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Empirical Examination of the Relationship Between Contemporary Tax Administration Systems and Revenue Generation Capacity in Selected States of Nigeria

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ABSTRACT: *With the recent rapid economic growth and fiscal development expectations in the global world, the effective administration of taxes plays a pivotal role in sustaining the financial health of nations. This study embarks on a comprehensive exploration of the nexus between contemporary tax administration systems and revenue generation capacity of states in Nigeria. This study adopted a descriptive statistics approach. The population of the study comprised 438 staff of the Kano and Ekiti States Internal Revenue Service. The sample size was 330 and determined by simple random sampling techniques. The data collected were analysed using both descriptive and inferential statistics. The results found that quality personnel had a positive and significant effect on revenue generation in Nigeria. Similarly, enforcement of tax laws had a positive and significant effect on revenue generation in Nigeria. In contrast, information and communication technology (ICT) had an inverse and insignificant effect on revenue generation in Nigeria. Overall, tax administration demonstrated a positive and significant effect on revenue generation in Nigeria. This study recommends State governments in Nigeria should prioritize the recruitment, training, and retention of skilled personnel within their tax administration departments.*

KEYWORDS*:* enforcement of tax laws, information and communication technology, quality personnel, tax administration, revenue generation
Jel Code: H20, H21, H25

INTRODUCTION

In an era marked by rapid economic growth and fiscal development, the effective administration of taxes plays a pivotal role in sustaining the financial health of nations. Nigeria, the most populous country in Africa, is no exception to this global phenomenon (Adebayo et al., 2022). With its vast and diverse economic landscape, Nigeria relies heavily on internally generated revenue (IGR) to fund public services and spur economic development at both the federal and state levels (Akinadewo, 2020). Understanding the dynamics between modern tax administration systems and the generation of state revenues is not just a scholarly pursuit but a matter of utmost importance for the nation's socioeconomic progress (Enahoro & Olabisi, 2012). Nigeria's journey toward fiscal self-sufficiency has been shaped by a complex interplay of factors, including legislative reforms, technological advancements, and changing demographics (Akinadewo et al., 2023). In recent years, the country has witnessed significant transformations in its tax administration systems, driven by the imperative to enhance efficiency, broaden the tax base, and reduce revenue leakages. These developments are particularly salient at the state level, where states are exploring innovative approaches to enhance their IGR streams (Abiola & Asiweh, 2012).

The complexity of the revenue collection system in Nigeria, including the tax assessment procedures and the extended time between assessment and payment by taxpayers, has prompted ongoing reviews of the tax administration process. Salawu (2023) emphasized that the complexity of the revenue collection process has led to delayed revenues. This delay has negative consequences on the government's ability to fulfill its civic responsibilities in a timely manner. Therefore, there is a continuous need to evaluate and improve tax administration to enhance its effectiveness and efficiency. As a result of these challenges, government revenue has been significantly impacted and is experiencing negative effects (Umaru et al., 2019).

The tax administrators in Nigerian local and state governments have been struggling to establish efficient tax administration systems that could generate much-needed government funds. Consequently, the overall Nigerian government has been unable to generate the expected revenue due to the inefficiencies in tax administration. These issues, as pointed out by Afuberoh and Okoye (2014), stem from personnel-related challenges such as understaffing, inadequate remuneration for tax officials, a lack of training, and the overall inefficiency of tax personnel. Additionally, problems like the absence of a reliable database, mismanagement of collected tax revenue, delays in taxpayer payments, ineffective strategies for identifying tax evaders, and ineffective internal control mechanisms contribute to the ineffectiveness and inefficiency of tax administration (Akintoye and Tashie, 2013). Consequently, these issues collectively hinder the government from achieving its anticipated revenue targets, resulting in actual tax revenue falling short of expectations (Akeju, 2018; Akinadewo et al., 2019).

Previously, there has been extensive debate and research such as (Adebayo et al., 2022; Afuberoh & Okoye, 2014; Akeju, 2018; Salawu, 2023) on various aspects of taxation, such as its impact on the economy, growth, revenue generation, and issues like tax evasion and avoidance. However, there has been a noticeable gap in comprehensive studies focusing specifically on tax administration and its relationship with revenue generation. Therefore, there is a need for a more comprehensive and inclusive examination of tax administration's role in revenue generation in Nigeria, especially considering all types of taxes and across a wider geographic scope.

