

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

COLLEGE OF HUMANITIES AND SOCIAL SCIENCE

**ASSESSING THE IMPACT OF INTERNALLY GENERATED FUNDS ON
DEVELOPMENTAL PROJECTS IN GHANA: A CASE OF SUNYANI
MUNICIPAL ASSEMBLY**

BY

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FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF
DEGREE OF MASTER IN BUSINESS ADMINISTRATION (FINANCE)**

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DECLARATION

I hereby declare that this submission is my own work towards the Master of Business Administration in Finance and that, to the best of my knowledge, it contains no material previously published by another person or material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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DEDICATION

I dedicate this work to my parents Mr. & Mrs. Amanfi Kyeremeh, my lovely wife Mrs. Agnes Asantewaa Ampofo, my children Jedidiah & Jeremy, my siblings, and also to my friends especially Mr. Mark Ofori Freddy. God Bless you all.

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ABSTRACT

A major role of the central government in most emerging economies is to provide the needs of the people at the local level. In furtherance of this role, central governments set up sub-governmental structures such as Metropolitan, Municipal and District Assemblies at the local level. By large, local government bodies are empowered to undertake revenue mobilization functions to complement the developmental agenda of central governments. A primary source of revenue of local governmental bodies derives from the area of Internally Generated funds (IGF). Building on current literature, this research study was primarily undertaken to assess the capacity of a local governmental authority, the Sunyani Municipal Assembly in the mobilization of IGF. In particular, the research objectives were to examine the trends of the mobilization of IGF spanning 2010-2014, identify other potential sources of IGF, the challenges of revenue mobilization and the overall effect IGF has on developmental projects. The study employs both quantitative and qualitative research designs in its analysis of data. Both primary and secondary sources of data were adopted in the study. The secondary data was adapted from the official records of the Assembly pertaining to its collection and usage of IGF. The primary data was generated through interviews and questionnaires. Based on the outcome of the study, it was established that the Assembly has witnessed an increase in the trends of revenue generation over the sampling period. The potential sources of revenue were established to comprise, private hostels in the various tertiary campuses, mobile money vendors, betting companies, estate agents, and also to consider revaluation of properties at regular intervals. The challenges of revenue mobilization were found to be the lack of enforcement of tax regulations, misappropriation of funds, inadequate logistics and lack of trained personnel. Further it was found out that IGF play a key role in the execution of developmental projects such as clinics, classrooms and market buildings. From a policy perspective, the findings of the study suggest the need for the Assembly to train personnel for effective revenue mobilization, enforce tax regulations and punish corrupt officials.

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CHAPTER ONE

GENERAL INTRODUCTION

1.0 Background to the Study

In order to ensure sustainable growth and improvement in the lives of the populace, governments must pursue projects and policies aimed at development. Some Assemblies had not been able to achieve most of its development targets due to very low Internally Generated Funds (IGF). The reliance on grants, District Assemblies Common Fund (DACF) and other external sources of finance only brings developmental projects to a stand-still.

To address issues of economic imbalance, some countries have recognized revenue allotment structures to safeguard the distribution and allocation of central resources, and to ensure that such allocations are not affected by political affiliations. Examples of countries with these structures are Kenya, South Africa and Nigeria etc.

With respect to Ghana, Metropolitan, Municipal and District Assemblies (MMDAs) are the decentralized structure established by the central government in order to pursue development at their area of jurisdiction or local area. In order to inflict local and national development, the MMDAs are required to generate sufficient Funds (IGF) to enable them carry out developmental projects as well as maintaining law and order in the locality. However, to embark on these services there is the need to generate more revenue. Therefore, internal revenue mobilization is utmost for MMDAs.

The notion for District Assemblies Common Fund was to make provision for financial transfers from Central Government to local government for development. As stipulated in the 1992 constitution of Ghana, Act 252 was to aid as a mechanism for the transfers of resources from the Central Government to the MMDAs. The Article made provision

for 5% of Ghana's total revenue to be paid into the fund for distribution to the local government. Currently the 5% has been increased to 7.5%, DACF (2014).

This is the idea behind internally generated fund as the major sources of revenue to the local government in its operationalization.

Internally Generated Revenue or fund is the revenue the local government generates within the area of jurisdiction. The extent to which a local government can go in accomplishing its goals will mostly depend on its IGR strength (Olubukunola, 2011). Undeniably, IGR is not limited to the resources generated within a geographical territory but also include returns on capital outlay from offshores and beyond local confinement.

The impact of internally generated fund on developmental project should be significant enough because Internally generated fund is expected to make the biggest contribution to developmental projects in the district assemblies to complement the developmental agenda of the central government to alleviate the plight of its populace. The higher IGF contribution to developmental projects, the higher the developmental agenda of the central government to its citizenry can be achieved.

Presently, the revenues generated by MMDAs are the only funds over which they have total control. However, the District Assembly Common Fund and most development partner funds are geared towards developmental projects and cannot be used for recurring expenditures.

1.1 Problem Statement

The MMDAs are faced with hosts of problems oscillating from corruption and misappropriation of fund, poor financing, poor leadership and to mention a few. This has therefore, deterred the development of the MMDAs in Ghana.

The Internally Generated Fund (IGF) is expected to make the biggest contribution to the district assembly's income since the decentralization concept is for assemblies to generate their own revenue to fund their own projects. Given the tightness in central Government budget and the inadequate funds from donor agencies, it has become a necessary for the assembly to find ways and means of improving its revenue generation in order to meet the higher levels of their developmental needs. In Ghana however, there is dearth of academic research and enquiries with respect to the impact of internally generated funds on MMDAs.

However, scarcity of economic resources is common among district authorities hence making it more difficult for them to provide and maintain the projected level of socioeconomic services to their localities. This tends to constrain the growth and development of the localities (Kessey, 1995, cited in Bandie, 2015).

What has contributed to the non-performance of the MMDAs in Ghana? Could this be as result of total dependency on MMDAs legislative provision or ineffective utilization of available scarce resources or mismanagement or misappropriation of internally generated fund by local government officials?

This has compelled the need for this study on the impact of internally generated fund on developmental project in the Sunyani municipality.

1.2 Objectives of Study

Generally, this study is to assess the impact of Internally Generated Funds on developmental projects in Sunyani Municipality.

Specifically, this thesis is purposed to;

1. Assess the trend of IGF mobilization since 2010 to 2014.
2. Identify the potential sources for revenue mobilization
3. Examine the factors undermining effective revenue mobilization.
4. Assess the level of impact of IGF on developmental projects in the municipality.

1.3 Research Questions

The research question that supports this study is; what are the impacts of internally generated funds on developmental projects in Sunyani Municipality?

Specifically, this thesis seeks to answer the subsequent questions:

1. What is the trend of IGF since 2010 to 2014?
2. Can any other potential sources be tapped to increase internally Generated fund within the Municipality?
3. What are the challenges that impede the revenue mobilization?
4. To what extend does internally generated fund contributes to the developmental projects?

1.4 Scope of the Study

Simon and Goes (2013) conceptualizes delimitations as:

Those characteristics that limit the scope and define the boundaries of a study. The delimitations are not beyond the control of the researcher. Delimiting factors include the choice of objectives, the research questions, variables of interest, theoretical

perspectives that one adopted (as opposed to what could have been adopted), and the population one choose to investigate (p.2)

Following this perspective of Simon and with the object to make the study precise and within definite limits, the population of the study is delimited to cover only the Finance personnel of the Sunyani Municipality who have the requisite knowledge about the research problem.

Also, the selection of the years as far as the start of operation of the population unit studied in this thesis, namely the Sunyani Municipal Assembly is not exhaustive. Due to the general constraint of the unavailability of data on some of the variables of the study, the sampling period is delimited to cover 2010-2014.

Geographically, this study would center on Sunyani Municipality only. Due to time and other constraints, attention would be paid to activities and operations of the assembly over the past five years (2010-2014).

1.5 Significance of the Study

The study is significant in several ways.

First the study creates a knowledge base on the current state of IGF mobilization drawing on the case study of the Sunyani Municipality. In particular, the focus of the study in such areas as the sources of IGF and the challenges that confront the mobilization of IGF will provide useful insights into the area of revenue mobilization of the Municipal Assembly. Consequently, such a knowledge base will be useful to the Assembly from the perspectives of design, strategy and implementation of IGF.

Secondly, the study adds up to the extant research on the area of revenue mobilization in the context of IGF in Ghana. This is particularly reinforcing given the limited

research in the area of IGF mobilization in Ghana. In this regard, researchers who intend to undertake related studies in the future may find the outcome of the study useful.

Further, the findings of the current study and subsequent recommendations can help to improve the capacity of the Sunyani Municipality in mobilizing internally generated funds. Since virtually, all Municipalities and Districts employ IGF in their revenue mix, they will all benefit and thus the study can be said to have a ripple effect in Ghana.

1.6 Organization of the Rest of the Study

The current study comprises five chapters.

Chapter one generally provides general information to the study and helps to clarify to the reader how the fulfilment of the research objectives will be of key relevance from the perspectives of theory and practice. The chapter comprises a background to the study, statement of the problem, research objectives and related research questions, significance of the study, as well as the scope and limitations of the study.

The chapter two of the research deals with literature review of concepts and theories relevant to the study. This is done to situate the study in a theoretical perspective.

In chapter three, how the study was conducted is explained. The chapter deals with issues such as research design, population, sample and sampling procedure, instruments used data collection procedure and data analysis.

Chapter four presents the results, their discussion with research questions. The analysis and discussions essentially focus on the research objectives and related research questions specified in the introductory part of the study.

The last chapter provides a summary of the key findings of the study. It also concludes and makes recommendations for policy and practice.

1.7 Limitations of the Study

In undertaking a research study, one must have to contend with the inevitability of challenges. From the perspective of Simon and Goes (2013), these challenges are beyond the control of the researcher. Accordingly, this study has some limitations. First, the findings of the study are based on the peculiar circumstances of the Sunyani Municipal Assembly. Due to this, the extent to which the findings of the study can be generalized to other population settings not examined in this study is limited in scope. In other words, the external validity of the study is limited in scope.

In addition, because a sample of the target population was used, the sample size is limited in scope. The use of sample coupled with the failure on the part of some stakeholders in responding to the items in the questionnaire limits the sample variability and the subsequent responses that form the core inputs of the study.

Moreover, the study is limited longitudinally. Given the relatively short period of time within which the study was conducted, the study could not be undertaken for a relatively long period of time to measure stability or otherwise change in research findings. As a result, the findings of the study may not be applicable over time.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.0 Overview

Significance of a research and its findings would be measured against other peoples' research work and their findings (Sanders et al, 2007). This chapter reviewed both empirical and theoretical literature and how they relate to this study.

This chapter will concentrate on literature on the impact of internally generated funds (IGF). This discussion centred on recognized literature, papers and review summaries on the above topic. The first part looks at the Local government system of Ghana, sources of funds of assemble, internally generated funds, role of IGF, challenges in mobilization and strategies for IGF mobilization

2.1 Decentralization

According to Badu (2007), “the term decentralization implies the transfer of power on a geographical basis to local government units or special statutory bodies. Decentralization takes the form of de-concentration (delegation) of authority to field units of the same department, or the level of government, or by devolution of authority to local government”.

