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# The Assessment of the Impact of Taxation on Local Governments Revenue in Oyo State

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**Abstract:** This study examines the impact of taxation on revenue generated in local government of Oyo State, Nigeria. It also investigates the Problems of tax collection in local Governments in Oyo state. The study employed stratified sampling technique and simple random sampling technique to divide Oyo state into three senatorial districts. Secondary data was used for the study which was obtained from approved budgets and other financial statements of selected local governments from 2006 to 2015. Panel Data analysis technique was used to measure the effect of independent variables on dependent variable. Results show that Kiosk rate and slaughter slab fees have negative insignificant effect on local government revenue (t value -1.73; - 1.10 and P>|t = 0.086; 0.274 > 0.05 respectively). Burial permit has positive insignificant effect on local government revenue (t value 1.57, and P>|t = 0.118 > 0.05). Market tax, Marriage, Birth and Death fees, Motor Park Levies and Registration of street fee have positive and significant effect on selected local government revenue (t value 2.43, 8.45; 4.21; 2.91 and P>|t = 0.016; 0.000; 0.000; 0.004 < 0.05 respectively). In conclusion, taxation has positive and significant impact on local government revenue in Oyo state. It was deduced that if the collections of different taxes are properly coordinated and monitored, enormous revenue will be realized from these avenues. It is therefore recommended that local government should be well coordinated and synchronized in collection of taxes in order to eradicate all discrepancies that create contention and disputation for tax payers.

**Keywords:** Taxation, Local Government, Revenues, Market Tax, Oyo State, Panel Data.

## 1. Introduction
### 1.1. Background to the Study

Local governments are established as an avenue by which people can participate in decision making at the grass-roots level. They form the third tier of government under Nigerian federalism based on the Local Government Reform Act 1976. The expectation is that as the third tier of government would act as a catalyst for as well as aid rapid and sustainable development at the grass roots level (Mamman, 2006). The need for local government to provide social amenities, engage in developmental projects is a compulsory one for the improvement of the standard of living of the citizenry. Local governments in Nigeria mobilize their funds solely from external sources. The external sources include federal and state governments financial transfers like grants, statutory allocations, share of value added tax (VAT), receipts and loans. These external sources introduce a dependence syndrome in local government revenue mobilization effort. Any setback from the external sources has adverse effect on the administrative machinery and execution of some viable projects. Oil boom in Nigeria triggered the negligence of revenue from other sectors since 2008/2009. Local governments concentrated on oil revenue from federal allocation alone where other sectors have been undermined. But recently, the revenue from oil has dwindled due to the crash in the price of crude oil in world market which has reduced the fulfillment of responsibilities by local government to the citizenry.

The serious decline in the price of oil in the world market, has contributed immensely to decrease in the fund available to the local government. No matter the nature of the type of government a country practices, government clearly identifies its sources of revenue and how to allocate mobilized funds to various expenditure centers and projects that will positively impact on the lives of its people (Shah and Shah, 2006; Ola and Offiong, 1999). However, the major sources of internal revenue open to a local

government include tax income,  administrative revenues such as fees, licenses, fines, tax on profits of certain activities of the private sectors), public debts or loans, and Commercial revenues (or income from investments in municipal bonds and receipts from government business enterprises).  Ola and Offiong (1999) asserted that taxes are part of the measures through which governments enforce the public to pay for its services. Therefore, the urgent need for local government to generate adequate revenue through taxes has therefore become a matter of urgency and importance.

According to Afuberoh and Okoye (2014), taxation is seen as a burden which every citizen must bear to sustain his or her government because the government has certain responsibilities to perform for the benefit of those it governs. Taxation is the most essential source of revenue to the government. Whether the taxes collected are enough to finance the development of the country will depend on the needs of the country and, countries can seek alternative sources of revenue to finance sustainable development (Unegbu and Irefin, 2011). The fluctuation and static development in local government area are traceable to inabilities of the government to achieve its potential tax capacity. With the above assertion, this study therefore examines the impact of taxation on the revenue generated in local government of Oyo State, Nigeria. It also investigates the problems of tax collection in Local Governments in Oyo state.

