

CORRUPT TAX PRACTICES: A CATALYST FOR RISING COST OF TRADING AGRICULTURAL PRODUCTS AND AN INHIBITOR OF GOVERNMENT REVENUE GENERATION

Terseer Anthony MAKAR
Benue State Internal Revenue Service, Makurdi
08064909496
makarson4real@gmail.com

Mustapha Yusuf KABARA PhD
Department of Economics and Development Studies,
Federal University Of Kashere,
Gombe State.
Yusufmustapha88@gmail.com
08064392331
ORCID iD:0009-0001-4282-4177

Shehu El-Rasheed PhD
Department of Economics and Development Studies,
Federal University of Kashere,
Gombe State.
08033225804
selrasheed@fukashere.edu.ng

Abstract

This study examines corrupt tax practices specifically unauthorized levies, bribery, and informal tax collections as catalysts for the rising cost of trading agricultural products and inhibitors of government revenue generation in Benue State, Nigeria. The objective is to investigate how illegal tax practices distort agricultural trade, increase traders' operational costs, and weaken government capacity to mobilize internal revenue. The study was conducted in major agricultural markets and transport corridors across Benue State, including Katsina-Ala, Ukum, and Vandeikya Local Government Areas. Field findings reveal that traders and transporters face multiple illegal levies at over 130 checkpoints, imposed by security personnel, touts, and revenue officials. Market traders encounter up to twenty-nine unauthorized charges per transaction, many of which are not recognized by existing tax laws. These illegal collections inflate transaction costs by as much as 30–40%, reduce trader profitability, and discourage participation in the formal economy. Consequently, the government experiences significant revenue leakages and declining tax compliance due to loss of taxpayer trust. The study infers that corrupt tax practices not only distort market efficiency but also threaten the fiscal sustainability of Benue State and agricultural competitiveness. It recommends establishing a technology-driven tax harmonization system to eliminate multiple and illegal taxes, coupled with enhanced monitoring, enforcement, and public sensitization. The use of CCTV surveillance at checkpoints, prosecution of offenders, and automation of tax receipts are also proposed as effective strategies. Strengthening governance and accountability will restore public confidence, encourage voluntary tax compliance, and promote sustainable agricultural trade.

Keywords: *Corrupt tax practices, agricultural trade, revenue generation, illegal levies, and Benue state*

INTRODUCTION

Corrupt Tax practices often referred to as illegal tax collections is an abnormality which exists in different ways and in various regions across the globe, though more prevalent in developing countries where institutional and regulatory lapses abound. These unauthorized levies, often imposed arbitrarily on individuals and businesses, hinder economic growth by creating inefficiencies in trade, reducing investor confidence, and undermining governance structures (Ugochukwu et al., 2024). According to the World Bank (2021), illicit practices such as informal taxation, unauthorized levies, and bribery collectively cost developing economies billions annually, eroding trust in public institutions and stifling economic progress. These challenges are most pronounced in sectors vital for economic development, including agriculture, trade, and transportation. Illegal tax collections (corrupt tax practice) distort market dynamics by inflating the cost of goods and services and

discouraging formal and informal sector participation (Aina, 2025). Traders, who form the backbone of local economies in many countries, often bear the brunt of these levies. Beyond their immediate economic impact, illegal collections perpetuate systemic inefficiencies, thereby reducing government revenues and compounding fiscal pressures on public service delivery (Kaufmann, 2020). This is not purely an economic issue but also involves governance, requiring urgent steps and attention to remedy the malaise.

Theoretically, public choice theory states that the actions of self-interested individuals within public institutions can lead to inefficiencies and corruption (Chohan, 2024). The illegal collections can be viewed as an extension of rent-seeking behavior, where actors exploit their positions for personal gain at the expense of societal welfare. In addition, the institutional theory highlights the role of weak regulatory frameworks and enforcement mechanisms in enabling illegal practices. The

prevalence of unauthorized levies aligns with these theoretical perspectives.

