0	100.0	

Source: Field Survey June, 2019

The level of significance of funding to the developmental projects in Sagnarigu Municipal Assembly is expressed by this response. Out of total respondents of 100, 36% of the respondents indicated that funding to projects were very significant. Also, 51% said it was significant in funding developmental projects. However, 13% saw the funding from the assembly not to be significant. In effect it can be deduced that over 87% of the respondents affirmed that Sagnarigu Municipal contribution to the funding of projects significant. This is demonstrated by the table below.



Table 4.20: Philanthropic bodies/persons funding to the development of Sagnarigu Municipal Assembly

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very significant contribution	17	17.0	17.0	17.0
	Significant contribution	41	41.0	41.0	58.0
	Little contribution	42	42.0	42.0	100.0
	Total	100	100.0	100.0	

Source: Field Survey June, 2019

The contribution of philanthropic bodies and persons in the north cannot be understated. A response was therefore; posed to ascertain the level of significance regarding funding developmental projects and programs Out of the 100 respondents who administer the questionnaire, 17% mention contribution such bodies were very significant. Also, 41% of the respondents indicated their contribution was significant. Then, respondents amounting to 42% expressed that contribution by Philanthropic bodies and Persons was little. Per the table a total of 58% cumulatively admitted that their contribution was significant, however 42% disagreed this notion. May be folding up several NGOs in the north could lead to such a huge loss of contribution from these bodies.



Table 4.21: Does Decentralized Departments collaborate to enhance revenue generation in the municipality

Does decentralized departments collaborate to enhance revenue generation in the municipality					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	60	60.0	60.0	60.0
	No	9	9.0	9.0	69.0
	I am not sure	31	31.0	31.0	100.0
	Total	100	100.0	100.0	

Source: Field Survey June, 2019

The collaboration of the various decentralized departments in revenue generation could help boost the revenue mobilization derive of the assembly. This response was significantly posed to ascertain whether or not that collaboration existed. Of the total respondents 60% responded positive to the question? Only, 9% of the entire respondents indicated there was no collaboration. Then, 31% of the respondents did also stated that they were not such a collaboration existed. It can therefore be deduced that over 60% of the respondents agreed that such collaboration existed. What management needs to do is deeply involve every member and probably involve every department in outrages organized for revenue generation and awareness.

4.2. Mobilization of Revenue

4.2.1 Sources of Revenue in Sagnarigu Municipal Assembly

The local government Act establishing and regulating the activities of MMDAs has mandated all the Assemblies to raise revenue from local sources to finance most of their developmental



projects and programs within their geographical areas. The Act stipulates that MMNDAs shall raise revenue through collection of Tolls, licenses and permits, property rates, fines etc. and possibly come out with innovative means to generate revenue.

4.2.1.1. Revenue Mobilization Capacity of Sagnarigu Municipal Assembly

Per the assessment done by NORSAC (2018) on the performance of revenue collection by Sagnarigu Municipal and Zabzugu District Assemblies the under mentioned were suggested as weaknesses regarding the capacity of the Assemblies to enhance their revenue generation derive;

- i) the Sagnarigu Assembly could only generate about 42% from its geographical area,
- ii) the Assembly received about 65% of its revenue from Central government disbursement hence the Assembly being vulnerable to government control. In fact, the government disbursement to the Assembly in 2018 was approximately
- iii) IGF generation has always been abysmally collected.

4.2.1.2 Analysis of Field Data

Having taken into consideration the theoretical and methodological process in this research work regarding the profile of the study area, the purpose of the research in this chapter is on the avenues of mobilizing revenue in the Municipal Assembly.

4.3 Revenue Structure of Sagnarigu Municipal Assembly

Despite the fact the local government system has avail on the assemblies a wide range of sources of revenue; most of the assemblies are still facing series of challenges in raising the



said revenues. Even if this revenue is collected the administrative cost is normally higher than the benefits. This research work executed unearthed revenue items that could help boost revenue base of Sagnarigu Municipal Assembly. The general assumption is that more revenue instruments are likely to yield higher revenue generation in the local government level. Generally, most of measures do fail due to systemic failures. Also, the wide nature of tax systems at the local government level against administrative cost is also seldomly discouraging hence low revenue collected.

The research findings revealed that revenue structure of Sagnarigu Municipal Assembly is made up of tax (rates) and non-tax (market tolls, fines, rents, investments among others) which contribute to about 26% and 22% respectively of the total internal revenue generate annually to the assembly. This is closer to what pertains in Tamale Metropolitan Assembly where the municipality was carved from.

From the analysis of the research data it can be deduced that with the assembly blessed with several number of revenue items the Sagnarigu Municipal Assembly should still not be depending heavily on the District Assembly Common Fund to finance a chunk of its developmental projects and programmes.



