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**EXAMINING THE INTERNAL REVENUE MOBILISATION STRATEGIES OF
MMDAs: A CASE STUDY OF SUAMAN DISTRICT ASSEMBLY.**

BY

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DECLARATION

I, KWARTENG Isaac, hereby declare that this thesis, “Examining the Internal Revenue mobilization strategies of MMDAs: A case study of Suaman District Assembly.” consists entirely of my own work that are produced from research undertaken under supervision and that no part of it has been published or presented for another degree elsewhere, except for the references from other sources, which have been duly acknowledged.

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DEDICATION

This work is dedicated to the sovereign lord almighty for showing me mercy and favour during the period of pursuing this course.

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ABSTRACT

The study makes an empirical insight into the effectiveness of internal revenue mobilization strategies of the Suaman District of the Western Region. The Objectives of the study was to identify the sources of internal revenue available to the Assembly, effectiveness of internal revenue mobilization strategies, effectiveness of monitoring and accounting processes of revenue collection and the challenges the Assembly face in collecting internal revenue. To achieve these, the researcher designed questionnaires that were answered by the District Finance Officer. The results from the analysis of responses provided by the respondent shows rates, land and royalties, rents, licenses, fees and fines as the main sources of internal revenue of the Suaman District. However, the performance of these sources in terms of their contribution to total IGF over the years has shown an unpredictable trend. The study also found that revenue collection strategies used for mobilizing revenue from these sources at the Assembly is believed to be ineffective. Revenue accounting and internal controls put in place by the Assembly have not also been seen as being good strategies for efficient financial management. . One major challenge of the Suaman District Assembly is the poor business address system and lack of national identification to identify individual and corporate entities. It is therefore recommended that the Suaman District Assembly institutes periodic public tax education programs to encourage tax payment compliance, recruit and train more revenue collectors and also establish a task force or debt collection team to assist in internal revenue collection.

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LIST OF ACRONYMS

MMDAs	Metropolitan Municipal and District Assemblies
IGF	Internal Generated Fund
DACF	District Assemblies Common Fund
DAs	District Assemblies
VAT	Value Added Tax
NDPC	National Development Planning Commission
HIPC	Highly Indebted Poor Countries
DDF	District Development Fund
RMS	Revenue Mobilization Strategies

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CHAPTER ONE

INTRODUCTION

1.0 Background to the study

In recent times, the issue of decentralization in most developing countries is growing at a faster rate throughout the world. This has created space for the political process to cater for greater autonomy notably fiscal autonomy of local government to enhance development (Todaro & Smith, 2006:554). The recent decentralization policy as contained in the 1992 constitution depends on a means of localized government and administration that is mandated to decentralize its structures. The Local Government Act, 1993 (Act 462) among others makes provision for the establishment of District Assemblies (DA) as the planning authority of the District and the District Planning Coordinating Units as the service wing of the DA. The Local Government Act, 1993 Section 10, (subsection 3) states the function of the Local Government. It stipulates that the DA shall be reliable to the District for the development, preparation and provision of developmental goals and plan for the district with respect to national development plans. The District Assemblies shall also formulate and implement development plans, programs and means for the efficient collection for the needed funds for the growth of the local area.

The functions of the DAs demand continuous flow of resources to the Assembly for them to implement their programmes and these resources usually come in the form of finance. The key dimension of the decentralization aspect that is supposed to provide fiscal resources for the local development of the DAs is the fiscal decentralization.

According to Bird (1990), two connected issues are depicted by fiscal decentralization. The degree of power given to local and regional governments to decide their spending and funding and the division of revenue and spending responsibilities between levels of government. In other words, fiscal decentralization is a system where central government

gives local levels of government autonomy over financial resources to implement local development aspirations into policies, plans, and programs. To ensure proper and efficient running of the local area, the DACF was introduced to aid constitutionally-guaranteed minimum part of government revenue (not below 5%) as financial support to the DAs to meet their functions as contained in the constitution of Ghana. Other source of funds for local development is the Internal Generated Fund (IGF).

These funds available to DAs are woefully inadequate in the light of the numerous functions and development challenges confronting many districts and is also unreliable to promote local development. It either comes very late or will not meet the funding needs of the local authorities (Local Government Act 462, 1993). The ceded revenue from the central government to the DAs also has its own challenges, which hinder local development. The capacity of the DAs to raise internal revenue is faced with many problems for them to handle. This is because most of the internal revenue sources generate very less inflows to enable DAs to carry out their constitutional mandate of developing the local areas. The problem of inadequate internal revenue inflows from most revenue sources, one issue of concern, is the over-dependency of local government on central government transfers that are normally not reliable with respect to timing and magnitude. The recent state of affairs regarding fiscal decentralization in Ghana is becoming a big challenge to the Current government, donor countries, DAs functionaries, the local communities and the international community. Ghana's economic growth story has been stunted by aid cuts and dwindling loan sources due to the country's rise to the lower middle – income level that has compounded economic challenges. Given these and many other concerns, the study seeks to examine internal revenue mobilization strategies of the Suaman district Assembly to ensure adequate mobilization of internal revenue towards its developmental programs.

1.1 Statement of the Problem

The decentralization process in the world and Ghana for that matter is hampered by the absence of institutional structures, poor resource mobilization strategies and difficult in getting long-term funds for the development programs in order to embark upon their development agenda (OED, 1999). According to Devas (2007), the role of finance in decentralization process cannot be over emphasized as it is the blood of every organization.

The District Assemblies' Common Fund (DACF) has emerged as the most reliable source of funding to achieve this very important objective in the development agenda of District Assemblies in Ghana. The DACF since its inception has propelled the development process in Ghana. Several developmental projects have been executed to lift the living standards of the people of the Suaman District. These include health, educational facilities, potable drinking water, office and residential accommodation for staff, extension of electricity, assistance to the physically challenged and the provision of relief items for disaster victims. In recent times however, the DACF is woefully inadequate given the ever increasing demand for public goods and services. It either comes very late or will not meet the funding needs of the local authorities (Local Government Act 462, 1993). This defeats the purpose for which it was created since District Assemblies are unable to ensure local development.

The ceded revenue from the central government to the DAs also has its own challenges, which hinder local development. This is because not all these sources yield much inflow to enable DAs to carry out their constitutional mandate of developing the local areas. A critical examination is needed on the already existing internal revenue mobilization strategies and other efforts being made to help raise enough revenue for proper functioning of MMDAs. The study therefore seeks to; identify sources of internal revenue available to the Suaman District Assembly, examine the effectiveness of internal revenue mobilization

strategies of the Suaman District, examine the method of accounting for internal revenue collected by the Suaman District Assembly, assess challenges confronting internal revenue mobilization in the Assembly as well as make recommendation.

1.2 Objectives of the study

The general objective of the study is to examine the effectiveness of internal revenue mobilization strategies of Metropolitan, Municipal and district Assemblies.

The specific objectives of the study are as follows;

1. To identify sources of internal revenue available to the Suaman District Assembly.
2. To examine the effectiveness of internal revenue mobilization strategies of the Suaman District.
3. To examine the effectiveness of the internal controls adopted by the Assembly for revenue collected?
4. To assess challenges confronting internal revenue mobilization by the Suaman District Assembly.

1.3 Research Questions

The contributions of this research work were highlighted in the form of research questions where answers were sought for. The questions are as follows:

1. What internal revenue sources are available to the Suaman District Assembly?
2. How effective are the strategies used for mobilizing internal revenue in the Suaman District Assembly?
3. How effective is the internal controls adopted by the Assembly for revenue collected?
4. What challenges are confronting internal revenue mobilization by the Assembly?

1.4 Justification of the study

District Assemblies in Ghana play a very important role in contributing to the delivery of public goods and services such as; provision of health centers, educational facilities, recreational facilities, potable drinking water among others. However, there is the need to have a standard put in a place to check the strength of MMDAs on internal revenue mobilization after close to a century of the introduction and implementation of decentralization in Ghana. There is therefore the need to examine internal revenue mobilization strategies of Metropolitan, Municipal and district Assemblies to aid in achieving efficient and effective strategies not only to mobilize revenue but also account for it prudently for development.

This study is justified and important because of the important key role the MMDAs offer in attaining developmental goals and relief to the people especially the less privilege in society. The MMDAs efforts in internal revenue mobilization need to be reviewed constantly because their growth is tied to internal revenue. It must be noted that the local government authorities have much interest in developmental project. Universities, Think tanks and other interested parties have expressed much concern about the fact that internal revenue mobilization does not match expectation for development.

The study of internal revenue mobilization strategies in Metropolitan, Municipal and District Assemblies in Ghana and Suaman District Assembly in particular would contribute to the body of knowledge in many ways: Firstly, it would inform local authorities, government and policy makers on the need to apply effective revenue mobilization strategies more especially for IGFs to increase revenue to finance developmental projects. Secondly, identification of internal revenue sources available to the Suaman District Assembly and other MMDAs in Ghana which are not mobilized to increase the revenue level in the district and also be applied by policy makers at the local level of governance.

Also, proper examination of the method of accounting for internal revenues collected will correct the anomalies that are associated with the process and will even inform management to appreciate the fact that effective method of accounting for internal revenues collected has a positive effect on internal revenue generation and for that matter, the development of the district and the country at large. In the academic front, this study will also provide literature on internal revenue mobilization efforts of Districts Assemblies in Ghana.

On the issue of budget deficit, if MMDAs are able to effectively mobilize internal revenue so as not to depend on central government, the budget deficit may reduce.

1.5. Research methodology

This study employed a case study approach. Primary and secondary data were taken for the study. Primary data were collected using questionnaire which were answered by stakeholders of revenue collection in the Suaman District (Management officer in charge of internal revenue). Secondary data were collected through review of documents of the Assembly on internal revenue mobilization issues. Relevant information by other writer's was also reviewed. In selecting the respondent of the study, non-probability sampling method was used. Purposive sampling was used to select the respondent so as to help to answer the research questions and to meet the objectives.

