

Addressing Concerns of Rate Payers for Effective Local Revenue Mobilization within Metropolitan/Municipal/District Assemblies (MMDAs): A Case of New Juaben Municipal Assembly (NJMA)

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ABSTRACT

MMDAs rely on local taxes, levies, rates, fees and licenses collected from local business operators for their internally generated funds. This study has been conducted to survey challenges facing rate payers and suggestions on how to address these issues. Over 1 000 local business operators cutting across various localities within the New Juaben Municipality were interviewed. The study revealed that rate collectors and rate payers have cordial working relationship and that rate payers are willing to pay the monthly rate called Business Operating Permit (BOP) rate which is a rate paid by local business operators for the right to do business within the municipality. However, rate payers lament on the lack of public sanitation facilities, unfair distribution of newly constructed stores, unhygienic environment of the Municipality, high BOP rate, unprofessional character of some rate collectors, and many more. Those interviewed suggested ways to improve on the working relationship between rate collectors and rate payers such as the need for consultation and notification before new rate and/or new revenue collectors are introduced, sensitization of the public on the role and activities of NJMA, creating incentives for local business growth, etc.

Keywords: NJMA, MMDAs, Rate payers, Rate collectors, BOP rate

1. INTRODUCTION

Revenue mobilization is essential for generating funds within Metropolitan/Municipal/District Assemblies (MMDAs). MMDAs depend on a number of sources for revenues to support local development projects. Two main sources identified are locally generated revenues (which are generally called internally generated funds) and central government transfers. Locally Generated Revenues (LGRs) are levies, taxes, rates, fees and licenses mandated by the Local Government Act, 1933 to be collected by MMDAs from their districts/municipalities/metropolitans. Central government transfers are funds received from the central government. This type of revenue stream is usually composed of the District Assemblies' Common Fund, Ceded Revenue, and Recurrent Expenditure Transfers.

2. BACKGROUND OF STUDY

This study was conducted in the New Juaben Municipal Assembly (NJMA) within the Eastern Region of Ghana. The target audiences were the local business operators such as

store traders who are registered rate payers and have been paying Business Operating Permit (BOP) rate for over a year.

