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Internally Generated Revenue's Effect on Local Government Performance and Economic Development in Rivers State, Nigeria

Ajiteru, S. A. R
Department of Political Science & International Relations Achievers University, Owo, P.M.B.1030 Owo Ondo State Nigeria
ajiterudr.sheriffdeen@gmail.com

Sulaiman T. H, Abalaka, J. N
Crown University Intl Chartered Inc, Faculty of Social Science, in USA, official partners' constituent campuses at government regulated universities worldwide and online operation
staiwohassan99@yahoo.com, abalaka.james@yahoo.com

Abstract: The study looked into how Nigeria's economic progress was affected by internally generated revenue, or IGR. The study looks into how internally generated revenue affects local governments' performance in the state of Rivers. The money that the federal, state, and municipal governments make within their own borders is referred to as internally generated revenue, or IGR. IGR for state governments has also been defined as the money received within the state from a variety of sources, including motor vehicle licenses, taxes (pay as you earn, direct assessment, capital gain taxes, etc.), and other sources. To direct the investigation, two research questions and two hypotheses were developed. For the study, the ex-Post Facto Research Design, also known as the Causal Comparative Design, was used. For the study, the Ogba/Egbema/Ndoni Local Government Council was specifically chosen. Data from the Council's 2006–2013 financial statements, obtained from the office of the Auditor General for Local Government, was used for statistical analysis the government. The hypotheses were tested using the t-statistics analysis. One of the study's primary conclusions was that tax income had a slight but favorable impact on road upkeep and building. The study came to the conclusion that both tax and non-tax revenue are essential components in enhancing the performance of local government councils in Rivers State, notwithstanding the negligible impact of tax money on road building and maintenance. Therefore, several suggestions were made in this respect.

Keywords: internal generated revenue (IGR), Rivers State, local governments, economic growth, real gross domestic product, sustainable practices, and sharp practices.

1. Overview

The money that the federal, state, and local governments make within their respective spheres of influence is known as internally generated revenue, or IGR (Sulaiman, 2022). Ajiteru (2020) asserts that sustainability and economic growth of Nigerian states rely on their capacity to produce income on their own in order to augment the federation account's revenue distribution. Put another way, the focus on local revenue generation to support the national economy both locally and at the federal level stems from the fact that federal allocations are insufficient to ensure the economic development of states and local governments. 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. According to Abalaka (2023), IGR is a local government's lifeblood, which suggests that a local government area's capacity to produce enough income is essential to its survival. Because local governments have authority over IGR, economic development is facilitated and expedited. However, one of the requirements and crucial factors for the establishment of a local government is its ability to receive IGR (Ajiteru, 2020). According to Ekankumo and Braye (2021), who examined the theoretical and empirical evidence on how state governments could raise IGR capable of absorbing rising recurring and capital expenditures of states, a state's ability to boost IGR which is dependent not only on taxes but also on entrepreneurial options that will help is essential to the economic development and viability of states in Nigeria to supplement statutory account revenue (Ajiteru, 2016).

The Federal Republic of Nigeria's 1999 constitution, as amended, grants the Local Government Councils the following duties and obligations in order to accomplish the aforementioned goals. Additionally, investors look for favorable political, social, and economic climates in which to make investments. Given that investments are key factors in determining internally generated revenue, a government's performance has a significant impact on the amount of investment in that sector (Abalaka, 2023). Similar to this, government employees will want to know how the government has performed in terms of worker welfare, including the provision of essential amenities, the development of supporting economic and social setting. From the standpoint of the employees, all of these contribute in one way or another to controlling the cost of living and guaranteeing that the actual amount of money paid in salaries and wages is kept under control. Research showed that private sector companies typically outperform their public sector competitors; ECF report (2014). This has been attributed to resource management that is judicious. The "Local government economic reform of 1976" states that insufficient finance has made it more difficult for Nigeria's local government system to be administered effectively. Consequently, the reform promoted more money for the third level of government, especially through expanded internal revenue initiatives.

1.1 The Problem Statement

i. It is the goal and wish of each accountable organization to meet its goals. An organization's corporate life will be significantly impacted by how well or unsuccessfully it pursues its mission.

ii. Concerned about the volatility of oil prices over the last ten years, which culminated in a recent decline in the price of oil globally, the local government system has been pushing harder to generate internal revenue.

iii. Poor staff welfare and inadequate infrastructure development are the reasons behind this reinvigorated endeavor at revenue generating.

iv. As a result, this study's challenge is to look into how internally generated income improves people's quality of life.

1.2 Research Issues

To determine the findings or outcomes, the following research questions will be addressed of the research.