1.6. Scope of the study

To examine the internal revenue mobilization strategies of Metropolitan, Municipal and District Assemblies, Suaman District Assembly in the Western region of Ghana will be selected for the study. The study only covers the internal revenue sources of the Suaman District, the effectiveness of internal revenue mobilization strategies and the methods of revenue accounting and monitoring. It also looks at the challenges faced by the Assembly

in its quest to mobilize revenue for the Assembly. It could not however cover other financial aspects of the Assembly due to commodity of time and resource limitations.

1.7 Delimitation

The study is confined to Dadieso which is the district capital of the Suaman District Assembly, its surrounding towns and also on only the internal revenue sources available to the Assembly.

1.8 Limitations to the study

As with any other study, this study has limitations which include the following:

- ❖ Timing of the research; the study was conducted effectively from February 2015 to July 2015. The research was conducted concurrently with lectures and examination. This exerted considerable pressure on the researcher who needed to adopt time management strategies in order that he did not compromise either of the two. Apart from the fact that the research work coincided with lectures and examination, the duration for the study is short.
- ❖ Another limitation was that the scope of the study was limited to internal revenue mobilization strategies of local government. This study does not take into consideration the expenditure analysis of the local government and the total revenue of the local government.
- ❖ Also, the study could not cover all Metropolitan, Municipal and District Assemblies in Ghana. Out of a number of the Assemblies in the country, the research was conducted only on Suaman District Assembly. This may be attributed to the time period and resource limitation

1.9. Organization of the study

The study is presented in five chapters. Chapter one presented introduction and comprises background of the study, statement of the research problem, research objectives, research questions, limitations of the study as well as the research methodology.

Chapter two is devoted to the review of relevant literature pertaining to the study. The issues discussed under this chapter include; taxes and tax revenue mobilization strategies, decentralization and internal revenue mobilization as well as challenges of internal revenue mobilization in developing countries/ Ghana.

Chapter three concentrates on the methodology adopted by the researcher for the study and discusses the profile of Suaman District Assembly. Chapter four deal with the analysis and presentation of data as well as discussion of results. Here, a variety of data collected from the field are analyzed and presented using figures, charts and tables. Finally, chapter five handles the summary of findings, conclusion and recommendation of the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews relevant literature on internal revenue mobilization strategies of MMDAs. It is in five main parts.

Part one is the need for fiscal autonomy of local MMDAs. The second part is internal revenue sources to MMDAs. The third part is taxes and taxation, part four is challenges of internal revenue Funds to MMDAs and part five considers ways of improving internal revenue generation of MMDAs.

2.1 Need for fiscal autonomy of local governments

The MMDAs generates non-tax revenue through sources like rendering services and goods to the general public. Non-tax revenues are revenues other than tax revenue generated through:

1. The operation of the law for instance property rates, fines and licences.
2. Services and/or goods provided by the assembly including school fees, hospital fees.

The assembly is permitted by an act of parliament to retain and utilize a percentage of their non –tax revenue. The proportion of non-tax revenue retained by the Assembly is referred to as internally generated fund (IGF)

Local government system will be effective when Assemblies can raise relatively large part of its total revenue locally .The responsibilities from the central government to local government is not going to be achieved if the ability to finance the carrying out of these responsibilities is not met, there is the possibility of creating to a large extent fictional decentralization and have fiscal overruns. When Assemblies are unable to raise funds internally, it largely overstretch the central government which is unable to raise enough funds. In such a case, local governments will normally tend to remain overly dependent on the central government which sets the rules and generally takes the highest yielding taxes for its own use, local governments tend not to have access to tax revenue and sources that would effectively free them from dependence on transfers. DACF are essential for local governments but they cannot be used an excuse by local government for not attaining an appropriately independent status. Inadequate internal revenue sources under the control of local government makes achieving a suitable degree of fiscal autonomy difficult.

District Assemblies can raise enough internal revenue to fund the expenditure of proposed benefits from the beneficiaries of those benefits. The linkage between beneficiaries and tax-payers is important from the angle of public finance. Public goods must be given by tax payers or determined by the beneficiary group who should also cater for their costs. One attribute of a good tax is based on 'benefit taxation' as far as the allocation function is concerned.

Internally gotten revenues that are used locally for the benefit of local tax-payers shows the direct link of the tax to the benefits enjoyed by the community in general. Local citizens can hold Assemblies accountable if they pay their taxes religiously to them. The local citizen also has opportunity for electing people to represent them. Citizens must pay higher taxes if they need quality services or if the local government is not functioning well. This provides incentives for the local citizens at election time. A high level of own taxation also prevents the local government of the excuse of lack of funds from the central government for any failure to provide local services.

2.2 Institutional Arrangement for Fiscal Decentralization

Power and resources normally move from central government to local government. The degree to which power and resources move determine the form of decentralization in place. The extent of power, funds and functions transferred from the central government to the local authorities determines the form of decentralization practiced. Deconcentration, devolution, delegation and private public partnership and privatization are the four known decentralization forms. (Ahwoi 2007).

2.2.1 De-concentration

De-concentration is also known as administrative decentralization. It transfers some specific issues to periphery institution of the central government but withhold the needed

authority to take decisions at the destinations of the transfer. De-concentration is a system by which decisions are transferred to the field staff to take routine decisions. Deconcentrated offices are mostly opened at the national, regional, district and sub-district levels where central supervisory authority is paramount (Ahwoi 2000). In this type of decentralization, the decentralized agencies mostly take instruction from the central government thereby stifling local initiative. Most at times, the central government lack knowledge of the needs of the local people.

2.2.2 Delegation

Delegation is the giving of specific duties to semi-autonomous authority or para-statal organization which do not implement them on their own but account directly to either local or sectoral central government institutions (Ahwoi, 2007). Africa and Asia have used delegation in public corporations development extensively to execute development schemes. Delegation was introduced by the western public administration theorists" prescription for administrative reforms and modernization between the 1940s and 1950s to undercut or bypass the normal government machinery and endow the parastatal with developmental drive, coherence and authority to plan and pursue economic development (Adedeji, 1970). This form of decentralization was used in Ghana and some parts of West Africa by state corporations and special development agencies to manage and implement infrastructure projects such as, the provision of potable water, hydro electric power facilities, educating the people, constructing dams and integrated rural development programmes.

2.2.3 Public -Private Partnerships and Privatization in the District Assemblies This talks about the degree to which local institutions tasked to provide public goods and services to the local people are in the hands of public or the private sector. In government at the local level, privatization is when authorities at local level give out or outsource part

of their duties to a private producer or supplier for a fee. Privatization in practice may include the collection of local taxes, the management of markets and lorry parks or terminals and the supply of technical staff such as lawyers and accountants (Ahwoi 2007). This helps the local authority to focus on its core business of providing the basic socio-economic amenities for the designated locality. This may be referred to as complete and final transfer of a package of government duties to private hands (Ahwoi 2007).

2.2.4. Devolution

Devolution by definition comes near decentralization, it entails the legal conferment of powers and the performance of certain specified functions by formally constituted regional or provincial bodies. Powers and functions once devolved under devolution becomes difficult taking back, since this must be done with a constitutional amendment (Ahwoi, 2007). Devolution offers local government the authority to mobilise funds for local development through taxation, rates, fees, fines and the other heads of the IGF. Put differently, devolution involves the transfer of authority for making decision, finance and management to independent units of local authorities. In a complete devolved autonomous system, local authorities are given legally recognized boundaries over which they exercise their influence and within which they perform public duties for which they are held responsible (Rondinelli, Supporting Rural Development 1998)

2.3 Possible Internal Revenue sources for local governments

The components of internal revenues differs significantly from one nation to another but the main types of local authority revenues are mostly the following:

- Revenue from services provided to the people (non-tax revenues and user charges/fees).

- Taking loans for projects
- Various types of grants (general and specific) given to local governments from the central government.
- Revenue from local taxes for instance property tax

2.3.1 Service fees

One important source of revenue is service fees, it is more important if local governments are considered basically as service providers. Naturally, this believe is in consonance with the concept of decentralizing specific duties to the local level by using efficiency criteria for the allocation of resources. Such services could therefore be funded through a charging system.

2.3.2 Grants

Grant like DACF is a key factor in the Assembly concept. Even though grants are declining, they remain an important revenue source for local government. In most developing countries, 60 percent or more of a local budget comes from transfers given by the centre. Grants are considered important given the breadth of new local government responsibilities and the generally inadequate level of internal revenue sources. Grants as a matter of fact must provide only part of local revenue because local authorities are usually more responsible for revenues that they collect directly, and since tax-payers are better able to connect the receipt of public good and the payment of the taxes if both are housed within a single government, it not will auger well for this to be achieved

2.3.3 Automatic revenue sharing

The distribution of national (or regional) taxes to local authority is perceived to be the solution to funding decentralization in many developing countries. This approach gives central government power to retain control of tax rates and tax administration, while at the

same time ensuring that local authorities get a higher flow of revenues. In spite of this, automatic revenue sharing does not normally provide a good basis for financing decentralization and local developments. In places that the central government maintain the power to manipulate annually the part of centrally collected taxes, local governments face a fundamental problem of uncertainty about their revenues, which generally makes it strenuous for them to budget in advance and plan ahead of capital finances.

Income tax rates have increased throughout the last two centuries, more especially in times of war, until reaching historically high levels in the 1980s. Since then individual tax rates, particularly those with respect to the top slices of income, have decreased. Records of the Organization for Economic Co-operation and Development (OECD) show that the share of personal income tax as a part of taxation has decreased on average in member countries from 30 percent in the 1970s to 27 percent in the 1990s. There are political and economic pressures that are likely to inhibit any significant change in the current state.

2.3.4 Corporation taxes

Corporate taxes were formerly not politically costly. They were perceived to be easy target. Corporate taxes had no political influence and governments were free to increase it without losing votes in elections. This trend has changed as a result of intense pressure of international competition to win institutions to their nation or local level. Multilateral institutions consider corporate tax rates in deciding where to locate their business. Therefore governments are reluctant to review corporate tax upwards.

2.3.5 Consumption taxes

Consumption tax on average maintains a constant proportion to other taxes in OECD member countries, but greater attention is now given to value added taxes. There are

economic, competitive and political constraints that governments have to take into account when deciding to review upwards consumption taxation rates.