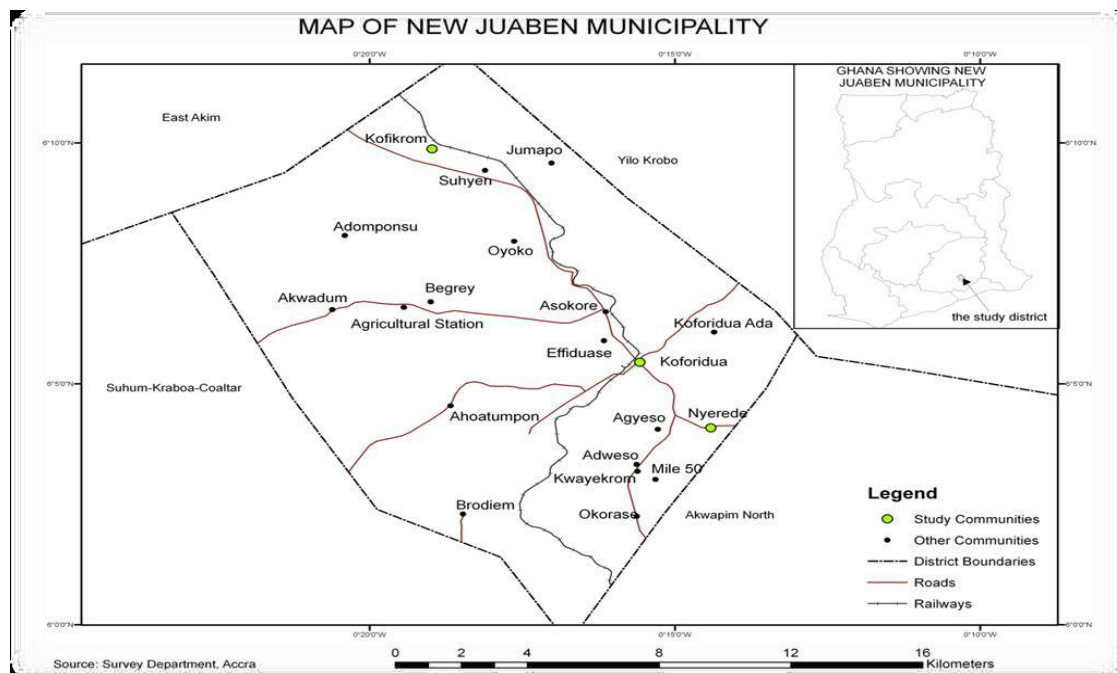
2.1. Location and Size

The New Juaben Municipality (NJM) is located in the Eastern Region of Ghana. The Municipality covers an estimated area of 110 square kilometers constituting 0.57 % of the total land area of the Eastern Region. The Municipality shares boundaries with East-Akim Municipal on the North-East, Akwapim North District on the East and South and Suhum Kraboa Coaltar District on the west. The Municipality has 52 communities with Koforidua serving as the municipal and regional capital. Figure 1 shows the geographical location of New Juaben Municipality

2.2. Population¹

The projected population for 2011 was 181,929 with female population constituting 51.5 percent and 48.5 percent males. The population density is 1,243 persons per square kilometre.

Figure 1: Map of New Juaben Municipality²



2.3. Economy

The key sectors of the Municipal economy are industrial manufacturing and processing which constitutes about 26.7 percent, the service sector 39.9 percent, the agriculture sector 26.1 percent and 7.3 percent engaged in other socio-economic activities. Whilst majority of industrial establishments are found in the central business area of the Municipality, agricultural production is carried out at the small settlements and the peri-urban locations of

¹The Composite Budget of New Juaben Municipal Assembly, Fiscal Year 2012, Page 10

²The Composite Budget of New Juaben Municipal Assembly, Fiscal Year 2012, Page 11

the Municipality. Table 1 below shows the various sectors that constitute the economy of New Juaben Municipality.

Table 1: Industry Analysis of Economy of New Juaben Municipality³

Industry	Activities
1. Manufacturing Processing	Production of Drugs for Infusion & Injection; alcoholic and non-alcoholic beverages, textiles, crafts, soap making, carpentry and joinery, traditional medicine, palm and kernel oil production and beads making
2. Financial services	Commercial Banks, Rural Banks, Insurance Companies, Microfinance Institutions, Credit Unions, Susu Companies and Forex Bureaux
3. Postal services	Courier and Postal services
4. Information Communication Technology	Internet, ICT services
5. Electricity supply	Electricity
6. Agriculture	Cultivation of food and cash crops such as maize, plantain, cassava, pawpaw, pepper, tomatoes, kola nuts etc
7. Education	pre-schools, primary, JHS, SHS, Special School, Technical and Vocational Schools, Teacher Training College and Tertiary Institutions
8. Health	Regional and a Mission Hospital, 2 Health Centres, 11 private Clinics, 3 private Maternity Homes, 10 RCH Centres, 80 TBAs, 15 CHPS and 70 Chemical Shops, 44 Doctors, 387 Nurses and 13 Pharmacist medical services

2.3. Revenue Mobilization Capacity

NJMA generate revenue from two main sources: internal source and external source. Internally generated revenues are taxes and levies paid by the habitants of the New Juaben Municipality. These taxes and levies take the form of rates, licenses, fees and fines, rents, and royalties. The external sources are government supports to MMDAs. The major supports are recurrent expenditure transfers, ceded revenues, and District Assemblies Common Fund. Recurrent expenditure transfers are central government assumed responsibility for staff salaries, operational expenses, and administrative expenses of District Assemblies (DAs).

