American Journal of Research in Business and Social Sciences
Vol. 2(1), pp. 1-7, January, 2022
AJRBSS-21-007

ISSN: 2768-5462
https://www.mprijournals.com/

Full Length Research

Influence of Tax Administration on Internally Generated Revenue: Evidence from Bauchi State, Nigeria

MOHAMMED Rilwanu (Ph.D)
School of General Studies, Economics Programs,
AbubakaTatari Ali Polytechnic,
Bauchi, Nigeria.
Email: rilwanumohammed@gmail.com

Accepted 7th January, 2022

Abstract: This study examined the influence of tax administration on internally generated revenue with particular reference to Bauchi State, Nigeria. Specifically, the study determined the extent to which training of tax personnel influences internally generated revenue. A purposive technique was used to select all three hundred and twenty (320) State Board of Internal Revenue Service (SBIR) and its area offices. Data were collected via a structured questionnaire with the aid of two research assistants. Data analysis was performed with the aid of percentages, and mean, Chi-Square, and Ordinary Least Squares (OLS) method of estimation. The result revealed that training of tax personnel influences internally generated revenue. This suggests that training of tax staff improves the performance of tax collectors by developing the latest tax collection skills. Consequently, the study recommended that the State government should continually empower the State Board of Internal Revenue Service to train its staff with modern device, and also the State Board of Internal Revenue Service should increase its services to promote voluntary compliance in the state.

Keywords: Tax Administration: Tax Training: Personnel Administration: Internally Generated Revenue: Automation
Cite This Article As: Mohammed, R. (2022). Influence of Tax Administration on Internally Generated Revenue: Evidence from Bauchi State, Nigeria. American Journal of Research in Business and Social Sciences, 2(1): 1-7.

1.0 Introduction of the Study

The tax has been acknowledged in each advanced and growing nation as a major source of revenue. For the development and growth of any society, the provision of basic infrastructure is quite necessary. Tax revenue has been seen as a major source of government revenue all around the world. The government uses tax proceeds to render their traditional functions, such as the provision of public goods, maintenance of law and order, defence against external aggression, regulation of trade and business to ensure social and economic maintenance. Udeh (2002) confirmed that the problem with public finance in Nigeria has been that the level of public revenue generated from tax and non-tax sources in recent years have not been sufficient to meet the public expenditure of government, especially the State and Local Governments due to the expanding area of assigned services in the provision of water, shelter, health services and education. According to Wole (2008), it is the responsibility of every government to avoid a collapse of its economy by providing a conducive atmosphere where all micro and macro-economic variables thrive and this responsibility can only be achieved with a buoyant strong revenue base, and of course requisite human capital. In light of this claim, the Bauchi State Government launched a new electronic payment system in 2018 to collect taxes through ATMs and their websites. As a result, the state's internally generated revenue has increased from about 4 billion naira to over 7 billion naira per month.

However, despite this noble initiative, only salary earners pay their personal income tax faithfully through the Pay-As-You-Earn (PAYE) system, which deducts tax at the source. It has remained difficult, if not impossible to get the self-employed to pay tax faithfully and since the government has not been able to device a means of assessing the income of those in self-employment, they have been evading tax so successfully, to the shame of the State Internal Revenue Board. The situation now is such that people with means are walking on the streets free without paying any tax at all to the government thus contributing to the inadequate internally generated revenue accruable to the state (Aguolu, 2004; Edogbanya et al., 2013). The current revenue sharing formula is also to the disadvantage of the non-oil producing states such as Bauchi coupled with the fact that internal revenue efforts also constitutes an important criterion in the determination of the share of any state or local government from revenue that accrues to the federation account. This unpalatable scenario makes the Bauchi State government fails to fulfil its statutory financial obligations such as the construction of accessible roads, the building of public schools, health care centres, payment of salaries, gratitude, and pensions as at when due.