Also, Fass & Desloovere (2003) perceive decentralization as “any act in which a central government formally cedes powers to actors and institutions at lower levels in a political-administrative and territorial hierarchy. This implies that decentralization is the mechanism for bringing government closer to the governed and helps to improve public administration by empowering local authorities to be the planning and decision making bodies thus enhancing government capacity to achieve local participation”.

From the above, it can be concluded that decentralization is the process of bringing the course of governance to the doorsteps of the population.

2.2 Decentralization in Ghana

History of decentralization in Ghana can be traced to the starter of indirect rule by the British colonial masters in 1878, which lasted till 1951, Ayee (2000). This era saw the colonial government ruled indirectly through the chiefs and elders in a given district as the local authority, with powers to establish treasuries, appoint staff and perform local government functions. Nkrumah (2000) observed that, during indirect rule, downward responsibility of chiefs to the people were replaced by upward responsibility to the ruling classes (colonial masters): “the democratic ideals underlying chieftaincy in Ghana, which made chiefs accountable to their peoples, began to suffer as the recognition by the central government were more crucial to the chief than the support of his people” Thus, there are some echoes here, as well as obvious differences, with relations in the contemporary period between central and local government in Ghana, dispelling any lingering notions of a necessary association between decentralization and democracy, and confirming how decentralization can be used as a political mechanism by ruling political elites to reinforce their control. In the post-independence period from 1957 onwards, local government was generally weak and subject to the centralization of power that was typical of the post-colonial state in Africa (Tordoff, 1997). Attempts at decentralization reforms were introduced at different times, for instance in 1974 under the military regime of Lt. Col. Acheampong, generally characterized by deconcentration, and aimed at strengthening central government control at the local level (Nkrumah 2000). A historical aspect was the decentralization reforms introduced in the early period of Rawlings’ populist military rule (1981-92). In 1983, Rawlings’ PNDC Government announced a policy of administrative decentralization of central

government ministries, alongside the creation of People's Defense Committees (PDCs) in each town and village. The PDCs, made up of local PNDC activists as self-identified defenders of the „revolution“, effectively took over local government responsibilities, though often limited to mobilizing the implementation of local selfhelp projects (Nkrumah 2000), while the deconcentrated ministries played a more significant role. Ayee (2000) accounts that despite the PNDC's populist rhetoric; its interest in decentralization reflected that of previous regimes that was, an interest in the administrative decentralization of central government and not the devolution of political authority to the local level. To what extent have motivations changed and decentralization becomes a genuine objective of contemporary decentralization efforts?

2.3 The Local Government System of Ghana

The country has two (2) types of administrations for the purpose of governance. These are;

1. The Ministries, Departments and Agencies (MDAs)
2. Local government and authorities known as Metropolitan, Municipal and District Assemblies (MMDAs)

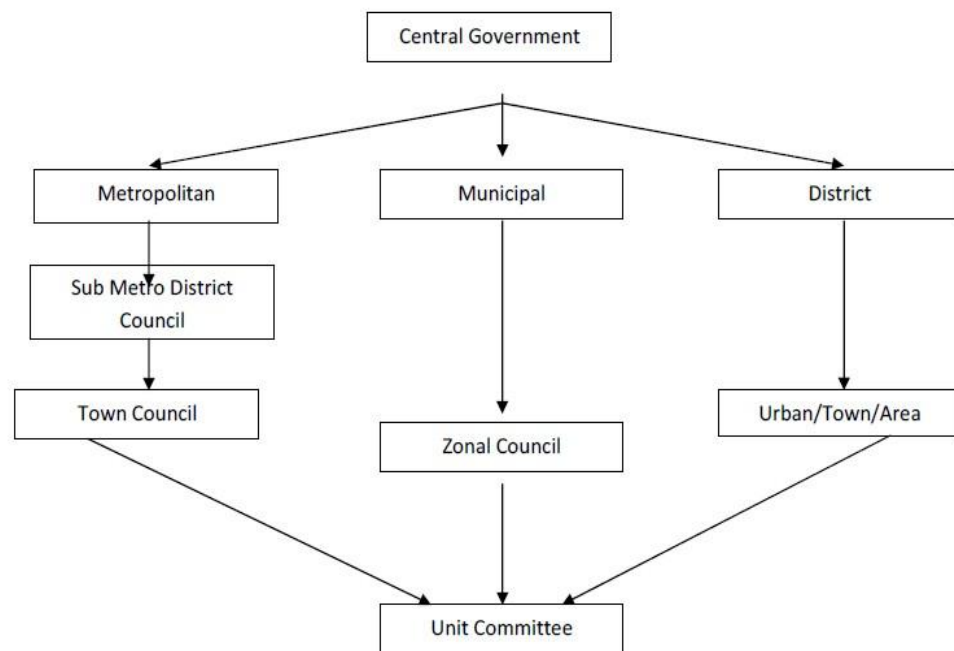
The local government is sub-governmental unit established by an Act of Parliament to administer certain local area, PNDC Law 207 (1983) culminated in the Assembly Systems.

District Assemblies as units of central government in Ghana are made up of;

Metropolitan Assembly (area with population of over 250,000), Municipal Assembly (area with population over 95,000), and District Assembly (area with population over 75,000).

The local government system makes the metropolitan, municipal or District Assemblies the highest political body in the District and therefore the center of management and decision-making. However, these political authorities remains the lowest level of financial management structure in Ghana. An Assembly may also be described as peripheral structure that is responsible for governance so as to integrate politics and administration for development. An Assembly, in this regard, has the authority to make bye-laws and implement them to transform the various communities.

Figure 2.1: Organogram of the Local Government System of Ghana



Source: Municipal Assembly

2.4 Functions of District Assemblies

The following are the functions of District Assemblies as prescribed by Article 245 of the 1992 Constitution of the Republic of Ghana as well as Section 10 of the local government Act, 1993 (Act 462).

Shall exercise political and administrative authority in the district, provide guidance, give direction to and supervise all other administrative authorities in the district.

Shall exercise the deliberative, legislative and executive function. The assembly is responsible for the overall development of the district and is to ensure that every year development plans of the district are worked out and sent to government for approval.

The formulation and execution of plans, programmes and strategies, for the effective mobilization of the resources necessary for the overall development of the district.

To promote and support productive activities and social development in the district and remove any challenge to initiative and development.

Shall co-ordinate, integrate and harmonies the execution of programs promoted or carried out by ministries, departments, public corporations and other statutory bodies and non-governmental organizations of the district.

Shall be the rating authority and is therefore responsible for levying and collection of taxes, rate, duties and fees in the district.

Shall make and levy sufficient rate (general or special) to provide for that part of total estimated expenditure to be incurred by during the period in respect of which the rates were levied.

2.5 Sources of Revenue available to District Assemblies

Fiscal responsibility is the fundamental component of decentralization. Therefore, for MMDAs to carry out decentralized functions efficiently, they must have sufficient

revenues. Metropolitan, municipal and district assemblies in Ghana have three major sources of funds: IGF, Inter-governmental fiscal transfers, and other Financial Arrangements. These sources are explained in detail as follows.

2.5.1 Inter-governmental Fiscal Transfers

“The design of intergovernmental fiscal transfers has a strong bearing on efficiency and equity of public service provision and accountable local governance” (Boadway, Robin; Shah, Anwar 2007). Locally own-sourced revenues are usually not enough to meet local government expenditure responsibilities in Ghana. Intergovernmental fiscal transfers are therefore needed to cover this fiscal imbalance. Inanga & OseiWusu (2004) documents that, in Ghana, such transfers are intended to support poverty reduction and specific sector activities in the districts

Various types of fiscal transfer systems are used worldwide in different circumstances. In Ghana, three main inter-governmental fiscal transfers can be identified from the legislative provisions (Inanga & Osei- Wusu 2004). These are the District Assemblies’ Common Fund, Recurrent Expenditure Transfers, and Ceded Revenues.

i. The District Assemblies’ Common Fund (DACF)

“The District Assembly Common Fund (DACF) is the main source of revenue from central Government to the district assemblies to enable them gain a form of financial independence; though it is not sufficient given the broad range of responsibilities devolved to the district authorities” (Crawford, 2004). Article 252 of the 1992 Constitution of the Republic of Ghana as well as The District

Assemblies Common Fund Act 1993, (Act 455), makes provision for the establishment of a District Assembly Common Fund (DACF). According to Act 455 (District Assembly Common Fund), the Fund shall consist of all monies allocated by Parliament and any interests and dividends accruing from investments of monies from the common fund. The DACF is aimed at enhancing local expenditure on specific goods and services such as those attributable to poverty alleviation programs. The allocation shall be paid in quarterly instalments based on a formula approved by Parliament. Act 455 also provides for the establishment of the DACF Administrator who is responsible for the administration of the Common Fund.

ii. Recurrent Expenditure Transfers

Since 1995, the central government has assumed responsibilities for salaries as well as pensions of district staff provided they fall within the approved manpower ceilings of the assemblies. Other operational and administrative expenses of the assemblies are also borne by the central government.

iii. Ceded Revenues

Ceded revenue refers to revenue received from a number of lesser tax fields that the central government has ceded to the District Assemblies. Ceded revenue is derived from selected revenue sources are collected through the Ghana Revenue Authority, but which central government has “ceded” to the MMDA’s in pursuit of decentralization.

Revenue sources which hitherto belonged to the central government, but which have now been ceded to the district assemblies are considered as ceded revenues. These include entertainment duties, casino revenues and income tax

on the registration of trade, businesses, professions as well as rates and levies on crops other than cocoa, coffee and cotton. Likewise the Assembly too has ceded some of its revenue to the Urban, Town and Area Councils to also collect revenue and also get 50% ceded of the ceded revenue they collect. These include revenue from kiosk fees, Artisans etc. in their catchment area to finance their daily activities.

2.5.2 Other Financial Arrangements

The two sources of revenues available to the MMDAs are internally generated revenues and the intergovernmental fiscal transfers. While these sources of revenue are crucial in financing expenditure, there are other financial arrangements that could finance districts' capital expenditure. Intergenerational equity considerations suggest that capital investments should not be financed through increased local taxes because the long gestation period of returns from such investments accrues at a future date. The welfare of future generation would be improved when capital investments are carried out today and they should therefore pay for these services under equity considerations. Additionally, the problems associated with obtaining adequate funds from own sources and fiscal transfers create a need for funds from other sources (Inanga & Osei-Wusu, 2004). Such financial arrangements could come either from statutory provisions, or partnerships with other institutions, and/or self-sustaining initiatives of the various MMDAs.

Four main mechanisms have been identified as a possible financial arrangement for districts capital investment needs in Ghana:

- i. grants from national governments and donors;
- ii. borrowing from financial markets;
- iii. proceeds from investment funds; and
- iv. Non-monetary arrangements

such as communal labor, community self-help projects and contributions from organizations and individuals.