How much does tax income affect the building and upkeep of roads?

How much does non-tax revenue affect employee earnings and salaries?

1.3 Theories

To direct this investigation, the following null hypotheses have been developed.

$H0_1$: Tax income has no discernible impact on the building and upkeep of roads.

HO_2: Non-tax revenue has no appreciable effect on employee salaries and compensation.

2. Examination of Connected Works

The review of relevant literature will be the main emphasis of this section. To do this, the section is divided into three subheadings: review of empirical investigations, conceptual framework, and theoretical framework. The theories that underpin the study's variables will be the main focus of the theoretical domain. The conceptual framework will examine the definitions, interpretations, and other aspects of the variables and their conceptions, whereas empirical research will focus on examining the outcomes and conclusions of other relevant empirical studies in order to determine whether or not this study is similar to others (Sulaiman, 2022).

2.1 Conceptual Structure

All of the world's responsive political systems have been concerned with local administration. This is due to the fact that local government essentially involves the participation of grassroots individuals in the delivery of social and economic facilities to the local communities. It is founded on the idea that local residents are better able to understand issues and demands than the federal or state governments (Sulaiman, 2022). Nigerian local government funding sources indicate the several ways This, in accordance with section 7 (1) of the Federal Republic of Nigeria's 1999 constitution, allows local governments to produce financial resources to fulfill their financial obligations while carrying out their constitutional powers and duties. Internally generated money and externally generated revenue are Nigeria's two main sources of funding for local governments (Alo, 2017).

2.2 Conceptual Structure

The origins and applications of local government funding are the subject of several hypotheses. According to Gboyega (2019), these theories include the resource mobilization theory, the efficiency-service school of thought, and the democratic-participatory school of thought. Among these are the theories of fiscal federalism and paternalism and populism.

2.2.1 Theory of Democratic Participation

According to this school of thought, the only reason municipal governments exist is to encourage democracy and participation bringing the government closer to the people at the local level (Sulaiman, 2019). Local government gives local residents the power to run their own affairs. It is an instrument for democracy at the grassroots level.

2.2.2 Theory of Efficiency and Services

This school of thought places a strong emphasis on providing services efficiently. Local roads, water distribution, low-income housing, health care, and agriculture are just a few of the services that are crucial to meeting local requirements. Therefore, local governance is essential to the effective provision of services. According to Ajiteru (2022), local governments are significantly more effective and cost-effective than the federal government at meeting local demands.

2.2.3 Theory of Resource Mobilization

According to proponents of resource mobilization theory, local governments allow the mobilization of local resources (material and human) for rural growth. According to Eminue (2019), local administrations are therefore the most strategically positioned tools for promoting grassroots development and enacting rural change.

2.2.4 Theory of Populism and Paternalism

The idea that local governments must be routinely managed, watched over, directed, and sometimes disciplined in order to function is known as paternalism. Conversely, populism supports and involves unrestrained local democracy in opposition to any kind of central intervention (Sulaiman, 2022). Given the degree of state government meddling, local governments in Nigeria have not experienced the unrestricted freedom that is expected of them, suggesting that paternalism is the rule there.

2.2.5 Fiscal Federalism Theory

Abalaka (2015) was the one who first established this theory, which addresses the allocation of public sector functions and funding in logically across several tiers of government. The fiscal arrangement between the several levels of government in a federal framework is referred to as fiscal federalism (Sulaiman, 2022). According to the fiscal federalism doctrine, the federal government, states, and local governments all share political authority. According to Vincent (2021), the idea of federalism suggests that every level of government should have the capacity to impose taxes in order to take use of its separate revenue streams and coordinate autonomously within its designated area of jurisdiction.

In conclusion, the resource mobilization theory stresses the mobilization of local resources, even while efficiency of service delivery stresses effective service delivery at the local level by the local government, both materially and humanly. Last but not least, the theory of fiscal federalism was adopted because it places a strong emphasis on the rational decision-making of public sector finances and operations among various levels of government. The paternalism and populism theories highlight how local governments are routinely monitored, directed, and sometimes disciplined to get to work.

3. The Framework of Empiricism

A respectable amount of literature has already been written about the origins and applications of local government funding. Therefore, it is anticipated that this empirical review would draw attention to the opinions of other academics on the topic.

