Assessing the Impact of Local Government Substructures on Internally Generated Fund of Metropolitan, Municipal and District Assemblies in Ghana

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Abstract
Of late, transfers from Central Governments to the local governments are irregular and dwindling particularly in the developing countries. However, these local governments are expected to fulfil their mandate of executing development projects within their areas of jurisdiction. As such, the major purpose of this study was to assess the Internally Generated Funds (IGF) mobilization by Metropolitan, Municipal and District Assemblies substructures in Greater Accra. A sample of 130 respondents was chosen using purposive sampling. Primary data was collected using key informant interview guide. Analysis of data involved thematic and trend analysis.

The study found that IGF contribution of the MMDAs substructures to the Assemblies was encouraging, metropolitan contributes much revenue as compared to the districts. In addition, locking up of businesses that do not pay tax, use of taskforce, division of various revenue collection sources and persuasion emerged as the crucial strategies of revenue mobilization. It was equally found that the key challenges to IGF mobilization of the substructures were inadequate staff capacity, limited staff motivation, unfortunate attitudes of revenue collectors/taxpayers, weak revenue collection systems, limited education on the uses of the revenue and recognition of the revenue collectors. Overall, in spite of the challenges encountered, the revenue mobilized has being on a marginal rise.

Consequently, it is recommended that the institution of staff capacity building programs, recruitment of more revenue collectors who are motivated, the education of the public on need to pay tax and making sub-structure operational are crucial steps towards improving revenue collection by the MMDA substructures.

Keywords: Fiscal Decentralization, Local government, Revenue mobilization, Internally Generated Fund

INTRODUCTION
Lately, there is a change from central to local governance (i.e., decentralization) by many countries around the world. The intention behind this transformation is to make sure that development occurs at the grassroots. This change to decentralization is spearheaded in the developing world predominantly in Africa by the Organization for Economic Cooperation and Development (OECD), the World Bank and the International Monetary Fund (IMF) with emphasis placed on fiscal decentralization (Psycharis, Zoi and Iliopoulou, 2016; Levitas, 2017; Silva, 2017).

Fiscal Decentralization (FD) is a form of decentralization concerns the devolution of budgetary authority and decision-making functions of the central government to local authorities to take their own decisions in relation to revenue generation and expenditure.

With respect to Dick-Sagoe (2012b), FD occurs in two forms specifically externally and internally generated revenue sources. Examples of these revenue sources entail donor funds, government releases, rates, fines, fees, land and licenses. In order for local government to deliver development, fiscal decentralization must be effective so as to be able to raise adequate financial resources to carry out the projects (Dick-Sagoe, 2012b).

Generally, decentralized units’ generation of internal revenue has become crucial globally because central governments’ transfer and donor funding to them are unreliable and dwindling due to economic shocks (Gideon & Alouis, 2013; Adu-Gyamfi, 2014). Luckily, fiscal decentralization endorses revenue mobilization at the local government level (Dick-Sagoe, 2012a; Gideon & Alouis, 2013). In Ghana, decentralization...
started in 1988 (Friedrich-Ebert-Stiftung Ghana, 2010). This resulted in shift in responsibility of decision-making from the central government to subnational units (Dick-Sagoe, 2012b).

Ghana’s local government system may be three-tier or four-tier. With respect to the three-tier system, it covers first-tier Regional Coordinating Councils, second-tier Metropolitan or Municipal or District Assemblies, and Councils of Urban or Town or Zone or State, in addition to Third-tier Unit Committees (Friedrich-Ebert-Stiftung Ghana, 2010). Nonetheless, a four tier emerges where the Unit Committees are considered as independent of the Urban or Town or Zonal or Area Councils (Friedrich-Ebert-Stiftung Ghana, 2010). The 1993 Local Government Act 462 requires and empowers the Metropolitan, Municipal and District Assemblies (MMDAs) to mobilize taxes in their jurisdictions to fund development schemes (Adu-Gyamfi, 2014). Similarly, the local government sub-structures (i.e., Urban or Town or Zonal or Area Councils or Unit Committees) are equally vested with the authority of revenue mobilization (Friedrich-Ebert-Stiftung Ghana, 2010, Inkoom, 2011, Local Government Instrument L.I.1967, 2010).

Like elsewhere in the world, the internal revenue generation in Ghana is via rates, fines, fees, land and licenses (Dick-Sagoe, 2012a; Adu-Gyamfi, 2014). As the local governments are charged with the task of mobilizing internal funds to drive their development, this brings to the fore the strategies they employ for that activity. Some of the strategies used in mobilizing revenues by some subnational bodies include using chiefs, tax education, training of revenue collectors, checking revenues and enforcing assembly byelaws on revenue mobilization (Adu-Gyamfi, 2014).

The failure of local governments to mobilise revenue even though they are empowered under the fiscal decentralization policy is a signal that certain challenges thwart this effort. Some of the challenges encountered by local governments in the generation of Internally Generated Fund include low-level of economic activities, lack of skilled staff, lack of staff motivation, corruption and unwillingness of residence to pay tax limit the subnational units’ ability to create enough revenue for their development (Adenugba & Oguchi, 2013; Akudugu & Oppong-Peprah, 2013; Adu-Gyamfi, 2014). These challenges limit local authorities’ ability to raise sufficient local financial resources to drive development of areas under their jurisdiction.