2.6 Internally Generated Funds

Internally generated funds refers to the money sourced by the local government within its area of operation or jurisdiction It ranges from such money as taxes of different categories, levies and money secured through the grant of licenses of various kinds (Akindele, Olaopa & Obiyan (2002). As the name implies is the revenue that the local government generates internally within the area of its jurisdiction (Adebayo & Rowland 1974).According to Ola and Tonwe (2003), IGF is the primary source of local government sustenance. It is the live wire of a local government.

The ability of a local government to accomplishing its full responsibility largely depends on its IGR strength (Adebayo & Rowland 1974). Therefore capacity of a local government to generate funds internally is one very critical consideration for the creation of a local government in an area.

In Ghana, the 1992 Constitution empowers the local government to raise revenue locally to supports its developmental agenda. These sources sometimes known as the traditional sources are derived from six main sources: rates, lands, fees, licenses, trading services and miscellaneous sources. Sources of IGFs are discussed below;

2.6.1 Rates

According to the Local Government Act, 1993 (Act 462), the MMDA is the rating authority of the area and it is required to make and levy sufficient rates capable of funding part of the total estimated expenditure budgeted for that year by the MMDA. In addition, a MMDA shall make and levy an addition amount for the purposes of covering expenditures incurred by the MMDA in the previous year, or to meet

contingencies or defray expenditure by the MMDA. The rate is of two types: general and specific rates. The general rates are the rates made and levied by the MMDA for the whole district for the purpose of the general development of the district. The specific rates are levied over a specified area in the district that is purpose for a specified project approved by the MMDA for that area. The various rates include basic rate, property rate, and other special rates levied for specific projects undertaking in the area. The basic rates are those rates levied and paid by adults, residents in the locality of the MMDA. Property rate is levied on landed properties that are located within the jurisdiction of the MMDA. This forms a major source of revenue to the MMDA. It is the revenue source than can easily be predicted and assessed for collection.

- i. **Property Rates:** It is a rate levied on immovable property at a special rate per cedi on a rateable value of the premises. Determination of the rateable value of the premises is done by the Land Valuations Board.

Property tax is a major source of revenue in several urban councils (Mikesell, 2002). In the 1990s, property taxes accounted for 40 percent of all subnational taxes in developing countries (Bird and Slack, 2002, p. 6), but less in many African countries; for instance 10–30 percent in urban councils in Tanzania (Fjeldstad *et al.*, 2004), and around 20 per cent in South Africa (Bahl and Smoke, 2003).

- ii. **Annual Basic Rate:** This is a regressive tax system. Generally, rates are paid by all people of eighteen (18) years and above. It is a poll tax and broad based by Section 8, (Act 462, 2000). Here, exemptions are given to those who are above the age of seventy (70) years (aged) as well as students in educational training without incomes.

- iii. **Possession Tax:** This is a tax levied on transportable property. Examples includes: motor bicycle, tractors, commercial vehicles, etc.

2.6.2 Fees/Fines

The MMDAs as part of its revenue mobilization efforts could charge some fees on certain services and goods within its area of operation.

Section 34 of Act 462 allows District Assemblies to charge fees for any service or facility they provide. These are user charges levied on services provided by the assembly. Under the Local Government Act, the following are sources that could be fined: cattle pounds, slaughter houses, market dues, market stalls/stores, lorry park dues, advertisements, trading, kiosks, and restoration of conservancy service, graveyard receipts, bread bakers, chop bars, corn mills, and dressing stations. The MMDA is authorized to make bye-laws that will help in its administration purposes. The non-compliance of these by-laws permits the MMDAs to fine the individual or institution who fails to comply. Some of these include unauthorized or illegal development of land, not observing sanitation/hygienic codes, etc.

Also land royalties which comprises of levies imposed on Building Plans and Permits as well as Stool Lands payable to the Assembly.

2.6.3 Licences

Local Government Act, (Act 462) empowers Assemblies to issue licenses for various activities.

Licences are supposed to be obtained from the MMDA before any individual or organization embarks upon some activities. This kind of revenue is derived from the following sources: dog licenses; hawkers; extension of hours; hotels and restaurants; beer and wine sellers; petroleum installations; palm-wine sellers; akpeteshie

distillers/sellers; herbalists; taxi cabs; lorry parts overseers; taxi drivers (driving licenses); self-employed artisans, fishing tolls and births and deaths.

2.6.4 Trading Services

This refers to the trading activities and services that MMDA engages in and revenue derived from this source is also regarded as part of the IGF of the MMDA. (Revenues derived from trading activities undertaken by the MMDAs).

2.6.5 Miscellaneous

This source covers a broad area and among the areas includes casino revenue, betting tax, entertainment duty, gambling tax, income tax (registration of trade, business, profession or vocation and income tax payable by specific categories of selfemployed persons in the informal sector), daily transport tax and advertisement tax. Painter (2005) identified and classified them into three as taxes, fees and user charges. However, in many districts these sources of revenue are either inadequate or poorly developed due to the general poverty level and underdevelopment of infrastructure and services as well as cost implications in the collection from the sources identified.

From the many sources of revenue available for the MMDA for revenue mobilization for development purposes, not all these sources are utilized and some have not been effectively utilized for local development. Yet many MMDAs still complain of inadequate resources for local development. The study therefore seeks to explore the ways of mobilizing revenue internally for their development purposes.

Even though these revenue points have been identified and assigned to the various MMDAs, what their performance has been with respect to the various assemblies has not been known and as to which of these collection points yield a lot to the assemblies is yet to be assessed. It is known that most assemblies have not been meeting their

targets and this is because of lack of accurate data on landed property, massive level of revenue leakages, low capacity and low training for revenue personnel in the various districts and lack of proper monitoring of the revenue collectors all affect the MMDAs" mobilization of IGF (GOG, 2009).

2.7 Challenges Associated with the Mobilization of Internally Generated Funds

Although the assembly is mandated to generate revenue internally to run its activities, in discharging this responsibility it faces some challenges. Among these challenges are;

2.7.1 Lack of Enforcement

Alifo (1997) attributed the low revenue base of the District Assemblies to their inability to enforce the regulation on tax evasion because politicians would not want to be unpopular especially in years preceding elections or even election years for obvious reasons

The Local Government Act, 1993, Act 462 identifies property rate as one of the several ways the district assemblies can employ to raise revenue internally. It is however pathetic to note that several districts assemblies in Ghana do not use this means to augment their revenue. Also, due to the use of antiquated method of collecting property rates, property owners avoid the payment of rates. This has made property rates very costly to administer (Brosio, 2000)

2.7.2 Misappropriation of Generated Revenue

There is a high incidence of corruption, fraud and embezzlement among local government revenue collectors. Some of these unscrupulous staff collects revenue for which they issue fake receipts to the payers, and the funds collected are not paid into the councils" treasuries. Others collect revenue without issuing receipts.

Furthermore, some tenement assessments are under evaluated, or they completely escape valuation and rating. At particular points, it is very common for local government enforcement officers ensure that the poor are the payer of the tenement rates, whereas the rich and the well-connected escape payment. Awotokun (1995) stated that like many other facets of governance, corruption and fraud as major problems of local governments in developing countries. For example, he observed that the Kaduna South Local Government Council suspended 20 Revenue Collectors for diversion of large sums of the Council's internally generated revenue. Aliyu (1995) opines that this kind of fraudulent practice is prevalent in most local government councils throughout the country. The annual Audit general's Report clearly shows how the Corruption at the MMDAs.

2.7.3 Lack of well-trained Personnel

Many revenue collectors for the MMDAs are not properly trained, according to Botchie, (2000) and the NDPC (2009) revenue collectors lack of requisite expertise/qualification for effective revenue collection which affects local revenue generation.

Atakpa et al., (2012) posits that some revenue collectors do not exhibit an ability to collate and properly account for and properly report revenue collected. This is because they have little or no knowledge about the accounting systems in local government." These problems are further compounded by poor assessment methods.

Atakpa (2012) also implies that "most of the local governments may not have well trained planning and budgeting officers necessary for efficient financial plans in the areas of internally generated revenue sourcing.

Some revenue collectors fail to render accurate account to the assemblies on the revenue generated. Also, some revenue collectors connive and condone with tax payers not to

pay the correct amount. This is due to how unprofessional and unethical they are. These activities of the revenue collectors adversely affect the progress of district assemblies in Ghana. This affects the district assemblies' capacity and accountability Fjeldstad and Semboja, (2000)

Many MMDA also do not have enough revenue collectors to properly cover the entire district. Addai, Dinye & Otutei (2015) reports that some districts have as few as five 5 collectors designate to collect revenue during periodic market within the municipality.

2.7.4 Inadequate Logistics

Availability of adequate logistics plays an important role in revenue collection. The Assembly has inadequate logistics to carry out educational campaigns on the need to pay tax. This is emphasized by the NDPC (2009) who mentioned that there is lack of public sensitization on internal revenue generation which has contributed to the negative attitude towards payment of taxes. Moreover, vehicles to convey tax collectors to the various markets during market days are not available. This makes the Assembly weak in effective collection of revenue from periodic market days in the municipality.

2.7.5 Inadequate Motivation

According to Addai, Dinye & Otutei (2015) Revenue collectors are not motivated enough to show commitment to work. They complained that there are no incentives or bonuses given to them and their allowance is very small to meet their basic needs.

Due to this, some of the revenue collector's work for few hours and this gives the platform for market sellers to evade tax payment which invariably affect revenue mobilization. For instance, instead of a revenue collector to be with market sellers from morning till the close of the market day, they worked for few hours and come back to their houses. This makes late sellers to enjoy tax-free trading.

2.7.6 Poor Tracking of Economic Activities:

According to Devas and Kelly (2001) the district assemblies in Ghana are challenged by the failure of some individuals and small-scale enterprises engaged in economic activities to pay tax. Some district assemblies do not have the mechanism to ensure adequate monitoring of economic activities in their area of jurisdiction. This has resulted in a situation whereby these enterprises pay less than the expected amount of money.

2.8 Remedies to Address the Challenges of Internally Fund

MMDAs are faced with many several challenges with the collection of IGFs. However there are options available to them to help increase the collection of IGF collection capacity to enhance development. According to Painter (2005) MMDAs can; increase their “own source revenues” within the legal framework: reduce their expenditures: and/or can develop new sources of revenue.

These measures will enable MMDAs raise revenue in excess of its expenditure which is the desired of every local government which want to finance its development properly.

2.8.1 Increasing Own Source of Revenue

In Ghana, the Local Government Act is clear on the sources of revenues for MMDAs 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 MMDAs and the performance of this source can affect the total amount of revenue raised.

2.8.2 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). The assemblies could make savings on both electricity and water consumption in order to save some cost of the assembly which would reduce expenditure.

2.8.3 New Sources of Revenue

The MMDA can increase their revenue internally 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 MMDAs in Ghana.

In order to step up revenue of local government from any source is to analyze current collections level and identify the reasons why the local government may be receiving less revenue than they should. This informs the study to identify the specific performance of the MMDAs in order to identify the sources that will be adequate.

Mahi (2002) identified five categories of local tax policies that could be undertaken by local government. Those categories include; enlarging local revenue base, controlling, tax collection requirements, administration and better revenue planning.