2.3.6 Property taxes

Property taxes are unpredictable when compared to other tax sources. If wealth taxes and certain other specific taxes are put in the definition, property taxes hold for more than 10% of the total tax in countries such as England, Germany, France and China. In the last two centuries, taxes on property formed the most significant sources of tax revenue for both national and local taxes. Property taxes recently have assumed a long-term decline in relative importance and now represent about 5% of tax revenues in OECD member countries. Even with that, the role of the property tax is not determined in relation to the national tax base, but instead to the tax base of local authorities.

2.4 Features of a good Local tax

The definition of a relatively better tax for local Assemblies is limited with respect to central and even regional government's choices. This is due to the fact that higher levels of government are larger, controls jurisdictions having greater populations and have a huge capacity for tax administration. Certain number of standards must be met for a tax to be considered relatively better 'own local tax':

- A good local tax proceeds must match the natural increase in expenditure and provide for public needs.
- A good local tax should not be too sensitive to external shocks.
- It must be shared to a greater extent equally among local authorities. This is important because it closes the gap between Assemblies in tax base.
- The magnitude of the possible revenue is key. If the Assemblies are given comparatively less yielding taxes, vertical imbalances will surface (the

assignment of more duties to local governments than they can fund from their internal revenue sources).

- There should be a link between the tax payer and the public good provided. Those paying taxes should somehow enjoy its benefits.
- The collection of tax must not be expensive. The proceeds from the tax should be greater than the administration cost involved. Normally for property tax its cost of collection should not be more than 5% of the revenue collected. If it is more than 5% then it is considered not good.

According to OECD classification, the degree of local government independence over taxation should be against two benchmarks: degree to decide the tax base, and the fixing of the tax rate. The following division of own and shared revenues was established by OECD, in accordance with the degree of Assemblies autonomy:

- Power to control tax rate and the tax base;
- Power of Local authorities to sets the tax rate;
- Tax base being fixed by local government;
- Arrangements with respect to tax sharing
- Local government is in charge with revenue split.

Internal revenue usually form the largest source of autonomous income for local Assemblies, the locus to decide the tax base, the tax rate or the proceeds is very necessary condition. Local governments with such control are able to cope with their financial expenditure. Local authorities needs such control to operate well.

It is in the good interest of local government to avoid conflict of interest. The separation of tax base from tax rate should be encouraged at most times. Valuers normally fix the tax base and are responsible through an appeal process. Politicians have the prerogative to set the tax rate when elected to power. Such a division of responsibilities must prevail even if both the setting of the tax base and setting of the tax rate are carried out at the same level of government. Different levels of government taking such actions can avoid conflict of interest. For instance, where internal sources of revenue are scanty, local governments may want to inflate the tax base in an effort to up their revenue, or locally powerful (rich) people may put pressure on local authorities to have their tax burden reduced. In such cases, valuers of the central government may offer an alternative service which will be better assessment of their tax liabilities.

There are a lot of works or study on the standards of a good tax and it easy to weigh each alternative tax against these standards to find out how they function. While an exercise like this might be important, it goes without saying that there is nothing like perfect tax. There is, however, international agreement about which local taxes are mostly accepted. The local taxes property, income and sales taxes are widely known. A small number of countries have utilize large revenue-raising local taxes other than those above. Property tax is an important local tax because the nature of property makes it comparatively easy for local authorities to locate tax-payers and to collect their taxes. Property tax is relatively less attractive for central government because its proceeds are normally less than revenue from income tax, tax from sales and consumption taxes. Furthermore, property tax is generally not accepted as an instrument for broader social and economic policies which tend to be the main function of central government.

Tax revenue refers to revenue gained by governments through taxations. In the same vein that we have various types of tax, the form in which tax revenue is taken also varies;

moreover, the institutions that take the tax may not be part of central government, but may be an alternative third-party licensed to take tax which they themselves will spend.

In England, For instance, the Driver Vehicle Licensing Authority (DVLA) collects vehicle excise duty which is then put onto the national purse. Tax proceeds on purchases can come from two forms: 'tax' itself is a percentage of the price added to the purchase price. For one to compute the total tax revenue from these sales, we need to calculate effective tax rate multiplied by the quantity sold. The consequence of a variation in taxation level on total tax proceeds depends largely upon the good in question and to some extent on its price elasticity of demand. Where goods are less price elastic (they are price insensitive), an upward adjustment in tax or duty will lead to a less reduction in demand—not sufficient to cancel the higher tax increased from each unit. Overall tax proceeds will eventual rise. Contrary, for goods which are price sensitive, an increase in tax rate would lead to a reduction in total tax revenue.

2.4.1 Benefits of local sources of revenue to local governments

Importance of having local source of funding

- Local government can alter the quantity and quality of its services with regard to local preference
- Politicians will fear to misuse local funds as the local people will put check and balances in place relative to central government.
- The local government will account for money raised.
- Grants from the central government normally come with strings attached and contain how the grant should be used.

2.5 The scope and concept of internal revenue mobilization

Many stakeholders and scholars have written extensively on internal revenue mobilization function of the MMDAs, how those revenues are collected and spent. Reasons assigned by such opinions are that the ineffectiveness of the local government is to be blamed on lack of effective revenue collection such as lack of vision or lack of comprehensive functional role, absence of institutional structure (on the duties of the local government process was not known), low caliber of personal and low funds (Adedeji, 1970). He went on to say that, these challenges coupled with other problems have led the local government into a vicious circle of poverty because insufficient functions and powers leads to inadequate funds which results in the hiring of low skilled personal

On the issue of spending responsibility between central government and local governments, Rondinnelli mention that local funds accounts for approximately twothirds of the public expenditure burden, on the basis of final disbursements. According to Devas and others, the growth of Africa's population has outpaced local authority capacity for service delivery in terms of development, planning, and funding. On the same topic, Beall argued that the urban Municipal authorities, many of which were originally created as colonial administrative institutions, have not been position well to deal with the ever-growing population. Many local government authorities are weak financially and rely chiefly on financial transfers and assistance from the central government (Brosio 2000).

In Ghana, Devas (2003) argued that an increasing number of urban residents live in the informal settlements characterized by lack of basic services such as education, potable water, electricity, sanitation, refuse site, poor roads and bad transport system. Fiscal decentralization in Ghana has moved revenue collection and expenditure decisions to the local level of government. However, internal revenue collection procedures are often

ineffective and huge amounts of internal revenues collected are misappropriated and this has led to crisis in most of the Districts in service provision.

The study therefore seeks to examine the internal revenue mobilization strategies of MMDAs in Ghana with particular reference to the Suaman District Assembly as a case study.

2.6 Challenges of Internal Revenue Mobilization in the District Assemblies The decentralization process has led to a lot of resources given to MMDAs. As matter of fact, they are expected to plan the total development of their designated area. The transfer from central government to local governments as listed in the 1992 constitution to collect their own revenue as in terms of internal is support their own development programs. Though revenue generating capacities of the Assemblies have improved over the years, there are many constraints to financing local development. Some of the constraints identified are absence of institutional structure among local authorities, inadequate resource base, and short supply of long term funds for capital projects. The heavy reliance on government sources has made it very difficult to see it as a need to increase internal revenue mobilization efforts. The amount of revenue raised and spent through taxes internally is depended on the amount of transfer of payments from higher tiers of government. Nkrumah (2000: 61) sees the taxes levied and collected at the local government level as unyielding as compared to those accessed by the other agencies. It has led to limited ability of the local government to mobilized adequate revenue for development.

Other factors which do not allow local government to meet their revenue targets are as follows:

1. Attitude towards payment of rates:

People are mostly reluctant to pay their rate which affect many District Assemblies, basic rates are major component of local government internal revenue.so if people evade it, it affects or weakens the local government efforts in promoting development. The use of user fees has led to the spread of resistance to pay from the poorer segments of the urban population (Fjeldstad and Semboja, 2000).

2. Apathy on the part of revenue collectors:

This issue is rife in local government setup. Funds are not properly accounted for by revenue collectors. Also, some revenue collectors joins hands with tax payers to cheat the district Assembly. This challenge is as a result of unqualified revenue collectors.

People are mostly reluctant to pay their rates which affect many. These actions of the revenue collectors negatively affect the process of district assemblies in Ghana. This affects the district assemblies' capacity and accountability (Fjeldstad and Semboja, 2000)

3. Lack of Enforcement of Payment of Property Rates:

The Ghana constitution identifies property rate as one of the many means the local government can decide to raise revenue locally. It is sad to note that many districts assemblies in Ghana do not utilize this ways to support their revenue. Also, due to the use of old method of mobilising property rates, property owners try to run from paying the rates. This has resulted to property rates being very costly to implement (Brosio, 2000)

4. Poor Tracking Of Economic Activities:

The local government in Ghana is faced with the problem of many people and some small business organizations pursuing some ventures (economic activities) not paying their tax religiously. Some local government lacks the means to provide sufficient monitoring of economic activities in their area of jurisdiction. It has led to a problem of enterprises paying

less as expected. This has negatively affected district Assemblies tax revenues. (Devas and Kelly, 2001).

5. Poor Record Keeping:

Lack of records with respect to economic activities is affecting the growth of the local area. Developing countries such as Ghana lack data on all economic activities found in their districts. For instance, many district assemblies do not have data on the number of drivers, seamstress, hawkers, farms, chop bars among others working in the district. This operates against efforts to better locally generated revenue in the local Assemblies. These revenues when well taken from tax payers can give substantial and dependable revenues for district Assemblies (Painter, 2005). Effective and efficient internal revenue mobilization is a major priority to all district assemblies; it is however beset with numerous challenges. Attempts and efforts should be channeled towards its resolution.

2.7 Improving Internally Generated Funds to District Assemblies.

There are different ways through which local governments can improve their revenue capacity. They can; increase their “own source revenues” within the legal framework: reduce their expenditures: and/or can develop new sources of revenue (Painter, 2005). By these ways, local government will be able to raise revenue in excess of expenditure which is the desired of every local government which want to finance its development properly. He emphasized that the latter option is the easiest to implement in developing countries.