This study embarks on a comprehensive exploration of the nexus between contemporary tax administration systems and the generation of state revenues in Nigeria. It seeks to shed light on the extent to which modern tax collection techniques, digitalization, and policy reforms have influenced the revenue-generating capacities of Nigeria's states. Furthermore, this research contributes to the ongoing discourse on fiscal federalism and revenue mobilization, topics of paramount importance in the Nigerian context.

LITERATURE REVIEW

This reviewed relevant variable of the study.

Tax administration

Tax administration refers to the set of processes, procedures, and activities undertaken by a government or its authorized tax authorities to manage and oversee the collection, assessment, enforcement, and regulation of taxes imposed on individuals, businesses, and other entities within a specific jurisdiction (Olaoye & Kehinde, 2017). It involves the implementation of tax laws and regulations, as well as the facilitation of compliance by taxpayers. Tax administration aims to ensure that tax revenues are collected efficiently, fairly, and in accordance with the legal framework, while also addressing issues related to tax evasion, avoidance, and enforcement. Effective tax administration is essential for funding government activities, public services, and infrastructure development (Adewara et al., 2023; Owenvbiugie & Owenvbiugie, 2020). It is, thus, the argument of this study that tax administration should have positive influence on the revenue generation capacity of states in Nigeria.

Quality of personnel

Quality of Personnel in the context of tax administration refers to the competency, expertise, and professionalism of the individuals who work within tax authorities or agencies responsible for collecting and administering taxes (Theobald, 2018). Tax personnel should possess a deep understanding of tax laws, regulations, and procedures. They should be knowledgeable about various types of taxes, tax compliance, and relevant financial and economic concepts. They should have the necessary skills to perform their duties effectively. This includes analytical skills for assessing tax liabilities, communication skills for interacting with taxpayers, and problem-solving skills for addressing complex tax issues (Etale et al., 2021).

Quality personnel should adhere to high ethical standards and integrity in their work. They should be honest, impartial, and transparent in their dealings with taxpayers and colleagues. Continuous training and professional development are essential for maintaining the quality of personnel (Abiola & Asiweh, 2012). Tax laws and regulations can change frequently, and personnel must stay updated to enforce tax laws effectively. Personnel should be able to provide courteous and efficient service to taxpayers, helping them understand their tax obligations and providing assistance when needed (Adegbite & Fasina, 2019). Quality personnel should have the ability to enforce tax laws when necessary, ensuring that taxpayers comply with their obligations. However, they should do so in a fair and consistent manner. For tax administration, personnel involved in auditing and investigation should have specialized skills in financial analysis, forensic accounting, and auditing techniques to detect and deter tax evasion and fraud (Appah, 2010).

In the modern era, tax administration increasingly relies on data analysis and technology. Quality personnel should have the skills to manage and analyze large volumes of data to identify non-compliance and improve tax collection processes. Effective communication within the tax authority and with taxpayers is crucial (Aminu & Eluwa, 2023). Quality personnel should be able to communicate tax policies, obligations, and changes clearly and effectively. The quality of personnel in tax administration is critical for achieving the goals of tax collection, revenue generation, and maintaining public trust in the tax system. Personnel who are well-trained, ethical, and capable play a vital role in ensuring that tax administration is efficient, fair, and effective (Kambiro, 2018). This study, therefore, hypothesized that increase in quality personnel should result to upward movement in the revenue generation capacity of states in Nigeria.

Information and communication technology

Information and Communication Technology (ICT) in the context of tax administration refers to the use of digital technology, computer systems, software applications, and telecommunications tools to enhance and streamline the processes involved in tax collection, assessment, reporting, and compliance (Awotomilusi et al. 2023). It encompasses a wide range of technologies and applications designed to improve the efficiency, accuracy, and transparency of tax-related activities. ICT enables tax authorities to maintain digital records of taxpayer information, transactions, and financial data (Olaoye & Kehinde, 2017). This facilitates efficient data retrieval and analysis, reducing paperwork and manual record-keeping. Taxpayers can electronically file tax returns and make payments through online portals, reducing the need for physical submissions and enabling quicker processing (Umaru et al., 2019).

