

**ANALYSING THE SOURCES OF INTERNALLY GENERATED FUNDS AND ITS
CONTRIBUTIONS;
EVIDENCE FROM KUMASI METROPOLITAN ASSEMBLY**

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STATEMENT OF AUTHENTICITY

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ABSTRACT

The study has been designed to analyze the sources of Internally Generated Funds and its contributions; evidence from Kumasi Metropolitan Assembly.

The purpose of the study is to acquire in-depth knowledge about the various sources of Internally Generated Funds (IGF) and to clarify our understanding of problems associated with the assembly's revenue generation.

The researchers conducted interviews and questionnaires were designed to assembly members, unit committee members and opinion leaders in the metropolis. Beside the questionnaires, existing records from K.M.A. were used to analyze IGF's contributions to the metropolis.

IGF contributed almost 12% to the total funding of projects undertaken by the assembly. Citizenry are not well informed about the relevance of paying taxes to assembly.

The researchers made the following conclusions; there should be provision of appropriate logistics and incentives to revenue collectors who exceed their targets. There should be sanctions for tax payers who default.

DEDICATION

This work is first of all dedicated to Almighty God, our supervisor Mr. Eric Atta Appiadjei and lecturers of Business Department for their perfect training towards our education.

ACKNOWLEDGEMENT

Our sincere gratitude first of all goes to the Almighty God for His mercies, care and guidance in bringing us this far in our education. We also wish to express our profound gratitude to our supervisor Mr. Eric Atta Appiadjei for the precious time he spent in supervising to make this work a successful one.

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May God richly bless you all?

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CHAPTER ONE

INTRODUCTION

1.0 BACKGROUND TO THE STUDY

Kumasi Metropolitan Assembly is the highest political authority in the Metropolis and was established by L.I.1614 of 1995 under the local government law 1988, PNDC Law 207, which is now replaced by the local government ACT 462 (1993). This gave real meaning of decentralization in Ghana. The L.I.1604, which was amended as L.I.1805, 2005 guides, directs and supervises all other administrative authority in the Metropolis.

One of the fundamental roles of the Central Government is to mobilise revenue to provide the basic needs of the people. The Central Government cannot pursue this objective alone and has created local arms to help implement some of her programmes leading to the well being of her citizens.

Kumasi Metropolitan Assembly is the one of such arms of the local level delegated to collect revenue and implement social interventions towards the uplifting of the welfare to the citizens.

Kumasi Metropolitan Assembly is divided into ten (10) sub-metro council's namely; Asokwa, Subin, Nhyiaeso, Manhyia, Bantama, Kwadaso, Oforikrom, Tafo, Suame and Asawasi. As part of its sub structures, the assembly has 24 town councils and 419 unit committees. The Kumasi Metropolitan Assembly has 161 membership made up of 102 elected members, 48 government appointees, 10 members of parliament and the Metropolitan Chief Executive.

The vision of Kumasi Metropolitan Assembly is to develop Kumasi into a safe and vibrant city by improving city management through good governance, local economic development, tourism promotion, improve sanitation, proper environment and social services and as well as spatial and infrastructural development. Its mission is to improve the quality of life of the people in the Metropolis through the provision of essential services and the creation of an enabling environment to ensure total and sustainable development of the city by a well motivated staff.

The Metropolitan Assembly is empowered to generate funds through various forms of taxes for total development of the Metropolis. However, locally generated funds are often inadequate for funding its project. To improve the assembly revenue mobilization, processes and strategies need to be improved on and adhered to. This will enable the metropolitan Assembly to be in good financial standing to provide infrastructural development and to improve economic activities and uplift the social life of the people.

This study was embarked upon to be able to analyse the various sources of internally generated fund (IGF) and offer the needed recommendation for improvement.

1.1 STATEMENT OF THE PROBLEM

Governments the world over have in the 21st century been finding ways to minimize poverty. In view of this, district, municipal and metropolitan assemblies were established to decentralise the administration.

Transfers associated with delegated responsibilities from the central government have since time immemorial been inadequate.

Metropolitan Assemblies have ever since being findings ways to generate revenues to undertake its developmental projects. K.M.A. is no exception. In view of this the metropolis continues to grapple with inadequate revenue to undertake projects.

This study was initiated to analyse the various sources of Internally Generated Fund (IGF) available to K.M.A., and the associated problems militating against their improvement. It is believe that the study will contribute to knowledge in an area that has received little attention by the academia.

1.2 OBJECTIVES OF THE STUDY

The study seeks to analyse the various sources of internally generated funds of K.M.A. and its contribution. Other objectives of the study are;

1. To compare the performance of the various sources of IGF
2. To ascertain the level of contribution of IGF to the total revenue of the assembly.
3. To examine the extent of IGF contributions towards project construction.
4. To identify the various activities that could generate revenue for the assembly.
5. To recommend means of improving upon the methods of revenue collection.

1.3 RESEARCH QUESTION

To achieve the above objectives, the study must provide answers to the following questions;

1. What are the sources of IGF at Kumasi Metropolitan Assembly?
2. Are budgeted estimates available? Were they achieved?
3. To what use were they put to? Was it beneficial to the metropolis?
4. How can revenue generation be improved in the Metropolitan Assembly?

1.4 SIGNIFICANCE OF THE STUDY

The purpose of this study is to acquire in-depth knowledge about the various sources of Internally Generated Funds and to clarify our understanding of problems associated with the assembly's revenue generation.

The findings of this study is intended to assist the Metropolitan policymakers and stakeholders of the Assembly of finding ways of generating adequate funds for developmental projects as well as improving the welfare of the people. The citizenry are likely to receive better services and infrastructure from the Assembly when the latter is able to improve upon its revenue generation mechanism. It will prepare grounds for further studies in the area of research which has been given little attention.

Finally, other District Assemblies will also find the document useful in improving their revenue generation activities. The data would help other district assemblies to address some of their shortcomings in the collection of the revenue and improve internal revenue generation.

1.5 LIMITATION OF THE STUDY

The research team was constrained by time as the study was carried out alongside academic work which is tailored within a specific period. Though the study would have given us deeper knowledge into the financial challenges facing the district assembly in general if the research could cover district Assemblies in Ashanti Region, it was limited to K.M.A because adding other Assemblies will bring on board added cost in data collection and analysis which will be

far beyond the reach of the researchers. The other difficulties encountered were that, some relevant data, especially certain aspects of the recurrent expenditure could not be accessed to help us carry out a comprehensive analysis.

1.6 ORGANIZATION OF THE STUDY

This report has been organized into five chapters.

Chapter one is devoted to the introduction of the study and it gives the general view of the entire research topic discussed here. It includes background, problem, objectives, significance and research questions of the study.

Chapter two deals with the literature review and the literature related to this work is reviewed to give it a theoretical basis.

Chapter three explores with the methodology used. This chapter considers the objectives around the research topic; it covers issues such as the research design, population and data collection procedure and data analysis.

Chapter four addressed the main findings of the research.

Chapter five gives the summary, recommendation(s) and ends with the conclusion regarding suggestions for further study into internally generated funds at Kumasi Metropolitan Assembly.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter reviews the literature related to this study.

The Local Government Act 1961 (Act 54) created the distinction between the central government and the local government.