Prior studies established that inadequate training of tax personnel and administrative methods adopted in revenue collections by the government contribute to the shortage of funds in the state in which the Bauch State government could fulfil its financial obligations (Shagari, 2014; Fasola, 2014; Aguolu, 2004; Edogbanya et al., 2013). These human-related factors no doubt negatively affected development at the state government level which is the bedrock for genuine national development. Therefore, this current study intends to fill the existing gap in the literature by examining the extent to which training of tax personnel influences internally generated revenue of Bauchi State.The study is significant as it will contribute to the development of Bauch State through which internally generated revenue in the state could be enhanced. It will equally provide an empirical groundwork on Bauchi State's internally generated revenue structures upon which prudent tax measures could be based. Additionally, this study will provide useful information and development appropriate skills in a way that the activities of State Board of Internally Generated revenue can be improved upon by the government.

2.0 Literature Review

2.1 Concept of Taxation

Taxation is one of the oldest economic phenomena that covers the cost of providing basic services to the general public for a particular group of people within a geographical area. In some countries, taxation is as old as its history, but in others, taxation precedes its existence. In the early days of civilization, in the Bible and pre-Bible era, taxes were levied on the protection, security, and war of kings/queens. It could be a direct surcharge for the citizens of the kingdom or empire, or a compliment paid by the "conqueror" to prove their unwavering loyalty to the master/conqueror. These forms of tax did not necessarily depend on the notion of wealth or solvency. Soyode & Kajola (2006) define taxation as government-mandated taxation to generate income in the business activities of individuals, companies, goods, and services and to promote social justice through the income redistribute effect of taxation. Consistent with this notion, taxation is a source of income for the state, and individuals and cooperating companies are obliged to transfer certain parts of their income to the state for the development of the state. Nightingale (1997) also described taxation as government-imposed taxation. These different authors have the benefit of living in a relatively educated, healthy, and safe society, although it is possible for taxpayers to not receive anything identifiable for their contributions.

Bhatia (2003) also defined taxes as compulsory contributions paid by economic agents to the government without the corresponding right to certain "direct" consideration from the government. It is not the taxpayer's price for a particular service or government-provided product. The profits that taxpayers receive from the government are not related to or based on being taxpayers. Taxes are a general collection that can be levied on an individual, group, or legal entity according to one or more criteria. Okafor (2012) asserted that all sums levied by a government or through its accredited agents on the people residing in a country either as individuals or organizations (direct tax) or on goods imported or home-produced (indirect tax) to enable the government meets its expenses and for the provision of general benefits are regarded as taxation.

The National Tax Policy recognises that the Federal Government through the National Assembly is empowered exclusively to impose taxes on incomes, profits, and capital gains and on documents of corporate organizations and governments (stamp duties), while each State Government is empowered to collect those taxes from individuals resident in their respective States as may be determined by the National Assembly. The taxes imposed by the Federal government include Companies Income Tax, Personal Income Tax, Education Tax, Petroleum Profits Tax, Capital Gains Tax, Value Added Tax, and Stamp Duties. Apart from income taxes, State Governments, through their Houses of Assembly are also empowered to impose, fees, levies, and rates collectible by them and Local Government Authorities in their respective states.

2.2 Challenges of Tax Administration in Nigeria

In the area of tax administration, most developed countries have recorded significant mileage in tax collection by automation and leveraging appropriate applications to: identify taxpayers; obtain financial information; and ensure taxes are paid to the treasury. This has led to an increase in the level of tax compliance and ultimately, tax collection, an increase in delivery of social services, greater transparency, and better accountability. In the same perceptive, the Bauchi State government takes bold steps to automate and engage technology and its applications in the tax administration process such as unique tax identification number (U-TIN) project, Integrated Tax Administration, Automated payment systems and Identifying/capturing taxable persons. The studies of Michael & Sunday (2013), Okauru (2011), and Sani (2013) argued that lack of sufficient political support for the tax administration, level of business activity in the economy, issues within the tax administration set up, capacity issues quality and quantity of human resource, technology issues, manual system of tax operations are frustrated the efficiency of tax administration in the country. In another study, Adenugba & Ogechi (2013) lamented that lack of records, absence of automated systems, low level of taxpayer education and enlightenment, poor attitude to taxation, lack of tax culture, low awareness amongst taxpayers, low level of voluntary compliance, and deliberate evasion and non-compliance are the daunting challenges of tax administration in Nigeria.

