SCHEME OF WORK FOR ECONOMICS

FIRST TERM SENIOR SECONDARY SCHOOL TWO

SESSION 2026/2027

1. **AGRICULTURE**
2. **INDUSTRIALIZATION**
3. **MARKET STRUCTURE**
4. **PETROLEUM**
5. **PRINCIPLE OF FINANCE**

INSTRUCTION: PRINT AND SPIRAL BIND

AGRICULTURE

Introduction: Agriculture involves productive activities like growing of crops, raising of animals (including poultry), fishing and forestry.

Types of Agriculture

Agriculture can be classified into four main types, namely, crop production, livestock farming, fishing and forestry.

CROP PRODUCTION: Crop production involves raising agricultural products from plants. These plant products are grouped as follows:

a. Grain crops, which include rice, maize and wheat

b. Legumes, which include beans, peas and groundnut

c. Oil seed crops, such as soya beans and palm fruit

d. Tuber crops like yams, cassava and potatoes

e. Sugar crops, such as sugar-cane and sugar-beet

f. Fiber crop, such as cotton

g. Tree fruits, such as oranges and mangoes

h. Nut crop, such as coconuts

i. Vegetables, such as melon, tomatoes and pumpkins

j. Forage crops, which are grown as food for animals

LIVESTOCK FARMING: Livestock farming involves the rearing of animals and processing of animal products for use by humans and animals. These animals include cattle for beef and dairy products, and sheep, pig and goat for meat. The final products in poultry farming are chicken meat and eggs. Horses may be bred for recreation.

FISHING: In the past, particularly in West African countries, traditional methods were used for catching fish in the seas and rivers. Today, however, fish production is now carried out in fishponds and harvested as an agricultural pursuit.

FORESTRY: Forestry deals with the felling of trees and processing the logs into timber and wood products. It includes the regeneration of economic trees, through afforestation programmes which are designed to replace what we take out of nature. We plant and maintain the forest in order to produce further plants for timber and other wood products.

CHIEF AGRICULTURAL PRODUCTS

Chief agricultural products in West Africa include cocoa, palm oil, palm kernels, yams, groundnuts, cotton, timber, rice, maize, millet, fish, rubber, cattle, cassava, cocoyam, plantain, coffee beans and kola nuts.

TYPES OF AGRICULTURAL SYSTEMS IN WEST AFRICA

1. **PEASANT FARMING**: This involves cultivation of a small scale area of land. The land on which peasant farmers cultivate is often owned communally and they employ mainly their own family labour. Peasant farming is also called subsistence agriculture because it is aimed at producing to meet their own needs for survival or to eke out a living from their farm produce. The size of land used by peasant farmers is determined by the size of their family land and the number of members of their family interested in farming. Rudimentary farming equipment such as hoes, cutlass, axes, etc. which are crude in nature are usually used in peasant farming.

2. **PLANTATION FARMING**: This system of farming involves the use of a large estate of land permanently planted with economic or commercial crops. Such crops planted on plantation farming include cocoa, tea, cotton, sugar-cane, tobacco, rubber, palm tree, coffee and other commercial crops. In plantation farming, land would be owned by the government, private individuals or corporate bodies. Mechanized equipment and modern inputs are mainly used in plantation farming.

3. **MECHANIZED FARMING**: Mechanized farming involves the extensive use of machines and other types of advanced mechanical devices in agricultural production. Mechanized agriculture ensures large scale production because the use of human labour is replaced with that of machines such as tractors, ploughs, harvesters and other engine-driven devices. Mechanized farming has not been popularized in West Africa.

4**. CO-OPERATIVE FARMING**: This is a type of farming in which farmers come together to form a sort of association or union. This type of farming is adopted in order to obtain loans and aids from government to be able to procure pesticides, etc.

<u>Problems facing Agriculture in Wesr Africa</u>

1. The Use of Crude implements: Farmers in West Africa still use traditional crude implements like hoes and cutlasses because agriculture has not been mechanized in West Africa.

2. Poverty: Due to poverty, farmers cannot afford to embark on large-scale farming, buy good implements and hire more labour that can increase their productivity.

3. Illiteracy and Ignorance: AS a result of illiteracy and ignorance, farmers in West Africa cannot adapt to the modern method of farming, the use of implements like tractors, harvesters, the application of insecticides and pesticides etc.

4. Conservatism: Many farmers follow the footsteps of their parents and as a result find it inconvenient to change the system of farming they were brought up with.

5. Lack of credit facilities: Credit facilities like loans, seeds, insecticides, pesticides etc. do not go to the real farmers but to emergency ones who are businessmen, who use the loans for their business and resell the seeds etc.

6. Lack of storage facilities: This forces farmers to embark on low productivity and practice small scale farming since they do not have storage facilities where they can store the excess products if they produce more crops.

7. Poor Transportation: This prevents the farmers from carrying their crops to areas where they can attract higher prices and are therefore forced to sell them within their vicinity where they attract low prices because almost everybody is a farmer.

8. Problem of Land Tenure System: It does not encourage large scale farming since land is owned communally, and as a result does not make provision for outsiders who have the capital and willingness to embark on large scale farming.

9. Unfavourable Climate: The distinct features of West African climate are rainy season and the dry season, but there are times when the dry season is unduly long, leaving only a short growing season and hence, low production of agricultural commodities.

10. Poor Marketing System: Agricultural products in West Africa are not put in good conditions before they are marketed. For instance, they are not graded and packaged in order to attract higher prices.

11. Absence of Able-Bodied Youths: Migration from the rural areas to the urban centers, especially by the young school leavers, leaves farming in the hands of the very old men and women who cannot produce enough.

12. Pests and Diseases: They reduce quality and quantity of agricultural products and the poor conditions of farmers put them in a pitiable situation where they cannot afford to purchase insecticides and pesticides to reduce insects and pests menace.

13. Absence of research: Farmers, because of their low level of education, do not carry out research on how to improve their productivity.

14. Natural Disaster: They include drought, erosion, etc. which play major role in causing low productivity in West Africa.

15. Lack of Medical Facilities: This results in poor health of the farmers which militates against their efforts.

<u>Measures to improve Agricultural Production in West Africa</u>

The following measures can be taken to improve agricultural production in West Africa.

1. Land Tenure System: There is need for the reformation of land tenure system to encourage large scale farming.

2. Provision of Adequate Storage Facilities: The Government should assist farmers obtain adequate facilities in the form of silos for farm products and cold room for fresh fish and

meat. This will increase the supply of agricultural products on the market as well as incomes for farmers.

3. Provision of Economic Infrastructure: Such as roads and dams in fertile but poor rainfall area.

4. Provision of Social Infrastructure: Such as hospitals, good houses, electricity, cinema houses. This will stop the drift from rural to urban areas of potential agricultural sector workers.

5. Improved Transport Facilities: Transport facilities can be improved by making all feeder roads passable throughout the year. This will encourage more production and better distribution of agricultural products.

6. Improvement of Extension Services: To educate farmers and making improved seedlings available.

7. Introduction of Better Species of Plants and Animals: There is need for the introduction of better and improved species of plants, fish and other animals to enable agriculture to keep pace with industrial development and population growth.

8. Regular and Sufficient Supply of Inputs: The basic inputs necessary for higher productivity in agriculture should be provided regularly and in sufficient quantities e.g. more fertilizers, insecticides, harvesters and spraying machines should be made available.

9. Construction of Irrigation Systems: Irrigation dams should be built to supply water during dry seasons. This will ensure continuous production of agricultural products throughout the year.

10. Mechanization of Agriculture: to ensure mass production and less human labour.

11. Forest Development: Forest regeneration and the development of plantations should be progressively pursued as this will not only provide wood and timber, but also help to check soil erosion.

