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Implications for Rural Development of the Role of Local Government Internal Revenue in Fostering Social Economic Development in Nigeria

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Abstract: The study's analysis looked into how Nigeria's economic progress was affected by internally generated revenue, or IGR. Nigerian states' and local governments' unable to make enough money to cover with their spending responsibilities has been a significant challenge; corruption and the misuse of IGR have continued to be a hindrance to Nigeria's economic development, which is why the citizens are calling for change. This study used an ex-post facto research design to specifically examine the effects of total IGR (TIGR), Federal Government Independent Revenue (FGIR), States IGR (SIGR), and Local IGR (LIGR) Governments IGR on the country's Real Gross Domestic Product (RGDP), which is a proxy for economic development. The time series data used covered a period from 1981 to 2016 and were obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin. The statistical tool used for the data analysis was the multi-regression and t-test for test of hypotheses. that FGIR likewise had a positive and substantial influence on RGDP, whereas TIGR, SIGR, and LIGR all had a strong and significant positive impact (p-value = 0.000 < 0.05). The dependent and independent variables had a strong association with one another. According to the study, IGR has a good influence, but there isn't enough physical evidence to support this claim. As a result, government measures that might end unethical behavior in the government system are needed. The study also suggests that government officials with a track record of corruption should not be permitted to continue serving in their current capacities; instead, those with exceptional integrity should be given the chance to hold sensitive government jobs that could support the goals of economic development.

Keywords: internal growth, real gross domestic product, and economic development produced income, shrewd methods, sustainability, decentralization, local government, Nigeria, and Iwo.

1. Overview

Assessing the relative contributions of Total IGR (TIGR), Federal Government Independent Revenue (FGIR), States IGR (SIGR), and Local Government IGR (LIGR) to Nigeria's economic development as shown by real gross domestic product (RGDP) is the study's specific goal. The main source of funding for municipal governments is IGR. IGR is the lifeblood of a local government, according to Abalaka (2023), meaning that a local government area's ability to make enough money is essential to its survival. Because local governments have authority over IGR, economic development is facilitated and expedited. Nonetheless, a local government's ability to obtain IGR is one of the requirements and important factors for establishing a local government (Ajiteru, 2022). Ekankumo and Braye (2021), examining the theoretical and empirical evidence on how state governments could increase IGR capable of absorbing increasing recurrent and capital expenditures of states, argued that a state's ability to boost IGR which depends not only on taxes but also on entrepreneurial options that will help to complement the revenue from statutory accounts is essential to the economic development and viability of states in Nigeria (Abalaka, 2023). fundamental operations (Balogun, 2015). Using Akwa Ibom State as an example, where IGR made significant contributions to the provision of roads, electricity, and water, Abalaka (2023) believes that IGR is capable of providing a state with appropriate basic facilities (Sulaiman, 2018). According to Oseni (2018), the second and third tiers of government primarily employ IGR to offset the high cost of governance. Because it impacts the economic development in local government regions, political leaders' and local government officials' mishandling of IGR continues to be a significant problem. Ajiteru (2016).

2. Study Background

Development at the local level is one of the main goals of Nigeria's local government system. Local governments function at the local level. Their purpose is to provide government.

Regretfully, the declining "altar of oil" has forced the Nigerian regions to give up this abundant source of IGR that offers limitless economic growth. An important reason why the majority of Nigerian states are unable to function is their excessive reliance on statutory funding more accessible to the public, encouraging political engagement. In a federal state like Nigeria, it is the type of government that is closest to the people. The local government was established to promote rural development as well. The federal and state governments' development programs are complemented by theirs. However, the strength of the local government's revenue greatly determines how far it can go in achieving its objectives. Despite all of this, local governments continue to face a plethora of challenges in raising money (Abalaka, 2023).

Lack of qualified revenue collectors, corruption, insensitive governance with little political will, limited access to most rural areas for revenue collection, communication and security logistics, and a lack of transparency by revenue collectors all contribute to the difficulty of revenue mobilization. The Because there is no commensurate effect on rural change, Nigerian rural residents are pessimistic about paying taxes, fees, or rates. This has a big impact on how Nigerian local government districts are developing. This paper's goal is to investigate Nigerian local government units' internally generated revenue base and how it affects rural development. Ajiteru (2022).

Concern was raised about Nigeria's local government administration when General Olusegun Obasanjo, the country's head of state at the time, reformed the local government system in 1976. With the reform, the federal government began making a determined attempt to improve local government's prospects. The reform's provisions gave the local government a new perspective and granted its prominence in the nation's socioeconomic well-being. It served as a means of bringing the people and government closer together. As a result, the nation as a whole established a standardized system called the single tier structure. The following criteria were used to define uniformity:

i. Local government functions;

ii. How local administrations are organized;

iii. The local governments' financial resources;

iv. Connections to the state government and the policies and procedures of law enforcement Abalaka (2023).