3.0 Empirical Review

Binglar & Oyadonghan (2019) investigated the impact of tax administration costs on Bayelsa's revenue generation. The results show that there is a significant correlation between Bayelsa State tax administration costs and revenue generation. In another study, Ogbonna & Appah (2016) investigated the impact of tax administration and revenue on Nigeria's economic growth. Results show that there is a significant correlation between income tax revenue (PITR) and per capita income, Nigerian corporate income tax revenue and gross domestic product, Nigerian VAT revenue and PCI, and Nigerian oil revenue tax revenue and GDP. Fasola (2014) also investigated the impact of tax administration on the IGR in Osun. In particular, this study assesses how training tax officials affect the income generated within Osun State. The results show that the training of tax officials has a positive and significant impact on the IGR in Osun State. In another study, Sagari (2014) examines the determinants of tax administration efficiency. The result indicated that there is a significant linkage between tax administration efficiency, the autonomy of the board of internal revenue, information and communications technology, and public enlightenment. However, the study further revealed that there is no significant relationship between tax administration efficiency, strong audit practice, motivation and incentives, and perceived corruption. Jamala et al. (2013) also examined the revenue generation in Numan, South-western Adamawa State, Nigeria. They found that sources of internally generated revenue majorly emanated from income taxes. Afuberoh & Okoye (2014) also examined the impact of taxation on revenue generation in Nigeria, with reference to FCT and some selected states in the country. The result revealed that taxation has a significant contribution to revenue generation and taxation has a significant contribution to Gross Domestic Product (GDP).

Okafor (2012) explored the impact of income tax revenue on the economic growth of Nigeria as proxied by the gross domestic product (GDP). The result indicated a very positive and significant relationship. Worlu & Emeka (2012) also examined the impact of tax revenue on the economic growth of Nigeria, judging from its impact on infrastructural development from 1980 to 2007. The results showed that tax revenue stimulates economic growth through infrastructural development. Oladele, Udume, and Aderemi (2013) investigation review that the collection of taxes is one of the formidable options to generate revenue. They argued that Lagos State should devise motivational factors that could deter tax officials and consultants from collusion and also identify salaries and remuneration that will prevent revenue officers from colluding with taxpayers. Also, those activities of engaged tax consultants should be monitored effectively. Edogbanya et al. (2013) research were to analyze the extent to which revenue generation had affected the development of the selected local governments. The revealed a significant relationship between the revenue generated and developmental effort of government, poor development of the areas, lack of basic social amenities to the rural people, and lack of revenue to maintain the existing infrastructures. Adesoji & Chike (2013) analyses revealed that the various methods of generating internal revenue, which are the enforcement of tax personnel, contribution, and creating awareness to the public. The findings of the study however show that revenue administration agencies need to be reviewed to generate more revenue in the country.

Michael and Sunday (2013) study review that Revenue generation is the nucleus and the path to modern development. This study assessed the effects of internally generated revenue on infrastructural development in AkwaIbom State. It was found that IGR contributed significantly and positively to the provision of water, electricity, and roads. However, these contributions were skewed more to roads than electricity and water. A similar study by Adenugba & Ogechi (2013) found out that the effect of internal revenue generation has led to infrastructural development. The researchers also discovered that the infrastructural development in Lagos state is a result of adequate internally generated revenue and that revenue generation supports infrastructural development. James & Moses (2012) attempt to look at the Nigeria Tax administration and its capacity to reduce tax evasion and generate revenue for the development desire of the populace. The study found among other things that increasing tax revenue is a function of effective enforcement strategy which is the pure responsibility of tax administration. Based on the above empirical findings, the following hypothesis is proposed:

H_1: Training of tax personnel has a significant influence on internally generated revenue.