# 2. Literature Review
## 2.1. Concept of Taxation

Tax is a compulsory contribution made by the individual or entity to the local government without direct reward balance that can be imposed by laws and regulations that are used to finance the implementation of the local government and regional development (Government Regulation henceforth called PP. Art. I section 1. No. 65 year 2001).Meanwhile, Soemitro (1990) defines tax as an individual or entity obligatory contribution to the local government treasury under the law (which can be enforced) and received no services as a direct return and used to pay for general expenses. Local government taxes, is compulsory fees is done by the individual or entity to areas with no immediate reward in return, which can be imposed under the laws which is used to finance the implementation of the local government development (Darise 2009). According to Samuel et al (2014) the major sources of Local government taxes are Shops and kiosks rates, tenement rates, on and off liquor license fee, slaughter slab fees, marriage, birth and death registration fees (rural areas) right of occupancy on land in rural areas, market taxes and levies, motor part levies, domestic annual license fees, bicycle, truck, canoe, wheel barrow and cart fees, cattle tax payable by cattle farmers only. Merriment and road closure buy, radio and television license fees (other than radio and television transmitter), vehicle radio license (local government registrations of the vehicle). Wrong parking charges, public convenience and refuse disposal, customary burial grounds permit fees, religious place establishments permit fees and signboard and advertisement permit fees. The internally generated revenue sources of local governments consist of taxes, rates, fines, fees, and licenses. Taxes continue to form the bulk of internal revenue, followed by fines and fees.

A Tax is a fee charged or levied by a government on a product, income, or activity.  Whether the taxes collected are enough to finance the development of the country will depend on the needs of the country and, countries can seek alternative sources of revenue to finance sustainable development(Unegbu and Irefin, 2011). Tax revenue is the receipt from tax structures.  Government collects taxes in order to provide an efficient and steadily expanding non-revenue yielding services, such as infrastructure-education, health, communications system etc., employment opportunities and essential public services (such as the maintenance of laws and order) irrespective of the prevailing ideology or the political system of a particular nation. Tax is also the nexus between state and its citizens, and tax revenues are the lifeblood of the social contract. The very act of taxation has profoundly beneficial effects in fostering better and more accountable government (Tax Justice Network(TJN), 2005).

## 2.2. Element of Tax

According to Darise (2009), the following are the elements of tax:

a) **Contribution from the people to the country**: Country is entitled to levy taxes, the fees is in the form of cash (not goods)
b) **Based on the legislation**: Taxes levied by or with the provisions of the law and its implementation rules.
c) **Without reciprocal services of the country that are directly appointed**: The payment of tax has no direct return to the taxpayer.

d) **Pay for country necessities, which are beneficial to the public expense**: There are two functions of tax, they are as follows: a. Revenue function (Budgeter) b. Function Set (Regular).

## 2.3. Problems of Local Governments Tax collection

Adedokun (2005) emphasized that the following are the Problems of Local Governments Tax collection in Nigeria:

i. There is shortage of well trained and qualified personnel which supposed to serve as tool for collection of taxes and rates at the local level, even the few available are not properly trained in efficient budgetary and financial management systems.

ii. Local governments in Nigeria mobilize their funds solely from external sources. The external sources include federal and state governments financial transfers like grants, statutory allocations, share of value added tax (VAT), receipts and loans while other avenues have been undermined.

iii. Local governments lack the capacity to attract and retain the right caliber of staff to articulate plans and execute programs and projects in order to transform the lives of the grassroots people in a short period.

iv. Imposition on local government revenue mobilization capacity through state control over local government budget, which is made to pass through many levels of approval in the hands of the state government. Even after approval, post-budget controls still impose further restrictions on what local governments can do (Roberts, 1998).

v. Diversify of local government revenue to personal usage on the expenses of developmental project by local government administrators

## 2.4. Empirical Review

Worlu and Emeka (2012) examined the impact of tax revenue on the economic growth of Nigeria, judging from its impact on infrastructural development from 1980 to 2007. Secondary data were collected from the Central Bank of Nigeria (CBN) Statistical Bulletin, Federal Inland Revenue Service (FIRS) and previous works done by scholars. The data collected were analyzed using the three stage least square estimation technique. The results show that tax revenue stimulates economic growth through infrastructural development.

