



**PERSPECTIVES ON INTERNALLY
GENERATED REVENUE (IGR) AND
ECONOMIC DEVELOPMENT IN
LOKOJA LOCAL GOVERNMENT
AREA OF KOGI STATE**

By

MARYAM GIDADO HALILU

Department of Public Administration
Kaduna Polytechnic, Kaduna
antayi69@gmail.com

&

HALIMAT KAMAL BELLO

Department of Public Administration
Kaduna Polytechnic, Kaduna
Halimatkamal.bello@gmail.com

&

ONIPE JOY

Department of Political Science,
Nigerian Defence Academy, Kaduna
joyonipe@nda.edu.ng

ABSTRACT

Local government is faced with varieties of difficulties to source adequate revenue from internally generated revenue sources; these problems are cogs in the wheels of development and smooth running of local government administration. Thus, the objective of the paper is to assess the Perspectives on Internally Generated Revenue (IGR) and Economic Development in Lokoja Local Government Area of Kogi State. The paper used both primary and secondary data to analyze how internally generated revenue affects economic development in Lokoja local government area of Kogi State. The methodology adopted the quantitative research technique utilizing descriptive and correlation statistical tools to analyze the data that were drawn from the population of the study. The findings showed that there is a positive relationship between internally generated revenue and the economic development of Lokoja LGA. The paper also revealed the various methods of generating internal revenue, which are the training of tax personnel, contribution, and creating awareness to the public. The paper therefore recommended that the local government should provide basic amenities of high quality so that the people's interest would be geared towards giving their maximum support to the local government which would lead to the development of the rural area.

Keywords: Revenue, Economic Development, Internally Generated Revenue, Local Government



1. Introduction

Challenges faced by many national Governments of the world are to provide security for their people. This security is in terms of life, property, social and economic development. Global economic challenges have continuously reduced the revenue derived by the Federal Government and subsequently, the amount that goes to all tiers of government including the local governments, Boluwaji (2017). Consequently, the amount and efficiency of revenue collection by the local governments has been the measure of economic well being of the third-tier government. The states and local governments including Lokoja have been limited in terms of revenue generation; this has made them to be heavily dependent on federal allocations. However, revenue generation by governments comes from several sources and in Nigeria; the major revenue earner is petroleum which accounts for over 70% of the nation's revenue.

Local Governments in Nigeria derive their revenue principally from tax. Tax is a compulsory levy imposed by government on individuals and companies for the various legitimate function of the state (Olaoye, 2018). Tax is a necessary ingredient for civilization, as a source of IGR, it is the major contributor of capital for providing

infrastructure, health facilities, health care and basic needs of the people at the grassroots. The history of man has shown that man has to pay tax

in one form or the other that is either in cash or in kind, initially to his chieftain and later on a form of organized government (Ojo, 2013). No system or rules can be effective whether foreign or local unless it enjoys some measures of financial independence. Local governments in Nigeria have developed over the years.

Historically, the development of direct taxation in local government in Nigeria can be traced to the British pre-colonial period. Under this period, community taxes were levied on communities (Rabiu, 2014). Recently the revenue that accrues to local government is derived from two broad sources, which are the external sources and the internal source, (Edogbanya, 2013). Apart from the foregoing sources, other sources of revenue could be by donation from public spirited individuals or philanthropists, with a view to assisting the Local Government to carry out a particular project or programme. However, it should be noted that out of the major internal revenue sources statutorily allocated to Local governments, the combination of rates, local license, fees and fines, and earnings (Ugwu 2010).



An effective Local Government system rests majorly on the availability of human and material resources which the nation could mobilize and harness for local governments development. In 1976, the Federal Military Government then issued guidelines on local government reforms, Adedeji and Rowland (2012). The reforms which gave recognition to local governments as the third tier of government whereby government activities at the local level were taken care of. In 1988, another reform of local government was established. This gave a substantial and unprecedented reform of autonomy to the local governments in the country. With this autonomy, greater responsibilities devolved on the local government therefore, became a common knowledge that most of the local government are finding it difficult to cope with the present level of responsibilities. The reality became glaring that federal government alone cannot be involved in the drive for revenue neither can it alone continue the onerous task of providing amenities for the citizens. The states and local governments must join in both the generation and collection of revenue for themselves and the federal government as well.

