This paper which is descriptive in nature examines fiscal crisis and it impact on the local
government Administration in South Eastern Nigeria. The study was deemed necessary because
of the need for our local government Administrators to wake up for its responsibilities and
challenges. The specific objectives of the study is to determine the viability of local government
internal revenue right and identify the relationship between inadequate tax jurisdiction
and the
rate of corruption noticed in the local government Administration in South Eastern Nigeria. The
study adopted the theory of fiscal federalism as it theoretical framework and stratified sampling
technique and simply random sampling was also adopted as the sampling technique. The paper
discovered that the internal generation revenue source of local government in south Eastern
Nigeria is not viable and the non-specification of local government revenue jurisdiction
encourages corruption in the system. The implication of the above findings is inadequate
delivery of services by the councils that hampers effective local government administration. The
paper recommended that more revenue options should be given to local government based on an
existing realities and that corruption in the system will reduce if specification is made on their
sources of revenue.

Keywords: Local Government, Corruption, Federalism, Revenue Jurisdiction, fiscal crisis and
Administration.

INTRODUCTION
It is a known fact that man must relate, and interact constantly with the environment, and
probably makes use of his intellectual and physical endowments to subdue, and or conquer the
environment to suit his purpose on earth. The inter play of the forces of nature poses many
challenges to man in his environment, thereby compelling him to proffer means of adopting in
the society. The scheme of doing things and methods of task accomplishment are actered and
modified on daily basis due to innovations, scientific exploits and technological breakthrough. It
is in line with this that section 7 of the constitution of the Federal Republic of Nigeria (CFRN)
1999 states that: “A local government is a political and administrative unit that is empowered by
law to administer a specific locality”. And any organization that is given the responsibility of ensuring human welfare, development and creation of wealth for the citizens, protection of life and property and promotion of societal good through coordinated and co-operative efforts requires enough finance in order to achieve goals and objectives. One of such organization is the local government which does not only require fund but it also need knowledgeable and skilled personnel to manage efficiently the money which always insufficient to meets its needs. Adequate sound revenue base for local government is an essential pre-condition for the success of fiscal decentralization (Bird 2010). In addition to raising revenue power, local revenue mobilization has the potential to further political and administrative accountability by empowering communities (Slah, 2004). However, prescriptions deriving from the theory and from good international practice impose huge constraints on the choice of revenue instruments for local governments (Okorie, 2008).

The growth of Africa’s population has outpaced local authority capacity for service delivery in forms of management, infrastructure and financing (Mcduskey and Prazen, 2010). In a similar development, the development of internal displaced persons (IDP) in various states of Nigeria has made matters worst. The urban municipal authorities, many of which were originally instituted as colonial administrative institutions, have not been restructured to cope with the fast-growing population (Akindele, 2004). Secondly, a growing number of resident live in informal settlements characterized by deficient services and the fact that many local government authorities are financially weak and rely on financial transfer and assistant from the central government (Brosio, 2013). Moreover, local government tax administration are often inefficient and not able to properly account for revenue collected (Fjedstad, 2006). As a result, many African local governments are facing a governance crisis and poor service delivery capability. Fiscal decentralization the devolution of revenue mobilization and spending powers to lower levels of government has become a main theme of local governance in recent times.

Nigeria is one of the few countries in the developing world to have significantly decentralized both resources and responsibilities for the delivery of basic health and educational service to locally elected governments. Local government in Nigeria are constitutionally entitled to a share of about 20 percent of federal revenue, which in recent years of oil boone has implied substantial resources flows to local government. The third tears of government have the right to raise income and spend some of the process of carrying out their assignment and function. The income (revenue) generated by each tear serves as a limitation to its ability to function effectively. The decline in the oil revenue and current world economic crisis has reduced the income of the local government councils in Nigeria through federal allocation.