All Metropolitan, Municipal and District Assemblies (MMDAs) are charged with the responsibility of executing development projects within their areas of jurisdiction. The ability of all the substructures of these assemblies to mobilize IGF would depend on the level of challenges that would be encountered in that pursuit.

Our paper seeks to assess the impact of local government substructures on IGF of MMDAs in Ghana, to ascertain the strategies Metropolitan, Municipal and District Assemblies substructures use in mobilizing internal revenue, also, explore the challenges, the MMDAs substructures encounter in mobilizing internal revenue, to determine the contribution of Metropolitan, Municipal and District Assemblies substructures to internal revenue of assemblies and to access the extent of fiscal decentralization.

The study developed the following hypotheses (i) Fiscal decentralization has a positive influence on internally generated fund (ii) Subdistrict structures influence (moderate) the relationship between fiscal decentralization and internally generated fund.

**LITERATURE REVIEW**

In Ghana, the first District Assemblies were created in 1988 (Friedrich-Ebert-Stiftung Ghana, 2010). Typically, the sub-national governance structures of Ghana are characterized as a three-tier structure originally created by Provisional Law 207 of the National Defense Council and subsequently polished by the 1992 Constitution and Local Government Act, 462 of 1993 (Friedrich-Ebert-Stiftung Ghana, 2010). These structures operate at the regional, district and sub-district levels and consist of first-tier Regional Coordinating Councils, second-tier Metropolitan or Municipal or District Assemblies, and Councils of Urban or Town or Zonal or Area, in addition to Third-tier Unit Committees (Friedrich-Ebert-Stiftung Ghana, 2010). In practice, however, unit committees are the lowest and basic unit in the subsidiary chain on which all other structures, including the municipal or regional councils, are built, making the local governance
arrangement a four-tiered structure instead of the three (Friedrich-Ebert-Stiftung Ghana, 2010). Therefore, the Local Government system in Ghana has the following structure: Regional Coordinating Council, Four-tier Metropolitan Assembly, Tri-tier Municipal or District Assembly, Urban or Town or Area or Zonal Council and Unit Committee.

The councils of the sub-districts constitute the councils of the sub-metropolitan districts, the councils of urban or town or zonal or area, and the unit commissions. The urban council is made up of 10 to 15 members, consisting of five elected district assembly members in those urban council areas and ten-unit committee representatives in the same area (Local Government Instrument L.I.1967, 2010).

Four years of office for the Members. The zonal council consists of 15 to 20 members (Local Government Instrument L.I.1967, 2010) consisting of five persons elected from among the members of the municipal assembly concerned, 10 representatives of the unit committees and five persons ordinarily residing in the zone.

The municipal or regional councils consist of 15 to 20 members (Local Government Instrument L.I.1967, 2010) composed of five persons elected from among the members of the relevant assembly, 10 representatives of the unit committees and five persons ordinarily residing in the municipality. The unit committee consists of 15 people (Local Government Instrument L.I.1967, 2010) consisting of 10 elected persons ordinarily residing in the unit and five other persons residing in the unit, nominated by the district chief executive acting on behalf of the chair.

Some of the functions of the assembly sub-structures (Urban or Town or Zonal or Area Councils) include listing and recording all feasible persons and properties in the urban area, city; assisting any person authorized by the District Assembly in collecting revenues from the Assembly; preparation of annual revenue and recurrent budgets, and preparation of the Urban or Town Council development budget for approval by the Assemblies (Friedrich-Ebert-Stiftung Ghana, 2010, Inkoom, 2011).

It is necessary to collect internally generated funds because the District Assembly Common Fund and donor funds are often connected to such particular projects, but local governments have power over their use in the case of the Internally Generated Fund (Fynn, 2014). As such, the Internally Generated Fund may help ensure that sub-national organizations have development projects that meet their own needs. As a result, it is vital to identify the sources to raise IGF. The Internally Generated Fund sources are primarily two-fold namely tax and non-tax revenue sources (Kazentet, 2011). The Internally Generated Fund (IGF) refers to revenues mobilized within their jurisdiction by local governments. IGF suggests sources of revenue mobilized solely by the State or local government (Ayensu, 2013). Similarly, the Internally Generated Fund includes all income from the Metropolitan, Municipal and District Assemblies (Fynn, 2014). For Ahwoi (2010), Internally Generated Fund is revenue allowed by law for the assemblies to collect within their area of jurisdiction.

These sources include basic, special and property rates, fees, licenses, trading services, specialized funds, such as stool or land royalties, timber and mineral development funds, and investment income (Ayensu, 2013; Fynn, 2014).

The mobilisation of revenue for many local governments globally is low and in Ghana, the situation seems not to be different. As such, most districts depend on the District Assembly Common Fund, which covers 80% to 90% of annual expenditure (Fynn, 2014). This illustrates that the assemblies are unable to create sufficient Internally Generated Fund. As a result, there is the need to ascertain the strategies used in mobilising the revenue.