Table 4.22: Composition of Revenue of Sagnarigu Municipal assembly (2015-2018)

Sources of Revenue	2015 GhC	2016GhC	2017 GhC	2018 GhC
Rates	41,233.80	64,622.50	20,720.50	79,099.30
Fees/Fines	60,022.60	9,622.50	22,398.00	26,180.50
Licenses	52,368.12	70,175.82	89,882.50	222,753.32
Rent	320.00	386.00	768.60	252.02
Land		101,414.42	140,129.74	69,089.43
Investment	-	-	-	983.70
Miscellaneous	42,230.36	10,920.00	36,260.96	10,500.00
Gov't Grants	12,620.03	1,577,854.94	917,748.01	2,667,981.31
TOTAL	208,794.91	1,834,996.18	1,227,908.31	3,076,839.58

Source: Field Survey June, 2019

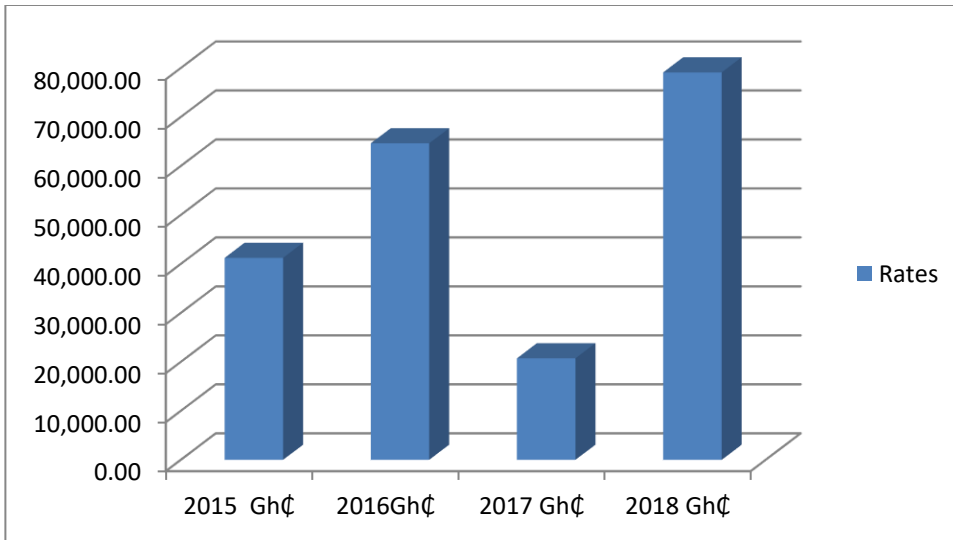
4.3.1 Rates

The research conducted shows that rates constitute a greater portion of local revenue to the Sagnarigu Municipal Assembly. It contributes a higher percentage of the revenue mobilization with regard to internal revenue of the Assembly. Rates in Sagnarigu Municipal Assembly include basic rates, property rates, (residential, commercial and industrial etc.).

With the expansion of commercial activities, manufacturing firms the assembly stand the chance to generate higher revenue especially property rates. Rates have contributed significantly in the revenue generation drive with almost 20% in 2016.

With prudent measures put in by management revenue from rates could be generated heavily.as per the analysis rates are barely stable in its collection hence any controls support put can enhance is generation.





Source: Field Survey June, 2019

Figure 4.1: Contribution of Rates to the revenue of Sagnarigu Municipal Assembly (2015/2016)

4.3.2 Fees and fines

Fees and fines are rated as the major source of revenue to the Assembly class of non-tax revenues. Market tolls are higher in this categories base on the following reasons;

i) The rapid building of market stalls and shops at designated places has expanded the market base hence higher revenue collected in this regard.

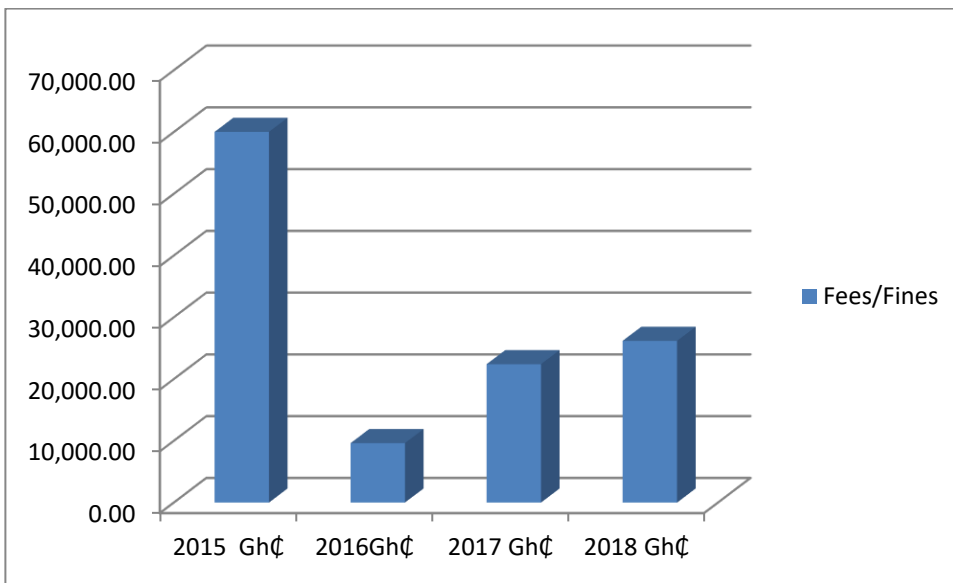
ii) Also, the increasing level of commercial activities especially siting of shops along the principal streets and establishments of restaurants are the major sources of revenue to the assembly

iii) The strategy and number of outlets was seen to be not resilient if the assembly intention is to step up its revenue collection.