Madugba et al. (2015) studied the effect of corporate tax on revenue generation in Nigeria. The study tested the relationship between Petroleum Tax Income (PTI) on Total Consolidated Revenue (TCR) and the relationship between Companies Income Tax (CIT) on Total Consolidated Revenue. Pearson correlation and simple regression was used to analyze the data gotten from Central Bank of Nigeria and Annual Statistical Bulletin of various years. The result of the correlation showed a positive significant relationship between Petroleum Tax Income and TCR. Also it showed a positive significant relationship between Companies' Income Tax (CIT) and Total Consolidated Revenue (TCR). The regression result revealed a negative significant relationship between Petroleum Tax Income and Total Consolidated Revenue and Companies Income Tax and TCR.

Ogbonna and Ebimobowei(2012) examined the impact of tax reforms and economic growth of Nigeria using relevant descriptive statistics and econometric analysis. The study concluded that tax reforms is positively and significantly related to economic growth and that tax reforms granger cause economic growth. Also, tax reforms improve the revenue generating machinery of government to undertake socially desirable expenditure that translates to economic growth in real output and per capita basis.

Bambang al. (2015) measured the performance of public organizations used financial approach (Value for Money) with indicator of Efficient, Effective and Economical (3E) and the adoption of the New Public Management (NPM) concept practiced in public sector organizations. Otherwise, nonfinancial approach was conducted with indicators of accountability, responsibility, and responsiveness; measuring the tax payer satisfaction. The results of the study used for the program performance of budget activity, indicating the financial performance of the Regional Revenue Office (DISPENDA) Makassar City Government of Indonesia, whether it has met the target and the corresponding measurement principle value for money. Temporarily, the performance of local taxes based on the indicators of tax effort, tax effectiveness and efficiency of tax showed the tax potential exploration area is not maximized, but achievement on the budget targets and the use of the program includes categories of effective and efficient. While the achievement of non-financial performance indicators

showed impressed normative accountability, responsibility and responsiveness which normally runs pretty good.

Moshood (2013) assessed local government fiscal management and intergovernmental fiscal relations. It equally reviews statutory allocations and internally generated revenue of the selected local governments. The paper adopted the use of questionnaires to elicit data on the perceptions of local residents on the level of local government's performance. Result shows that a strong approach to expand the scope of local autonomy will have to come through a corresponding expansion in IGR mobilization, which implies that when local government assumes a level of fiscal self- reliance, autonomy expands and performance level begins to appreciate.

Walidun Husain (2013) measured the effect of local taxes and levies toward the local expenditure allocation in Kota Gorontalo, Indonesia. Descriptive method was used to analyze the data by using multiple regression analysis. The data was obtained mainly from the form of the attainment of both local taxes and levies as well as its expenses during 2009 to 2011 taken from DPPKAD (Dinas Pendapatan Pengelolan Keuangandan Aset Daerah / Local Finance, Assets, and Revenues Office. The results showed that local taxes and levies are significantly and positively affect the local expenditure allocation either partially or simultaneously in Kota Gorontalo.

# 3. Methodology

Stratified sampling technique was used to divide Oyo state into three senatorial districts while the simple random sampling technique was employed to select five local governments from each senatorial district. Secondary data was used for the study which was obtained from approved budgets and other financial statements of selected local governments from 2006 to 2015. Panel Data analysis technique was used to analyse the effect of independent variables on dependent variable.

## 3.1. Model Specification

This Model assessed the effect of tax on Local Government revenue in Oyo State using Panel data sourced from the approved budgets and other financial statements of selected local governments. Local Government revenue (LOCGR) is dependent variable while Tenement Rate (TENR), Slaughter Slab Fees (SLASF), Market Taxes (MARKTP), Marriage, Birth and Death Fees (MABADF), Burial Permit (BURIP), Motor Park Levies (MOTPL) and Naming of Street Registration Fee (NASTR) are independent variables.