**Statement of the Problem**

Nigeria has been organized as a federal country since 1954 with the responsibility for providing most public goods being consequently shared between the federal and state governments. In 1976, Local Government Authorities (LGAs) were established and recognized as the third tiers of government responsible for participating in the delivery of most local public services along with state governments, and entitled to statutory revenue allocation from both the federal and state government for their discharge of their responsibilities. Under the Revenue allocation Act, 1981, the National Assembly prescribed that the local government councils should be granted 10 percent, (now 20 percent) of the amount standing to the credit of the federation Account annually. In addition, the states was asked to make available to their local government councils
10 percents of their total revenues to the local governments within the states. This demand on the states may be controversial because the total revenue of the states comprised (a) share of the federation account, and (b) internally generated revenue. To ask the state to give 10% was tantamount to making them benefit twice from the federation Account at the experiences of the state. No corresponding burden was placed on the federal government that actually received a greater portion of the federal account.

In a similar development, most of the states made deductions from their local government councils share of the federal account for services which has been transferred to the local government constitutionally. As an illustration, in the late 1980’s there was a national initiative to over haul the primary health care system through the adoption of a new national health policy, in the context of which the federal and state governments issued directives giving LGAs full jurisdiction over the delivery of primary health care services (National primary health care Development Agency, 2001).

with the general guidance, support and technical supervision of state Health ministers, under the aegis of ministries of local government, local government council shall design and implement strategies to discharge the responsibilities assigned to them under the constitution and to meet the health needs to local community (page 26, National Health Policy).

In a similar development, the establishment of state/local government joint account and the viability of the internal revenue sources of local governments councils in Nigeria could not help matters states like Abia and Anambra states, democratically elected council were replaced with management communities that were dependent upon the state government for their existence, meant that governors could not be challenged in the court in respect of mismanagement of public find available to the local government.

The aim of this paper is to examine the various internal revenue sources of local government council in south eastern Nigeria with a view of boasting the amount of fund available to the local government. This is because fiscal operations of the local government level become significant if macroeconomic stability is necessary in the wider economy. If fiscal imbalance appears rampant at the local level, it could pose problems for macroeconomic management of the economy.

Research Question

1. To what extent does revenue right of local government in south eastern Nigeria viable for the performance of its responsibility.
2. What is the relationship between inadequate tax jurisdiction and the rate of corruption noticed in the local governments in south eastern Nigeria.

Objectives of the Study

The broad objectives of this study is to examine the impact of fiscal crisis on local government administration in south eastern state, while the specific objectives include

A. Determination of the viability of local governments IGR base in south eastern Nigeria.
B. Identify the relationship between inadequate tax jurisdiction and the rate of corruption noticed in the local government administration in South Eastern Nigeria.

**Hypotheses**

Ho₁ Tax jurisdiction of local governments in south eastern Nigeria is not viable for the performance of its constitutional function.

Ho₂ There is no significant level of relationship between inadequate tax base and corruption noticed in local governments administration in south eastern Nigeria.

**Theoretical Foundation of the Study**

The theory which informs our discussion of fiscal crisis in Nigeria local government is the theory of distributive federalism or true federalism. Fiscal federalism is essentially about the allocation of government spending and resources to the various tiers of government in tandem to the responsibilities given to that tier of government (Qates, 1972, Onwe, 2009, Agiebenebo, 1999). The division of responsibilities and function among different levels can also be called decentralization. The politico-economic decentralization of socio-economic responsibilities and functions gives rise to a number of interesting relational and fiscal issues. Decentralized systems of governments gives rise to a set of fiscal exigencies referred to as fiscal federalism. It refers to the scope and structure of the tiers of government responsibilities and functions and the allocation of resources among the tiers of government (Agiebenebo, 1999). The theory of fiscal federalism as propounded by whereas (1995:231) cited in Onwe (2010) argues that:

> If the state authorities, for example, find the services allotted then in a federal state are too expensive to perform, and if they call upon the federal authority for grants and subsides to assist them, they are no longer coordinate with the federal government but subordinate to it. Financial subordination makes an end to federalism infact, no how carefully the legal forms may be preserved. It follows, therefore, that both state and federal authorities in a federation must be given the power to control its own financial resources. Each must have power to tax and barrow for financing for its own services by itself.

The above analysis of fiscal federation shows distinctively that neither the federal, nor the state or local government in a true federalism should depend on each in the performance of statutory duties and functions as entrenched in the federal constitution.