1. Increasing Own internal Source Revenue

Painter (2005) identified the transfers of funds from the central government to the local government and funds raised and retained by the locality as the principal sources of revenue for most local government in developing countries. The low performance of the revenue raised and retained at the local level as the restrictions imposed on it by the centre on the type of revenue to collect, the reliance of the local government on the centre, local

politics that oppose local revenue collection, poor revenue mobilization technology and corrupt practices at the local level. The study will therefore investigate the truth or otherwise of this findings. Also Painter (2005) has failed to suggest ways of dealing with these issues in specific local government level. The study would therefore come out with suggestions to deal with these specific situations.

In Ghana, the Local Government Act is clear on the sources of revenues for DAs and they are legally bound to rely on these sources to mobilize the necessary revenue for its development agenda Painter (2005) identified the various revenues as taxes, fees and user charges. Among the taxes property tax is the major source of revenue for local government and the performance of this source can affect the total amount of revenue raised. But this type of tax is underperformed in many local governments. The factors identified by Painter for the low performance of this area are;

- Lack of adequate property registration resulting in outdated tax rolls;
- Undervaluation of the properties on the tax roll;
- Poorly managed billing and collection of tax bills; and
- Corruption in the registration, valuation, and billing/collection processes. The study will again look at the strategies used by the Assembly in revenue mobilization.

2. Reducing Expenditures

The local government has to take measures to ensure that what the revenue raised is spend on is reduced. Areas where this expenditure can be reduced include nondiscretionary expenditures (Painter, 2005).

a. New Sources of internal Revenue

The DA can increase their revenue locally by identifying and executing new sources of revenue in the district that can be harnessed for collection and utilization. This is however, very difficult for implementation by many DAs in Ghana.

In order to increase the revenue level of local government from the present status is to know the existing revenue sources available to the Assembly and identify other local revenue sources from which the Assemblies can generate revenue. This informs the study to identify other IGFs available to the Assembly.

In view of revenue mobilization efforts, taxation should be economical in collection. The cost involved in the collection of the revenue should be less than the tax yields of the tax (Bird, 1998). This implies that tax element can be considered efficient and sustainable if it is collected at a minimal cost. By simplicity, the tax to be collected should as a matter of fact be very simple to administer. For it to be collected, both the tax payer and the tax administrator should be cleared in their minds of the administration of the tax. He however, failed to find out whether there is internal control in these Assemblies and if yes how effective they are.

2.8 Reasons for low internal revenue mobilization

Schroeder et al (1998) reveals the following as reasons for poor internal revenue mobilization.

2.8.1 Weak Administration

In broad terms, the internal revenue base data in most Africa countries is not up to date, revenue are less, and compliance is completely absent. On paper most developing countries have fine tuned policy but the main challenge to efficient internal revenue collection is weak administrative structure. Weak institution combined with lack of will for compliance

has led to less level of local revenue being collected on yearly bases. It is undeniable fact that local authorities have great advantage in improving internal revenue – especially from business registration and fees and funds (Schroeder, et al, 1998).

2.8.2 Collection and Enforcement

In most developing countries like Ghana internal revenue collection tends to be low. It is normally estimated to range between 40- 50 percent. Statistics on actual collection rate are not easy to come by. It is not based on scientific approach but rather on scanty information gotten from the very tax payers. Up to date, local authorities rely chiefly on voluntary payment on the part of tax payers to collect their tax. The deliberately refuse to use different enforcement means to collect their taxes. According to Kelly et al (2001) low mobilization ability can be blamed on many factors including;

Lack of apparent political will.

Effective Mobilization strategy needs training and incentives for the revenue collectors and requires trust on their part.

Poor local services

The taxpayer must be expecting to see that his tax has been put into good use. Tax payers are reluctant to honour their obligations if they see that their taxes are being misused by politician. They are more likely to pay in good faith if local services provided by the local authorities are being improved and taken fairly from them.

Lack of education on tax responsibility

Just as with all revenue, education is fundamental in achieving efficient tax collection. Education on the reasons, methods, duties and rights related to the various types of tax should be communicated to the prospective tax payer. Being able to connect revenue collected to better service delivery, educating taxpaying population will improve

compliance. Bringing together the people through improved bottom up budgeting and civic involvement (participating) will engage the citizens and also bring improved internal revenue mobilization.

2.9 Reforming local government internal generated fund (IGF)

Fjeldstad et al (2000) argue that there is huge number of revenue instruments used in Africa for mobilization of tax funds than any part in the world. In most developing countries, local authorities tend to collect whatever taxes, fees and fines, and user charges they are capable of collecting, most at times without considering whether it is disturbing, bringing about economic distortion and creating large gap between the poor and the rich. a good tax system must try to close the gap between the poor and the rich. Such tax are progressive tax and not regressive in nature.

Bardhan and Mookherjee, (2002) revealed that a complex local government revenue system is expensive to implement and it brings corruption and mismanagement. Furthermore, several local revenue have a distorting impact on resource distribution decisions, and, inhibiting impact on infant business and existing small scale enterprises and thus affecting economic growth. Sander, (2003) noted that these effects happen when effective rates change largely between various goods that are traded, and when license fees are set too high for start-up small-scale enterprises to operate. Fjeldstad and Semboja (ibid) reveal that the levels and types of local tax instruments by themselves can cause the tax net catching more on the poor people than on the rich. This is largely attributed to the basic design of the local tax system and the means taxes are mobilised. In spite of the many complex central government revenue policies in developing countries during the last two decades, their tax revenue has not increased. This can be explained by their lack of institution structure to check corruption, evasion and other fraudulent activities by the stakeholders. moreover, a very basic requirement when designing internal revenue systems

is a relatively huge emphasis on the costeffectiveness of revenue mobilization, taking into consideration not only the overhead expenses of revenue implementation, but also the overall costs to the entire country, including the compliance costs to taxpayers. In addition, losses as a result of corruption and evasion need to be considered. Clearly, improved revenue administration cannot compensate for otherwise bad revenue design. Thus, reforming the revenue structure should come before the reform of revenue administration since there is not much sense in making a bad revenue system work somehow better. Fjeldstad, (2000)

STRATEGIES FOR EFFECTIVE INTERNAL GENERATED FUND

To get adequate IGFs, Korkor (2003) gave these strategies to local government

1. Public education as regards the various types of tax
2. Proper valuation of immobile properties
3. Introduction new licences system
4. Hiring good people as collectors.
5. Use of security service

CONCLUSION

This chapter has reviewed relevant literature on the need for fiscal autonomy of local governments, internal revenue sources to MMDAs, taxes and taxation, challenges of internal revenue mobilization by MMDAs and ways of improving Internally Generated Funds to District Assembly.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The chapter presents the methodology employed to collect data for achieving the objectives of the study. It gives details about the research design, type and sources of data, data analysis, district profile, data collection instruments and methods of collection and analysis.

3.1 Research Design

The study used a case study research design. This is a type of study involving a particular situation and its impact in order to have more accurate detail and in-depth knowledge of the nature of the phenomenon as it relates to a specific environment. It is mostly used where the purpose is to gain rich and in-depth understanding of the context of the research and the processes being enacted (Morris and Wood, 1991 in Saunders et al, 2007). Case study strategy is often used in explanatory and exploratory research. Case study may use quantitative or qualitative methods and many case study designs use a mix of these methods to collect and analyse data (Yin 2009). As the research seeks to examine the effectiveness of internal revenue mobilization strategies of the Suaman District Assembly, the researcher considered this design appropriate.

3.2 Types and sources of data

Data for the study were collected from two main sources viz. primary and secondary sources. The primary sources include data which was obtained from respondent in the Suaman District Assembly through a combination of methods. Structured questionnaires

were designed for a person of the district Assembly in the person of District finance officer. Personal interviews were further conducted with Key Informants to acquire more data.

Secondary data were collected from review of relevant documents of the Assembly on internal revenue mobilization strategies, sources of revenue available to the Assembly, challenges of these strategies. These were from the various publications, reports, documents, records, annual financial statements and annual budgets.

3.3 Methods of data collection

Data collection instruments employed by the researcher were mainly questionnaires and examination of secondary data. A questionnaire was designed for respondent to answer. The questions required the respondents for background information, sources of revenue for the Assembly, strategies used by Suaman District Assembly in revenue collection while others required respondents to rank, categorize, rate and quantify certain issues related to revenue collection strategies and the effectiveness of such strategies. People with busy schedules that were not available to be contacted personally to answer the questionnaires and interviews were also contacted through telephone calls. Through telephone conversation, the researcher sought for answers on pertinent issues which have an impact on internal revenue mobilization strategies in the Assembly. A documentary secondary data on internal revenue was also taken from the District Assembly.

3.4 Data analysis

Quantitative and qualitative methods have been employed in analysing the data collected from the field. For the purpose of this study, a mixture of both quantitative and qualitative data will be collected. Quantitative data collected from the field will be organised, edited and analysed using the Statistical Product and Service Solution (SPSS version 20) and Microsoft Excel. In the qualitative analysis discussions and observation made during the study period have been used to support results obtained quantitatively. The results of the

analysis will be interpreted and presented on tables, charts and figures where appropriate. The analysis will be basically descriptive showing frequencies, measures of central tendencies and percentages. Again, coding of data to enable responses to be grouped into limited number of categories

3.5 Profile of the District

3.5.1 Location and Size

The District is located in the Mid-Western part of the Western region of Ghana. It is bordered to the North, South, East and West by Bodi, Aowin, Sewfi Akontombra Districts and the republic of La Cote D'Ivoire respectively. The District capital is Dadieso which is about 300km from Sekondi-Takoradi, the regional capital. The District covers a total land area of 400.14 square kilometers.

The Suaman District is chosen because it has all the sectors and all are in balanced manner like agriculture sector, tourism, hospitality, health, education, industrial sector etc.

3.5.2 Demography

The population of the Suaman District, according to the 2010 Population and Housing Census stood at 20,529. The concentration is in the principal towns of Dadieso and Karlo. The high population numbers are due to the presence of a significant migrant population mostly from Northern Ghana who are farmers.