$$\textbf{LOCGR} = \ \textbf{f}(\ \textbf{KIORT}, \textbf{TENR}, \textbf{SLASF}, \textbf{MARKTP}, \textbf{MABADF}, \textbf{BURIP}, \textbf{MOTPL}, \textbf{NASTR}, \mu)(\textbf{1})$$

$$\textbf{LOCGR} = \quad \textbf{ao} + \textbf{a1KIORT} + \textbf{a2\,TENR} + \textbf{a3SLASF} + \textbf{a4MARKTP} + \textbf{a5MABADF}$$
$$+ \textbf{a6BURIP} + \textbf{a7MOTPL} + \textbf{a8NASTR}$$
$$+ \mu \qquad\qquad\qquad\qquad\qquad\qquad (\textbf{2})$$

Transformed to

$$\textbf{LOGLOCGR} = \textbf{ao} + \textbf{a1LOGKIORT} + \textbf{a2\,LOGTENR} + \textbf{a3LOGSLASF} + \textbf{a4LOGMARKTP}$$
$$+ \textbf{a5LOGMABADF} + \textbf{a6LOGBURIP} + \textbf{a7LOGMOTPL} + \textbf{a8LOGNASTR}$$
$$+ \mu \qquad\qquad (\textbf{3})$$

# 4. Results and Discussion

The effect of tax on Local Government revenue in Oyo State is analysed using panel data analysis. Pooled effect, Fixed Effect and Random Effect Model are used to validate the results. Table 2 demonstrated the results of pooled effect model, Table 3 displayed the results of Fixed Effect Model, while Table 4 revealed Random Effect Model results.

**Table 1.** Descriptive Analysis of the Effect of Tax on Local Government Revenue in Oyo State

| VARIABLES | Observation | Mean | Standard deviation | Minimum | Maximum |
|---|---|---|---|---|---|
| LOGLOCGR | 150 | 2.56e+09 | 4.98e+08 | 1.68e+09 | 3.90e+09 |
| LOGKIOSR | 150 | 1.64e+07 | 2.50e+07 | 1000000 | 8.71e+07 |
| LOGTENR | 150 | 3.37e+07 | 5.58e+07 | 1004907 | 6.20e+08 |
| LOGSLASF | 150 | 8157424 | 5014636 | 1262756 | 6.77e+07 |
| LOGMARKTP | 150 | 7.85e+07 | 4.77e+07 | 6.19e+07 | 6.55e+08 |
| LOGMABADF | 150 | 7501555 | 788594.7 | 6246550 | 9828334 |

| LOGBURIP | 150 | 7665695 | 5460783 | 6052900 | 7.39e+07 |
| LOGMOTPL | 150 | 7.35e+07 | 9051692 | 4.87e+07 | 9.16e+07 |
| LOGNASTR | 150 | 7474806 | 598972.2 | 5182192 | 8927084 |

**Source:** Researchers' computation (2017) using STATA Version 12

The descriptive statistics of the analysis of the Effect of Tax on Local Government Revenue in Oyo State is presented in Table 1 above. The table shows Local government revenue (LOGLOCGR) as the dependent variable which had a mean of 2.56e+09 and standard deviation of 4.98e+08 with positive maximum and minimum value of3.90e+09and 1.68e+09 respectively. Kiosk rate (LOGKIOSR) had a mean of 1.64e+07 and standard deviation of 2.50e+07 with positive maximum and minimum value of 8.71e+07and 1000000 respectively, which signifies that for every 1% increase in Kiosk rate, increases Local government revenue by up to 1.64%, this implies that there is a positive relationship between Local government revenue and Kiosk rate. The effect of tenement rate (LOGTENR), slaughter slab fees (LOGSLASF), market taxes (LOGMARKTP), marriage, birth and death fees (LOGMABADF), burial permit (LOGBURIP), motor park levies (LOGMOTPL) and naming of street registration (LOGNASTR) fee can be seen as shown in the Table 1, with mean values of 3.37e+07, 8157424, 7.85e+07, 7501555, 7665695, 7.35e+07, and 7474806 respectively and standard deviations of 5.58e+07, 5014636, 4.77e+07,788594.7, 5460783, 9051692, and 598972.2 having positive maximum values of 6.20e+08, 6.77e+07, 6.55e+08, 9828334, 7.39e+07, 9.16e+07 and 8927084, and positive minimum values of 1004907, 1262756, 6.19e+07, 6246550, 6052900, 4.87e+07and 5182192. This implies that 1% increase in Tenement rate (TENR), slaughter slab fees (LOGSLASF), market taxes (LOGMARKTP), marriage, birth and death fees (LOGMABADF), burial permit (LOGBURIP), motor park levies (LOGMOTPL) and naming of street registration fee(LOGNASTR) generate a rise in Local government revenue to 3.37e+07,8157424, 7.85e+07, 7501555, 7665695, 7.35e+07, and 7474806 respectively. It can be deduced from the analysis that there is a positive relationship between taxation and local government revenue in Oyo state.