In his paper on local government finance in Nigeria, Imam (2020) asserts that the primary obstacle to local government revenue-generating sources is the lack of highly competent and trained personnel employees who are meant to be used as a means of collecting local taxes and charges. Even the handful that are accessible, he claims, lack adequate training in effective financial and budgeting management methods. "At the inception of democratic local government system in the former Eastern region of Nigeria in 1950, early recruits into the local government service were primarily'sons of the soil,' party stalwarts, and relations of councilors," according to Sulaiman (2022), who discusses the issue of personnel in internal generation of local governments. He attributed the lack of skilled personnel in municipal government on the politics of hiring, placement, and selection. Local governments in Nigeria still have to address the problem of revenue production in spite of all the reasons put forth by these professors and many more be appropriately handled. For the purposes of this study, the researcher will focus on the following issues with internal funding sources for Kaduna State's Lere Local Government and tax collectors' duties as a significant obstacle to internal revenue creation and usage.

3.1.1 Welfare Theories

In some ways, welfare and performance are interchangeable. The maximization of utility or satisfaction gained from using public goods and services or, as utilitarians would say, "the greatest happiness of the greatest number" is the general definition of wellbeing in the majority of economic literatures. It is unavoidable to appreciate our discussion of general welfare, economic welfare, and social welfare in the context of welfare economics concepts and theories.

3.1.2 The theory of general welfare "All economic and non-economic goods and services that provide utilities or satisfaction to individuals living in a community" is what M.C. Jhingan (2017:491) defines as general welfare. According to this viewpoint, citizens' happiness or other utilities will rise as a result of the government spending more on public goods and services.

3.1.3 Economic Welfare Theory: According to Sulaiman (2022), economic welfare is "that portion of general welfare which can be brought directly or indirectly into relation with the measuring rod of money." In contrast to the non-economic goods and services provided by the market, the focus here is on the value and fulfillment that an individual can obtain from using economic goods and services, or those that can be traded for cash general welfare economists' point of view. Pigou emphasized that financial metrics can be used to gauge welfare. Once more, Pigou's stance has drawn harsh criticism. Pigou's notion of economic welfare is not in agreement with that of Dr. Graaf, a prominent modern economist in Jinghan (2018:491).

3.1.4 Social Welfare Theory: The socialists define social welfare as the "aggregation of the satisfaction or utilities of all individuals in a society" in order to describe yet another aspect of general welfare. Jinghan (2012, 492). As a result, the Pareto improvement and the distributional improvements were created as the two primary concepts for gauging social wellbeing.

3.1.5 The theory of Pareto Optimality: Steve Pareto's "pareto optimality" theory serves as the foundation for the pareto enhancements. Welfare is said to rise (or fall), according to Pareto, if at least One person's situation improved (or deteriorated) without affecting others'. Jinghan (2017:506). "We are led to define as a position of maximum optimality (welfare) one where it is impossible to make a small change of any sort such that the optimality of all the individuals except those that remain constant are either all increased or all diminished," to use Pareto's exact words. In summary, this means that government spending on public goods and services should be designed to increase value (pleasure) rather than decrease it. To support this argument, imagine a situation in which the government builds a road on someone's farmland, and a significant portion of the population will benefit from its use of the road, leaving the farmland owner in a worse situation because they have no more area to cultivate. In this instance, Pareto recommends that the farmland owner be fairly compensated by moving it in order to maximize utility or satisfaction in its whole. In light of this, Hicks et al. (2019) describe social welfare using "the compensation principle" in Abalaka (2023).

4.1 Taxation Theories

Since the beginning of public finance, the concepts of tax principles have drawn a lot of attention. Principles of taxes refer to the proper standards that should be used while creating and assessing the tax system. Ajiteru (2022). In essence, these concepts are implementations of a welfare economist-derived idea. In order to fulfill the goals of social justice, the tax system need to be founded on sound ideas; eight taxation principles were identified by Anyanwu (2019) et al. in Isaac (2023).

4.1.1 Equality concept: This concept emphasizes how equitable the tax system is. According to Jhingan (2014), each taxpayer ought to pay taxes commensurate with his income. In other words, those with higher incomes ought to pay more than those with lower incomes. According to Adam Smith, the amount of tax due ought to be proportionate to income, or equal. Smith asserts that only when a taxpayer is able to pay is a tax deemed equitable or just.

4.1.2 Principle of Certainty: The tax that each person must pay should be predetermined rather than capricious. The payment schedule, the way Regarding payment, the amount that has to be paid should be obvious to the contributor and everyone else. Jhingan (2004). This approach unmistakably discourages tax payment uncertainty and arbitrariness. Every taxpayer should understand exactly what, when, how, and where taxes are due.

4.1.3 Convenience Principle: According to this principle, the taxpayer should be able to choose the time and method of payment that works best for them. "Every tax should be imposed at the time or in the manner that is most likely to be convenient for the contributor to pay," according to Jhingan (2019:36).