3.5.3 Industry

The District virtually has no industries since most of the Agricultural produce is not processed from their raw state into a secondary product or final output. All the produce is either consumed locally (foodstuffs) or transported to the ports at Takoradi or Tema for shipment abroad (cocoa).

There are about Twenty (20) licensed cocoa buying companies operating in the District.

Some of them include; Produce Buying Company Limited (PBC), Armajaro Limited, OLAM Ghana Limited, Adwumapa Buyers, KuapaKokoo, Federated Commodities, Transroyal Ghana Limited and Royal Commodities Limited.

3.5.4 Trade and Commerce

The Suaman District is a very busy commercial centre due to its proximity to the Republic of La Cote D'Ivoire. It serves as the entry and exit point for most imports and exports between the two

Countries. For instance Ghana imports hundreds of tons of rice from La Cote D'Ivoire every year through District while La Cote D'Ivoire also imports second hand clothing and spare parts from Ghana. The District has nine vibrant financial institutions made up of one Commercial Bank, one Rural Bank and seven micro finance companies. These financial institutions give credit at affordable rates to their clients to expand their businesses. There are four market centres in the District. These are Dadieso (main market), Kwasuo, Karlo and Antokrom. Items traded in these markets include merchandise of business men and women from Kumasi and Sekondi-Takoradi in addition to those imported from La Cote D'Ivoire.

There are about sixty commercial vehicles and one hundred (100) motor tricycles operating in the District on commercial basis.

Smuggling of fuel products and Agro inputs to La Cote D'Ivoire has been identified to be one of the challenges faced by the District Assembly. Custom and Immigration officers along the borders are doing their best to check smuggling. An anti-smuggling taskforce has been formed to augment the efforts of the Custom and Immigration officers in this regard. The Suaman District is affected by illicit financial flow which is illegal movement of money or capital from one country to another through the means of fraudulent activities,

tax abuses and unrealistic trade. The cocoa sector is the most affected sector to the illicit financial flow.

District Economy

The economy of Suaman District is largely agrarian, of which about 79.2% of the labour force are engaged in Agriculture and its related activities. Out of the said percentage nearly 44.7% are females.

Conclusion

This chapter presented the methodology adopted by the researcher to conduct the study.



CHAPTER FOUR

ANALYSIS AND DISCUSSION OF FINDING

4.0 Introduction

This study investigated the effectiveness of internal revenue mobilization strategies with specific reference to the Suaman District Assembly. In the first place, the study sought to identify traditional revenue sources available to the Suaman District Assembly. Secondly, the study examined the effectiveness of the strategies adopted by the Suaman District Assembly; the study also assessed the internal controls used by the Assembly to ensure efficient internal revenue collection. Finally the study assesses challenges confronting internal revenue mobilization by the Suaman District Assembly.

In this chapter, the results of the data analysis are presented and interpreted in line with the research objectives and the research questions.

4.1 Internal Revenue Sources

The Suaman District Assembly performs so many functions that require money. For the above reason; the assembly has been given the mandate to raise revenue to meet its expenditure requirements. The authority to generate such revenues from the assemblies comes from Local Government Act 462, 1993. For example; Section 86 of the Act gives a catalogue of items on which the assembly could impose local taxes and levies on. The study identified five sources (components) of internal revenue that are available to the Suaman District Assembly. These included rates, land and royalties, rents, licenses, fees and fines. This is shown in the table below:

Table 4.1.1 Percentage of the sources of Internal Revenue budget from 2012 to 2015

Revenue head	2012 (%)	2013(%)	2014(%)	2015(%)
Rate	20	17	18	20
Land	33	36	31	34
Fees	12	13	15	15
Rent	5	3	2	1
Licence	30	31	34	30
Total	100	100	100	100

Source: District Finance Office, 2015

This table does not show investment income. The study find out that the internal revenue source available to the District is limited because it is a newly created District and as such over the years the Assembly has not made any revenue generating investment. The absence

of investment income is having a great negative impact on the internal revenue generation of the Assembly.

4.1.1 Analysis of Performance of Internal Revenue Sources to District Total IGF

The study also examined the performance in terms of the contributions of the various sources of revenue to the total IGF of the Suaman District Assembly for 2012, 2013 and 2014 fiscal year. The study reveals that the overall total amount of IGF of the Suaman District Assembly were GHC 107,025, GHC 121,001 and GHC 142,122 for 2012, 2013 and 2014 respectively. In terms of the contribution of the various components to total IGF of the Assembly, it was revealed that Rent accounted for only 0.07% of IGF in 2012; 0.23% in 2013 and 0.00% in 2014. Rates contributed the highest amount (GHC 51,632.2) to IGF in 2012. The contribution of rates to IGF of the Assembly was GHC 14,036 (11.6%) and GHC 45,336 (31.9%) respectively for 2013 and 2014. In 2013, the highest contributor to IGF was Licenses, contributing GHC 54,813 (45.3%) to the total IGF of the Assembly. Licenses also contributed GHC 26,756 (25%) and GHC 34,819.9 (24.5%) to total IGF of the Assembly in 2012 and 2014 respectively. The budget estimate for Licences in 2013 were met as the Suaman Assembly budgeted for GHC 54,000 and had GHC 54,813 but could not achieve the same in 2012 and 2014. Fees, Fines and penalties accounted for 28.1% (GHC 30,074), 37.3% (GHC 45,133.4) and 39.8% (GHC 56,564.6) of the total IGF of the Suaman District in 2012, 2013 and 2014 respectively. Fees, fines and penalties increased marginally over the period. The Assembly met its target with regards to fees, fines and penalties in 2013 as it budgeted to have GHC 44,000 and actually had GHC 45,133.4 but could not achieve same in 2012 and 2014.

Land and royalties contributed GHC 31,820, GHC 8,205.1 and GHC 6,970 to the IGF of the Assembly in 2012, 2013 and 2014 respectively. The contribution of land to the internal revenue of the Suaman District Assembly in 2013 had decreased by more than 74% when

compared to the preceding year. The land and royalties contribution to IGF of the Suaman Assembly in 2014 also fell by 15% and 78% compared to IGF of the Assembly in 2012 and 2013 respectively. The budget estimate with respect to land and royalties contribution to IGF were GHC 18, 000, GHC20, 000 and GHC 17, 000 for the years 2012, 2013 and 2014 respectively.

This indicates that Fees, fines and penalties contributed most to IGF of the district with an average contribution of GHC43924 for the past 3 years. Rents and permits contributed the least with no contribution at all to IGF of the Assembly in 2014.

The study found out that investment income which is a core component of other district Assembly sources of internal revenue was conspicuously missing.

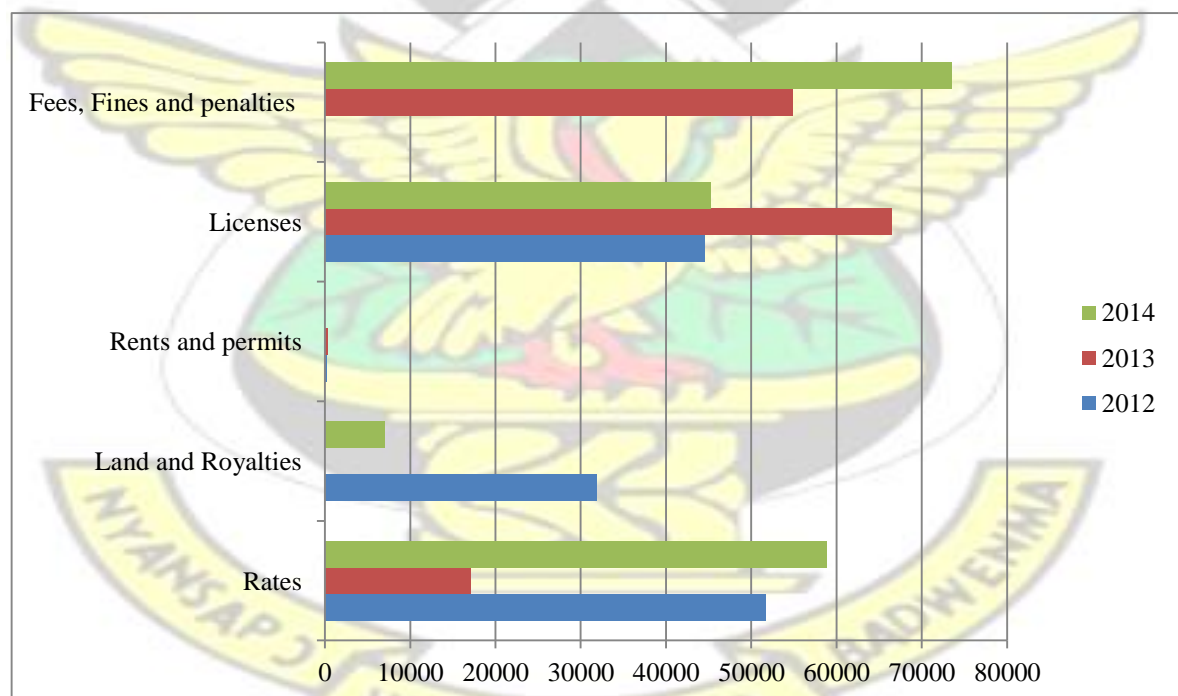


Figure 4.1.1; Contributions of Revenues Sources to Total IGF by Years

Source; Author construct Records, 2015 based on District

4.1.2 Internal Revenue Mobilization Strategies used by Suaman District

Internal revenue mobilization in the Suaman District involves the use of personnel (revenue collectors) who go to shops and markets to collect the requisite amounts from the tax payers. The District Finance Officer indicated that revenue collectors usually go to the shops or workplaces and issue to them tickets that indicate the amount that they are required to pay and lock up shops or seize goods of the Tax payer when he/she is unwilling to pay and generally use certain level of force to get the money from them. The internal revenue mobilization strategies used by Suaman District Assembly include the following: Voluntary personal payment, Use of task force, Tax education, Motivation of revenue collectors, Capacity building in revenue collection and Tax reduction **Contributions of Strategies to Internal Revenue**