It is instructive to note that most states in Nigeria are no longer able to perform their responsibilities simply because of poor finances arising from internally generated

revenue. The bad financial situation is further aggravated by the prevailing inflationary situation in the country which erodes the value of funds available to render essential social services to the people. Economic growth is highly associated with fund, much revenue is needed to plan, execute and maintain infrastructures and facilities at every governmental level. They need revenue for such developmental projects like construction of accessible roads, building of public schools, health care centres, and construction of bridges among others. Thus, government cannot embark on the maintenance of these projects and other responsibilities without adequate revenue generation.

1.1 Justification / Problem Statement

Nigerian government is faced with myriads of problems ranging from corruption and embezzlement, poor financing, mismanagement of funds to poor leadership. This has deterred development in Nigeria. Paucity of revenue available for development means that every stakeholder in governance from the local governments, states and federal governments comprising the third tier system must rise up to the challenges of generating revenue internally. At the background of this problem is the fact of over reliance on petroleum as the major revenue earner. The Nigerian government



has over depended on oil revenue since the mid 1970s. This shift in focus led to the neglect of other areas like agriculture, tourism and taxation. The advent of oil boom encouraged laxity in the management of non-oil revenue source (Ariyo, 2013), and this has resulted in the reduction of non-oil revenue over the years. Thus, the challenges of meeting up with the provision of social amenities, securities and other functions of government coupled with fluctuation of oil price in the international market have called for a more sustainable and reliable source of revenue like taxation (Oyeleke, 2016). If progress must be made, the nation must look into other sources as a means of diversifying its income base by harvesting revenue internally for stimulating economic growth. Most local governments including Lokoja are faced with a myriad of problems on revenue generation. Despite the numerous sources, the categorization of revenue sources has placed most of them in the purview of the federal government leaving the LGs with very little to intervene in grassroots development.

A major problem fraught with revenue generation has been located around tax avoidance syndrome, inadequate operational vehicles and other facility delimits the ability of the local governments to generate internal revenue. Revenue generation needs mobilization and most local government do

not have enough, which would have enable them to move easily from one part of the area to another for the collection of various fees. Over 14 states in Nigeria have been classified insolvent implying that their IGR is below ten percent of the Federally Allocated Income in 2016. This situation attends to poor revenue generating mechanism, pilfering and mismanagement of IGR by the state and local governments amongst several other reasons (ASVI, 2017). The questions that begged to be answered in relations to the poor internal revenue generation includes:

- Is it because of total dependence on petroleum revenue?
- Is it as a result of poor internally generated revenue drive?
- Is it because of ineffective utilization of available scarce resources or mismanagement by public office holder?

The dependence on states by local governments has exposed government's weaknesses in terms of meeting the expectations of the governed; this has led to poor infrastructural facilities, Unavailability of social services to rural Area and Underdevelopment of local communities. It is against this background that this research examines the impact of internally generated revenue on economic development in



Nigeria, particularly taking the case of Lokoja local government.

1.2 Empirical Literature

Internally Generated Revenue (IGR) and Economic Development

One major issue in developmental economics is sustainable improvement in the economic wellbeing of citizens by the government of every nation. There must be commensurate increase in revenue to keep up with the tremendous demand of government services especially basic services that are necessary to support a vibrant population. Government need to raise revenue to carry out its duties. One of the ways government generate revenue internally are through taxes, rates, fine and many others. These funds are generated to provide security, social amenities, and create condition for the economic well being of the society. Various avenues of IGR include taxes, fines and fees, licensing, earnings and sales, rent on government property, interest and dividends among others. The capacity to generate internal revenue has been the basis for the consideration of creation of states. This implies that economic viability is a crucial point in state creation (Anyanwu, 2019). Various economic forces impacted the ability of federal, state and local governments to generate revenue. The decline in the price of oil in recent years led

to serious decline in revenue available for distribution through the Federal Allocations Accounts (FAAC). Accordingly, Kiabel and Nwokah (2019) observed that the need for state governments to generate adequate revenue from internal sources became a matter of urgency and importance; this is a result of the increasing cost of running governments at all levels coupled with the dwindling and unstable revenue from existing sources. Furthermore, the global financial crisis of 2007-2009 caused serious distortions in government ability to meet its obligations.