12. Establishment of Agro-based industries: to make use of raw materials and produce farm implements.

13. Farmers should have better and stable prices for their products.

14. Agricultural Research institutes should be established and adequately funded.

15. Loans should be made Available: It is often difficult if not impossible for farmers to obtain loans to improve and expand their farms. There is the need for the government to create agricultural credit organization that can give loans to farmers. Government should also encourage the formation of cooperative societies, through this method farmers will be able to save and thereby pool their resources together to purchase the necessary modern farming equipment.

<u>Contribution of Agriculture to Economic Development</u>

Agriculture has contributed immensely to the economic development of various West African countries. Some of the contributions are as follows:

1. Provision of Food: Agriculture is the main source of food supply used in feeding the teeming population in both agricultural and non-agricultural sectors. However, total food supply is often supplemented by imported food items, due partly to increased emphasis on cash crop production and partly to generally low agricultural productivity.

2. Provision of Raw Materials for Local Industries: Majority of the raw materials used in industries in West Africa are obtained from agriculture. For example, the various textile industries depend on home-produced cotton to some extent. Manufacturing industries depend on palm oil and palm-kernels, tyre manufacturing industries use rubber, chocolate and cocoa beverage making industries use cocoa, footwear (i.e. shoes and sandals) making industries use leather tanned out of hides and skins and the various furniture industries use timber and plywood.

3. Earning of Foreign Exchange: Agriculture is the major earner of foreign exchange in West Africa because it constitutes the main bulk of exports, prominent among the agricultural cash crops are cocoa, coffee, rubber, timber, groundnuts, hides and skins and palm products. However, the only exception is Nigeria which earns more than 85 percent of its foreign exchange from petroleum.

4. Provision of Employment: Agriculture provides employment opportunities for more than 60 percent of the population of West Africa.

5. Creation of Market for Industrial Products: Industrial products like hoes, cutlasses, fertilizers, insecticides, pesticides etc. are bought and used by farmers.

6. Sources of Income: The selling of agricultural products after the reservation of those used for food, earns a lot of money to individuals and governments in West Africa.

7. Provision of Capital for Industries: The major bulk of money used in establishing and financing industries in West Africa comes from agriculture.

8. Sources of Labour for Industries: Agriculture provides unskilled labour which is in abundance to industries in West Africa.

Measures taken by West African Government to increase Agricultural Production

After independence, West African governments have taken various steps to increase agricultural production. The following are some of the measures.

1. Fixing of Reasonable Price for Agricultural Products: Through the establishment of Marketing Boards, farmers were offered reasonable prices for their products. The increased income arising from the attractive prices encouraged farmers to increase production. Marketing Boards also helped to regulate prices and ensure that farmers are protected, especially against international price fluctuations, in respect of cash crops such as cocoa, palm produce, rubber, cotton and groundnuts.

2. Formation of Co-operatives: Governments of West Africa encouraged the formation of cooperatives in order to solve the problems caused by ordinary farmer's limited means.

3. Establishment of Agricultural Corporations: During the Third National Development Plan, various state governments in Nigeria established agricultural corporations in order to boost food production. Examples are the Agricultural Development Corporations and the Agricultural Development Programmes established in twelve states in Nigeria.

4. Provision of Easy Short and Medium Term Credit to Farmers: In order to provide short and medium-term credit to farmers, the government of Nigeria established the Nigerian Agricultural and Co-operative Bank and Agricultural Credit Scheme. In practice, however, only corporate, large-scale farms and farmers who possessed adequare collateral benefited from the credit lending schemes.

5. Provision of Inputs at Subsidized Prices: Another measure taken by the government was to provide inputs at subsidized prices. Fertilizers, pesticides and improved seeds were to be sold to farmers at prices very much below the market rates.

6. Encouragement of Large–Scale Farming: During the Fourth National Development Plan of Nigeria, government's emphasis shifted from encouraging private enterprise to encouraging large-scale farming. To achieve government's aim, the following measures were taken:

i. pioneer enterprises were granted income tax relief.

ii. farm machinery were imported duty free.

iii. foreign investment in agriculture was encouraged.

iv.Centers for seed multiplication schemes, animal and fish production programmes and improved breeding of livestock and poultry were created by the government.

v.The government was also to acquire better and adaptable simple agricultural implements and make them available to farmers.

In Nigeria, due to oil wealth, government expenditure on agriculture increased considerably. Both the military and civilian regimes made special efforts both in the past and in the present, to increase the production of food crops. In 1972, the National Accelerated Food Production Programme was launched. Operation Feed the Nation (OFN) was launched in 1976 while the Green Revolution was launched in 1979. These efforts yielded some positive results, although there were problems. Also in the 1970s, the military regime launched several giant irrigation schemes in the North, the Kano River, Sokoto Rima and South Chad Schemes. Since the early 1980s, the Federal Government has engaged in direct food production through River Basin Development Authorities (RBDAs) with particular emphasis on irrigated cultivations though with little success.

INDUSTRIALIZATION

Definition of Industry: It is defined as those economic activities which involve transformation of basic or semi-processed inputs into new products. Such economic activities include manufacturing, mining, construction, electricity generation, and so on.

INDUSTRIALIZATION: involves a relatively large manufacturing sector and a highly developed technology, both of which are applied to the development of other sectors of the economy, namely agriculture, mining, commerce and services. An industrialized nation, therefore, has the greater part of her labour force in manufacturing and processing and in the service industry. In other words, industrialization is synonymous with development.

Ways in which the Federal Government has encouraged Industrialization in Nigeria

1. Reduction in company tax in order to attract both local and foreign industrialists. Also pioneer industries are granted tax concessions for a specified number of years during which the company will not pay tax.
2. Infant industries are protected through high import duties, outright ban or quotas on imported commodities which compete with those of home industries.
3. Reduction of import duties and issuance of more import licences for the importation of machinery and raw materials.
4. Provision of infrastructural facilities such as better system of road networks, and more efficient telecommunications, electricity and water supply systems, air and port facilities.
5. Setting up of more industrial development banks such as the Nigerian Industrial Bank that have made more funds available to potential industrialists and also helped to supervise the establishment of these industries.
6. Provision of medical facilities that have assured would-be investors of good health condition.
7. Creation of industrial estates that have helped to remove the bottleneck in acquiring land.
8. Training of more man-power through establishment of more universities and colleges of technology, as well as on-the-job training which have gone a long way in raising the level of knowledge of the average Nigerian.
9. The Governments have also attempted to establish some industries directly or through partnership with private firms or individuals.
10. Government of Nigeria has also encouraged industrialization through development of the rural areas from where the raw materials come from with the establishment of DEFRI.

LOCATION OF INDUSTRIES: Industries are not just sited anywhere. The siting of an industry is the responsibility of economic planners who take both geographical and economic conditions into consideration before an industry is located at any place.

Factors that influence the location of an Industry

The following are factors that influence the location of an industry.

i.Supply of Power: To get a factory running there must be some sort of power to generate the machines. There is the need for an abundant supply of power before factories can go into operation. This power may be coal, water or electricity. Constant power failure often runs a businessman into great loss. A businessman therefore tries to locate his industry at a place where he can obtain abundant, cheap and regular supply of power. This explains why many industries are located in urban centers where we do have adequate supply of power.

ii. Availability of Raw Materials: Adequate supply of raw materials should also be considered in siting an industry in a place. For instance, the ideal place for location of a textile industry is where cotton is found abundantly. Similarly, in the case of iron ore or timber, transport cost of materials is minimized by locating the factory near the source of supply. It will pay an industrialist to site his sugar factory in or near the sugar-cane belt.

iii. Availability of Markets: Among the important factors usually taken into consideration is the availability of a large market for the products. More industries are usually attracted to places with large population made up of people with reasonable purchasing power. This is another reason why many of our industries in Nigeria are found in large urban areas like Lagos, Kano, Kaduna, Enugu, Abuja etc.

iv. Supply of Labour: Adequate supply of labour both skilled and unskilled is an important factor which influences where an industry should be located. An industry needs hundreds of workers both skilled and unskilled. It would therefore not be a reasonable venture to site an industry in a particular place where it will be difficult to get the required kind of labour to run the industry.