Overhaul of institutional framework for mobilisation of revenue is one of the strategies to gathering of Internally Generated Fund by local governments. The dominant approach to improving tax collection has been to focus on enhancing administrative capacity through the creation of revenue departments, provision of resources to tax assessors and collectors. In this respect, establishing a trustworthy database for all possible sources of revenue is the right step to improving upon revenue gathering by the local government (Government of Ghana, 2008; Adeoti et al., 2014; Akorsu, 2015). This would entail establishing modern communication equipment to support the database (Adeoti et al., 2014).
With the establishment of a trustworthy database of revenue sources, this would lay the foundation for reclassification and revaluation of taxes, user fees and license that the people must pay (Agyapong, 2012; Yussuf et al., 2012; Nwekeaku, 2013). Effective revenue mobilisation depends on revenue classification and collection measures (Nwekeaku, 2013), which is dependent on availability of a database. Furthermore, the presence of a database would ensure strategic revaluation of landed property rate to facilitate rational surge in rate payment levels that would be acceptable to the populace (Agyapong, 2012).

Employment of qualified staff, organisation of in-service training for staff and staff motivation are strategies for tackling the weaknesses involved in Internally Generated Fund generation by local governments (Nwekeaku, 2013; Akorsu, 2015). Similarly, reactivating the Area Councils and Unit Committees, and training of local revenue collectors would help to increase revenue generation by district assemblies (District Planning Coordinating Unit-Gomoa East District Assembly, 2011). Also, staff motivation is an approach of making sure that the local authorities are able to generate adequate Internally Generated Fund for local level development (Nwekeaku, 2013; Akorsu, 2015).

Also, education of the public on the need for paying of levies charged by local governments is vital to making sure that Internally Generated Fund increases (Government of Ghana, 2008; District Planning Coordinating Unit-Gomoa East District Assembly, 2011; Agyapong, 2012; Akorsu, 2015).

In this way, preparation, education and knowledge for members of the Legislature, district employees and residents will gain a deeper appreciation and understanding of the value of increasing the tax base (Government of Ghana, 2008). This would ensure that the residents see the need to pay levies voluntarily. For instance, pay-your-tax initiative and tax education have emerged as Cape Coast Metropolis' most successful income mobilization tool (Akorsu, 2015).

Furthermore, the privatisation of revenue gathering is a strategy to increasing revenues accruing to local governments. This strategy has become vital because the gathering of revenue by the local governments regular staff normally does not bring much revenue. This led to a rise in revenue gathered and reduction in costs of mobilising revenue, as the cost is borne by the private contractor.

More so, the restructuring of the tax regime is a way to ensure a rise in Internally Generated Fund for local governments (Nwekeaku, 2013). Reformation of tax entails tax reduction, tax rebate and payment on-line, which would ensure that the residents are willing to pay levies (Akorsu, 2015). Nonetheless, for some districts in Ghana to increase IGF they rather alter the rate levels upwards instead of broadening coverage of the revenue base (Government of Ghana, 2008). This happens because the district assemblies lack appropriate database on businesses and people who are to pay tax. So, to generate more revenue they simply resort to increasing taxes.

The creation task Force ad-hoc tax implementation of income payment and enforcement of byelaws are strategies of employed to mobilise revenue (Agyapong, 2012; Adu-Gyamfi, 2014; Akorsu, 2015). Adu-Gyamfi (2014) has noted that the enforcing Assembly’s byelaw on revenue gathering would aid in increasing IGF. However, the use of task force as a strategy of revenue mobilisation emerged as a least effective tactics in a study conducted by Akorsu (2015). Other researchers have noted that the punishing of those who refuse to pay levies would serve as a deterrent and hence, leading to compliance (Kumshe & Bukar, 2013; Adu-Gyamfi, 2014).

Extent of fiscal decentralization helps determine how it fosters economic growth and contributes to economic development through the mobilisation of IGF. The extent of fiscal decentralization involves measures of tax autonomy, the spending capacity of sub-central government at the local level and the strictness of regulations in adherence to intergovernmental grants or external donors (Martinez-Vazquez, 2013). It also helps authors to use decentralization indicators to examine fiscal and economic growth at the local levels.
Kyria Cou and Roca-Sagales (2011) investigated that, there is a positive correlation between fiscal decentralization and the quality of governance, as measured by the World Bank’s Governance indicators. Extent of fiscal decentralization measures includes on how local government is able to locally decide on expenditure, locally mobilised revenue, locally spend the IGF and intergovernmental grants and the size of the local government unit.

For an effective decentralized local government framework, a well-resourced subdistricts structure is needed. The Ministry of Local Government and Rural Development (2005) stressed that, subdistrict structures are important for local governance to be maintained because they act as the key connection between districts and the grassroots.

Edward, Kubi, Gloria, Agyei and Baah (2012) point out that the Kumasi Metropolitan Assembly in its effort to ensure mobilisation of revenue by the metropolitan substructures engaged two private companies namely REVSOLO Ghana Limited and REVNET Limited to carry out continuous updating of database and to collect Property Rate in the ten Sub-Metros. Under this pilot programme, the revenue collection companies were required to use the prescribed value books (receipt books) to collect revenue, to ensure easy auditing and monitoring (Edward et al., 2012).