The country has two (2) different bodies for the administration of public affairs. These are;

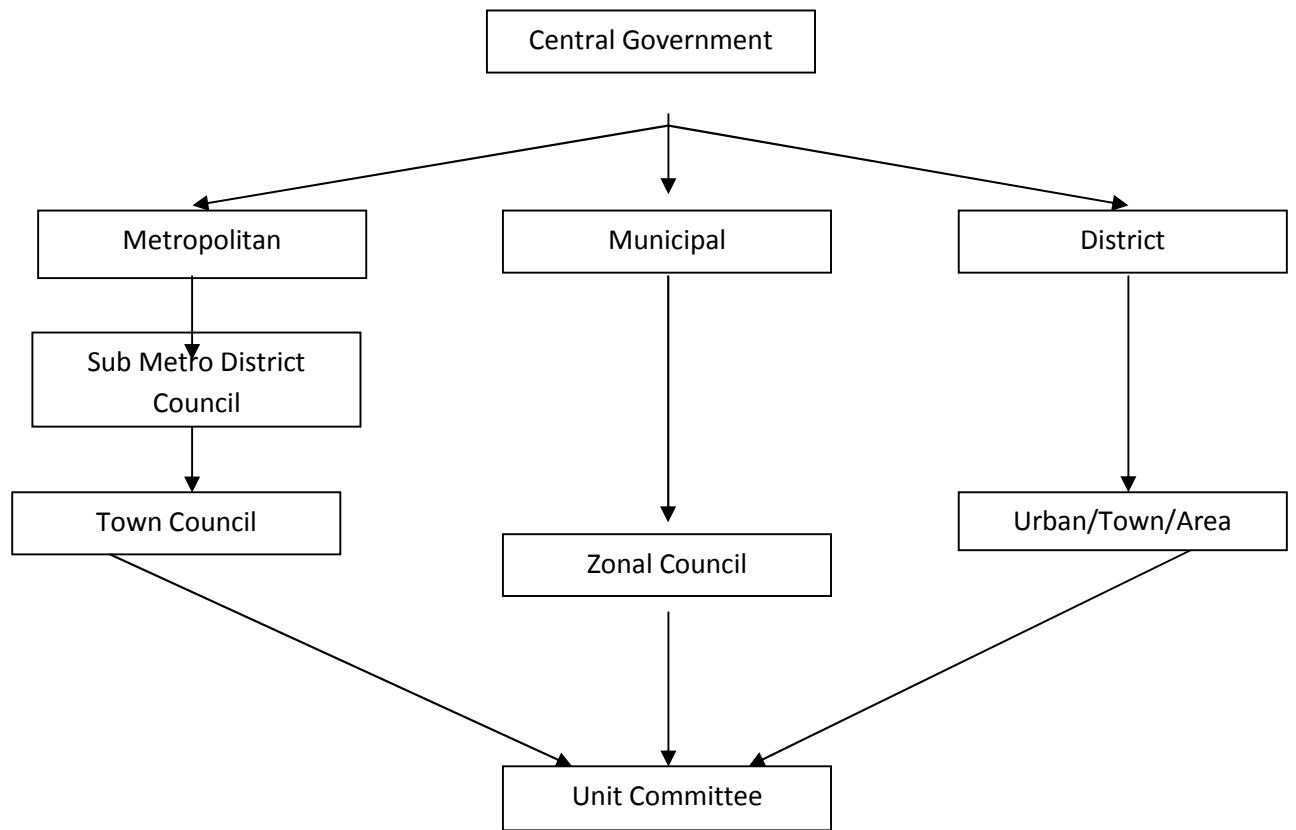
- 1 The Ministries, Departments and Agencies (MDAs)
- 2 Local government and authorities known as Metropolitan, Municipal and District Assemblies (MMDAs)

Mobilising revenue from the point of view of the Assemblies can be seen as a challenge that would be encountered in gathering income/revenue in the form of rate and taxes from trading activities, licenses, fees, fines, rent or rate and the like. The local government is sub-governmental unit established by an Act of Parliament to administer a local area, PNDC Law 207 (1983) culminated in the Assembly Systems.

District Assemblies as units of central government in Ghana are made up of; Metropolitan Assembly with population of over 250,000 Municipal Assembly of over 95,000, and District Assembly of over 75,000. Presently, there are six (6) metropolitan, forty (40) municipal and one hundred and twenty-four (124) district assemblies in the country.

Fig 2.1 The New Local Government Structure

Diagrammatic Presentation of the new local government structure



2.2 The New Local Government System in Ghana

The new local government system makes a District Assembly the highest political authority in the District and therefore the centre of management and development decision-making, but the lowest level of financial management structure in Ghana. An Assembly may also be described as peripheral structure that is given the responsibility of governance so as to integrate politics and administration for development. An Assembly, in this regard, has the authority to make bye-laws and implement them to transform the various communities.

2.2.1 Functions of District Assemblies

Articles 245 of the 1992 Constitution of Ghana and Section 10 of the local government Act 462 (1993) spells out the functions of the Assemblies including Metropolitan and Municipal as follows;

1. A district assembly shall exercise political and administrative authority in the district, provide guidance, give direction to and supervise all other administrative authorities in the district.
2. A district assembly shall exercise the deliberative, legislative and executive function. The assembly is responsible for the overall development of the district and is to ensure that every year development plans of the district are worked out and sent to government for approval.
3. The formulation and execution of plans, programmes and strategies, for the effective mobilization of the resources necessary for the overall development of the district.
4. To promote and support productive activities and social development in the district and remove any challenge to initiative and development.
5. The district assembly shall also co-ordinate, integrate and harmonise the execution of programs promoted or carried out by ministries, departments, public corporations and other statutory bodies and non-governmental organisations of the district.

6. The assembly shall be the rating authority and is therefore responsible for levying and collection of taxes, rate, duties and fees in the district.
7. The assembly shall make and levy sufficient rate (general or special) to provide for that part of total estimated expenditure to be incurred by during the period in respect of which the rates were levied.

Source: Republic of Ghana 1992 Constitution, Local Government Act, Act 462 (1993)

2.2.2 Funding of District Assemblies (Fiscal inflow)

The effectiveness of any government depends to a large extent on the resources available to it. This is very true of the district assembly too. In many assemblies, the bulk of money for development project comes from the District Assemblies' Common Fund. This is a fund into which 5% of the nation's revenue is put and shared on a formula approved by parliament. However, collection of rates, fines, fees and other revenue known as locally generated funds contribute to the resources of the assemblies. The common fund, as already stated, is strictly for developmental projects, the bulk of the assembly's activities, including expenditure on the assembly and sub-committee meetings are financed through its locally generated funds. Thus, the well endowed assemblies, whose revenues are higher, are able to use some part to supplement the common fund allocation for development projects. It is therefore, necessary for every assembly to broaden its tax base and strengthen its tax collection system. It is implied in PNDC Law 207 (1983) that people living in the respective district mentioned, that the assembly's ability to render their valuable services they need such as collection of solid and liquid waste, depends to the large extent on the fulfilment of their financial obligations in the form of taxes, rates, fees and licenses to the assembly.

The inflows of resources into the coffers of district assemblies come from three major sources;

1. Internally Generated Fund
2. Transfers from Central Government
3. Transfer from International Sources

2.2.3 Internally Generated Funds

The authority to generate revenues from the assemblies come from Local Government Act 462, 1993 for example, Section 86 of the Act gives a catalogue of items on which the assembly could impose local taxes and levies, in addition, section 33, 34, 50, 60, 74, 76, 85, 95 and 99 empower as assembly to raise funds internally.

2.2.4 Interpretation of the legal provision

Based on the legal provisions above, the assembly developed a fiscal structure, which is the basis of funds generated internally. The assembly has therefore identified about ninety-three (93) revenue items. The significance of the numerous items for revenue generation has been a source of concern because of financial and the non financial implications for revenue generation.

2.2.5 Analysis of Performance

The major sources of revenue to the assembly are;

1. Fees and Fines
2. Property Rate
3. Licences
4. Lands (Royalties)
5. Annual Basic Rates
6. Investment Income

7. Possession Tax

8. Miscellaneous

Fees & Fines: Section 34 of Act 462 allows District Assemblies to charge fees for any service or facility they provide. These are user charges levied on services provided by the assembly. These are fees mainly levied on markets, lorry parks, conservancy and burial services, slaughter houses, etc. These also include fines from tribunal or courts paid to the Assembly.

Property Rates: It is a rate levied on immovable property at a special rate per cedi on a rateable value of the premises. Determination of the rateable value of the premises is done by the Land Valuations Board.