The first local tax policy to improve upon revenue performance is enlargement of local revenue base system. There are four types of action identified by Mahi (2002) that should be taken by local government in order to achieve enhanced revenue. The options available include the identification of new or potential taxpayers and ratepayers, be the improvement of the object databases, improvement of the assessment and calculation of the revenue ability for each category of levy.

Secondly, local tax policy is to meet the Tax Collection Requirements. It is important that for the enhancement of revenue collection at the local level a number of factors should be considered for effective tax system. These factors necessary for meeting the tax requirement are the rate structure, tight legislation in the form of good regulations and quality human resource capacity.

Lastly, revenue capacity can be improve through proper planning. Planning is critical in local government efforts to improve upon their revenue mobilization efforts which would be reliable and sustainable.

The MMDA should consider the following factors in their efforts to mobilize revenue locally for development. The factors include simplicity, the economy, convenience, certainty and equity. By equity every tax payer should be able to pay the tax levied according to their ability or income level as levied on it by the local authority (Harvey, 1982; Musgrave and Musgrave, 1987; Uremadu, 2000) cited in Uremadu and Ndulue, 2011). If taxes are levied without considering the ability of the people will not be possible to collect because the very people of whom the taxes were levied will genuinely not be able to pay. This means the rich and the poor should pay differently. Certainty also counts in revenue collection. The people paying the taxes should be clear of the time of payment, the way the payment should be done as well as the exact amount to be paid. Certainty is viewed in two perspectives as certainty in the collection time and certainty in the amount to be collected (Harvey, 1982; Uremadu, 2000 cited in Uremadul and Ndulue, 2011). Tax payment should be convenient in a way that the time of payment and the manner of payment should be very convenient to the people paying the taxes. According to Uremadu (2000), a system of taxing should be simple very easy to assess and collected at a minimal cost.

In embarking on revenue mobilization efforts including 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 (Harvey, 1982). These imply 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.

2.9 Internally Generated Funds and Development

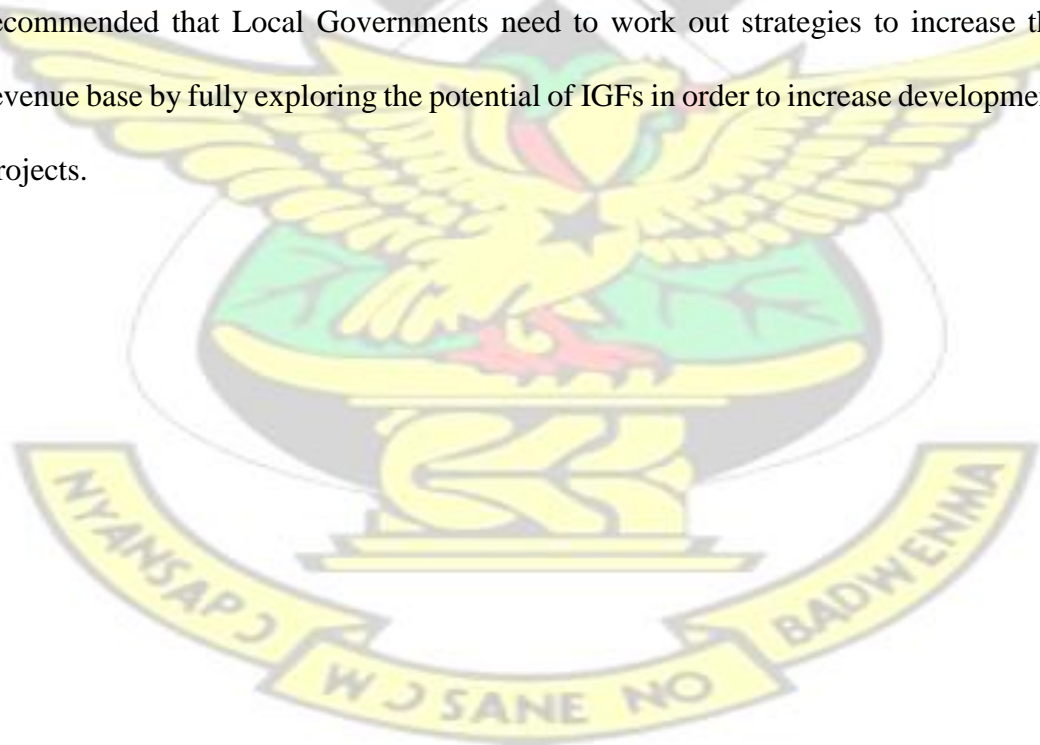
The MMDAs were set up for the purpose of rendering services and supplying amenities to the people in both rural and urban area according to the local government Act. Central governments cannot perform all the activities of the rural areas by themselves, but this role can be complemented by the people elected in that local government area. This however does not prevent the central government from embarking on developmental projects in the decentralized areas.

Alupungu et al (2012) analyzed the income structure of the MMDAs in Ghana and it was revealed that MMDAs over depend on the external sources for financing its activities. They observed that the MMDAs have not done enough to raise more revenue internally despite its importance to the financing of developmental projects for the Assembly.

Alupungu et al (2012) Identified that IGFs are sometimes applied to fund a number of projects in the area. Some of these projects include the construction and renovation of classrooms, the building of the Assembly's administration block, and provision of street lights and expansion of markets among others, However, comparing the contribution of IGF to external sources of funding such as the Central Government,

they discovered that, Central Government contributes far more and has a more significant impact on development of the area than IGF.

Olusola & Siyanbola (2014) concluded that, the IGF of local governments does have any impact on resources available to Local governments but it is meager because of the narrow revenue base allocated to them and other tiers of governments' infringement on their tax rights and more importantly, Local Government's revenue is mostly expended on recurrent expenditure which has to do with the payment of salaries etc. not really for projects that would affect the lives of the populace. This trend they believed has to change because before the populace can be asked to contribute their own quota to the sustenance of Local Governments, they would want to see and feel what the resources would be used to provide for them or benefit them, they (Olusola & Siyanbola) recommended that Local Governments need to work out strategies to increase their revenue base by fully exploring the potential of IGFs in order to increase developmental projects.



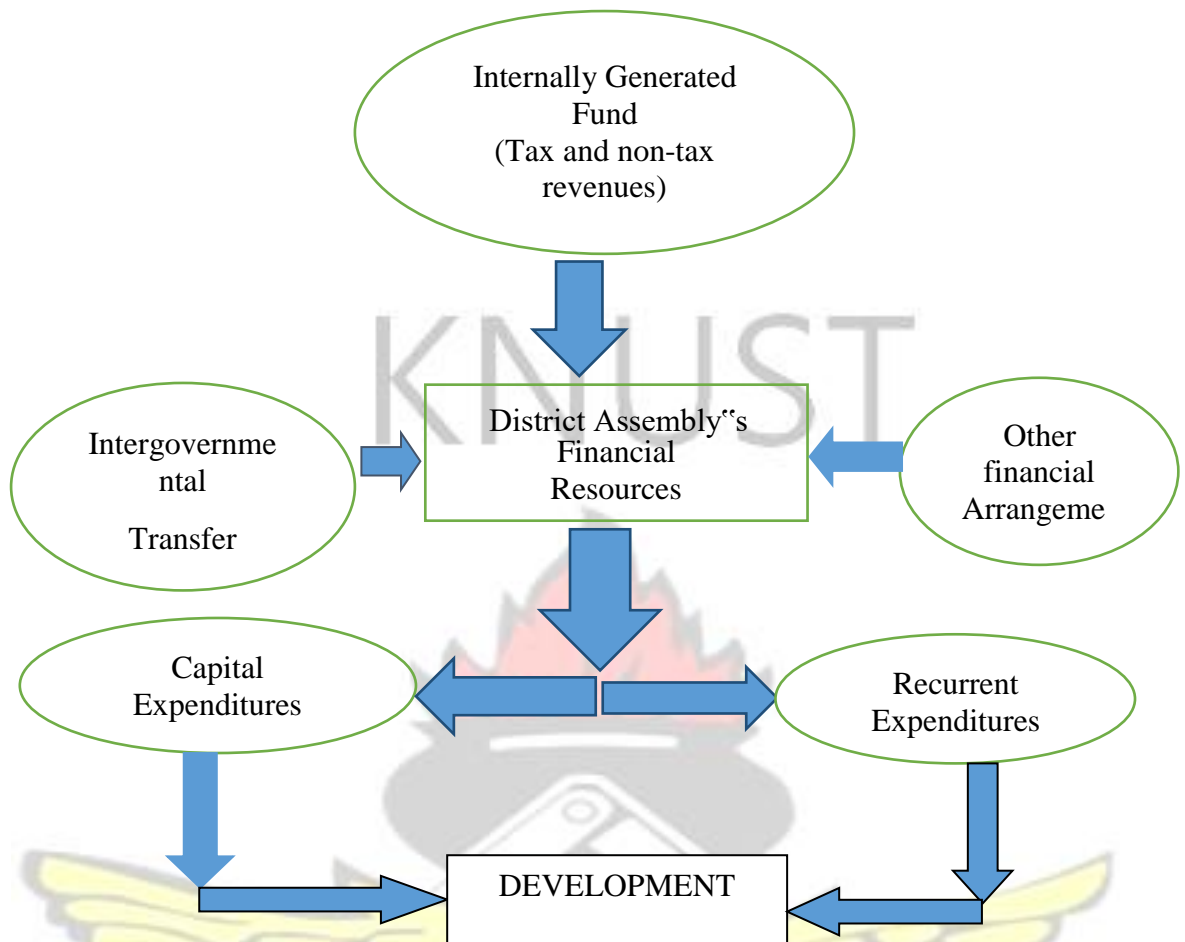


Figure 2.2: Conceptual Framework

Source: Author's Construct

The main revenue sources outlined above are put into one basket as the total revenue for Sunyani Municipal Assembly. Indeed, 80% of IGF is used to run the Assembly which is referred to as the recurrent expenditure. Revenue from central government and donor interventions are used to undertake development projects or capital expenditure.

CHAPTER THREE

METHODOLOGY AND PROFILE OF THE STUDY AREA

3.0 Introduction

This chapter encompasses the sources of data collected, the research population, sampling techniques employed and the sample size; it also discussed the research design and the method of data collection which mainly involved in-depth interview and questionnaire. Aside this, tools for data analysis is also discussed.

3.1 Research Design

This research is a descriptive research; it adopted both qualitative and quantitative research. This is conducted to identify cause-and-effect relationship among variables where the research problem has already been narrowly defined. Descriptive research deals with methods of organizing, summarizing and presentation of data in a convenient and informative way. The most commonly used form of descriptive tool of data analysis is the graphical and the numerical techniques to summarize data. Descriptive research or statistics is limited to collecting and describing important features of data, (Gordor and Howard, 2006).

This work aims at assessing the impact of internally generated funds (IGF) on developmental projects. To be able to achieve the objectives for the study, descriptive research approach is used. It is particularly useful as it clarify the author wishes to clarify the relationship between IGF and developmental projects. Descriptive research approach was used because it embodies surveys and fact finding enquires of different kinds.

This approach gave the researcher the ability to collect data by questionnaire and interviews. In involving presiding member, assembly members, chairman of the

development subcommittee and accounts officers. Care was taken in selecting the range of unbiased sources to give a broad and well-rounded understanding of the subject.