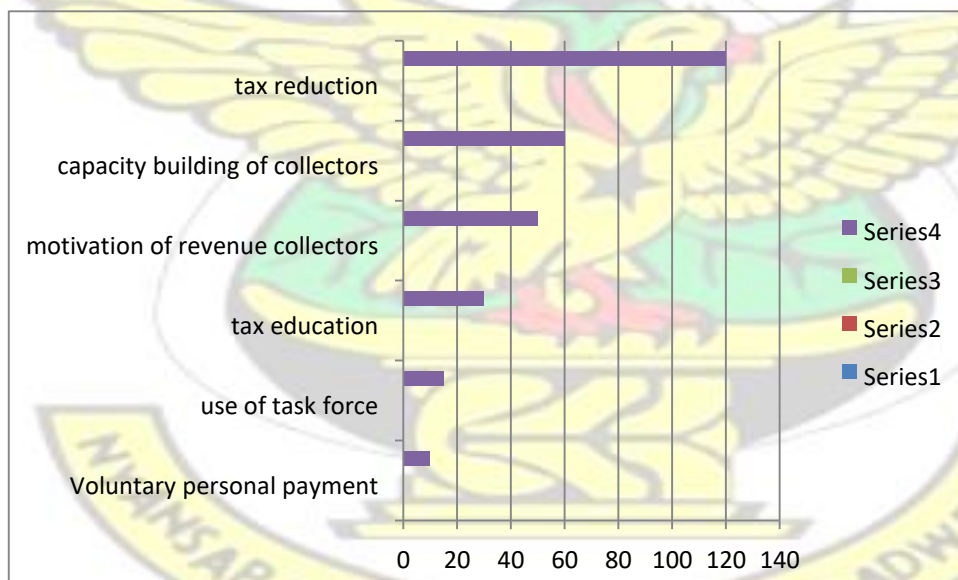


Figure 4.2 Contributions of strategies to internal revenue

Source: District Finance Office

The figure above shows that tax reduction contributes most in terms of the strategies that the Suaman Assembly uses to collect internal revenue. It indicates that the Assembly

charges are relatively high and needs to be reduced to get more people to pay. It shows that voluntary personal payment contributes least in terms of the internal revenue strategies. Apart from tax reduction, there is the need to build revenue collectors capacity and motivate them as well. As voluntary personal payment contributes least the Assembly uses tax education and a bit of force.

4.1.3 Level of satisfaction of tax payers with revenue mobilization strategies The level of satisfaction of tax payers with the strategies used in collecting monies from them for the Assembly to a large extent will affect their willingness to pay and the overall effectiveness of the strategies. The researcher therefore found the following information on the level of satisfaction with the strategies being used to collect monies from the tax payers for the Assembly. The Distribution of tax payer respondents and their level of satisfaction with revenue mobilization strategies of the Suaman District are presented in Table 4.1.2 below;

Table 4.1.2 Level of Satisfaction with Revenue Mobilization strategies of the Assembly

Level of satisfaction	Frequency	Percent
Very satisfied	13	18.6
Satisfied	8	11.4
somewhat satisfied	1	1.4
Not satisfied	32	45.7
Not satisfied at all	16	22.9
Total	70	100.0

Source; District finance office

The information as presented on Table 4.1.2 show that 345.7% of the tax payer respondents are not satisfied with the current strategies used by the assembly. The number of respondents who were either very satisfied or satisfied with the strategies represents 18.6%

and 11.4% of the respondents respectively. Also, 22.9% of the respondents reported that they were not satisfied at all with the strategies been used. Only 1 respondent was somewhat satisfied. This means that majority of the respondents were not satisfied to some extend the strategies used by the Assembly in revenue mobilization. However respondents who claimed they were satisfied with the strategies being used defended their stand by saying that those were the only way the Assembly will be able to generate the require revenue from taxpayer and also emphasize that tax payer in the district will not pay without been forced. One respondent said “If the Assembly uses task force people will be willing to pay their taxes and rates to avoid embarrassment. In the opinion of the researcher, this finding on satisfaction of tax payers as regards strategies is very important in revenue mobilization.

4.2 The Effectiveness of the Internal Revenue Mobilization Strategies

To help answer the second objective of the study, the respondent was asked to complete the table below:

Table 4.2.1 Comparison of Budgeted and Actual IGF (In GHC)

Years	Budgeted Internal Revenue	Actual internal Revenue
2012	130,000	107,025
2013	146,000	121,001
2014	163,000	142,122

Source: District Finance Office

The table shows that the internal revenue target set by the Suaman District Assembly has never been met. The actual internal revenue for the period increased at an increasing rate. In 2013, it increased by GHC 13,976 which represents 13% and then again in 2014, it increased by GH C 21,121 which represent 17%. The table reveals that in 2012, there was an adverse variance amounting to GHC 22, 975, in 2013 adverse variance of GHC 24,999 and in 2014 adverse variance of GHC 20,878. The study revealed that the internal revenue

generated by the Assembly was woefully inadequate as it was not enough to meet the recurrent expenditure of the Suaman Assembly. The actual internal revenue averaging GHC 123,382 was not able to meet the Assembly recurrent expenditure and that explains why the Assembly could not invest part of it to earn investment income. The study found out that Grants to the Assembly by the central government far exceeded the internal revenue. With respect to adequacy of internal revenue mobilized each year, the respondent in management was of the view that internal revenue of the Assembly were inadequate to finance the numerous project and programmes demanded by the people of the district. The Assembly therefore has no choice but to rely heavily on the District Assembly Common Fund (DAFC).

Table 4.2.2 Transfers and IGFs (In GHC)

Description	Total Income	Transfers	IGF	% Of IGF
2012	2,219,587	2,112,562	107,025	4.8
2013	1,434,433	1,313,432	121,001	8.4
2014	2,444,440	2,302,318	142,122	5.8
Total	6,098,460	5,728,312	370,148	6.1

Source: District Finance Office

Table 4.2.2 shows that apart from 2013 when internal revenue constituted up to 8.4% of the total revenue, the other year figures have not been encouraging. From the table, transfers to the District Assembly have not be stable as it is seen that it dropped by 38% in 2013 but increased by more than 42% in 2014. While the internal revenue as a percentage of total income figure appear to be good for the Suaman District Assembly, it is not. The central government transfer and other donor support to the District Assembly that year was very small and that contributed hugely to high percentage of internal revenue to total revenue. If the 2012 internal revenue were to be adjusted to take 2013 transfer, its internal revenue as a percentage of total revenue would have been more than

7% and that of 2014 transfer adjusted to 2013 transfer would be more than 9%. Comparatively the 2014 IGF I as a percentage of transfer is the best. It shows that central government transfers and other donor funds have been the main source of income for Suaman District Assembly. These transfers are used as substitute to internal revenue and District Assembly is not put under budget constraints that will compel it to raise resources locally.

Table 4.2.3 Performance of various items under Licence

LICENSE ITEM	BUDGETED FOR THE PERIOD	ACTUALS FOR THE PERIOD
STORES	55,000	45,000
CHOP BARS	23,000	15000
DRINKING BARS	30,000	20,000
PRIVATE SCHOOLS	36,000	36,388

Source: District Finance office

The District Assembly targets for the three years with respect to licence were all not achieved with the exception of licence from private schools. The study revealed that the District Assembly does not have database of the Drinking Bars, Chop Bars and Stores in the District. The respondent indicated, the District have database on the private schools located in the District and that accounted for the proper planning with respect to proceeds from private schools. The over 18% adverse variance on Stores, 35% adverse variance on Chop bar and 33% adverse variance on Drinking bar can be attributed to planning errors by management.

Table 4.2.4 Performance of Fees and Fines

FEES AND FINES ITEMS	BUDGETED ESTIMATE FOR THE PERIOD	ACTUAL FOR THE PERIOD

MARKET TOLLS	62,0000	50,000
LORRY PARK TOLLS	45,000	30,000
TOILET USER FEE	40,000	28,000
COURT FINES	35,000	23,771

Sources: District Finance Office

The table above shows that none of the items under fees and fines budget estimate was achieved. These adverse variances can be attributed to planning errors as the Assembly does not have full control over some of the items.

Table 4.2.5 Performs of items under land

LAND ITEMS	ESTIMATE FOR THE PERIOD	ACTUALS FOR THE PERIOD
STOOL LAND REVENUE	20,000	23,000
ROYALTIES	25,000	19,000
BUILDING PERMIT	10,000	6,000

Source; District Finance Office

The stool land revenue budget was met over the period. On the other hand Royalties and Building Permit budget were not met over the period. The Building Permit and Royalties adverse variances was due to operational errors as the District have control over them.

Table 4.2.6 Performance of items under Rate

ITEMS UNDER RATE	BUDGET FOR THE PERIOD	ACTUAL FOR THE PERIOD
BASIC RATE	50,000	30,000
PROPERTY RATE	70,000	40,000
CATTLE RATE	12,000	10,000
SPECIAL RATE	20,000	15,000
SANITATION	25,000	16,000

Source: District Office Finance

The Suaman District could not achieve any of its targets for various items under rate over the period. It goes without saying that the strategies for collecting rate are comparatively the worst in the District. The strategy for collecting property rate is very ineffective as the District budgeted to get GHC70, 000 but actually had GHC40, 000. The strategy for collecting cattle rate is relatively the best within the rate category as the District budgeted to have GHC 12,000 and actually had GHC10, 000. The GHC 2,000 adverse variance represents less than 17% followed by special rate which fell by 25%.

4.2.1 Effects of Low Internal Revenue Generation

Respondent attributed the effects of low internal revenue generation by District as follows:

- ☐ Inadequate provision of infrastructural facilities ☐ lack of funds to pay sitting allowances and wages to casual workers and allowances at the end of each month
- ☐ Over -dependence on external revenue to carry out infrastructural projects and provision of municipal services
- ☐ Indebtedness to contractors, supplier etc.