Other sources of revenue to the assembly could be court fines, spot fines, slaughter house fees, on-street parking fines, cemetery burial permit fees, sanitation and environmental fees, waste disposal fees, motor tricycle rates etc.

The research indicated that there are prospects in revenue collection regarding fees and fines hence the assembly need to adopt more resilient means to collect this category of revenue if the assembly intends meeting its revenue target.



Source: Filed Survey June, 2019

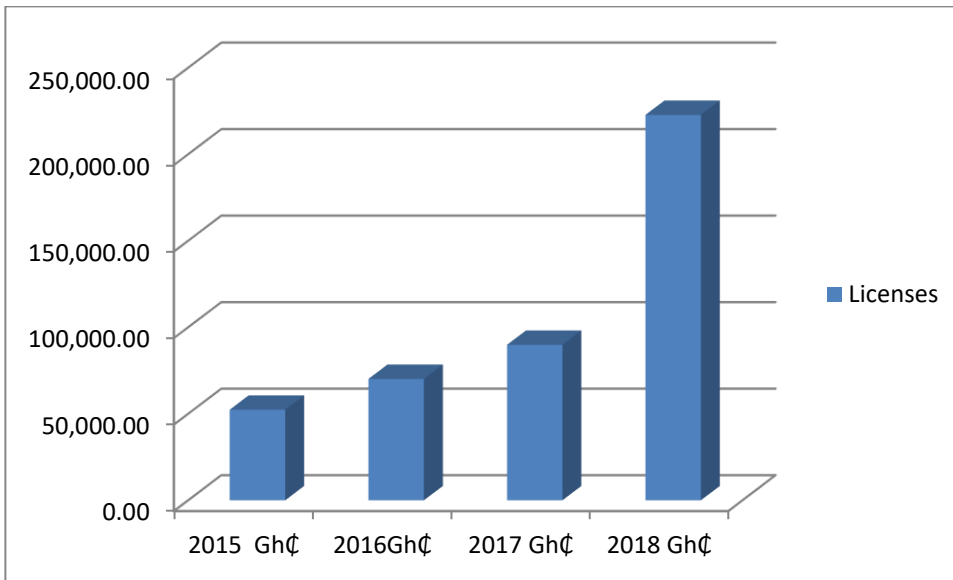
Figure 4.2: Contribution of fees and fines to the revenue of Sagnarigu Municipal Assembly



4.3.3 Licenses

The Sagnarigu Municipal assembly is noted to be collecting a sizeable amount of revenue through licenses. It contributes a major component of non-tax revenue to the assembly are charged on industries and commercial organizations of the assembly geographical area.

Notably among the avenues to generate this revenue are store licenses, artisan licenses, chop bars and restaurant licenses, registration of contractors, printing press. In addition to this are legal practice registration of businesses, premises, private and commercial vehicle registration form the larger portion of Sagnarigu Municipal assembly revenue from licenses.



Source: Field Survey June, 2019

Figure 4.3: Contribution of Licenses in Local Government Revenue in Sagnarigu assembly

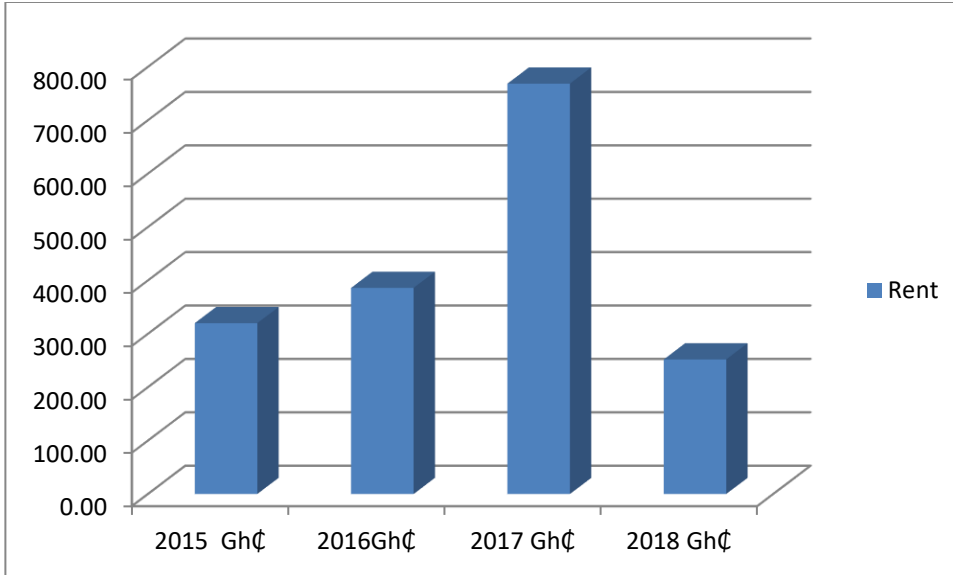
4.3.4 Rents

Rents are a source of revenue generated from unmovable assets owned by the Sagnarigu Municipal Assembly. It is classified as a component of the non-tax revenue of the assembly. Rents generate a significantly to the revenue base of the assembly.

Avenues of rents in the Assembly include staff quarters, Government quarters, Hiring of local council Hall among others.