**Table 2.** The Pooled Effect of Tax on Local Government Revenue in Oyo State

| Independent Variable | Dependent Variables | Coefficient | Standard Error | T | P>|t| | [95%Conf. interval] |
|---|---|---|---|---|---|---|
| LOGLOCGR | LOGKIOSR | -.052186 | .0121731 | -4.29 | 0.000 | -.0762513-.0281207 |
| | LOGTENR | .0119681 | .0094356 | 1.27 | 0.207 | -.0066855 .0306217 |
| | LOGSLASF | -.0043031 | .0434621 | -0.10 | 0.921 | -.0902247 .0816185 |
| | LOGMARKTP | .4525529 | .056994 | 4.18 | 0.002 | -.0456748 .1796718 |
| | LOGMABADF | .0669985 | .1245671 | 3.63 | 0.000 | .2062922 .6988135 |
| | LOGBURIP | .1123268 | .0565214 | 1.99 | 0.049 | .0005879 .2240657 |
| | LOGMOTPL | -.0008962 | .1015583 | -0.01 | 0.993 | -.2016701.1998776 |
| | LOGNASTR | \| 1.18303 | .1728885 | 6.84 | 0.000 | .8412414 1.524819 |
| | *constant* | -6.516484 | 2.67846 | -2.43 | 0.016 | -11.81162 -1.221353 |
| R-squared = 0.5444 | Adj R-squared = 0.5185 | | Prob> F = 0.0000 | F( 8, 141) = 21.06 | | Root MSE = .13336 |

**Source:** Researchers' computation (2017) using STATA Version 12

Table 2 above shows the pooled effect of tax on local government revenue (LOGLOCGR) in Oyo state. 1% increase in Kiosk rate reduces local government revenue (LOGLOCGR) by 0.05%, this shows that there is a negative significant effect of Kiosk rate on local government revenue (LOGLOCGR) with t value -4.29 and P>|t = 0.000 < 0.05. Also, 1% increase in tenement rate (TR ) increases (LOGLOCGR) by 0.011%, this also shows that there is a positive and significant effect of tenement rate on local government revenue (LOGLOCGR) with t value 1.27 and P>|t = 0.207 >0.05. Contrarily, 1% slaughter slab fees (LOGSLASF) reduces local government revenue (LOGLOCGR) by .0043%, this shows that there is a negative and insignificant effect of slaughter slab fees (LOGSLASF) on local government revenue (LOGLOCGR) with t value -0.10 and P>|t = 0.921>0.05. More so, 1% increase in market taxes (LOGMARKTP) increase LOGLOCGR by 0.45%, this shows that there is a positive and significant effect of market taxes on local government revenue (LOGLOCGR) with t value 4.18 and P>|t = 0.002< 0.05. Furthermore, 1% increase in marriage, birth and death fees(LOGMABADF) increase (LOGLOCGR) by .066%, this shows that there is a positive and significant effect of marriage, birth and death fees on local government revenue (LOGLOCGR) with t value 3.36 and P>|t = 0.000 < 0.05. in the same vein, 1% increase in burial permit (LOGBURIP) increase LOGLOCGR by 0.11%, this shows that there is a positive and significant effect of burial permit on local government revenue (LOGLOCGR) with t value

1.99 and P>|t = 0.049 < 0.05. Additionally, 1% increase in naming of street registration fee (LOGNASTR) increase LOGLOCGR by 1.18%, this shows that there is a positive and significant effect of naming of street registration fee on local government revenue (LOGLOCGR) with t value 6.84 and P>|t = 0.000 < 0.05. Obstinately, , 1% motor park levies (LOGMOTPL) reduces local government revenue (LOGLOCGR) by .00089%, this shows that there is a negative and significant effect of motor park levies(LOGMOTPL) reduces local government revenue (LOGLOCGR) with t value **-0.01** and P>|t = 0.993 >0.05.