It was observed that the federal revenue in 1988, was N27,301.8 million. The federal government retained 57%, 30% fell for distribution to the state and local government had 13% of this money. Infact the relationship between the central, state and local government is that of master/servant relation and which is also manifested in their tax jurisdiction that negatively affected the internal revenue base.

**Review of Related Literature**

Local sources of revenue are those from which local government authorities generate independent revenues for use by themselves. Although, there is no ideal assignment of revenue sources between central and lower levels of government. Still a set of tax assignment rules (tax
powers/jurisdiction) has been developed in the traditional fiscal federalism theory (Bird, 2010). These principles relate to the respective responsibilities of central and lower tiers of government in macroeconomic stabilization, income redistribution, and resource allocation (Boardway, 2009).

Udenta (2007:216) identified the types and sources of local governments internal revenues to include:

Table 1

<table>
<thead>
<tr>
<th>Type</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees</td>
<td>i Licensing of radio and television, bicycle and trucks, wheel barrows and carts, canoes and pets Registration of birth, deaths and marriage</td>
</tr>
<tr>
<td></td>
<td>ii Markets stalls and motor parks Public conveniences</td>
</tr>
<tr>
<td>User charges</td>
<td>i Markets stalls and motor parks Public conveniences</td>
</tr>
<tr>
<td></td>
<td>ii Shops and kiosks; play grounds Restaurants and other eating places</td>
</tr>
<tr>
<td>Rents</td>
<td>i Shops and kiosks; play grounds Restaurants and other eating places</td>
</tr>
<tr>
<td></td>
<td>ii Supply of services and the 1951 recommendation of revenue phillipson commission which placed emphasis an derivation, population and process.</td>
</tr>
<tr>
<td>Rates &amp; tax</td>
<td>i Property; kurdin kasa(an agricultural tax of non-mostem) khanrag (a mostem community tax); Gausus (festival present) Gudu (death duties which amount to confiscation of the estate); kaku, Binerum (Graduated income tax in Barnu and Jangali (cattle tax)</td>
</tr>
<tr>
<td></td>
<td>ii Supply of services and the 1951 recommendation of revenue phillipson commission which placed emphasis an derivation, population and process.</td>
</tr>
</tbody>
</table>

But the above listed sources of revenue to the local governments, the fourth schedule of the 1999 constitution dwells on the functions of local government council states thus,

1. The main function of a local government council are follows
   a. Collection of rates, radio and television licenses;
   b. Establishment and maintenance of cemeteries, burial grounds and home for destitute or infirm.
   c. Licensing of bicycle, Trucks (other than mechanically propelled, trucks, canogs, wheels barrows and cars)
   d. Establishment, maintenance and regulation of slaughter houses, slaughter slaps, markets, motor parks and public conveniences.
   e. Construction and maintenance of roads, streets, street light……
   f. Naming of roads and streets and numbering of houses
   g. Provision and maintenance of public conveniences, sewage and refuse disposal
   h. Registration of all births, death and marriage
   i. Assessment of privately owned houses
   j. Control and regulation of
      A. Outdoor adverting and hoarding
      B. Movement and keeping of pets
C. Shops and kiosks ……………….

2. The functions of a local government shall include participation of such council in the government of state as respect the following matters.
   a. The provision and maintenance of primary, adult and vocational education
   b. The development of agriculture and resources other than the exploitation of minerals
   c. The provision and maintenance of health services and
   d. Such other functions as may be conferred on a local government council by the House of Assembly of the state (see federal Republic of Nigeria, 1999:50-151)

Based on the above analysis, the tax power of local governments in Nigeria is not enough for the provision of those services required by them (Udenta, 2007). As miewald put it if politics is the struggle for scarce resources, he maintain, there is hardly anything more scarce than public finds. Bureaucrats--- would tend to agree that money is the lifeblood of government. Nwabuzor (1991:90) stated thus:

There are only two ways by which the performance of local government and hence the productivity of their staff can be measured. The first is by the quality of service they provide to the public. The second is their ability to meet the financial obligation that is by their ability to raise sufficient revenue to pay their staff and provide the services expected of them.

In a similar development, Orewa (2008:43) narrated that

In ... countries such as Nigeria, where the resources available to the local government are limited, they need to devote the resources as such as possible to the development of basic infrastructure and to the improvement of essential services. They can only do this effectively if they spend a limited proportion of their revenue on administration head arising from staffing and equipment of local authorities.