ICT tools can analyze large volumes of tax data to identify patterns, trends, and anomalies, aiding in risk assessment, audit selection, and fraud detection. ICT systems allow tax authorities to efficiently register taxpayers, manage taxpayer databases, and validate taxpayer identities. ICT can automate compliance checks, flagging discrepancies and non-compliance issues for further investigation (Etale et al., 2021). In some cases, ICT systems enable the electronic exchange of invoices between businesses and tax authorities, improving transparency and reducing tax evasion. Tax authorities can provide online services, such as tax calculators, FAQs, and educational materials, to assist taxpayers in meeting their obligations (Asaolu et al., 2020). Digital tools facilitate remote auditing and assessment processes, reducing the need for physical presence and making audits more efficient. Ensuring the security and confidentiality of taxpayer data is a critical aspect of ICT in tax administration, with measures like encryption and access controls (Adebayo et al., 2022).

ICT enables tax authorities to communicate with taxpayers through various digital channels, such as email and online messaging, to provide updates, reminders, and information. Some tax authorities offer mobile applications that allow taxpayers to access tax-related services and information on their smartphones (Adegbite & Fasina, 2019). ICT can facilitate data exchange and collaboration among tax authorities at different levels of government and across borders, helping to combat tax evasion and promote international tax compliance. ICT plays a crucial role in modernizing tax administration, reducing administrative burdens, improving compliance, and increasing revenue collection efficiency. However, it also poses challenges related to data security, privacy, and the need for continuous technology upgrades and training for tax personnel (Enahoro & Olabisi, 2012). This study, therefore, hypothesized that increase in application of ICT should increase the level of revenue generation capacity of states in Nigeria.

Enforcement of tax laws

Enforcement of tax laws refers to the process by which tax authorities and government agencies ensure that individuals, businesses, and entities comply with the tax laws and regulations in a specific jurisdiction (Kanbiro, 2018). It involves various activities and measures aimed at collecting the correct amount of taxes owed, preventing tax evasion, and penalizing non-compliance when necessary (Akinadewo & Akinkoye, 2020). Tax authorities actively monitor taxpayers' financial activities, transactions, and financial records to verify compliance with tax laws. This monitoring may involve reviewing tax returns, financial statements, and other relevant documents (Akinadewo, 2020; Batrancea & Moldovan, 2012). Tax authorities conduct audits and examinations to review the accuracy and completeness of tax returns (Asaolu et al., 2020). Auditors assess whether taxpayers have reported their income and deductions correctly and have paid the appropriate amount of taxes. Tax authorities have the authority to obtain information from various sources, such as financial institutions, employers, and third parties, to verify the accuracy of taxpayer-reported information. Tax authorities have the power to impose penalties, fines, and interest charges on taxpayers who fail to meet their tax obligations. These penalties serve as a deterrent against tax evasion (Akinadewo et al., 2023). In cases of serious tax evasion or non-compliance, tax authorities may initiate legal actions, such as tax liens, levies, and property seizures, to collect unpaid taxes (Akintoye & Tashie, 2013).

Tax authorities often engage in taxpayer education and outreach programs to inform taxpayers about their tax obligations and promote voluntary compliance. Some jurisdictions have whistleblower programs that encourage individuals to report tax evasion by offering rewards or incentives to those who provide information leading to the identification and recovery of unpaid taxes (Akinadewo & Akinkoye, 2020; Aminu & Eluwa, 2023). In cases of cross-border tax evasion, tax authorities may cooperate with other countries' tax authorities and international organizations to share information and combat tax evasion on a global scale. Effective enforcement of tax laws is essential for maintaining tax revenue, funding government operations and public services, and ensuring fairness in the tax system. It also helps deter tax evasion and promotes confidence in the tax system among taxpayers. However, it is important that tax enforcement activities are carried out fairly, transparently, and in accordance with the law to protect the rights of taxpayers (Akinadewo, 2020). It is, thus, argued by this study that the increase in application of ICT should increase the level of revenue generation capacity of states in Nigeria.

Revenue generation

Revenue generation involves the process of creating income or financial resources for an organization, entity, or government through various means (Owenvbiugie & Owenvbiugie, 2020). These encompass the sale of goods or services, investments, taxation, grants, or other sources of income, etc. It constitutes a foundational element of financial management and the sustainability of organizations and governments, as they heavily rely on revenue to cover expenses, invest in growth, meet financial obligations, and ensure operational viability (Akinadewo et al., 2019). Effective revenue generation holds paramount importance for the fiscal sustainability of organizations and governments (Theobald, 2018). It serves as a means to secure adequate income for covering operational expenses, facilitating future growth endeavors, and servicing debts. Furthermore, revenue generation is integral to strategic planning, as it necessitates the forecasting and management of income to attain predefined goals and objectives (Salawu, 2023).