Given the coefficient of determination ($R^2$) as 0.5444 which is 54.4% supported by high value of adjusted $R^2$ as 51.8%, it presages that the independent variables incorporated into this model were able to explain the variation of local government revenue to 51.8%. That is, there is a positive significant effect of taxation on local government revenue. The F Probability statistic also confirms the significance of this model.

**Table 3.** Random Effect of Tax on Local Government Revenue in Oyo State

| Dependent variables | Independent variables | Coefficient | Standard error | T | P>/T/ | (95% conf. Interval) |
|---|---|---|---|---|---|---|
| LOGLOCGR | LOGKIOSR | -0.0443516 | 0.0116799 | -3.8 | 0 | -0.0887031 |
| | LOGTENR | 0.0138948 | 0.0100868 | 1.38 | 0.168 | -.0058749.0336645 |
| | LOGSLASF | -0.0121477 | 0.0395176 | -0.31 | 0.759 | -.0896008.0653054 |
| | LOGMARKTP | 0.7221739 | 0.0528993 | 1.43 | 0.153 | -.0280334  .1793279 |
| | LOGMABADF | 0.0756472 | 0.1516317 | 4.76 | 0 | .4249812 1.019367 |
| | LOGBURIP | 0.1059933 | 0.0511957 | 2.07 | 0.038 | .0056516   .206335 |
| | LOGMOTPL | 0.1914283 | 0.1171389 | 1.63 | 0.102 | -.0381598   .4210163 |
| | LOGNASTR | 1.097764 | 0.1735551 | 6.33 | 0 | .7576019  1.437926 |
| | *constant* | -13.00415 | 2.641902 | -4.92 | 0 | -26.008293 |
| R-squared Within=0.7387 between=0.0848 overall = 0.5214 | | Prob> chi2 = 0.0000 | | | | sigma_u.02864279 sigma_e.08060271 |
| | | Wald chi2(8) = 231.54 | | | | rho .1121206 (fraction of variance due to u_i) |

**Source:** Researchers' computation (2017) using STATA Version 12

Random effect needs to be tested because of the doubt that may arise with pooled result. Therefore, Table 3 shows the random effect of taxation on local government revenue (LOGLOCGR) in Oyo state. 1% increase in Kiosk rate reduces local government revenue (LOGLOCGR) by 0.044%, this shows that there is a negative significant effect of Kiosk rate on local government revenue (LOGLOCGR) with t value -3.8 and P>|t = 0.000 < 0.05. Also, 1% increase in tenement rate (TENR ) increases (LOGLOCGR) by 0.01389%, this also shows that there is a positive and significant effect of tenement rate on local government revenue (LOGLOCGR) with t value 1.38 and P>|t = 0.168>0.05. Contrarily, 1% slaughter slab fees (LOGSLASF) reduces local government revenue (LOGLOCGR) by .012%, this shows that there is a negative and significant effect of slaughter slab fees(LOGSLASF) reduces local government revenue (LOGLOCGR) with t value **-0.31** and P>|t = 0.759 >0.05. More so, 1% increase in market taxes(LOGMARKTP) increase(LOGLOCGR) by 0.72%, this shows that there is a positive and insignificant effect of market taxes on local government revenue (LOGLOCGR) with t value 1.43 and P>|t = 0.153> 0.05.

