

Effect Of Tax Administration On Revenue Generation In Adamawa State.

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Abstract: This study examines the effect of tax administration on revenue generation in Adamawa State, focusing on the performance of the Adamawa State Board of Internal Revenue Service (ASBIRS) from 2019 to 2023. The study adopts a survey research design, collecting primary data from tax officials and taxpayers through structured questionnaires, while secondary data was sourced from government reports and financial records. Findings reveal that tax administration reforms, such as digital tax payment systems, compliance enforcement, and taxpayer education, have had a moderate impact on revenue generation, with a grand mean score of 2.53 and a standard deviation of 0.98. While voluntary tax compliance has improved due to streamlined registration and payment processes (Mean = 2.89, SD = 0.97), enforcement mechanisms remain weak, leading to continued tax evasion and revenue leakages. Digital tax administration has enhanced transparency (Mean = 2.57, SD = 0.95), but slow adoption, especially in rural areas, has limited its full impact. Additionally, taxpayer education campaigns had a low effect on compliance (Mean = 2.38, SD = 1.00), indicating that awareness programs need to be strengthened. The study concludes that while reforms have contributed to some improvements, challenges such as corruption, weak enforcement, and a large informal sector hinder optimal revenue generation. It recommends stronger tax enforcement, expanded digitalization, and increased taxpayer education to enhance compliance and boost internally generated revenue (IGR). By addressing these issues, Adamawa State can achieve greater financial sustainability and reduce reliance on federal allocations, enabling more effective funding of public services and infrastructure development.

Keywords: Tax Administration, Revenue Generation, Compliance Enforcement, Digital Taxation, Internally Generated Revenue (IGR).

1. Introduction

Revenue generation is a fundamental responsibility of any government, as it enables the provision of public goods and services, infrastructure development, and overall economic growth. Taxation remains one of the most reliable and significant sources of revenue for governments at both national and subnational levels (Appah, 2020). In developing countries like Nigeria, however, the challenge of efficiently generating internal revenue is often compounded by weak tax administration, inadequate tax compliance, and a lack of modern infrastructure for tax collection (Bird, 2015; Pantamee & Mansor, 2016). The effectiveness of tax administration determines the amount of revenue collected and remitted to the various levels of government.

Adamawa State, located in northeastern Nigeria, is one of the 36 states that rely on internally generated revenue (IGR) to fund its budget. However, like many other states in Nigeria, Adamawa struggles with low tax compliance and overdependence on federal allocations (Azubike, 2019). The Adamawa State Board of Internal Revenue Service (ASBIRS) is tasked with administering taxes within the state to increase its revenue base. In recent years, several reforms have been introduced to enhance the capacity of ASBIRS and address longstanding issues such as tax evasion, inefficient tax collection systems, and inadequate taxpayer awareness (Musgrave & Musgrave, 2014).

Between 2019 and 2023, the Adamawa State government implemented various measures aimed at diversifying its revenue streams in response to economic downturns caused by fluctuating global oil prices, which affect federal allocations. Additionally, the outbreak of the COVID-19 pandemic underscored the importance of improving internal revenue, as external funding sources became more volatile (Nwezeaku, 2016). These reforms included the integration of digital tax payment systems, improved enforcement mechanisms, and increased taxpayer education to encourage compliance (Arnold & McIntyre, 2012).

Despite these efforts, tax compliance remains low, particularly among businesses and individuals operating in the informal sector, which constitutes a large portion of the state's economy (Appah, 2014). Structural problems such as corruption, inefficient tax collection processes, and inadequate resources for ASBIRS continue to hinder the state's ability to maximize its revenue potential (Kibiel & Nwokah, 2019). Tax evasion remains widespread, reducing the effectiveness of tax policies (Bird, 2015). The situation raises concerns about the adequacy of current tax administration practices in meeting the financial needs of the state.

Given that taxation is a dynamic subject influenced by economic conditions, examining the effectiveness of tax administration is crucial for improving revenue generation (Pantamee & Mansor, 2016). This study focuses on the tax administration practices of

ASBIRS from 2019 to 2023, evaluates the effectiveness of the reforms introduced, and assesses their impact on the revenue generation capacity of Adamawa State. By identifying challenges and proposing solutions, this study aims to enhance the efficiency of tax administration and contribute to the financial sustainability of Adamawa State.