Licences: Act 462 of the Local Government Act, empowers Assemblies to issue licences for various activities. The licences are for control purpose rather than a revenue instrument. These include licences issued to Drinking Bars, Restaurants or chop Bars and Hotels, etc.

Lands (Royalties): This comprises of levies imposed on Building Plans and Permits as well as Stool Lands payable to the Assembly.

Annual Basic Rate: This is generally rates payable by all people of eighteen (18) years and above. It is a poll tax and broad based by Section 8, Act 462 2000 exemptions are given to those who are above the age of seventy (70) years as well as students in educational training without incomes. The tax is regressive.

Investment Income: Section 89 of the Act permits an Assembly to invest all or any portion of its surplus funds in any interest yielding investment as may be approved by the Assembly. Such investments go into transport equity shares, etc. to yield income to the Assemblies.

Possession Tax: This is a tax levied on movable property for example cattle ranch, motor bicycle, tractors, commercial vehicles, etc.

Miscellaneous: This is any other revenue generated outside the above-mentioned sources.

2.2.6 Financial Projects Embarked for implementation by KMA

KMA intends to overhaul its machinery for revenue mobilisation to enable it carry out its mandate as enshrined in the Local Government Act, Act 462, (1993), legislative instrument L1 1614. It is implied in PNDC Law 207, (1983) that people living in the respective districts mention that the assembly's ability to render their valuable services they need such as collection of solid and liquid waste, depends to a large extent on the fulfilment of their financial obligation in the form of taxes, rates, fees and licenses to the assembly.

2.2.7 Current Changes

1. Under declaration of revenue by collectors
2. Low tax base
3. Low level of property rate generation
4. Absence of incentive package for the hardworking and performing revenue collectors
5. Low educational background of collectors
6. Inability to leverage other sources of funds through private capital
7. Weak monitoring system

2.2.8 Constraints facing mobilisation at the district assembly

Fiscal capacity refers to the legal authority which local governments are granted under the law as a basis for fiscal empowerment. The fiscal capacity is enshrined in the law and

instrument for raising revenue. The Local Government Act, Act 462 (1993) spells out the jurisdiction, functions, powers and authority given to the district assembly to render services under the new decentralisation. In relation to revenue mobilisation, fiscal capacity could be equated to mean authority to determine the tax base of an assembly. It is the fiscal capacity that gives the potential strength of the assembly to collect revenue and carry out its fiscal responsibilities.

Fiscal mobilisation refers to the sum total of fiscal capacity and activities designed to extract revenue from taxable population and taxable activities. Revenue mobilisation requires revenue policy formulation, administration and monitoring.

2.3 FINANCIAL MANAGEMENT

Proper financial management in the assemblies requires accountants, managers and other personnel who are honest and also well qualified in the financial management process.

Qualified accountants are needed for the implementation of advanced accounting system while auditors of high calibre are required for verifying receipts, invoices, financial records and statements and other related information. This is necessary to uncover falsifications, embezzlements, misappropriations and other corrupt practices associated with financial management in the assemblies. Proper financial management systems should ensure that the tax payers and rate payers, as the resource contributors, become the ultimate beneficiaries of revenue mobilised and expended.

The problem is that because of their unattractive conditions of service, District Assemblies have not been able to employ qualified staffs who are most likely to observe some ethics that

go with their chosen professions and prepared to protect and safeguard assemblies' cash assets.

Also due to poor management, low revenue mobilisation and misappropriation among others, District Assemblies have not been able to provide the needed public service that the constituents expect from them. In situations where assemblies are handicapped by these and a lot of constraints which restrict their ability to undertake development projects like public place of convenience, roads, market place and supply of safe drinking water, majority of the local people tend to look forward to the central government for the provision of local level projects and services. In the circumstance, residents will lose their moral compassion to pay further taxes and rates to district assemblies.

District Assemblies are unequivocally confronted by poor fiscal capacity, the policies and categories need to overcome this incapacity and ability to raise their revenue will always be weakened. Again if assemblies have inefficient administrative system, they will not be able to have enough revenue for development projects and also engage the services of qualified personnel to manage their financial operations. Low development effort of assemblies has a tendency to low level of tax compliance among the populace. It is therefore quite useful that any look at revenue mobilisation should be linked to assemblies' capacity to provide development projects.

Financial management consist of:

Budgeting for revenue to be mobilised

Budgeting for expenditure to be incurred out of revenue mobilised

Exercising budgetary controls

Exercising accounting and internal controls over revenue and expenditure

CHAPTER THREE

METHODOLOGY

3.0 INTRODUCTION TO THE CHAPTER

This chapter is basically concerned with the way in which the research work was conducted.

3.1 RESEARCH DESIGN

There are two data analysis procedures. These are quantitative and qualitative.

The quantitative is used for any data collection technique (such as questionnaire) or data analysis procedure (such as graph or statistics) that generate or uses numerical data.

The qualitative is used for any data collection technique (such as interview) or data analysis procedure (such as categorizing data) that generates or uses non -numerical data. Research enquiries are classified in terms of their purpose and the research strategy used. Research is classified into exploratory, descriptive and explanatory.

The exploratory research is conducted into an issue or problem where there are few or no earlier studies to refer to. The focus is gaining insight and familiarity for later investigation.

The descriptive research describes phenomena as they exist. This is to portray an accurate profile of persons, events or situations.

The explanatory research seeks to explain what is happening in a particular situation. It aims to generalize from any analysis by predicting certain phenomena on the basis of hypothesized general relationships.

For this research, we used mostly, quantitative data collection technique.

To help our research, we decided to conduct exploratory study so as to seek new insights, to ask questions and to clarify our understanding of the problems associated with Internally Generated Fund. We used Microsoft Excel to develop tables, graphs and charts from the data collected to aid our analysis.

3.2 POPULATION

Population is defined as a collection of items of the same characteristics that are available for study or research. The population represents a group that you wish to generalize your research to.

The population available for this type of research was the Kumasi Metropolitan Assembly members, unit members and opinion leaders and no other Assembly was added. This was due to problems associated with data accessibility, time and other resources.

3.3 DATA SOURCE AND COLLECTION PROCEDURE

The data were collected from primary and secondary sources.

In primary data collection, you collect the data yourself using methods such as interviews and questionnaires. The key point here is that the data you collect is unique to you and your research and, until you publish, no one else has access to it.

Secondary data is data collected by someone other than the user. Common sources of secondary data include census, organizational records, journals, books and some government and international body publications

In our primary data collection, we obtained data through interviews with the Assembly members, Unit committee members and Opinion leaders with our questionnaires. Purposive sampling was used to gather information for this primary data.

Our secondary data were obtained from records of the Budget, the Accounts, Internal Audit and the Planning units of the Assembly.

The analysis of the performance of Internally Generated funds would therefore be based on three thematic areas. These were

- Analysis of the performance of the IGF as a contribution to total revenue.
- Analysis of performance of various sources of IGF from the period 2007-2011.
- Analysis of the IGF contribution compared with external funding of projects

3.4 DATA ANALYSIS

It is a process of inspecting, cleaning, transforming, and modeling data with the goal of highlighting useful information, suggesting conclusions, and supporting decision making.

In analyzing data statisticians use tables, graph and chart and other descriptive statistics to ensure that the true characteristics of the study are highlighted.

In this study, statistical graphs were created using Microsoft's software (word and excel).

CHAPTER FOUR

PRESENTATION OF FINDINGS AND DISCUSSIONS

4.0 INTRODUCTION

The following presents analysis of the primary data that obtained through interviews with the Assembly members, Unit Committee Members and opinion leaders. It consists of data presentation and analysis.