However, the principle of revenue generation is the appropriate criteria to be applied in the development and evaluation of its structure. Such principles are essential in application of some concept derived from welfare economist. In order to achieve the broad object of this, the revenue generation of this country should be based on sound principles, which maybe principle of equality, certainty, convenience, economy, simplicity, productivity, flexibility and diversity. Previous studies listed several areas of national development that is impacted positively by IGR, this includes social infrastructure such as education and health with emphasis on continuing education and constantly improving health care facilities; physical infrastructure to stimulate private sector investment in strategic areas including



energy, transportation, security of life and property, housing; provision of social amenities for the young, disadvantaged, physically challenged and the aged. The research concluded that a steady flow of IGR that would enable Nigeria lay a sustainable foundation for stability and self sufficiency would the nation's quest for national development. Similarly, Adenugba and Ogechi, (2013) observed the infrastructural development in Lagos State was a result of improved internal revenue generation. They also observed that Lagos State is ahead of other states in the provision of basic infrastructure as a result of its efficiency in generating revenue internally. IGR is a viable mechanism for providing basic infrastructure for both states and local governments. Improved infrastructural facilities are necessary conditions for economic development in any human setting. When properly channelled, IGR can be a catalyst for sustainable development of a community.

1.3 Nexus between Tax Policy and IGR

Within the purview of this paper, internally generated revenue refers to the income generated by the local government within its geographical confinement for its exclusive use (JORA 2013) in the provision of services. From the foregoing definition, IGR is limited by geographical boundary and is subject to use by the administrative authority

for providing needed facilities for the people. IGR is therefore the total amount of income accruing to the government from various sources within a specified period of time. Osisami, (2014) identified two types of revenue that accrues to state governments to include internally generated revenue and revenue allocated from the Federation Account. It is however instructive to note that revenue are derive from sources available to the local or state government (Daniel, 2019). The IGR subsists on the general policy framework for taxation in a nation. Tax policy is government pronouncements regarding the collection, administration and management of revenue from various sources.

The Federal Executive Council, which is the highest Executive decision making organ in Nigeria is responsible for approval of all national Tax Policy for the country. The policy is endorsed by the National Economic Council to recognize the Federal System of Government given the application of the policy to all tiers of government. The National Tax Policy (NTP) establishes fundamental principles to guide an orderly development of the Nigeria tax system and reinforces the need for tax laws and administrative practices to promote economic development. The policy addresses key challenges confronting the Nigeria tax system including:



1. Low tax to GDP ratio
2. Fragmented database of taxpayers and weak structure for exchange of information
3. Multiplicity of taxes and revenue agencies
4. Poor accountability for tax revenue
5. Use of aggressive and unorthodox methods of tax collection
6. Failure by tax authorities to honor refund obligations to taxpayers
7. The non-regular review of tax legislation which has led to obsolete laws that do not reflect
8. Current economic realities (Anyafu, 2016)

Some key recommendations of the policy to address the challenges include:

1. Ensuring that there is only one revenue agency per level of government
2. Establishment of a tax court as an independent body to adjudicate in tax matters
3. Lower tax rate and VAT compliance threshold for SMEs
4. Establishment of an Office of Tax Simplification for continuous improvement to tax legislation

- and administration and develop Key Performance Indices for Nigeria to attain a top 50 positions on the global index of ease of paying taxes by 2020 and consistently improve on the ranking
5. Administrative framework for amnesty and whistle blowing as part of the strategies for curbing evasion and widening the tax net (Adam, 2016)

Revenue Generation and Local Government Administration in Nigeria

It is undisputable fact that the revenue generation of most local government in Nigeria is far below what it should be, all things being equal. The concomitant effect of the poor revenue generation and maximization is that inadequate finance remains the most single devastating problem undermining effective local government administration in the country (Onwe, 2014). Undoubtedly, is that the statutory allocation from the federal government are not adequate to cover the financial obligation of the local governments, such as payment of staff salaries, maintenance of social services and local security, education etc. To be able to function effectively and efficiently, local government have to look inwardly to raise the required revenue, which by implication is



to maximize its internal revenue generation (Oladoyin, 2014). Several reasons have been adduced why revenue generation in most local government in Nigeria is far from being satisfactory, for example, the report of a committee on the fiscal and financial performance of local government in the federation in 1978 observed that generally, the performance of local governments in revenue collection is nothing to write home about. These factors are noted to have been responsible for the situation:

- Poor communication network particularly in revering areas of the country.
- Lack of commitment on the part of some revenue collectors who are down-right dishonest and defective in revenue collection.
- Some of the laws for revenue collection have not been updated by some state government (Ibeogwu, 2012).

