

# A Review of the Revenue and Expenditure Pattern of Osun State Government between 1997 and 2006

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**Abstract** - The study examined the sources of revenue in Osun State. It determined the impact of revenue consultants on the internally generated revenue of Osun State Government, all with a view to surveying the expenditure pattern of the state. In the course of carrying out the study, data were collected primarily through interview method. Four principal officers in the financial sector were interviewed. However, secondary sources of data were collected from Osun State of Nigeria Audited Reports and financial statements for the year ended 31st December, 1997 to 2006. The data generated were analyzed using percentages and pie-chart for illustrations. The findings of the study revealed that the sources of revenue for Osun State Government included Internally Generated Revenue (IGR), Statutory Allocation, Value Added Tax (VAT) and Capital Projects. It also discovered that Statutory Allocation was the dominant sources of government revenue during the period of study. It accounted for 63.69% while IGR was 19.7%, Value Added Tax (VAT) 8.07% and capital Receipts 8.48%. The study also discovered that the Recurrent Expenditure overshoot the capital expenditure during the period of study on ratio 7:3 respectively while the state recorded surplus budget in seven times and deficit budgets in 2003 and 2004. The study concluded that the Osun State Government was over dependent on external sources to finance recurrent and capital expenditure during the period of study.

## 1. INTRODUCTION

This study is aimed at appraising the revenue and expenditure patterns of Osun State Government in the past ten years, that is from 1997 to year 2006. Out of the ten years covered by the study, it is to be noted that the state was under civilian administration for eight years while only two years were under the military setting. In essence the study more or less tried to focus its attention on the revenue pattern of Osun State Government in a democratic settings. Global emphasis has been on balanced budgeting. The idea of deficit budgeting has been condemned worldwide. In the benchmark exercise being carried out annually by the National Planning Commission which covered all the States of the Nigeria, emphasis is usually laid on balanced budget. However, Government at any level be it Federal, State or Local Government has a lot of programmes to embark upon in order to fulfill the promises made during electioneering campaign and for the people to enjoy dividends of democracy. It means a lot of projects and programmes would have to compete for the limited resources of

government. For any government particularly the State and Local to perform, it must therefore put in place measures that would improve its internally generated revenue to ensure that adequate funds are available to finance its various programmes.

It is in the light of the foregoing that the study focuses its attention on Osun State Government revenue structure and expenditure patterns between 1997 and 2006.

## II. STATEMENT OF THE PROBLEM

The major problem confronting many of the states and Local Governments in Nigeria is the inability to explain various ways aimed to generating or sourcing revenue internally provide services for the people. In the year between 2003 and 2006, the state government engaged the service of revenue consultants (Olusola Adekanola & Co) in order to enhance its internally generated revenue. However, it was not cleared what impact the revenue consultants had made in the revenue generating efforts of the state government. Former Governor Bisi Akande who ruled Osun State between 1999-2003 did not make use of revenue consultants while his successor Prince Olagunsoye Oyinlola made use of revenue consultants to enhance its revenue base. It was however not cleared if there was significant improvement in the internally consultant generated revenue of Osun State during the period.

This study is thus a timely one as it focuses on the revenue generating efforts of Osun State Government and the expenditure patterns for the period of study.

## III. OBJECTIVES OF THE STUDY

The objectives of the study are to

1. To examine the sources of revenue and dominant sources of revenue of Osun State Government during the period of under review.
2. To determine the impact of revenue consultants on the internally generated revenue of Osun State Government.
3. To examine how Osun State Government spend its income during the period and the relationship between the recurrent and capital expenditure; and

4. To assess whether there is balance between revenue and expenditure and examine how sectoral allocations of capital projects fared in the state during the period of study.

### **A. Research Questions**

The following are the research questions for the study:

- (1) What are the sources of Osun State Government revenue?
- (2) What is the dominant source of the state government revenue?
- (3) Has there any impact of the revenue consultants on the internally generated revenue of the state?
- (4) How can the Osun State improve on its internally generated revenue?
- (5) How did Osun State Government spend its income during the period under consideration?
- (6) Is there a balance between revenue and expenditure of Osun State Government finances during the period under review?