Maximizing revenue generation frequently entails optimizing revenue collection processes, enhancing sales and marketing strategies, and ensuring adherence to tax and financial regulations (Umaru et al., 2019). Revenue generation, essentially, represents the process of procuring income or funds from diverse sources to maintain and foster the operations and expansion of organizations, entities, or governments. It constitutes a critical aspect of financial management and is indispensable for achieving financial stability and fulfilling financial objectives (Aminu & Eluwa, 2023). In the realm of tax administration, revenue generation takes on a specific role. It pertains specifically to the procedures involved in gathering taxes and obligatory payments from individuals, businesses, and entities within a particular jurisdiction. This revenue is subsequently allocated to finance governmental operations and public services. Tax authorities and agencies responsible for enforcing tax laws are primarily concerned with this objective (Afuberoh & Okoye, 2014; Akinadewo et al., 2023).

Tax authorities engage in the collection of various taxes, encompassing income tax, sales tax, property tax, corporate tax, and other levies and duties as mandated by tax legislation. Central to revenue generation is the encouragement and assurance of taxpayer compliance with tax regulations (Abiola & Asiweh). This involves promoting the timely and accurate submission of tax returns and the payment of owed taxes. In instances of non-compliance, tax authorities may resort to various enforcement mechanisms, such as audits, penalties, and legal actions against tax evaders and individuals who fail to fulfill their tax obligations (Akinadewo et al., 2019). The efficiency of the tax collection process plays a pivotal role in maximizing revenue generation. Streamlining collection methods reduces administrative costs and enhances revenue collection effectiveness (Emmanuel, 2018).

Equitable revenue generation is contingent on the fair distribution of the tax burden among taxpayers, ensuring that those who owe taxes contribute their fair share. Additionally, tax authorities often engage in revenue forecasting to estimate the expected revenue for a specified period, aiding in budgeting and financial planning (Adebayo et al., 2022). The formulation and implementation of tax policies, including tax rates and exemptions, can significantly impact revenue generation and are often subject to evaluation for their revenue implications. Moreover, tax authorities may undertake public education and outreach efforts to inform taxpayers of their obligations and encourage voluntary compliance, ultimately enhancing revenue generation. Leveraging information technology and automation within tax administration processes can streamline operations, mitigate errors, and enhance the precision and efficiency of revenue collection (Adegbite & Fasina, 2019).

Tax administration and revenue generation

Tax administration and revenue generation are closely interconnected aspects of fiscal management within a government or governing body (Abiola & Asiweh. 2012). They encompass the processes and activities related to the collection, management, and utilization of tax revenues, which are critical for funding public services, government operations, and overall economic development. Tax authorities are responsible for the collection of various forms of taxes, such as income tax, sales tax, property tax, corporate tax, and others (Adewara et al., 2023). Tax administration involves tasks like taxpayer registration, tax return processing, audit and enforcement of tax laws, and maintaining taxpayer records. Revenue generation, on the other hand, is the broader concept that encompasses the process of collecting funds or income for the government from various sources, including taxes. While taxes are a significant source of revenue for governments, revenue generation may also include income from other sources such as grants, investments, fees, and fines (Afuberoh & Okeoye, 2014).

The primary purpose of revenue generation is to provide the necessary financial resources to support government activities, public services, and infrastructure development. Taxes are typically the most substantial source of revenue for governments at various levels (local, regional, and national). Effective tax administration is essential to ensure that tax revenues are collected efficiently, accurately, and in a timely manner, contributing significantly to overall revenue generation (Etale et al., 2021). Tax policy decisions, such as setting tax rates and identifying taxable entities, directly influence revenue generation. Governments strategically design tax policies to achieve specific revenue goals while considering economic and social objectives. Efficient tax administration processes and effective enforcement mechanisms are critical for maximizing revenue collection. Encouraging and ensuring taxpayer compliance is essential for achieving revenue targets, and tax authorities play a central role in these efforts (Emmanuel, 2018).

Revenue generated through taxation is a key component of government budgets. Accurate revenue forecasting and financial planning are reliant on efficient tax administration and compliance to allocate funds for public expenditures (Owenvbiugie & Ownvbiugie, 2020). Revenue generation, including tax revenue, supports economic development by funding infrastructure projects, education, healthcare, and other public services that drive economic growth. Tax administration is the operational aspect of managing tax collection and compliance, while revenue generation encompasses the broader goal of securing funds for government operations and public services. The effectiveness of tax administration directly impacts a government's ability to meet its revenue generation targets, fulfill its financial obligations, and contribute to economic development (Salawu, 2023). This also shows in Table 1, where the total tax collected by the State Internal Revenue Service (SIRS) for Ekiti and Kano states, and the percentage contribution for 2015 to 2021. This indicates that the highest revenue generated by ESIRS is in year 2021 and the lowest value was generated in 2016 while in the case of Kano state, 2018 was the year in which the State inland revenue service had the highest value and the lowest value generated was in 2015.