Shirazu (2013) have indicated that though there is every indication that the Metropolitan, Municipal and District Assemblies substructures, that is, the zonal, town and Area Councils as well as unit committees are desirous of influencing decisions and development within their localities, their performance is much lower than expected. While efforts have been made to provide the district councils with physical structures, the structures in some districts are obsolete.

Low levels of economic activities and incomes are challenges local governments meet in their efforts to generate Internally Generated Fund for their capital and recurrent expenditures (Ahwoi, 2010; Akudugu & Oppong-Peprah, 2013). Akudugu and Oppong-Peprah (2013) noted that the low level of economic activity at the Asante Akim South District Assembly is a barrier to attempts to increase the Assembly’s revenue base.

Staffing issues also account for the limited IGF mobilized by the local governments (Oduro-Mensah, n.d.; Dick-Sagoe, 2012b; Frimpong, 2012; Adu-Gyamfi, 2014). First, inadequate staff to carry out revenue mobilization is a difficulty encountered by many subnational authorities (Oduro-Mensah, n.d.; Frimpong, 2012; Martínez-Vázquez et al., 2010). Frimpong (2012) points that they have a deficit of 40 collectors in the Asante Akyem South District Assembly.

In addition, lack of qualified staff, absence of training of personnel and nonexistence of motivation packages are hurdles to local governments’ ability to raise Internally Generated Fund (Akudugu & Oppong-Peprah, 2013; Adu-Gyamfi, 2014).

Weak revenue collections schemes account for the local governments inability to mobilise enough IGF (Martínez-Vázquez et al., 2010; Gideon & Alouis, 2013; Akudugu and Oppong-Peprah, 2013; Edogbanya & Ja’afaru, 2013; Nwekeaku, 2013). Moreover, the poor attitude towards employment and the lack of integrity of income collectors contribute equally to the local governments’ inability to mobilise adequate revenue within their boundaries (Adenugba & Ogechi, 2013).

The inadequacy of logistics is a factor accounting for the inability of local governments to pool plenty IGF to cover their expenditure (Issah, 2011). Revenue gathering attempts are hindered by the deficiency of logistics for the revenue mobiliser to use to get to every possible taxpayer. According to the Government of Ghana (2008), the Land Valuation Board does not have enough resources to carry out its duties of valuing and reassessing property periodically. In Nigeria, the lack of adequate and reliable data on tax matters affected IGF mobilisation particularly in Oyo State (Nwekeaku, 2013; Adeoti et al., 2014).
The lack of enforcement of byelaws on revenue mobilisation is a factor triggering a decrease in the IGF raised by subnational bodies (Akudugu & Oppong-Peprah, 2013; Adu-Gyamfi, 2014). Again, the nonexistence of suitable penalties for tax defaulters makes residents particularly traders, reluctant to pay taxes (Kazentet, 2011). The Assembly lacks the confidence to implement successful revenue-generating policies and enforce the tax bylaws because greater levels of taxation convey a political price: the fear that the voters would punish them by not voting for them (Akudugu & Oppong-Peprah, 2013; Akorsu, 2015).

DATA AND METHODOLOGY
Mixed methods inquiry combined qualitative as well as quantitative analysis findings (Zohrabi, 2013). In particular, quantitative data collected on the extent of fiscal decentralization of MMDAs while the qualitative data encapsulated revenue collection strategies and the challenges associated with revenue mobilization.

The primary data were collected from 10 district assemblies in the Greater Accra region such as (Adenta Municipal, Ga West Municipal, Ga South Municipal, Ga Central Municipal, Ga West Municipal, La Nkwantanang Madina Municipal, Kpone Katamanso Municipal, Ningo Prampram Municipal, Shai Osudoku Municipal and Tema Metropolis) 15 questionnaires were targeted at each district summing up to a total of 150 questionnaires. All district assemblies selected using the purposive sampling technique.

A convenient sampling technique was used to select respondents who were ready to take part in the study. A questionnaire and interview guide were the preferred instruments for collecting the data. 50 respondents were used for the interview guide, researcher recorded interviews and wrote down information needed from the interview and transcribed the recorded interviews for qualitative analysis.

This current research employed the structural equation model (SEM) analysis to assess the impact of Local Government substructures on Internally Generated Fund of Metropolitan, Municipal and District Assemblies in Greater Accra.

Response Rate

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responded</td>
<td>130</td>
<td>86.7</td>
</tr>
<tr>
<td>Not responded</td>
<td>20</td>
<td>13.3</td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Filed survey 2019

From the report, 130 out of 150 sampled district respondents completed the full questionnaires (giving answers to all of the questions in the questionnaire) which translate to 86.7 percent response rate due to his efforts to remind respondents from time to time and clarify to them how important the research was, the researcher was able to attained this exceptional response rate from the respondents.

The background characteristics of respondents, the gender distribution of respondents, age and education.

