Revenue Generation and Utilization in the Nigerian Public Sector (A Case Study of Katsina State)

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ABSTRACT

Purpose: *The study aims to assess revenue generation and utilization in the Nigerian public sector with a case study of Katsina state. The population and sample size of the study comprised of Katsina state ministry of finance and office of the accountant general Katsina state of which period of seven years (7) was used from 2012 to 2018.* ***Design/Methodology/Approach:*** *The data generated from Katsina state annual report and accounts were analyzed by means of regression analysis using E-views 8.0. The result of the analysis was tested at 0.05 (5%) level of significance.* ***Findings:*** *The findings of the study show that revenue generation has significant impact on, recurrent and total expenditure of Katsina state. It recommends that the governments at all level should use all the necessary mechanisms of revenue generation to ensure optimum revenue is generated from all the sources, ensure full remittance and find possible ways of diversification of revenue sources such as investment in capital market, commercialization of some government agencies like transport authorities to ensure adequate revenue for the provision of infrastructural facilities.* ***Implications/Originality/Value:*** *This research work would be relevant to various levels of governments, professional bodies as well as students and researchers.*

Keywords: Revenue, Utilization, Assessment, Internally Generated Revenue

1. INTRODUCTION

Revenue is defined as all the money received other than from debt and liquidation of investments. Government revenue comprises of taxes, licenses, fines, charges, sale of government properties, sales of crude oil, other export; among others. Therefore from definitions stated above, it can be concluded that revenue is the entire amount of income a state is able to generate from various sources under its territory within a definite period (Olajide 2015).

Inadequate revenue generation and misuse of resources in a developing countries such as Nigeria and state governments, has posed a serious challenge which leads to high cost of living and poor delivery of public goods and services on the part of the three tiers government. Most importantly the mismatch of cost of living and internally generated revenue in the states has been heightened

in the recent times, thereby resulting to poor state of the citizenry who cannot basic goods and services.

The increased in the cost of running government coupled with dwindling of oil revenue has left various state governments in Nigeria with developing strategies to improve their revenue base through various sources. The near collapse of the National Economy created serious financial stress for all tiers of government. The state governments were adversely affected, all of whom have experienced high and unusual reduction in their national revenue share from the Federation Account. Despite the numerous sources of revenue available to the various tiers of government as specified in the Nigeria 1999 Constitution, since the 1970s till now, over 80% of the annual revenue shared among the 3 tiers of government come from sales of crude oil and other petroleum taxes. However, the serious decline in the oil price in recent years has led to a decrease in the funds available for distribution to the states and local governments. It is now the matter of extreme urgency and importance for the state governments to generate adequate revenue from internal sources to increase their revenue base. This need necessitate the need and eagerness on the part of state governments and even the federal and local governments to seek for new sources of revenue and become aggressive and innovative in the mode of revenue collection from existing sources (Oti Peter A. and Odey Ferdinand I. 2017).

Revenue generation and utilization in this regard is tied to public sector in the country. It includes all policies and procedures adopted by the government to generate revenue and equally make effective and efficient utilization of revenue generated by a way of equitable and timely distribution of resources and provision of infrastructural facilities and social amenities.

The need for maintaining an adequate and effective system of revenue generation as well as utilization in the state therefore cannot be over emphasized especially in days like this when the Nigerian economy is witnessing a depression, misappropriation of funds among others. Therefore an assessment of the system is very important and will as well promote effective utilization of revenue generated. It is compulsory for states to device a means for annual or periodic assessment in the form of tax audit or tax investigation for the purpose of reviewing operations (Olajide 2015).

Objectives of the Study
The primary objective of the study is to assess revenue generation and utilization in the Nigerian public sector with a case study of Katsina state.
Specific objectives are:
   i.   To determine the impact of revenue generation on capital expenditure in Katsina state.
  ii.   To determine the impact of revenue generation on recurrent expenditure in Katsina state.
 iii.   To determine the impact of revenue generation on total expenditure in Katsina state.