Ceded revenue comes from the following sources: Entertainment duty under the Entertainments Duty Act 1962, (Act 150); Casino revenue under the Casino Revenue Tax Decree, 1973 (NRCD 200); Betting tax under the Betting Tax Act, 1965 (Act 268); Gambling

³The Composite Budget of New Juaben Municipal Assembly, Fiscal Year 2012, Page 11

tax under the Gambling Machines Decree, 1973 (NRCD 1974); Income Tax (Registration of Trade, Business, Profession or Vocation) Law, 1986 (PNDCL 156); Income tax payable by specified categories of self-employed persons in the informal sector; Daily transport tax under the Income Tax (Amendment) Law, 1987 (PNDCL177); Advertisement tax under the Advertisement Tax Decree, 1976 (SMCD 50). The ceded revenue is centrally collected by the Internal Revenue Service and the total ceded revenue collected for a year is transferred to the Ministry of Local Government which shares it among the DAs using a formula approved annually by the Cabinet. The District Assemblies Common Fund (DACF) was established by article 455 of the Constitution of the 4th Republic of Ghana. Article 252 of the same constitution provides for the establishment of a DACF which shall be allocated annually by Parliament, be not less than five percent of the total revenues of Ghana, be distributed among DAs on the basis of a formula to be approved by Parliament; and be administered by a DACF administrator. The object of the Common Fund is to make available to the DAs additional resources for development. The allocation and disbursement of the Common Fund commenced in 1994 and has made a great impact on the finances of the DAs and on local development.

Other revenue sources are specialized transfers, revenue from lotto operators and special payments. Specialized transfers are revenues collected by relevant central government agencies and transferred to specific districts in which they are collected. They include stool land royalties, timber royalties, Minerals Development Fund, etc. Revenue from lotto operators is derived from the Weekly Lotto (Amendment) Law, 1990 (PNDCL 223). This law gives DAs the power to approve the operation of the district weekly lotto, which may include Banker to Banker; sets out regulations under which DAs may license operators, determine the taxes operators; are to pay and monitor the operations of the operators; and empowers the DAs to license operators within their respective areas of jurisdiction. Special payments are payments made by agencies and companies operating in areas of jurisdiction of the DAs, sometimes gratuitously or as a mark of good corporate citizenship.

2.4. New Juaben Municipal Assembly (NJMA)

The New Juaben Municipal Assembly was established by the Legislative Instrument (LI) 1426 of 1988. The Assembly is made up of 82 Assembly members; 54 elected, 35 government appointees, Municipal Chief Executive and 2 Members of Parliament. There are 2 constituencies in the municipality. These are New Juaben South and New Juaben North. The sub-district structures consist of 13 Zonal Councils and 86 Unit Committees. The Local Government Act, 426 of 1993 that establishes and regulates local government system gives political and administrative authority to NJMA to act within its municipality. It is mandated to provide guidance, give direction to, and supervise other administrative authorities in the municipality.

3. OBJECTIVES OF THE STUDY

The objectives of this study are in two-folds: First, the study seeks to establish the working relationship between rate collectors (i.e. agents commissioned by NJMA to collect rates and levies from business operators within the municipality) and rate payers (i.e. business

operators who pay a monthly rate called Business Operating Permit). Second, the study aims to research on general socio-economic challenges facing these business operators and also sought their answer to these challenges. Specific objectives are:

1. To document public awareness of the mission and role of New Juaben Municipal Assembly within the Municipality;
2. To document public willingness towards payment of Business Operating Permit (BOP) Rate;
3. To document challenges facing local business operators within the New Juaben Municipality and seek their suggestions as to how to deal with these challenges.