Table 1: Summary of Internally Generated Revenue (IGR) Collected by Ekiti and Kano State Internal Revenue Service from 2015 to 2021.

	Ekiti State Internal Revenue Service		**Kano State Internal Revenue Service**	
Year	**Taxes collected by ESIRS**	**Percentage share (%)**	**Taxes collected by KIRS**	**Percentage share (%)**
2015	3,297,707,703.96	0.062	13,611,853,935.85	4.4
2016	2,991,041,855.48	0.011	30,959,027,531.92	3.5
2017	4,967,499,815.79	0.014	42,418,811,470.64	4.8
2018	6,465,374,250.655	0.018	44,107,375,284.25	4.2
2019	8,546,875,648.24	0.64	40,593,701,332.48	3.04
2020	8,716,460,193.84	0.67	31,819,816,711.74	2.44
2021	13.845,578,456.45	0.014	40.487,459,264.52	3.58
TOTAL	**34,984,959,467.97**		**203,510,586,266.88**	

Source: www.nigerianstat.gov.ng (accessed in 2023)

Theoretical Review

This study delved into the Benefit Received Theory, anchoring its assessment of tax efficiency and evaluation of fiscal policy on this principle. Originating with economists Knut Wicksell (1896) and Erik Lindahl (1919) from the Stockholm School, the Benefit approach was initially conceived as a means to achieve a just income distribution. This theory posits that taxation is akin to a mutual arrangement between the state and taxpayers, wherein individuals contribute in proportion to the benefits they receive. Essentially, it suggests that the tax burden should be distributed based on the extent of benefits conferred. In simpler terms, the foundation of this theory rests on the idea that taxation should be imposed on individuals according to the advantages they gain. In other words, the more one benefits from the state's activities, the more they should contribute to government revenue. To put it differently, regarding these theorists, it is expected that taxpayers need to fulfil their tax responsibilities to the government to the value equivalent to the public goods and services they have enjoyed as if they were making direct purchases. However, it is important to note that the Benefit theory has faced criticism on several fronts.

This states of a strict linkage between benefits received and benefits derived, it would contradict the fundamental nature of taxation. Taxes are compulsory contributions to public authorities designed to cover government expenses and provide general benefits. There is no direct exchange of value (quid pro quo) in taxation. Furthermore, a substantial portion of state expenditures is geared toward the general welfare of all citizens. On tax administration and revenue generation, the Benefit Received Theory prompts consideration of how tax burdens should be distributed based on perceived benefits. However, its practical application faces challenges and criticisms, particularly when it comes to achieving a fair and equitable tax system.

Empirical Review

Salawu (2023) delved into the influence of tax administration on both revenue generation and economic development. The study's outcomes underscored the substantial impact of tax administration on revenue generation, highlighting that inefficient tax administration could lead to diminished tax revenues, slowed economic growth, and increased social disparities. Conversely, proficient tax administration can boost tax compliance, resulting in elevated government tax revenues and stimulating economic progress.

In a parallel study, Adebayo et al. (2022) explored how tax administration influences government revenue generation in Osun State, Nigeria. The study aimed to assess the ramifications of insufficient staffing and inadequate training among tax collectors on revenue generation, as well as to investigate how improper record-keeping and accounting practices by revenue officers affect overall revenue generation. The research offers valuable insights for revenue agencies, emphasizing the need to recruit skilled professionals to manage tax administration effectively. Previous research in Lagos State had already indicated inefficiencies in tax administration due to inadequate training of tax officers. The study adopted a descriptive survey design and employed purposive sampling techniques, involving a total of 187 respondents. Data were collected through questionnaires, and both descriptive and inferential statistics were utilized for data analysis. The results conclusively demonstrated that staff shortages, inadequate training, and improper record-keeping had a significantly adverse impact on revenue generation.