The revenue generated from rents between years 2015-2018 amounted to GHC1, 726.62





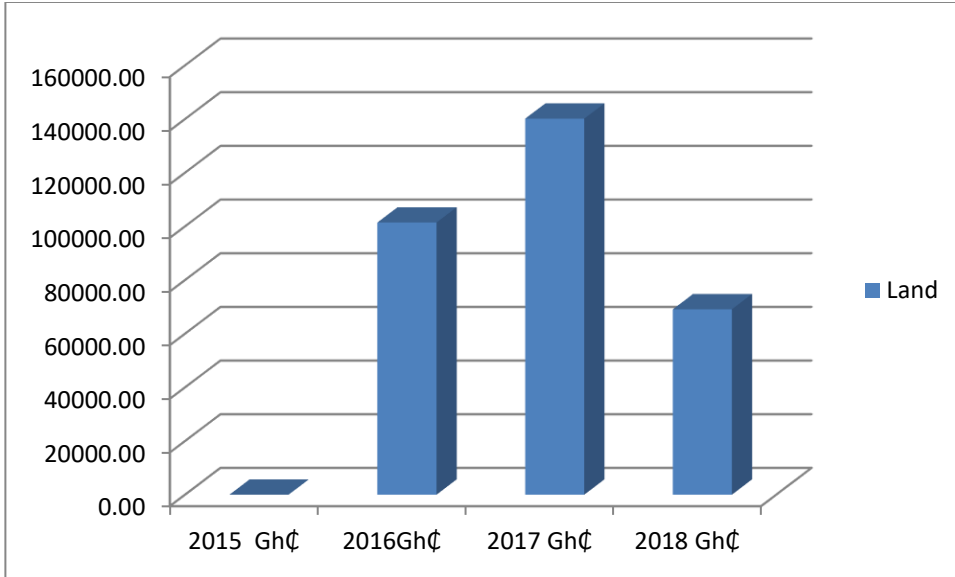
Source: Field Survey June, 2019

Figure 4.4: Contribution of Rent to IGF of Sagnarigu Municipal assembly

4.3.5 Lands

Revenue from land contributes significantly to the total internal generated revenue of Sagnarigu Municipal assembly. From the research findings land contributes to the receipt of revenue is encouraging except that it is not stable in general. This revenue normally comes from the sale of stool lands issuance of building permits, land transfer and sand wining.





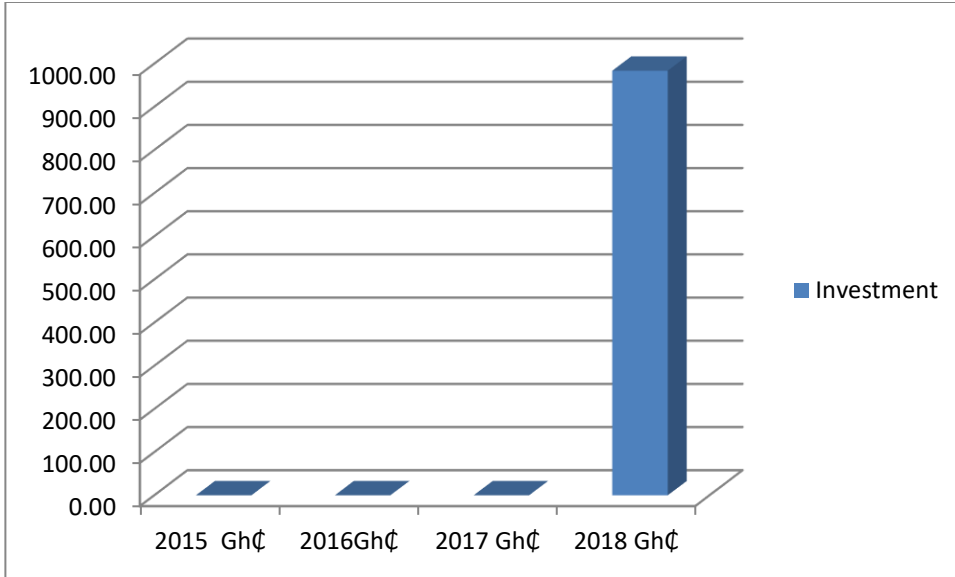
Source: Field Survey June, 2019

Figure 4.5: Land contribution to IGF of Sagnarigu Municipal Assembly.

4.3.6 Investments

As part of the revenue generation process adopted by the Assembly some investments have been made to boost its revenue base. Under this agenda the assembly has made the following to expand its investment drive. Some of the investments are treasury bills, interest on fixed deposits and savings, interest on traditional accounts of the assembly among others. This source of revenue is seen to be unstable as the assembly assets are not encouraging.