Furthermore, 1% increase in marriage, birth and death fees(LOGMABADF) increase(LOGLOCGR) by .0756%, this shows that there is a positive and significant effect of marriage, birth and death fees on local government revenue (LOGLOCGR) with t value 4.76 and P>|t = 0.000 < 0.05. Likewise, 1% increase in burial permit (LOGBURIP) increase(LOGLOCGR) by 0.10599%, this shows that there is a positive and significant effect of burial permit on local government revenue (LOGLOCGR) with t value 2.07 and P>|t = 0.038< 0.05. Additionally, 1% increase in naming of street registration fee (LOGNASTR) increase(LOGLOCGR) by 1.0977%, this shows that there is a positive and significant effect of naming of street registration fee on local government revenue (LOGLOCGR) with t value 6.33 and P>|t = 0.000 < 0.05. As well, 1% motor park levies (LOGMOTPL) increase local government revenue (LOGLOCGR) by .19%, this shows that there is a positive and significant effect of motor park levies (LOGMOTPL) increase local government revenue (LOGLOCGR) with t value **1.63** and P>|t = 0.102> 0.05.

**Table 4.** Fixed Effect Model Effect of Tax on Local Government Revenue in Oyo State

| Dependent variables | Independent variables | Coefficient | Standard error | T | P>/T/ | (95% conf. Interval) |
|---|---|---|---|---|---|---|
| LOGLOCGR | LOGKIOSR | -0.0156634 | 0.0090593 | -1.73 | 0.086 | -.03359   .0022633 |
| | LOGTENR | 0.0104113 | 0.0107737 | 0.97 | 0.336 | -.0109079 .0317304 |
| | LOGSLASF | -0.0307874 | 0.0280398 | -1.1 | 0.274 | -.0862731 .0246984 |
| | LOGMARKTP | 2.050787 | 0.0384185 | 2.43 | 0.016 | .0174721  .1695187 |
| | LOGMABADF | 0.0934954 | 0.2427365 | 8.45 | 0 | 1.570455  2.531119 |
| | LOGBURIP | 0.0571821 | 0.0363122 | 1.57 | 0.118 | -.0146733 .1290375 |
| | LOGMOTPL | 0.6229474 | 0.1478526 | 4.21 | 0 | .3303738  .915521 |
| | LOGNASTR | 0.4294655 | 0.1474658 | 2.91 | 0.004 | .1376574  .7212736 |
| | *constant* | -30.92062 | 2.447268 | -12.63 | 0 | -35.76332 26.07792 |
| R-squared within  = 0.8299 between = 0.0244 overall = 0.3491 | | sigma_u \|  .20299653 sigma_e \|  .08060271 rho \|  .86381133 (fraction of variance due to u_i) | | | F(8,127)      =  77.43 Prob> chi2     =   0.0000 corr(u_i, Xb)  = -0.7225 | |

**Source:** Researchers' computation (2017) using STATA Version 12

Table 4 above shows the fixed effect of Tax on local government revenue (LOGLOCGR) in Oyo state. 1% increase in Kiosk rate ( KIORT) reduces local government revenue  (LOGLOCGR) by 0.0156%, this shows that there is a negative insignificant effect of Kiosk rate on local government revenue (LOGLOCGR) with t value -1.73 and P>|t = 0.086 > 0.05. Also, 1% increase in tenement rate (LOGTENR ) increases (LOGLOCGR) by 0.0104%, this also shows that there is a positive and significant effect of tenement rate on local government revenue  (LOGLOCGR) with t value 2.97 and P>|t = 0.036 <0.05.   Contrarily, 1% slaughter slab fees(LOGSLASF) reduces local government revenue (LOGLOCGR) by 0.03078%, this shows that there is a negative and significant effect of slaughter slab fees(LOGSLASF) reduces local government revenue  (LOGLOCGR) with t value **-1.10** and P>|t = 0.274> 0.05. More so, 1% increase in market taxes(LOGMARKTP) increase(LOGLOCGR) by 2.05%, this shows that there is a positive and insignificant effect of market taxes on local government revenue (LOGLOCGR) with t value 2.43 and P>|t = 0.016 < 0.05.