4.1.4 Principle of Economy: Jhingan (2019) identifies two viewpoints about the principle of economy;

i. It must be cost-effective for the government to retrieve it. A tax is uneconomical and shouldn't be imposed if the expense of collection is more than the revenue it generates.

ii. The amount of tax owed should be affordable for the taxpayer. This implies that after paying the tax, the taxpayer ought to have enough money left over.

4.2 The System of Local Government

In Nigeria, local government administration dates back to the colonial era. The colonial overlords found it almost impossible to overthrow the established political structure of the time, especially in the northern area. As a result, Nigeria's northern region adopted an indirect rule system, while its eastern and western regions adopted the English-language local government system. Each of the three geopolitical zones selected an appropriate system of administration that best reflected its unique circumstances and nature as a result of their unique characteristics. The English version of the local government system, which was heavily regulated by the legal system and was characterized by an elected majority of voluntary, unpaid members and members performing executive and administrative duties through the committee system, was in place in the east and west while the north continued to use the traditional authority system, which was centered on the traditional rulers. Local government areas were established and expanded during the post-independence period. Nigeria had 301 local government bodies recognized by the 1979 constitution. This acknowledgment followed the 1976 local government reform, which sought to reorganize the local government structure to conform to international best practices. The reform's idea that local governments should serve communities with populations between 150,000 and 800,000 was one of its main features.

4.2.1 Organization and Structure: The legislative and executive branches comprise the municipal government. The chairman, vice chairman, secretary, supervisors chosen by the chairman, and civil service employees make up the executive arm. With the rank of permanent secretary in the state civil service, the Head of the Local Government Administration (HLGA) is at the top of the local government civil service hierarchy. The heads of the various departments are frequently technocrats (Civil service manual, 2019). The finance director the finance department is led by the treasurer. Each department is headed by a director: the director of general service and administration, the director of works, the director of education, and the director of social development, youth, and culture. The councilors, who represent their respective wards, comprise the legislative arm. The chief whip, a deputy, and the leader of the legislative assembly lead the legislative arm. A government servant serves as the legislative assembly's clerk.

4.2.2 A Local Government's Significance and Revenue Sources: Nigeria's local government reform was required due to the need for a more effective and meaningful governance system. According to the reform, in order for local governments to fulfill their constitutional obligations and operate efficiently, there must be sufficient Funding will inevitably be available. In order to do this, the reform group suggested increasing internal and external finance. Ogbonna (1994: 240) emphasized the significance of funding by pointing out that it should comprise

1. Investment in initiatives aimed at improving living standards.

2. Availability of social facilities

3. Employment provision through consistent salary payments and other related issues

According to Ajiteru (2022), the local government council has two main revenue streams at its disposal. Both internal and external sources are involved. The federal appropriation and the state's 10% internal revenue share are examples of external sources. This revenue stream has been covered in great detail in other works of literature and is not the main subject of this study of this research.

4.2.3 Revenue Produced Internally: "Revenue generated by the local government within its geographical confinement for the exclusive use by the local government in the provision of public goods and services" is what JORA (2018) defines as domestically generated revenue. The definition's salient features are that, first, the local government must generate the money via its own initiative and effort; second, the revenue must be collected locally; and third, the local government must use the revenue. There are two primary types of local government revenue that are generated internally: tax revenue and non-tax revenue. January 1st, 2014 saw the adoption of the Cash Basis IPSAS, and the National Chart of Accounts was introduced by Nigeria's accounting codification system became standardized thanks to the "FAAC Sub Committee on the Road Map for the Implementation of IPSAS" for all tiers of government.

The task of issuing circulars and directives regarding the account coding system to be adopted and the financial reporting system to be used by all Councils in Rivers state was previously placed on the Auditor General for Local Government in collaboration with the Ministry of Local Government Affairs. However, this practice had been cut short with the implementation of the "National Chart of Accounts."

4.2.4 Tax Revenue: Academics have attempted to define the term "tax." Some like to look at it from a legal standpoint using court rulings, while others tend to provide definitions in literature. Taxes are described as "money that has to be paid to government so that it can pay for public services" in the Oxford Advanced Learner's Dictionary.