4.2.2 Reasons for the Shortfalls

The following reasons were given by the respondent in management as to why internal revenue targets are not met by the Assembly:

- Low caliber of internal revenue collectors
- Lack of amenities
- Lack of monitoring
- Inadequate logistics
- Poor education on tax

- Lack of motivation for revenue collectors
- Under declaration of internal revenue by collectors
- Lack of information for items to be taxed

4.3 Internal Controls

The third objective of this study was to examine the procedures involved in accounting for the revenue collected. The item sought to find out the effectiveness of the internal revenue accounting strategies. The study revealed that unanimously revenue collectors are aware of the rules and regulation governing the internal revenue collection in the District.

In terms of how internal revenue collected are accounted for and monitored, the study found out that revenue collectors were put in stations and each station has a head who is responsible for supervising and monitoring revenue collectors. The monitoring is done by station head via checking value books against amount collected. Supervision is also carry out through field visits.

Asked to how the Assembly checks corruption, frauds and other forms of revenue leakages in revenue collection, the respondent gave the following responses:

- (a) The Assembly uses receipts with security features that make it difficult for revenue collectors to do duplicates.
- (b) The Assembly frequently changes revenue collectors,
- (c) Revenues collected are issued with identity cards
- (d) The Assembly applies punishment to dishonest revenue collectors in order to serve as deterrent to others
- (e) The Assembly keeps database of its revenue collectors

The study found out the following as some of the flaws in the internal control measures put in place to ensure efficient financial management.

- Some revenue collectors trade the revenue for food items and other materials at the expense of the Assembly.
- Sometimes the revenue collectors deliberately refuse to issue receipt to cover revenue collected from the payers.
- The revenue collectors normally collect the approved rate but issue receipts for lesser amount.
- Some of the revenue collectors have printed their own receipt books which they use for revenue collections for themselves.

The study found out that Suaman District is affected by illicit financial flow which is illegal movement of money or capital from one country to another through the means of fraudulent activities, tax abuses and unrealistic trade. The cocoa sector is the most affected sector to the illicit financial flow. The Suaman District is a very busy commercial centre due to its proximity to the Republic of La Cote D'Ivoire. It serves as the entry and exit point for most imports and exports between the two countries. For instance Ghana imports hundreds of tons of rice from La Cote D'Ivoire yearly. The respondent indicated that if all stakeholders and for that matter all Ghanaians work hard to plug this hole in revenue generation, it will enable the nation to reap enough revenue for development.

The study found out that if proper internal control measures are enacted by the Assembly to check corruption by management and dishonesty by revenue collectors, the internal revenue funds of the Assembly will increase by 15%.

4.4 Challenges in mobilising Internal Revenue

The study found the following challenges with internal revenue mobilization strategies in the Suaman District Assembly

4.4.1 License

The study find out that any move to increase internal revenue by widening tax base and improving on efficiency in collection are unlikely to yield any significant short- term impacts due to weak structures such as inefficient public and business address system.

The inefficient public and business address system makes collection of licences difficult in the District.

Inadequate regular revenue staff also contributed to low internal revenue from licence. The turnover for revenue staff collectors in the District is also high. The revenue staff considers this job as temporary and so do not work for the District for long.

Low caliber of revenue collectors contribute to low internal revenue for licence. Some of the revenue collectors can neither read nor write. They find it difficult to explain to people the need to pay tax because of their limited knowledge on tax.

4.4.2 Fees and Fines

The study find out that poorly developed market infrastructure in the District affected market tolls. The infrastructure in the District market were inadequate and in poor condition. The District lack basic amenities like bathroom in some of its market. Those amenities that the District has are also not properly maintained. The roads in the District are in deplorable state and so drivers in the District sometimes feel reluctant to pay their parking tolls to the District. With regard to internal revenue coming from court fines, the District does not have control over it and so become problematic when budgeting for it.

4.4.3 Rates

Some of the rates charged by the District Assembly are unrealistic or too small and due to this, most of the revenue collectors received monthly salaries more than the revenue they collect and their continued stay on the District payroll was irrelevant and unjustified.

Another challenge that the District is facing is unwillingness of the people to pay tax. The people in the District are ignorant about the benefits of tax and so the District spends a huge amount of money to educate them.

Poor database on internal revenue mobilisation is also a challenge in the District. Valuing properties in the District so as to challenge the right property rate is problematic in the District. The district Assembly lack experts in the area of valuation of properties.

The study revealed that unwillingness on the part of the people to pay their rates poses the most challenge. It contributes more than 55% of the challenges to rates alone. Poor database contributes 28% and unrealistic charges contribute 17%.

4.4.5 Land

The study found out that the District Assembly lack logistics for the internal revenue unit. The lack of logistics prevents the District from achieving its internal revenue target on items like building permit.

The District did not have much control over the collection of stool land revenue and so become problematic when budgeting for stool lands.

4.4.6 General challenges

The study found the following as general challenges in internal revenue mobilization in the District Assembly.

The study revealed poor budget formulation and implementation accounted for 15% of the budget not being achieved. The poor budget formulation is due to lack of adequate data. The lack of adequate data is partly due to the fact that the Suaman District Assembly is a newly created District Assembly. Suaman District Assembly does not have reliable database which give details about traders, artisans, property owners, cooperate bodies doing business in the District. The lack of reliable data base is one of the factors for poor budget formulation and implementation in the District.

The study also found out inefficient revenue collectors contribute about 12% of the budget of the District Assembly not being achieved. Most of the revenue collectors were purely recruited on the basis of political grounds and not on competence or merit. What most of the revenue collectors bring by way of revenue is less than what they take as compensations. This makes it uneconomical to maintain some of the revenue collectors.

The move by the Suaman Assembly District to increase internal revenue by widening the tax base and improving on efficiency in collection are unlikely to yield any significant short- term impacts due to weak structures such as inefficient public and business address system. One major challenge of the Suaman District Assembly is the poor business address system and lack of national identification to identify individual and corporate entities.

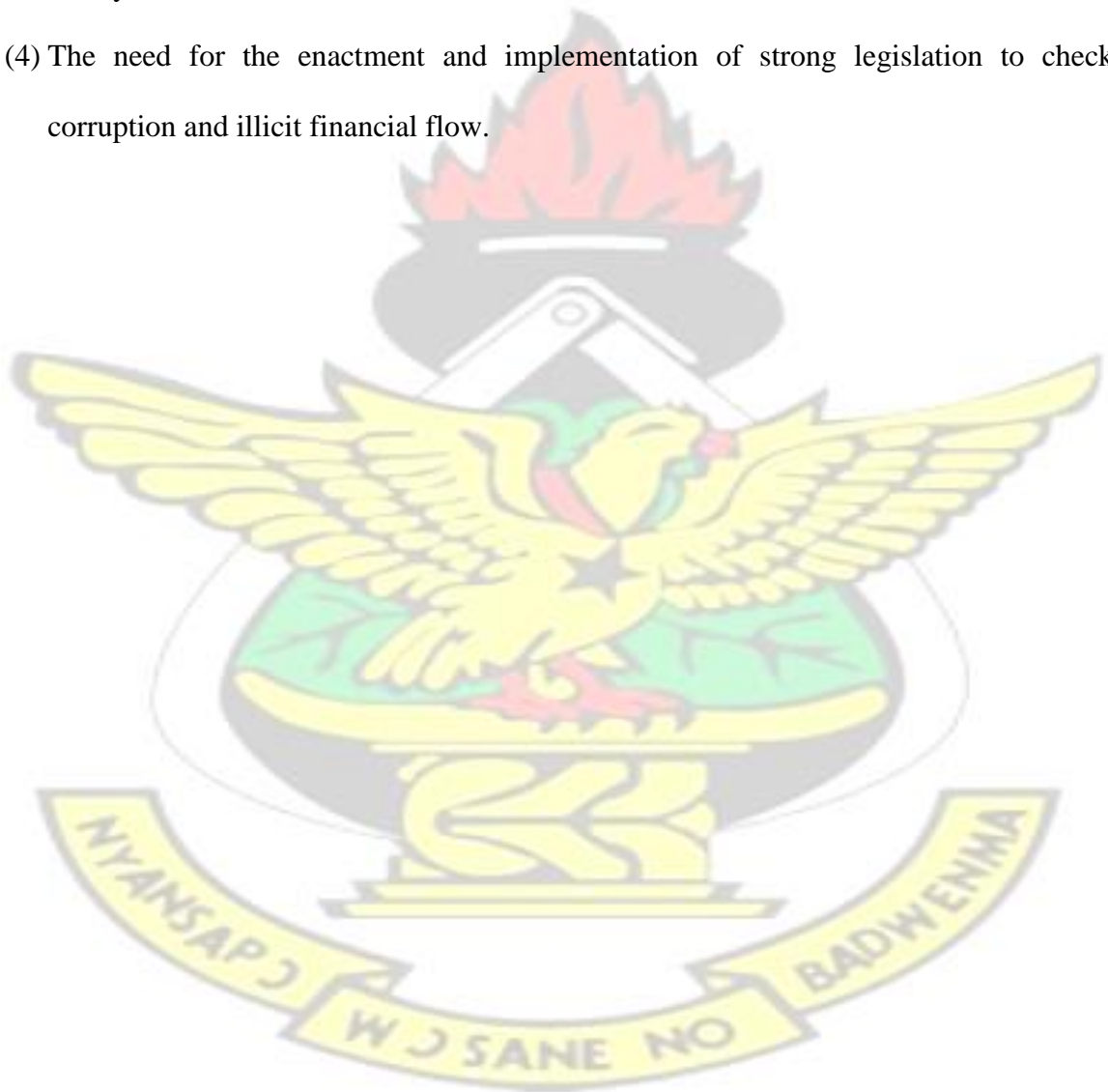
Another challenge of internal revenue mobilization in Suaman District Assembly is illicit financial flows. Illicit financial flows are illegal movement of money or capital from one country to another through the means of fraudulent activities, tax abuses and unrealistic trade incentives given to investors.

The last but not least is the unwillingness of the people to pay taxes. Some of the revenue collectors are sometimes beaten by the people when they go to take tax from them.