## **IV. LITERATURE REVIEW**

### **A. Concept of Government Revenue**

Dictionary references.com defines government revenue as the income of government from taxation, excise duties, customs or other sources, appropriated to the payment of the public expenses.

Investopedia refers to government revenue as the money received from taxation, fees, fines, intergovernmental grants of transfers, securities sales, mineral right and resource rights. Government provides some basic social and physical infrastructure such as education, health, transport – network and public utilities to meet basic needs of the citizens. But the activities and policies of government in this regard carry some financial implications. To execute its activities and policies, government has to collect necessary revenues and expend some to achieve national objectives such as rapid growth price stability and full employment among other things (Obioma, 2004).

### **B. Sources of Government Revenue**

Government revenues are usually classified into two board groups, namely tax and non-tax revenue. However, in Nigeria, it has become a convention to classify government into oil and non-oil revenue as a result of the advent of oil as the major source of foreign exchange earnings and government revenue over the last few decades (Obioma, Ibid).

Nightingale (1997) defines tax a compulsory contribution imposed by the government and he concluded that even though tax payers may receive nothing identifiable in return for their contribution they nevertheless have the benefit of living in a relatively educated, healthy and safe

society. From the definition given by Nightingale we can deduce the following features. Firstly it is a compulsory contribution imposed on the citizens by government. Secondly tax as a source of income to government is paid by the tax payer and used by the government for the benefits of all citizens. Thirdly, tax is not levied in return for any specific services rendered by the government to the tax payer.

From the foregoing, taxation is a main source of government revenue to government all over the world, tax thus become a burden that every citizen must bear to support the government, .

### **1. Forms of Taxation**

Mbanefoh (1988) classifies taxes into two i.e. direct and indirect taxes. The distinction between the two is a question of the tax payer's awareness of the incidence of particular tax (of particular tax (Soyode and Kajola, 2006).

### **2. Direct Taxes**

Direct taxes are the taxes levied on income, wealth or property. It is levied directly into person who is expected to pay the tax, the tax payers is not only advised by notification (called assessment notice) but he is duly receipted (Soyode & Kajola, *ibid*). Hyman (1999) lists forms of direct taxes to include personal income tax, poll tax, personal or direct tax, corporate income tax. He stresses further that tax on wealth include property tax and capital transfer tax.

### **3. Indirect Taxes**

Indirect Taxes are taxes levied on expenditure or consumption. According to Soyode and Kajola (*ibid*), indirect tax is borne by a person other than the one from whom the tax is collected. It is levied on the manufacturer but paid by the consumer. Other examples of indirect taxes include customs duties, excise duties, sales taxes and export duties.

Okeyode (2006) also enumerates other forms of indirect taxes to include value Added tax.

Raji (2002) maintains that Value Added Tax come into existence in Nigeria through the Valued Added Tax (VAT) decree 101 of 1993 but it became effective on 1st January 1994. He stressed further that Value Added Tax (VAT) was designed manufactured hotel services, bank transaction etc.

A uniform rate of five percent 5%) was fixed on all affected items while the proceed are to be noted that VAT is a major source of horizontal formula for the sharing of Valued Added Tax (VAT) for the three levels of government in Nigeria are as follows:

- Equality - 50%
- Population - 30%
- Derivation - 20%

- Total - 100%

According to Ajayi (2008) the current vertical formula for the Value Added Tax among the three tiers of government are as follows:

- Federal Government - 15%
  - State Government - 50%
  - Local Government - 35%
- Total 100%

#### 4. Other Sources of Government Revenue

Adefioye (2008) highlights the following as other sources of government revenue. They include debt finance

government induced inflation, user charges, donations and government run enterprises such as state lotteries. Hussaini (2010) contends donations, borrowed fund, government charges on high ways, bridges and recreational facilities are alternative means of government revenue for financing government expenditure.