Unauthorized levies are widespread on transport corridors, markets, and Small and Middle Scale Enterprises. Touts and non-state actors also impose levies on traders and bus drivers, taking nearly half of daily earnings (Chaffa & Adom, 2025). Armed groups and militias also collect illegal tax on agricultural produce, mining, as well as road transport and these shadow taxation systems often erode state authority. In countries like Afghanistan and Pakistan, non-state actors impose taxes on opium, transport, and local businesses, functioning as parallel fiscal systems (Khan et al., 2025). According to Almosawi and Wahaib (2024), non-state groups levy taxes at checkpoints, ports, and on businesses, complicating legitimate trade in countries like Lebanon, Iraq, and Yemen. Fragile states with limited oversight capacity allow space for informal taxation and corruption in the African region which affects government revenue and tax payers' income (Aina, 2025).

In Nigeria, illegal tax collections imposed on individuals and businesses have become a significant economic challenge (Ibadin and Adikemor, 2020). These levies which are not backed by any law are collected across various sectors. That is, in agriculture, transportation, processing and general trade. This scenario weakens the economy by disrupting the price mechanism, impedes trade, thereby giving room for uncertainty that discourage both local and foreign investment. For instance, informal business like roadside traders and transporters in Nigerian states lack visibility and protection under formal tax systems making them easy targets for illegal collections (Ugochukwu et-al, 2024). These tax payers are faced with daily levies rather than monthly or yearly, imposed on them without any statutory provision.

Benue State in Nigeria, faces the problem of illegal levies too. They are in the form of inflated government receipts, dubious market entry charges, tolls at unauthorized checkpoints, duplicated government receipts and unscrupulous community levies. Illegal collections by security personnel, street urchins, political thugs, corrupt tax officials and other non-state actors diverts funds from the government coffers by thwarting efforts to increase internal generated revenue (IGR). Looking at this dynamics, it is necessary for exploring interventions that will promote agricultural trade, boost production and sustain agricultural development. There is every need to understand how these practices disrupts economic activities as well as dwindle revenue generation in an agrarian economy like Benue State.

This study hinges on two principal concerns, that illegal tax practices hinder the ability of the Benue state government to increase revenue generation, which is needed for providing Social Services like health care, education, physical infrastructure, and also inhibits agricultural trade since unauthorized payments rises costs which serve as a disincentive to traders.

METHODOLOGY

Research Design: This study adopted a qualitative research design to explore the dynamics of corrupt tax practices and their implications for agricultural trade and government revenue generation in Benue State. The qualitative approach was considered most appropriate because it allowed for a deeper understanding of the lived experiences, perceptions, and interactions of traders, farmers, and revenue officers within the state's taxation environment.

Study Area: The study was conducted in Benue State, North-Central Nigeria, often referred to as the "Food Basket of the Nation" due to its strong agricultural base. Specifically, three Local Government Areas (LGAs) with high agricultural trade volumes and extensive transport corridors were purposively selected: Katsina-Ala, Ukum, and Vandeikya. These LGAs host major agricultural markets that serve as collection and distribution centers for products such as yams, rice, groundnuts, cassava, etc. The area is also characterized by multiple road checkpoints where illegal tax and levy collections frequently occur, making it an ideal setting for studying the phenomenon of corrupt tax practices in agricultural trade.

Population of Study: The target population comprised market traders, transporters, farmers, and revenue officials operating within agricultural markets and transport routes in the selected LGAs. This group was chosen because they directly experience or participate in the taxation and revenue processes being studied. The study also included community leaders and local government revenue committee members who provided information into institutional tax administration and enforcement practices.

Sampling Technique and Sampling Size: A purposive sampling technique was employed to select participants who possess relevant knowledge or experience regarding tax practices and agricultural trade. The purposive approach ensured that only those individuals who have interacted with taxation systems formally or informally were interviewed.

Method of Data Analysis: Data collected from interviews and observations were analyzed using thematic analysis and content analysis. In thematic analysis, interview transcripts were read repeatedly to identify recurring patterns, ideas, and issues related to corrupt tax practices, costs of trading, and governance failures. Themes were developed inductively and categorized into major dimensions. Content analysis was also employed to interpret the meanings and implications of participants' narratives. Statements were coded, classified, and compared across different respondent groups to highlight consistencies and contradictions

