



IGR AND HEALTHCARE SERVICE DELIVERY IN EKITI STATE

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Abstract

This study examines how internally generated revenue influences healthcare service delivery in Ekiti State, Nigeria. The focus on IGR reflects the growing need for sub-national governments to strengthen domestic revenue sources amid declining reliance on federal allocations (Olaniyi, 2023; Adejare et al., 2024). A descriptive cross-sectional research design was adopted, with data collected from 77 public officials drawn from health and revenue-related agencies, selected to reflect key actors involved in revenue mobilization and healthcare provision. The study employed descriptive statistics and Ordinary Least Squares regression to evaluate the extent to which IGR contributes to healthcare outcomes. Findings indicate that although IGR has increased in recent years, its impact on healthcare service delivery remains weak and statistically insignificant. This suggests that revenue growth alone does not automatically translate into improved healthcare services, largely due to inefficiencies in resource allocation, weak accountability, and administrative constraints (Godwin & Lilly-Inia, 2025). Furthermore, challenges such as tax evasion, low compliance,

and limited transparency continue to undermine effective utilization of revenue. The study concludes that strengthening governance mechanisms is essential to enhance the effectiveness of IGR in improving healthcare delivery. It recommends improved transparency, targeted healthcare investment, and enhanced tax administration to reinforce the fiscal link between revenue generation and service outcomes in Ekiti State.

Keywords: Tax Revenue, Public Service Delivery, Ekiti State, Tax Compliance, Governance Efficiency

1. Introduction

Internally generated revenue has become an essential fiscal instrument for sub-national governments seeking to finance public services in the face of declining and unstable federal allocations. In Nigeria, the overdependence on oil revenue has exposed states to fiscal vulnerability, thereby increasing the urgency for domestic resource mobilization through taxes, levies, and other internally sourced funds (Olaniyi, 2023; Adejare et al., 2024). Internally generated revenue, unlike general taxation at the national level, reflects the capacity of state governments to mobilize and utilize local resources for development. Within this context, the health sector represents a critical area of public service delivery, as it directly affects human capital development and overall welfare outcomes. Recent studies emphasize that effective revenue



mobilization must be matched with efficient allocation to priority sectors such as healthcare to achieve meaningful development outcomes (Godwin & Lilly-Inia, 2025). However, in many Nigerian states, including Ekiti, the linkage between revenue generation and healthcare service delivery remains unclear and contested.

Ekiti State presents a compelling case for examining this relationship due to its limited industrial base and heavy reliance on federal transfers. Despite recent improvements in internally generated revenue, driven by administrative reforms and digital tax systems, concerns persist regarding the quality and accessibility of healthcare services. Many residents continue to experience inadequate health infrastructure, shortages of medical personnel, and limited access to essential services, raising questions about how effectively internally generated revenue is translated into healthcare improvements (Olaoye et al., 2023). This disconnect has implications not only for service delivery but also for public trust and tax compliance. When citizens perceive that revenue collected does not result in tangible healthcare benefits, their willingness to comply with tax obligations may decline, thereby weakening the fiscal system.

Existing literature in Nigeria has largely focused on taxation at the aggregate level, often examining its relationship with economic growth or overall public expenditure (Omodero & Dandago, 2022).

While these studies provide valuable macro-level insights, they fail to capture the dynamics of revenue utilization at the state level, where policy implementation and service delivery occur. Furthermore, studies that focus on internally generated revenue tend to emphasize revenue performance without adequately linking it to sector-specific outcomes such as healthcare delivery (Adeosun & Olukayode, 2022). This creates a significant gap in empirical knowledge, particularly regarding how internally generated revenue influences healthcare services in sub-national contexts like Ekiti State.

The motivation for this study is therefore both practical and scholarly. Practically, improving healthcare delivery remains a priority for Ekiti State, especially given its predominantly agrarian population and the associated health challenges. Strengthening internally generated revenue offers a pathway for enhancing fiscal independence and improving service provision. From a scholarly perspective, the study contributes to the limited body of research that explicitly connects internally generated revenue with sector-specific service outcomes. It also engages with the social contract perspective, as articulated by scholars such as Adam Smith, which suggests that citizens are more likely to comply with tax obligations when they perceive visible benefits from government expenditure. By focusing on healthcare, this study provides a more precise understanding of how fiscal capacity translates into welfare outcomes.



This research therefore seeks to examine how internally generated revenue influences healthcare service delivery in Ekiti State. Specifically, it aims to analyze trends in internally generated revenue, assess its impact on healthcare services, identify challenges affecting effective utilization, and propose policy measures to strengthen the revenue–healthcare nexus. By narrowing the scope to a specific revenue source and a single service sector, the study responds directly to calls for more focused and analytically rigorous research in public finance and development studies. Ultimately, the study contributes to ongoing debates on fiscal federalism and governance by demonstrating that revenue generation alone is insufficient; what matters is how effectively such revenue is translated into improved healthcare outcomes for citizens.