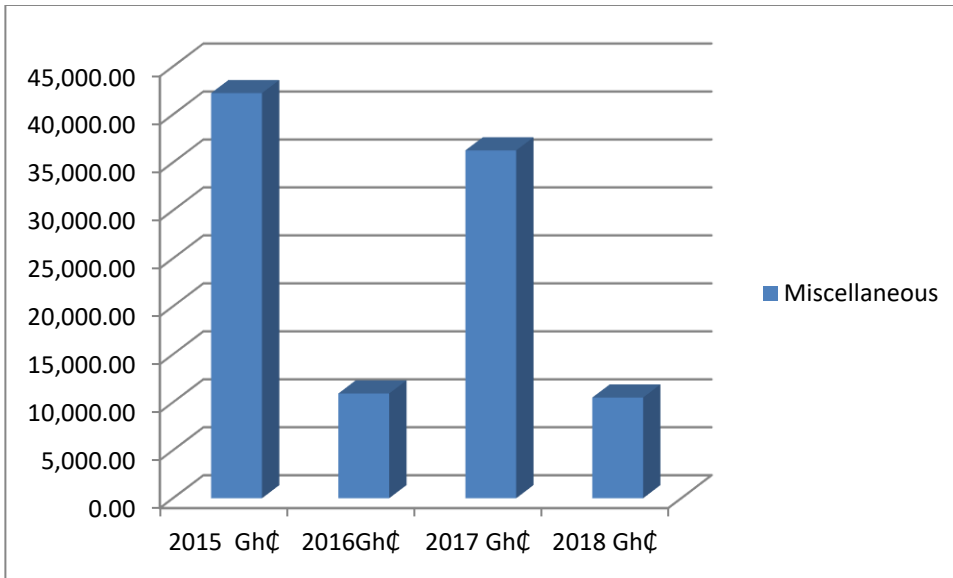
Source: Field Survey June, 2019

Figure 4.6: contribution of investments to the revenue of Sagnarigu Municipal Assembly

4.3.7 Miscellaneous

This is significant aspect of revenue available to Sagnarigu Municipal Assembly. It is made up of revenue that cannot be classified under the major revenues to the assembly. It includes the sale of tender documents, unserviceable vehicles unclaimed salaries and sometimes unspecified receives in the form of donations etc.





Source: Field Survey June, 2019

Figure 4.7: Contribution of miscellaneous to revenue generation the Sagnarigu Municipal Assembly.

4.4. Revenue Performance of Sagnarigu Municipal Assembly

Measurement of revenue performance is paramount in the effective and efficient management of the local government system in Ghana. This is necessary because revenue performance is essential in determining the economic efficiency, effectiveness of revenue collection efforts and its accountability. Unfortunately, countries in the globe downplay this tool hence less performance in revenue collection.



In this regard, a nationwide survey in the United States of America to ascertain revenue performance of the various metropolitan areas to measure the effectiveness of revenue mobilization efforts. Research revealed that even at California State less than 10% of the local

authorities carry out this assessment. It is therefore not withstanding that the Sagnarigu Municipal Assembly has not attached much importance to revenue performance.

The survey conducted revealed several reasons of poor revenue mobilization. Among the reason for low revenue mobilization unearthed was:

- i. Absence of collection performance evaluation,
- ii. Failure to use reminder letters, personal visits, phone calls, text messages, collection agencies, law suits and others, late billing and delivery etc.

Also, paramount was lack of systems in place to check overpayment, antiquated accounting and automated collection system, waiver and payment deferral, prevalence of high delinquency rate, large write-offs of bad debts, and absence or low penalties for defaulters etc.

Though some of these challenges are alien to developing countries especially Ghana, measures are being employed and harnessed to improve revenue performance in the country. Recently some of the MMDAs to up the challenge to adopt revenue automate system as a way of tracking and monitoring.

Upon the availability of several revenue performance indices the research work conducted adopted revenue collection index, Average collection Period and Past Due index as tools to determine revenue collection performance in the Sagnarigu Municipal Assembly. The availability of requisite information at the Revenue department of the assembly made these indices suitable



4.5 Tools for measuring Revenue Performance in the Sagnarigu Assembly

4.5.1 Revenue Performance Index (RPI)

This method is one of the tools adapted in Ghana to measure revenue performance. Revenue performance index is the proportion of the total actual revenue calculated to the total estimated target over a period of time.

Below is a data gathered on the revenues of year periods 2015-2018

Table 4.5.1: Revenue Performance Index

Year	Estimated average Gh¢	Actual Gh¢	Collection Index
2015	300000	250473	0.83491
2016	383966.45	245789.95	0.64013392
2017	395865.45	224323.95	0.73340729
2018	358143.36	408022.55	1.13927158

Source: Field Survey June, 2019

4.5.2 Average Collection Period (ACP)

It is the actual period needed or required to collect all revenues budgeted for by consideration of the organization collection capacity regarding resources in relation to performance. It is an essential revenue measurement tool normally used to analyses revenue collection and performance. This ratio spells out the period permitted to mobilize all budgeted revenue for a period normally a year.



Per the research findings Sagnarigu Municipal Assembly has a period of 18 months as its collection period. This therefore emphasizes that with the mechanisms in place regarding revenue collection the Assembly has a maximum period of 18 months to collect all revenues unpaid.

4.5.3 Past Due-Index

This method is employed to ascertain the amount due the organization is over-due its period of payment. Per the local government system all property rates or tax is permissible to be carried forward under the local government revenue collection. However, all uncollected revenue shall be written off at the end of a fiscal year. It is calculated as the ratio of revenue in arrears to the total estimated revenue from a source in a fiscal year.

Market rent is one of the classes of market revenue available Sagnarigu Municipal Assembly which is mostly collected at the end of every month per the assembly laid down procedure of payment. Traders are obliged to honor their market rent at the revenue offices of the municipal Assembly. To ease payment designated revenue are normally provided at the area councils. The location of revenue offices at the local council makes payment by traders conveniently, easy cost effective and more importantly not cumbersome to honor payment.