4.4.7 Means to enhance Internal Revenue generation

On the means to enhance internal revenue mobilization, the respondent gave the following views;

- (1) The tax net of the Assembly needs to be widened.
- (2) Number of permanent revenue collectors should be increased.
- (3) People within the District should be sensitized on the essence of paying taxes to the Assembly
- (4) The need for the enactment and implementation of strong legislation to check corruption and illicit financial flow.



CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents findings based on the results and discussions of the study, a summary of the main findings, conclusions and recommendations.

5.1 Summary of finding

On the basis of the analysis of data in chapter four and the discussions, the following are the summary of the major findings.

The sources of local revenue available to the Assembly from the study include rates, land and royalties, rents, licenses, fees and fines. The study reveals that the overall total amount of IGF of the Suaman District Assembly were GHC 107,025, GHC 121,001 and GHC 142,122 for 2012, 2013 and 2014 respectively. In terms of the contribution of the various components to total IGF of the Assembly, it was revealed that Rent accounted for only 0.07% of IGF in 2012; 0.23% in 2013 and 0.00% in 2014. Rates contributed the highest amount (GHC51, 632.2) to IGF in 2012. The contribution of rates to IGF of the Assembly was GHC14, 036(11.6%) and GHC45, 336(31.9%) respectively for 2013 and 2014. In 2013, the highest contributor to IGF was Licenses, contributing GHC54, 813 (45.3%) to the total IGF of the Assembly. Licenses also contributed GHC 26,756 (25%) and GHC 34,819.9(24.5%) to total IGF of the Assembly in 2012 and 2014 respectively. The budget estimate for Licences in 2013 were met as the Suaman Assembly budgeted for GHC 54, 000 and had GHC54,813 but could not achieve the same in 2012 and 2014. Fees, Fines and penalties accounted for 28.1% (GHC30074), 37.3% (GHC 45,133.4) and 39.8% (GHC56, 564.6) of the total IGF of the Suaman District in 2012, 2013 and 2014 respectively. Fees, fines and penalties increased marginally over the period. The Assembly

met its target with regards to fees, fines and penalties in 2013 as it budgeted to have GHC 44, 000 and actually had GHC45, 133.4 but could not achieve same in 2012 and 2014.

Land and royalties contributed GHC 31, 820, GHC 8205.1 and GHC 6970 to the IGF of the Assembly in 2012, 2013 and 2014 respectively. The contribution of land and royalties to the IGF of the Suaman Assembly in 2013 had decreased by more than 74% when compared to the preceding year. The land and royalties contribution to IGF of the Suaman Assembly in 2014 also fell by 15% and 78% compared to IGF of the Assembly in 2012 and 2013 respectively. The budget estimate with respect to land and royalties contribution to IGF were GHC 18, 000, GHC20, 000 and GHC 17, 000 for the years 2012, 2013 and 2014 respectively.

This indicates that Fees, fines and penalties contributed most to IGF of the district with an average contribution of GHC43924 for the past 3 years. Rents and permits contributed the least with no contribution at all to IGF of the Assembly in 2014.

The study found out that investment income which is a core component of other district Assembly sources of internal revenue was conspicuously missing.

With regards to internal revenue collection strategies used by Suaman District, the study revealed that revenue collectors go to shops and markets to collect the requisite amounts from the tax payers. The respondent indicated that revenue collectors usually go to tax payers shops or workplaces and issue to them tickets that indicate the amount they are require to pay, lock up shops or seize goods of the tax payer when he/she is unwilling to pay and generally use certain level of force to get the money from them.

On the effectiveness of the internal revenue mobilization strategies used by the District Assembly, the respondent was asked to complete the table below.

Table 5.1 Comparison of Budgeted and Actual IGF (In GHC)

Years	Budgeted Internal Revenue	Actual internal Revenue
2012	130,000	107,025
2013	146,000	121,001
2014	163,000	142,122

Source: District Finance Office

The table shows that the internal revenue target set by the Suaman District Assembly has never been met. The actual internal revenue for the period increased at an increasing rate. In 2013, it increased by GHC 13,976 which represent 13% and then again in 2014, it increased by GH C 21,121 which represent 17%. The table reveals that in 2012, there was an adverse variance of GHC 22, 975, in 2013 adverse variance of GHC 24,999 and in 2014 adverse variance of GHC 20,878. The study revealed that the internal revenue generated by the Assembly was woefully inadequate as it was not enough to meet the recurrent expenditure of the Suaman Assembly. The actual internal revenue averaging GHC 123,382 was not able to meet the Assembly recurrent expenditure and that explains why the Assembly could not invest part of it to earn investment income. The study found out that Grants to the Assembly by the central government far exceeded the internal revenue. With regard to sufficiency of internal revenue collected each year, the respondent in management was of the view that internal revenue of the Assembly was inadequate to finance the numerous project and programmes demanded by the people of the district. The Suaman District is left with no option but to depend heavily on the government transfers (DAFC). From the information above, it is well established that internal revenue mobilization strategies of the Suaman District Assembly is not very effective.

The analysis of the data on the internal control for internal revenue collection revealed that internal revenue collectors were aware of the rules and regulation governing revenue

collection in the District. The study found out the following as some of the flaws in the internal control measures put in place to ensure efficient financial management.

- (a) Some revenue collectors trade the revenue for food items and other materials at the expense of the Assembly.
- (b) Sometimes the revenue collectors deliberately refuse to issue receipt to cover revenue collected from the payers.
- (c) The revenue collectors normally collect the approved rate but issue receipts for lesser amount.
- (d) Some of the revenue collectors have printed their own receipt books which they use for revenue collections for themselves.

The study found the following as general challenges in internal revenue mobilization in the District Assembly

The study revealed poor budget formulation and implementation accounted for 15% of the budget not being achieved. The poor budget formulation is due to lack of adequate data. The lack of adequate data is partly due to the fact that the Suaman District Assembly is a newly created District Assembly. Suaman District Assembly does not have reliable database which give details about traders, artisans, property owners, cooperative bodies doing business in the District. The lack of reliable data base is one of the factors for poor budget formulation and implementation in the District.

The study also found out inefficient revenue collectors contribute about 12% of the budget of the District Assembly not being achieved. Most of the revenue collectors were purely recruited on the basis of political grounds and not on competence or merit. What most of

the revenue collectors bring by way of revenue is less than what they take as compensation. This makes it uneconomical to maintain some of the revenue collectors.

The move by the Suaman Assembly District to increase internal revenue by widening the tax base and improving on efficiency in collection are unlikely to yield any significant short- term impacts due to weak structures such as inefficient public and business address system. One major challenge of the Suaman District Assembly is the poor business address system and lack of national identification to identify individual and corporate entities.

Another challenge of internal revenue mobilization in Suaman District Assembly is illicit financial flows. Illicit financial flows are illegal movement of money or capital from one country to another through the means of fraudulent activities, tax abuses and unrealistic trade incentives given to investors.

The last but not least is the unwillingness of the people to pay taxes. Some of the revenue collectors are sometimes beaten by the people when they go to take tax from them.

5.2 Conclusions

This study is an empirical examination of the effectiveness of the strategies used by the Suaman District Assembly in mobilization of Internal Generated Funds for the Assembly. The identified sources of internal revenue available to the Assembly included; rates, land and royalties, rents, licenses, fees and fines as the main sources of IGF of the District. However, the performance of these sources in terms of their contribution to total IGF over the years has shown an unpredictable trend.

The study also found that revenue collection and strategies used for mobilizing internal revenue from these sources at the Assembly is believed to be ineffective by the revenue collectors and Management. Tax payers are not also satisfied with these strategies being used by the Assembly. Revenue accounting and monitoring processes have not also seen

by respondent as being enough strategies for detecting dishonesty and misuse of funds. The assessment conducted also revealed that there are a couple of issues needed to be considered in order to improve the effectiveness of IGF mobilization strategies.

Insufficiency of the available IGF sources for ever increasing expenditure demand, existence of two institutions that are separate but working for common goal, high cost of raising IGF and inadequate organizational structure are some of the findings of the thesis.

It can be concluded that even though authority to generate revenue locally has been given to District Assemblies by the Local Government Act 462, 1993, District Assemblies has not taken steps to develop effective and efficient strategies to take advantage of these provisions.

5.3 Recommendations

Based on the findings of this study and other concerns raised by participants of the study, the following recommendation and suggestion should be taken into consideration

1. The Assembly as a matter of urgency institute regular tax education programmes in the District to keep tax payers educated and informed on their responsibilities as tax payers.
2. That the Assembly should recruit more revenue collectors and train them to collect revenue for the Assembly.
3. Task force or debt collection team should be established to arrest rate defaulters for such rates to be collected for the Assembly.
4. Frequently organizing workshop for revenue collectors to enhance their skills and providing materials that they will need to perform well.

5. There is the need for the enactment and implementation of strong legislation to check corruption and illicit financial flows while a global approach to accounting and tax enforcement polices, should take account of our revenue need in Ghana.
6. It follows naturally that there should be frequent capacity building training programmes for stakeholders of budget formulation and implementation such as finance and budget officers. Suaman District Assembly should devise ways of reaching the stakeholders. It could reach them on education forum or through any of the modern device. The Assembly can also employ new strategies including provision of a football park, potable water, transport system delivery and other profitable joint ventures to enhance internal revenue generation.

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APPENDIX

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY
COLLEGE OF ARTS AND SOCIAL SCIENCE



Thesis Topic: *Examining the internal revenue mobilization strategies of Metropolitan, Municipal and district Assemblies In Ghana: A Case Study Of Suaman District Assembly*

This Research Instrument is designed to seek relevant primary data for the conduct of the above stated academic exercise. Your support and co-operation is very much anticipated and please be assured that your responses will be treated with utmost privacy.

Questionnaire for top management

1. List the internal revenue sources available to the Assembly.

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2. Mention the composition of the internal revenue sources listed above.

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3. Please complete the table below

Year	Budgeted IGF	ACTUAL IGF
2012		
2013		
2014		

4. If there are shortfalls, what accounted for it?

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5. What internal control measure has the Assembly put in place to ensure efficient financial management?

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6. What are the internal revenue mobilization strategies used by the Assembly?

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7. What challenges do you encounter in mobilising internal revenue?

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POSITION IN THE DISTRICT:

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