However, according to the Black Law Dictionary, a tax is a "monetary charge imposed by government on persons, entities, or properties levied to yield public revenue." To put it briefly, taxes are an obligatory charge imposed by a sovereign authority on the earnings, profits, assets, or properties of individuals, corporations, trusts, and settlements. Accordingly, the business encyclopedia defines tax revenue as "the revenues collected from taxes on income and profits, social security contributions, taxes levied on goods and services, payroll taxes, taxes on the ownership and transfer of property, and other taxes." According to every definition provided, taxes have been perceived as burdening taxpayers in an effort to generate revenue for the government. All Nigerian tiers of government are required to utilize the "FORMAT OF GENERAL-PURPOSE FINANCIAL STATEMENTS (GPFS)" manual, which was released by the Federal Accounts Allocation Committee (FAAC) Sub Committee on the Road Map for the Adoption of IPSAS in 2012. In the format, local licenses, fees, fines, earnings from commercial endeavors, rent on local government properties, interest payments and dividends, grants, and miscellaneous (heads 1003 to 1008) were categorized as non-tax revenue, while taxes and rates (heads 1001 and 1002) were classed as tax revenue. The following is the subcategorization of tax revenue as specified by the Ogba/Egbema/Ndoni local government council's 2018 Appropriations Act:

Table 1: Head: 1001 TAXES

SUBHEAD	DETAILS OF REVENUE
1	Community or Poll Tax
2	Arrears of community or Poll Tax
3	Capitation Rate
4	Arrears of capitation Rate
5	Development Levy
6	Arrears of Development Levy
7	Cattle tax
8	Arrears of Cattle Tax
9	Other Special Social Services Tax
10	Arrears of Other Special Social Services Tax

11	Electricity Bill

Source: 2018 Appropriation Act of Ogba/Egbema/Ndoni Local Government

4.2.5 Non-Tax Revenue: "Revenue earned by government from sources other than taxes" is how the business encyclopedia defines non-tax revenue. One notable aspect of non-tax revenue is that it is imposed with the intention of discouraging or correcting certain activities that are deemed detrimental. It will be evident from the different definitions of tax that payments paid for the use of government assets, products, and services do not count as taxes. As previously stated in the 2013 Appropriation Act of the Ogba/Egbema/Ndoni Local Government Council, non-tax revenues have been categorized by their heads and subheads in accordance with the financial reporting format published by the FAAC Sub Committee on the Road Map for the Implementation of IPSAS.

Table 2: Head 1002; Rates

SUBHEAD HEAD	DETAILS OF REVENUE
1	Tenement Rate
2	Arrears for Tenement Rate
3	Ground Rent (including Territorial Water)
4	Fed. Govt. Grant in lieu of Tenement Rate
5	State Govt. Grant in lieu of Tenement Rate

Source: 2018 Appropriation Act of Ogba/Egbema/Ndoni Local Government

Table 3: Head 1004; Earnings from Commercial Activities

SUB HEAD	DETAILS OF REVENUE
1	Market Stall Fees (lock up/open)
2	Motor Park Fees
3	Shops and Shopping Centers
4	Earning from Transport (Land and Sea)
5	Proceeds from sale of Consumer goods
6	Earning from Poultry Farm

Source: 2018 Appropriation Act of Ogba/Egbema/Ndoni Local Government

Table 4: Head 1005; Rent on Local Government Property

SUB HEAD	DETAILS OF REVENUE
1	Rent on Local Government Quarters
2	Rent on other Government Building
3	Rent on other Local Government Landed Property
4	Rent on Local Government Hall and other Property

Source: 2018 Appropriation Act of Ogba/Egbema/Ndoni Local Government

Table 5: 1006; Interest Payment and Dividends

SUB HEAD	DETAILS OF REVENUE
1	Interest on Vehicle and Bicycle Loans
2	Interest on Loans to other Government Agencies
3	Dividends and Interest on Deposit Account

Source: 2018 Appropriation Act of Ogba/Egbema/Ndoni Local Government

Table 6: Head 1007; Grants

SUB HEAD	DETAILS OF REVENUE
1	Grants from State Government

2	Grants from Federal Government
3	Other Grants and Project -Tied Loans

Source: 2018 Appropriation Act of Ogba/Egbema/Ndoni Local Government

Table 7: 1008; Miscellaneous Revenue

SUB HEAD	DETAILS OF REVENUE
1	Mortuary Hearse and Cemetery Earnings
2	Earnings on Court Proceedings
3	Recovery of Losses and Over payments
4	Payments in lieu of Resignation Notices
5	Unclaimed Deposits
6	Council Identification Letters
7	Miscellaneous
8	Sign post fees