4. METHODOLOGY

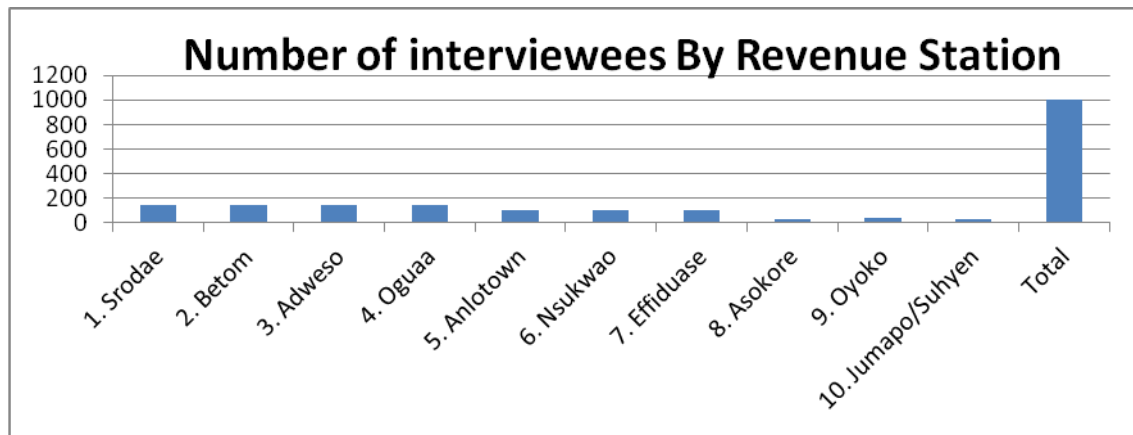
Questionnaires were drafted and subjected to local business operators in the New Juaben Municipality for response. The respondents were asked questions from the questionnaire and their response noted. New Juaben Municipality is subdivided into localities and communities composed of commercial areas. Our study covered the commercial areas within the Municipality. NJMA has classified these commercial areas for the purpose of revenue mobilization into revenue stations. In all there are 10 revenue stations. Our study covered all the 10 revenue stations. The revenue stations and the number of interviewees per stations are listed in Table 2 and presented in Graph 1.

4. Discussion and Analysis of Results

Table 2: Revenue stations and Number of interviewers

Revenue stations	Number of interviewees
1. Srodae	150
2. Betom	150
3. Adweso	150
4. Oguaa	150
5. Anlotown	100
6. Nsukwao	100
7. Effiduase	100
8. Asokore	30
9. Oyoko	40
10. Jumapo/Suhyen	30
Total	1000