2.0 LITERATURE REVIEW

2.1 Conceptual Clarifications

2.1.1 Tax Administration

Tax administration refers to the processes, policies, and institutional structures put in place by a government to assess, collect, and manage taxes efficiently. It involves the implementation and enforcement of tax laws, identification of taxable individuals and entities, processing of tax returns, assessment of tax liabilities, and ensuring compliance through audits and penalties (Appah, 2022). Effective tax administration is essential for revenue mobilization, as it determines how efficiently a government can collect taxes and allocate resources for development (Bird, 2015).

In Nigeria, tax administration is carried out at the federal, state, and local government levels, each with its designated tax authorities. The Federal Inland Revenue Service (FIRS) oversees federal tax collection, while State Boards of Internal Revenue (SBIRs), such as the Adamawa State Board of Internal Revenue Service (ASBIRS), are responsible for tax administration within their respective states (Kiabel & Nwokah, 2019). Local governments also collect taxes and levies within their jurisdictions. However, the effectiveness of tax administration in many Nigerian states is hindered by corruption, inefficient enforcement mechanisms, inadequate taxpayer education, and a large informal sector that remains outside the tax net (Azubike, 2019).

To improve tax administration, many governments, including Adamawa State, have introduced technological innovations such as electronic tax payment platforms, automated tax filing systems, and digital taxpayer databases (Musgrave & Musgrave, 2014). These efforts aim to enhance transparency, reduce fraud, and increase compliance. Despite these reforms, tax evasion and avoidance remain significant challenges, reducing the effectiveness of tax administration and limiting revenue generation (Nwezeaku, 2016).

2.1.2 Revenue Generation

Revenue generation refers to the process through which a government raises funds to finance its activities, including public services, infrastructure development, and social welfare programs. It includes income from taxes, levies, fines, and other charges imposed on individuals and businesses (Fayemi, 2024). In Nigeria, revenue is categorized into oil revenue (from petroleum exports) and non-oil revenue, which includes taxes, customs duties, and other internally generated revenue (Chijioke, Leonard, Bossco, & Henry, 2018).

Internally Generated Revenue (IGR) is crucial for financial sustainability at the state level, reducing dependence on federal allocations. However, many Nigerian states, including Adamawa, struggle with low IGR due to poor tax compliance, weak enforcement, and corruption (Ogbonna & Ebimobowei, 2012). According to Appah (2014), an effective tax system contributes significantly to revenue generation by ensuring that individuals and businesses fulfill their tax obligations. Studies show that states with efficient tax administration mechanisms tend to have higher revenue collection rates, as taxpayer confidence in the system encourages compliance (Arnold & McIntyre, 2012).

To improve revenue generation, Adamawa State has implemented reforms such as digital tax payment systems, taxpayer education campaigns, and stricter enforcement mechanisms (Kiabel & Nwokah, 2019). Despite these efforts, challenges such as tax evasion, corruption, and an underdeveloped tax infrastructure continue to hinder optimal revenue collection (Musgrave & Musgrave, 2014). Strengthening tax administration and expanding the tax base—particularly by integrating the informal sector—are critical steps toward enhancing revenue generation in Adamawa State.

2.2 Effect of Tax Administration on Revenue Generation

Effective tax administration plays a crucial role in determining the revenue generation capacity of any government. A well-structured tax administration system ensures the efficient collection of taxes, reduces leakages, and promotes voluntary compliance among taxpayers (Bird, 2015). In Adamawa State, the Adamawa State Board of Internal Revenue Service (ASBIRS) is responsible for overseeing tax collection and administration. The introduction of reforms such as digital tax payment platforms, taxpayer education initiatives, and stricter enforcement mechanisms between 2019 and 2023 aimed to improve internally generated revenue (IGR). However, despite these efforts, the state continues to face challenges related to low compliance, corruption, and weak enforcement (Azubike, 2019).

One of the key ways in which tax administration affects revenue generation is through tax compliance enforcement. Strong enforcement mechanisms ensure that individuals and businesses fulfill their tax obligations, thereby increasing government revenue (Arnold & McIntyre, 2012). In Adamawa State, ASBIRS introduced stricter monitoring of tax defaulters and imposed penalties for non-compliance. While these measures led to some improvements in tax compliance, they were not sufficient to fully integrate the informal sector, which constitutes a large portion of the state's economy (Musgrave & Musgrave, 2014). Many small-scale businesses and self-employed individuals continue to operate outside the tax net, reducing the state's revenue potential (Ogbonna & Ebimobowei, 2012).