On government run enterprises, Hussaini (ibid) posits that it involves governments selling of private goods and services to raise revenue. However, government run enterprises have failed in Nigeria in general and Osun State in particular owing to mismanagement. A case in point in Osun State was that of defunct Osun State Transport Company (OSTC).

TABLE I THE TAXES COLLECTED BY EACH LEVEL OF GOVERNMENT IN NIGERIA.

Federal Taxes	State Taxes	Local Government Taxes and Levies
Company Income Tax	Personal Income Tax (a) Pay As You Earn (PAYE) (b) Direct taxation (Self-Assessment)	Shop and Kiosks rates.
Withholdingtax on companies' residents in Federal capital and Territory Abuja and on resident individuals.	Withholding tax (individuals only)	Tenement rates.
Petroleum Profit Tax.	Capital Earn Tax (individuals only)	
Valued Added Tax	Stamp duties.	Slaughter slab fees.
Education Tax	Pool betting and lotteries gaining and casino taxes.	Marriage, birth and death registration fees.
Capital gain tax on resident of the Federal Capital Territory Abuja, bodies, corporate and non-resident individuals.	Road taxes.	Naming of street, registration fee, excluding any street in the state capital.
Stamp duties on corporate and resident of the federal capital Territory Abuja.	Business premises registration fee in respect of urban and rural areas	Right of occupancy fees.
Personal Income Tax in respect of: a. Members of the Armed forces of the federation. b. Members of Nigeria Police Force. c. Resident of the Federal Capital Territory, Abuja and d. Staff of the Ministry of Foreign Affairs and non-resident individuals.	Development levy	Market taxes and levies
	Naming of street registration in the state capital.	Motor part levies
	Right of occupancy fees on land owned by the state Government in urban area of state.	Motor part levies.
	Market taxes and levies where state finances is involved.	Bicycle truck, canoe, wheel barrow and cart fees.
Others	Market taxes and levies where State finance is involved.	Cattle tax fee Radio and television license fees, wrong part charges public service and refuse disposal fees customary burial ground permit fees, hacknet permit, fees sign board and advertisement permit fees and religious places establishment permit fees.

Source (JTB, 2012)

#### C. Revenue Allocation

Many scholars and interest groups in the country have realized the importance of revenue allocation to the various tiers of government.

Uche (2004) refers to revenue allocation as disposition of fiscal responsibilities between tiers of government.

Anyabwu (1999) define revenue allocation as the transfer of financial resources from one level of government

to another because of the revenue advantage which one has over the other.

They observe that between 1946 and to date many commissions have been appointed to recommend acceptable principle or formula for revenue allocation in Nigeria.

However, it is a noticeable feature in all the revenue allocation system adopted and percentages allocated to each tier or government shows that the federal government has been mostly favoured.

A typical example is the present vertical sharing among the three tiers of government and special funds is as follows:

i. Federal Government	-	48.5%
ii. State Government	-	24.0%
iii. Local Government	-	20.0%
iv. Special fund		
• FCT		-1.0%
• Derivation		-13%
• Development of Oil Mineral Producing		3.0%
• General Ecology		-2%
• Statutory Stabilization	-	0.5%

The horizontal sharing of 24% among the 36 state government is as follows:

i. Equality	40%
ii. Population	30%
iii. Land mass/terrain	10%
iv. Social Development factor	10%
v. Internal revenue effort	10%
	100%

This revenue or statutory allocation is the major external source of revenue of all levels of government in the country. A study conducted by Ajayi (ibid) on total revenue accrued to Osun State between 1997 and 2006 showed that IGR accounted for 19.76%, statutory allocation was 63.69%, VAT allocation was 8.07% while capital receipts accounted for 8.48% of the total revenue.

From the foregoing, it can be argued that statutory allocation was responsible for more than half of the total revenue realized by the Osun State, during the period. It also shows that statutory allocation play significant role in the finance of Government Expenditure in Osun State in particular and Nigeria in general.