Though the generation of market rent seem to be convenient and easily mobilized it is sometimes faced with difficulties in its generation. Sagnarigu Municipal has also been curtailed by the under mentioned constraints confronting the assembly in raising market revenue through market rent. Some of these difficulties confronting its collection are outlined below.



1. Attitude of Assembly rent collectors the research findings revealed most of the revenue staff adopts unconventional approaches in the collection of market rent from traders. In fact, traders mostly allege that officers normally adopt wrong and inhuman method in market rent collection which invariably does not yield much. This sometimes leads to petty quarrels between revenue staff and traders as many do not have raised the said rent.
2. Conflict of interest: – The study also revealed that the inability of the Municipal Assembly to group traders o designated places they can conveniently pay market rent do create misunderstanding to traders and rent collectors, This unnecessary misunderstanding mostly lead to fighting which could lead to confiscation of traders goods for non-payment of rent.
3. Poor Record Keeping: – The research in the study revealed that the revenue collection units of the Assembly do not keep up to date records on payment of market rent. This can invariably lead to fraud, duplication and sometimes avoidance of revenue through the connivance of Assembly revenue staff.
4. Apathy on the part of Assembly Staff- The municipal Assembly has been making series of pronouncement that traders have a lackadaisical attitude in the payment of market rent as they see payment of rent to be unnecessary. Some traders also complain that they don't see the justification of payment since the revenue generated is of no importance to their businesses. This therefore discourages revenue staff to approach deflators as the defaulters' rate keeps increasing.



4.8 Measures adopted by a Sagnarigu Municipal Assembly to enhance Revenue Mobilization

The findings in the research investigated the effectiveness and efficiency of strategies adopted in revenue mobilization. This was done through primary survey conducted from the field and also observation made from local councils. In effect suggestion was expressed explicitly by the assembly staff, business organizations, traders, on-trade organizations and more importantly residents of Sagnarigu catchment area. Among the suggested areas revenues could be mobilized as mentioned by respondents excluding the traditional revenues of the assembly were;

Registering all landed properties and ensuring that owners pay the requisite property rates. This can be done by seeking the collaboration of Land valuation Board.

Also, the assembly should ensure that all businesses are dully registered and always made to pay the required revenue.

All motor bicycles and tricycles should also be registered and made to pay rates either monthly or quarterly.

A suggestion was also mentioned severally that the springing up of satellite slaughter houses should be discouraged and rather enforce the assembly by-law that mandate the assembly to construct abattoir where all animals should be processed



The assembly was also appealed to as a matter of agency to go into farming as a way of creating wealth with the use of National service Personnel, and NABCO personnel. Sagnarigu is located in the savanna zone where rice maize cultivation can be done raise revenue.

Tourism is another avenue the assembly can raise revenue from. The municipal assembly when comes to marketing tourism opportunities to the world. A major potential is the celebration of the festival like Damba, Bugum(fire) and Kpenni (guinea fowl) Also the location of Aliu Manhama Sports stadium which the largest and modern stadium in the north. With this huge tourism potentials, the municipality can strategies and exploit this potentials.

4.9 Strategies to be adopted by Sagnarigu Assembly to enhance revenue mobilization

As an Assembly that is poised for development, raising revenue should be an agenda that should not be downplayed. Base on this the Sagnarigu Assembly has positioned its revenue department and finance units strategically to raise the needed revenue. Some of these well thought measures to be adopted the under mentioned,

1. Automation revenue collection and accounting. As a local authority that needs to develop and compete with any local authority needs to demystify the payment of revenue. The usual receiving of revenue official at the doors of firms should cease. Perhaps Assembly levies could be made to be paid on-line or through mobile morning.
2. Also important is proper monitoring of revenue collector; The Assembly could organize routine monitoring of revenue staff to avoid evils like stealing, fraud, embezzlement.



3. Education of taxpayers the assembly also needs to use the assembly education committee to educate businesses, traders, and other tax payers on the need to pay obligation.
4. Recruitment of competent revenue collectors; for the assembly to raise the budgeted revenue the assembly must always recruit competent and committed official for the revenue department.
5. Proper service delivery; There should to customers desk in the assembly to address the challenges facing persons who encounter difficulties in the payment of levies.
6. Easy communication there should be a platform assessable to people who intends to communicate with the assembly. Options like online communication could enhance revenue collection.
7. Lastly, and more importantly, the religious leaders could be appealed to by the assembly to integrate the importance of payment of revenue to the municipal assembly in their sermons. This could receive a high response since people up north don't disappoint religious leaders.



CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter is purposely presented to give a summary of the major finding revealed in the research, vividly draw conclusion and more importantly state recommendations.

This research work investigated the constraints and prospects of revenue mobilization in the Sagnarigu Municipal assembly. The research was done to achieve the following objectives, Firstly, to determine the various sources of revenue, as mandated by the local government act. The strategies adopted to raise revenue were also investigated. Then also, the weaknesses of revenue mobilization were fully examined. The effectiveness and efficiency of revenue mobilisation procedures was deeply examined. Lastly the potential areas where revenue could be mobilized were extensively examined.