Research Hypothesis
In order to achieve the specific objectives designed for this study, the following research hypotheses are stated in their null as follows:
H_{01}: Revenue generation does not have impact on capital expenditure in Katsina state.
H_{02}: Revenue generation does not have impact on recurrent expenditure in Katsina state.
H_{03}: Revenue generation does not have impact on total expenditure in Katsina state.

2. LITERATURE REVIEW

Few studies were carried out on the areas of revenue generation and utilization. Baghebo (2012) examines the effective tax revenue utilization and its impact on government expenditure for economic growth and development of Nigeria using exploratory research design. It was found from the study that, despite increase in revenue base in the country, the percentage rate of unemployment, poverty, low capacity utilization in industry, high rate of inflation, debt overhang, deterioration or stagnation of economic activities still prevails. The study did not adopt empiricism or descriptive analysis in its analysis, rendering its findings inconclusive. The study took into account the whole country without considering amounts of revenue utilized by the federal government.

In their research, Edogbanya and Ja'afaru (2013) examined problems and prospects of revenue generation in the Nigerian local government system and used Njikoka local government area of Anambra state as a case study. The study used qualitative descriptive analysis and the findings showed that despite internal and external sources of revenue to Njikoka local government, corruption, poor governance, lack of qualified revenue collection officers, public cynicism, and lack of financial autonomy undermine revenue collection. It therefore recommends honest, good and credible leadership should be employ to address revenue shortfalls in Njikoka local government.

Samuel and Tyokoso (2014), conducted a research which examine the assessment of taxation on revenue generation in Nigeria using survey research design with a case study of FCT and some selected states. The study employed regression analysis and found among other things that taxation significantly contributed to revenue generation and gross domestic product (GDP). In a similar way, Afuberoh and Okoye (2014) used regression analysis and the study found a significant relationship between tax revenue generated and GDP. The study recommends that well equipped data base (WEDB) on all tax payers should be established by the Federal, State and Local Governments with the aim to identify all possible income sources of tax payers for tax purpose, the tax collection processes must also be free from corruption.

Nkechi and Onuora (2018) investigated the effect of IGR on infrastructural development of the South Eastern states in Nigeria. Secondary data were used for the study, and they were extracted from budget estimates of each of the five South Eastern States of Imo, Abia, Ebonyi, Enugu and Anambra States from the period of 2013-2017. For the purpose of data analysis and interpretation, the study employed descriptive statistics, correlation and linear multiple regression. Findings from the study revealed that there is a significant positive relationship between the IGR and infrastructural development in the South East States.

In a similar study, but considering only Akwa Ibom State, Nnanseh and Akpan (2013) assessed the effects of IGR on infrastructural development. The study specifically aims to ascertain the extent to which internally generated revenue has contributed to the provision of infrastructures such as water, electricity, and road. An ex-post facto research design was employed and secondary sources were used to obtain the data used. Simple percentage statistics was used to analyze the data and simple regression statistics was used to test the hypotheses. The result of the study

revealed that IGR has significantly and positively contributed to the provision of water, electricity and roads.

In an analysis of South Western States, Morufu and Babatope (2017) appraised the influence of IGR on the revenue profile of South Western State governments in Nigeria and how this has impacted on their capital expenditure for the period of 2006-2015. The study adopted descriptive statistics and OLS Multiple regression analysis to carry out its study. The sample of the study consists of three States out of six south-western states; the samples are Osun, Ondo and Ekiti. Secondary sources of data was used and the variables were extracted the sslected states financial statements. The result of the study showed that there was a significant positive correlation between IGR and revenue profile of Ekiti, Osun and Ondo States. The study further showed that the IGR had no significant influence on capital expenditure of Ekiti and Ondo State respectively.