### 1. Government Expenditure

Government expenditure according to Obioma (2004) can be defined as the expenses that the government incurs for its maintenance and for the benefit of the economy, external bodies and other countries.

Izedonmi (1997) also defines public expenditure as defray of public revenue while Okeyode (2006) views public expenditure as the payments made by the government on behalf of the general public. Hinged on the

foregoing, public expenditure represents government command over resources (Bogunjoko, 1997).

### 2. Reason for Government Expenditure

Okuneye, Maku and Ayinle (2008) identify three rules of public expenditure. First, there is the allocation function, which is made to balance the provision of private and social goods in appropriate mix with available resources. Second, there is the stabilization function that is concerned with the attainment of full employment of labour and capital at stable prices, balance of payment equilibrium and satisfactory rate of growth in per capital income. The third role is the income distribution which aims at bridging the gap between the rich and the poor and ensuring an egalitarian state.

From the foregoing, the traditional roles of public expenditure suggest that public expenditure shapes the course and determines the state of economic development.

### 3. Public Expenditure Structure and Categorization

Scholars are unanimous about categorization of public expenditure. Bogunjoko (1997), Okeyode (2006), Nwozu and Okafor (2014) agree on the classification of government expenditure into recurrent and capital expenditure.

According to Nwosu and Okafor (Ibid) recurrent expenditure is composed of administration, social sector, economic sector and regional planning of environmental development sector.

They also assert that capital expenditure refers to spending on capital project like roads, airports, education, telecommunications, electricity and the acquisitions of investment goods like plant and machinery and other items having an expected working life of more than one year.

### 4. Relationship Between Government Expenditure and Economic Growth

Barn (1996) attempts to examine the impact of government expenditure on economic growth through the use of production functions. Data from 115 countries was used to derive broad generalization for the market economics investigated. He found government spending had negative effect on economic growth.

Thomas and (Scioli (1972) argues that there is positive effect on economic growth. They also add that expenditure cannot approximate output. This is because higher expenditure does not mean improved service deliveries. Ikelegbe (1996) affirms that the issues of corruption inflation of contract last and political patronage hinder this use of expenditure to measure output of the economic growth.

He further states that extend of need, to receptivity to service, characteristics of the target group and the

implementing organization may affect the outcome of expenditure programme.

## V. RESEARCH METHODOLOGY

### A. Study Area

Osun State, the study area came into existence on 27th August. The state was carried out of the old state by the General Ibrahim Babangida administration. It is one of the 36 states which make up Nigeria. The state is bounded in the west by Oyo State, Ondo and Ekiti states in the East, Kwara State in the North and Ogun in the South.

### B. Sources of Data

In carrying out the research, both primary and secondary were adopted. The research work was carried out to study revenue and expenditure patterns of Osun State government for the ten (10) years that is between 1997 and 2006. The primary data was gathered through structured interview conducted with the principal officers in the finance sector. Secondary data were collected through the Osun State audited reports and financial statements for the years covered by the study. The quarterly and annual progress reports of the Osun State Ministry of Finance and Economic Development were also used.

### C. Research Instruments

The primary information was gathered on the management of revenue and expenditure in the state through structured interview conducted with the stakeholders in the financial sector of the state. The officers interviewed were the permanent secretary and members of staff of the Ministry of Finance and Economic Development the state Accountant – General, The Chairman and members of staff of Internal Revenue Service, and the consultants on Internally Generated Revenue. The structured interview questions employed one contained in Appendix A.

The secondary data was gathered from the Osun State Audited Reports and Financial Statements for the year ended 31st December, 1997 to 2006.

## VI. DATA ANALYSIS

The researcher made use of simple percentages method in analyzing the data gathered. Pie charts were also used to illustrate the findings of study.