The problem of revenue generation in the Nigerian local government system according to Egomnwan, (2014) are also compounded by the fact that state governments acquired the more lucrative, elastic and collectable sources, leaving local governments with taxation, with low ceilings and revenue which are administratively and politically difficult to exploit in an environment where the vast majority of the people are poor, self

employed and dispersed in the rural areas. The local government require adequate funding to be able to pay salaries regularly and on time, fringe benefits, retirement benefits, provide adequate welfare scheme for its employees, procure the necessary materials for work, reward hard working staff and above all render effective and efficient service delivery to the public. So the ability of any organization whether private or public depends to a large extent the fund (finance) at its disposal. Without adequate financial powers or arrangement in the local governments, it would not be able to maintain the available manpower which comprises men and women, young and old who engage in the production of goods and services and who also oversee other resources in the organization. For local governments to achieve it statutorily assigned functions, it is expected that it should have unfettered financial power and autonomy (Ibeogwu, 2012). The success or finance of any organization, local government inclusive therefore largely rests on financial relationship between her and other tiers of government, the extent of viability and unquestionable locality. This suggests that for local governments to be truly local, it should have reliable, lucrative and elastic revenue sources. So, if local governments cannot finance the service allotted to them because of lack of fund and always rely on the state or federal



government to assist, it suggests lack of or absence of financial autonomy.

Financial Autonomy versus Sustainable Development in Nigerian Local Governments

The importance of finance in a local government administration cannot be over emphasized. If local government does not enjoy relative financial autonomy to encourage her in the implementation of her constituted duties and obligations, she cannot meet up with her financial responsibilities and as such development will be very slow. Independence of action can only be possible if the local governments are viable (Onye, 2019). Financial autonomy in Nigeria Local Government administration appears to be a function of the significance of the State and the LG in question. Accordingly, some LGs in Nigeria have attained autonomy due to their vantage position as economic or commercial hubs; Ikeja, Kano and Onitsha are clear demonstration of this assertion. The economic significance and development of Lokoja local government cannot be separated from its historical antecedents.

Lokoja local government claimed to have been established by the British explorer William Baikie in 1857 and subsequently became the administrative capital of the British colonial government in Nigeria after the amalgamation of the Northern and

Southern Nigeria in 1914. The first Governor Historical evidence has it that the first General of Nigeria was said to have govern the nation from Lokoja. Lokoja local government is home to about 265,400 people by the population estimates of the National Population Commission (NPC) in 1991. The state generated an IGR of One Billion Naira monthly which is the highest in the history of the state. Effective IGR mechanism would to a greater state improve the revenue of the state so that dividends of governance can be enjoyed by the populace particularly in a global environment of recession and economic meltdown (Edogbanya, 2013). Development that is not grass root oriented is faulty. It is against this background that both professionals and practitioners solicit for financial autonomy in local governments so as to guarantee sustainable development. The argument is that there are many local and grass root problems and services that the local governments are in the best position to handle, so when local governments are not financially equipped, basic needs and services in the rural areas are not provided (Onwe, 2014). Finally, other plausible explanation for the dire need of financial autonomy in the local government is that the maintenance of human and material resources is a necessary sine – qua – non for a healthy organization (Onwe, 2014).



1.4 Review of Existing Literature/Empirical Review

Few studies have been conducted on the impact of internally generated revenue on performance of Government. Ehule, (2015) studied the relationship between internally generated revenue and performance of a public sector. Data were collected using questionnaires with a five point Likert response scale from 125 staff of Obio/Akpor Local Government Council drawn from a random sample. The Pearson product moment was used to determine the nature of relationship. The results show that permits and rates have a positive significant relationship with performance of Obio/Akpor Local Government Council. Edogbonya and Ja'afu, (2013) studied the impact of revenue generation on government developmental efforts. Data were collected from three local government councils using the stratified sampling method. The ordinary least square (OLS) and the regression analysis were used to determine the nature of the relationship and its statistical significance respectively. Findings reveal a positive relationship between internally generated revenue and government capital projects.