v.Transport: The raw materials to be used in a factory are to be carried from different places to the site of the factory just as the finished products too have to be carried to both near and far markets. Where transport cost is high and unreliable, the manufacturer may consider moving nearer either to the sources of raw materials or to markets to reduce the cost of transport. Therefore, a place where there is a convergence of different types of transport is always preferable to a place where there is no means of transport.

vi. Government Policy: In some places the government may decide where an industry is to be sited. The government may wish to maintain some fair distribution of industries all over the country or may wish to maintain some balanced development. An example of this kind of decision is the establishment of a petroleum refinery in the far north of the country, far away from the source of petroleum which is the basic raw material.

vii. Adequate Capital: Without adequate capital, a factory cannot be profitably run. Since it is not always possible for businessmen to provide enough capital to operate, they therefore have to look for loans from banks and financial institutions around. Therefore, a businessman will like to locate his factory where there is facility for obtaining loans.

viii. Favourable Natural or Geographical Conditions: The businessman must also take account of favourable natural or geographical conditions before siting an industry at a certain place. This is why in some countries industries requiring large water supply are often not sited in the dry or desert parts of the countries. After all other conditions have been satisfied, the favourable natural conditions to make effective co-ordinations possible must not be overlooked.

xi. External Economies: The location of many industries in urban centers like Lagos, Kano, Ibadan, Enugu, Port-Harcourt and Abuja can, to a large extent, be attributed to external economies. These cities are large commercial centers where services like banking, insurance and stock exchange are available. Roads, railway and air links are well developed and the provision of electricity, water and industrial estates result in substantial reduction in costs for new industries. Firms may easily sell their by-products to many other firms and adequate repair services for machinery and factory equipment are available. Labour are also readily available.

Reasons for Government participation in the location of Industries in Nigeria

1. To Ensure Spread of Industries: Government participates in the location of industries in Nigeria in order to make sure that industries are scattered all over the country.
2. Political Consideration: Another reason is political consideration. Politicians may ignore all relevant factors and site an industry in an area that voted for them as a compensation.
3. Strategic Reason: Government participates in the location of industries for strategic reasons. Those industries that produce arms and ammunition that are essential to national survival must always be protected from competition.
4. Huge Amount of Capital Involved: The huge amount of capital involved in the location and establishment of some industries may never be afforded by individuals hence government participation.
5. To Provide Employment Opportunities: Government participates in the location of industries in order to provide employment opportunities to the citizens of the country.
6. To Ensure Even Rapid Economic Development: Government participates in the location of industries in order to ensure even rapid economic development.
7. To Ensure the Standardization of Locally Made Goods: Government participates in the location of industries in Nigeria in order to ensure the standardization of some locally made goods.
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9. o Raise the Standard of Living of the People: Another reason why government participates in the location of industries in Nigeria is to raise the standard of living of the people.

10. To Avoid Private Monopoly: Government participates in the location of industries in Nigeria in order to avoid private monopoly. Private monopoly in the location and establishment of industries is detrimental to members of the public.

11. The location and establishment of some industries need to be under the direct control of the government of a country to avoid them falling into the hands of foreign economic desperadoes.

LOCALIZATION OF INDUSTRIES

Definition: Localization of industries arises when industries are concentrated in a particular area or locality. The tendency towards localization of industry is becoming common in most West African countries. Urban centers in the country and State Capitals in Nigeria also enjoy localization of industries. Examples of areas or urban towns in Nigeria where industries have been localized or concentrated are Lagos, Kano, Enugu, Port-Harcourt, Ibadan and Kaduna. All these places are better served with transport, power and telecommunication facilities.

Advantages of Localization of Industries

(i) Supply of Skilled Labour: Localization of industry leads to an increase in the supply of skilled labour for the local industry.

(ii) Growth of Subsidiary Industries: Localization leads to the growth of subsidiary factories and secondary industries. These subsidiary industries grow up to cater for the needs of the major industry. Also, other services such as banking, insurance, catering and retail trading may spring up to provide the needs of firms in the major industry.

(iii) Provision of Infrastructure: Concentration of industries in a particular place leads to the provision of infrastructures such as roads and social amenities either by the firms or the government or both.

(iv) Organized Markets: Localization of industries also leads to the establishment of highly organized markets, which involves being in constant touch with distant customers, bulk purchase of raw materials and organized wholesale trades.

(v) Employment Opportunities: Localization of industries encourages the growth of industries and also leads to the creation of employment opportunities.

(vi) Cooperation between Firms: Localization encourages cooperation between localized firms. For example, the firms can pool resources together for bulk purchasing of raw materials which will drastically reduce the cost per unit of materials and consequently leads to a reduction in the cost of production.

(vii) Division of Labour and Specialization: Localization of industries may lead to the division of labour and specialization. As a result of concentration of firms, it becomes possible for individual firms to specialize in single processes or in particular variety of a commodity.

Disadvantages of Localization of Industries

i. Target for Enemy Attack: An area where industries are located is usually a bombing target during a war. The aim is to cripple the country economically. This may make the affected country surrender for economic reasons.

ii. Unemployment: Failure of a localized industry may lead to mass unemployment. Therefore, too much dependence on one industry may make an area prone to depression and unemployment if the localized industry collapses.

iii. Social Problems: Localization of industries may lead to congestion. Social services may become inadequate for the people. Traffic congestion may arise, water supply may become inadequate and there may be housing problems.

iv. Other Areas May Suffer: Localization of industry may make other areas suffer because it is only the developed areas that will continue to attract new companies. Areas that are not yet developed may not attract industries.

Problems facing Industrialization in West Africa

i. Inadequate Capital: Acute shortage of capital has hindered, to a large extent, indigenous industrialists from embarking on profitable investment projects. It is difficult to raise capital in West Africa because income is low but propensity to consume is high. Also indigenous industrialists could not obtain credit on easy terms because they cannot provide the necessary collateral security. Furthermore, the local industrialists are unable to save enough to expand their businesses due to low profits and excessive spending on marriages and unnecessary celebrations.

However, efforts are being made to minimize the problem of capital shortage. Funds are being made available to industrialists through industrial banks and credit corporations. Encouragement is given to industrialists to pool their resources together, while habits of thrift and saving are also encouraged.

ii. Lack of Skilled Personnel: Inadequate skilled personnel is also a serious handicap to industrial development in West Africa. However, this problem is now recognized in most West African countries where high-level manpower is being trained by the Universities and Polytechnics.

iii. Poor Infrastructural Development: The poor transport facilities and communication system hinder the expansion of markets. It takes a very long time to convey manufactured goods from the factories to markets because of the poor condition of the transport system. Improvement in transport will not only widen the market, it will also create rooms for further specialization and thus more varieties of goods will be produced.

iv. Small Markets for Industrial Goods: In West Africa the inadequacy of markets for industrial goods constitutes obstacle to industrial development. The low income per head sets limit to the ability of the people to buy industrial goods. The limited market obstructs industrial development in several other ways. The small market size does not induce most entrepreneurs who might wish to invest his scarce capital. In addition, the small market prevents production that can bring about appreciable reduction in costs.

v. Political Instability: Political instability is a very serious impediment to industrialization. Frequent change of government especially through coup d'etat creates an atmosphere of fear and insecurity, thus scaring away foreign investors.

vi. Shortage of Certain Raw Materials: Shortage of certain raw materials impede the setting up of some industries. In West Africa, industrialists interested in iron and its allied industries are handicapped as a result of absence of raw materials. Industrialists are forced to import a large proportion of their raw materials. This increases cost of production.

vii. Low Income: The extended family system in West Africa whereby a single person may have to cater for over thirty people hinders ability to save and invest and further worsens capital shortage problem.

viii. Administrative Restraints: In West Africa, businessmen lack good organizational ability simply because most of them are illiterates or semi-illiterates who find it difficult to undertake modern techniques of business administration.