Source: 2018 Appropriation Act of Ogba/Egbema/Ndoni Local Government

4.3 Evaluation of Empirical Research

There aren't many empirical studies on how government performance is affected by internally generated revenue. Ehule (2019) investigated the connection between a public sector's performance and internally generated revenue. 125 employees of the Obio/Akpor Local Government Council were selected at random and given questionnaires on a five-point Likert scale to complete in order to gather data. The nature of the association was ascertained using the Pearson product moment. The findings indicate that the performance of the Obio/Akpor Local Government Council is positively and significantly correlated with permits and rates. The effect of revenue creation on government development initiatives was examined by Sulaiman (2022). Stratified sampling was used to gather data from three local government bodies. The regression and the ordinary least square (OLS) the nature of the association and its statistical significance were ascertained by analysis, respectively. The results show that government capital projects and internally produced revenue are positively correlated. Isaac (2019) investigated how indirect taxes affected Nigeria's economic expansion. A systematic random sampling technique was used to select a sample of GDP, import tariffs, and value added tax from 2009 to 2013. The nature of the association and its statistical significance were ascertained using the t-test and ordinary least squares statistics, respectively. The outcome demonstrates that excise, import, and value-added taxes all significantly increase the gross domestic product. Abalaka (2023) concluded that export duties had a negative effect on the gross domestic product. Essien (2019) investigated how tax revenue affected Nigeria's economic expansion. Financial accounts, reports from the Federal Inland Revenue Service, secondary data from the CBN, and other sources were gathered. To determine the association between tax revenue and economic growth, multiple regressions using the ordinary least squares method were employed. The findings indicate a positive correlation between economic growth and both business income tax and petroleum profit tax. That is, the economy will increase proportionately if the petroleum profit tax and corporation income tax are raised. The study of internally generated revenue and performance is contextually tied to the research on tax revenue and economic growth. Although we acknowledge that rigorous economic definitions may cause the words to differ, contextually substantially connected. Performance at the federal government level is strongly indicated by the context in which economic growth has been used in the aforementioned research. The metrics used to gauge economic growth are interchangeable and, in practical terms, relate to the amount of money the government spends on public goods and services. The federal government's revenue is reflected in the tax revenues used in the aforementioned research (Ajiteru, 2020).

Overall, there was little to no research on the effect of non-tax revenue on performance because the empirical studies that were evaluated focused primarily on the relationship between tax revenue and performance. Once more, research in these fields has mostly concentrated on the other levels of government, with little to no attention paid to local government performance. Thus, the research will Essien (2015) conducted research make an effort to fill in the deficiencies noted by Abalaka (2015).

5. Techniques

The ex-post facto or causal comparative design was used in the study. All 23 Local Government Councils in Rivers State, as listed in part 1 of the first schedule of the Federal Republic of Nigeria 1999 revised constitution, make up the study's population. The Ogba/Egbema/Ndoni Local Government Council's administration provided the data used in this study, which was solely acquired from secondary sources. The sources were annual financial statements for the years 2010 through 2018. From 2006 to 2011, the demand for local government autonomy peaked in intensity. The fiscal years 2013 and 2014 were marked by declining worldwide oil prices that persisted and inched their way into the final quarter of the fiscal year 2018. Therefore, the necessity to conduct an evaluation or an inquiry into the feasibility of the Local Councils, presuming the demand for autonomy was granted during that time, guided the selection of the ten-year period. Once more, the proposed time (or a portion of it) was marked by low federal funding for local governments; hence, it was necessary to look into and determine whether domestically generated money was an effective alternative source of funding for councils. Internally generated revenue is the study's predictor variable, and it is determined by the council's real tax and non-tax revenue collections. The study's criteria variable is The Local Government Council's performance is gauged by changes in the real costs of staff salaries and wages as well as road upkeep. The statistical method known as the Pearson Product Moment Correlation Coefficient (PPMCC) was used to quantify the causal relationship between the performance of local government (the criteria variable) and internally generated revenue (the predictor variable).

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 development, and the predictor variables—total internally generated revenue (TIGR) and IGR accruing to the federal, state, and local government councils—were the subjects of the data collection. With the use of the Statistical Package for Analysis, the data were tabulated and statistically examined using regression analysis Social Sciences (SPSS).

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 Generated Re
LIGR		= Local Governments Internally Generated R
μ	=	disturbance term
β	=	Intercept
$\beta 1$ - $\beta 4$		= Coefficient of the independent variable

5.1 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 dependent variable (RGDP) and the predictor variables (TIGR, FGIR, SIGR, and LIGR) have a perfect connection, as table 1 above demonstrates. While the R for the FGIR, SIGR, and LIGR is 99%, the R for the TIGR is 97.4%. In both situations, there is a very strong correlation. Similarly, the degree to which IGR determines the degree of variability in RGDP is indicated by the co-efficient of determination (R2) of 94.8% and 97.9% of the TIGR and FGIR, SIGR, and LIGR, respectively. This is also quite strong. All of the variables' F-test results are statistically significant (0.000 < 0.05), suggesting that the model fits the data well.