Isaac, (2015) studied the impact of indirect taxes on the economic growth of Nigeria. Data were collected from a sample of value

added tax, import duties and GDP from 2009-2013 drawn from a systematic random sampling technique. The ordinary least squares and the t-test statistics were used to determine the nature of the relationship and its statistical significance respectively. The result shows that value added tax, import duties and excise duties have positive significant impact on gross domestic product. Export duties were found to have a negative impact on gross domestic product. Adenugba, (2013), in his work Effect of internal revenue on infrastructural development in Nigeria states that, Nigeria enjoyed an improved revenue from the 1970's till date due to reforms introduced by different regimes all aimed at making the state government effective and efficient in discharging statutory responsibilities to the people. This was achieved through increased sources of revenue generation; this problem is multifarious ranging from low borrowing capacity, corruption, mismanagement and misappropriation of state government funds, ineffective strategies for enhancing internally generally generated revenue, lack of skilled and technical personnel, etc. Essien, (2015) studied the impact of tax revenue on economic growth in Nigeria. Secondary data from the CBN, financial statements, reports from the Federal Inland revenue service and other sources were obtained. The ordinary least square method of multiple regressions was used to establish



relationship of tax revenue and economic growth. The results show that petroleum profit tax and company income tax are positively related to economic growth. That is a rise in petroleum profit tax and company income tax will cause a proportional growth in the economy. The studies on tax revenue and economic growth are related contextually to the study of internally generated revenue and performance.

Tosun and Abizadeh, (2015) in their study of economic growth of tax change in OECD countries from 1980 to 1999 reveal that economic growth measured by GDP per capita has significant effect on the tax mix of OECD countries. The analysis reveals that different taxes respond to the growth of the GDP per capita. It is shown that while revenue generated from taxes have responded positively to economic growth, shares of the payroll and goods and services have shown a relative decline. Adebayo, (2017) in evaluating government programme on poverty reduction as a welfare consequence of Nigeria tax policy, takes the position that improvement in welfare is synonymous with reduction in poverty. The concept of poverty is central to the study since the concept of poverty is a multidimensional one, encompassing economist, social aspect of reducing poverty may to a large extent mean improving general welfare. Anyanwu, (2017) in his

study of effect of taxes on Nigeria GDP economic growth 1986-1996 reveals that company's income tax positively and significantly affects Nigeria GDP. Shasuddeen, (2018) examine the Nigeria perspective about fiscal policy to reduce poverty and improve growth. According to him, the full potential will not be realized until good and accountable expenditure and revenue generating system are put in place. Overall fiscal policy reveals more about the political priorities underpinning a country development strategy than any other area of policy making. The problem with Nigeria is that we concentrate on how to share poverty than how to create wealth. The intensity of struggle moreover has been so fierce, divisible and selfish that we have almost succeeded in rather impoverishing ourselves. While we admit the fact that the terms may differ based on strict economic definitions they are, significantly related in context. The context in which economic growth has been used in the studies mentioned above significantly points to performance at the federal Government level. The parameters used in measuring economic growth are synonymous and in material terms refer to government expenditure on public goods and service. Tax revenues as used in the studies above reflect the revenues accruing to the federal government. In all, the studies reviewed, dwelt much on the relationship between tax revenue and performance



leaving little study on the impact of IGR on Nigeria economic development.

1.5 Theoretical Framework - Fiscal Federation Theory

The basic foundations for the initial theory of Fiscal Federalism were laid by Kenneth Arrow, Richard Musgrave and Paul Samuelson's two important papers (1954, 1955) on the theory of public goods, Arrow discussed the roles of the public and private sectors together with the seminal works of Musgrave, (1959) on public finance provided the framework for what became accepted as the proper role of the state in the economy. Within this framework, three roles were identified for the government sector. These were the roles of government in correcting various forms of market failure, ensuring an equitable distribution of income and seeking to maintain stability in the macro-economy at full employment and stable prices. The theoretical framework in question was basically a Keynesian one which canvassed for an activist role of the state in economic affairs. Thus, the government was expected to step in where the market mechanism failed due to various types of public goods characteristics. Economics teaches us that public goods will be underprovided if left to private market mechanisms since the private provider would under invest in their provision because the benefits accruable to her or him would be far lower than the total

benefit to society. Governments and their officials were seen as the custodians of public interest who would seek to maximize social welfare based on their benevolence or the need to ensure electoral success in democracies.