4.0 Methodology of the Study

The study uses a descriptive research design to provide space to collect data from the respondents. A purposive technique was used to select all three hundred and twenty (320) State Board of Internal Revenue Service (SBIR) and its area offices. The choice of purposive sampling technique is based on the fact that it provides researchers with the justification to make generalizations from the sample being studied (Sekaran, 2000). The staff members of State Board of Internal Revenue Service were approached to take part in the study with the approver of Director of State Board of Internal Revenue Service (SBIR).Data were collected via a structured questionnaire with the aid of two research assistants. The scales were designed with a 5-item Likert scale from 1 = strongly disagree, to 5 = strongly agree. The training of tax personnel scale was driven from the work of Shagari (2014) and internally generated revenue scale was adopted from the work of Fasola (2014). The validity and reliability were determined for the study (see Table 1). Data analysis was performed with the aid of percentages, and mean, Chi-Square, and Ordinary Least Squares (OLS) method of estimation.

Table 1: Validity and Reliability Results

Variables	Items	Source	Average Variance Extracted (AVE)	Composite Reliability (CR)	Cronbach's Alpha Coefficient
Training of Tax Personnel Scale	10	Shagari(2014)	0.77	0.85	0.899
Internally generated revenue scale	6	Fasola (2014)	0.72	0.81	0.821

Mathematical Model

To evaluate the influence of tax administration on internally generated revenue;tax administration is measured by training tax personnel. Mathematically, the model is expressed as follows:

Internally Generated Revenue = f(Training of Tax Personnel)

Internally Generated Revenue = $\beta_0 + \beta_{1\text{Training of Tax Personnel}} + \mu_i$-------(1)

Where:

β_0 = intercept

β_1 = regression coefficient

μ_i = stochastic error term

5.0 Results and Discussion

5.1 Demographic Characteristics of the Respondents

The number respondents between age ranges of 18 - 30 years are 21.4%. Furthermore, respondents in the age bracket of 31-40 years are 102(36.4%), while age bracket of 41 - 50 are 25%, whereas respondents of age 51 and above are 17.2%. The majority of respondents were male with 66%, while female represent 34%. Also, majority of respondents were married with 70% while single constitute 30% but none of the respondents was divorced. The result therefore showed that most of the respondents are married which implies that there will be great sense of responsibility among those who are married as marriage seems to correlate with being responsible. The level of education of the respondents ranged from NCE/ND to professional certificate. 31.4% had NCE/ND; 36.8% were holders of BSC/HND;7.1% were master's holders while 24.7% had professional certificates. This indicates that majority of respondents have formal education as given the percentages of their level of education, thus it implies that their responses may not be misleading or borne out of ignorance.Furthermore, 62.5% were senior staff; while the junior staff were 37.5%. the result also indicates that 27.8% of respondents have spent 1-6 years in service, 35.4% of respondents have spent 7-12 years in service while 36.8% of respondents have spent 13 years and above in service. This implies that majority of respondents have experience.

Table 2: Mean and Chi-Square results ofTax Administration

Statement	Mean	Chi-Square	Remark
The State Board of Internal Revenue Service has provided ICT training to help with daily work processes.	4.5304	124.993 ($P<.05$)	Accepted
The State Board of Internal Revenue Service is increasing its services to promote voluntary compliance.	4.4696	117.980 ($P<.05$)	Accepted
The State Board of Internal Revenue Service has introduced more mechanisms to promote a warmer relationship between government and taxpayers to support the state's healthy economy.	4.4730	110.682 ($P<.05$)	Accepted
The State Board of Internal Revenue Servicehas the autonomy to hire and dismiss personnel.	4.4966	120.047 ($P<.05$)	Accepted
The State Board of Internal Revenue Servicemakes most of its own	4.4998	121.619	Accepted

decisions after consulting with its staff members.		(P<.05)	
The State Board of Internal Revenue Service provides employees with online capabilities.	4.4257	I03.973 (P<.05)	Accepted
The State Board of Internal Revenue Serviceensure thatthe website is properly maintained and updated.	4.4189	87.676 (P<.05)	Accepted
The State Board of Internal Revenue Serviceemploys rigorous tax audits to help them reach their target revenues.	4.3202	I11.210 (P<.05)	Accepted
I have been motivated by my Ministry to put my besteffort in my job done.	4.1802	98.841 (P<.05)	Accepted
I have been remunerated for staying beyond the workinghours to finish my daily routine task.	4.1230	79.761 (P<.05)	Accepted
Grand mean	**4.4463**		