Table 4.1 The Number of Respondents Interviewed

Heading	Actual No.	Percentage
Assembly members who say I.G.F. Usage improved the lives of the Citizenry	10	40
Units committee members who say I.G.F. has better the lives of the citizenry	10	40
Opinion leaders who say the I.G.F. Has contributed positively to the citizenry in the community	5	20
Total	25	100

Source: Field survey, May,2012

Assembly members who say I.G.F. usage has improved the lives of the citizenry were 40% of the population size. These are members who stay in the sub metros and are in constant contact with the residents. An assembly member was interviewed in each sub metro in the metropolis. The unit committee members who say I.G.F. has better the lives of the citizenry were 40%. A member of the unit committee was interviewed in each sub metro where there have been current IGF projects. The opinion leaders who say the I.G.F. has contributed positively to the citizenry in the community were 20%. These leaders were interviewed in selected sub metros in the metropolis.

4.2. THE SECONDARY SOURCE OF DATA

The secondary source of data that were obtained from records of the Budget, Accounts, Internal Audit and Planning units of the Assembly are analyzed below.

Analysis of Performance of IGF as a Contribution to Total Revenue:

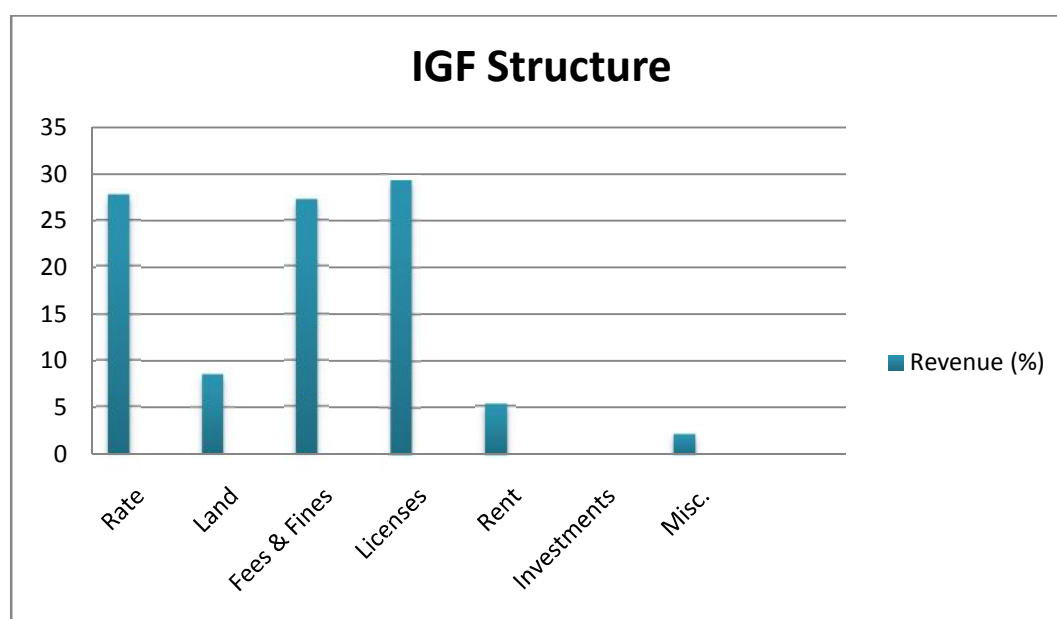
Table 4.3 structure of the internally generated fund

	Revenue Item	No. of Sub-Items	Contribution to Total Revenue in %
1	Rates	2	27.69
2	Lands	2	8.52
3	Fees & Fines	12	27.15
4	Licenses	62	29.37
5	Rent	7	5.25

6	Investment Income	2	0.03
7	Miscellaneous	6	1.99
	Total	93	100

Source: KMA Revenue and Expenditure Report as at 31st December, 2010.

Fig 4.4 Structure of the Internally Generated Fund



Source: KMA Revenue and Expenditure Report as at 31st December, 2010.

Table 4.3, Fig 4.4 above shows that, Rates, Fees & fines and Licenses each contributed almost thirty percent (30%) of total revenue. This was very encouraging. The question then was, could the efforts be sustained or even improved? And the answer was ‘yes’. Two private

companies REVSOL and REVNET had been charged to carry out continuous updating of database and to collect Property Rate in the ten (10) Sub-Metros. Under this pilot program the revenue collection companies are required to use the prescribed value books (receipt books) to collect revenue, to ensure easy auditing and monitoring. The contribution of the other sources; Lands, Rent and Miscellaneous were all far below ten percent (10%) with the investment income generating just below one percent (1%). With the Investment Income performing so poorly, it became necessary to find out the cause. Our interaction with the Budget Officer and Chief Internal Auditor, and from the Investment Data made available to us, it was revealed that investment income were only accrued from interest on Deposit and on Bank Accounts. This means that the best investment avenues in the Metropolis were not being explored.

So a question as to whether or not the KMA had any plans of assessing the financial market, the respondents answered positively. The KMA had commenced preparatory work to enable it enter the financial market by way of Municipal Bond financing in a bid to leverage capital from the private sector and invest in projects that have multiplier effect and capable of generating funds for a payback.

4.5 Analysis of performance of various sources of IGF (Variance Analysis) from the period 2007-2011

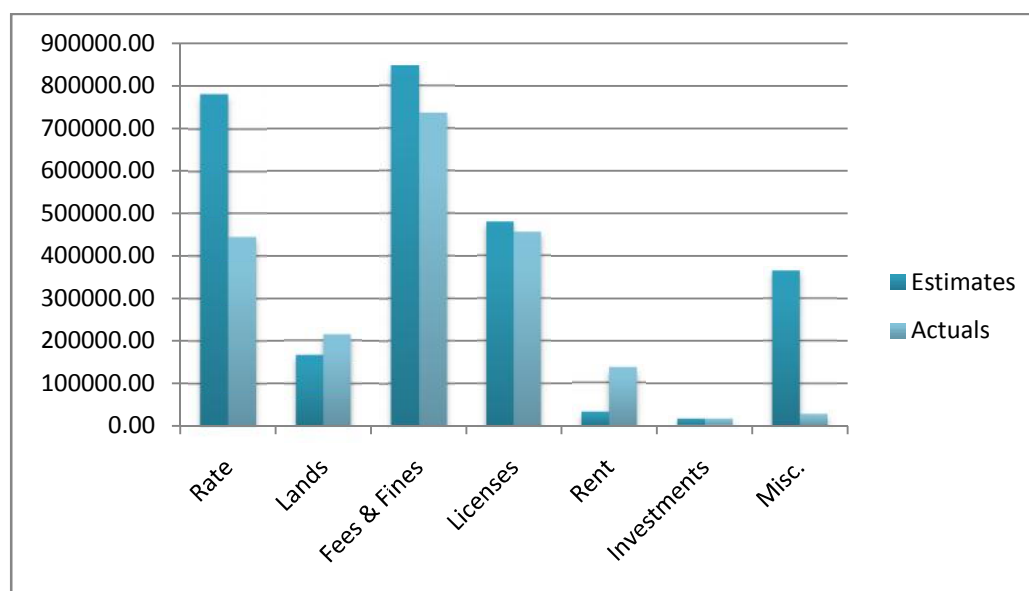
The following Tables and the corresponding Bar Charts show the summary of key IGF revenue sources and how they performed over the period under study.

Table 4.5.1 Summary of Key IGF Revenue Sources (2007)

	Revenue Item	Approved Estimate (GH¢)	Actual (GH¢)	Percentage Achieved (%)
1	Rates	780285.00	443675.34	57
2	Lands	167080.00	213960.96	128
3	Fees & Fines	847385.32	735502.61	87
4	Licenses	478717.80	454598.73	95
5	Rent	33220.00	135135.90	407
6	Investments	14000.00	14110.85	101
7	Miscellaneous	364200.00	28894.89	8
	Total	2684888.12	2025879.28	75

Source: KMA Revenue and Expenditure Report as at 31st December, 2010

Fig 4.5.2 Summary of the Key IGF Revenue Source (2007)



Source: KMA Revenue and Expenditure Report as at 31st December, 2010.