The primary information was gathered on the management of revenue and expenditure in the state through structured interview conducted with the principal stakeholders in the financial sector of the state. The officers interviewed were in the Ministry of Finance and Economic Development, Internal Revenue Service, Account General Office, and the revenue consultants (Olusola Adekanola & Co).

In typical Osun State Government Budget format, revenue is classified as Revenue Head 401 - 410. All agencies of government are involved in the generation of revenues. Such revenue is expected to be paid to the nearest Treasury Cash Office and the Office of the Accountant General co-ordinates the returns.

Table II shows the actual total revenue of Osun State Government between 1997 and 2006. Column A indicates the internally generated revenue (IGR) for the 10 years covered by the study. The initial IGR in 1997 was N1,053,800,107.77 while at the end of year 2006; it was N4,210,876,676.47 which shows a phenomenon increase in the IGR. On the whole, a total sum of N28,282,290,494.80 was realized as IGR for the period under consideration.

In column B was the Statutory Allocation to Osun State from the Federation Account in the period under review. In year 2006, a total sum of N1,277,198,986 was allocated to the State; it jumped to N21,692,331,954.47 at the end of 2006. In all, a total sum of N91,128,417,925.20 was realized from the Statutory Allocation during the period. The Statutory Allocation as an external source of revenue to Osun State Government and State has no control over amount being located to her monthly. Therefore, the engaged Tax and Revenue Consultants have no influence what so ever as to what it comes to the State from the Statutory Allocation. In column C is the Value Added Tax (VAT) received by the State during the period under consideration from the Federation Account. In 1997, a sum of N306,685,772.58 was received as Value Added Tax but at the end of year 2006, the sum of N2,459,280,977.99 was received as VAT from the Federation Account representing an increase of 701.89%. The total VAT for the period under review was N11,542,551,353.30.

In column D is the total Recurrent Revenue which is the addition of IGR, Statutory Allocation and the VAT or the total Revenue less Capital Receipts. For the period under review the total Recurrent Revenue increased substantially from N2,637,684,866.35 in 1997 to N28,362,489,608.93 in 2006.

In column E is the Capital Receipts. A total sum of N12,130,416,837.70 was received during the period as Capital Receipts, the highest being in 2001 when a sum of N43,986,255,844.57 was received. It is to be noted that Revenue Consultant was appointed in year 2004 to boost the internally generated revenue. Table 4.3 below shows the internally generated revenue of Osun State between 1997 and 2006.

TABLE II ACTUAL TOTAL REVENUE OF OSUN STATE, 1997 – 2006

YRS	A	B	C	D	E	F
	IGR	STATUTORY ALLOC A1 ION	VAT ALL.	TOTAL REC. REV.	CAPITAL REC.	TOTAL REVENUE
1997	1,503,800,107.77	1,277,198,986.00	306,685,772.58	2,637,684,866.35	236,189,737.45	2,873,874,603.80
1998	1,291,228,909.85	1,657,648,073.82	3,311,635,592.45	1,204,700,652.55	1,204,700,652.55	4,516,336,245.00
1999	2,607,609,382.16	2,580,581,528.14	520,513,661.61	5,708,704,571.91	824,325,210.42	3,533,029,782.33
2000	1,413,162,767.20	6,749,819,547.14	614,257,503.93	8,777,239,818.27	990,170,552.97	9,767,410,371.24
2001	2,538,697,977.43	6,877,912,579.71	966,213,672.97	10,382,824,230.11	3,986,255,844.57	14,369,080,074.68
2002	1,844,568,946.92	7,848,022,876.30	1,166,548,824.92	10,899,140,648.14	2,188,332,014.68	13,087,472,662.82
2003	3,759,814,510.99	10,088,077,012.00	1,433,885,080.18	14,892,597,410.05	389,179,192.12	15,281,776,603.17
2004	4,532,600,122.34	14,374,134,222.70	1,737,664,708.48	20,644,399,053.52	795,642,361.81	21,440,041,415.33
2005	4,989,931,094.13	17,982,691,145.02	1,974,742,541.92	24,947,364,781.07	319,189,906.53	25,266,554,687.60
2006	4,210,876,676.47	21,692,331,954.47	2,459,280,977.99	28,362,489,608.93	1,196,431,364.77	29,558,920,973.70
Total	28,282,290,484.50	91,128,417,925.20	11,542,551,353.30	130,953,259,772.30	12,130,416,837.70	143,083,676,610

Source: Osun State of Nigeria Audited Report of the Accountant-General with the Financial Statement for the year ended 31st December, 1997 – 2006.