Graph 1: Number of interviewees By Revenue Station

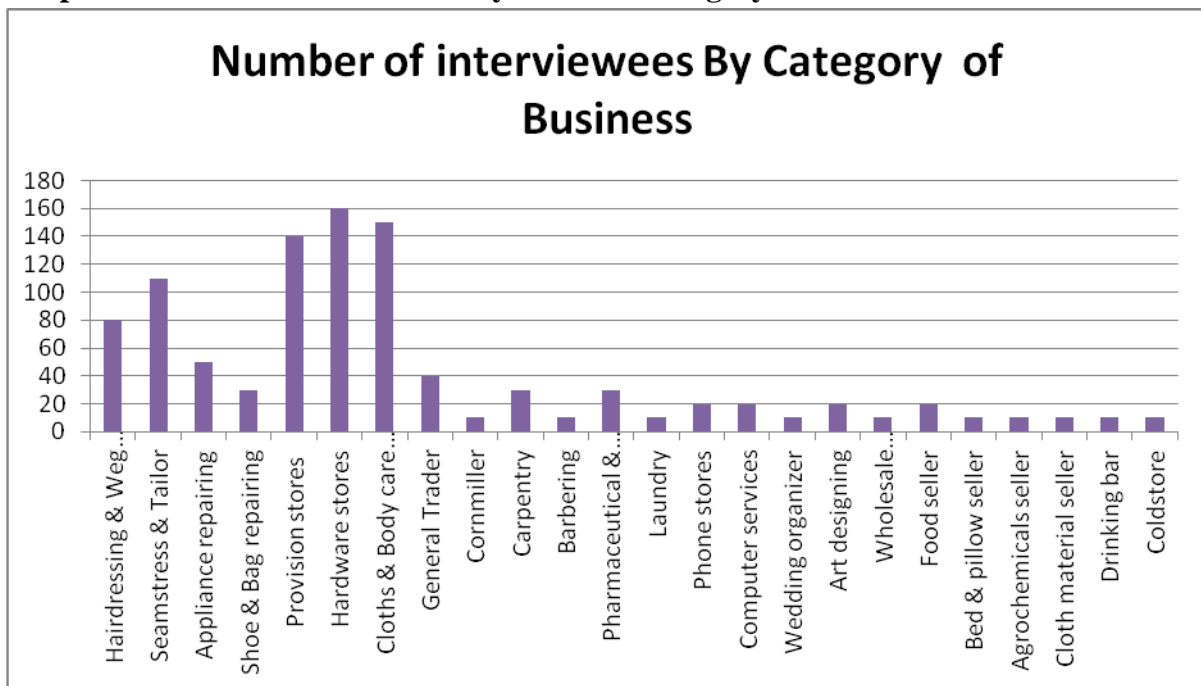


From Table 2 and Graph 1 we see the geographical location of business operators surveyed. Srodae, Betom, Adweso and Oguaa were evenly covered at 15% each of those interviewed. Anlotown, Nsukwao and Effiduase each covered 10% of the total surveyed. Asokore, Oyoko, Jumapo/Suhyen respectively covered 30%, 40% and 30% of the surveyed.

Table 3: Category of businesses and number of traders per category

	Category of business	Component.	Interviewees	Per.
1	Hairdressing & Weg weaving		80	8%
2	Seamstress & Tailor		110	11%
2	Appliance Repairs	TV,DVD, VCD, etc	50	5%
4	Shoe & Bag Repairs		30	3%
5	Provision stores	Consumables/supplies, etc	140	14%
6	Hardware stores	Engines/Vehicle parts, materials, etc	160	16%
7	Cloths & Body care stores	Men/Women wear, shoes, cosmetic, etc	150	15%
8	General Trader	Bed sheets, Towel, pillow cover	40	4%
9	Cornmiller		10	1%
10	Carpentry		30	3%
11	Barbering		10	1%
12	Pharmaceutical /chemist stores		30	3%
13	Laundry		10	1%
14	Phone stores		20	2%
15	Computer services		20	2%
16	Wedding organizer		10	1%
17	Art designing		20	2%
18	Wholesale distributor-Drinks		10	1%
19	Food seller		20	2%
20	Bed & pillow seller		10	1%
21	Agrochemicals seller		10	1%
22	Cloth material seller		10	1%