Once we allow for a multi-level government setting, this role of the nation in maximizing social welfare then provides the basic ingredients for the theory of fiscal federalism. Each tier of government is then seen as seeking to maximize the social welfare of the citizens within its jurisdiction. This multi-layered quest becomes very important where public goods exist, the consumption of which is not national in character, but localized. In such circumstances, local outputs targeted at local demands by respective local jurisdictions clearly provide higher social welfare than central provision. This principle, which Oats has formalized into the "Decentralization Theorem" constitutes the basic foundation for what may be referred to as the first generation theory of fiscal decentralization (Oats, 2004). The theory focused on situations where different levels of government provided efficient levels of outputs of public goods "for those goods whose special patterns of benefits were encompassed by the geographical scope of their jurisdictions" (Oats, 2004: 5). Such situation came to be known as "perfect



mapping" or "fiscal equivalence" (Olson 2016). Nevertheless, it was also recognized that, given the multiplicity of local public goods with varying geographical patterns of consumption, there was hardly any level of government that could produce a perfect mapping for all public goods. Thus, it was recognized that there would be local public goods with inter-jurisdictional spill-over. For example, a road may confer public goods characteristics, the benefits of which are enjoyed beyond the local jurisdiction. The local authority may then under-provide for such a good. To avoid this, the theory then resorts to traditional Pigouvian subsidies, requiring the central government to provide matching grants to the lower level government so that it can internalize the full benefits.

Based on the following, the role of government in maximizing social welfare through public goods provision came to be assigned to the lower tiers of government. The other two roles of income distribution and stabilization were, however, regarded as suitable for the central government. To understand the rationale for the assignment of the redistribution function to the central government, we need to examine what the implications of assigning this responsibility to the lower tier would imply. Given that

citizens are freely mobile across local or regional jurisdictions, a lower level jurisdiction that embarks on a programme of redistribution from the rich to the poor would be faced with the out-migration of the rich to non-redistributing jurisdictions and in-migration of the poor from such jurisdictions to the redistributing one. If on the other hand, the powers to redistribute were vested in the central government, a redistribution policy would apply equally to citizens resident in all jurisdictions. There would therefore be no induced migration.

The central government is expected to ensure equitable distribution of income, maintain macroeconomic stability and provide public goods that are national in character. Decentralized levels of government on the other hand are expected to concentrate on the provision of local public goods with the central government providing targeted grants in cases where there are jurisdictional spill-over's associated with local public goods.

1.6 Research Methods

According to the national bureau statistic, the current census of Lokoja local government is 265,400 (Two Hundred and Sixty-Five thousand, Four Hundred) (Edogbanya, 2013). Hence the total number of citizens to be used in this research work employed by the researcher 265,400 (two hundred and



Sixty-Five thousand, Four Hundred).
 Applying the general formula of determining sample size by Yaro Yamani, (1964):

$$\text{Formula} = \frac{N}{1 + N (0.1)^2}$$

$$n = \frac{N}{1 + N (e)^2}$$

Where;

n = Sample size =?

Where:

N = Population Size = 265,400, e = error = 10%

n = the sample size,
 N = population of study,
 1 = a Constant
 e = marginal error

Therefore: $\frac{265,400}{1 + 265,400 (0.1)^2}$

$\frac{265,400}{1 + 265,400 (0.1)^2}$

= $\frac{265,400}{2654.01}$

= 99.9

n = 100

The sample size is therefore based on 100 (One Hundred).

as IGR collection, IGR use, effect on economic development, motivation of tax officers, effectiveness of collection method, transparency of IGR administration, etc. The data are presented using tables with some of the figures in percentages where necessary.

Table 1.1 Showing Responses from the Respondents

Number of Questionnaires	Number of Respondents	Number of Non-respondents
100	98	2

Source Personal survey, 2021

The data collected is going to be presented in a tabular form with focus on the major research questions in other to enable the researcher determine the results. Data collected were analyzed by the use of simple percentage% analysis.

1.7 Data Presentation and Analysis

The chosen respondents were subjected to answer the research questionnaire. they constituted Kogi State indigenes residing in Lokoja with the intention of finding out from them their opinions and views on issues such

As shown in table 1.1 above, 100 respondents were randomly giving questionnaire. Ninety-eight (98) people responded to the questions, this represents about ninety-eight (98) % of the total respondents.