1.1 Literature Review

Internally Generated Revenue (IGR)

Internally generated revenue refers to income mobilized by state governments from within their jurisdiction through sources such as personal income tax, levies, fees, and other locally administered charges. Unlike federally distributed revenue, IGR reflects the fiscal capacity and administrative efficiency of sub-national governments in generating sustainable income for development (Olaniyi, 2023; Adejare et al., 2024). Scholars argue that strong IGR systems enhance fiscal autonomy and reduce dependence on volatile external sources, thereby enabling governments to plan and implement sector-

specific interventions more effectively. In Nigeria, reforms such as digital tax administration and improved compliance mechanisms have contributed to steady growth in IGR across several states, including Ekiti (Olaoye et al., 2023). However, the effectiveness of IGR is not solely determined by revenue volume but by how efficiently such revenue is allocated and utilized to meet priority needs such as healthcare delivery.

Healthcare Service Delivery

Healthcare service delivery encompasses the provision of accessible, affordable, and quality medical services aimed at improving population health outcomes. It includes infrastructure development, availability of medical personnel, supply of essential drugs, and efficient management of healthcare systems (Omodero & Dandago, 2022). In developing regions, healthcare delivery is often constrained by inadequate funding, weak institutional capacity, and poor governance structures. In Nigeria, state governments bear significant responsibility for primary and secondary healthcare services, making their fiscal capacity crucial to sector performance. Studies suggest that increased public spending on healthcare is associated with improved service outcomes, but such improvements depend largely on effective resource allocation and accountability mechanisms (Godwin & Lilly-Inia, 2025). In states like Ekiti, where resources are limited, the ability to translate IGR into tangible healthcare improvements remains a critical concern.



IGR and Healthcare Service Delivery Nexus

The relationship between internally generated revenue and healthcare service delivery is grounded in the expectation that increased domestic revenue should enhance governments' ability to finance essential services. Empirical evidence from Nigeria indicates that while revenue growth provides fiscal space, its impact on healthcare outcomes is often mediated by governance quality and institutional efficiency (Omodero & Dandago, 2022). For instance, Aisien, Otusanya, and Ala-Peters (2024) found that revenue from domestic sources contributes to infrastructure and social sector funding when supported by transparent allocation systems. Similarly, Olaoye et al. (2023) observed that improvements in IGR through electronic taxation in Ekiti State created opportunities for increased public investment, although the direct impact on service delivery remained limited due to administrative inefficiencies.

Further studies emphasize that the effectiveness of IGR in improving healthcare depends on the alignment between revenue generation and sectoral priorities. Adeosun and Olukayode (2022) argue that taxpayers are more likely to support revenue mobilization when they observe visible improvements in services such as healthcare. This perspective highlights the importance of linking fiscal policy with service delivery outcomes to strengthen public trust and compliance. However, in many sub-national contexts, including Ekiti, weak accountability and

misallocation of funds continue to hinder this linkage. Consequently, while IGR has the potential to enhance healthcare delivery, its actual impact remains conditional on governance practices and institutional capacity.

1.2 Theoretical Framework

The relationship between internally generated revenue and healthcare service delivery can be understood through several theoretical perspectives that explain how government revenue translates into public welfare outcomes. One of these is the Benefit–Cost Theory of taxation, which argues that taxpayers are more willing to comply when they perceive that the benefits derived from public services justify their financial contributions. This perspective emphasizes reciprocity between citizens and the state, suggesting that improved healthcare services should encourage higher compliance and stronger revenue performance. However, this theory assumes a direct and visible connection between payment and benefit, an assumption that is often weakened in developing contexts where inefficiencies and governance challenges limit service delivery outcomes (Adeosun & Olukayode, 2022).

Another relevant perspective is the Fiscal Social Contract Theory, which views taxation as a mechanism for building trust, accountability, and legitimacy between the government and its citizens. This theory suggests that when governments demonstrate transparency in the use of public funds and deliver essential services effectively, citizens are more likely to support and



comply with tax systems (ICTD, 2025). While this framework provides a broader governance perspective, it does not sufficiently explain the sector-specific dynamics of how revenue is translated into outcomes such as healthcare delivery.

Given these limitations, this study adopts the Social Contract Theory, associated with scholars such as John Locke, as its primary theoretical foundation. The theory posits that citizens willingly contribute resources to the state in exchange for the provision of essential public goods and services. In the context of this study, internally generated revenue represents the contribution of citizens, while healthcare service delivery represents the expected return. The theory further suggests that the legitimacy of government depends on its ability to fulfill this obligation effectively.