In a similar study, but using only Cross River State as a case study, Peter and Ferdinand (2017) analyzed the relationship between IGR and capital expenditure utilization in Cross River State, Nigeria from 2007 to 2015. Secondary data used for the study were collected from Cross River State budget office, internal revenue service and ministry of finance. Descriptive statistics were used to analyze the relationship between IGR and capital expenditure utilization in Cross River State. Findings from the study indicated that increase in government expenditure without corresponding revenue will widen the budget deficit, stating that the Cross River State government should increase its internally generated revenue (IGR) for the states expenditure to be accommodated.

Asimiyu and Kizito (2014) conducted a research which is contrary to that of Morufu and Babatope (2017), Peter and Ferdinand (2017) and Nkechi and Onuora (2018), the study analysed internally generated revenue (IGR) and its implications on fiscal viability of State governments in Nigeria'. The study examined the growth rate of State governments' internally generated revenue in Nigeria, and also compared the growth rate of internally generated revenue in urban and rural states as well as investigates the ability of its internally generated revenue to finance state governments' expenditures. The scope of the paper covers 5 States randomly selected from the 36 states in Nigeria between 1999 and 2011. Secondary data were collected from the CBN Annual Statistical Bulletin. Descriptive statistics such as mean/averages, variance, percentages, tables and charts were used to analyze the data. Findings of the study revealed that, the growth rate of State governments' internally generated revenue is 20.1%. It was also discovered that the growth rate of State governments' recurrent and total expenditures were 30% and 34.2% respectively, and these growth rates are higher than the growth rate of IGR. It was also discovered that, urban states internally generated revenue financed more proportion of their recurrent and total expenditures than rural states internally generated revenue. It was found that, there is direct a direct relationship between growth of internally generated revenue and capital expenditure.

In a departure from IGR based study, Nwosu and Okafor (2014) carried out a study titled 'government revenue and expenditure in Nigeria'. The study examined the relationship between government's current and capital expenditures in Nigeria and used time series data from 1970 to 2011. The study utilized co-integration techniques and an Error Correction Mechanism (ECM), and the Granger causality test as the methods of analyses. The ECM results also showed that total

government expenditure, capital and recurrent expenditures have long-run unidirectional relationships with total revenue, oil and non-oil revenue variables as well as unidirectional causalities running from expenditures to revenue variables. The findings of the study support spend-tax hypothesis in Nigeria which indicate that changes in government expenditure instigate changes in government revenue.

In a similar study like the work of Morufu and Babatope (2017) that assessed South Western States, Tunji et al. (2014) examined the roles that IGR plays in the administration of State governments in Nigeria, using Ogun State in the South Western part of the country, as case study. Secondary data was used for the study. The data for the study were sourced from Ogun State Treasury Office from 2004 to 2013. Ordinary Least Square (OLS) was adopted by the study. The study revealed that IGR plays significant role in growing the revenue of the State. It was even revealed in some instances that the internally generated revenue of Ogun State exceeds statutory allocation from the Federal Government.

Most of these studies reviewed above were on revenue generation and utilization at the federal or local government level or revenue utilization in general, not considering states governments. Some few studies that are related revenue generation and utilization, considered the whole federation as a case study. This study also intends to assess the revenue generation and utilization in the Nigerian public sector with a case study of Katsina state.

3. METHODOLOGY

This study adopts the time series research design. This is to enable us assess revenue generation and utilization in the Nigerian public sector with a case study of Katsina sate. The population for this study include: Katsina State ministry of finance and office of the accountant General, Katsina State. The sample size covers the entire Katsina State ministry of finance and office of the state accountant general, it also covers the period from 2012-2018 using the secondary data. Judgmental sampling was adopted for the study because the sampled are the only sources of data for the analysis to arrive at local conclusion. For the purpose of this study, only secondary method of data collection was utilized which include Katsina State annual report and account that contains statement of financial performance, statement of financial position, cash flow statement and other financial statements.