23	Drinking bar		10	1%
24	Coldstore		10	1%
	Total		1 000	100%

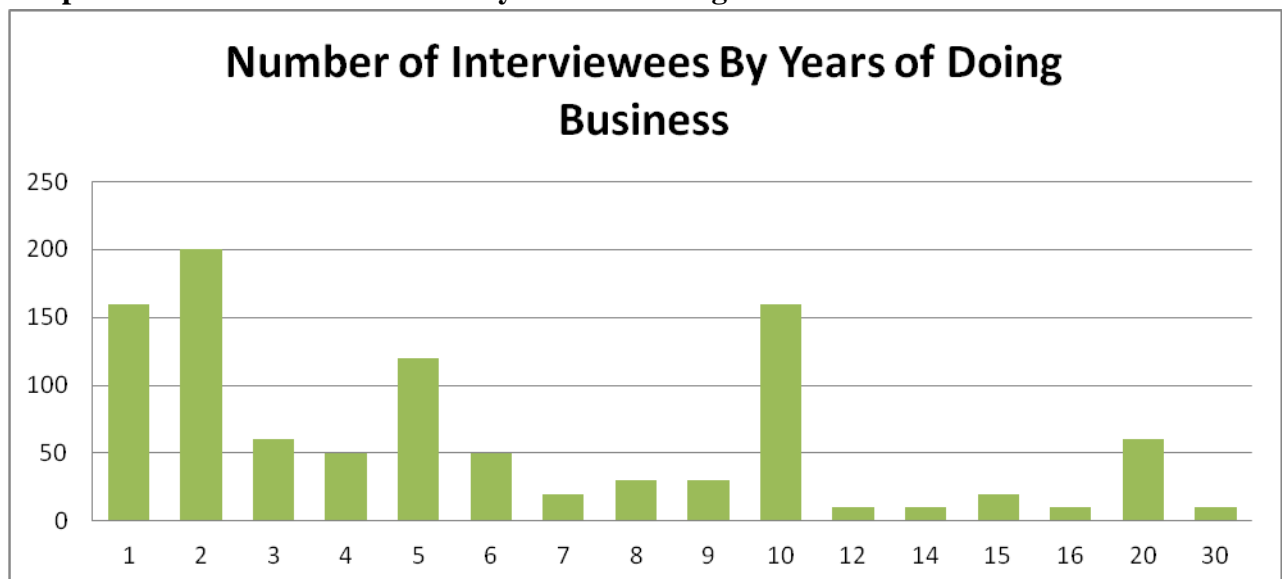
Graph 2: Number of interviewees By Business Category

Local traders interviewed engage in all sorts of businesses. Table 3 lists the categories of businesses engaged by those interviewed within the New Juaben Municipality. From the interview, a total of 24 different business categories were covered. Hardware stores, Cloths & Body stores, Provision stores and seamstress & tailor respectively dominate the business categories at 16%, 15%, 14% and 11%. Graph 2 depicts the distribution of interviewees across business trade.

Table 4: Years of doing business in the Municipality

Years of doing business	Number of interviewees	Percentage
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1	160	16%
2	200	20%
3	60	6%
4	50	5%
5	120	12%
6	50	5%
7	20	2%
8	30	3%
9	30	3%
10	160	16%
12	10	1%
14	10	1%
15	20	2%
16	10	1%
20	60	6%
30	10	1%
Total	1 000	100%

Graph 3: Number of Interviewees By Years of Doing Business

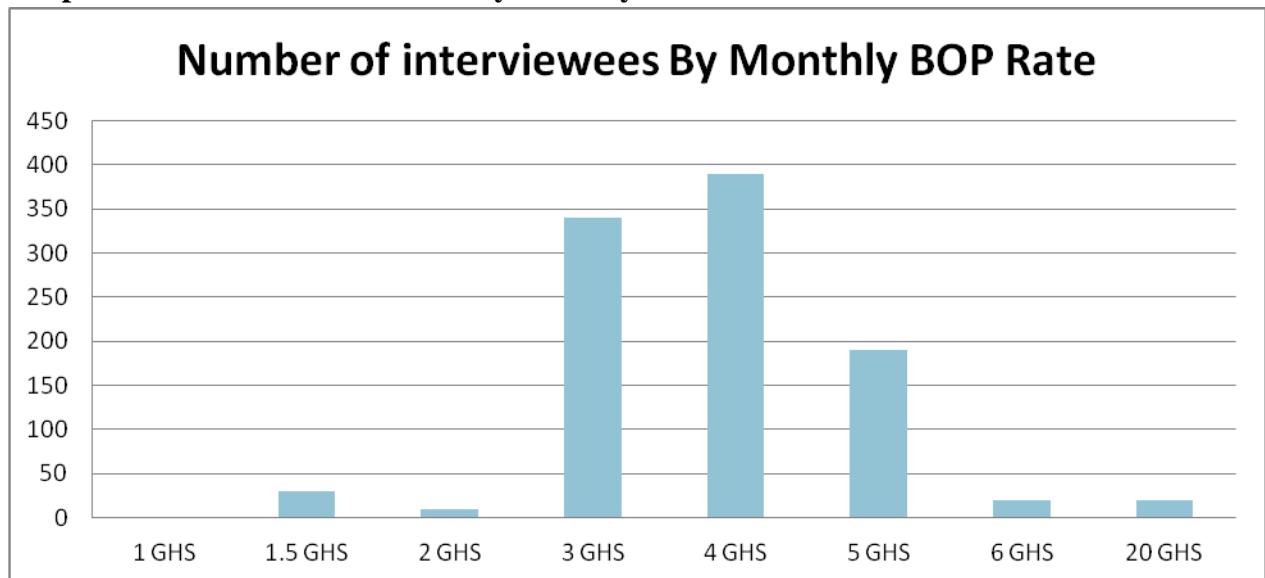
The traders surveyed were interrogated on the years of operating business within the New Juaben Municipality. Those who have been operating for a year or less constitute 16% of the total respondents. 20 %, 16%, and 12% of the respondents have operated for 2 years, 10 years and 5 years respectively. Table 4 and Graph 3 present years of doing business and the number of traders in each category.