TABLE III INTERNALLY GENERATED REVENUE BETWEEN 1997 AND 2006

YEARS	IGR	ANNUAL INCREASE/DECREASE	PERCENTAGE INCREASE (%)
1997	1,503,800,107.77		
1998	1,291,228,909.85	(212,571,197.92)	(14.14)
1999	2,607,609,382.16	1,316,380,472.31	101.94
2000	1,413,162,767.20	(1,194,446,614.96)	(45.81)
2001	2,538,697,977.43	1,125,535,210.23	79.65
2002	1,844,568,946.92	(694,129,030.51)	(27.34)
2003	3,759,814,510.99	1,915,245,564.07	103.83
2004	4,532,600,122.34	772,785,611.35	20.55
2005	4,989,931,094.13	457,330,971.79	10.09
2006	4,210,876,676.47	(779,054,417.66)	(15.61)

Source: Osun State of Nigeria Audited Report of the Accountant-General with the Financial Statement for the year ended 31st December, 1997- 2006

As indicated in table III above, the IGR of Osun State Government increased from N3,759,814,510.99 in 2003 to N44,532,600,122.34 in 2004 when the Tax Consultant was engaged. In absolute term, there was an increase of N772, 785,611.35 in internally generated revenue over year 2003. The increase was sustained in year 2005. As from 2004, when the Consultant on IGR was engaged, the internally generated revenue was above N4

billion annually unlike before when IGR fluctuates between N11 billion and N43 billion annually. The revenue Consultant assisted in tax auditing and widening of the tax base in the State. It could therefore be concluded that the increase recorded in internally generated revenue as from 2004 was partly due to the effort of the revenue consultant engaged in the State.

TABLE IV TOTAL ACTUAL EXPENDITURE OF OSUN STATE. 1997-2006

YEAR	RECURRENT EXPENDITURE	%	CAPITAL EXPENDITURE	%	TOTAL EXPENDITURE
1997	2,047,549,267.97	72.11	791,895,318.69	27.89	2,839,444,586.66
1998	2,269,833,178.85	52.49	2,054,303,547.68	47.50	4,324,136,716.53
1999	5,307,846,373.84	78.96	1,414,698,608.63	21.04	6,722,554,982.47
2000	6,882,688,896.75	79.28	1,798,780,880.63	20.72	8,681,469,777.38
2001	9,305,835,856.62	70.80	3,840,750,741.52	29.20	13,146,586,598.14
2002	9,601,275,765.70	68.93	4,328,122,521.16	31.07	13,929,398,286.86
2003	11,455,158,138.11	68.98	5,150,851,167.70	31.02	16,606,009,305.81
2004	13,156,906,391.41	61.95	8,082,041,227.63	38.05	21,238,947,619.04
2005	14,410,696,074.52	58.30	10,305,720,488.18	41.70	24,716,416,562.70
2006	18,588,316,707.91	63.10	10,871,465,905.03	36.90	29,459,782,612.94
TOTAL	93,026,106,651.68	65.67	48,638,630,396.85	34.33	141,664,747,048.53

Source: Osun State of Nigeria Audited Report of the Accountant-General with the Financial Statement for the year ended 31st December, 1997-2006