Table 2 above on tax administration as listed in items 1-10 falls within the real limit of agreed. This indicates that Bauchi State Government has empowered the State Board of Internal Revenue Service to take the cognizant of tax administration via training of tax personnel in the state. Thus, grand mean of 4.4463 and p-value of Chi-square which is 0.000 shows high level of acceptance that State Board of Internal Revenue Service has been given autonomy the Bauchi State Government to record significant miles in tax collectionthrough well trained tax personnel with state-of-the-art equipment.

Table 3: Distribution of respondents by Internally Generated Revenue

Statement	Minimum	Maximum	Mean	Std. Deviation
The state has recently managed taxpayer compliance well.	3.00	5.00	4.706	.2645
Road tax has been significantly increased	3.00	5.00	4.582	.4052
Capital gains tax has been significantly improved	2.00	5.00	4.827	.5716
Business premise registration and renewal levy have been improved	2.00	5.00	4.105	.6028
Right of occupancy fee in the state has been increased	2.00	5.00	4.036	.8038
Naming of street registration fee in urban cities has increased	1.00	5.00	4.101	.9041
Grand Mean	**4.392**			

In Table 3, the grand mean of 4.392 which is above the criterion mean of 3 shows that respondents agreed with the above listed items. The result from table 2 indicates that the majority of the respondents agreed that internally generated revenue in the state has improved significantly. These findings support the Internal Revenue Service's claim that revenues generated withinBauchi Statehave increased significantly since the state's tax automation was first introduced.

Testing of Hypothesis

H_1: Training of tax personnel has a significant influence on internally generated revenue of Bauch State.

Table 4: Impact of Training tax personnel on Internally Generated Revenue

Variable	Constant	Internally Generated Revenue (Model)
Coefficient	**0.026**	**0.974**
t-value	**0.160**	**24.818****
p-value	**0.000**	**0.000**
F-value	**615.973**	
R	**0.372**	

R^2	**0.139**
Adj.R^2	**0.135**
D-W	**1.889**

*P<0.05 **P<0.01
Source: Author's computation

Table 4summarizes the influence of training of tax personnel on internally generated revenue. The t-value of 24.818** and p-value of 0.000 indicates that the training of tax personnel has a direct and positive influence on internally generated revenue. The f-value of 615.973 confirms that there is a significant influence of training of tax personnelon internally generated revenue.Further, the R-Square value of 0.139 indicates that training of tax personnel independently contribute 13.9% to internally generated revenue and the Durbin-Watson value of 1.889 reveals that model I is standard. This means that training of tax personnel will enhance performance tax collectors in which they will acquire modern skills of collecting taxes. The study is consistent with the studies of Binglar & Oyadonghan (2019), Fasola (2014) and Sagari (2014) that training of tax personnel with modern techniques improves internally generated revenue in the country. Therefore, $H_1$is accepted. The implications of this discovery are that if the state wants to obtain financial information andrecord significant miles in tax collection to ensure that taxes are paid to the treasury, training tax officials with state-of-the-art equipment is paramount.