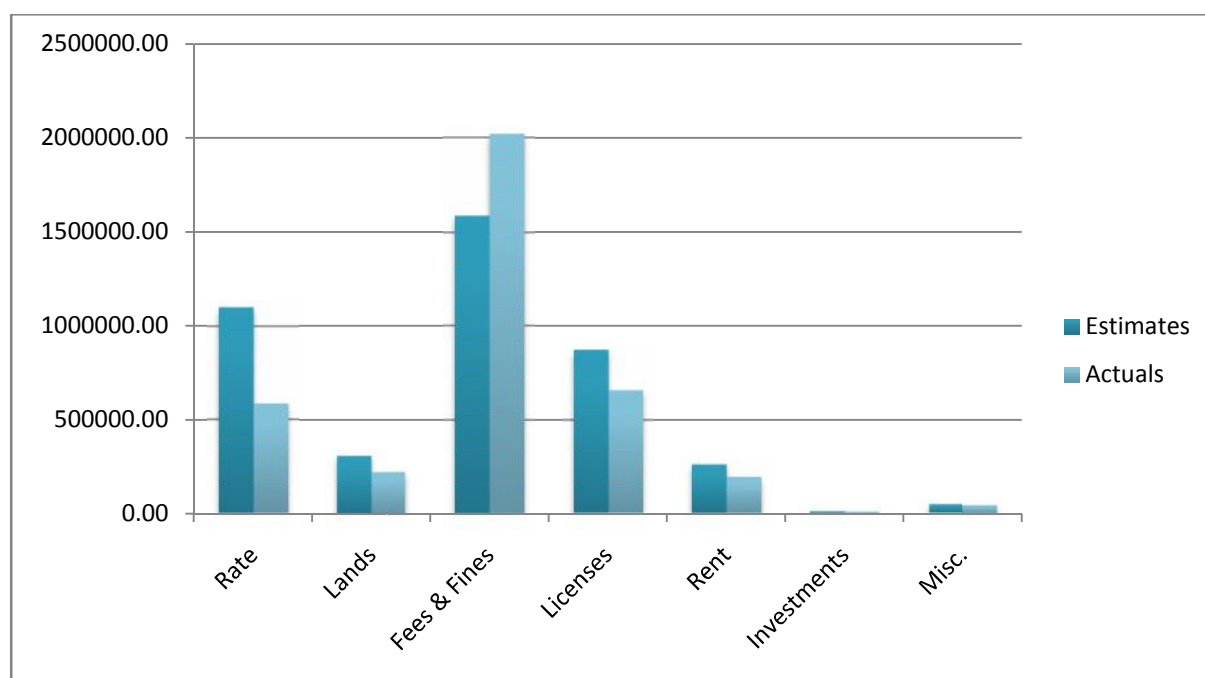
Table 4.5.3 Summary of Key IGF Revenue Sources (2008)

	Revenue Item	Approved Estimate (GH¢)	Actual (GH¢)	Percentage Achieved (%)
1	Rates	1,097,484.34	584,974.59	53
2	Lands	303,930.00	221,215.60	73
3	Fees & Fines	1,584,480.00	2,018,432.48	127
4	Licenses	871,189.00	655,584.02	75
5	Rent	255,530.00	191,751.90	75

6	Investments	10,000.00	8,414.09	84
7	Miscellaneous	42,100.00	41,236.28	98
	Total	4,164,713.54	3,721,609.96	89

Source: KMA Revenue and Expenditure Report as at 31st December, 2010

Fig 4.5.4 Summary of Key IGF Revenue Sources (2008)



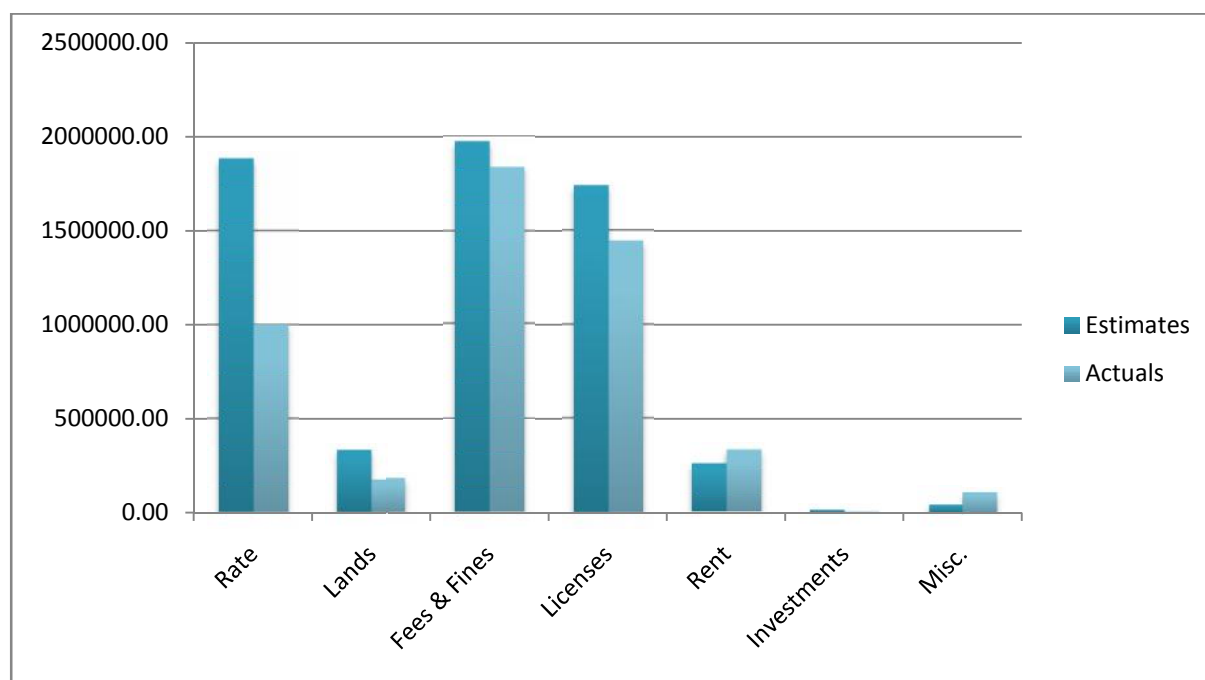
Source: KMA Revenue and Expenditure Report as at 31st December, 2010

Table 4.5.5 Summary of Key IGF Revenue Sources (2009)

	Revenue Item	Approved Estimate (GH¢)	Actual (GH¢)	Percentage Achieved (%)
1	Rates	1,885,097.36	1,000,568.57	53
2	Lands	330,680.00	175,410.00	53
3	Fees & Fines	1,971,060.00	1,842,364.53	96
4	Licenses	1,734,469.10	1,444,393.23	83
5	Rent	264,868.50	334,609.20	126
6	Investments	15,000.00	5,435.38	36
7	Miscellaneous	42,100.00	109,438.55	260
	Total	6,243,274.96	4,912,219.46	79

Source: KMA Revenue and Expenditure Report as at 31st December, 2010

Fig 4.5.6 Summary of Key IGF Revenue Sources (2009)