Additionally, Etale et al. (2021) delved into the connection between e-tax administration and government income in Nigeria. The study utilized an ex-post facto research design and tested three hypotheses at a significance level of five percent. Proxies for electronic tax administration included e-tax clearance certificates, electronic filing of tax returns, and electronic tax identification, while firm income tax served as a proxy for government revenue. Secondary data were sourced from reports on taxes from the Internal Revenue Service, the Central Bureau of Statistics, and the Quarterly Economic Reports, spanning the period from 2014 to 2020. The acquired data underwent analysis using multiple regression based on the Ordinary Least Square Method. The findings revealed that the e-tax identification system, e-tax clearance certificates, and electronic filing of tax returns all had a substantial positive impact on the amount of corporate income tax revenue generated in Nigeria.

Umaru et al. (2019) investigated the influence of information technology on tax administration within the Adamawa State Board of Internal Revenue in Yola, Nigeria. Their research employed a survey research methodology, involving data collection from a sample of respondents. The study's population encompassed both senior and junior staff of the Adamawa State Board of Internal Revenue in Yola, totaling 483 individuals. To determine the sample size, the researchers adopted Yemani's (1964) approach, which yielded a sample size of 210 participants. The study utilized both primary and secondary data sources, incorporating questionnaires, textbooks, journals, newspapers, and official documents from the Federal Inland Revenue Service (FIRS), encompassing both print and electronic materials related to information technology and its impact on tax administration. The research tested its hypothesis using regression analysis, with the findings indicating that information technology significantly affects tax administration in Adamawa State Board of Internal Revenue, Yola.

Adegbite and Fasina (2019) conducted an analysis of the effects of taxation on revenue generation in Nigeria, examining the direction of causality between taxation and revenue generation. They employed the Johansen co-integration method and Granger causality tests on secondary data spanning the period from 1970 to 2017. The results revealed a positive and significant impact of tax administration on government-generated revenue in Nigeria during the specified period.

Theobald (2018) conducted research on the impacts of tax administration on government revenue in the Dar es Salaam region of Tanzania. The study involved the administration of questionnaires to 85 targeted respondents to gather essential information. The findings highlighted that effective tax administration in Tanzania was influenced by factors such as sound tax design, effective tax policies and laws, the structure of tax administration, tax collection methodologies, the utilization of computerized systems for maintaining taxpayer records, outsourcing revenue collection to private tax collectors, capacity building, coordination with other entities, and proper maintenance of taxpayer records.

Emmanuel (2018) aimed to ascertain the effect of tax administration on revenue generation in Gombe state, Nigeria, utilizing a survey research design. The study primarily relied on data collected through questionnaires and employed descriptive statistics, including frequencies and simple percentages, for data analysis. The research also subjected the questionnaire to reliability assessment using Cronbach's Alpha. Three hypotheses were presented and tested using statistical methods such as Spearman's Rank correlation, Pearson correlation, and linear regression. The study's findings indicated that tax administration in the state was not efficient and effective, resulting in low revenue generation levels that were insufficient to meet the state's objectives. The study also revealed that these challenges were compounded by a lack of taxpayer awareness and incidents of tax evasion and avoidance. In view of the

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reviewed study, it is left still unclearly answered, empirical evidence on how the modern modes of administering taxes in Nigeria affect the revenue of state governments, which this study eventually filled. The study also hypothesized thus:

H_{o1}: There is no significant relationship between Quality Personnel and revenue generation capacity in Kano and Ekiti States Board of Internal Revenue Service.
H_{o2}: Enforcement of Tax Laws has no significant relationship with revenue generation capacity of Kano and Ekiti States Board of Internal Revenue Service.
H_{o3}: There is no significant relationship between Application of ICT and revenue generation capacity in Kano and Ekiti States Board of Internal Revenue Service.

METHODOLOGY

The study adopted a descriptive research design due to its unique nature and the specific variables outlined in its objectives. It utilizes both primary data through questionnaire from the staff of finance, planning/budgeting, and administration departments of Kano and Ekiti States Board of Internal Revenue Service. The choice to focus on the staff of these units is based on their knowledge of government policies and activities concerning tax administration and revenue generation, as well as their insights into taxpayer behavior within their respective regions. The distribution of this is shown in Table 2.