Table IV shows the actual expenditure of the Osun State Government between 1997 and 2006. It shows the relationship between the recurrent and capital expenditure during the period under review. Except in 1998 and 2005 when capital expenditure was 47.50% and 41.70% of the total expenditure respectively, in the other eight (8) years, capital expenditures were less than 40% of the total expenditure. The peak of recurrent expenditure was in 2000 when it got to alarming rate of 79.28%. The total recurrent expenditure for the years under consideration was N93,026,106,651.68 or 65.67% of the total expenditure while capital expenditure was N48, 638,630,396.85 or 34.33% of the total expenditure. This pattern was not considered good enough. The reason attributable to high recurrent expenditure was the fact that Osun State is a Civil Service State where personnel cost accounted for more than

80% of the total recurrent expenditure. For developmental purpose, the ideal ratio of recurrent expenditure to capital expenditure should be at least 3.2.

Table V shows the actual revenue and expenditure profile of Osun State Government between 1997 and 2006. In absolute term total revenue rose from N2.87 billion in 1997 to N29.56 billion in 2006. Similarly, the capital expenditure which was N2.84 billion in 1997 increased to N29.46 billion in 2006. The Osun State Government operated surplus budget in almost all the years under review except 1999, 2002 and 2003 when deficit budgets were recorded. This indicates that the Government had been spending within its resources and it may also be an indicator of prudent spending on the part of the State Government.

TABLE V ACTUAL TOTAL REVENUE AND EXPENDITURE OF OSUN STATE GOVERNMENT (1997 - 2006)

YEAR	TOTAL REVENUE	TOTAL EXPENDITURE	SURPLUS/DEFICIT
1997	2,873,874,603.80	2,839,444,586.66	SURPLUS
1998	4,516,336,245.00	4,324,136,716.53	SURPLUS
1999	6,533,029,782.33	6,722,554,982.47	DEFICIT
2000	9,767,410,371.24	8,681,469,777.38	SURPLUS
2001	14,369,080,074.68	13,146,586,598.14	SURPLUS
2002	13,087,472,662.82	13,929,398,286.86	DEFICIT
2003	15,281,776,603.17	16,606,009,305.81	DEFICIT
2004	21,440,041,415.33	21,238,947,619.04	SURPLUS
2005	25,266,554,687.60	24,716,416,562.70	SURPLUS
2006	29,558,920,973.70	29,459,782,612.94	SURPLUS

TABLE VI SECTORAL ALLOCATION OF CAPITAL EXPENDITURE OF THE OSUN STATE GOVERNMENT BETWEEN 1997 AND 2006

YEAR	ECONOMIC SECTOR	SOCIAL SERVICE SECTOR	REGIONAL PLANNING AND ENVIRONMENTAL DEV. SECTOR	GENERAL ADMINISTRATIVE SECTOR
1997	323,454,552.80	65,912,770.55	84,814,810.73	1,780,200
1998	411,584,051.30	459,568,864.87	198,010,875.44	181,691,686.31
1999	235,663,384.42	75,536,237.52	89,475,439.32	
2000	727,493,114.01	373,401,143.88	133,381,244.13	150,000,000
2001	1,518,946,724.89	204,139,697.67	67,248,064.00	4,479,617.78
2002	1,363,444,047.20	1,093,467,570.54	205,113,141.27	1,727,186,546.21
2003	2,428,395,315.91	656,564,181.08	80,546,564.74	1,985,345,105.97
2004	2,984,016,792.41	1,524,378,104.52	514,912,107.96	3,058,734,222.74
2005	7,592,455,273.71	2,206,200,531.31	176,890,457.27	330,174,225.27
2006	7,138,506,620.35	3,031,391,414.71	319,575,750.21	381,992,119.76
TOTAL	24,723,959,776.90	9,690,560,516.65	1,869,968,455.07	7,821,383,724.04
%	56.06	21.97	4.24	17.73

**Source:** Osun State of Nigeria Audited Report of the Accountant-General with the Financial Statement for the year ended 31st December, 1997 - 2006.