Furthermore, technological advancements in tax administration have shown positive impacts on revenue generation. The adoption of electronic tax filing systems and automated data management in Adamawa State has improved transparency and reduced opportunities for tax fraud (Kiabel & Nwokah, 2019). Digitalization has streamlined tax collection processes, making it easier for taxpayers to file returns and make payments. However, despite these innovations, challenges such as limited internet access in rural areas and resistance to digital adoption among some taxpayers have slowed the full realization of these benefits (Appah, 2014).

Another significant factor affecting revenue generation is public trust and perception of tax administration. When taxpayers believe that tax revenues are mismanaged or that tax officials engage in corrupt practices, they are less likely to comply with tax regulations (Nwezeaku, 2016). In Adamawa State, reports of corruption and inefficiencies within ASBIRS have contributed to widespread tax evasion (Fayemi, 2024). Addressing these issues through increased transparency, proper utilization of tax revenues for public projects, and anti-corruption measures is essential for improving revenue generation.

Moreover, taxpayer education and awareness programs play a fundamental role in enhancing tax compliance and revenue collection. Many individuals and businesses in Adamawa State lack sufficient knowledge about their tax obligations and the benefits of tax compliance (Chijioke, Leonard, Bossco, & Henry, 2018). In response, ASBIRS implemented awareness campaigns and training programs to educate taxpayers about the importance of taxation. While these efforts have had a positive impact, there is still a need for continuous public engagement to improve compliance levels (Ogbonna & Appah, 2012).

Despite the reforms and improvements in tax administration, Adamawa State remains heavily dependent on federal allocations. The state's internally generated revenue has not yet reached a level where it can sustain government expenditures independently (Bird, 2015). Addressing structural challenges such as broadening the tax base, strengthening enforcement, and ensuring the efficient utilization of tax revenues will be essential for enhancing revenue generation. Overall, the effectiveness of tax administration in Adamawa State directly influences its ability to mobilize revenue, fund public services, and achieve sustainable economic development.

2.3 Theoretical Framework

Several theories have been developed to explain tax administration and its impact on revenue generation. These theories provide insight into how taxation systems function, why individuals comply or evade taxes, and how government policies shape tax collection efficiency. This study adopts Public Choice Theory as its main theoretical framework while also drawing on the Ability-to-Pay Theory and the Benefit-Received Theory to provide a broader understanding of tax administration in Adamawa State.

Public Choice Theory

Public Choice Theory, developed by James Buchanan in 1986, applies economic principles to political decision-making, emphasizing that individuals including government officials act in their self-interest rather than purely for the public good (Buchanan, 1986). The theory suggests that tax policies and administration are often influenced by political considerations, bureaucratic inefficiencies, and corruption rather than by the collective welfare of taxpayers (Brautigam, 2019). In the context of Adamawa State, Public Choice Theory helps explain the inefficiencies and challenges in tax administration, such as revenue leakages, corruption among tax officials, and the misallocation of collected taxes.

According to the theory, when government institutions are not held accountable, tax revenue may not be optimally utilized, leading to public distrust and tax evasion (Moore, 2004). This is evident in Adamawa State, where many taxpayers remain reluctant to comply due to concerns about how tax revenues are managed. The theory highlights the importance of transparency, accountability, and efficient governance in improving tax compliance and revenue generation. If taxpayers perceive that their contributions are being used effectively for infrastructure, healthcare, and education, they are more likely to comply voluntarily.

Ability-to-Pay Theory

The Ability-to-Pay Theory, proposed by Adam Smith (1776) in *The Wealth of Nations*, suggests that taxation should be based on an individual's financial capacity, meaning those with higher incomes should pay more in taxes than those with lower incomes (Smith, 1776). This theory underpins progressive taxation, where tax rates increase with income levels. In Adamawa State, taxation policies attempt to follow this principle by levying higher taxes on corporate businesses while providing tax reliefs for low-income earners and small-scale businesses. However, a significant portion of the population, particularly those in the informal sector, remains outside the tax net, limiting the effectiveness of this approach (Azubike, 2019).

One challenge with the Ability-to-Pay Theory is that economic disparities in Adamawa State make it difficult to enforce progressive taxation effectively. Many businesses operate informally, without proper financial records, making it hard to determine their true tax liabilities (Ogbonna & Ebimobowei, 2012). This has led to revenue losses, reinforcing the need for better tax administration strategies such as digital tax registration and enforcement mechanisms.