CORRUPT TAX PRACTISES

Corruption is the system of dishonesty or criminal activity undertaken by individual or group of individuals that are entrusted with the power to lead for illegal gains (Dankumo, 2021). It is an act of diverting resources that should have been used for developmental purposes of the society to private or personal use (Spyromitros and Panagiotidis, 2022). Joseph Nye (1967) simply defines corruption as the abuse of power for private gain. This definition base on the idea that corruption

involves a violation of formal duties of a public or private role for personal, family or unique-related pecuniary or status gains. Corrupt tax practices encompass political and administrative corruption that negatively impacts voluntary tax compliance, where tax payers perceive that the tax system is unjust or mismanaged leading to decreased willingness to comply (Seidu et-al, 2024). Boateng and Asante, 2022, said corrupt tax practices involves the capture of tax administration by vested interests to manipulate tax assessments, audits or enforcement for private or personal gain. Corrupt tax practices continue as a result of poor mechanisms for transparency, monitoring and reporting in tax administration which gives room for corrupt practices to subsist. Corruption arises from a combination of individual, institutional, political, economic and social factors. At the individual level greed, excessive materialism, poverty, nepotism, indiscipline, and the desire for quick wealth drive corrupt practices (Andohol, 2020, Agale-Kolgo, 2018). Institutionally, weak enforcement mechanisms, ineffective oversight, judicial compromise and corruption within law enforcement agencies enable corruption to thrive (Salma et-al, 2023). Politically, weak competition, entrenched elites, poor governance and lack of accountability sustain corruption, while unchecked government projects and abandoned contracts further worsen the situation (Huynh and Tran, 2020). Economically, poor macro-economic conditions, monopolistic structures, over-regulation, trade restrictions, and resource mismanagement encourage corruption (Jacqueline et-al 2021; World Bank, 2023; Alshubiri et-al, 2023). Socially and Culturally, corruption is reinforced by ethnic divisions, religious fragmentation, societal pressures, and the absence of transparency in government decision making (Ganyam et-al, 2019; Neog and Gaur, 2020). Overall, corruption is multi-dimensional, rooted in political, institutional, economic and social weaknesses that create opportunities for abuse and misallocation of resources.

TRADING

A system of interaction where nations or entities exchange goods and services influenced by economies of scale, market imperfections and comparative advantage is considered as trading (World Trade Organization, 2024). Trading is the voluntary exchange of commodities or services between individuals or nations, aimed at satisfying mutual needs and improving collective welfare (Adenigbo et al, 2023).

Trading in agricultural products is the purchase and sale of farm-derived goods like grains, fruits, vegetables, and dairy across local, regional or international markets (Verma, 2024). According to Hegde and Ganesha (2024), trading of agricultural products is the process of sourcing (procuring), buying, transporting, storing, transforming and selling physical commodities, including the management of associated risks as well as operating assets in this context. Internal or domestic trade is vital for economic development as it stimulates production, generates employment, supports allied industries such as warehousing, transportation and contributes to GDP growth.

CHALLENGES OF TRADING AGRICULTURAL PRODUCTS IN BENUE STATE

Benue State code named the food Basket of the Nation is an agrarian society, with well over 70% of its population dependent on agriculture (Terdo and Guisepe, 2020). The state shares boundary with Nassarawa state to the North, Taraba State to the South-East, Cross River State to the South and Kogi State to the West. Benue state plays a major role in food production. Its predominance in farming activities has created a means of sustenance for its huge population, while it contributes significantly to Nigeria's food security and non-oil revenue

The issue of corrupt tax practices in Benue State is a pervasive one. It is even more worrisome given the extent transporters moving from other states and transiting Benue State with agricultural products are harassed and exploited. So far, there has been no tangible efforts made by government to curtail this situation. Security authorities only pay lip services when they make claims that illegal barriers to trade have been removed. There are instances where one or two offenders have been arrested but they are often not charged to court. When charged to court conviction hardly takes place. Prosecution without conviction which persists continuously is a fraud in itself.

There are around One hundred and thirty three (133) checkpoints from Jootar, Ukum LGA of Benue State to Branch Atser, junction in Vandeikya LGA of Benue State (Field Study, 2024). Jootar borders Wukari local government in Taraba State, while Vandeikya borders Bekwara and Obudu local government areas of Cross River State. These checkpoints are mounted by military and para-military personnel (Police, Immigration, NDLEA, Civil defense etc.), personnel of the Nigerian Agricultural Quarantine Service (NAQS), revenue authorities and touts. The NAQS and revenue authorities often refer to such points as inspection points. Eleven (11) of the one hundred and thirty-three checkpoints are mounted by touts.