Data collected was edited, coded for analysis using statistical techniques in order to gain more insight and in-depth knowledge about the research topic.

3.2 Source of Data

The Researcher collected data from both primary and secondary sources.

3.2.1 The Primary Data

Data was collected from primary sources through the main techniques involved Conduction of interviews and consultations. Primary data was sourced from the MCE, MFO, Budget officer, municipal revenue superintendent, local government inspector. The main aim was to enable the researcher to assess the impact of internally generated funds on developmental projects in Sunyani municipal assembly.

3.2.2 Secondary Data

The secondary data collected included records of the Sunyani municipal assembly regarding mobilization and utilization of funds in the assembly.

The secondary data were collected from the following sources; previous studies on the subject, reports, newsletters, national newspapers, journals and presentations

This was to enable the researcher to evaluate and assess if internally generated funds has an impacts on developmental projects.

3.3 Sampling Population

The population consists of complete set of individuals or events with a common observable features of which the researcher is interested (Saunders, et al, 2007).

Population sampling is the procedure of taking a subsection of subjects that is representative of the complete set of individuals or events with a common observable features of which the study is interested

The population available for this type of research was the Sunyani municipal assembly Budget officer, MCE, MFO, municipal revenue superintendent and local government inspector and staffs of the Assembly totalling one hundred and fifty (150).

3.4 Sampling Technique and Size

Purposive or judgmental sampling was used for the accounts officers and members of the Sunyani municipal assembly. This form of sample is often used when working with very small samples such as in case study research and when you wish to select cases that are particularly informative (Neuman, 2000).

Therefore, Sunyani municipal assembly Budget Officer, MCE, MFO, Municipal Revenue Superintendent and Local Government Inspector and other staff whose responsibilities were in line with the study have been purposively selected. In all 20 staffs of the assembly were purposively selected for the study. It consist of Budget Officer, MCE, MFO, Municipal revenue Superintendent, a Local Inspector and 15 other Staffs whose responsibilities were in line with the purpose of the study.

Researcher used it because the selected respondents had the working knowledge of the subject under this study and are best placed to enable researcher to answer research question(s) and to meet objectives.

3.5 Methods of Data Collection

The data collection involves gathering both numeric information as well as text information (e.g. on interviews) so that the final database represents both quantitative

and qualitative information (Creswell, 2003). For the purposes of this study, the interviews and questionnaires were employed to collect data.

A structured interview guide was used, this was done to understand the peculiar issues at stake and to probe those in charge for their actions in addressing the challenges of revenue mobilization or improving on the situation. The interview was conducted on all the respondents sampled, this was done after the respondents had answered all the questionnaire's distributed to them.

The questionnaires were simplistic in language and began with an introductory statement, which specified the purpose of the research as purely academic. Respondents were encouraged to be objective in their responses since they were assured of anonymity and the confidentiality of the information they provide. This technique was used to source data from Assembly members for the study.

To prevent the researcher's bias from coming into play in the line of questioning, utmost care was taken to avoid the situation where the researcher influences the type of responses that are provided by the respondents.

The feed was collated and edited to ensure consistency, accuracy and relevance and were then coded for analysis.

3.6 Methods of Data Analysis

The data obtained from a study is useless unless it is transformed into information for the purpose of decision making (Emery and Couper, 2003). The data analysis involved reducing the raw data into a manageable size, developing summaries and applying statistical inferences. Consequently, the following steps were taken to analyze the data for the study. The data was edited to detect and correct, possible errors and omissions

that were likely to occur, to ensure consistency across respondents. Microsoft office package (word and excel) was used for the analysis.

3.7 Study Area

Sunyani Municipal Assembly is one of the twenty-seven District Assemblies in the Brong Ahafo Region. In 1924 the British Empire government designated Sunyani as the District Headquarters. The Legislative Instrument (L.I.) that established the Municipal Assembly is L.I. 1924 of 2008.

The Municipality covers an area of 829.3 square kilometers (518.3 sq. miles). Sunyani is the capital of the Municipal Assembly and also doubles as the capital of the Brong Ahafo Region. The population of the Municipal Assembly, according to the 2010 Population and Housing Census is estimated at 123,224 with an annual growth rate of 3.8 percent. The Sunyani Municipal Assembly exists to attain high living standards for the inhabitants of the Municipality through public/private collaboration, provision of quality social services, improved farming and husbandry methods in a sustained environment and promoting good governance through the strengthening of the Municipal Assembly sub structures. The Assembly have three zonal councils namely Sunyani Urban Council, Abesim Town Council and Atronie Area Council.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.0 Overview

This section deals with data analysis and presentation of findings during the course of the study. In the analysis of data collected, tables were used in the presentation of data. Also simple statistical method with frequencies and percentages were used in the analysis of the table.

4.1 Presentation of Data

The data collected comprises of records of the SMA regarding mobilization and utilization of funds in the assembly. This was to enable the researcher to evaluate and assess if internally generated funds has an impacts on developmental projects.

4.1.1 Sources of SMA Revenue.

The researcher's interest was to find out the various components of revenue items of Sunyani Municipal Assembly for the period understudy.

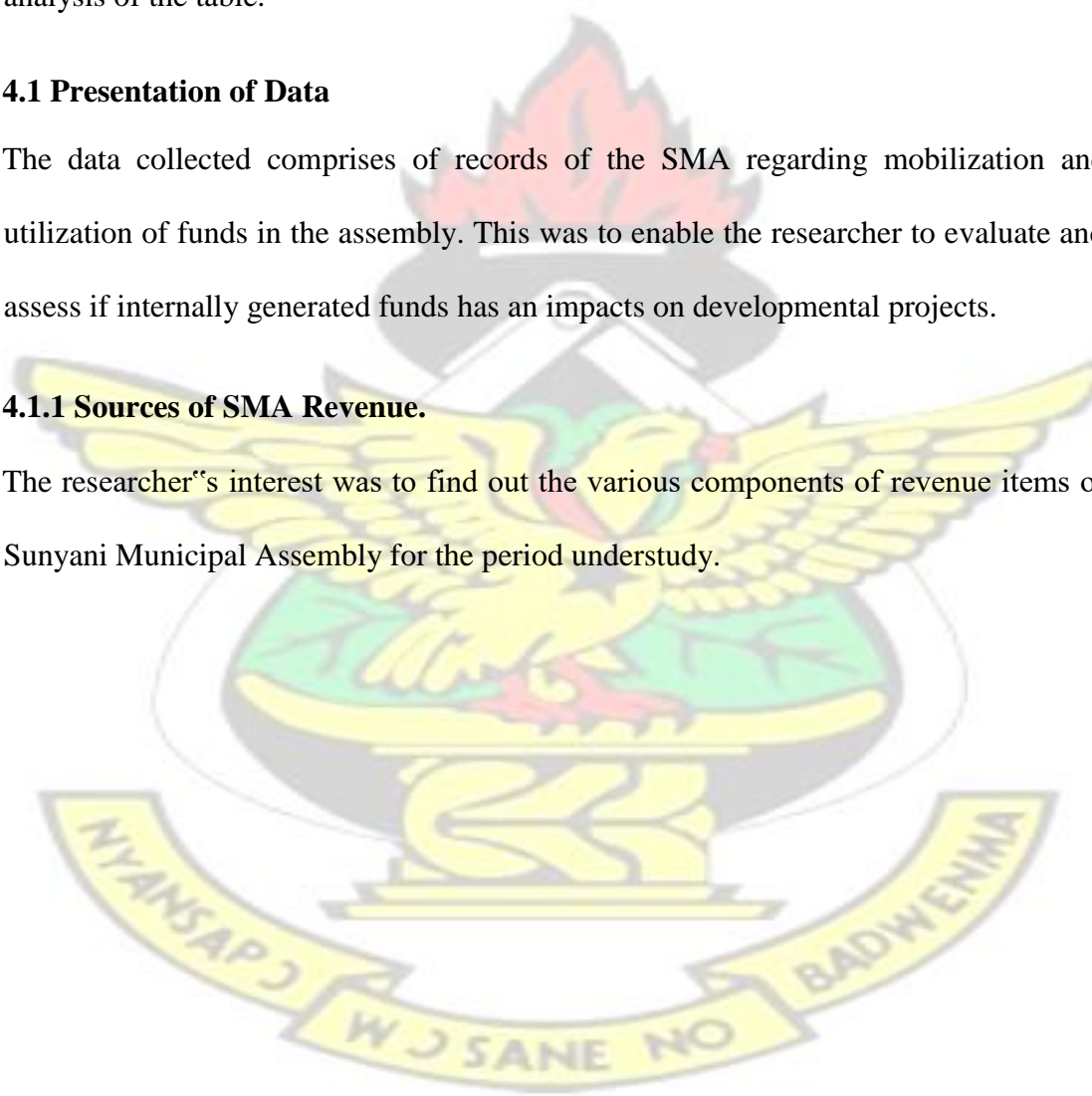
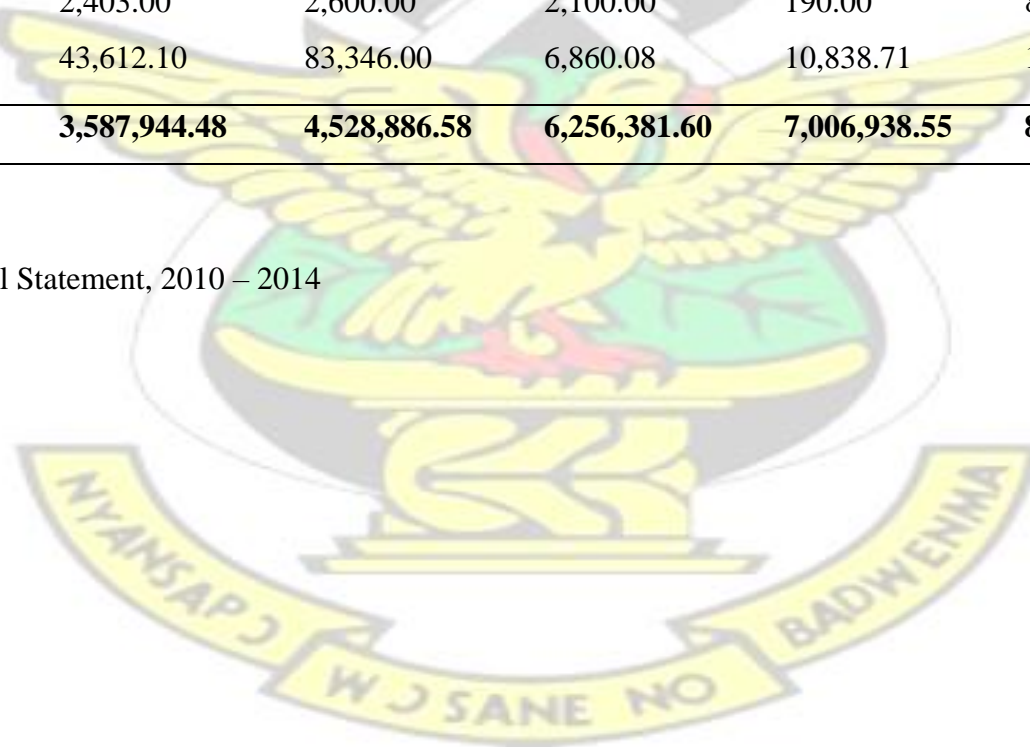


Table 4.1 Sources of SMA Revenue (Gh¢) for 2010-2014.