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 Sulaiman (2022). 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 Ajiteru (2020).

6. Outcomes and Conversations: The First Hypothesis

The findings of this investigation show that internally generated Economic development is impacted by the 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 illustrates how crucial synergy is. There would be a synergistic impact on Nigeria's economic development if the resources (FGIR, SIGR, and LIGR) were combined and used effectively.

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 thing is that, when it comes to government expenditures in Nigeria, there is little tangible proof because According to Abalaka (2015), corruption in the Nigerian system causes money intended for public goods and services to be diverted, raising the standard of living for the populace.

$H0_1$: Tax income has no discernible impact on the building and upkeep of roads.

HA1: Road construction and maintenance are significantly impacted by tax money, according to

Since the Ordinary Least Square regression tool is the most unbiased linear regression estimator, it was used to do multiple regressions in both the normal and log-linear forms.

Table 8: Model 1: Non-Tax Revenue Ordinary Least Square Output of Tax Revenue (TREV)

Ogba/Egbema/Ndoni Local Government Council's Local Government Road Construction (LGRC) and NTRV from 2011 to 2018.

Dependent Variable: LGRC

Method: Least Squares

Date: 06/12/16 Time: 22:46

Sample: 2011 2018

Included observations: 8

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-48007597	54533766	-0.880328	0.4190
TREV	2.033887	1.616671	1.258071	0.2639
NTRV	0.375861	0.435402	0.863251	0.4275
R-squared	0.750702	Mean dependent var		38350000
Adjusted R-squared	0.090983	S.D. dependent var		22594563
S.E. of regression	21542194	Akaike info criterion		36.88892
Sum squared resid	2.32E+15	Schwarz criterion		36.91871
Log likelihood	-144.5557	Hannan-Quinn criter.		36.68800
F-statistic	1.350313	Durbin-Watson stat		1.576939
Prob(F-statistic)	0.003911			

Source: Eview-8 Output

A high rate of opposite expression is demonstrated by the Local Government Council Expenditure, which tends to decrease regardless of the minute movement and characteristics of the employed predictor variables. The output above from the first model shows that the coefficient of the constant (C) is 4800759, meaning that if all other variables are kept at a constant or zero, the criterion variable Local Government Road Construction Expenditures (LGRC) will decrease by approximately 4800759 units. Every variable has a positive coefficient and points in the direction of the criterion (LGRC). With an output of 0.750702, the R-squared (R2) coefficient of correlation indicates that the predictors explain around 75.07 percent (%) of the variation in the criterion variable, with other factors accounting for 24.93%. variables that are not included in the model (the unobserved variables or white noises), whereas the Durbin Watson yields an output of 1.576939 that, according to its rule of thumb, indicates no autocorrelation. Using the probability level of their t-statistics against the 0.05 (5%) level of significance, the t-statistics approves no significance in the two used independent variables, however the F-statistics, given its probability level, is significant. The null hypothesis that there is no significant impact of tax revenue on road construction is not rejected based on the Ordinary Least Square output (Model 1) and the t-statistics for tax revenue (TREV), which are 1.258071 at a probability level of 0.2639 and higher than the study's 0.05 (5%) significant level benchmark upkeep.

Local Government Road Construction Expenditures showed a positive but statistically negligible influence from the Tax Revenue (TREV). While statistical significance or insignificance indicates the extent to which the predictor variable influences the criterion variable, a positive association indicates that the variables are moving in the same direction. The results are consistent with those of Isaac (2023), Essien (2023), and Edogbanya et al. (2019), all of whom found a favorable and noteworthy influence on the federal government's performance. The attitude of local government administrators, who frequently employ capital receipts (such as grants, loans, and financial aids) to pay road building expenditures and other capital projects, may be the cause of the little influence. Once more, the porous tax the small impact of tax revenue on road building expenditures was mostly explained by the collecting system and the corruption that exists within it at the local government level. This contrasts with the Federal Government's vigorous and dedicated attempts to generate money.

The second hypothesis

HO_4: Non-tax revenue has no appreciable effect on employee salaries and compensation. HA4: Staff pay and wages are significantly impacted by non-tax revenue.

Table 9: Ogba/Egbema/Ndoni Local Government Council Ordinary Least Square Output of Tax Revenue (TREV), Non-Tax Revenue (NTRV), and Local Government Staff Salaries and Wages (LGSW) for 2011–2018.