Effectiveness and Transparency of IGR Mechanism

Table 1.2: Responses to Question on effectiveness of IGR Collectors

Options / opinions	No Respondents	% Respondents
Highly decentralized	20	20
Partially decentralized	20	20

Options/ Opinions`	No Respondents	% of Respondents
Positive	70	70
Negative	20	20
No Effect	8	8
Total	98	98

, decentralization is practiced in the organization. From the responses, some of the respondents believe that this delegation of authority is one of the reasons for the success of the organization, as decisions can be taken almost immediately without referring to higher authority. Delegation is a measure of effectiveness in a system and the

Selective ly decentralized on some issues	40	40
Not Decentral ized at all	18	18
Total	98	98

Source: Personal survey 2025

On the question of effectiveness of the IGR staff, 80% of the respondents, employees and management staff of the revenue office, believe that there exists some form of delegation of authority in the organization (table 1.2); ranging from those that believe there is high decentralization and delegation of authority (20%) to those that say some decentralization occur on some issues (18%).

In response to the question by respondents lack of it has been the result of poor organizational performance.

Tables 1.3 Responses to the question on the effect of IGR on Economic Development

Source: Personal Survey, 2025

The previous table depicting the result of question on the effect of IGR on economic



development. Most of the respondents believe that IGR is very important source of revenue for economic development in Lokoja LGA. Thus, the management of the office must ensure a better treatment and concern for the employees of the Office. It was this better treatment that resulted in the increased IGR recorded by the State. The respondents (70%) further opined that IGR has positive effects on the development of the State (Table 1.3), this view was ascertained from the questionnaire distributed.

Table 1.4: Responses to question on how relationship between Management and lower level revenue officers has affected Morale and efficiency

Options/opinion	No Respondents	% of Respondents
Strong effect	68	68
Some effect	20	20
Little effect	7	7
No effect	3	3
Total	98	98

Source: Personal Survey 2025

The beneficial effect of the training programmes attended by staff of Lokoja LGA Internal Revenue Office apart from

being satisfactory in terms of content and scope (table 1.4) also enhanced the morale and attitude of the workers towards their jobs as well as enhancing the relationship between the management and field employees. According to responses to the questionnaire administered to them, this is so because some in house training put in place allowed employees to speak their mind without fear of victimization about certain management decisions and actions. The management also responds to criticism to clear the air on the issues raised especially on poor remuneration thereby enabling both parties to contribute maximally in achieving the state government target for IGR. This strong relationship between management and employees as well as how it has positively affected the moral and productivity of the workers are clearly shown in the table above agree that the relationship between the two is either very satisfactory or satisfactory.

Test of hypothesis

Taking into consideration the Responses of the survey and the analysis of the responses, the researcher hereby accepts the hypothesis that (H) there is a significant relationship between IGR and economic development in Lokoja LGA and rejects the null hypothesis (H₀) there is no significant relationship between IGR and economic development in the State.



1.8 Conclusion and Recommendation

The statistical analysis used in this study revealed that the effect of internal revenue generation has led to economic development. It was observed that the workers in Lokoja Local Government contribute to revenue generation. The researcher also discovered that the economic development in Lokoja LGA is as a result of increased revenue generated and that revenue generation supports economic development. Furthermore, it was observed that Lokoja LGA is ahead of other Local Government in the states in the provision of basic infrastructures and social amenities. It has also been observed that revenue agencies in Lokoja LGA are efficient. Given the very low starting level of Internally Generated Revenue in 1999, the continuous improvement in revenue collection since the return to democratic governance is not a sufficient proof of the efficiency of the revenue administration arrangements recently put in place. There is a revenue administration cost issue that needs attention to ensure that the burden of revenue administration on the State remains reasonable. This paper posits that the generation of revenue contributes significantly to the development of the economy of the Local Governments in Nigeria using Lokoja LGA as a case study. In order to get the best out of revenue

generation system, a lot has to be done in Lokoja LGA by creating awareness about the importance of paying taxes.

Based on these findings, the paper made the following recommendations:

1. **Establishment of projects:** The State Government should embark on the establishment of some mini-size industries which will provide employment opportunities to the people. There should also be development and improvement in agricultural ventures like crop farming etc. the participation in agriculture will encourage the inhabitants of this local government area to improve their standard of living.
2. **Supply of social and economic services:** Efforts of state government should not only be directed towards the revenue yielding alone but also to the provision of social services like good wards, basic health facilities, environmental sanitation, town halls, street light, water supply. These facilities should be of high quality, by doing this; the people's interest will be geared towards giving their maximum support to the governments at all facts where such



cooperation is required. Once, some of their interests are taken care of, the people will feel committed to paying to the local government all revenue due from them and this will improve the revenue strength of the local government in question.