Components	2010	2011	2012	2013	2014
Rate	212,230.20	257,727.25	309,607.31	343,811.03	386,234.64
Grants	2,909,169.41	3,782,555.15	5,447,644.44	6,121,593.06	6,691,408.93
Interest	496.18	133.68	0	0	0
Land And Royalties	60,090.51	216,811.11	46,735.24	73,008.03	104,250.00
Rent Of Land, Building	1,977.00	1,312.00	16,553.00	2,489.00	11,607.00
Licences	167,695.38	144,342.75	168,064.92	207,649.70	288,423.53
Fees	190,270.70	40,058.64	258,816.61	247,359.02	538,338.40
Fines, Loyalties &Forfeits	2,403.00	2,600.00	2,100.00	190.00	8,959.37
Miscellaneous	43,612.10	83,346.00	6,860.08	10,838.71	19,005.67
Total	3,587,944.48	4,528,886.58	6,256,381.60	7,006,938.55	8,048,227.54

Source: SMA Annual Financial Statement, 2010 – 2014



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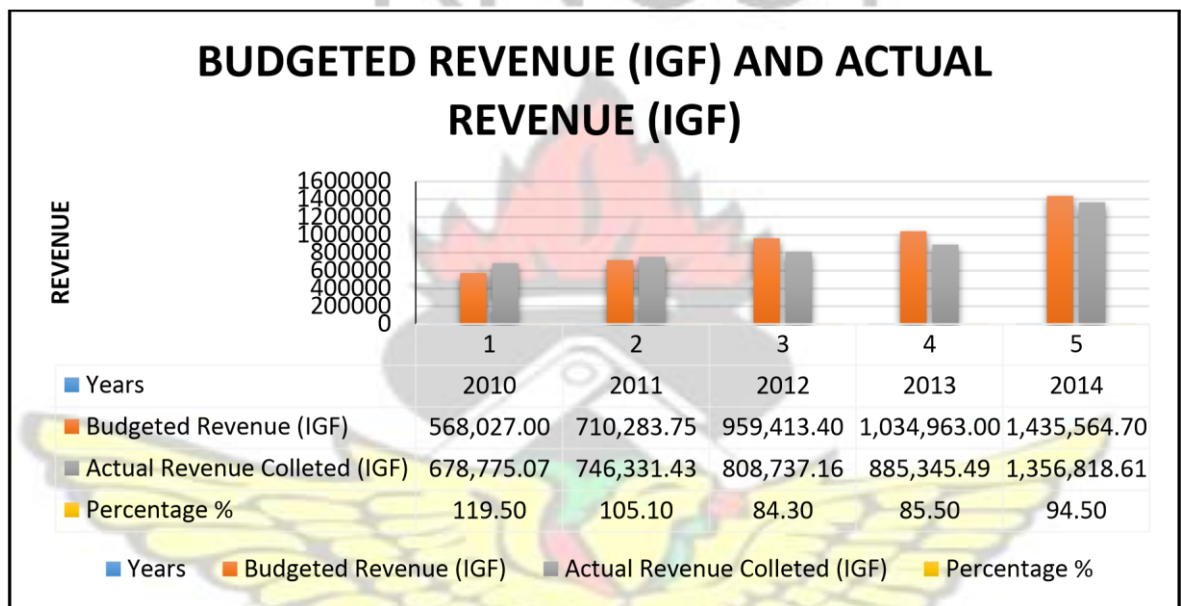


4.1.2 Assembly’s performance in terms of revenue mobilization Research

question 1: What is the trend of IGF since 2010 to 2014?

The general overview of the Assembly’s performance in terms of revenue mobilization from the purview of Estimated Revenue and Actual Revenue generated and its trends over the period understudy.

Figure 4.1 The trend of Budgeted Igf Revenue as against Igf Revenue Generated



Source: SMA Annual Financial Statement, 2010 - 2014 Researcher’s construct

Comparing the estimated budget IGF revenue with respect to the actual IGF revenue collected, it was realised that the assembly’s actual IGF revenue collected exceeded the budgeted IGF revenue in the year 2010 and 2011 but decrease in 2012. But there was an appreciable increase in 2013 and 2014 respectively.

However the assembly’s performance in IGF revenue mobilisation rose to 119.5% in 2010 but decrease to 105.1% in 2011 though still greater than the budgeted but in 2012 IGF revenue fell to 84.3%. In 2013 and 2014, there was an appreciable increase in the IGF revenue from 85.5% to 94.5% respectively.

Inferring from the information gathered, the assembly in its prime objectives of mobilizing revenue to finance its expenditure (current and capital expenses), the assembly should consider the following factors.

- i. The SMA should enhanced public relation and education campaign on payment of taxes
- ii. There should be an amendment of bye-laws and support it with tighten mechanism
- iii. Tax payers and tax collectors should be punish for wrongdoing
- iv. There should be periodic evaluation of revenue mobilization task force
- v. The mode of revenue collection in the municipality should be reviewed

4.1.3 Revenue Performance without Grants

The researcher's interest was to examine the individual revenue components within 2010-2014 and its contributions to the total revenue in the Assembly. However, Grant which comprises of DACF, DDF and UDG were excluded.

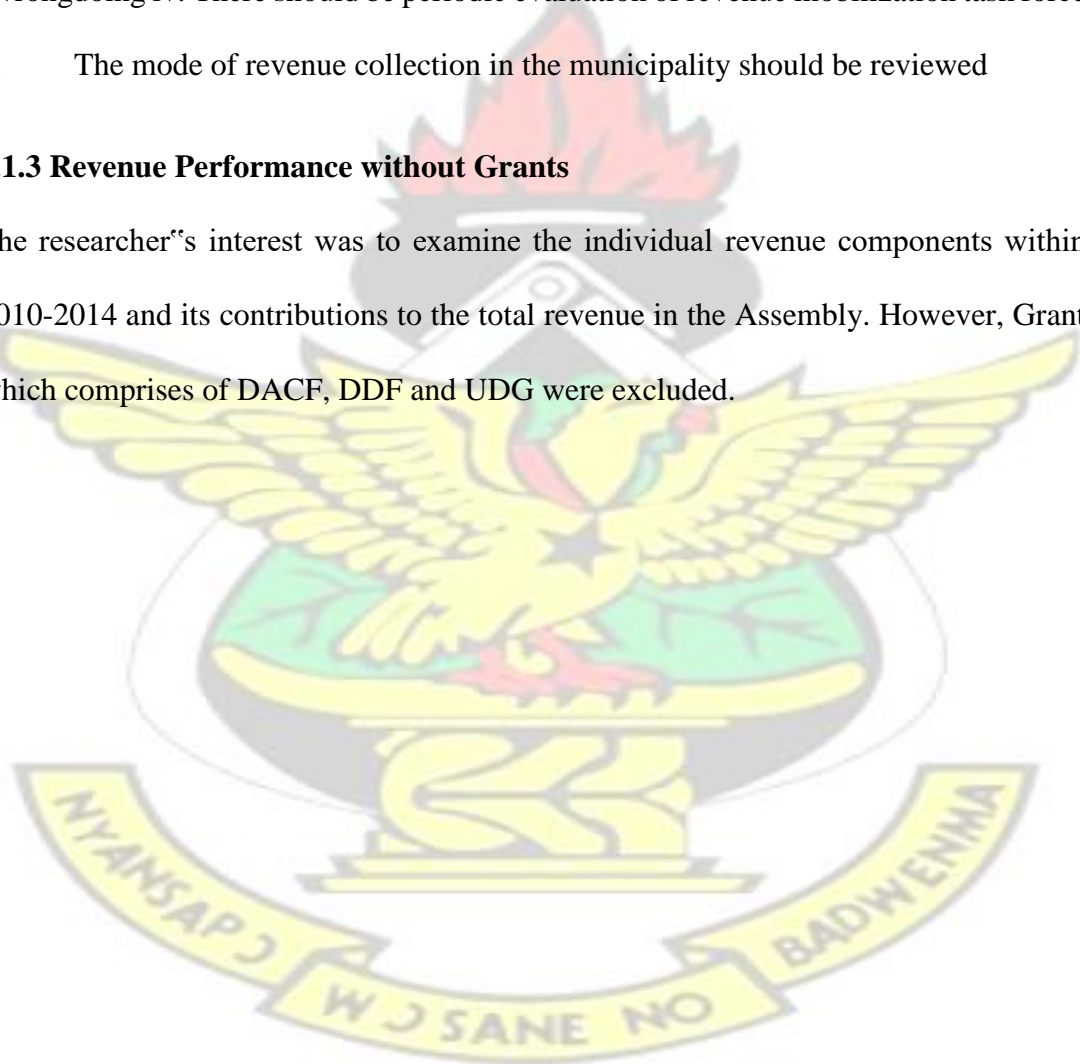
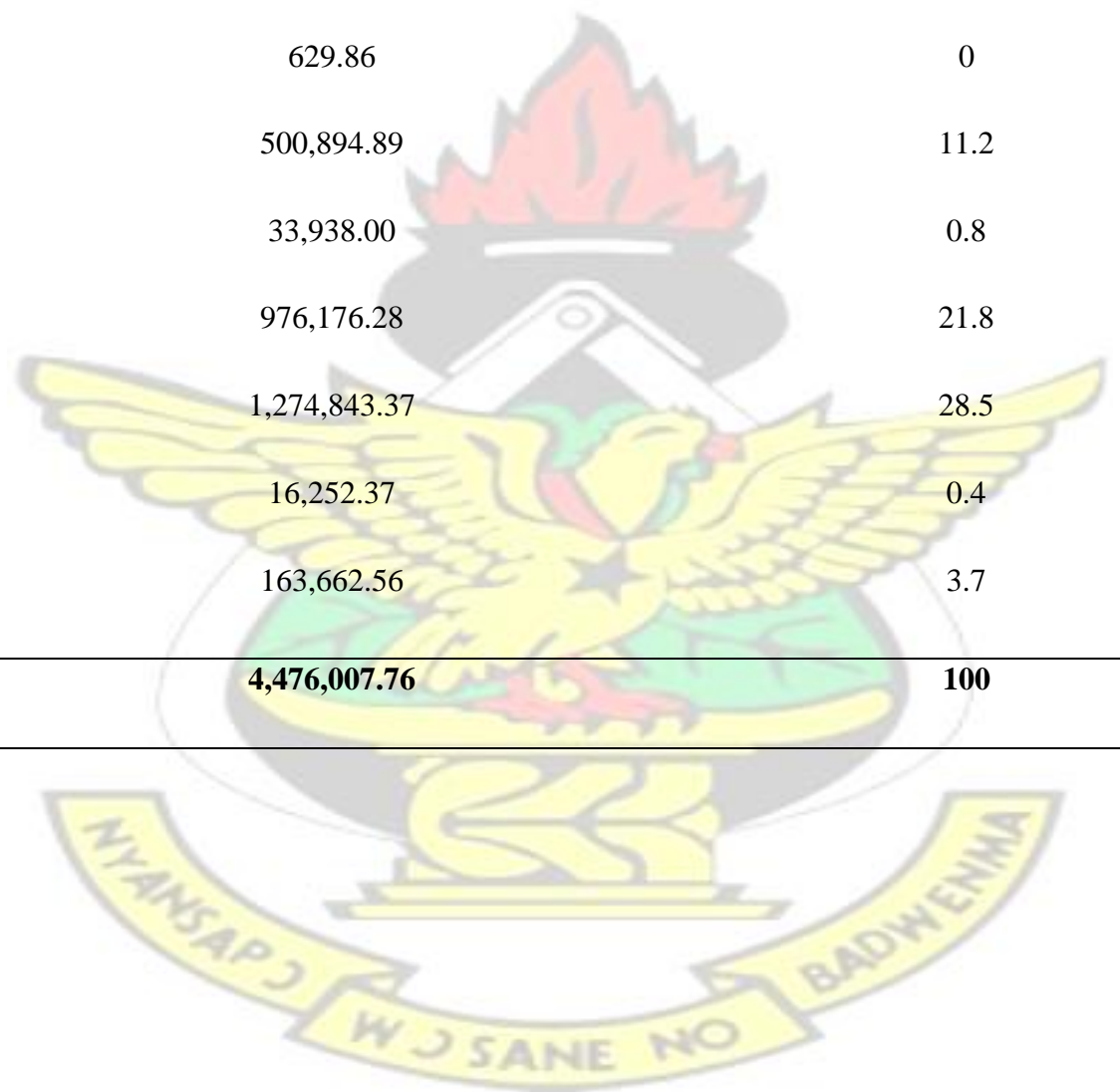