Table 4.2: Demographic characteristics of the respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>86</td>
<td>66.2</td>
</tr>
<tr>
<td>Female</td>
<td>44</td>
<td>33.8</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-25</td>
<td>20</td>
<td>15.3</td>
</tr>
<tr>
<td>26-35</td>
<td>26</td>
<td>20.0</td>
</tr>
<tr>
<td>36-45</td>
<td>30</td>
<td>23.1</td>
</tr>
<tr>
<td>46-60</td>
<td>35</td>
<td>26.9</td>
</tr>
<tr>
<td>Above 60</td>
<td>19</td>
<td>14.6</td>
</tr>
<tr>
<td>Work Experience</td>
<td>Frequency</td>
<td>Percentage</td>
</tr>
<tr>
<td>Below 1 year</td>
<td>30</td>
<td>23.1</td>
</tr>
<tr>
<td>1-5</td>
<td>35</td>
<td>26.9</td>
</tr>
<tr>
<td>6-10</td>
<td>32</td>
<td>24.6</td>
</tr>
</tbody>
</table>
To measure fiscal decentralization and IGF mobilization
In order to assess the extent of fiscal decentralization on IGF, the study undertook a quantitative approach to address the objective of the study, using the PLS-SEM approach. This approach was selected since it allows the researcher to test relationships in exploratory models (Hair et al, 2016). Two hypotheses were postulated and are stated below,

- H1 - Fiscal Decentralisation will have a positive influence on IGF
- H2 –Sub district structures influence the relationship between Fiscal Decentralization and IGF.

Using PLS SEM the current study used a systematic approach to evaluate the results. The first step involved the evaluation of the measurement model of the study. This step addressed the valuation of the internal consistency, convergent validity and discriminant validity. The second step in the process is the evaluation of the structural model which assess the model’s coefficient of determination, predictive relevance, path size and significance and effect sizes. Results are presented below

### Evaluation of Measurement Model

In the evaluation of the measurement model, outer loadings of items were examined to ensure that they provided a Cronbach Alpha and Composite Reliability between (0.60 – 0.90) and an AVE greater than 0.50 (Hair et al, 2016). Items with poor loadings (edf1, edf3, edf6), were therefore dropped to achieve the required thresholds as seen in Table 4.3

Table 4.3 Evaluation of Measurement Model

<table>
<thead>
<tr>
<th>Construct</th>
<th>CA</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Decentralisation</td>
<td>0.71</td>
<td>0.82</td>
<td>0.54</td>
</tr>
<tr>
<td>Internally Generated Funds</td>
<td>0.86</td>
<td>0.89</td>
<td>0.58</td>
</tr>
</tbody>
</table>

In further evaluating the model the discriminant validity was also assessed, using the HTMT Table. It is assumed that once the table contained values less than 0.8 the model was discriminately valid. As seen in Table 4.4 the study’s model met this criterion.

Table 4.4 Validity of Discriminant Values

<table>
<thead>
<tr>
<th>Construct</th>
<th>Fiscal Decentralisation</th>
<th>Internally Generated Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Decentralisation</td>
<td>0.73</td>
<td>0.78</td>
</tr>
<tr>
<td>Internally Generated Funds</td>
<td>0.78</td>
<td>0.76</td>
</tr>
</tbody>
</table>

### Assessment of Structural model

In order to assess the structural model a series of steps must be followed; assessing the model for collinearity issues, assessing path significance and relevance, assess the level of R-squared, assess the f-squared effect size, and assess the predictive relevance.

#### Collinearity Assessment

Results from Table 4.5 below showed that the model did not appear to suffer from collinearity issues. None of the VIF figures presented were 5 and above and as such met the threshold which implied no collinearity.

Table 4.5 Variance Inflation Factor

<table>
<thead>
<tr>
<th></th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>edf2</td>
<td>1.528</td>
</tr>
<tr>
<td>edf7</td>
<td>1.437</td>
</tr>
<tr>
<td>edf4</td>
<td>1.329</td>
</tr>
<tr>
<td>edf5</td>
<td>1.219</td>
</tr>
<tr>
<td>igs10</td>
<td>2.261</td>
</tr>
<tr>
<td>igs11</td>
<td>1.563</td>
</tr>
<tr>
<td>igs4</td>
<td>2.322</td>
</tr>
<tr>
<td>igs5</td>
<td>1.976</td>
</tr>
</tbody>
</table>
R squared
The R2 values represent the combined effects of the exogenous variables on the endogenous latent variables, and they also represent the amount of variance in the endogenous constructs explained by all the exogenous constructs associated with them (Hair et al., 2013).

The current study model had an R squared value of 0.60 which represents a moderate predictive power.

Table 4.6 Model Validity

| Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) | P Values |
|---------------------|-----------------|-----------------------------|---------------------------|----------|
| IGF                 | 0.604           | 0.609                       | 0.067                     | 9.021    | 0.000    |

F Squared
The f2 size effect is the measure for evaluating the R2 value change when the defined exogenous variable is omitted from the model. The table 4.7 below shows great size of the effect.