Source: KMA Revenue and Expenditure Report as at 31st December, 2010

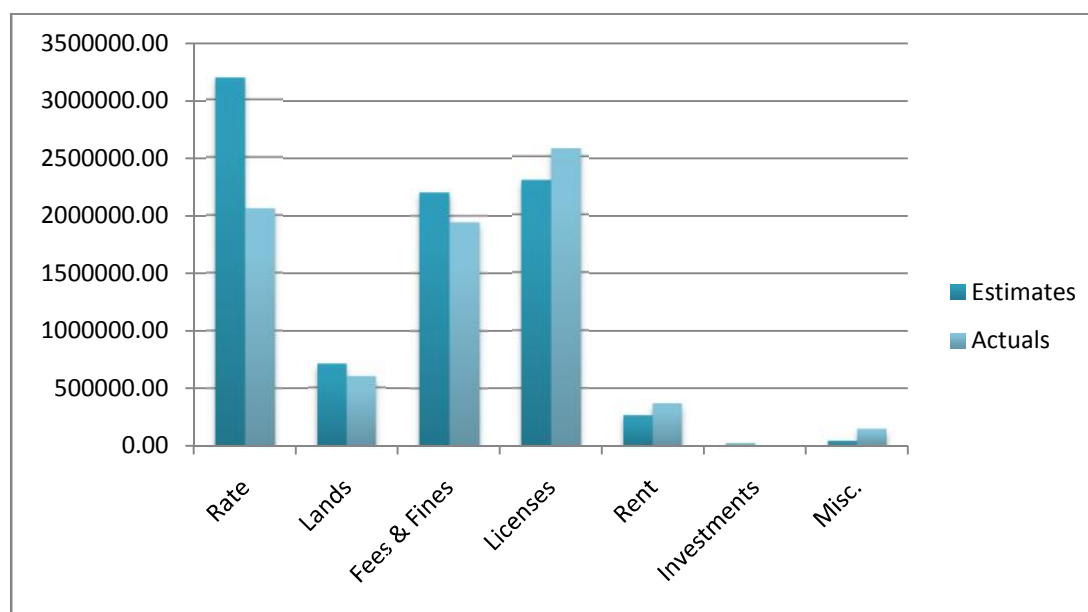
Table 4.5.7 Summary of Key IGF Revenue Sources (2010)

	Revenue Item	Approved Estimate (GH¢)	Actual (GH¢)	Percentage Achieved (%)
1	Rates	3186711.19	2056224.93	65
2	Lands	705180.00	599924.11	85
3	Fees & Fines	2201190.00	1942365.64	88
4	Licenses	2297655.60	2570728.98	112
5	Rent	264868.50	369480.90	139

6	Investments	15000.00	384.42	3
7	Miscellaneous	42100.00	140447.63	334
Total		8712705.29	7679556.61	88.14

Source: KMA Revenue and Expenditure Report as at 31st December, 2010\

Fig 4.5.8 Summary of Key IGF Revenue Sources (2010)



Source: KMA Revenue and Expenditure Report as at 31st December, 2010

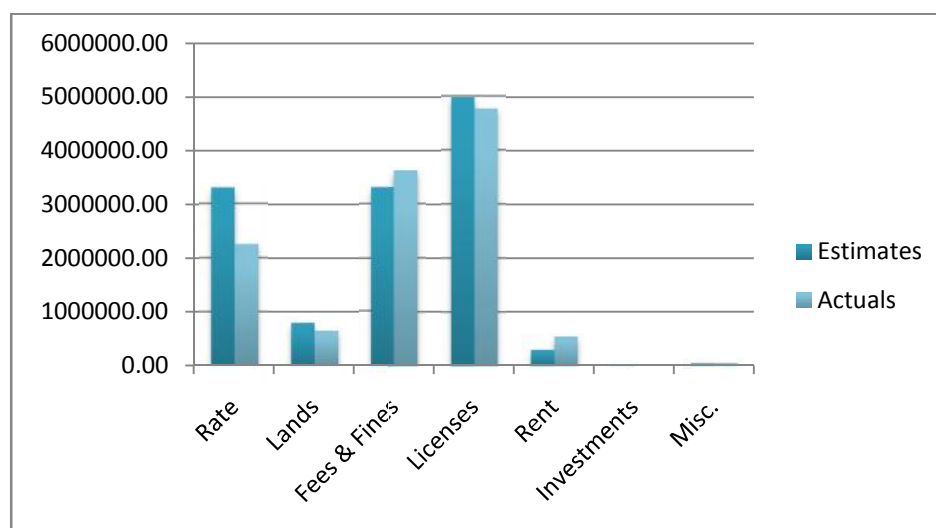
Table 4.5.9 Summary of Key IGF Revenue Sources (2011)

	Revenue Item	Approved Estimate (GH¢)	Actual (GH¢)	Percentage Achieved (%)
1	Rates	3286711.19	2245040.65	68
2	Lands	785100.00	646421.50	82
3	Fees & Fines	3300400.00	3614408.79	110
4	Licenses	4975008.60	4763140.83	96
5	Rent	282464.50	516759.64	183
6	Investments	15000.00	1382.04	9
7	Miscellaneous	42100.00	47675.83	113

Total	12686784.29	11834829.28	93
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Source: KMA Revenue and Expenditure Report as at 31st December, 2010

Fig 4.5.1.0 Summary of Key IGF Revenue Sources (2011)



Source: KMA Revenue and Expenditure Report as at 31st December, 2010

From the tables and statistical graphs provided above, Rates as a unit source of internally generated fund performed quite steadily for the first three (3) years after which it recorded dramatic increases over the last two (2) years. Pragmatic measures had been put in place, through continuous updating of database as part of their revenue mobilization drive. Again, a private company, REVSOL Ghana Limited, had been contracted to collect property rate in five (5) of the ten (10) sub-metros, namely; Asokwa, Oforikrom, Subin, Manhyia and Asawase, albeit on pilot basis. REVNET Limited, another revenue collecting company has also been engaged to collect property rates from the remaining five sub-metropolitan areas, namely; Bantama, Nhyiaeso, Tafo, Kwadaso and Suame.

It is therefore expected that subsequent years could experience higher performance. The information given above also makes some very interesting revelations. All the unit sources of revenue made very significant achievements in terms of meeting the set targets. However, and very importantly, we had an interview with some of the technocrats; they were all in agreement that budget estimates were below realistic expectations. They attributed this situation to that fact that KMA does not have any reliable database.

(Source: Session address delivered by the Metropolitan Chief Executive, 5th May, 2011.)

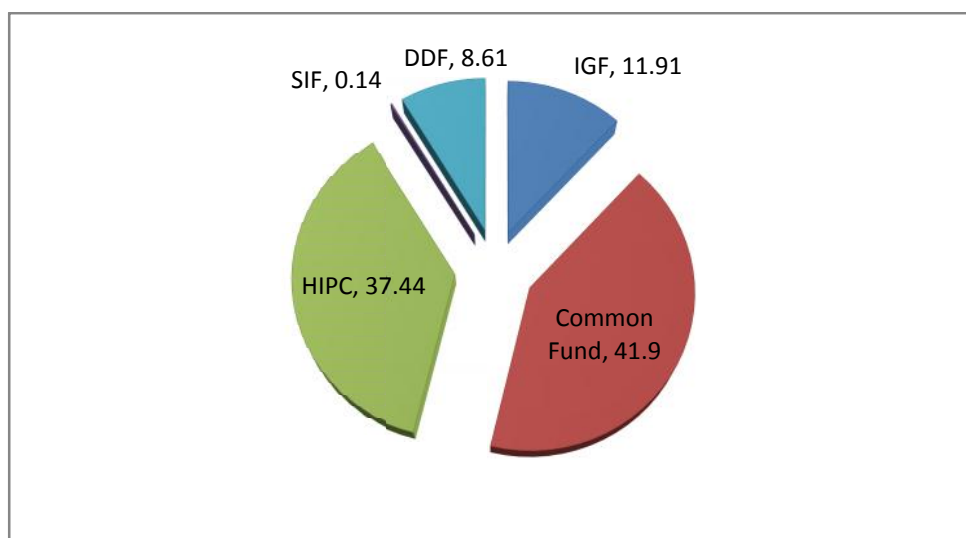
4.6 ANALYSIS OF THE IGF CONTRIBUTION AS AGAINST EGF

Table 4.6.1 Contribution from the IGF in Project Constructions carried out by the KMA over the period 2007-2011

YEAR	IGF (GH¢)	DACF (GH¢)	HIPC (GH¢)	SIF (GH¢)	DDF (GH¢)
2007	13656.40	3447108.52	2380647.73	853.50	-
2008	373970.27	3711307.97	2584230.87	1575.00	-
2009	54463.89	2809301.22	3107463.40	3823.00	-
2010	1426816.45	3523644.31	6284740.40	-	-
2011	2774958.98	2840289.30	238402.35	49279.34	3357948.74
TOTAL	4643865.99	16331651.32	14595484.75	55539.84	3357948.74

Source: KMA Revenue and Expenditure Report as at 31st December, 2010

Fig 4.6.2 Project Construction



Source: KMA Revenue and Expenditure Report as at 31st December, 2010

The above table reveals an interesting development. Whilst the IGF for years 2010 and 2011 saw a remarkable increase, the DACF and HIPC which had been the major sources of revenue for the Assembly experienced a dramatic downward trend. This justifies the need for an intensification of efforts at generating funds internally.