Table 4.2 IGF Items and its Contribution to Total IGF

Components	Total Amount of Revenue (Gh¢), 2010-2014	Contribution to Total Revenue in Percentage (%)
Rate	1,509,610.43	33.7
Interest	629.86	0
Land and Royalties.	500,894.89	11.2
Rent of Land, Building.	33,938.00	0.8
Licences	976,176.28	21.8
Fees	1,274,843.37	28.5
Fines, Loyalties & Forfeits.	16,252.37	0.4
Miscellaneous	163,662.56	3.7
Total	4,476,007.76	100



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Sunyani Municipal Assembly mainly depends on its internal source of revenue to run its administration. The amount of revenue to be generated is normally based on the ability or effort of the assembly's mobilization. These IGF items includes rate, interest, land and royalties, rent of land and buildings, licence, fees, fine & penalties & forfeits, and miscellaneous. This revenue items however is the main sources of IGF in the SMA. Among these revenue items, it is observed that rate as a tax paid to the assembly on public and private properties contributes the highest amount with 33.7% (Gh¢1,509,610.43) out of the total IGF (Gh¢4,476,007.76). Following the rate is fees pay to the assembly which contributes 28.5% (Gh¢1,274,843.37) to its total revenue. Also, licences charges to the assembly contributes 21.8% (Gh¢976,176.28). Land and Royalties contributes 11.2% (Gh¢500,894.89) to the assembly's total revenue.

However, Interest, Rent of Land & Building, Fine & Penalties & Forfeits and Miscellaneous with 0.0%, 0.8%, 0.4%, 3.7% respectively. The contribution of these items to the assembly's internally generated fund was below expectation.

Externally, revenue also emanates from the Central in the form of Grants for the payment of salaries, District Assembly's Common Fund, District Development Facility (DDF) and Urban Development Grant (UDG) and others. Both DDF and UDG are based on assessment of the assembly's performance and upon qualification, funds are released to the Assembly for developmental projects. During the period of the study, it was realised that Grant for 2010, 2011, 2012, 2013, and 2014 were GH¢2,909,169.41, GH¢3,782,555.15, GH¢5,447,644.44, GH¢6,121,593.06, and GH¢6,691,408.93 respectively contributed GH¢24,952,370.99 to the assembly's revenue. The contribution of grant was very encouraging and remains the highest contributor of revenue to the assembly.

However, it was realised that IGF with the support of DACF and grants are often used for capital expenditure (Developmental Projects).

In conclusion, the IGF alone was not used to finance developmental project but the greater part of IGF is used to cater for the assembly's recurrent expenditure.

Table 4.3 Shows the Proportion of IGF to SMA Total Revenue

Years	Total Revenue Generated(Gh¢)	Total IGF(Gh¢)	% of IGF to Total Revenue
2010	3,587,943.98	678,775.07	18.9
2011	4,528,886.58	746,331.43	16.5
2012	6,256,381.60	808,737.16	12.9
2013	6,840,211.74	885,345.49	12.9
2014	8,048,227.54	1,356,818.61	16.9
TOTAL	29,261,651.44	4,476,007.76	15.3

Source: SMA Annual Financial Statement, 2010 - 2014.

Table 4.1.4 shows the contributions of IGF to the total revenue SMA generates over the period understudy. The highest proportion of IGF contribution to the assembly's revenue was recorded in 2010, thus Gh¢678,775.07 representing 18.9% of Gh¢3,587,943.9, but the proportion of IGF contribution in 2011, 2012 fell to 16.5% and 12.9% constituting Gh¢746,331.43 and 808,737.16 of the total revenue of Gh¢4,528,886.58 and Gh¢6,256,381.60 respectively. Also, in 2013 the proportion of IGF to the total revenue remains 12.9% depicting as a steady growth in IGF generation. However, in 2014 the proportion of IGF increased from 12.9% to 16.9% constituting Gh¢1,356,818.61 of the total revenue of Gh¢8,048,227.54.

In conclusion, it realized that on average the IGF contribution to the total revenue of the Sunyani municipal assembly under the period of study is not even up to 20%.

4.2 SMA IGF against its Expenditure

Revenue collected by the assembly is used in financing the various activities they undertake like general administration, defence, infrastructural development, health etc.

These expenditure can be classified as recurrent and developmental (capital).

Recurrent expenditure involves spending made frequently by the assembly. This expenditure is made within a short time interval usually below one year. It is made daily, weekly, monthly or quarterly. Mention can be made on wages and salaries of casual workers employed by the assembly, stationaries and logistics, fuel of vehicles, spending on conferences and seminars etc.

Capital expenditure on the other hand involves expenditures made on long-term projects. This expenditure is not made on regular bases. It is made within a long period of interval such as two years or above. These includes monies spent on electricity project, schools etc.

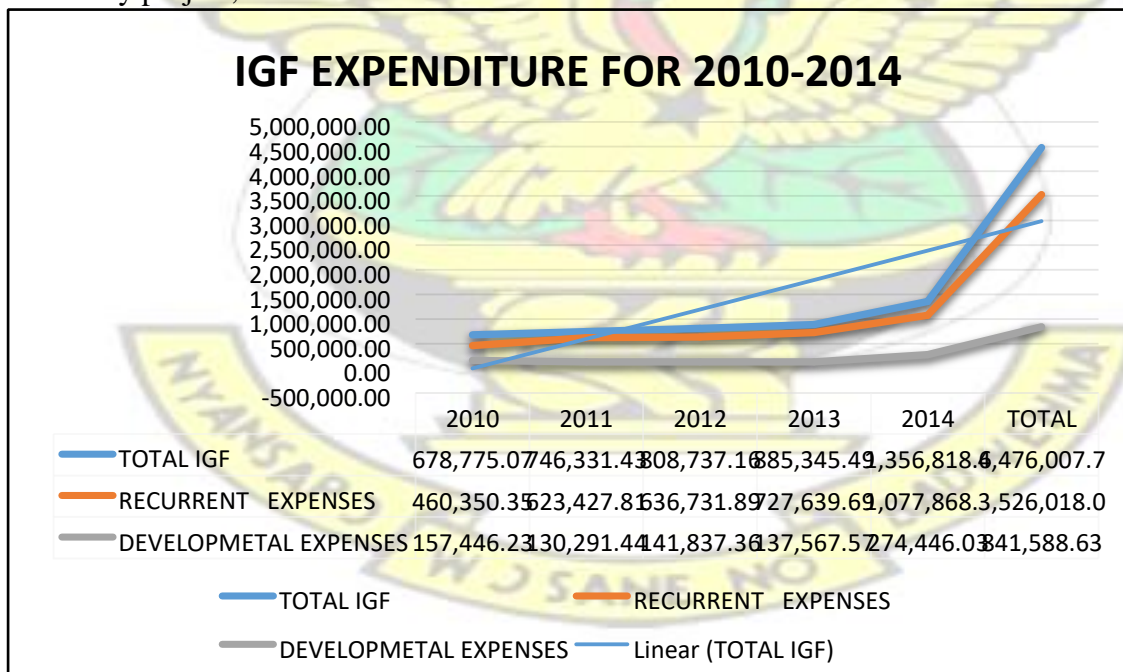


Figure 4.2: Shows the Total IGF to Recurrent and Capital Expenditure

Source: Researcher's Construct

The trend of figure 4.1.2 shows the relationship that exist between the Assembly's total IGF as against recurrent and capital expenditure over the period understudy (2010-2014). It was observed that, greater part of the assembly's IGF is channel into recurrent expenditure. Whereas smaller proportion of its IGF is channelled to the capital expenditure. To back it with figures, out of the total IGF of Gh¢4,476,007.76, an amount of GH¢3,526,018.04 was used as recurrent expenditure whiles Gh¢841,588.63 was used for capital expenditure.

To conclude, it is observed from the data that IGF expenditure to recurrent expenditure was 78.8% of the total IGF of Gh¢4,476,007.76 representing Gh¢3,526,018.04. Also, 18.8% of IGF (Gh¢4,476,007.76) representing Gh¢841,588.63 was used for capital expenditure. This means that, the greater part of the Sunyani municipal assembly IGF is spent on recurrent expenditure.

4.3 Challenges that Impede Revenue Mobilization in Sunyani Municipality

Generally, Accounting is described as a process in which transactions and events of an operating entity are recorded for the purpose of accumulating and providing financial information that are essential to the progress of its activities. In the SMA, the role of accounting is recording, analyzing, classifying, summarizing, communicating and interpreting financial information about the Assembly's funds and property.

However, Accounting is a necessary means which discloses management performance in the use of the Assembly's resources. With respect to this, the role of accounting is to record actual events in relation to the budget so that tax payers sees the relevance of paying taxes.

According to Local Government Act 462 (1993), section (9) stresses on accountability functions of management in assemblies. The law implies that, every Assembly shall keep proper account

records in relation to them and shall prepare immediately after the end of each financial year a statement of its accounts in such forms as the Auditor General may direct. These accounts are prepared and rendered for auditing by both internal and external auditors.