Table 4.7 Effect of Fiscal Decentralization on Internally Generated Fund

| Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) | P Values |
|---------------------|-----------------|-----------------------------|---------------------------|----------|
| FD -> IGF           | 1.528           | 1.632                       | 0.467                     | 3.273    | 0.001    |

Predictive Relevance
The study also assessed the model’s predictive relevance or Q by blindfolding. This was used to test the predictive validity of the model for each of the single endogenous variables, the Stone-Geisser Q2 value. By using the blindfolding technique (Hair et al., 2013) with an omission distance of 7, the cross-validated redundancy Q2 values of all endogenous variables have been produced. In this current study, since the Q square is greater than zero the model has predictive relevance.

Table 4.8 Predictive Power of Model

<table>
<thead>
<tr>
<th></th>
<th>SSQ</th>
<th>SSE</th>
<th>Q2 (=1-SSE/SSQ)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FD</td>
<td>548.000</td>
<td>548.000</td>
<td></td>
</tr>
<tr>
<td>IGF</td>
<td>822.000</td>
<td>549.570</td>
<td>0.331</td>
</tr>
</tbody>
</table>

Path Significance and Relevance
The study addressed two main hypotheses, findings after a bootstrap of 5000 sub samples (bootstrapping technique used 5000 sub samples) revealed that, Fiscal Decentralisation had a positive and significant effect on Internally Generated Funds (B= 0.78, p = 0.00). The second hypothesis was addressed using a subgroup analysis in order to test the influencing role of sub structures. Group 1 (which consisted of 82 Metropolitan Assemblies) and Group 2 (which consisted of 55 District Assemblies) were tested on the relationship between fiscal decentralisation and internally generated funds. Findings showed that both groups had positive and significant relationship as seen in Table 4.9 below. The relatively larger B value of Metropolitan Assemblies compared to the District Assemblies shows not only the presence of a larger population, but larger economic activities.

Table 4.9 Effect of Fiscal Decentralization on Districts and Metropolitan Internally Generated Fund

|                      | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) | P Values |
|----------------------|---------------------|-----------------|-----------------------------|---------------------------|----------|
| H1 - FD -> IGF       | 0.777               | 0.779           | 0.043                       | 17.879                    | 0.000    |
| District             |                      |                 |                             |                           |          |
| H2a - FD -> IGF      | 0.702               | 0.901           | 0.305                       | 2.301                     | 0.022    |
| Metropolitan         |                      |                 |                             |                           |          |
| H2b - FD -> IGF      | 2.486               | 2.733           | 0.969                       | 2.565                     | 0.010    |
Table 4.9: using a sub group analysis gives insights on the relationship of fiscal decentralization and IGF at the substructure level. It is revealed that at both levels the relationship is significant. However, it is larger at the Metropolitan level compared to the district level. This is hardly surprising since the metropolitan level usually comprises of higher economic activity and engagement relative to the district assembly.

RESULTS AND DISCUSSIONS

The mobilization of IGF for the MMDAs normally occurs at the substructures. In terms of the sources IGF, the substructures of the MMDAs gathered IGF to enable the MMDAs to carry out developmental projects within their areas of jurisdiction. The number of sources of IGF available to the District Assemblies determined the amount of revenue they could mobilize to meet their developmental needs. The sources the Assemblies substructures mobilized IGF from were considered taxed and non-tax sources. In order for the local governments to mobilize IGF they must be able to identify such sources or create them.

The tax sources of revenue identified were rates and business operating permit. Some of the revenue sources that fell under rates included basic rates, property rates and building operating permit. For example, a Ga West Municipal Assembly, Ga East Municipal Assembly, and Adenta Municipal Assembly Sub-structure interview (26 November 2019) noted, “the rates sources of IGF that I collected from the Assemblies comprised property rates and building permits.” In a like manner, some key informants from Tema metropolis, Kpone Katamanso Municipal Assembly and Ningo prampram Municipal Assembly (15th December, 2019) remarked, “rate sources of revenue for the Assemblies include basic rates and property rates”

Additionally, licenses were a source of non-tax revenue for the Assemblies. It emerged from the respondents and the key informant interviews that the Assemblies gathered IGF through the issuance of licenses and permits for businesses to operate and for construction work to be initiated. For instance, a respondent from Ga East Municipal substructure (29th November, 2019) indicated, “one of the sources that the Assembly usually gets revenue from is when they give licenses and permits for people who want to start their businesses and those who want to put up buildings.” Similarly, a key informant from Ga West Municipal Assembly (24th November, 2019) remarked, “the Assembly gets some revenue from issuing licenses and permits to businesses and individuals.”

The issue of revenue target was examined. This was important because it served as an avenue for measuring the effectiveness of the revenue mobilization efforts of the various Area, Town and Urban Councils as well as the revenue collection effectiveness of the revenue collectors.

Generally, those that noted that MMDAs substructures and/or revenue collectors were not given revenue collection targets to meet indicated that the targets they have is the annual targets at the entire assembly level. All Assemblies key informants said that they were given targets every year to attain. For instance, some key informants from all District Assemblies substructures (10th January, 2020) pointed out, “the Assemblies tell us to mobilise revenue and they give us quota or target to meet. ‘We do our possible best to meet targets or exceed targets at the end of the year”

Similarly, some key informants from all Municipal Assemblies (10th January, 2020) remarked: Usually, we give revenue collection targets to our Area, Town and Urban Councils and revenue collectors. This is so because there are adequate data to determine the potential and because items delegated to them to collect are possible to collect.