Nigerian local governments are tasked with a great deal of work. These include encouraging social and economic advancement and growth, mobilizing local resources, and fostering national integration. Additionally, they implement regional policies pertaining to agriculture and specific industries, which helps to reduce unemployment. Hey Ajiteru, (2022). A thorough summary of the duties performed by Nigerian local government entities is provided by Ojo (2019).

2.1 The problem statement.

The 1976 local government reform was incorporated into the nation's intergovernmental relations and administrative structures. It was mostly inspired by the Brazilian experience and became firmly established in Nigerian local government. Local government gained prominence as a result of the reform, which was hailed as a great and significant breakthrough. This allowed them to establish legal entities, which in turn granted them the authority to carry out specific functions that have since been incorporated into the constitutions of the Federal Republic of Nigeria in 1979, 1989, and 1999. Despite the fact that the reform explicitly stated Nigeria's three-tiered federation concept, its recognition of Adamolekun identifies six broad categories of issues that have arisen as a result of revenue sharing and administration arrangements: intergovernmental conflicts, structural organizational issues, financial issues, a lack of qualified personnel, the role of traditional authority in local government, and political and bureaucratic corruption. Even during the fourth republic, these issues basically remained unsolvable inside the Nigerian political system. These issues have been made worse by the 1999 constitution, which gives state governments considerable authority over local government in Nigeria, especially when it comes to its establishment and management. However, it's evident that the two most prevalent issues facing Nigerian local government are money and a significant discrepancy between their legislative duties and obligations; the flow of funds at their disposal; and the limitations on their ability to levy taxes or exercise fiscal jurisdiction.

There is no denying that in Nigeria, the level of decentralization of spending is greater than that of revenue, leading to a significant discrepancy between local government revenue sources and functional expenditures. This indicates that the required symmetry is absent, which explains the issues with non-correspondence or vertical imbalance. Therefore, the purpose of this study is to evaluate Nigerian local government finances.

i. To what degree does the selected local government area (Iwo) take advantage of the Self-Financing (Internally Generated Revenue) sources at her disposal?

ii. Does the Iwo local government area rely solely on outside funding from the federal and state governments?

iii. Are there any obstacles preventing this local government area's financial foundation from improving?

What other revenue streams are there that these local governments could use to increase their efficacy and efficiency? Throughout this investigation, each of these will be looked into and evaluated.

2.2 The study's objectives

This study's main goal is to investigate local government finance in Nigeria and evaluate the practical financial choices that local government councils currently have. Among the particular goals are:

i. To investigate the financial connections between the federal, state, and local governments.

ii. To determine the Iwo local government area's present revenue streams and how it obtains funding for community initiatives as well as services.

iii. To determine whether the Iwo local government's financial management is deficient in any way.

iv. To make recommendations on how Nigerian local governments can increase their revenue base.

3. The Theory of Decentralization

The decentralization theory is more acceptable and suited for this study since it shows how power and responsibility for public duties are transferred from the central government to the subordinates. Decentralization is based on the idea that local governments, which are subnational governments, should have authority over their own affairs and growth. Ajiteru (2016). Therefore, by definition, decentralization means that subnational governments or entities assume responsibility for the federal government's functions and become capable of managing their own financial resources compared to what would happen under a centralized administration (Tanzi, 2015). Reconcentration and devolution are the two main types of decentralization identified in the literature. Sulaiman (2020). Within the same administrative framework, the former refers to the movement of state resources and duties from the center to the periphery. It denotes a method of internal responsibility delegation among organization officials.

Devolution, on the other hand, means giving certain duties and resources to the community, which is typically represented by elected (as opposed to appointed) officials. However, decentralization is now seen by the majority of African governments as a national development project and a means of coordinating local resources. Given that it is now clear that neither the federal government nor the states can ensure development on their own, Therefore, in order to improve development in the rural areas, it becomes essential that the local government be given more authority, responsibility, and power from the federal or state government. Given how far away the federal government is from rural residents, this is significant. Decentralization is thought to improve the ability of local governments to handle their own issues. In order to use local resources for more advanced development, the 1976 local government reform specifically sought to decentralize some important state government activities at the local level (Abalaka, 2023). Thus, this framework serves as an operational tool for this paper and will improve scientific knowledge.

4. Nigerian Revenue Allocation

The topic of revenue allocation is typically brought up in discussions about local government finances. The phrases fiscal federalism, resource control, and fiscal decentralization are frequently used in conjunction with the term "revenue allocation." Its broad definition encompasses the distribution of tax authority and revenue-sharing agreements among the state governments as well as the three levels of government (Abalaka, 2023). A system of taxation and public spending known as fiscal federalism gives all levels of government in a country, from the federal government to the smallest level, the local government, the authority to raise taxes and restrict spending (Sulaiman, 2020). In essence, fiscal federalism places a strong emphasis on how money is collected and distributed across various governmental levels for development (Ajiteru, 2022).