With project construction, the statistical graph reveals that the IGF contributed only 11.91 percent towards developmental projects for the period under review. It is also important to note that remittances of the District Assembly Common fund (DACF) from the Central Government are not regular. The following figures confirmed the above assertion.

Remittances from the two major sources of revenue, both of which contributed 79.34% reduced substantially. HIPC Fund fell from Six Million, Two Hundred and Four Thousand, Seven Hundred and Forty Ghana Cedi (GH¢6,284,740.00) in 2010 to Two Hundred and Thirty-eight Thousand, Four Hundred and Two (GH¢238,402.00) in 2011, and Common Fund from Three Million, Five Hundred and Twenty-three Thousand, Six Hundred and Forty-four Ghana Cedi (GH¢3,523,644.00) in 2010 to Two Million, Eight Hundred and Forty Thousand, Two Hundred and Eighty-nine Ghana Cedi (GH¢2,840,289.00) in 2011. It is therefore incumbent on the Assembly to intensify its internal revenue mobilization drive since the IGF is expected to play a major role in financing Recurrent and Capital Budget.

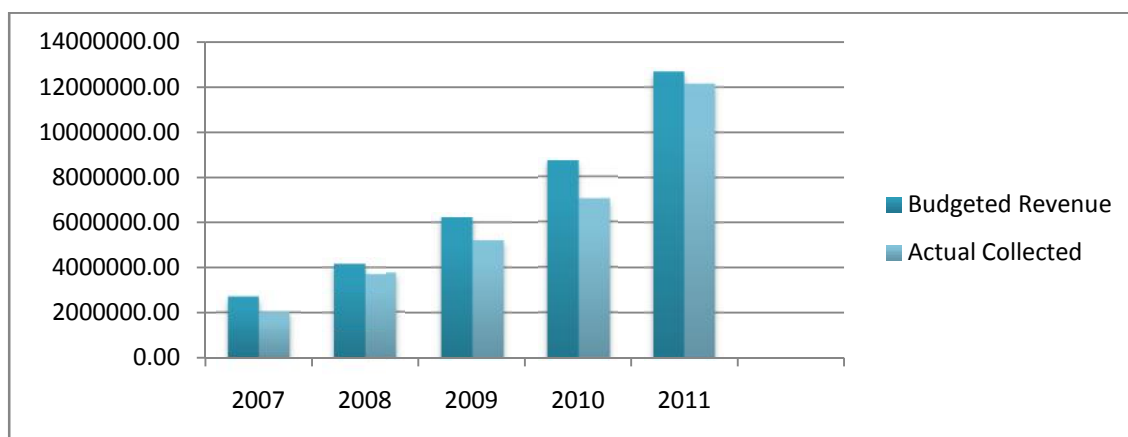
4.7 THE GENERAL OVERVIEW OF THE ASSEMBLY'S PERFORMANCE IN TERMS OF REVENUE MOBILIZATION.

Table 4.7.1 Revenue Mobilization for the period under study, (2007-2011)

Year	Budgeted (GH¢)	Revenue (GH¢)	Actual Revenue Collected	Percentage Achieved (%)
2007	2684888.12	2025879.28		75.45
2008	4164713.54	3712609.95		89.36
2009	6243274.98	5216508.62		83.55
2010	8712705.29	7036394.78		80.76
2011	12691684.29	12157111.70		95.70

Source: KMA Revenue and Expenditure Report as at 31st December, 2010

Fig 4.7.2 Revenue Mobilization for the period under study, (2007-2011)



Source: KMA Revenue and Expenditure Report as at 31st December, 2010

The Assembly's performance in revenue mobilization rose from 75.45% in 2007 to an appreciable height of 95.70% in 2011. On the surface, one could draw a reasonable conclusion that the assembly has been performing so well in its prime objective of mobilizing revenue to finance its numerous programs, as aptly depicted in the above table and chart. The analysis of other relevant data as stated elsewhere in this chapter shows that the chunk of revenue raised internally, goes into financing recurrent expenditure and that only 12% goes into capital expenditure financing. It is therefore inferred from the above information that, though the assembly may be achieving its revenue targets, the amounts raised are not substantially reliable, in terms of delivering developments to communities under its jurisdiction. It must be stated once again that the Assembly achieved a higher percentage of its annual budget estimates mainly because they had to contend with low estimates, based on very unreliable database. The assembly could therefore expand its revenue base by working towards updating its database.

Again, it must be noted, that the Metropolitan Chief Executive shared a similar opinion, when delivering his session address, he identified the weaknesses in the revenue mobilization system and the laid down measures that the assembly had put in place to address them.

Among the various measures were:

1. Establishment of Revenue Technical Committee
2. Review of Revenue Collection Contracts
3. Revision of bye-laws and strengthen of enforcement mechanisms
4. Improved Public Relation and Education Campaign
5. Review of Revenue Mobilization Task Force

(Source: Session address delivered by the Kumasi Metropolitan Chief Executive, Hon. Samuel Sarpong on Thursday 18th March, 2011)

4.8 THE CONTRIBUTIONS OF IGF ON THE METROPOLIS

The contributions of the IGF even at its present level cannot be overemphasized. The tables below show some of the projects undertaken by the Assembly IGF financing for a 2-year period (2010-2011).

Table 4.8.1 IGF Funded Projects (2010-2011)

No.	Project Title	Sector	Location
1	Construction of fence wall around St. Benedict School, New Tafo	Education	New Tafo
2	Construction of fence wall around Suame Methodist Primary School, Kumasi	Education	Suame
3	Construction of 1No. 6 Unit Classroom block for Kentinkrono M/A Primary School	Education	Kentinkrono
4	Construction of 1No. 6 Unit Classroom Block for Bantama Methodist School	Education	Bantama
5	Reconstruction of Batama market lot		Bantama
6	Renovation of 8 unit classroom & Kindergarten at Amankwatia	Education	Amankom
7	Construction of footbridge at Bremang - Kronom		Bremang
8	Construction of metal gate and gratings at Asafo		Asafo
9	Construction of Buokrom Police Station	Security	Buokrom
10	Construction of 1 NO. Kitchen for Ohwimase Basic school.	Education	Ohwimase
11	Construction of one storey 6unit classroom Block for Oti M/A Basic School	Education	Oti
12	Completion of one storey 6 unit classroom Block for Sokoban M/A Basic School	Education	Sokoban
13	Completion of one storey 6unit classroom	Education	Atonsua

Block for Atonsu M/A Basic School			
14	Rehabilitation of Kaasi M/A Primary School at Kaasi	Education	Kaasi
15	Payment of Salaries (Non-Mechanized)	Employment	K.M.A.
16	Maintenance and Running Cost of Vehicles	Transport	K.M.A.
17	Construction of School Building	Education	Asokwa
18	Renovation of Maternity Block	Health	Asokwa
19	Construction of Borehole	Water & Sanitation	Old Tafo
20	Construction of Stores at Abinkyi	Social Infrastructure	Subin
21	Office Equipment to Second Cycle Schools	Education	K.M.A.
22	Construction of Bridges & Culverts	Roads	Asawasi & Asokwa
23	Construction of Landfill Site	Sanitation	K.M.A.
24	Renovation of School Building	Education	Subin
25	Fencing of Schools	Education	K.M.A.
26	Donation to Special Schools	Social Welfare	Edwenase Aid

Source: KMA Planning Department.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 SUMMARY OF FINDINGS

The primary objectives of the study were to analyze the sources of internally generated fund and its contributions to the metropolis. The researchers have successfully carried out various analysis of the data made available for the purpose of the research. The main objective of determining the performance and contribution of the Internally Generated Fund has been met. The research has established that the Assembly over depend on External Funding and needs to improve on its internal revenue generation efforts to help in executing its developmental agenda.