5.1 Summary of Findings

In order to achieve the desired objectives of the study a series of research questions were explored. Some of the research questions were the sources of revenue in Sagnarigu Municipal Assembly, the strategies adopted by Assembly to raise revenue, The effectiveness and efficiency of revenue mobilization procedures, constraints of revenue mobilization in the Assembly, the monitoring and control mechanisms that should be employed to raise revenue, and lastly, the prospects of revenue mobilization to the Sagnarigu Municipal assembly.



Regarding revenue mobilization, several sources of revenue were mentioned taking into consideration all the traditional sources, and new but high yielding revenues. Among alternate sources are renting of agricultural and construction equipment to contractors and farmers as a way of raising revenue. Renting of billboards for firms to advertise their products, the assembly was also appealed to as a matter of agency to go into farming.

The study also unraveled the difficulties the assembly is facing regarding revenue mobilization. Suggestions were made to encourage tax-payers. Among the suggestions were educating persons and firms. Also important was the need for the assembly to engage traders and tax-payers as a way of educating them on their tax obligation. The assembly was also advised to generate a database of residents, businesses and all potential avenues of revenue for monitoring and supervision. This could enhance revenue collection as the leakages would be closed

The study also examined the monitoring and control systems of the assembly. Suggestions were made that a monitoring and control unit should be created in the assembly to monitor all tax-receipts and ticketing. It was even advice to use paperless in all revenue payments which can be monitored by a competent team

Additionally, it came out of the findings that the revenue collection should be trained to enable them perform their duties excellently. As side the training they also needed to be motivated to carry out their duties.



The finance department was also reminded to report on all finances pertaining to the assembly resources in compliance the financial administration act. The department was reminded to ensure that all monies to and the assembly must pass through the assembly's bank account.

The prospects of revenue generation were also mentioned. Respondents indicated that the assembly was blessed with greater revenue potentials except management needed to put in the requisite mechanisms to raise the said revenue. The higher quantum of revenue raise could enhance the development of the Municipality. Some of the benefits could be building of classroom blocks, provision of furniture to schools, provision of hospital equipment, construction of roads, awarding of scholarship to brilliant but needy students etc.

5.2 Conclusion

This research work was carried out at Sagnarigu Municipal Assembly to investigate on the constraints and prospects of revenue mobilization which invariably have brought the Assembly to the limelight. This work unravels interesting findings regarding how revenues were managed at the Assembly. It came out that in order to ensure adherence and compliance to the Financial Administration Act there should be routine training and recruitment of qualified accounting staff and revenue staff.

The findings revealed that the strategies and procedures adopted in revenue mobilization were effective even though the assembly need to adopt a computerized system of payment of levies. This when implemented to the later would enhance and expand revenue generation base of Assembly leading to the assembly embarking on huge developmental projects and programs.



5.3 Recommendations

Based on the findings of the study the recommendations were classified into deepening and widening suggestions needed to be adapted by the Assembly to enhance revenue mobilization.

Per the abysmal nature of revenue generation at the assembly, adaptation of the under mentioned recommendations could lead to deepening of revenue mobilization;

1. The assembly should recruit competent and qualified personnel who must be given continuous training to enhance revenue mobilization.
2. Management of the assembly should ensure that prudent measures are put in place strategically to enhance the assembly revenue base.
3. The internal audit and finance departments must ensure that all revenues collected are well received and banked
4. The revenue collection taskforce should execute their duties devoid of bias and fairness to enforce the assembly bye-laws when dealing with defaulters.

The following are some recommendations when implemented would widen the revenue of the Assembly;

1. Also, the management of the assembly should engage tax-payers to sensitize them on the need to pay the assembly levies and taxes.
2. A data base should also be created by the assembly to monitor and supervise all receipts made by tax-payers.
3. Fresh valuation of all landed properties must be carried out to ensure fair and accurate property rates payments



4. The assembly should also go into partnership with private organizations where revenue collection and administration in some areas could be outsourced. This could lead to an astronomical increase in revenue collection as the private firm intends to earn higher commission as and when revenue picks up.



APPENDICE

APPENDIX 1

**SURVEY QUESTIONNAIRE FOR REVENUE COLLECTORS, TAX PAYERS,
ASSEMBLYMEN, MUNICIPAL ASSEMBLY STAFF, NGO'S AND OTHERS**

TOPIC: The Constraints and Prospects of Revenue Mobilization in the Sagnarigu Municipal Assembly

Dear survey Respondent,

The study is intended to investigate on the constraints and prospects of revenue mobilization in the Sagnarigu Municipal Assembly. To help attain the objective, I therefore, humbly appeal to you to provide relevant and objective responses to the items on the questionnaire. This exercise would take about 20 minutes of your busy schedules to be completed.

I must assure you that your answers would be treated strictly confidentially and used for academic purpose.

Thank you.

SECTION I; Demographic



Please respondent provide the information that reflects your present circumstance. Tick (✓) the appropriate response.

1) Sex Male () Female ()

2) Age (a) Below 20 (b) 20 -23 (c) 30 – 39 (d) 40 - 49

(e) 50 – 59 (f) 60 and above

3) Please state the number of years you have been working in the Municipal Assembly.....

4) I am a

- Permanent Revenue collector
- Commission Revenue Collector
- Staff of Urban, Town and Area Council
- Head of Department/DPCU
- Assembly Member

SECTION II: Revenue Mobilisation Items

1. Base on your view what are the sources of revenue available to Sagnarigu Municipal Assembly?

.....
.....
.....