Although a central authority is required for this arrangement to exist, one of the fundamental tenets of federalism is that no level of government is subordinate to any other level. Federalism's salient characteristics are:

(i) The distribution of authority among governmental tiers,

(ii) Organize the dominance of every governmental level, and

(iii) Each level of government's financial independence

Federalism's leading proponent has firmly maintained that all levels of government are coordinated in status (Wheare, 2013 cited in Olowononi, 2019, p. 248). This suggests, as he argued, that if state officials determine, for instance, that the services they have been given are too costly for them to provide, and if they request subsidies from the federal government With subsidy to help them, they then become subordinate to the federal government rather than coordinating with it. Accordingly, regardless of how meticulously the legal structures are maintained, the financial subordination of the state and local governments, as is the case in Nigeria from 1999 to the present, is a parody of federalism. After states and local governments were established, fiscal federalism was strengthened throughout the military rule of 1966 to the 1990s, possibly to disperse growth throughout the nation and appease potential ethnic groupings. Twelve states were established in 1967, marking the start of the military era. According to some analysts of Nigerian politics and governance, the establishment of additional states and local governments was a purposeful strategy to force state and local governments to rely on the federal government. Nigeria currently consists of 774 local governments, 36 states, the Federal Capital Territory, and the Federal Government. Even though Nigeria has participated in a number of commissions and committees since colonial times, this topic is still at the forefront of national discussion and debate. The commissions in question are the Hicks-Phillipson Commission (2021), the Phillipson Commission (2016), the Hicks-Phillipson Commission (2021), the Louis Chick Commission (2013), the Jeremy Raisman Commission (1958), the Binns Commission (2014), the Dina Commission (2018), the Okigbo Commission (2020), the Aboyade Technical Committee on Revenue Allocation (2017), the Danjuma Fiscal Commission (2018), and Sunday et al. (2014).

5. Local Government Funding Sources

The term "source of local government finance" refers to the different ways that local governments raise money to pay their debts while carrying out their constitutionally mandated responsibilities. Nigerian local government finance comes from two main sources: internally generated revenue, which comes from within the local government area of administration and includes tenement rates, community taxes, poll taxes, user fees, and loans; and externally generated revenue, which comes from outside the local government area of administration (Abalaka, 2023). Given the favorable conditions and political will, internal revenue generation is a viable option for funding local government operations. Each local government's amount of internally generated revenue is determined by its size, the type of business it engages in, whether it is an urban or rural council, the rate it will charge, the tools it uses to collect revenue, political will, and the public's willingness to pay based on the council's legitimacy and the sociocultural views of its constituents regarding taxes. Abalaka (2023). In order to raise money for their operations, local governments use their constitutionally granted authority to oversee and regulate specific economic activity inside their borders. To do this, they levy taxes and rates on these activities. Ajiteru (2022).

The local government uses a number of internal revenue-generating methods, including property (tenement) charges, community taxes, general/development rates; licenses, fees, and charges, such as those for marriage registration, automobile or truck licenses; interest on income from investments, deposits, and the sale of stocks, shares, etc.; departmental recurring income from survey fees, personal advance repayment, fees for daycare and nursery facilities, rent for local government buildings, etc. Sulaiman (2020). According to the aforementioned, taxes are a necessary component of development, transformation, and revenue generation. According to Ajiteru (2022), it is a mandatory tax that the government levies on people and businesses in order to fund the different legal operations of the state (and local government). Twenty percent of the federal government's statutory allocation, ten percent of the state's internally generated revenue, value-added tax (VAT), loans and advances, special capital grants, Individual and organizational financial aid and assistance. Local Government Councils (LGCs) have very little control on their

Federal Allocation/Excess Crude and VAT receipts until they increase school enrollment and local infrastructure (roads, portable water, health facilities, hospital beds/cots). Grants are few, and when they do occur, their effects are not well recognized.

According to the Public Procurement Act or Law, LGCs are only permitted to take out loans with the State Government's consent and up to a specific amount of each LGC's total public debt costs. As a result, large unpaid pensions or gratuities limit LGCs. If the State's IGR increases, LGCs can help increase the 10% State IGR by paying statutory deductions on time and making sure that those who deal with them have Tax Clearance Certificates on hand as a requirement. The IGR of each council, which is based on economic (business, trade, and industry) activity, is the sole source that is elastic.

6. The revenue rights and tax-raising authority of local governments: Lagos Local Government in particular

The following local government revenue heads are typically used to codify the remaining legislative authority that local governments have to raise money: Taxes (1001), rates (1002), local licenses, fees, and fines (1003), earnings from commercial endeavors (1004), rent on local government property (1005), interest payments and dividends (1006), grants from the federal, state, and other governments (1007), miscellaneous (1008), and allocation from the Federation Account and 10% of the state IGR (10%) are all included in this list. The final one and the first three heads the foundation of local governments' "own" or internal income, including those of Iwo local government, can be considered to be two heads (i.e., 1001–1003; 1008; 1009). However, the key feature of all these sources is their poor yield of revenue. For example, Head 1003 covers a wide variety of items or subheads, totaling 101. It's interesting to note, nevertheless, that less than 4% of Iwo local government revenue comes from these internal sources, as table 2-14 below illustrates:

TABLE 1: Revenue for Local Government in Lagos, 2009–2021

S/NO	YEAR	FEDERAL ALLOCATION	VAT	10% STATE I.G.R	I.G.R (LOCAL GOVT.)	EXCESS CRUDE OIL	TOLTAL
1	2009	34,213,545.43	15,760,550.25	-----------	1,838,760.73	----------	51,812,856.41
2	2010	78,504,684.13	15,815,190.49	821,028.60	2,312,400.03	26,882,134.58	124,335,437.83
3	2011	71,652,705.87	----------	-----------	3,136,491.35	----------	74,789,197.22
4	2012	140,273,530.28	19,730,937.50	104,902.51	2,256,476.81	----------	162,365,847.22
5	2013	238,578,839.63	16,773,633.83	9,394,538.96	3,785,550.81	----------	268,532563.28
6	2014	278,244,921.91	21,956,670.93	775,000.00	3,600,628.30	6,666,666.66	311,243,887.81
7	2015	307,194,189.09	67,018,784.81	9,614,935.93	10,467,672.41	15,076,075.57	409,371,657.81
8	2016	334,564,387.73	79,779,112.24	9,977,441.91	6,434,701.83	95,533,950.78	526,289,594.49
9	2017	263,395,218.61	95,985,983.22	9,675,515.75	2,618,055.27	85,097,068.94	456,771,841.79
10	2018	352,813,123.64	114,025,408.60	94,516,799.71	26,477,277.91	322,741,747.71	910,574,357.57
11	2019	392,088,100.44	11,398,977.02	18,821,269.65	8,119,707.12	133,320,408.49	563,748,462.72
12	2020	391,422,881.86	210,000.00	11,967,423.13	158,831,965.13	------------	562,432,270.12
13	2021	577,849,591.39	52,012,414.52	781,515.51	14,283,388.80	-----------	644,926,910.22

SOURCE: Finance Department, Lagos Local Government Secretariat.

TABLE 2: Analysis of 2019 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	34,213,545.43	66.03292658%
VAT	15,760,550.25	30.41822309%
10% STATE I.G.R.		

I.G.R. LOCAL	**1,838,760.73**	**3.548850338%**
EXCESS CRUDE OIL		
TOTAL	**51,812,856.41**	**100%**

Table 2, above shows that 66% of the total revenue in 1999 is statutory allocation from the Federal Government and 30.4% is from Value Added Tax (VAT) while the IGR effort of Iwo Local Government is 3.5%. There was no record for both 10% State I.G.R. and Excess Crude Oil for that year 1999.

TABLE 3: Analysis of year 2010 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	**78,504,684.13**	**63.13942791%**
VAT	**15,815,190.49**	**12.71977705%**
10% STATE I.G.R	**821,028.60**	**0.660333542%**
I.G.R. LOCAL	**2,312,400.03**	**1.859807687%**
EXCESS CRUDE OIL	**26,882,134.58**	**21.62065381%**
TOTAL	**124,335,437.83**	**100%**

Table 3, above shows that 63% of total revenue comes from Statutory Allocation from Federal Government, 12.7% from VAT,0.66% from State IGR, 1.9% from Local Government IGR while the remaining 21.6% is from the Excess Crude Oil.

TABLE 4: Analysis of 2011 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	**71,652,705.87**	**95.80622407%**
VAT		
10% STATE I.GR		
I.G.R. LOCAL	**3,136,491.35**	**4.193775928%**
EXCESS CRUDE OIL		
TOTAL	**74,789,197.22**	**100%**

In Table 4, there is no record for VAT, 10% State IGR and Excess Crude Oil. The available record shows that Federal Allocation takes 96% of the Total Revenue while the Local Government IGR is 4%.

TABLE 5: Analysis of 2012 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	**140,273,530.28**	**86.39349511%**
VAT	**19,730,937.50**	**12.15214766%**
10% STATE I.GR	**104,902.51**	**9.706813668%**
I.G.R. LOCAL	**2,256,476.81**	**1.389748428%**
EXCESS CRUDE OIL		
TOTAL	**162,365,847.22**	**100%**

In Table 5, there was no revenue from Excess Crude Oil. The Federal Allocation, VAT, 10% State IGR and Local Government IGR were: 86%, 12%, 10% and 1% respectively

TABLE 6: Analysis of 2013 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	**238,578,839.63**	**88.84540359%**
VAT	**16,773,633.83**	**6.246405884%**
10% STATE I.GR	**9,394,538.96**	**3.498472902%**
I.G.R. LOCAL	**3,785,550.81**	**1.409717601%**

EXCESS CRUDE OIL		
TOTAL	**268,532,563.28**	**100%**

Table 6, also revealed that there was no Excess Crude Oil in 2003. Federal Allocation, VAT, 10% State IGR and Local Government IGR were: 89%, 6%, 3.5% and 1.4% respectively.