Dependent Variable: LGSW

Method: Least Squares

Date: 06/13/16 Time: 22:46

Sample: 2011 2018

Included observations: 8

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.93E+08	27116349	29.24143	0.0000
TREV	0.987567	0.803873	2.228511	0.0279
NTRV	-0.212253	0.216499	-3.980385	0.0319
R-squared	0.802269	Mean dependent var		7.95E+08
Adjusted R-squared	0.023176	S.D. dependent var		10837961
S.E. of regression	10711632	Akaike info criterion		35.49156
Sum squared resid	5.74E+14	Schwarz criterion		35.52135
Log likelihood	-138.9662	Hannan-Quinn criter.		35.29063
F-statistic	1.083042	Durbin-Watson stat		1.836776
Prob(F-statistic)	0.006650			

Source: Eview-8 Output

The second model's output above shows that the coefficient of the constant (C) is roughly 7.93, meaning that if all other variables are held constant or at zero, the criterion variable Local Government Staff Salary and Wages Expenditures (LGRC) will increase by roughly 7.93 units. This indicates a high rate of opposite expression by the LGRC in Rivers State, which tends to increase regardless of the minute movement and characteristics of the employed predictor variables. Non-Tax Revenue shows a negative correlation of -0.212253 with Local Government

Staff Salary and Wages Expenditures, whereas only Tax Revenue (TREV) shows a positive coefficient and direction of 0.987567 towards the Criterion variables (LGRC).

The Durbin Watson yields an output of 1.836776, indicating the absence of autocorrelation based on its rule of thumb, while the R-squared (R2) coefficient of correlation, with an output of 0.802269, indicates that the predictors account for about 80.23 percent (%) variation in the criterion variable, while 19.77% are captured by other variables not in the model (the white noises or unobserved variables). While the t-statistics had no significance in the two used independent variables using the probability level of their t-statistics against the 0.05 (5%) level of significance, the statistics supplied its probability level is significant. Using the t-statistics for non-tax revenue (NTRV), which is -3.980385 at a probability threshold of 0.0319, and the Ordinary Least Square output (Model 2), We reject the null hypothesis but do not reject its alternative form because it is less than the study's 0.05 (5%) significant level threshold and, as a result, significant. This leads us to conclude that non-tax revenue has a significant impact on staff salaries and wages.

Local government staff salaries and wages (LGSW) are significantly impacted negatively by non-tax revenue (NTRV). This indicates that staff salaries are likely to be delayed when non-tax revenue rises, and that staff salary and wage expenditures are likely to rise when non-tax revenue falls. The salaries and compensation of local government employees are inversely correlated with non-tax revenues. Non-tax revenue may have decreased as a result of the incompetence and inefficiency of the Those employees who, in spite of their appalling performance, will nonetheless be paid. Because of the government's annual salary augmentation program, annual salaries and wages will constantly rise even while revenue is declining. Once more, revenue generation will be increased when non-tax revenue rises as a result of hiring more skilled revenue consultants, and there may be a chance that revenue staff—who are primarily casual staff may stop working. This will boost revenue collection while lessening the government's salary load.

6.1 Consequences of the Finding

According to one of the studies, tax revenues have a slight but favorable effect on the cost of building new roads (Abalaka, 2023). This suggests that local government administrators have not been able to spearhead the initiatives required for the generation to of fair income for the Council. Additionally, it suggests that tax income transmissions are not sufficiently inspected, presumably as a result of systemic corruption. Once more, the local government's legislative branch has been slow to develop and pass legislation that will increase tax income. The remaining results show that non-tax revenue has a negative but noteworthy effect on salaries and wages. The consequence is that governments have used inefficient and poor methods of tax collection and practices over the studied period. Ajiteru (2020).

7. Suggestions

The study's conclusions led to the following suggestions being made:

1. The local government's legislative branch should make sure that tax rules are updated to take into account the state of the economy today.

2. The Modern information technology solutions should be used by the government to administer tax and non-tax revenue.

8. Final thoughts.

In conclusion, the study found a high degree of connection between all used factors and the relationship between domestically generated revenue and local government council performance. In order to identify the overflowing influxes among the employed study variables, this study focused on the local government's activities and chose two key components: road building and staff salaries and pay. Based on our research, it can be concluded that tax and non-tax revenues are essential components of the local government system's economic growth and ought to be promoted. One of the obstacles to IGR gathering The study found that there is insufficient supply of goods and services that will benefit the general public and promote economic growth. Because of this difficulty, individuals do not consider paying taxes and other levies to be a civic duty (NGF, 2023). 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 must to be established and aggressively pursued. 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.

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