- 3. Staff motivation:** Workers should be encouraged so that they can put in their maximum services and when this is done, there will be increase or solid improvement in revenue collection. Training of workers for knowledge enhancement should be one of such motivational factors. It is fervently hoped that when the above suggestions are fully implemented, the local government will not only improve internally but also with the outside world.

This research work also recommended that the sources of revenue that are significant such as taxes, licenses, fines and fees, grants, financial aids and loans should be reconstructed and re-engineered through public awareness, keeping of accurate data and methodical manner of collection. Lokoja Local Government has great potential to become one of the most efficient and highest generated revenue government if efforts are made to improve collection and generation performance.

References:

- Adam, W. (2016) Principles and Practice of Taxation in Nigeria, Ibadan: Codat Publication.
- Adebayo L.D. (2017) Local Government in West Africa since Independent. Nigeria: University of Lagos Press
- Adedeji A. and Rowland C. (2012) Finance Problems and Prospect. Ibadan: Heinemann Edu BKS Nigeria
- Ademughaa O. And Ogechi (2013) Financial Management of Local Government in Nigeria. Ile – Ife: Obafemi Awolowo University Press.
- Anyafu K.I. (2016). Taxation and Tax Administration in Nigeria, Lagos: Triumph Publishing Company Limited.
- Anyanwu, A. (2019). Research Methodology on Business and Social Sciences. Owerri: Camum Publishers.
- Ariyo J. (2013) Salary Increment: Kogi Revenue Officers, Government Set for Showdown available at <http://dailypost.ng>(assessed 28 March 2021).
- Boluwaji, H. (2017). Kogi State IGR Hits One Billion available at <https://www.vanguardngr.com>(March 2018)
- Daniel, H. (2019). Public Finance 4th edition. New Jersey: Prentice Hall International Englewood.



Edogbanya, A. and Ja'afaru, S. (2013). Revenue Generation, its Impact on Governmental efforts. Global Journal of Management and Business Research. Vol.13, issue 4

Edogbanya, 2013 J. A. (2013). Financial Memorandum for Nigeria Local Government Treasuries for Instruction Purpose. Lagos: Ayo Printing Press.

Ehule, A. (2015). The Impact of Internally Generated Revenue on Performance of public sector. M.Sc. Thesis, University of Port Harcourt.

Essien, N. (2015). Impact of Tax Revenue on Economic growth in Nigeria. M.sc. thesis, University of Port Harcourt
Federal Accounts Allocation Committee (FAAC) Sub Committee (2012). A manual on the implementation of International Public Sector Accounting Standards (IPSAS) for the three Tiers of Government in Nigeria

Ibegwu Aguolu (2012). Taxation and Tax Management in Nigeria, 3rd edition. Enugu: Published by Meridan Associates.

Kiabel, C and Nawkali F (2019). Nigeria Current Challenges. Lagos: Academy Press Plc

Oats, F.C. (2004). Foundations of Government and Politics. Ibadan: Intec Printers Ltd.

Ojo, F. A. (2013): Principle of Local Government Accounting. Yaba –Lagos: Chapter ten Publication Ltd.

Oladoyin, C.C. (2014). Theory and Practice of Local Government. Enugu: Intec Printers Ltd.

Olaoye, C.O. (2018). Analysis of Local Government Finance. 1st Edition, Ijagbokwara: clemart Publishing.

Onwe C.S. (2014). Nigeria Income Tax Law and Practice, London|: Macmillan Publisher. 2nd edition

Onye, M.T. (2019). Studies in Public and Local Government Administration in Nigeria. Enugu: John Jacob's Classic Publishers.

Osisami O.E (2014). Public Finance. Nigeria: Pacific Collage Press.

Oslon D.O. (2016). Local Government Administration in Nigeria. Enugu: John Jacob's classic publishers Ltd.

Oyeleke F.C. (2016). Rural Development in Nigeria. Aba: Ndutusi Press P.7.

Rabiu S.A.A. (2014). Essay in Local Government. Kaduna: Onyehole Jalegu Printers.

Shassudeen, N.P. (2018). The finance of local government, Gorge Allen, London..

Ugwu, A.J. (2010) Companies Taxation, third edition. Lagos: JAA Nigeria Limit.