TABLE 7: Analysis of 2014 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	**278,244,921.91**	**89.3977144**
VAT	**21,956,670.93**	**7.054490639**
10% STATE I.GR	**775,000.00**	**0.249000874**
I.G.R. LOCAL	**3,600,628.30**	**1.156851087**
EXCESS CRUDE OIL	**6,666,666.66**	**2.141942998**
TOTAL	**311,243,887.80**	**100**

Table 7: just like the information in table 4, the record was completed and all the revenue featured in both Tables 8 and 4. Federal Allocation as usual took the lion share of the total revenue and it was 89% while others were: VAT 7%, State IGR 0.25%, Local Govt. IGR 1.2% and Excess Crude Oil 2.14%.

TABLE 8: Analysis of 2015 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	307,194,189.09	75.04041455%
VAT	67,018,784.81	16.37113453%
10% STATE I.GR	9,614,935.93	2.348705815%
I.G.R. LOCAL	10,467,672.41	2.557009556%
EXCESS CRUDE OIL	15,076,075.57	3.682735549%
TOTAL	409,371,657.81	100%

Table 8, shows that 75% of total revenue comes from Federal Allocation, others are as follow: VAT – 16%

10% State IGR – 2.35%

IGR LG – 2.56%

Excess Crude Oil – 3.68%

TABLE 9: Analysis of 2016 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	334,564,387.73	63.5703976%
VATs	79,779,112.24	15.15878579%
10% STATE I.GR	9,977,441.91	1.895808318%
IGR LOCAL GOVT.	2,618,055.27	0.49745526%
EXCESS CRUDE OIL	95,533,950.78	18.1523541%
TOTAL	526,289,594.49	100%

In the Table 9 above, it is shown that:

Federal Allocation is 63.57% of total revenue in 2006

VAT is ………………15.16%,

10% State IGR is ……1.90%,

IGR Local Govt. is ….0.50%,

Excess Crude Oil is….18.15%,

TABLE 10: Analysis of 2017 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	**263,395,218.61**	**57.66450436%**
VAT	**95,985,983.22**	**21.0139887%**
10% STATE IGR	**9,675,515.75**	**2.118238224%**
IGR LOCAL GOVT.	**2,618,055.27**	**0.573164769%**
EXCESS CRUDE OIL	**85,097, O68.94**	**18.63010395%**
TOTAL	**456,771,841.79**	**100%**

Table 10 shows that:

Federal Allocation is 57.66% of total revenue in 2007

VAT is ……………... 21.01%,

10% of State IGR is... 2.12%,

IGR Local Govt. is … 0.57%,

Excess Crude Oil is …18.63%,

TABLE 11: Analysis of 2018 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	**352,813,123.64**	**38.74621778**
VAT	**114,025,408.60**	**12.52236104**
10% STATE IGR	**94,516,799.71**	**10.3799101**
IGR LOCAL GOVT.	**26,477,277.91**	**2.907755714**
EXCESS CRUDE OIL	**322,741,747.71**	**35.44375536**
TOTAL	**910,574,357.57**	**100**

In the Table 11 above, it is shown that:

Federal Allocation is 38.75% of the total revenue in 2008

VAT is ………………12.52%,

10% State IGR is ……10. 38,

IGR Local Govt. is ….2.91%,

Excess Crude Oil is …35.44%,

TABLE 12: Analysis of 2019 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	**392,088,100.44**	**69.71294523**
VAT	**11,398,977.02**	**2.026728839**
10% STATE IGR	**18,821,269.65**	**3.34640643**
IGR LOCAL GOVT.	**8,119,707.12**	**1.443677319**
EXCESS CRUDE OIL	**133,320,408.49**	**23.70426015**
TOTAL	**562,432,270.12**	**100**

In the Table 12 above, it is shown that:

Federal Allocation is 69.71% of the total revenue in 2009

VAT is ………………2.03%,

10% State IGR is ……3.35%,

IGR Local Govt. is ….1.44%,

Excess Crude Oil is …23.70%,

TABLE 13: Analysis of 2020 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	**391,422,881.86**	**69.59466991**
VAT	**210,000.00**	**0.037337829**
10% STATE IGR	**11,967,423.13**	**2.127798095**
IGR LOCAL GOVT.	**158,831,965.13**	**28.24019417**
EXCESS CRUDE OIL		
TOTAL	**562,432,270.12**	**100**

In the Table 13 above, it is shown that:

Federal Allocation is 69.59% of the total revenue in 2010

VAT is ………………0.04%,

10% State IGR is ……2.13%,

IGR Local Govt. is ….28.24%,

Excess Crude Oil is …0.00%,

TABLE 14: Analysis of 2021 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	577,849,591.39	89.5992371
VAT	52,012,414.52	8.064854125
10% STATE IGR	781,515.51	0.121178927
IGR LOCAL GOVT.	14,283,388.80	2.214729851
EXCESS CRUDE OIL		
TOTAL	644,926,910.22	100

In the Table 14 above, it is shown that:

Federal Allocation is 89.60% of the total revenue in 2011

VAT is ………………8.06%,

10% State IGR is ……0.12%,

IGR Local Govt. is ….2.21%,

Excess Crude Oil is …0.00%,

9. Review of Literature

9.1 Review of Concepts

9.1.1 Development of the Economy

Economic development is the process by which nations, areas, or communities increase their economic prosperity for the benefit of their citizens (Salmon, 2021). From a policy perspective, economic development can be defined as initiatives aimed at enhancing a community's economic health and standard of living through the creation and/or retention of jobs, as well as the support or expansion of incomes and the tax base (Salmon, 2021). The method and practices that a country uses to enhance the economic, political, and social well-being of its citizens are included in the scope of economic development (Abalaka, 2023).