Further field studies have unraveled that transporters of agricultural products moving within or passing through Benue State are faced with an avalanche of illegal taxes which they pay at some of these points before passage is granted. For instance, cattle trades passing through Jootar and exiting from Benue State at Vandeikya local government spend between 250,000 to 350,000 as bribes. These illegal collections have become a norm for military and other security personnel mounting these road blocks. Monies collected illegally at each checkpoint by security personnel range from 12,000 to 5,000. Touts have a field day too, cashing on this unscrupulous acts by uniformed men, community leaders connive with political touts to erect checkpoints too. In most cases you see these illegal checkpoints mounted by touts very close to those mounted by security personnel. It is like a joint venture; some touts sometimes claim they have blessings from their political leaders to collect these unauthorized tolls which sometimes amount up to 20,000 per check point. The NAQS have also become a revenue collecting agency at most of their inspection points. The interest is more of personal gain rather than carrying out the services which by law, they should undertake. Animals are

never checked, but illegal tax payments are made to them, in fact no animal have been quarantined on these routes for the past two years.

Another field study carried out by the researcher in markets in Katsina - Ala local government area of Benue State (2024), shows that the local government revenue authorities have up to twenty-nine tax items that traders of agricultural products face while transacting in such markets. Some of these revenue items have no statutory provision - items not included in the approved list for collection as stated in the extant tax laws. Traders of agricultural products are subjected to the following taxes and levies, Local Government DR, Katsina-Ala Development Levy, Katsina-Ala Welfare, Katsina-Ala Crops Investment, Agricultural Educational Fund, Produce tax, Agricultural Development Fee, Benue State Buyers, Food Security Enforcement, Crop Conservation Fee, Investment Trust, Beme Market Association, Produce Identification Tax, Agric Promoters, Tor Sankera, Demurrae Charge, Freight Charges, Katsina-Ala Marketers, National Association of Agric, Sankera Farmers, Yam Markets, Benue Development Levy, Kayama, Katsina-Ala Tax Commission on Agricultural Industrial Goods on Transit, Benue State Revenue on Land Fee, and the Farmers Association. This practice is prevalent in most markets throughout Benue state.

Government revenue receipts are also sold at more than the value for which they have been issued, sometimes double the amount. These sales are carried out by political thugs selected by community leaders to operate in such markets, a practice that has persisted for years. Corrupt tax practices persists in markets throughout the state. The effect of illegal collections on agricultural products have pushed prices upwards, this in turn has lowered income levels, thereby discouraging agricultural trade and at the same time reducing government revenue.

As corrupt tax officials, security personnel and touts demand bribes, traders face additional costs. Traders may still have to pay officials taxes on top of the bribes, increasing operational cost which result to double burden, higher cost reduce net income, discouraging business growth. As trader's income shrinks due to corruption related costs, their ability to pay legitimate taxes declines. As traders face unfair tax burdens, they will evade taxes or under report earnings, further reducing government revenue. Persistent high cost force some traders out of business, cutting off potential tax sources. Bribes collected by corrupt officers never reach government coffers, leading to loss of public revenue. Traders lose faith in the fairness of the tax system, which weakens compliance and broadens the informal economy. The government collects less revenue than expected, limiting funds for infrastructure, education and public services.

REVENUE GENERATION AND LIMITATIONS IN BENUE STATE

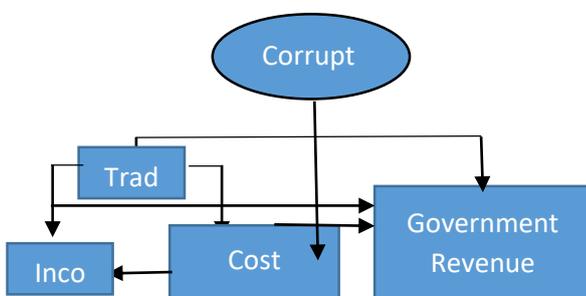
Revenue generation is the process by which financial resources are mobilized through taxation and other means to fund expenditures and achieve economic stability (Iorlaha et al. (2024). Revenue generation is the process by which governments collect income through taxes and other sources, influenced by the quality of public governance, to fund public services and development (Ibrahim, 2024). Revenue generation refers to the collection of income by government using different means like taxes and fees to finance expenditure (Ihechiluru, 2023). In the view of Amadi and Alolote (2023), revenue generation is the government act aimed at collecting funds through various means, primarily taxation, to finance the implementation of budgets and development of socioeconomic infrastructure.