INDIGENIZATION POLICY IN NIGERIA

Indigenization is a deliberate government policy aimed at giving Nigerians increased involvement in the ownership, control and management of the country's productive enterprises. Early in 1972, the Federal Government promulgated the Nigerian Enterprises Promotion Decree otherwise known as "Indigenization Decree". The Decree became effective on 1st April 1974.

AIMS OF INDIGENIZATION POLICY

1. To create more opportunities for Nigerian indigenous businessmen
2. To maximize local retention of profit
3. To raise the level of intermediate and capital goods production
4. It also aims at ensuring greater security of vital industries where foreign domination could lead to economic sabotage e.g. iron and steel.
5. It is also aimed at saving foreign exchange by eliminating the opportunity of foreign personnel repatriating incomes to their home countries.
6. Indigenization is also a way of tailoring the various industrial processes to suit our local needs i.e. it serves as a way of improving local resources as much as possible in our industries so as to make them more indigenous and less foreign.

NIGERIAN ENTERPRISE PROMOTION DECREE: Business enterprises in the Nigerian economy are grouped into two schedules by the Decree, namely Schedule 1 and Schedule 2.

Schedule 1: Under Schedule 1, 22 industrial and commercial ventures are exclusively reserved for Nigerians. Businesses included in Schedule 1 are: bread and cake making, rice milling, tyre retreading, singlet manufacture, ordinary ferment manufacture, newspaper printing and publishing; manufacture of jewellery and related articles, candle manufacture; the production of blocks, bricks and ordinary tiles; radio and television broadcasting; haulage of goods by road; casinos and cinemas; and retail trade.

Schedule 2: Schedule 2 contains those enterprises where 40% of the equity shares are to be owned by Nigerians. There are 33 enterprises in Schedule 2 which include beer brewing, boat building, bottling of soft drinks; meat slaughtering and processing, furniture making, fish and shrimps trawling and processing; manufacture of bicycles; metal containers, matches, cement, wires, nails, washers, soap and detergents, insecticide, pesticides and fumigants and suit cases and bags, wholesale distribution; supermarkets, departmental stores, and estate agencies.

THE NIGERIAN ENTERPRISES DECREE 1977

The Nigerian Enterprises Decree 1977 is a modification of the Nigerian Enterprises Promotion Decree of 1972. The 1977 Decree provides for three schedules of enterprises instead of two. There is no change in Schedule 1, but the new Schedule 2 raises the minimum Nigerian equity participation in business enterprises from 40% to 60%. Schedule 3 allows 40% Nigerian participation in the interests and activities of all enterprises not specially listed in Schedules 1 and 2.

MARKET STRUCTURE

Defining a market: A market is defined as a set of condition under which exchange between buyers and sellers takes place.

Types of Market

1. **Product market**: It is a place where consumer and producers goods are sold and bought e.g. food items, tractors, television e.t.c.
2. **Factor market**: It is a place where different types of products are bought by those in need of it
3. **Financial market**: It is a market that deals on all types of financial assets e.g. banks, capital market e.t.c.
4. **Commodity market**: This is a market or trading arrangement for basic raw materials such as gold, oil, cotton e.t.c.

MARKET STRUCTURE

DEFINITION: It is defined as the different types of market situations or condition faced by buyers and sellers. The structure of any market is determined by the number of buyers and sellers in the market. There are two main forms of market structure namely, the perfect market structure and the imperfect market competition.

PERFECT COMPETTION

DEFINITION: It is a market situation in which there is a large number of buyers and sellers of a commodity.

Characteristics of a perfect competition

1. **Large number of buyers and sellers**: The presence of large number of buyers and sellers ensure that no seller or buyer by its own action can affect the prices of output.
2. **Free entry and free exit**: There is free entry into the market and free exit of firms from the market, meaning that anyone can freely invest into the business and also quit the business at any time they so desire.
3. **Homogenous product**: All the products sold in the market are identical in that, sellers sell exactly the same kind of product
4. **Perfect knowledge**: All buyers and sellers have knowledge of the prices of goods and services sold in the market hence no one seller can influence the price of the product neither can the buyer cheat the seller by deflating the price
5. **No preferential treatment**: Everyone pays equal amount for goods and services provided.
6. **Mobility of factors of production**: Producers are free to introduce new invention or innovation into their production and marketing strategies.

Effects of perfect competition

1. The firm is a price- taker in that, it cannot dictate the price he charges for his product
2. Same prices is paid for every single same product
3. Exploitation of consumers is rare
4. Sellers do not make abnormal profit

IMPERFECT MARKET COMPETITION

DEFINITION: It is defined as a market situation in which there are only a few sellers of different products manufactured by different firms. There are different types of imperfect competition namely, monopoly, oligopoly, monopolistic competition, duopoly and duopsony.

MONOPOLY: It is defined as a market situation where there is only one producer or seller of a commodity with no close substitute.

Characteristics

1. There is only one producer of a particular product
2. There is no close substitute for the goods and services produce
3. There is no free entry and exit into the market as a result of laws, patent rights or trade union activities

4. The monopolist exploit the consumer and hence make abnormal profit
5. They are price- givers because they determine the ruling price

Types of monopoly

1. **State Monopoly**: These are government organization and institutions that have been given the patent rights or absolute authority over the production of certain goods or the rendering of certain services e.g. NEPA, NITEL, NIPOST e.t.c
2. **Natural Monopoly**: These are firms which turned out to be natural monopolies either on account of their efficiency or uniqueness in the design of their product or sourcing of raw materials.
3. **International Monopolies/ Cartels**: These are monopolies that emerged as a result of the coming together of countries producing a particular products to control the prices and qualities of their products e.g. OPEC.

Causes of Monopoly

1. **Uneven distribution of natural resources**: Some places or countries are more naturally endowed than others in certain crops and minerals
2. **Raw materials**: Some firms have control over their sources of raw materials hence they become monopolist
3. **Patent rights**: This is the right given by the ruling authority to certain inventors for them to be the sole producer of that commodity e.g. The Nigerian Bottling Company PLC is the only one given the right to produce Coca- Cola.
4. **Huge capital**: The huge capital required to set up some businesses, put people off the job and as such, the few that are able to, automatically become monopolies.
5. **Operational efficiency**: The superior operational efficiency in production and marketing system made some firm to become monopolist

Control of Monopoly

Monopolists can be controlled through the following means

1. Taxing the excess profits of the monopolists
2. Nationalizing or privatizing the industry
3. Setting up of an anti- monopoly campaign or body through the process of law
4. Set-up a legislation to regulate or fix prices of monopoly products and prices of factors of production
5. Consumer solidarity to protect or boycott the purchase of a product should in case the public finds it price too high

OLIGOPOLY

It is a market structure in which there are only a few producers or sellers of a commodity with close substitute

Types of Oligopoly

1. **Perfect Oligopoly**: This is a type of market situation in which there are a few producer or seller of a homogenous product
2. **Imperfect Oligopoly**: This is a market situation in which there are a few producers or sellers whose products are heterogeneous

DUOPOLY

This is a market structure in which there are only two producers or sellers of a particular product. Here, the competition is very tough or keen.

MONOPSONY

This is a market structure where there are only two sellers of a product or a service e.g. the services of a pilot are hired either by civic aviation Agencies or the Nigerian Air force

MONOPOLISTIC COMPETITION

This is a market situation in which there are many producers or sellers of a particular product with close substitute e.g. the toothpaste industry has differentiated brands

Features of Monopolistic Competition

1. The products are same but differentiated through branding e.t.c
2. No free entry or exit of firms
3. There is imperfect knowledge of the market situation among the buyers and sellers and that is what account for the differences in prices of products
4. There are many buyers and sellers
5. The product of one firm is not a perfect substitute for similar products of other firms

DIAGRAM OF PRICE AND QUANTITY DETERMINATION UNDER PERFECT COMPETITION

The condition for a firm's equilibrium under perfect competition is that the marginal curve must cut the marginal revenue from below

The firm is said to be in equilibrium when profit is maximized. The profit- maximizing position of the firm is achieved when total revenue less total cost (Tr – Tc)is at a maximum. In order words, profit is maximized when MR = MC = AR =DD = P. This is so because, in a perfect market, buyers and sellers are well informed of the market conditions and as such, the market price will adjust instantly and the actual selling price and the equilibrium price would be automatically identical at any point in time.