For the purpose of this study Simple regression model is used, the study will examine three major models to measure possible impact of revenue generation on recurrent, capital and total expenditure of Katsina state over a periods of time.
The simple regression equation is stated thus;
$$Y = b_0 + b_1x_1 + e \dots\dots\dots(1)$$
Where,
Y =dependent variable;
X =independent variable;
b_0=intercept of Y;
b_1=slope coefficients;
U=stochastic variables (Gujarati, 1995 as cited by Usman M. 2019).

We can establish the relationship between Revenue Generation (RG) and Capital, Recurrent and Total Expenditure (CEXP, REXP and TEXP). The functional relationship and the resultant model using the Simple regression method we have:

Functional relationship

CEXP, REXP, TEXP = F(RG) ……………….……. (1)

Converting this to a linear or stochastic model we have

CEXP, REXP, TEXP = b0 + b1RG+e ……………….. (2)

Where

b0= intercept,

b1= slope,

CEXP= Capital Expenditure

REXP= Recurrent Expenditure

TEXP= Total Expenditure

RG= Revenue Generation

e = Error Term or Stochastic term, expectation: b1 > 0

4. RESULT AND DISCUSSION

Table 1

Dependent Variable: CEXP

Method: Least Squares

Date: 04/13/21   Time: 12:28

Sample: 1 7

Included observations: 7

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TR	0.178235	0.349249	0.510337	0.6315
C	2.00E+10	2.85E+10	0.701337	0.5144

R-squared	0.049510	Mean dependent var	3.44E+10
Adjusted R-squared	-0.140588	S.D. dependent var	9.42E+09
S.E. of regression	1.01E+10	Akaike info criterion	49.13715
Sum squared resid	5.06E+20	Schwarz criterion	49.12170
Log likelihood	-169.9800	Hannan-Quinn criter.	48.94614
F-statistic	0.260444	Durbin-Watson stat	2.326509
Prob(F-statistic)	0.631539		

Source: Generated by the researcher from annual reports and account 2012-2018 using E-views 8.0

The above table shows that TR has a positive relationship of 0.1782 with CEXP and the p-value of TR shows a relationship of 0.6315 and the relationship is insignificance because the p-value is insignificance at 0.05(5%) level of significance.

Hypothesis I

H_{01}: Revenue generation does not have impact on capital expenditure in Katsina state.

Based on the above analysis, there is insignificance positive and negative relationship between TR and CEXP because the R-square and adjusted R-square are less than 50% level of significance as shown in the above analysis which is 5%(0.05) and -14%(-0.14), with positive p-value of 0.6315 which is insignificant at 5% level of significance, so the null hypothesis is thereby accepted. It is therefore concluded that Revenue generation has no impact on capital expenditure in Katsina state.

Table 2
Dependent Variable: REXP
Method: Least Squares
Date: 04/13/21   Time: 12:32
Sample: 1 7
Included observations: 7

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TR	0.846255	0.349680	2.420082	0.0601
C	-1.95E+10	2.85E+10	-0.682478	0.5253

R-squared	0.539459	Mean dependent var	4.90E+10
Adjusted R-squared	0.447351	S.D. dependent var	1.36E+10
S.E. of regression	1.01E+10	Akaike info criterion	49.13962
Sum squared resid	5.08E+20	Schwarz criterion	49.12416
Log likelihood	-169.9887	Hannan-Quinn criter.	48.94861
F-statistic	5.856799	Durbin-Watson stat	1.907356
Prob(F-statistic)	0.060111		

Source: Generated by the researcher from annual reports and account 2012-2018 using E-views 8.0

The above table shows that TR has positive relationship of 0.8463 with REXP and the p-value of TR shows a relationship of 0.0601 and the relationship is significance because the p-value is significant at 0.05(5%) level of significance.