Economic development policies aim to increase economic growth through increased productivity and create political structures that as closely reflect the interests of their constituents as possible granting rights to all social groups, allowing institutions and organizations to operate effectively, and enabling them to manage intricate logistical and technological responsibilities. These duties entail collecting taxes and using the money to fund public services. Ajiteru (2022).

9.3 Review of Empirical Data

9.3.1 Selected International Empirical Research on the Effect of IGR on Economic Growth

Ho_1: RGDP is not significantly impacted by the TIGR.

Akai and Sakata (2002) examined the effect of fiscal decentralization on economic growth at the state level in the United States using a cross-sectional study approach. Data from all 50 US states were included in the study. The study demonstrated that fiscal decentralization is crucial despite a number of other factors that influence economic growth in economic expansion. The analysis disproved the aforementioned null hypothesis and demonstrated that the combined IGR received by the 50 US states had a positive impact on economic growth (Sulaiman, 2020).

Ho_2: RGDP is not greatly impacted by the FGIR.

Bodman, Campbell, Heaton, and Hodge (2019) investigated how fiscal decentralization affected Australia's economy overall and at the state level. In addition to economic growth, significant macroeconomic factors that may have an impact on growth were also highlighted. Inflation, GDP per capita, and gross state product (GSP) per capita were the dependent variables. The revenue and spending shares were the independent variables. For every variable, time series data were gathered between 1972 and 2005. Decentralization of revenue was discovered help enhance price stability, budget balance, and medium-term economic growth; however, there was no correlation with the size of the public sector. As a result, the results of Bodman et al. (2009) likewise refuted the aforesaid null hypothesis.

Ho_4: RGDP is not greatly impacted by the LIGR.

Yulindra (2021) investigated how fiscal decentralization affected Sumatera Barat Province's local economic growth. Using the fixed effect, random effect, and pooled ordinary least squares methods, the study used a descriptive research design. The study used a sample of 15 local regions from the province of Sumatera Bara, which included 6 cities and 9 regencies. The analysis's findings showed a favorable correlation between local government and fiscal decentralization help enhance price stability, budget balance, and medium-term economic growth; however, there was no correlation with the size of the public sector. As a result, the results of Bodman et al. (2019) likewise refuted the aforesaid null hypothesis.

Ho_4: RGDP is not greatly impacted by the LIGR.

Yulindra (2021) investigated how fiscal decentralization affected Sumatera Barat Province's local economic growth. Using the fixed effect, random effect, and pooled ordinary least squares methods, the study used a descriptive research design. The study used a sample of 15 local regions from the province of Sumatera Bara, which included 6 cities and 9 regencies. The analysis's findings showed a favorable correlation between local government and fiscal decentralization The degree of IGF's contribution to KMA's economic development was determined using a descriptive research design and a straightforward percentage contribution. The findings indicated that the IGF contributed 26% to education, 1% to health, 20% to the environment, 15% to administration, 12% to economics, 5% to human resources, 5% to office equipment, 9% to project management, and 7% to other unknowns. Since this study showed that KMA IGF was unable to sufficiently address the socioeconomic requirements of the populace, the null hypothesis—that locally generated money has no discernible impact on the economy—could be accepted (Sulaiman, 2020).

9.3.2 A Few Empirical Research on the Effect of IGR on Economic Development in Nigeria

Ho_3: RGDP is not significantly impacted by the SIGR.

In 2013, Nnanseh and Akpan examined the consequences of domestically raised funds for the construction of infrastructure in Nigeria's Akwa Ibom State. Ex-post facto research methodology and secondary sources of data covering the years 2000–2012 were used in the study. These sources included the State Board of Inland Revenue (SBIR) Annual Report and Statement of Accounts and the Akwa Ibom State Government Annual Budget Appropriation. The results of the regression showed that IGR made a beneficial and considerable contribution to the provision of roads, power, and water; nevertheless, the development of roads was given preference. There is evidence in this study that Ho3 is not accepted.

Ho_4: RGDP is not greatly impacted by the LIGR.

The effect of internally generated revenue (IGR) on local government performance in Rivers State, Nigeria, was examined by Ironkwe and Ndah (2016). Ex-post facto methodology was used in the study research design and utilized a population size of 23 Rivers State local government councils. The secondary data used was gathered from the Ogba/Egbema/Ndoni Local Government Council authorities between 2005 and 2014. The study's conclusions showed that throughout the examined period, Ogba/Egbema/Ndoni Local Government Councils' Local Government Road (LGRC) development was not significantly impacted by TREV or NTRV. TREV and NTRV had respective p-values of $0.26 > 0.05$ and $0.43 > 0.05$. The results also indicated that local government staff salaries and wages (LGSW) were significantly impacted negatively by NTRV (p-value = $0.03 < 0.05$; t-statistics = -3.980), but they were significantly positively impacted by TREV (p-value = $0.02 < 0.05$; t-statistics = 2.228). According to the study, locally produced income cannot sufficiently promote economic growth, hence the Ho4 is approved.