One point of fundamental importance however, is the poor performance, if not the absolute non-performance of local government in Nigeria as regards roads, drains, health and other services required from them. Hence acceptability and the inner sence of compulsion is terribly vitiated. Taxability depends on legitimacy. Shorn of legitimacy taxation suffers from resistance, non-acceptability, tax pranks and sundry manner of sabotape (Okorie, 2008). Onwe (2009) narrated that the onus lies on local government to foster, engender, enhance and sustain legitimacy with that, tenement rates and other source of internal source of revenue of which over form would yield maximally.

Methodology

In examining the relationship that exist between inadequate tax powers and under performance of local governments in South Eastern Nigeria (Enugu, Ebonyi, Anamba, Imo and Abia states), a cross-sectional design was adopted, collecting date from a defined population. The use of survey research method was justified because it follows a correlation research strategy and helps in predicting behaviur (Ekpo and Ndebbio 2002). Response were sought from staff of local governments, people living in the capital city of each state, traditional rulers councils, former and present local government chairmen, caretaker committee’s and councilors.
A stratified sampling technique with simple random sampling was adopted to give each strata equal opportunity for selection. A sample size of 2150 was drawn from the targeted population of the five state used to the study. The instrument used for collecting data was questionnaire design to elicit information form the respondents. The questionnaire was made up of 20 items grouped into four main parts. Part 1 collected data on inadequate tax powers and was made of 5 items. Part 2 collected data on under performance of local governments and made up of 5 items. Part 3 collected data on tax jurisdiction and made up of 5 items. Part 4 collected data on corruption and made up of 5 items. The dependent variable examined in the study are bursary payment to students, building of culverts, bridges and primary health centers. The effective operation of these variables depend on the application of independent variable (local governments IGR). The questions were tailored along a five point likert scale. The responses were coded and mapped into numeric values such as strongly Agree 5 points, Agree 4 points, undecided 3 points. Disagree 2 points and strongly disagree 1 point.

Inferential study design was also employed because it consist of correlation which help in ascertaining relationship between variables. A cronbach alpha test of above 0.6 represent a validity test and test-re-test showed that the instrument is reliable. 250 out of 2150 responses received were rejected due to non-responding and incompetence. 1900 questionnaire, representing 79% were completely filled and returned for the study.

Correlation

<table>
<thead>
<tr>
<th>Bursary</th>
<th>Pearson correlation sig (2 tailed)</th>
<th>Bursary</th>
<th>Culvert</th>
<th>Bridges</th>
<th>H/C</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N 1900</td>
<td>1900</td>
<td>1900</td>
<td>1900</td>
<td>1900</td>
</tr>
<tr>
<td>Culvert</td>
<td>Pearson correlation sig (2 tailed)</td>
<td>589...</td>
<td>000</td>
<td>1900</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N 1900</td>
<td>000</td>
<td>1900</td>
<td>-143..</td>
<td></td>
</tr>
<tr>
<td>Bridges</td>
<td>Pearson Correlation Sig (2 tailed)</td>
<td>126..</td>
<td>000</td>
<td>1900</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N 1900</td>
<td>000</td>
<td>1900</td>
<td>677..</td>
<td></td>
</tr>
<tr>
<td>Health centers</td>
<td>Pearson Correlation Sig (2 tailed)</td>
<td>145..</td>
<td>-011</td>
<td>000</td>
<td>1900</td>
</tr>
<tr>
<td></td>
<td>N 1900</td>
<td>000</td>
<td>.646</td>
<td>1900</td>
<td></td>
</tr>
</tbody>
</table>

The table shows that correlation coefficient between each pair of variable listed, the significance level and the number of cases. From the table, it is deduced that there is a relationship between payment of bursary to students, culvert, bridges and an effective Health center and inadequate tax base of the local governments. The more the local government are made viable through enough or adequate tax powers base the more the local governments will be able to provide those service required of them. This is based on the fact that without enough fund at the local government, the performance of its functions will be reduced. The correlation of (0.589,0.677)
justified the above argument. Confidence was established in the result as the respective levels of statistical significant have their value less than 0.05 (Seg = 0.000).