DIAGRAM OF PRICE AND QUANTITY DETERMINATION UNDER MONOPOLY

A monopolist can either have full control over the price he charges for his product or the quantity he wishes to sell. He can control either the price or the quantity but not both at once.

A monopoly can influence the market price, by reducing output, he forces the price up and by increasing output, he forces the price down. In the diagram, the marginal revenue curve and the average revenue curve are different from that of a perfect competition. The average revenue is different from the marginal revenue curve because in order for the monopolist to be able to sell extra units of his product, he has to lower his price which means a fall in his marginal revenue and vice- versa. That is why, at all time, the marginal revenue and the demand curve are not the same.

The addition to revenue resulting from increasing the level of sales by one more unit in the market price of that unit, hence making the MR and AR curves to coincide in the same horizontal straight line.

The Average Revenue curve is the same as the market demand curve which in downward sloping. The marginal curve does not coincide with the demand curve because the sale of an extra unit forces down the price at which all units can be sold.

A monopolist maximizes profit at the level of maximum output. The condition for a firm's equilibrium is that the marginal curve must cut the marginal revenue curve from below at point E. The monopolist will charge a price (M) making an excess profit represented by rectangle (PMTE). At that point, marginal revenue is greater than marginal curve. Profit will increase as long as MR = MC. In the case when MC> MR, the monopolist will reduce his output to the level when marginal cost is again equal to the marginal revenue.

The monopolist competitor has some control over the price of his product since it is unique in a sense, as he practices product differentiation. The equilibrium point or condition is the same as that of a monopolist. If the price of the product exceeds marginal curve and marginal revenue, supernormal profits are made by the figure PFCE. The existence of these supernormal profit will attract new firms to enter the market and compete away the supernormal profits until a normal profit is earned.

PETROLEUM AND OTHER MINERAL RESOURCES IN NIGERIA

Historical development of Petroleum industry in Nigeria

The development of the petroleum industry in Nigeria started in 1908 by a German Company called Butman Corporation when they made the 1st attempt to explore oil in Nigeria. Later in 1937, Shell D' Aery came in. Further still in 1956, Shell B.P. came in and embarked on a more economic production in the Niger Delta region of Nigeria and they discovered the first commercial crude oil in the country at Oloibiri in the present day Rivers State and by 1958, full scale production took off. Later, other companies such as Agip, Gulf (now known as Chevron) e.t.c. came in. By 1965, the hydro Carbon Oil Refinery Act was made and this gave license for the first refinery in Eleme, Port- Harcourt to start off. A petroleum decree was made in 1967 which gave right to fix petroleum prices by the government. Ever since 1976 till date, petroleum has remained the major source of government revenue.

Positive contribution of Petroleum to Nigerian Economy

1. Source of government revenue
2. Generation of employment
3. Infrastructural development
4. Source of foreign exchange
5. Establishment of oil related industries e.g. petro- chemical industry
6. Improvement of balance of payment
7. Major source of energy e.g. diesel, petrol, kerosene
8. Provision of wide range of products e.g. fuel, paint, tiles, insecticides, fertilizer e.t.c
9. Improvement of standard of living when people who work are paid wages

Negative contribution of Petroleum to the Nigerian Economy

1. Environmental pollution
2. Increase social vices e.g. corruption, armed and pen robbery
3. Development of monoeconomy
4. Neglect of agriculture and other sectors
5. Rural- Urban migration which leads to pressure on the social amenities at the receiving end
6. High rate of inflation as a result of too much money in circulation
7. Political instability as a result of civic unrest and vandalization
8. Deprivation of means of livelihood as a result of oil spillage on the waters

Other Mineral resources in Nigeria

1. **Coal**: It is a sedimentary rock mineral found in Enugu and Okaba in Benue State
   Uses
   i. It is used in homes and in railway locomotives
2. **Iron ore**: It is a basement complex rock mineral found in Itakpe in Kogi State and Aladja in Delta State
   Uses
   i. It is used for making Iron and Steel equipments
3. **Tin and Columbites**: They are basement complex rock found near Jos in Plateau State
   Uses
   i. It is used for coating containers in the caning industry while columbite is used in the manufacturing of heat resistant steel used in jet engines

4. **Limestone**: It is a sedimentary rock mineral found in Ewekoro and Shagamu in Ogun State, Ukpilla in Edo State, Calabar in Cross River State, Nkalagun in Anambra State, Benue and Sokoto States
   Uses
   i. It is used for the manufacturing of cement
5. **Lead and Zinc:** They are sedimentary rock found in Abakaliki in Ebonyi State
   Uses
   i. They are used in industries locally

General importance of minerals in Nigeria Economy

1. Employment opportunities
2. Revenue generation
3. Foreign exchange earnings
4. Provision of essential goods e.g. engine oil e.t.c.
5. Raw materials for industries
6. Improvement of standard of living
7. Acquisition of skills
8. Infrastructural development
9. Growth of towns

Problems facing mining (exploitation) of minerals in Nigeria

1. Inadequate capital
2. Poor transportation network
3. Use of outdated topographical maps
4. Inadequate personnel
5. Difficult terrain
6. Constant conflicts between local people and the prospecting companies
7. Fluctuations in world prices of oil
8. Environmental pollution
9. Poor management
10. High level of sabotage

Role of Nigerian National Petroleum Corporation (NNPC)

The NNPC was established in the year 1977 to carry out the following functions;

1. **Regulatory functions**: It was set up to regulate the activities of the oil companies in the country e.g. issuance of licenses for oil exploration, oil prospecting, operation of filling stations e.t.c.
2. **Petroleum production**: they sink and control Nigerian's oil wells
3. **Oil Transportation**: They transport crude oil and refine products from one area to another through the use of tankers and oil pipelines
4. **Petroleum refining**: They supervise the refining of petroleum

5. **Employment generation**: Through the activities of the oil companies
6. **Marketing of petroleum products**: They distribute and market petroleum products such as kerosene, diesel e.t.c
7. **Exploration of oil**; They search for the presence of oil in the country
8. **Man- power development**: They train people in the various aspects of petroleum activities e.g. petroleum training Institute (P.T.I) in Warri, Delta State
9. **Oil policy Implementation**: The government implements its oil policies such as production levels, transportation, and determination of the prices of the products e.t.c. through NNPC.

<u>Role of the Organization of Petroleum Exporting Countries (OPEC)</u>

OPEC was established in 1960 in Baghdad (Iraq) by five countries namely Iran, Iraq, Kuwait, Saudi Arabia and Venezuela in order to curb the exploitative tendencies of the multinational companies involved in oil exploration. The man purpose of its establishment is to maintain oil prices stability and uniformity and this was achieved. Later, eight other countries namely Qater (1961), Indonesia (1962), Libya (1962), United Arab Emirate (1973), Algeria (1969), Nigeria (1971), Gabon (1973) and Ecuador (1973) bringing the total to 13.The headquarter of OPEC is located in Vienna, Austria.