Ho_3: RGDP is not significantly impacted by the SIGR.

Regression analysis was employed by Olaoye and Adedeji (2017) to assess the performance benchmarking of a few Southwest States. Lagos State, Oyo State, and Ogun State were the three randomly chosen states for the study.

The study was descriptive in nature and specifically looked at how the states' economic growth, as measured by per capita income (PCI), was impacted by value added tax (VAT), federal statutory allocation (FGA), and internally generated revenue (IGR). The Federal Bureau of Statistics and the Annual Financial Reports of the chosen States provided the data, which was collected over a six-year period. In Lagos State, the results showed that FGA (p-value = $0.001 < 0.05$); IGR PCI was positively and significantly impacted by VAT (p-value = $0.007 < 0.05$) and p-value = $0.008 < 0.05$. FGA (p-value = $0.224 > 0.05$) had a negative and negligible effect on PCI in Oyo State, whereas VAT (p-value = $0.185 > 0.05$) and IGR (p-value = $0.113 > 0.05$) had a positive association with PCI but no discernible effect. In Ogun State, FGA (P-value = $0.570 > 0.05$) and IGR (p-value = $0.105 > 0.05$) did not have an effect on PCI, but VAT (p-value = $0.902 > 0.05$) had a negative, negligible effect. While the results of other states demonstrated otherwise, Lagos State adopted the Ho3.

9.4 Research Deficit

The impact of IGR on economic development was examined in a variety of methods and at different points in time by the several research mentioned above. The local and international studies were centered on particular states, chosen provinces, and local governing bodies. The studies of (Akai & Sakata, 2017; Bodman et al., 2009; Yulindra, 2017; Nnanseh & Akpan, 2018) demonstrated that IGR has a significant and positive impact on economic development, rejecting the null hypotheses (Ho1; Ho2; Ho3; Ho4). On the other hand, the studies of (Owusu, 2015; Ironkwe & Ndah, 2016) accepted Ho4. Ho3 was acknowledged in the results from Ogun and Oyo states in Olaoye & Adedeji's (2019) research, but the regression results from Lagos state showed otherwise. This study is unique in that it plans to incorporate Nigeria's Real Gross Domestic Product (GDP) and the IGRs of the federal government, 36 states, including the Federal Capital

Territory (FCT) Abuja, and 774 local government councils. GDP, or gross domestic product. The objective is to demonstrate empirically how IGR affects Nigeria's overall economic development.

10. Approach

This study was developed using a qualitative research approach. Existing literature, documentaries, and recent news were the main secondary sources from which the data were gathered. In order to address the concerns identified, the study used content analysis. Both primary and secondary data collection methods were used in this investigation. Face-to-face interviews and observation served as the main sources of data. A few Career Officers and Political Office holders from the Local Government Council under investigation were interviewed. On the site, both finished and unfinished projects that were within the study's scope that is, the 1999–2009-time frame were observed. However, the secondary sources of information used in this paper include extensive library research and content analysis of archival materials to gather information from documents like texts, journals, reports, lecture notes, seminar presentations, newspapers, online resources, and records available in the local government under study (Abalaka, 2023).

The study used an ex-post facto research design, which uses data that has already been collected to empirically solve research problems. The Central Bank of Nigeria (CBN) Statistical Bulletin was the source of the secondary data, which was gathered between 1981 and 2016. Real Gross Domestic Product (RGDP), a stand-in for economic progress, and the predictor variables—Total Internally Generated Revenue (TIGR) and IGR accruing to the Federal and State governments—were the subjects of the data collection as well as local government councils. Using the Statistical Package for Social Sciences (SPSS), the data were tabulated and subjected to regression analysis for statistical analysis (Sulaiman, 2020).

The study's model is as follows:

RGDP = f (TIGR, FGIR, SIGR, LIGR)

This is mathematically specified as follows:

RGDP Where		$= \beta_0 + \beta_1 TIGR + \beta_2 FGIR + \beta_3 SIGR + \beta_4 LIGR + \mu$
RGDP		**= Real Gross Domestic Product**
TIGR		**= Total Internally Generated Revenue**
FGIR		**= Federal Government Independent Revenue**
SIGR		**= State Governments Internally Generatec**
LIGR		**= Local Governments Internally Generate**
μ	=	**disturbance term**
β	=	**Intercept**
β1 - β4		**= Coefficient of the independent variable**

Results and Analysis

Table 1. Result on the Impact of TIGR, FGIR, SIGR & LIGR ON RGDP.