Benefit-Received Theory

The Benefit-Received Theory argues that taxpayers should pay taxes based on the benefits they receive from public services (Musgrave & Musgrave, 2014). This principle is often applied in cases like road taxes, education levies, and utility service charges, where individuals contribute directly to the maintenance of the services they use. In Adamawa State, this theory can be linked to taxpayer resistance—many individuals and businesses evade taxes because they do not see direct benefits from their contributions (Fayemi, 2024).

One of the key implications of this theory is that tax compliance increases when taxpayers perceive that they are getting value for their money (Nwezeaku, 2016). In Adamawa State, low public trust in government institutions has made tax collection difficult, as many residents believe that tax revenues are mismanaged. This aligns with the Public Choice Theory's argument that inefficient government policies and corruption contribute to non-compliance. To address this issue, improving infrastructure, enhancing public services, and increasing fiscal transparency can strengthen the link between taxation and development, thereby encouraging voluntary tax compliance.

The theoretical framework of this study integrates Public Choice Theory, the Ability-to-Pay Theory, and the Benefit-Received Theory to explain tax administration and revenue generation in Adamawa State. Public Choice Theory highlights the role of political interests and corruption in tax administration, while the Ability-to-Pay Theory underscores the need for a fair tax system that accounts for income disparities. The Benefit-Received Theory explains how public perception of tax utilization affects compliance. Together, these theories provide a comprehensive understanding of the challenges and opportunities in tax administration, guiding policy recommendations for improving revenue generation in Adamawa State.

3.1 METHODOLOGY

This study adopted a survey research design to evaluate the effect of tax administration on revenue generation in Adamawa State. Primary data was collected using structured questionnaires administered to tax officials of the Adamawa State Board of Internal Revenue Service (ASBIRS) and selected taxpayers, while secondary data was obtained from government reports, financial records, and relevant literature. The study employed descriptive and inferential statistical methods, including regression analysis, to examine the relationship between tax administration reforms and revenue generation. A purposive sampling technique was used to select respondents with relevant experience in tax administration. The collected data was analyzed using Statistical Package for the Social Sciences (SPSS) to determine the impact of tax reforms on internally generated revenue (IGR) from 2019 to 2023.

4.1 RESULT AND DISCUSSIONS

Table 1: Effect of Tax Administration on Revenue Generation in Adamawa State

S/N	Indicators	Mean (\bar{x})	Std. Dev	Effect Level
1	Tax administration has helped businesses meet their tax obligations by improving registration, filing, and payment processes.	2.56	1.04	Moderate Effect
2	Increased voluntary tax compliance as more taxpayers willingly fulfill their obligations without coercion.	2.89	0.97	Moderate Effect
3	Compliance enforcement, such as audits and penalties, has led to higher revenue generation.	2.66	0.96	Moderate Effect
4	Implementation of data management systems to track taxpayer information, improve transparency, and reduce fraud.	2.57	0.95	Moderate Effect
5	General enhancement of tax collection.	2.49	0.99	Low Effect
6	Improvement in tax administration efficiency.	2.45	0.99	Low Effect

7	Increased taxpayer compliance.	2.39	0.93	Low Effect
8	Public tax literacy campaigns had a limited impact on increasing awareness and compliance.	2.38	1.00	Low Effect
9	Amendments to tax policies and revisions to existing tax laws did not significantly impact revenue generation.	2.39	0.97	Low Effect
	Grand Mean (\bar{x})	2.53	0.98	Moderate Effect

Source: Field Survey 2025

The findings presented in Table 1 indicate that tax administration has had a moderate effect on revenue generation in Adamawa State, with an overall grand mean of 2.53 and a standard deviation of 0.98. This suggests that while some improvements have been made in tax collection and compliance, challenges still persist. Among the key indicators assessed, voluntary tax compliance recorded the highest mean (2.89, SD = 0.97), indicating that some taxpayers have willingly fulfilled their tax obligations due to improvements in tax registration, filing, and payment processes. This aligns with the findings of Ogbonna & Ebimobowei (2012), who emphasize that simplified tax procedures encourage compliance. However, the overall compliance level remains insufficient to significantly boost revenue generation.