It surfaced that their targets were sometimes missed but when met, it was because area council collected revenue with support from the revenue task force and because of the use of national service persons and Nation Builders Corps (NABCO) to supplement revenue collection. Some primary informants from Adenta Municipal, Ga West Municipal, La Nkwantanang Madina, Ga South Municipal, Ga Central Municipal Assembly substructures (January 10th, 2020) reported, “we have been asked not to collect revenue less than the amount government is paying me at the end of every month.”

On the issue of recognition of efforts put in revenue mobilization, whereas some of the key informants indicated there was a system of recognition for hard work others noted nothing of that sort existed. Those that indicated that revenue collection efforts were appreciated by the authorities noted that it is done to
encourage competition among the substructures and to reward hardworking ones. Yet, some noted their efforts were recognized through substructures supporting to collect revenue in the market, education of the community members on tax payments and assisting to resolve disputes between collectors and taxpayers. Some key informants from Ga West Municipal, Ga Central Municipal, La Nkwantanang Madina Municipal, Adenta Municipal and Ga South Municipal District Assemblies substructures (17th January, 2020) indicated that, “some hard-working commission collectors were made permanent staff so as to encourage the rest to be work hard.”

In a like way, some key informants from Kpone Katamanso Municipal, Ningo prampram Municipal and Ga Central Municipal Assembly substructures (19th January, 2020) said “our efforts in mobilizing revenue for the Assemblies are recognized through the support and backing given to us when disagreements arise between collectors and tax payers”.

Certain categories of people play a key role in fashioning out the mechanisms for mobilizing revenue for the MMDAs. It emerged that the chief revenue inspector, finance and administration subcommittees as well as the revenue collectors themselves were those responsible for deciding on the revenue collection approaches that the Assembly must institute in its efforts to mobilize revenue. For instance, some key informants from Adenta Municipal, La Nkwantanang Madina, Ga Central Municipal and Shai Osudoku (10th January 2020) pointed out that “the chief revenue inspector, finance and administration subcommittees are responsibly for determining the measure to be used by the revenue collectors in mobilizing IGF for the Assembly.”

The strategies from management (i.e., chief revenue inspector, finance and administration sub-committees) became the officially sanctioned approaches to revenue collection. The official strategies are those recommended by the Assembly while the non-official strategies are those that the revenue collectors through their own ingenuity institute to mobilize the revenue.

In the mobilisation of revenue, certain challenges may crop up. These challenges tend to limit the amount of money that can be generated by the MMDA substructures. First, inadequate staff capacity limits the ability of the Assemblies to raise enough revenue. It was observed from respondents and key informant interviews that the workers who collect the revenue for the Assemblies have limited knowledge about revenue mobilisation, which make them unable to perform their functions adequately. In terms of weakness in the knowledge base, it was realised that the revenue collectors lacked the capacity to educate the public on the need to pay tax and the uses that the tax is put to. Under this circumstance, the populace usually does not see the need to pay tax. For example, a key informant from Tema Metropolitan Assembly substructure (15th December, 2019) noted, “we are not trained to enable us sharpen our skills nor are we educated on what the revenue we mobilised are used for.”

The impact of this is inefficiency in the discharge of their duty. Ahwoi (2010) and Akudugu and Oppong-Peprah (2013) found that there is lack of in-service training for revenue collectors and administrative staff of local government authorities which is consistent with this study’s finding.

In addition, staff motivation is another major challenge to revenue mobilisation. Some of the revenue collectors have complained that their salaries are very low coupled with this is the fact that there are delays in payment of salaries (i.e., commission staff). Some also indicated that they were not given cash bonuses and regular rise in pay as a motivation for their hard work. Our salaries are not constant as it depends on the amount, we are able to mobilise. When we are able to mobilise plenty money at a particular point, we do not get a significant rise in our salaries. We equally do not get bonuses to encourage us to work harder. (A key informant from Adenta Municipal Assembly substructure, 6th January, 2020). Under these circumstances, the revenue collectors are usually not motivated to put in their best when they go for revenue mobilisation.

Some regrettable attitudes of revenue collectors and taxpayers are a major challenge to revenue mobilisation by the Assemblies. It was realised that some of the revenue collectors exhibited the negative behaviours when they went out to mobilise revenue. A number of these behaviours included unnecessarily arguing with
taxpayers, quarrelling with taxpayers, insulting taxpayers, mounting undue pressure on taxpayers and being lazy. Normally these circumstances have resulted in the population becoming unwilling to pay tax, since there is no cordial relationship between taxpayers and collectors of taxes.

A key informant at Ga Central Municipal Assembly substructure (5th January, 2020) has noted: *Sometimes in my effort to make some people to pay their tax, I normally become a bit rough with them. Other times too, some of the clients rather become hostile to me and even go to the point of threatening to harm me if I continue to pursue them to pay taxes. This makes me fear for my life. As such, I normally feel reluctant in pursuing defaulters of tax.*

This quotation suggests that negative attitudes emanate from both Assembly revenue collectors and their clients. Adenugba and Ogechi (2013) discovered that the revenue collectors normally have poor attitudes towards people from whom they mobilise revenue from and this is in line with this study’s finding.