Table 5: Monthly Business Operating Permit (BOP)Rate

BOP Rate	Number of interviewees	Percentage
1.00 GHS	0	0
1.50 GHS	30	3%
2.00 GHS	10	1%

3.00 GHS	340	34%
4.00 GHS	390	39%
5.00 GHS	190	19%
6.00 GHS	20	2%
20.00 GHS	20	2%
TOTAL	1000	

Graph 4: Number of interviewees By Monthly BOP Rate



On the basis of monthly BOP rate, 39%, 34% and 19% of the respondents respectively pay GHS 4.00, GHS 3.00, and GHS.500. Table 5 and Graph 4 present the BOP rate and the number of interviewees who pay such rate.

Table 6: Knowledge of NJMA

Response	Number of interviewees	Percentage
Yes	1000	100%
No	0	0%
TOTAL	1000	100%

Documenting traders' awareness of the New Juaben Municipal Assembly (NJMA), practically all respondents are knowledgeable of the importance and role of NJMA. Table 6 shows the survey data on the local business operators' awareness of NJMA.

Table 7: Knowledge of BOP rate

Response	Number of interviewees	Percentage
Yes	1000	100%
No	0	0
TOTAL	1000	100%

Documenting traders' awareness of Business Operating Permit (BOP), practically all respondents are knowledgeable of the existence of BOP rate. Table 7 shows the survey data on the local business operators' awareness of BOP.

Table 8: Willingness to pay BOP rate

Response	Number of interviewees	Percentage
Yes	1000	100%
No	0	0
TOTAL	1000	100%

Documenting the willingness of traders to pay BOP rate, practically all respondents understand the need to pay BOP rate and are comfortable with it. Table 8 shows the survey data on the local business operators' willingness to pay BOP.

Table 9: Regularity of Revenue collectors

Regularity of Revenue collectors	Number of interviewees	Percentage
Yes	980	98%
No	20	2%
TOTAL	1000	100%

Documenting the regularity of revenue collectors on reporting for collection of revenues, 98 % of respondents answered Yes while 20% answered No. Table 9 shows the survey data on the regularity of revenue collectors.

Table 10: Challenges facing business operators in NJMA

	Challenges	Interviewees	Percentage
1	Damage street lights/street potholes	100	11.50%
2	High BOP Rate	210	24.14%
3	Waste collectors want money before collecting waste	20	2.30%
4	Unfair allocation of newly constructed stores	30	3.45%
5	No/insufficient waste bin	100	11.50%
6	Insufficient toilet tankers within New Juaben	10	1.15%
7	Choked/ unclean Gutters	210	24.14%
8	Rate collectors are impatient	50	5.75%
9	Rampant stealing/breaking into stores	100	11.50%
10	No/insufficient Public toilet facility	20	2.30%
	Total	870	100%