According to the National Bureau of Statistics (2024), Benue State generated 20.43 billion naira in 2024, ranking Thirtieth (30) in the ranking of thirty six states of the federation including FCT for IGR generated last year. These figures of Benue State are the least in North Central Nigeria, an indication of poor revenue growth. This makes it imperative to curtail acts inimical to increase in the state's revenue. It is not just security personnel, political touts, etc who perpetrate illegal tax collections but also personnel of revenue collecting agencies. Cases of duplication of official tax receipts, underwriting of tax receipts, aiding of taxpayers to evade, concealing of vital information thereby undermining internally generated revenue (IGR) have been reported. There have been government efforts to increase revenue generation through automation of collection processes yet the desired results have not been achieved. Revenue growth is still stagnant.

This is better illustrated and explained below

CONCLUSION AND RECOMMENDATION

This study has clearly shown how illegal activities such as unregulated levies and bribes, disrupt revenue collection and distort economic relationships between traders and the government. Corrupt tax practices disrupt trade and transport, by inflating the cost of trading, thereby lowering the rate of investment in agricultural and commercial sectors. As such traders operating on slim margins become worse hit. These corrupt tax practices reduce profits and consequently the ability to scale operations, limiting their competitiveness in broader markets. On the government side it lowers the rate compliance



by tax payers. This stems from lack of confidence in the tax system, the result being that public revenue generation is undermined.

Therefore, it is necessary to create a transparent, technology driven tax administration framework which will harmonize existing taxes and a fully automated payment system that eliminates cash payments totally. This will eliminate multiple taxes and illegal collections. There is also need for tax sensitization, public disclosure of revenue generated, blocking revenue leakages, accountability and the political will to deliver social goods as it will go a long way to ensure voluntary tax compliance. Also, the activities of security personnel on highways should be seriously scrutinized and those found wanting should be severely punished to curtail these illegalities. The mounting of electronic gadgets such as cameras (CCTV) at each security checkpoint will be of great importance in stemming illegal collections.

Lastly, illegal roadblocks should be curbed. Offenders should not be left off the hook but prosecuted and convicted to deter others. No persons, including tax authorities should be allowed to mount a roadblock in any part of the state for the purpose of collecting any tax or levy. Vehicular movement should not be obstructed for tax purposes. Applicable taxes and levies should be collected at the point of loading and offloading.