The effectiveness of compliance enforcement measures, such as audits and penalties, was also moderately rated (Mean = 2.66, SD = 0.96). This suggests that while tax enforcement has played a role in improving revenue collection, it is not yet strong enough to ensure full compliance. Similar studies, such as those by Musgrave & Musgrave (2014), highlight that strong enforcement mechanisms deter tax evasion. However, in Adamawa State, corruption within tax administration remains a significant barrier, reducing the impact of enforcement actions.

Another notable result is the implementation of digital tax administration, which was rated moderate (Mean = 2.57, SD = 0.95). The introduction of technology, such as electronic tax payment systems and automated taxpayer databases, has improved transparency and reduced tax fraud. However, digital adoption remains slow, particularly in rural areas where internet access is limited. Bird (2015) argues that digital tax administration enhances efficiency, but its success depends on taxpayer willingness and accessibility. This suggests that while technological reforms have the potential to improve revenue generation, further investment in digital infrastructure and taxpayer education is needed.

Despite these improvements, some aspects of tax administration were found to have low effects on revenue generation. For instance, general tax collection efficiency (Mean = 2.49, SD = 0.99) and public tax literacy campaigns (Mean = 2.38, SD = 1.00) were both rated low. This indicates that many taxpayers still lack adequate knowledge about tax obligations, which negatively affects compliance. Studies such as Pantamee & Mansor (2016) support this finding, emphasizing that effective taxpayer education is crucial for improving tax compliance. Additionally, revisions to tax policies and amendments to tax laws (Mean = 2.39, SD = 0.97) were found to have limited impact on revenue generation, suggesting that legal reforms alone are not sufficient without strong enforcement and public engagement.

The findings indicate that while tax administration reforms in Adamawa State have led to some improvements in revenue generation, their impact remains moderate due to persistent challenges. Weak enforcement mechanisms, corruption, and inadequate taxpayer awareness continue to hinder optimal tax collection. To address these issues, the state government must focus on strengthening enforcement, expanding digital tax adoption, and enhancing taxpayer education. Without these measures, tax administration in Adamawa State may continue to fall short of its revenue generation potential.

5.1 CONCLUSION AND RECOMMENDATIONS

The study examined the effect of tax administration on revenue generation in Adamawa State, focusing on the performance of the Adamawa State Board of Internal Revenue Service (ASBIRS) from 2019 to 2023. The findings revealed that while tax administration reforms including digital tax systems, enforcement measures, and taxpayer education have led to some improvements, their overall impact remains moderate. The state still faces challenges such as low tax compliance, corruption, weak enforcement mechanisms, and a large informal sector that remains outside the tax net.

The study highlighted that voluntary compliance has improved due to streamlined registration and payment processes, but enforcement mechanisms remain weak, reducing the effectiveness of tax policies. Additionally, digital tax systems have enhanced transparency, yet slow adoption, particularly in rural areas, has limited their full impact. The low effectiveness of taxpayer education campaigns and amendments to tax laws further suggests that legal and awareness-based reforms alone are insufficient without strong enforcement and public trust in the tax system.

To enhance revenue generation in Adamawa State, there is a need for a more strategic approach to tax administration, focusing on improving enforcement, increasing public engagement, and strengthening institutional transparency. Without addressing these critical challenges, the state will remain overly dependent on federal allocations, limiting its ability to finance developmental projects independently.

Based on the study's findings, the following three key recommendations are proposed to enhance tax administration and revenue generation in Adamawa State:

- i. **Strengthen Enforcement Mechanisms to Improve Compliance:** To address this, the Adamawa State Board of Internal Revenue Service (ASBIRS) should increase tax audits, impose stricter penalties on defaulters, and collaborate with law enforcement agencies to enhance enforcement effectiveness. Additionally, anti-corruption measures, such as independent monitoring of tax officials and whistleblower protections, should be implemented to reduce revenue leakages.
- ii. **Enhance Digital Tax Systems for Efficiency and Transparency:** To maximize its impact, ASBIRS should expand internet infrastructure, integrate mobile-friendly tax payment platforms, and offer digital literacy training to taxpayers. Simplifying e-tax registration and providing incentives for online tax filing will also encourage wider adoption, leading to more efficient tax collection and reduced tax evasion.
- iii. **Increase Taxpayer Education and Public Awareness to Boost Compliance:** To address this, ASBIRS should launch targeted education programs in local communities, partner with trade associations and business groups to encourage voluntary compliance, and use radio, television, and social media campaigns to reach a broader audience. Emphasizing the benefits of taxation—such as improved infrastructure and social services will help build public trust and encourage compliance.

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