Furthermore, 1% increase in marriage, birth and death fees(LOGMABADF) increase(LOGLOCGR) by .09349%, this shows that there is a positive and significant effect of marriage, birth and death fees on local government revenue (LOGLOCGR) with t value 8.45 and P>|t = 0.000 < 0.05. Likewise, 1% increase in burial permit (LOGBURIP) increase(LOGLOCGR) by 0.057%, this shows that there is a positive and insignificant effect of burial permit on local government revenue (LOGLOCGR) with t value 2.07 and P>|t = 0.118>0.05. Additionally, 1% increase in naming of street registration fee (LOGNASTR) increase(LOGLOCGR) by .429%, this shows that there is a positive and significant effect of naming of street registration fee on local government revenue (LOGLOCGR) with t value 2.91 and P>|t = 0.004< 0.05. As well, 1% motor park levies (LOGMOTPL) increase local government revenue (LOGLOCGR) by .6229%, this shows that there is a positive and significant effect of motor park levies (LOGMOTPL) increase local government revenue  (LOGLOCGR) with t value **4.21** and P>|t = 0.000 < 0.05.

**Table 5.** Hausman Test

| Dependent variable | Independent variables | Coefficient (b) Fixed | Coefficient (B) Random | (b-B) Difference | Sqrt (diag (v_b-v_B)) S.E |
|---|---|---|---|---|---|
| LOGLOCGR | LOGKIOSR | -0.0156634 | -0.0443516 | 0.0286882 | - |
| | LOGTENR | 0.0104113 | 0.0138948 | -0.0034836 | 0.0037854 |
| | LOGSLASF | -0.0307874 | -0.0121477 | -0.0186397 | - |
| | LOGMARKTP | 2.050787 | 0.7221739 | 1.328613 | 0.189549 |
| | LOGMABADF | 0.0934954 | 0.0756472 | 0.0178482 | - |
| | LOGBURIP | 0.0571821 | 0.1059933 | -0.0488112 | - |
| | LOGMOTPL | 0.6229474 | 0.1914283 | 0.4315191 | 0.0902157 |
| | LOGNASTR | 0.4294655 | 1.097764 | -0.6682982 | - |
| b=consistent under Ho and Ha; | B = inconsistent under Ha, efficient under Ho | Test: Ho: difference in coefficients not systematic chi2(8) = (b-B)'[(V_b-V_B)^(-1)](b-B)                 =     732.39 | | | |
| | | Prob>chi2 =    0.0000 | | | |

**Source:** Researchers' computation (2017) using STATA Version 12

To decide between fixed or random effects, Hausman test was conducted where the null hypothesis is that the preferred model is random affects vs. the alternative the fixed effects. It basically tests whether the unique errors (*ui*) are correlated with the repressors; the null hypothesis is they are not. Prob>chi2 is 0.0000 which is less than 0.05, therefore the null hypothesis is rejected, the alternative hypothesis is accepted (fixed effects is accepted).

# 5. Summary and Conclusion

The effect of taxation on Local Government revenue in Oyo State is analysed using panel data analysis through Pooled effect, Fixed Effect and Random Effect Model which were employed to validate the results. Results show that Kiosk rate and slaughter slab fees have negative insignificant effect on local government revenue (t value -1.73; - 1.10 and P>|t = 0.086; 0.274    > 0.05 respectively). Burial permit has positive insignificant effect on local government revenue (t value 1.57, and P>|t = 0.118 > 0.05). Market tax impacted revenue of sampled local government positively, statistically, and significantly (t value 2.43, and P>|t = 0.016 < 0.05    ). In the same vein, Marriage, Birth and Death fees, Motor Park Levies and Registration of street fee also have positive and significant effect on selected local government revenue in Oyo state. These specify that the revenue realized from Market tax, Marriage, Birth and Death fees, Motor Park Levies and Registration of street augment, increase and boost revenue of selected local government in Oyo state.

In conclusion, taxation has positive and significant impact on local government revenue in Oyo state.  It was deduced that if the collections of different taxes are properly coordinated and monitored, enormous revenue will be realized from these avenues by local governments in Oyo state. It is therefore recommended that local government should be well coordinated and synchronized in the collection of taxes so as to eradicate all discrepancies that create contention and disputation for tax payers. No matter how much the local government has thrived if there is no good tax administration, the revenue will only disappear in greedy stomachs and will not be reflected in collections.  Government should also involve ICT in collection of taxes in local government which will invariably reduce numbers of personnel, administrative and collection costs, tax compliance costs; communication costs; but increases transparency in assessment, collection, and related processes; and improves efficiency and performance in revenue collections.

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