Table 2: Population Distribution of the Study

STATE	UNITS/CADRE			POPULATION
	Finance Unit	**Planning/Budgeting Unit**	**Admin. Unit**	
KANO	38	75	125	238
EKITI	30	65	105	200
TOTAL	68	140	230	438

Source: Authors' Compilation (2023)

The research employed a Simple Random Sampling (SRS) method for sample size selection. Population was 438 staff members of Kano and Ekiti States' internal revenue service, and Taro Yamane (1967) formula was used in the determination of the sample size which came to 330.

$$n = \frac{N}{1 + N(e)^2}$$

Where: n = Sample Size
e = Level of significance (at 95% confidence level)
N = Population Size (400)

$$n = \frac{438}{}$$

$1 + 438(0.05)^2$

$n = \frac{438}{1.90} = 230$

$n = 330$

Hence, a sample size of 330 individuals was calculated from the total staff count of 438. To obtain the proportionate sample size for each stratum within the study's stratified total population of 438, the following formula was applied:

n = (Nh/N) *n

Where n = is the sample size for stratum h,

N = is the population size for stratum h.

N = is the total population size

n = is the total sample size (Trek, 2012).

Below is the distribution of sample size for both states:

Kano State

n = (238/438) *330 = 179

Ekiti State

n = (200/438) *330 = 151

The validity and reliability of the research instrument were ensured through a systematic process. Three copies of the instrument were provided to three research experts for thorough examination and necessary corrections. This step aimed to validate the questionnaire's content and structure. The reliability of the instrument was assessed using the Cronbach's Alpha Coefficient test. The results of this test indicated a reliability ratio of 0.764, suggesting that all the questions within the questionnaire exhibited internal consistency. In other words, the questionnaire demonstrated a high degree of reliability, implying that the questions were consistent in measuring the intended variables.

Model specification

The functional representation of the model is given thus, which was adapted from Asaolu, Akinkoye & Akinadewo (2020). In their study, the model specification was:

TED = *f* (DPDS, FAIIS, AMLS, HHIC). Based on these modifications, the new functional model for this study is presented thus:

RGC = *f* (CTASs) ………………………………………………………………… (3.1)

CTASs is proxy by QUAPERS, ENFORTAX, KICT

Therefore, RGC= *f* (QUAPERS, ENFORTAX, KICT) …………………………… (3.2)

RGC = $f(\beta_0, + \beta_1 QUAPERS + \beta_2 ENFORTAX + \beta_3 KICT + \mu)$ ………………….. (3.3)

Where:

RG is Revenue Generation Capacity

CTASs is Contemporary Tax Administration Systems

QUAPERS is Quality Personnel

ENFORTAX is Enforcement of Tax Laws

KICT is Application of ICT

f is functional relation

μ is error term

The *a priori* expectation: $\beta_0, \beta_1, \beta_2, \beta_3 > 0$.

RESULTS AND DISCUSSION

The results of this study are extensively discussed

Multiple Regression Result

This sub-section presents regression analysis results that are used in examining the impact of the explanatory variables on the dependent variable that would help in testing the hypotheses.

Table 3: Multiple Regression Result

Variable	Coefficient	t- value	Sig.
Constant	6.108	5.975	0.000
Quality Personnel (QUAPERS)	0.476	5.128	0.000
Enforcement of Tax Law (ENFORTAX)	0.245	2.742	0.007
Application of ICT (KICT)	-0.044	-0.537	0.592
R^2	0.445		
Adjusted R^2	0.412		
F- stat (Sig.)	13.737 (0.000)		

Source: Researchers' Computation (2023)

Table 3 presents the regression results of the study variable (dependent and explanatory variable). Also, it reveals a coefficient of determination (R^2) of 0.445 with adjusted R^2 as 0.412. This means that 44.5% of changes in revenue generation were caused the variables selected while the 55.5% changes in revenue generation capacity of states were caused by other factors not included in this model. The value of R2 dropped to just 3.3% in the R^2 adjusted, this indicates that the cross validity of this model was fine. The f-statistic from the table is 13.74 which means that a model with a larger f-statistic indicates that the model account for the variation in the dependent variable is statistically significant with the p-value is 0.00 which is significant at 5% level of significance.

The regression also shows that all explanatory variables have positive p-value except for application of ICT (KICT). Furthermore, QUAPERS (0.000) and ENFORTAX (0.007) are found to be statistically significant to revenue generation capacity (RGC) at 0.05 level of significance, which means they are directly related to the dependent variable (RGC), while application of ICT (KICT) (0.592) is statistically insignificant to revenue generation capacity (RGC) at all level of significance.