<u>Aims and Objectives of OPEC</u>

1. To maintain stability in oil price in the world market
2. To maintain steady supply of oil in the world market
3. To stabilize oil income for the member nations
4. To allocate production quotas to member nations
5. To increase its control over the oil industry in the world
6. To ensure the coordination of petroleum policies of its member nations
7. To encourage the exploration and development of petroleum resources in member nations

<u>Achievements of OPEC</u>

1. Establishment of a common fund which they use in assisting themselves in time of financial crises
2. Formation of common forum
3. Regulation of production
4. Regulation of prices
5. Encouragement of oil exploration
6. Control of multinational companies

<u>Problems or failure of OPEC</u>

1. Rivalry in leadership
2. Entry of non- OPEC members into oil industry
3. Decline of loyalty of member nations
4. Stockpiling of oil by advanced nations

5. Fall in prices of oil as a result of world economic depression
6. Political disagreement
7. Research for oil substitute by advanced countries

PUBLIC FINANCE

DEFINITION: Public finance deals with how the government spends the revenue it collects and the effect it has on the economy.

DEFINITION: Fiscal policy on the other hand uses taxation, expenditure and borrowing instruments to influence the level of Economic activities in the country.

Objectives of Public Finance

i. To promote economic growth and development
ii. To achieve a high level of employment
iii. To ensure an equitable distribution of income
iv. To diversify the revenue base of government
v. To check inflation by keeping stable prices
vi. To meet government expenditure on salaries of public sector employee e.t.c.
vii. To correct regional imbalance
viii. To correct the balance of payment disequilibrium
ix. To finance capital investment in infrastructure
x. To stabilize the economy
xi. To create external economies necessary for attracting private domestic and foreign investors
xii. To provide for the defense of the economy
xiii. To meet the social needs of citizens in areas such as health, education, electricity e.t.c.

GOVERNMENT OR PUBLIC REVENUE

DEFINITION: Government or public revenue is the total income that goes to the three tiers of the government from various sources. It is divided into two parts namely capital revenue and recurrent revenue.

Capital revenue: It is also called capital receipts, irregular extraordinary revenue. These are revenue used for meeting expenditure on heavy capital projects e.g. royalties e.t.c.

Recurrent revenue: These are revenue that comes into the account of the government on a regular or yearly bases e.g. taxation, fees, licenses, interest on loans e.t.c.

SOURCES OF GOVERNMENT REVENUE

i. **Taxation:** These include both the direct and indirect taxes
ii. **Borrowing/ loans**: Which may be either from private individuals or organizations within or outside the country

iii. **Rents and rates**: From items such as water rate, housing, the use of public toilets, light bills e.t.c
iv. **Royalties**: From companies that are granted the right to exploit mineral deposits and rents from the use of public lands.
v. Direct allocation from Federation Account: which was 48.5% in 1999.
vi. Direct Taxes: These include Pay As You Earn (P.A.Y.E) of Armed Forces, Police Force, Foreign Services Officers, and taxes on residents of Abuja.
vii. License and Internal Revenue: These are realized from the issue of licenses, radio and television licenses, etc.
viii. Fees: These are fees received from services rendered by government officials e.g. court fees, medical fees, probate fees, school fees, occupancy fes, etc.
ix. Earnings and Sales: These are derived from the sale and use of government properties, e.g. sales of stores by works, sale of publications, sales of stamps, commission on money orders, telegram fees, dividends from investment, profits from either privately owned or jointly owned public enterprises e.g. NIPOST, NNPC, etc.
x. Rent of government properties: These include rent on government quarters, rent on government land, rent on aerodrome, etc.
xi. Interest and Repayment (General): These are interests and repayment of loans granted to individuals by government, corporations and government companies, e.g. repayment of motor vehicle loans, etc.
xii. Interest and Repayment (State): These are interests and repayment of loans granted to State Governments.
xiii. Reimbursement: These are refunds for services rendered to State and Local Governments, public corporations and other statutory bodies by Federal Government officials, e.g. reimbursement of audit fees, police secondment, etc.
xiv. Armed Forces: These are revenues derived from the sale of armed forces property, e.g. sales of stores, rent, educational receipts, etc.
xv. Grants: A government can generate income from grants or aids from other countries as well as from international financial institutions like the World Bank.
xvi. Trading surpluses of government-owned industries and corporations.

Sources of Revenue to State Government

i. Statutory allocation from the Federal account

ii. Personal Income Tax: payable on the income of individuals, partnership and other non-limited liability associations

iii. Licenses and Fines: Arms and ammunition, Radio and Television licenses, gold dealers licenses e.t.c.

iv. Fees: received from services rendered by government officials e.g.court fees,medical fees e.t.c.

v. Earnings and sales

vi. Rent on government properties e.g. government building, land e.t.c.

vii. Interest and repayment

viii. Re- imbursement

Sources of Income to Local Government

i. Statutory allocation of 20% from the Federation Account paid directly to the council by the Federal Government.

ii. 10% of the State derived income from all sources paid to the Local Government.

iii. Radio and TV license fees.

iv. Special rates, fees and fines.

v. Tenement rate/property tax.

vi. Proceeds from economic projects within the area e.g. community plantation.

vii. Loans granted by State Government or money borrowed from other sources.

viii. Investment income e.g. interest and dividends received.

ix. Income generated from maintenance of market stalls, car parks and public conveniences.

x. Income derived from maintenance of cemeteries and burial grounds.

xi. Income derived from registration of births, deaths and marriages.

xii. Income derived from naming of streets etc.

xiii. Earnings from commercial undertakings e.g. operation of commercial vehicles.

xiv. Sales of seized goods, boarded vehicles etc.

xv. Donations and gifts.

GOVERNMENT EXPENDITURE

DEFINITION: This is the total expenditure incurred by the government at all the three tiers of the government in a country. It is divided into two parts namely capital expenditure and recurrent expenditure.

Capital expenditure: These are expenses on projects which are permanent in nature e.g. construction of roads, bridges, school, industries, hospital e.t.c.

Recurrent expenditure: These are expenses carried out by the government on a regular or yearly bases e.g. payment of civil servant salaries, maintenance of infrastructures, defense e.t.c.

STRUCTURE OF GOVERNMENT EXPENDITURE

The items on which the government spends money on are classified into four main categories

i. **General Administration**

- Civil service
- Various government departments
- Political appointees
- The armed forces and police
- The legislature, Judiciary and executives
- The embassies outside the country

ii. Economic Services

- Agriculture
- Trade
- Industry
- Mining
- Power stations
- Communications
- Forestry e.t.c.

iii. Social Services

- Infrastructure e.g. roads, airports, seaports, pipe- borne water e.t.c.
- Education
- Health care delivery
- Market
- Environmental sanitation
- Recreational facilities

iv. Transfer Services

- Servicing of public debts
- Granting of loans to local authorities
- Payment of pensions
- Loans lent to friendly nations

Factors contributing to increase in government expenditure

i. Population growth
ii. Inflation
iii. Unemployment
iv. Poverty
V. Social security payment
v. Rise in national debt
vi. Economic development
vii. Expenditure on wars
viii. Cost of administration
ix. Defense/ security expenses

TAXATION

DEFINITION: Tax is defined as a compulsory payment made by citizens and corporate bodies to the public authority or government so as to enable it performs its function.

There are many forms of taxes but there are two major ones namely;

DIRECT TAXES

DEFINITION: These are taxes that are levied directly on individuals or institution or property. Examples include personal income tax, capital gains tax, poll tax, expenditure tax, company income tax and petroleum profit tax.

Advantages

i. It helps in distribution of income since it is based on one's ability to pay
ii. It is more easily administered and collected
iii. A tax payer knows exactly how much he is to pay
iv. It is used to check inflation
v. It is used to check aggregate expenditure
vi. It is convenient to pay because it is deducted right from the source.

Disadvantages

i. There is usually tax evasion as a result of the rich not wanting to honestly declaring their asset
ii. It discourage people from working hard since one is likely to pay more as you earn
iii. Self employed people usually avoid paying tax
iv. There is imperfect in tax assessment
v. It discourages investment
vi. It reduces the purchasing power of the income payer especially if the amount removed is high

INDIRECT TAXES

DEFINITION: These are taxes that are levied on goods and services. Examples include import duties, excise duties, sales tax, purchase tax, entertainment tax, tax on gambling, stamp duties, value added tax e.t.c.