5.1 CONCLUSION

The following are the conclusions made after carefully analyzing the data as depicted in Chapter Four and from the responses received through administration of questionnaires and interviews, and existing records from KMA.

1. This study has attempted to examine the sub units under the various sources of revenue for the IGF and concludes that, Rates, Fees and Fines and Licenses have provided the bulk of total IGF. It has also been established that Investment Income, which potentially could raise a lot of revenue has been a grey area. It is however well noted that the Kumasi Metropolitan Assembly (KMA) had taken steps to assess the financial market through Municipal Bond Financing.
2. Decentralization of functions and authority is a matter of considerable importance for the achievement of payment of taxes by individuals and organizations. There should be

provision of appropriate logistics and incentives to the revenue collectors and the intensification of education by emphasizing on the benefits of the payment of taxes to the Assembly.

3. There should be an adequate, yet equitable system of penalties which should be effectively applied by the assembly's court.
4. The research also revealed that, budget targets set for the various sources of IGF were not achieved, it could be attributed to the fact that, targets are set based on unreliable database.

The research study has also established an undeniable fact that;

We have analyzed the income structure of the Assembly for the period 2007-2011. This revealed that EGF (DACF, HIPC, SIF, and DDF) and IGF accounted for 88% and 12% respectively. By inference, the Assembly over depend on the former for financing its activities.

The External Inflow of funds as the main sources of revenue for the Assembly is not sustainable as shown by data, well documented in Chapter Four.

The Assembly has not done enough to raise substantial revenue internally which remains the bedrock of financing developmental projects for the communities.

5.2 RECOMMENDATIONS

Having carried out the research on the contribution of Internally Generated Fund in the general policy of Kumasi Metropolitan Assembly, the following recommendations are being made for consideration by all authorities of the Assembly.

Updating Database

Adequate and accurate data on all businesses as well as immovable properties and taxpayers in the Metropolis must be kept. This will help the budget section of KMA to prepare and come out with a more realistic annual revenue estimate to avoid huge deficit.

Undertake Tax Education

An intensive public education on the need to pay licenses, fees, rates and taxes should be carried out by the KMA. The education should be aimed at explaining why citizens should pay licenses, fees, rates and taxes, what the monies are meant for and the benefit of paying such monies to KMA. This may encourage tax payers to pay their licenses, fees, rates and taxes more willingly.

Improve upon Service Delivery

As service delivery improves, the citizens see the impact of the taxes paid, which in turn acts as incentive to pay. For example, if District Assemblies remove refuse promptly, keep the streets clean, supply desks and tables to schools, and then provide drainage facilities, opposition to payment of taxes will be reduced to the bearest minimum.

Access the Financial Market

Though the analysis of the income structure of the Assembly weighed heavily on the side of transfers from the Central Government, this scenario could change if the IGF is improved through a conscious attempt at accelerated revenue growth. The floating of municipal bonds and stocks could also improve the financial status of the Assembly.

Undertake Further Research

The Assembly, and in fact all other District Assemblies, must endeavor to undertake further research into the area of identifying other sources of revenue to enhance IGF growth.

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APPENDIX

QUESTIONNAIRE FOR OFFICIALS OF K.M.A.

We are students of CSUSC conducting research into analyzing the sources of Internally Generated Funds and Its contributions; Evidence from K.M.A. We would be very grateful if you could please assist us in finding response to the following questions. The information provided would be respected and held in strict confidence and also would not be used for any purpose than this study. Your identity and that of your business will also not be disclosed.

Please tick or write out the correct response.

Age [] Sex []

1. What is Local Government Act 462 (1993)?

.....
.....
.....

2. What are the aims for the introduction of Act 462 (1993)?

.....
.....
.....

3. Is Act 462 (1993) different PNDC Law 207 (1988)?

Yes [] No []

4. If yes, what is the difference?

.....
.....

5. Has the introduction of Act 462 (1993) led to effective and efficient functioning of local government administration in metropolis?

Yes [] No []

6. Give a reason for your answer in the question above.

.....

7. Has the Act 462 (1993) led to improvement in implementation of development plans and programs in the metropolis?

Yes [☐] No [☐]

8. Is Act 462 (1993) ensuring the existence of peace and tranquility to enable people go about their social and economic activities?

Yes [☐] No [☐]

9. Is the Assembly able to achieve budgeted revenue?

Yes [☐] No [☐]

10. If no, kindly give a reason.

.....

11. Should the Assembly improve upon its method of collecting revenue?

Yes [☐] No [☐]

12. Suggest one new method of collection of revenue.

.....

13. Does the Assembly face challenges in revenue generation?

Yes [☐] No [☐]

14. If yes, kindly give a challenge.

.....

15. Are economic activities productive enough to generate revenue for the Assembly?

Yes [☐] No [☐]

16. Does the Assembly allocate specific percentage of the Internally Generated Funds to specific areas?

Yes [☐] No [☐]

17. Has the use of Internally Generated Funds improved the economic and social life of the local people?

Yes [] No []

18. Give specific area of live of the citizenry that has been improved significantly.

.....

19. Apart from the above area given, kindly list an area you think should be improved.

.....

20. Give a reason for the answer given in question 19 above.

.....

.....

.....

21. Give your recommendations on the sources of internally generated funds of KMA and its contributions to your community.

.....

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.....

.....

OUTSIDE COVER

ANALYSING THE SOURCES OF INTERNALLY GENERATED FUNDS AND ITS
IMPACT ON THE METROPOLIS; EVIDENCE FROM KUMASI METROPOLITAN
ASSEMBLY

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A DISSERTATION SUBMITTED TO THE DEPARTMENT OF
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June 2012

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June 2012

STUDENTS' DECLARATION

We do here certify that the project work is the result of our own original research and studies and submitted under the supervision of Mr. Eric Atta Appiagyei. All references cited have been fully acknowledged.

NAMES OF RESEARCHES	SIGNATURE
APPIAH KYEREMATEN KUBI
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ABSTRACT

The study has been designed to analyze the sources of internally generated funds and its impact on the metropolis; evidence from Kumasi Metropolitan Assembly.

The Kumasi Metropolitan Assembly finds it difficult to adequately undertake its developmental projects as planned. This is due to inadequate funds to meet planned projects.

The researchers conducted interviews and questionnaires were designed to accountants, budget officers, auditors, revenue mobilization officers and administrators of K.M.A.

Analysis and recommendation were made to help the Assembly improve the impact of its projects on the populace.

DEDICATION

This work is first of all dedicated to Almighty God, our supervisor Mr. Eric Appiagyei Atta and lecturers of Business Department for their perfect training towards our education.

ACKNOWLEDGEMENT

Our sincere gratitude first of all goes to the Almighty God for His mercies, care and guidance in bringing us this far in our education. We also wish to express our profound gratitude our supervisor Mr. Eric Atta Appiagyei for the precious time he spent in supervising to make this work a successful one.

We acknowledge our indebtedness to the officials at K.M.A for their assistance in making a perfect research as far as this project is concern.

Finally, we are most grateful to all lecturers on compos especially the Head of Business Department Mr. Kwaku Ahenkora and his co –workers for their assistance and advice in making this work more acceptable.

May God richly bless you all?

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