6.0 Conclusion and Recommendations

This study examined the influence of tax administration on internally generated revenue with particular reference to Bauchi State, Nigeria. Specifically, the study determined the extent to which training of tax personnel influences internally generated revenue. A purposive technique was used to select all three hundred and twenty (320) State Board of Internal Revenue Service (SBIR) and its area offices. Data were collected via a structured questionnaire with the aid of two research assistants. Data analysis was performed with the aid of percentages, and mean, Chi-Square, and Ordinary Least Squares (OLS) method of estimation. The study established that training of tax personnel influences internally generated revenue.This suggests that training of tax staff will improve the performance of tax collectors by developing the latest tax collection skills.Consequently, the study recommended that the State government should continually empower the State Board of Internal Revenue Service to train its staff with modern device, and also the State Board of Internal Revenue Service should increase its services to promote voluntary compliance in the state.

7.0 References of the Study

Adenugba, A. A. & Ogechi, C. F. (2013). *The Effect of Internal Revenue Generation on Infrastructural Development*. A study of Lagos State Internal Revenue Service.

Adesoji, E. & Chike, G. (2013). *The Effect of Internal Revenue Generation on Infrastructural Development*. A study of Lagos State Internal Revenue Service

Afuberoh, D. & Okoye, E. (2014). The Impact of Taxation on Revenue Generation in Nigeria: A Study of Federal Capital Territory and Selected States. *International Journal of Public Administration and Management Research (IJPAMR),* Vol. 2, No 2, 22-47.

Aguolu, O. (2004) *Taxation and Tax Management in Nigeria*, 3rd Edition, Enugu; Meridan Associates.

Bhatia, H. L. (2003). *Public Finance,* Vikas Publishing Pvt, New Delhi.

Binglar, P. F. & Oyadonghan, J. K. (2019).The Cost of Tax Administration and Revenue Generation in Bayelsa State. *Journal of Accounting and Financial Management,* 5(1): 18- 20.

Fasola, O. S. (2014). Impact of Personal Income Tax on Internally Generated Revenue Performance of Osun State Government, Nigeria. Master's thesis of Imo State University, Owerri, Nigeria

Jamala, G. Y., Asongo, A. T., Mahai, S. & Tarfena, H. J. (2013). Appraisal of Revenue Generation in NumanSouthwestern Adamawa State, Nigeria. *Journal of Economics and Finance,* 2(2): 01-06.

James, A. & Moses, H. (2012). *Impact of Tax Administration on Government Revenue in a Developing Economy* – A Case Study of Nigeria.

Michael, N. & Sunday, S. (2013). Internally Generated Revenue (IGR) and Infrastructural Development in Akwa Ibom State

Nightingale, K. (1997). "*Taxation: theory and Practice"* United Kingdom, Pitman Pres

Ogbonna, G. N. & Appah, E. (2016). Effect of Tax Administration and Revenue on Economic Growth in Nigeria. *Research Journal of Finance and Accounting,* 7(13): 49-50.

Okafor, R. G. (2012). Tax Revenue Generation and Nigerian Economic Development. *European Journal of Business and Management,* 4(19): 49-57.

Okauru, I.O (2011). Effective and Efficient Tax collection and Administration in Nigerian in the Three Tiers of Government Retrieved From http://www.rmafc.gov.ng/2011.

Oladele, T., Udume, J & Aderemi, G. (2013) Revenue Generation and Engagement of Tax Consultants in Lagos State, Nigeria.

Sani, F. (2013) Automated Internal Revenue Processing System: A Panacea For Financial Problems InKogi State.

Shagari, S. L. (2014). Determinants of Tax Administration Efficiency: A Study of Bauchi State, Nigeria. Master's thesis of University Utara Malaysia

Sayode, L. & Kajola, S. O. (2006). *Taxation: Principles and Practice in Nigeria*. 1st Edition: Silicon, Ibadan.

Udeh, J. (2002): *Petroleum Revenue management-The Nigeria perspective*-World bank Petroleum Revenue Management Workshop 2002.

Wole, A. (2008): *Generating Revenue for Development, the e-Formula* in This day Newspaper Vol 13 No 4833 pg 69 of 15th July, 2008.

Worlu, C. N &Emeka, N. (2012). Tax Revenue and Economic Development in Nigeria: A macro econometric Approach. *Academic Journal of Interdisciplinary Studies,* 1(2): 211-223.