Table VI shows the sectoral allocation of capital expenditure of the Osun State Government between 1997 and 2006. In 1997, the sum of N323.45 *million* was expended on Economic Sector which accounted for 56.06% of the total capital expenditure for the year. The Social Services Sector gulped N65.91 million, Regional Planning and Environmental Development Sector expended N84.81 million on projects while the sum of N1.78 million only was spent on General Administration. Though the amount allocated to General Administration 1997 was small but it should be noted that all the five sectors were allocated fund for capital projects in the year.

In 1998, the *Social Services* Sector took the lead with allocation of N459.57 million followed by the Economic Sector which expended the sum of N411.58 million on *capital* projects. The least allocation in 1998 was General Administration Sector with the sum of N181.69 million. It is to be noted that in 1999 no allocation was made to the General Administration Sector. The reasons adduced for this was that the Government was conserving money for the building of Government Secretariat at Abere in Osogbo. In year 2000, highest allocation was made to the Economic Sector with a sum of N727A9 million while the least allocation of a sum of N133.38 million was spent on Regional Planning and Environmental Sector. In 2001, Economic Sector received N1.52 billion for capital projects which was the highest while General Administration Sector got the sum N4.48 million, which was the least sectoral allocation in 2001.

In year 2002, the highest allocation for capital expenditure was made to the General Administration with allocation of a sum of N1.72 billion followed by the Economic sector with allocation of N1.52 billion while the Regional, Planning and Environmental Development Sector had the least of N67.25 million between 2003 and 2006, Economic Sector received a big boost as the capital expenditure allocation to the sector increased substantially from N2.43 billion in 2003 to N7.14 billion in 2006. Similarly, allocation to Social Service Sector also increased substantially in 2003 from N656 million to N3.03 billion in 2006. However, allocation to General Administration Sector fell drastically from N1.98 billion in 2003 to N381.99 million in 2006. The Regional, Planning and Environmental Development Sector got its highest allocation for Capital Expenditure for the period in 2004 with allocation N514.91 million.

## VII.CONCLUSION

Based on the analysis of data collected and the finds made during the study, it was revealed the major sources of revenue of the state included internally generated revenue (IGR), statutory allocation, value added tax (Vat and Capital records). Moreover, it was established that Osun State Government over depended on external sources to finance its expenditure, the rate of internally generated rated revenue was grossly inadequate and statutory allocation

accounted for more than 63.69% of the total revenue in the state.

Furthermore, it was also discovered that ever 70% of the revenue was expended on recurrent expenditure while only 30% on the average was allocated for capital expenditure. Similarly, it was revealed that Osun State government recorded surplus in almost all the period of the study except in 1999, 2002 and 2003.

Also, the tax and revenue consultants hadn't impacted significantly on the internally generated revenue of the state government Conclusively, the regional planning and environmental development sector were under funded during the period of study.

## VIII.RECOMMENDATIONS

In view of the above conclusions, the following recommendations are put forward:-

1. Government should make efforts to widen the economy base of the state
2. State Government should encourage people to pay their taxes as at when due by embarking on developmental projects that would improve the lives of the citizenry;
3. All revenue generating agencies in Osun State should be given the necessary backing to implement the newly enacted law by the Osun State House of Assembly on revenue generation
4. Revenue consultants should be mandated by the State Government to put in more efforts to improve the internally generated revenue while the annual renewal of their contract should be tied to their performance.
5. The Board of Internal Service should sensitize and educate the people through radio and television programmes and jingles the need for prompt and adequate payment of taxes.
6. The State Government in partnership with private sectors should exploit solid mineral to boost the revenue profit of the state.
7. The State Government should design measure to block the loopholes in revenue collection, remittance and give adequate primitive measure to any corrupt revenue officials.
8. The State Board of Internal Revenue should develop comprehensive records of all tax payers in the state. This will ease the identification of new tax payers and make the collection process systematic.
9. Osun State government should ensure that there is less recurrent expenditure and higher capital expenditure of less than 60% in order to facilitate infrastructural development of the state.
10. Finally, Government should ensure equitable distribution of allocation to the various sector of the economy.



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