Variables/Test Statistics	Test Results (TIGR)	Test Results (FGIR, SIGR & LIGR)
Constant	19022.364	17235.164
TIGR	45.120	
FGIR		22.876
SIGR		32.068
LIGR		584.527
R	0.974	0.990
R2	0.948	0.979

Adjusted R^2	**0.947**	**0.977**
Std. Error of the Estimate	**4185.35563**	**2732.36635**
Durbin Watson	**1.420**	**1.839**
F-statistics	**624.322**	**504.211**
P-value of F-test	**0.000**	**0.000**

Source: Researchers' Result of Statistical Analysis

The table 1 above shows the existence of a perfect correlation between the dependent variable (RGDP) and the predictor variables (TIGR, FGIR, SIGR & LIGR). The R for TIGR is 97.4% while the R for the FGIR, SIGR and LIGR is 99%. There is a very high association in both cases. Similarly, the co-efficient of determination (R^2) of 94.8% and 97.9% of the TIGR and FGIR, SIGR & LIGR respectively indicate the extent to which IGR determine the level of variability in RGDP. This is also very robust. The F-test of all the variables is statistically significant (0.000 < 0.05), indicating that the model is a good fit Ajiteru, (2022).

Table 2. Test of Hypotheses At 5% Level of Significance

VARIABLES/TEST STATISTICS	TIGR	FGIR	SIGR	LIGR
T-Statistics	**24.986**	**2.776**	**7.551**	**7.385**
P-value	**0.000**	**0.009**	**0.000**	**0.000**

Source: Researchers' Result of Statistical Analysis

The study's initial hypothesis was that Nigeria's Federal, State, and Local Governments' internally generated money, or total internally generated revenue (TIGR), had no discernible effect on the country's economic progress as indicated by the Real Gross Domestic Product (RGDP). TIGR, SIGR, and LIGR (P-value = 0.000 < 0.05) have a positive and robust significant impact on RGDP, whereas FGIR (p-value = 0.009 < 0.05) also has a positive and substantial impact on RGDP, according to the results in table 4.2. As a result, the alternative that claims differently has been accepted and the previously proposed null hypotheses have been rejected. These results contradict those of Owusu (2015) and Bodman et al. (2019), although they are consistent with the work of Ajiteru (2016).

11. Analysis of the Results

The findings of this investigation provide evidence that Economic development is impacted by the internally generated money that Nigeria's three levels of government receive. According to the study's conclusions, both the federal and local governments could offer the necessities. There is a strong and noteworthy positive correlation between the total IGR and the RGDP. This signifies the importance of synergy. There would be a synergistic impact on Nigeria's economic development if the resources (FGIR, SIGR, and LIGR) were combined and used effectively (Abalaka, 2023).

A country's overall revenue, expenditures, and output from its government, businesses, and citizens are measured by its real gross domestic product. All three methods of calculating RGDP are valid. The startling fact is that, when expressed in terms of expenditure, Nigerian government spending has There is ample tangible proof that corruption in the Nigerian system has resulted in the misappropriation of funds intended to provide public goods and services that raise the standard of living for the populace.

12. Recommendations and Conclusion.

The study found that the insufficient supply of goods and services that will benefit the general public and promote economic development is one of the obstacles to IGR collecting. Because of this difficulty, individuals do not consider paying taxes and other levies to be a civic duty (NGF, 2015). According to the report, IGR has a strong and favorable influence on Nigeria's economic development. Because of corruption, there is no tangible proof to support the widespread belief that government spending is large. IGR's attainable project goals should be established and aggressively pursued chased. It is advised that more research be done on how IGR is physically applied to government spending in relation to IGR inflows in all of Nigeria's states and local governments. Nigerian local government councils are tasked with a variety of duties, the most of which have an impact on the welfare and standard of living of sizable portions of the populace, especially those residing in rural areas. However, the councils have been dealing with a number of issues since the 1976 reforms, most of which have to do with defining their fiscal authority and safeguarding their revenue rights. Sulaiman (2020).

This study found a number of funding sources for Nigerian local governments. It also describes how Nigerian local governments relate financially to the federal and state governments. Decentralization theory is used by the government. This study acknowledges the contributions local governments make to raising people's levels of living. That local governments should focus more on internal revenue sources, particularly underutilized ones like cottage industries, farming, transportation, commercial ventures, housing construction, and service delivery privatization, in order to expand their revenue base. There is a need for control, which does not always mean limiting the authority and jurisdiction of local government. Instead of managing a joint state-local government account, states ought to take on a supervisory role by establishing systems for keeping an eye on and routinely reviewing local government accounts to prevent revenue mismanagement brought on by corrupt activities of the municipal government's political office holders and professional employees (Ajiteru, 2022).

13. Synopsis and Analysis of the Results

The discussion of the data produced during the course of this investigation is the focus of this section. This section's main goals are to list and evaluate the many funding options that Iwo Local Government has at its disposal and to address the research questions that this work raised. An attempt was made to present and analyze the information obtained from the respondents in order to accomplish this. The researcher's initial queries served as a direction for the analyses. When analyzing the data gathered from the field, the researcher used descriptive statistics, or basic percentages (Sulaiman, 2020).

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