QUAPERS and ENFORTAX have positive and significant impact on the dependent variable RGC. This suggests that QUAPERS and ENFORTAX have direct effect on the level of RGC in Ekiti and Kano State in Nigeria this implies that an increase in the variables will lead to an increase in revenue generated in both states (Ekiti and Kano) if other variables are held constant. The result also reveals that the application of ICT (KICT) has a negative and insignificant impact on revenue generation in the states. This suggests that the application of ICT has no direct impact on RGC in Ekiti and Kano States.

Statistical Test of Hypotheses

In testing the hypotheses, the researcher adopts the 5% level of significance as it is normally used in social science research in Table 3.

H_{o1}: There is no significant relationship between Quality Personnel and revenue generation capacity in Kano and Ekiti States Board of Internal Revenue Service. The result shows that quality personnel have a positive and significant impact on revenue generation in Kano and Ekiti with (β 0.476, $P<0.01$). As such, the null hypothesis is rejected.

H_{o2}: There is no significant relationship between the enforcement of tax laws and revenue generation capacity in Kano and Ekiti State Board of Internal Revenue Service. The result shows that enforcement of tax laws has a positive and significant influence on revenue generation capacity with (β 0.24005, $P<0.01$) Therefore, the null hypothesis is rejected.

H_{o3}: There is no significant relationship between knowledge of ICT and revenue generation in Kano and Ekiti States Board of Internal Revenue Service. From the regression results, knowledge of ICT and revenue generation has an inverse and insignificant influence on revenue generation with (β -0.044, $P>0.1$) Therefore, the null hypothesis is accepted.

DISCUSSION OF FINDINGS

This study embarks on a comprehensive exploration of the nexus between contemporary tax administration systems and the generation of state revenues in Nigeria. It seeks to shed light on the extent to which modern tax collection techniques, digitalization, and policy reforms have influenced the revenue-generating capacities of Nigeria's states. The results found that quality personnel had a positive and significant effect on revenue generation in Nigeria. Similarly, enforcement of tax laws had a positive and significant effect on revenue generation in Nigeria. In contrast, information and communication technology (ICT) had an inverse and insignificant effect on revenue generation in Nigeria. Overall, tax administration demonstrated a positive and significant effect on revenue generation in Nigeria.

CONCLUSION AND RECOMMENDATIONS

This comprehensive study delves into the intricate relationship between contemporary tax administration systems and the generation of state revenues in Nigeria. It aims to uncover the impact of modern tax collection techniques, digitalization, and policy reforms on the revenue-generating capabilities of Nigeria's states. The research findings reveal several key insights. Firstly, the presence of quality personnel within the tax administration system is shown to have a positive and substantial effect on revenue generation in Nigeria. Additionally, the enforcement of tax laws is found to exert a positive and significant influence on revenue generation within the country. However, in contrast, the study indicates that information and communication technology (ICT) has an inverse effect on revenue generation capacity in Nigeria, albeit an insignificant one.

Collectively, the research underscores the significance of tax administration in driving revenue generation capacity in Nigeria, with quality personnel and effective enforcement of tax laws emerging as critical factors in this process. In conclusion, this study highlights the intricate interplay between tax administration systems and revenue generation in Nigeria. The positive and significant effects of quality personnel and the enforcement of tax laws underscore the importance of having skilled and dedicated individuals within the tax administration sector. They play a pivotal role in enhancing revenue generation. While the study suggests an inverse relationship between ICT and revenue generation, it's important to note that the insignificance of this effect warrants further investigation. It's possible that, with advancements in technology and improved implementation, ICT could potentially contribute positively to revenue generation in the future. Overall, the research underscores the vital role of effective tax administration in supporting revenue generation efforts in Nigeria's states.

Based on the study's findings, the following recommendations are proposed: Firstly, State governments in Nigeria should prioritize the recruitment, training, and retention of skilled personnel within their tax administration departments. Quality personnel play a pivotal role in enhancing revenue collection. Secondly, effective enforcement of tax laws is crucial for revenue generation. State authorities should strengthen their efforts to ensure that taxpayers comply with tax regulations. Also, while the study indicates an inverse relationship between ICT and revenue generation capacity, it is advisable for policymakers to reevaluate the implementation of information and communication technology in tax administration. There may be opportunities to harness ICT for more efficient tax collection. Lastly, further research and analysis are recommended to explore the dynamics between ICT and revenue generation in more detail. This will help in better understanding the potential benefits and drawbacks of technology in tax administration. By implementing these recommendations, Nigerian states can work towards improving their tax administration systems and, in turn, enhance revenue generation, contributing to their fiscal sustainability and development.

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