Survey on challenges facing business operators in the municipality revealed a number of concerns. The concerns are listed in the Table 10 with the number of interviewees raising that concern. On top of the list, in terms of concerns mostly reported, are high BOP rate and choked/unclean Gutters respectively reported by 24% of interviewees. Next on issue: damage street lights/street potholes, rampant stealing/breaking into stores; and no/insufficient waste bin were respectively reported by 11.5% of the interviewees. Also unprofessional behavior of rate collectors was reported by 5.75% of those interviewed. Other issues such as waste collectors' refusal to collect waste, unfair allocation of newly constructed stores, insufficient toilet tankers, and no/insufficient public toilet facility were reported by less than 5 % of the surveyed.

Table 11: Recommendations & Suggestions

	Recommendations	Interviewees	Percentage
1	Revenue collectors need to be mindful that there are times business might not be good	20	6.67%
2	Consultation & Notification before any new rate is applied and collector	120	40%
3	Consultation & Notification before any new revenue collector is introduced	60	20%
4	Fairness in rate among business buoyant areas and non-business buoyant areas	10	3.33%
5	Boost business growth	20	6.67%
6	Fence both side of side of streets with open gutters	10	3.33%
7	Support to local business operators	20	6.67%
8	Revive and support trade associations	20	6.67%
9	Project to help unemployed people	10	3.33%
10	Public sensitization on NJMA programmes, projects & activities	10	3.33%
	Total	300	100

Those surveyed were also asked to give their suggestions/recommendations as to how the challenges confronting them can be addressed. Table 11 shows the suggestions/recommendations that were raised by the interviewees. The need for consultation and notification with the rate payers before new BOP rate takes effect was high recommended by 40% of the interviewees. Further, the need for consultation and notification with the rate payers before new revenue collectors begin work was recommended by 20% of the interviewees. Cooperation by revenue collectors; boosting of business growth; support to local business operators; revival and support for trade associations were respectively cited by 6.67% of the surveyed. Other recommendations which were cited by 3% of the interviewees are: Ensure fair rate allocation among revenue stations; Create projects to help unemployed people; and lastly enhance public sensitization on NJMA programs, projects and activities.

5. FINDINGS AND RECOMMENDATIONS

Our study reveals a number of observations such as business operators' awareness of NJMA and willingness to pay BOP rate, regularity of revenue collectors, challenges facing business

operators and measures to address this challenges. From our study, we realize that business operators have clear knowledge of the mission and purpose of NJMA which is the local government within the municipality. Local habitants especially business operators engage in a number of businesses with the NJMA such as payment of taxes and levies, registration of businesses, application for acquisition of NJMA constructed commercial stores, and many more. Further findings are: business operators are clearly aware of the obligation to pay the monthly Business Operating Permit (BOP) rate which is a tax paid by them for the right to operate business within the municipality; revenue collectors, in general, are regular in collecting rates from payers; major issues facing local business operators in the municipality are high BOP rate and environmental uncleanness. Recommendations to boost the motivation of rate payers are the creation of a platform where rate payers can dialogue with the Assembly on issues facing them; communication and prior notification of any rate change and/or change in revenue collectors; sensitization on NJMA programmes, activities and projects.

6. ACKNOWLEDGEMENT

I wish to acknowledge Honourable Mr. Alex Asamoah, Municipal Chief Executive (MCE) of New Juaben Municipal Assembly (NJMA) for recommending me to do my national service at the Assembly. Also I wish to show my greatest appreciation to Mr. Felix Quachay Quainoo, Deputy Municipal Finance Officer of NJMA for assigning me the task of surveying the local business operators of New Juaben Municipality to find out the challenges confronting them in doing business within the Municipality. I am also grateful to the local business operators in New Juaben Municipality, especially those interviewed, for their cooperation and sincerity when approached to ask questions.

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