Furthermore, locking up of tax defaulters’ business premises is a challenge associated with revenue mobilisation. Some of the property and business owners stated that when their stores are locked for their default in paying tax, on payment of such monies the Assemblies normally delay in opening the stores for them to do their businesses. For instance, a business owner who pays tax pointed out that: *‘Sometime in the past I was not able to pay my tax on time and my shop was lockup and this further worsen my situation because once I was not working, I could not raise money to pay the tax’.*

This situation tends to affect the business owners’ ability to make money to pay taxes. In this case, the Assemblies are those that loses revenue. Equally, some of the taxpayers complained that the tax burden on them was too great. This was because they claimed that they paid multiple taxes such as license renewal, operational fee and rent among others. This situation kept undue pressure on them as such makes them want to evade payment. An instance was when a trader said, *“I pay rent and daily market tolls to the Assembly which is crippling my business. This at times makes me evade paying the market tolls”* This means that the few that pay taxes are made to pay more, which is causing them not to want to pay. This may cause loss of revenue to the Assemblies.

Furthermore, a major challenge associated with revenue mobilisation is the fact that there seem to be limited education on the uses of the revenue. People from whom revenue is mobilised from have a moral right to know what such revenues are for the benefit of the community. However, this is not the case, some of the taxpayers claimed they did not know what their money collected by the Assemblies was used for. This suggests an information gap. Since some of the taxpayers were left in the dark and not knowing what the resource collected from them were used for, they usually refused to pay or engage in fears confrontations with the revenue collectors before honouring their tax obligation. This situation tends to reduce the number of people paying tax and those willing to pay tax hence reduction in the IGF for the Assemblies. In this respect, a key informant from Ga South Municipal Assembly substructure (20th January, 2020) stated, *“we don’t regularly educate the populace directly about what the revenue mobilise from them is used for. We expect the Assembly members to do the education for us.”* Inadequate logistics is a major difficulty associated with revenue mobilisation. Logistics are crucial in facilitating the collection process of revenue. The limited nature makes the work difficult for the revenue collectors. Some of the logistics lacking included means of transport, public address system and stickers for Lorries and motorbikes. The inadequacies of these logistics limited the operations of the revenue collectors.

**Conclusion**

In general, licenses, rates and fees/finances were the major sources of IGF the MMDAs substructures mobilized revenue from. Some arrangements exist at the substructures of Assemblies though weak to support the institution of measures towards gathering of IGF. The effective revenue mobilization strategies comprised locking up of businesses that do not pay tax, use of taskforce, division of various revenue collection sources
and persuasion. In the MMDAs substructures’ application of these strategies in the mobilization of IGF, certain challenges emerged to limit the efforts. The crucial challenges were inadequate staff capacity, limited staff motivation, unfortunate attitudes of revenue collectors/taxpayers, weak revenue collection systems, limited education on the uses of the revenue and difficulty in identifying the revenue collectors. Revenue tax collectors and some trained employed staff, National service persons and NABCO trainees supported in the mobilization of revenue in various MMDAs.

**Recommendation**

It is recommended that,

1. Extent of fiscal decentralization will enable local government decide on tax policies within the local area. Amount of money to be paid by property and business owners in the districts, tolls paid by traders and drivers in the districts, alterations and improvement to be made in licenses and others in the districts.

2. Furthermore, building the staff capacity of the Assemblies in revenue mobilization is very vital to increasing revenue. In order to execute this responsibility, it requires that the MMDAs organize regular in-service training for this category of staff. The Assembly could collaborate with Ghana Revenue Authority to help train these staff in the appropriate skills. The content of such a training programme must center on human relations, communication skills, customer service, strategies for mobilizing revenue and usage of the revenue. This will assist in curtailing some of the weaknesses involved in the revenue collection.

3. In addition, motivating the staff is a key ingredient to increasing IGF. The Assemblies could do this by providing packages involving bonuses, salary increments and promotions to the revenue collectors who are able to increase their revenue mobilized consistently.

4. Furthermore, the provision of a platform by the MMDAs to facilitate the exchange of information on usage of the IGF with the public is decisive in obtaining the support of the public. With this platform, the Assemblies will be able to discuss with the public about the utilization of the revenue. Where suitable, the taxpayers could make their input into its utilization. This will make them know what the money is used for and once their views on the use of the revenue are also taken onboard, they will be prepared to honor their tax obligations.

5. Finally, the use of taskforce in revenue mobilization will help to improve revenue mobilization by the MMDAs. Since it surfaced that, it is an effective approach to mobilizing IGF, MMDAs, which have their IGF mobilized dropping, should deploy this approach.

**References**


GLOSSARY
FD                   Fiscal Decentralization
IGF                 Internally Generated Fund
IMF                 International Monetary Fund
MMDAs               Metropolitan, Municipal and District Assemblies
OECD                Organization for Economic Cooperation and Development
NABCO               Nation Builders’ Corps

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