Taxes on goods and services may either be;

i. **Ad valorem tax**: It is a tax that is paid based on the value of the product
ii. **Specific tax**: It is a tax that is paid on a fixed sum irrespective of the value of the commodity i.e. equal amount is paid for all products.

Advantages

i. They are easy to access and control
ii. Evasion of tax is difficult
iii. It is a means of raising revenue for the government

iv. They can be used to protect infant industries
v. They are used to collect revenue from the government
vi. It is used to check the importation of certain harmful commodities
vii. It is a means of checking consumption
viii. There is less burden of tax on the part of the consumer because the amount being paid is small.
ix. It is used to correct Balance of Payment Deficit through the imposition of high import duties.

Disadvantages

i. The burden of the tax is passed on to the consumer in form of higher prices
ii. It is regressive in that both the rich and the poor pays same amount
iii. It may defraud the government as a result of conspiracy between importers and collectors of import duties
iv. It causes increase in prices
v. It discourages investment on the part of investors if high custom duties are imposed.

DEFINITIONS

i. **Value added tax (VAT)**: This is a tax that is imposed on a commodity at each stage of its production and distribution. The tax rate is at a flat rate of 5% on vatable goods and services.
ii. **Poll tax**: It is a tax that is levied per head on every adult male irrespective of a person's income.
iii. **Specific tax**: It is a type of tax in which a fixed sum of money is levied or imposed on a commodity irrespective of the value of the commodity.
iv. **Ad valorem tax**: It is a type of tax that is imposed on commodities with respect to the value of the commodities at a specified percentage rate.
v. **Capital gains tax**; It is a type of tax that is levied on the gains received as a result of the sales of capital assets such as stocks and shares.
vi. **Custom duties/Tariffs**: These are grouped into two namely;
   a. **Import duties**: These are taxes that are levied on goods that are brought into a country.
   b. **Export duties**: These are taxes that are levied on certain primary products such as cocoa, groundnut, palm produce, timber, and rubber e.t.c. and are taken out of the country to other countries for sale
vii. **Excise duties**: These are taxes that are levied on domestic goods or goods that are produced within a country
viii. **Personal income tax**: These are taxes that are levied on the income of a consumer.
ix. Company /Corporate tax: These are taxes that are levied on the profits made by a company.
x. Sales tax: These are taxes that are levied on the sale of certain commodities collected either at the wholesale stage or retail stage.
xi. Purchase tax: These are taxes that are levied on certain consumer goods such as luxury goods. The tax is usually high.

SYSTEMS OF TAXATION

There are three systems of taxation namely;

i. **Progressive tax**: It is the type of tax in which as the individual income increases, the more will his tax rate also increase
ii. **Proportional tax**: It is the type of tax in which everyone pays the same proportion or percentage of their income as tax.
iii. **Regressive tax**: This is the type of tax in which the incidence of burden falls more heavily on the lower income group than on the higher income group in a community i.e. everyone pays equally.

Principle of a good tax system

Adam Smith propounded the principle and they are as follow;

i. **Equity**: Tax should be paid according to one's ability and not be a source of burden on the payer.
ii. **Certainty:** The amount, form and time to pay a tax should be made clear to the tax payer.
iii. **Simplicity**: The system of tax to employ should be easy to administer and to understand by both the tax payer and the tax collector.
iv. **Economy:** The cost of collecting a tax should not be more expensive that the tax to be collected.
v. **Convenient:** A tax should be convenient as to the form, time and place of payment.
vi. **Neutral**: A good tax system should not have any effect whatsoever on the tax payer's demand for goods and services.
vii. **Flexible**: A good tax system should not be difficult to adjust or amend.
viii. **Revenue yield**: A good tax system should be able to generate a steady source of income for the government.

Reasons why government impose taxes

i. For revenue
ii. To control inflation
iii. To prevent dumping
iv. To correct BOP problems
v. To protect infant industries
vi. To promote economic growth
vii. To provide employment
viii. As a retaliatory measure
ix. To discourage the consumption of certain harmful products
x. To redistribute income

Difficulties encountered by Tax Collectors in Nigeria

1. False Declaration of Income: Many workers, especially those in private firms do not declare their real incomes

2. Improper Book Of Account: Majority of the traders keep improper or no book of account at all

3. Tax Evasion: Many people do not fulfil their civic responsibilities by paying tax as and at when due

4. Ignorance Of The Importance of Taxation: Many people as a result of ignorance, think that the money is for the tax collectors and therefore refuse to pay tax

5. High Taxes: High taxes scare the potential payers away

6. Mismanagement of Government Fund: Embezzlement and misappropriation of government fund by those at the corridors of power may kill people's enthusiasm to fulfil their civic obligation of paying tax

7. Inadequate Provision Of Amenities: Many people with the belief that the money they pay as tax is used only for the provision of social amenities will resist payment of tax if these anticipated amenities are not provided

8. Wrong believe of people that the money collected is for the tax collectors
9. Many people do not pay their tax at the right time
10. Insincerity of tax collectors as they do not usually remit all the sum collected

INCIDENCE AND EFFECTS OF TAXATION

DEFINITION: The incidence and effects of taxation means where the final burden of taxation rest. In direct taxation, the incidence rest on the final consumer or the income earner since he cannot pass it on to someone else. In indirect taxation, the incidence of taxation may fall either on the manufacturer or on the final consumer.

Taxes are levied on manufacturer's production and since he pays the tax directly, the incidence first falls on him. The manufacturer however in selling his product to the final consumer, shifts the payment made in tax unto the product by increasing the prices of the product. By so doing, he shifts the tax unto the final consumer who now bears the impact of the tax.

There are however instances or cases when the manufacturer as a result of an elastic demand on his product (i.e. when an increase in the price of a product causes a fall in the demand for such a product) will be unable to transfer the burden of the tax and as a result, would be forced to bear both the impact and the burden of the tax.

TAX EVASION: involves concealment of income or gains or of assets. It is a criminal procedure of manipulating the tax form e.g. declaring lower income or refusing to pay tax altogether. Tax evasion devices usually take the following forms:

(i) Falsification of accounts and other documents

(ii) Concealment of information about income and assets held outside the country

(iii) Claims for fictitious expenses in order to reduce taxable income.

TAX AVOIDANCE: is practiced by tax payers who take advantages of loopholes in tax laws to under report their tax i.e. those who take advantage of circumstances that are not clearly defined in the law or can bear different interpretations. For example, if a tax payer declares that he has children or aged dependent when actually he has none that action amounts to tax avoidance

INCIDENCE OF TAX: Tax incidence refers to the final resting place of the tax or the person who bears the burden of the tax by suffering a loss in his personal disposable income

LEGAL IMPACT OF TAX: Legal impact falls on whoever is legally liable to pay tax to the tax authority

EFFECTIVE IMPACT OF TAX: Effective impact falls on whoever finally bears the burden of the tax. When the legal impact differs from the effective impact the tax has been shifted

TAX SHIFTING: refers to the process of passing the burden of the tax from the person who is legally liable to pay tax to the tax authority to the person who finally bears the burden of the tax. For instance, most indirect taxes such as import duties and excise tax are shifted from the importers and manufacturers respectively to the consumers of the taxed product.

GOVERNMENT BUDGET

DEFINITION: A budget is defined as an annual financial statement of government indicating the estimate of anticipated revenue and the proposed expenditure for a period of time which is usually within a period of a year.

Types of budget

There are three types of budget which are as follow;

1. **Budget Deficit**: This occurs when the government estimated expenditure is more than the estimated revenue.
   In order to finance budget deficit, the government does either of the following;
   i. Increasing taxation
   ii. Borrowing from the public within the economy
   iii. Borrowing from the central bank
   iv. Ordering the printing of new currency
   v. Borrowing or obtaining of foreign loans e.g. IMF or Sisters friendly nations
   vi. Seeking for grants and aids
   vii. Using out of the nation's reserve assets.