2. How would you rate the capacity of Sagnarigu Municipal Assembly in terms of revenue generation?

- Very effective
- Effective
- Ineffective
- Very ineffective



3. In your view what account for the constraints of residents in their payment of rates and others

.....
.....

4. Revenue mobilization processes in the Sagnarigu Municipal Assembly is very cumbersome

- I strongly agree
- I agree
- I don't agree
- I disagree
- I strongly disagree

5. The Sagnarigu Municipal Assembly has an effective and efficient strategy in revenue mobilization:

- I strongly agree
- I agree
- I don't agree
- I disagree
- I strongly disagree

6. I am conversant with the accounting reporting procedures of revenue collection

- I strongly agree
- I agree



- I don't know
- I disagree
- I strongly disagree

7. If your response is positive to (6) do you implement the procedures in your work?

- Yes
- No
- I am not sure

8. Do you have proper systems of control in the administration of revenue collection in the Municipal Assembly

- Yes
- No
- I am not sure

9. Do you have monitoring control unit in the Municipal Assembly?

- Yes
- No
- I am no sure

10. In your opinion what strategies can the Assembly adopt to encourage an effective and efficient revenue collection?



SECTION III: Benefits of Revenue to the Municipal Assembly

1. Are there some developmental projects funded by the Sagnarigu Municipal Assembly?

- Yes

No

I am not sure

2. In your view do you think adequate funds are generated from the internally generated funds to embark on developmental projects in the Municipality?

Yes

No

I am not sure

3. Please list some of the projects executed by the Sagnarigu Municipal Assembly funded by the internally generated funds.

.....

.....

.....

4. With the quantum of revenue mobilized by Sagnarigu Municipal Assembly are you satisfied with projects executed over the years?

Strongly satisfied

Satisfied

I am not sure

Not satisfied

Strongly not satisfied

5. Revenue collected over the years has been positive and moreover effective on the economic, social and infrastructural development of the people of Sagnarigu Municipal Assembly.

I strongly agree



- I agree
- I am not sure
- I disagree
- I strongly disagree

6. What prospects would accrue Sagnarigu Municipal Assembly if a larger quantum of revenue is collected annually?

.....

.....

.....

SECTION IV: Government, Donors Agencies and Philanthropic Persons

1. Does the Sagnarigu Municipal Assembly receive its share of funding from the central government?

- Yes
- No
- I am not sure

2. The central government remittances to carryout development projects exceed projects that have been financed by internally generated fund.

- I strongly agree
- I agree
- I am not sure
- I disagree
- I strongly disagree



3. External sources of funding developmental projects assist significantly more than the Municipal Assembly internally generated funds

I strongly agree

I agree

I am not sure

I disagree

I strongly disagree

4. Rate the under mention stakeholders in order of merit for their contribution to the development of Sagnarigu Municipal Assembly.

Very significant contribution (1)

Significant contribution (2)

Little contribution (3)

a) Government/external funding

b) Sagnarigu Municipal Assembly

c) Philanthropic bodies./ persons

5. Do the decentralised departments in the Municipal Assembly collaborate to enhance revenue generation in the Municipality?

Yes

No

I am not sure



SECTION V: Sources of Revenue and its contribution to the assembly revenue base

1. Accounting procedures adopted in revenue mobilisation at the Sagnarigu Municipal Assembly are very efficient.

() I strongly agree

() I agree

() I am not sure

() I disagree

() I strongly disagree

2. If you agree or disagree in the accounting procedures adopted by the municipal assembly, Please suggest some measures to be adopted in order to improve on the revenue base of the Municipal Assembly.

.....
.....
.....

Thank you.



APPENDIX 2

Interview/Discussion Guide for Municipal Assembly Staff, Tax payers Stakeholders of Sagnarigu Municipal Assembly.

TOPIC: CONSTRAINTS AND PROSPECTS OF REVENUE MOBILISATION IN SAGNARIGU DISTRICT ASSEMBLY

Section A - Bio Data of the Respondents

- 1) Sex: Male () Female ()
- 2) Educational level.....
- 3) Main occupation.....
- 4) Marital status.....
- 5) Years worked in the Municipal Assembly.....
- 6) Age.....
- 7) Who own businesses and establishments in your area?
- 8) How are businesses managed in your various establishments?
- 9) Are your businesses well managed?
- 10) If YES or NO comment

Section B - Educational factors

- 11) What are the expectations for business owners if they are well managed?



Section C – Economic factors

12) What is your opinion on the importance of revenue generation by the Municipal Assembly?

Does the Municipal Assembly generate the needed revenue?

Comment.....

What are the difficulties faced by the district in generating the right quantum of revenue?.....

Section D - Social Factors

13) What can be done to boost revenue generation in the Municipality?

14) What are the prospects of revenue generation to residents in the Municipality?

Section E – Central Government, Local government and its policies on decentralization

15) To what extent is the local government policies enhance revenue generation in the municipal assembly?

16) How can tax payers be motivated to honor their tax obligations?

17) To what extent does the local government policies encourage the payment of taxes in the municipal assembly?

18) What is your comment on the enforcement of the local government policies?

19) What do you think can be done to widen the local government tax system?



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