However, the municipal Local Government inspector said in discharging such duties the assembly faces some challenges which impedes its revenue generation. Among these challenges are; lack of enforcement, it was realised from the interview that there is not proper execution of punishment on tax evaders and avoiders. From a theoretical perspective, the finding in this study, lack of enforcement of tax regulations on the part of District Assemblies conforms to Alifo's (1997) claim that the low revenue base of district Assemblies may be due to their failure to enforce tax regulations perhaps due to the unwillingness of politicians to enforce tax regulations in periods close to or during election periods. Also, misappropriation of generated revenue, it was revealed that most of the revenue officials and tax collectors direct the revenue collector into their private pocket. The finding of misappropriation of funds by officials confirms the claim by Awotokum (1995) that corruption and fraud constitute a major barrier to the mobilization of funds in developing countries including Ghana. Additionally, the finding of a lack of well trained personnel as a major challenge facing the Assembly corroborates the assertion of Atakpa et al. (2012) that a major challenge that faces local assemblies in the area of revenue collection is the lack of well-trained planning and budget officials.

Lack of well-trained personnel was also revealed as another hindrance to revenue collection. The interview conducted revealed that majority of the revenue collectors are not skilled and does not receive periodic training.

Inadequate logistics, inadequate motivation and poor tracking of economic activities were also a serious problem that hinders revenue mobilization in the SMA.

4.4 The Impact of IGF on Developmental Project

The impact of IGF on capital expenditure as at now cannot be overstated. The research established that there is a direct relationship of IGF towards developmental project. With an interview with top officials (MCE, MCD, MFO and Local Government Inspector) in the assembly, it was revealed that in the area of infrastructure, IGF with support of grants were used to build clinics, classroom blocks, rehabilitate roads and electricity projects etc. in the municipality.

According to the Municipal finance officer who is the financial advisor to the assembly, the common fund which is the portion of revenue from the government is use to undertake capital expenditure (Developmental projects) within their jurisdiction. He further stated that, District Assembly's Common Fund Act, 2003 (Act 455) develops the structure, responsibilities and operations of the DACF. The Constitution requires Parliament to annually allocate not less than 7.5% of total central government revenues to the MMDAs for development purposes as amended.

Table 4.4 Shows % of Total IGF Developmental Expenses to Total Developmental Expenses

Year	Total IGF Developmental Expenses	Total Developmental Expenses	% of IGF to Total Developmental Expenses
2010	157,446.23	2,209,943.46	7.1
2011	130,291.44	2,720,747.87	4.8
2012	141,837.36	2,699,350.39	5.3
2013	137,567.57	3,132,355.79	4.4
2014	274,446.03	4,145,521.55	6.6
TOTAL	841,588.63	14,907,919.06	5.6

Source: SMA Annual Financial Statement, 2010 - 2014.

Deducing from the responses given by the Municipal finance officer, it can be concluded that the DACF is the amount which the constitution mandates the assembly to use for developmental purposes. However the assembly uses part of its IGF to support developmental expenditure. It can be seen from table 4.4.1 that on average, the proportion of IGF developmental expenses to total developmental expenses under the period of study only contributes 5.6% to developmental projects in the municipality. However, the Municipal Engineer said, some developmental projects are carried out within the municipality through public private-partnership (PPP) programme. This public-private partnership programme is used to finance some infrastructure through build operate and transfer (BOT) system within a geographical area. Example of PPP project is public transportation networks, market and public toilet facility.

4.5 Can any other Potential Sources be Tapped to Increase Internally Generated Fund within the Municipality?

The researcher's interest was to find out if there is any other potential sources that have not been discovered to increase the internally generated fund in the Sunyani municipal assembly.

These potential sources according to Abuodha & Bowles (2000) are the expectation of good things of the future. Thus, socially, economically and financially.

Potentials in this study are the currently unrealized abilities and opportunities for creating more revenues. The first and foremost potential source is to identify the private hostels build within the various tertiary communities within the Sunyani municipality. This would help increased the inflow of property tax income to the assembly.

Also, an interview with some top officials of the assembly, it was revealed that businesses such as estate agents, driving schools, car rentals, mobile money vendors and betting companies do not pay their operating license fees to assembly. The assembly therefore must see to it that these companies honour their tax obligations to the municipal. This will intend increased the assembly's internally revenue.

The assembly must also consider revaluation of property in the municipality to portray their current market value to be able to charge the right property rate.

Last but not least, public private partnership programme must be enhanced. Thus, there should be an encouragement of private entities to partner the assembly to embark on developmental projects. This will help to improve the capital efficiencies, new revenue opportunities hence economic growth in the municipality.



CHAPTER FIVE

SUMMARY OF FINDINGS

5.0. Overview

This chapter sums up the main findings of the study, provides recommendation and conclusion to them.

5.1 Summary of Findings

The core purpose of this research is to assess the impact of internally generated funds on developmental projects in Ghana: a case of Sunyani municipal assembly.

The researcher has effectively carried out various analysis of the data made available for the purpose of the research. The focal objective (what are the impact of internally generated funds on developmental projects in Sunyani Municipality) has been accomplished.

In several cases the Assembly's actual revenue items were found to be far below what they budgeted to achieve. From time to time, the gap between the actual and budgeted revenues were so wide that the researcher was prone to believe that the Assembly did not have any reliable data on which they based their estimates.

In the area of expenditure, the researcher realised that the Assembly's expenditures over the period understudy were within their approved budget. They were able to achieve this due to proper fiscal control policy the assembly have in place.

The researcher also revealed that since 2010 to 2014 the Assembly has not been able to prosecute any defaulter to serve as deterrent to other potential tax defaulters due to political interferences which contributed to low revenue as compared to the budget The research also revealed that some of the Assembly projects are done through Public

Private Partnership (PPP) that is through Build Operate and Transfer (BOT). The contractors build the projects and then manage it for an agreed number of years after which the said project would be transferred to the Assembly

5.2 Conclusion

This research has studied Sunyani municipal assembly internally generated fund and its utilization to capital expenditure (developmental project).

The research found out that the assembly uses more of its internally generated fund for recurrent expenditures. Thus, expenditures which involves spending made frequently by the assembly on wages and salaries of casual workers employed by the assembly, stationaries and logistics, fuel of vehicles, spending on conferences and seminars, maintenance of assembly's vehicles etc.

However, in numerous cases the common fund apportionment for the municipality which is often used for capital expenditure (development) in the municipality fell short of the approved budget. It was realised that the assembly received less than the approved budget for the common fund.

In the light of the above, the research established that the IGF and developmental expenditure have a direct relationship. Due to the small of amount of DACF the assembly receives, part of the assembly's IGF is used to embark on developmental project, although there is a misconception of IGF. Consequently, the presence of IGF has positively affects and improve the lives of the population.

5.3 Recommendations

Sunyani Municipal Assembly mainly depends on its internal source of revenue to run its administration. The amount of revenue to be generated is normally based on the ability or effort of the assembly's mobilization. Therefore, the researcher recommends five sorts of

local tax policies that could be undertaken by the municipal assembly. Those sorts embraces; enlarging local revenue base, effective controlling, tax collection requirements, administration and better revenue planning. This local tax policy would improve upon revenue performance base system. Hence, these activities should be taken by the municipal assembly in order to achieve an enhanced revenue. The possibilities available include the identification of new or potential taxpayers and ratepayers, considering revaluation of properties and computation of the revenue ability for each category of levy.

Also, the attitude of tax collectors and assembly officials towards public fund must be change. It was revealed that some tax collectors direct the money collected as revenue into their private pocket. This has become a problem that thwart the level of IGF, therefore there must be enforcement of law to punish tax evaders and tax avoiders.

The research revealed that tax collectors are not trained periodically on revenue collection. Therefore, educational programmes such as seminars and in-service training among workers should be fortified. This will intensify the amount of IGF.

The study revealed that, there is weak involvement of key stakeholders such as opinion leaders, unit committee members and the areas council to participate in data collection, mobilize and educate resident. Active participation of these stakeholders would help intensify the assembly's revenue.

It was realised that there is no policy guiding the performance of the revenue department. The role and participation of tax officials and tax collectors in plan preparation is very poor. The policy is not communicated well even within the IGF unit itself. Thus, the municipal assembly IGF unit alongside with the task force occasionally conducts monitoring of IGF at field level. This mode of monitoring does not provide a good indicator, uniformity and feedback for policy implementation.

Last but not least, the assembly should fish out businesses such as estate agents, driving schools, car rentals, mobile money vendors and betting companies to pay their operating license fees to assembly annually. The assembly therefore must see to it that these companies honour their tax obligations to the municipal.

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APPENDICES

Appendix 1: Estimated Revenue and Actual Revenue Generated

Year	Budgeted Revenue (GH¢)	Actual Revenue collected (GH¢)	Percent (%)
2010	4,973,737.00	3,587,944.48	72.1
2011	5,018,157.95	4,528,886.58	90.2
2012	6,957,400.40	6,256,381.60	89.9
2013	5,272,130.70	7,006,938.55	132.9
2014	8,848,483.69	8,048,277.54	91.0

Source: SMA Annual Financial Statement, 2015.

Appendix 2: Displays the total IGF outflow to recurrent and Capital expenditure made by SMA for the year 2010-2014

Years	Total Igf	Recurrent Expenses	Developmetal Expenses
2010	678,775.07	460,350.35	157,446.23
2011	746,331.43	623,427.81	130,291.44
2012	808,737.16	636,731.89	141,837.36
2013	885,345.49	727,639.69	137,567.57
2014	1,356,818.61	1,077,868.30	274,446.03
TOTAL	4,476,007.76	3,526,018.04	841,588.63

Source: SMA Annual Financial Statement, 2015.

Appendix 3: Interview Guide KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

INSTITUTE OF DISTANCE LEARNING

MASTERS IN FINANCE

YEAR 2011	REVENUE ITEM	ACTUAL AMOUNT COLLECTED	PERCENTAGE (%)

YEAR 2012	REVENUE ITEM	ACTUAL AMOUNT COLLECTED	PERCENTAGE (%)

YEAR 2013	REVENUE ITEM	ACTUAL AMOUNT COLLECTED	PERCENTAGE (%)

YEAR 2014	REVENUE ITEM	ACTUAL AMOUNT COLLECTED	PERCENTAGE (%)

5. What is the revenue trends of the Sunyani Municipal Assembly since 2010-2014?

YEAR 2010-2014	REVENUE ITEM	APPROVED BUBGET	ACTUAL AMOUNT COLLECTED	PERCENTAGE (%)

6. What are the total IGF outflow to recurrent and Capital expenditure made by SMA for the year 2010-2014?

YEARS	TOTAL IGF	RECURRENT EXPENSES	DEVELOPMENTAL EXPENSES
2010			
2011			
2012			
2013			
2014			
TOTAL			

7. What are the revenue collection methods adopted by the assembly?

.....

Segment C: Challenges of Revenue Mobilization

8. What are the challenges or constraints to revenue collections?

.....
.....

9. What are the difficulties the assembly encounters in the mobilization of revenue?

.....
.....

Segment D: Overcoming the Challenges of revenue mobilization

10. What are the measures put in place by the assembly to improve revenue mobilization in the Assembly?

.....
.....

11. Aside what is currently done, what are some of the ways of overcoming the challenges of revenue mobilization?

.....
.....

12. How does the assembly collaborate with the tax payers and other stake holders in revenue generation?

.....
.....

13. What are the advantages of stakeholders' participation in the revenue mobilisation?

.....

Those who violate the municipal assembly law without paying taxes, what are their punishment.....

.....

Thank you for your co-operation