Uses of budget deficit

i. It is used to increase aggregate demand
ii. It is used to reduce unemployment
iii. It is used to finance huge capital projects
iv. It is used to correct deflation
v. It is used to finance national emergencies such as war, earthquake, and drought e.t.c.

2. **Balanced budget**: This occurs when the government estimated expenditure equals the estimated revenue.

Uses of balanced budget

i. It prevent financial insecurity
ii. It helps to control expenditure
iii. It helps to reduce borrowing
iv. It helps to increase savings
v. It prevents a country from entering into a huge debt burden

3. **Surplus budget**: This occurs when the government estimated expenditure is less that the estimated revenue.

Use of surplus budget

i. It is used to retire some of the nation's debts and this is done through the purchase of financial instruments such as treasuring bills, development stocks e.t.c. which were sold during the period of budget deficit through the aid of the central bank.
ii. It is used to reduce inflation

STRUCTURE OF PUBLIC EXPENDITURE

A budget is divided into two parts namely revenue and expenditure. The expenditure side of the budget is further divided into two components namely the recurrent expenditure and the capital expenditure.

1. **Recurrent expenditure**: These are expenditure that occurs every year and they include government spending on wages and salaries of civil servants and the general maintenance of public services and properties.
2. **Capital expenditure**: These are the investment made on capital projects and these include machinery, bridges, road, offices, accommodation, housing estates, power stations, water board e.t.c.

SYSTEM OF REVENUE ALLOCATION IN NIGERIA

Revenue allocation in Nigeria is centrally collected by a central authority so as to ensure an efficient and equitable allocation of resources of the country to various sector and projects in the country so as to yield economic and social satisfaction.

Revenue allocation in Nigeria however deals with the sharing of the nation's wealth, income or revenue between the three tiers of government which are the federal, states and local government areas. In order to achieve a fair share, a revenue allocation formula was invented and this has constantly been revised every now and then as a result of pressure from those who feels they have not gotten a fair share. For instance;

1. The revenue allocation formula submitted by Okigbo's panel in 1980 says;
   Federal Government = 53%
   State Government = 30%
   L.G.A. = 10%
   Special funds = 7%

2. Another one formulated in 1993 and submitted says;
   Federal Government = 48.5%
   State = 24%
   L.G.A. = 20%
   Special funds = 7.5%
3. That of 1984 says;
   Federal Government = 55%
   State = 32.5%
   L.G.A. = 10%
   Ecological problems such as erosion, earthquake, drought e.t.c. =1%
   Mineral producing areas = 1.5%

Classification of Revenue Allocation in Nigeria

The revenue allocation in Nigeria is grouped into two major parts namely;

i. Vertical Revenue Allocation: This is the sharing of the nation's revenue among the three tiers of government.
ii. Horizontal Revenue Allocation: This is the sharing of the nation's revenue among the units within a given level of government based on some factors such as population size, ecological problems e.t.c.

NATIONAL DEBT

National debt or public debt is the total debt that a country owes to its citizens and to other foreign bodies or foreign government. The debt owed to its citizens is referred to as internal or domestic debt while that owned to foreign bodies or foreign government is referred to as external or foreign debt.

Reasons why government borrows

i. To finance deficit budget
ii. To finance huge capital projects
iii. To meet cost of national emergencies
iv. To meet BOP disequilibrium
v. To provide employment opportunities
vi. To reduce economic burden on the tax payers

Sources of government borrowing

i. Commercial banks
ii. Central banks
iii. Insurance companies
iv. Pension and social security fund
v. Private individuals
vi. Foreign government

vii. World bank
viii. International Monetary Fund

Instruments of government borrowing

i. Treasury certificates
ii. Treasury bills
iii. Development stock
iv. Negotiations

Benefits of public debts

i. It helps in the financing of public emergencies
ii. It helps in the maintenance of high level of consumption

Burden of public debts

i. It will lead to price inflation which will result in a redistribution of income thereby creating a real burden on the fixed income earner
ii. In a bid to retire or reduce public debt, taxes generally may be increasing
iii. It can reduce the availability of foreign exchange of a country
iv. If an external debt is serviced, it will cause leakage to the economy
v. A large external debt can make a country to be at the mercy of its external creditors

TERMINOLOGY

I. **Tax Base:** This is the item or object which is being taxed.
II. **Tax rate**: This is the percentage or proportion of tax base (tax object) which is to be paid as tax. It is expressed functionally as;

III. Tax rate = tax payment × 100/ tax base

iii. **Disposable income**: This is the amount that is left out of the income after tax had been deducted.
It is expressed as;

Disposable income = Income – Taxation
Disposable income = Tax base – tax paid

Example

Income Earners	Income Base	Tax Payments X(₦) Y(₦)
Mr. Okafor	10,000	1,000 800
Alhaji Tanko	15,000	1,500 1,300
Mr. Kolawole	30,000	3,000 1,500

1. Determine the % rate of taxation paid by;
   i. Mr. Okafor in column X and Y
   ii. Kolawole in column X and Y
   iii. Alhaji Tanko in column Y
   iv. Identify the systems of taxation employed in columns X and Y
   v. Which of the income earners has the least burden under column Y?
   vi. If the government increases its rate of taxation to 20% flat rate, how much revenue will be generated from the payers
   vii. At 20% flat rate of taxation, calculate the disposable income of Mr. Okafor, Alhaji Tanko and Mr. Kolawole.

2. The table below shows the tax payments of four income earners in a year. Use the information in the table to answer the questions that follow.

Income Earners	Income Base	Tax A #	Tax B #
Jawara	15,000	1,500	1,200
Ade	25,000	2,000	2,000
Eke	32,000	3,200	2,240
Audu	60,000	6,000	3,000

QUESTIONS

(a) Determine the percentage rate of taxation paid by:

(i) Jawara in columns A and B

(ii) Audu in column A and B

(iii) Ade in column B

(iv) Eke in column B

(b)

(i) Identify the systems of taxation employed in columns A and B

(ii) Which of the income earners have the least burden under column B?

(c)

(i) If government increases its rate of taxation to 15% flat rate, how much revenue will be generated from the payees?

(ii) At 15% flat rate, calculate the disposable incomes of messrs Jawara, Ade, Eke and Audu.

SOLUTION

a(i)

Tax rate = (Tax Payment × 100) / Tax Base

For Jawara:

1,500 × 100 / 15,000 = 10% for A

1,200 × 100 / 15,000 = 8% for B

If you want, I can also solve the full questions step-by-step for you.

Here is the extracted text from the image:

a(ii)

Audu 6,000 / 60,000 × 100 / 1 = 10% for A

3,000 / 60,000 × 100 / 1 = 5% for B

a(iii)

Ade 2,000 / 25,000 × 100 / 1 = 8%

a(iv)

Eke 2,240 / 32,000 × 100 / 1 = 7%

b(i)

Column A – Proportional system of taxation

Column B – Regressive system of taxation

b(ii)

Audu has the least burden under column B

c(i)

Jawara 15 / 100 × 15,000 / 1 = ₦2,250

Ade 15 / 100 × 25,000 / 1 = 3,750

Eke 15 / 100 × 32,000 / 1 = 4,800

Audu 15 / 100 × 60,000 / 1 = 9,000

Total Revenue = 19,800

OR

15% of total income

is 15 / 100 × 132,000 / 1 = ₦19,800

(ii)

Disposable Income = Income – Taxation

or Tax base – Tax paid

	Tax Base (₦)		Tax Paid (₦)		Disposable Income (₦)
Jawara	15,000.00	-	2,250.00	=	12,750
Ade	25,000.00	–	3,750.00	=	21,250
Eke	32,000.00	–	4,800.00	=	27,200
Audu	60,000.00	–	9,000.00	=	51,000