Hypothesis II
H_{02}: Revenue generation does not have impact on recurrent expenditure in Katsina state.
Based on the above analysis, there is significance positive relationship between TR and REXP because the R-square and adjusted R-square greater than 50% level of significance as shown in the above analysis which is 54%(0.54) and 45%(0.45), with positive p-value of 0.0601 which is significant at 5% level of significance, so the null hypothesis is thereby rejected and the alternate hypothesis is accepted. It is therefore concluded that Revenue generation has impact on recurrent expenditure in Katsina state.

Table 3
Dependent Variable: TEXP
Method: Least Squares
Date: 04/13/21   Time: 12:34
Sample: 1 7

Included observations: 7

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TR	1.024490	0.251264	4.077348	0.0096
C	5.14E+08	2.05E+10	0.025044	0.9810

R-squared	0.768784	Mean dependent var	8.34E+10
Adjusted R-squared	0.722540	S.D. dependent var	1.37E+10
S.E. of regression	7.24E+09	Akaike info criterion	48.47859
Sum squared resid	2.62E+20	Schwarz criterion	48.46313
Log likelihood	-167.6751	Hannan-Quinn criter.	48.28758
F-statistic	16.62477	Durbin-Watson stat	3.073910
Prob(F-statistic)	0.009565		

Source: Generated by the researcher from annual reports and account 2012-2018 using E-views 8.0

The above table shows that TR has a positive relationship of 1.0245 with TEXP and the p-value of TR shows a relationship of 0.0096 and the relationship is significance because the p-value is significant at 0.05(5%) level of significance.

Hypothesis III
H$_{03}$: Revenue generation does not have impact on total expenditure in Katsina state.
Based on the above analysis, there is significance positive relationship between TR and TEXP because the R-square and adjusted R-square are more than 50% level of significance as shown in the above analysis which is 77%(0.77) and 72%(0.72), with positive p-value of 0.0096 which is significant at 5% level of significance, so the null hypothesis is thereby rejected and the alternate hypothesis is accepted. It is therefore concluded that Revenue generation has impact on total expenditure in Katsina state.

Conclusions
Having undertaken a systematic review of the revenue generation and utilization in the Nigerian public sector with a case study of Katsina state, the following conclusions were drawn for the study:

i. The study confirms that revenue generation has no significant impact on capital expenditure of the Katsina State. This means that, the internally generated revenue of Katsina state does not lead to increase in its capital expenditure alone.

ii. The study confirms that revenue generation has significant impact on recurrent expenditure of Katsina State. This means that, the higher the revenue generated by state governments or even the federal and local governments the higher the recurrent expenditure will be spent for smooth governance and running of the state affairs for socio economic wellbeing of its citizens**.**

iii. Lastly the study also confirms that revenue generation has significant impact on Total expenditure of Katsina State. This means that, the higher the revenue generated by state governments or even the federal and local governments the higher the total expenditure

will be spent to provide both infrastructure and for running the state affairs for socio economic wellbeing of its citizens.

Recommendations

Based on the conclusions of the study, the following recommendations were made:

1. The study confirms that, revenue generation has significant impact on recurrent expenditure of the Nigerian public sector. The governments at all level should use all the necessary mechanisms of revenue generation to ensure optimum revenue is generated from all the sources and also ensure full remittance of that revenue from revenue generation agencies to ensure adequate revenue for taking care of day to day activities of government such as paying salaries, social benefits, overhead cost, grant, contribution and subsidies for smooth governance and improvement in socio economic wellbeing of their citizens.

2. The study also confirms that, revenue generation has significant impact on total expenditure of the Nigerian public sector. The governments at all level should use all the necessary mechanisms of revenue generation to ensure optimum revenue is generated from all the sources, ensure full remittance of that revenue from revenue generation agencies and find possible ways of diversification of revenue sources such investment in capital market, commercialization of some government agencies like transport authorities to ensure adequate revenue for the provision of infrastructural facilities such as building of schools, hospitals, road construction, agricultural facilities etc. And also taking care of day to day activities of government such as paying salaries, social benefits, overhead cost, grant, contribution and subsidies for smooth governance and improvement in socio economic wellbeing of their citizens.

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