REFERENCES

- Adenigbo, A., Mageto, J., & Luke, R. (2023). Effect of shipping trade on economic growth in Nigeria: The vector error correction model approach. *Journal of Shipping and Trade*, 8(15), <https://doi.org/10.1186/s41072-023-00147-8>
- Agale-kolgo, D. (2018). The impact of corruption on economic growth in developing countries. [Master's Thesis, Erasmus University Rotterdam]. Erasmus University Rotterdam Open Archive. <http://hdl.handle.net/2105/44870>
- Aina, A. T. (2025). An Assessment of Taxation Strategies and Policy Interventions for Nigeria's Informal Economy. *FUDMA Journal of Accounting and Finance Research*, 3(1), 103-128
- Almosawi, S. S. Q., & Wahaib, B. A. (2024). The role of taxes in developing the industrial sector in Iraq for the period (2015–2021). *Journal of Economics and Administrative Sciences*, 30(140), 364–381.
- Alshubiri, S. F., Jamil, S. A. & Fekir, S. (2023). Corruption control, government effectiveness and banking stability: Does Corruption Grease or Sand the Wheels? *Journal of the Knowledge Economy*: <https://doi.org/10.1007/s13132-023-01277-x>
- Amadi, K. C., Alolote I. A. (2023). Revenue generation in Nigeria: A financial statistical analysis of taxation impact on sustainable socioeconomic infrastructure development. research & reviews. *Journal of Statistics*, 12(2), 1–12.
- Andohol, J. (2020). Political Determinants of Corruption in Nigeria *Jalingo Journal of Social and Management Sciences*, 2(3): 240-254
- Boateng, K., & Asante, R. (2022). *Institutional Weaknesses and Tax Corruption in West Africa*. *Journal of Public Administration and Policy Research*, 14(2), 30–42.
- Chohan, U. W. (2024). Public choice and public value. Centre for Aerospace & Security Studies (CASS); Critical Blockchain Research Initiative (CBRI); International Association of Hyperpolyglots (HYPIA); University of New South Wales <https://ssrn.com/abstract=4993588>
- Dankumo, A. M., Ishak, S., Bani, Y. & Hamza, H. Z. (2021). Governance, public expenditure, trade and poverty reduction in Sub-Saharan African countries. *Jurnal Ekonomi dan Studi Pembangunan*, 13(1), 16 -35.
- Ganyam, A. I., Ivungu, J. A. & Anongo, E. T. (2019). Effect of tax administration on revenue generation in Nigeria: Evidence from Benue state tax administration (2015-2018). *International Journal of Economics, Commerce and Management*, 7(7), 394-414.
- Hegde, T., & Ganesha, K. S. (2024). Examination of risk management strategies for the use of futures and spot prices of agricultural commodities. *International Journal of Scientific Research in Engineering and Management*, 8(12), 1–7. <https://doi.org/10.55041/IJSREM39522>
- Ibadin, P. O., & Adikemor, E. K. (2020). Tax fraud in Nigeria: A review of causal factors. *Journal of Taxation and Economic Development*, 19(1), 64-80
- Ibrahim, N. (2024). Quality of Public Governance and Revenue Generation in Nigeria. *International Journal of Research and Science Innovation*, 11(5), 252-264.
- Iorlaha, M., & Agi, I. A., & Asema, T. (2024). Maximizing revenue generation through effective tax policies for sustainable economic development in Nigeria; a conceptual review. *African Journal of Accounting and Financial Research*, 7(1), 119-131.
- Jacqueline M. Klopp, Melissa Trimble, Eleanor Wiseman. (2021). Corruption, gender, and small-scale cross-border trade in East Africa: A review <https://doi.org/10.1111/dpr.12610>
- Nye, J. S. (1967). Corruption and Political Development: A Cost-Benefit Analysis. *American Political Science Review*, 61, 417-427. <https://doi.org/10.2307/1953254>
- Ihechiluru, I. E. (2023). Revenue generation and Nigeria local government system: Issues and prospects. *International Journal of Public Administration*, 2(2), 1-14.
- Salma, B., Alon, I., Josanco, F., & Cucculelli, M. (2023). Corruption, formal institutions, and foreign direct investment: The case of OECD countries in Africa. *International Business Review*, 65(5). 461-483. <https://doi.org/10.1002/tie.22361>
- Spyromitros, E., & Panagiotidis, M. (2022). The impact of corruption on economic growth in developing countries and a comparative analysis of corruption measurement indicators. *Cogent Economics and Finance*, 10(1), 21293. <https://doi.org/10.1080/23322039.2022.2129368>

Terdo, F., & Feola, G. (2020). Rapid participatory system mapping builds agri-food system resilience: evidence from Nigeria. *African Geographical Review*, 40(1), 63–75.

<https://doi.org/10.1080/19376812.2020.1761410>

Ugochukwu J. Nwoye, Justina N. Obiorah & Anita C. Chidiebere (2024). Illegal Taxation versus Tax Holiday: Implications on the Performance of SMEs in Awka, Anambra State. *Journal of the Management Sciences*, 60(4), 58-73

Verma, H. (2024). The evolution of futures and options markets: From agricultural roots to high-frequency trading. *African Journal of Commercial Studies*, 5(2), 107–116. <https://doi.org/10.59413/ajocs/v5.i.2.5>

World Trade Organization, (2023). Global trade flows. https://www.wto.org/english/res_e/booksp_e/tariff_pr ofiles19_e.pdf

Article inflow

Received: 5th October, 2025

Accepted: 30th November, 2025

Published 31st December, 2025