**Hypothesis One**: inadequate tax powers of the local governments in south eastern Nigeria will not affects the performance of its function.

**Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R. square</th>
<th>Adjusted R. square</th>
<th>Std error of the estimate.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.0589</td>
<td>.347</td>
<td>.135</td>
<td>.46991</td>
</tr>
</tbody>
</table>

(a) **Predictors**: (constant) performance of its function. The R. square is given as 0.347. this means that the model (performance of its functions) was able to express 34.7% variation in the dependent variables (bursary, culvert, bridges and health centers).

**Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized coefficient</th>
<th>Standardized coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B.</td>
<td>Beta</td>
</tr>
<tr>
<td></td>
<td>Std error</td>
<td>T</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sig</td>
</tr>
<tr>
<td>(Constant)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>3.547</td>
<td>.589</td>
</tr>
<tr>
<td></td>
<td>.075</td>
<td>47.084</td>
</tr>
<tr>
<td></td>
<td>.019</td>
<td>8.402</td>
</tr>
<tr>
<td>156</td>
<td>.019</td>
<td>.000</td>
</tr>
</tbody>
</table>

A dependent variable: culverts, bridges etc.

Performance has a beta value of 0.589 with sig of 0.00, the value is less than .05. This variable is making unique contribution to the prediction of the dependent variable (culvert, bursary, bridges and primary health care centers).

**Hypothesis Two**: There is no significant level of relationship between inadequate tax jurisdiction and level of corruption noticed in local governments councils in south eastern Nigeria.

**Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R. square</th>
<th>Adjusted R. square</th>
<th>Std error of the estimate.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.677</td>
<td>.458</td>
<td>.327</td>
<td>.34681</td>
</tr>
</tbody>
</table>

a. **Predictor (constant)** Tax jurisdiction
The R. square is given as 0.458. This means that the model (Tax jurisdiction) are able to express 48.5% (multiply by 100) by shifting the decimal point variation in the dependent variable (corruption). R-square value in the sample tends to be rather optimistic overestimation of the true value in the population as the adjusted R-square depicted a small value. It helps to correct the R-square to provide a better estimated of the true population value.
Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>unstandized</th>
<th>Stand.</th>
<th>Error</th>
<th>Beta +</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td>B.</td>
<td>Stand.</td>
<td>Error</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inadequate</td>
<td>2.904</td>
<td>.048</td>
<td></td>
<td>61.079</td>
<td>0.000</td>
</tr>
<tr>
<td>Tax jurisdiction</td>
<td>270</td>
<td>.011</td>
<td>0.677</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent variable (corruption)

Inadequate tax jurisdiction has a beta value of 0.677 with sig. of 0.000, the value is less than 0.5. The variable is making a significant unique contribution to the prediction of the dependent variable (corruption)

Findings: The internal generated revenue source of local government in South Eastern Nigeria is not viable.

The viability of sources of internal sources of revenue determines the performance of the local governments in south eastern Nigeria.

Adequate revenue base to local governments would enable it enjoys the economy of scale, freedom to determine it policies and programme, train and develop its personnel for the provision of services, acquire materials for the building health centers, culvert and even pay bursary to students. It is also revealed that inadequate tax jurisdiction of local governments encouraged the level of corruption at the local government level.

Based on the fact that the federal government enjoy a larger proportion of the federation resources, the managers/staff of local governments also apportion larger part of the Local governments to their private parkets. Even some staff of the local government involve in revenue collection were not accountable to the council due to non specification of the tax jurisdiction.

Recommendation

The study recommends that local governments in south eastern Nigeria should be given adequate tax base to enable them raise money to finance its activities than waiting for federal allocation before undertaking anything in the local government.

And that the rate of corruption in the local governments will be reduced if the tax jurisdiction of the council will be made specific and interference by state/federal government agents should be reduced to know how to hold local governments staff revenue officers accountable for their activities.

Summary and Conclusion

The study revenue that inadequate tax power given to local government by the Nigerian constitution is positively related to the performance of the council. And non-specification and un-viability of local governments in Nigeria encourage the rate of corruption in the third tiers of government in Nigeria.
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