Applied to Ekiti State, Social Contract Theory provides a useful lens for understanding the observed gap between rising internally generated revenue and persistent challenges in healthcare service delivery. Although the state has made progress in revenue mobilization, improvements in healthcare services remain limited, indicating a potential breakdown in the expected exchange between government and citizens. This weakens public trust and may reduce willingness to comply with tax obligations. The theory therefore underscores that sustainable revenue generation is not solely dependent on enforcement mechanisms but also on the government's capacity to translate

revenue into visible and meaningful healthcare outcomes.

1.3 Empirical Review

Empirical evidence on internally generated revenue and service delivery in Nigeria reveals a complex and often inconsistent relationship between revenue mobilization and sectoral outcomes. Omodero and Dandago (2022) found that tax revenue contributes positively to public sector financing, including healthcare expenditure, but argued that its effectiveness is frequently undermined by weak institutional capacity and poor expenditure management. Their findings suggest that although increased revenue creates fiscal space, it does not automatically translate into improved healthcare delivery. Supporting this view, Aisien, Otusanya, and Ala-Peters (2024) demonstrated that domestic revenue sources, including internally generated revenue, play a significant role in funding social sectors. However, they emphasized that governance quality, particularly transparency and accountability, determines whether such revenue leads to meaningful improvements in healthcare services.

At the state level, particularly in Ekiti State, empirical studies have largely concentrated on revenue performance rather than sector-specific outcomes. Olaoye, Opefolu, and AbdulRasheed (2023) examined the effect of electronic taxation on internally generated revenue and found that digital reforms significantly enhanced revenue



collection efficiency. While this indicates progress in revenue mobilization, the study did not assess whether these gains translated into improvements in healthcare service delivery. Similarly, Awotomilusi, Oso, and Oluwagbade (2023) reported that improved financial reporting standards increased transparency in revenue management in Ekiti State. Although transparency is expected to support better service delivery, the study stopped short of establishing a direct empirical link with healthcare outcomes.

Further empirical contributions highlight the importance of citizen perception in shaping both revenue performance and service delivery outcomes. Adeosun and Olukayode (2022) found that taxpayers' willingness to comply is influenced by their perception of fairness and the visibility of public service benefits, particularly in essential sectors such as healthcare. This implies that where improvements in healthcare delivery are not evident, revenue mobilization efforts may be weakened due to declining public trust. In addition, Godwin and Lilly-Inia (2025) argued that inefficiencies in public expenditure and weak accountability systems often prevent increased revenue from translating into tangible improvements in social services, including healthcare.

Overall, the empirical literature shows that while internally generated revenue has improved in Ekiti State, there is limited evidence linking this growth to healthcare service delivery outcomes. Existing studies have focused primarily on revenue generation,

compliance, and financial transparency, with little attention to how such revenue affects sector-specific performance. This creates a clear empirical gap, as the effectiveness of internally generated revenue should be evaluated based on its ability to improve critical services such as healthcare. This study therefore addresses this gap by providing a focused empirical analysis of how internally generated revenue influences healthcare service delivery in Ekiti State.

1.4 Gaps in the Literature

Although there is a growing body of scholarship on taxation and public service delivery, several gaps remain unaddressed, particularly in the Nigerian context. First, there is a **lack of sub-national focus**. Most studies have concentrated on national aggregates, analyzing the effects of taxation on Nigeria's economy as a whole (Omodero&Dandago, 2022; Aisien et al., 2024). While these works are valuable, they provide limited insights into the realities of individual states such as Ekiti, where fiscal capacity and governance structures differ significantly from national trends.

Second, a clear **disconnect persists between tax revenue and service outcomes** in much of the literature. Many studies emphasize revenue performance—such as growth in VAT, CIT, or IGR—without explicitly examining whether these funds translate into improved education, healthcare, infrastructure, or other essential services (Olaoye, Opefolu, &AbdulRasheed, 2023). This leaves unanswered the critical



question of whether higher tax receipts directly benefit citizens.

Third, **citizen perceptions are under-researched**. Few empirical works incorporate public views on taxation, yet trust, satisfaction, and willingness to comply are central to effective fiscal systems (Adeosun & Olukayode, 2022). Without integrating citizen perspectives, research risks overlooking how legitimacy and accountability shape compliance and, ultimately, revenue sustainability.

Finally, **contextual factors remain neglected**. Ekiti State's largely informal and agrarian economy poses unique challenges for revenue mobilization. Informality makes taxation difficult, while limited industrialization constrains the base of direct and corporate taxes. Few studies account for these structural realities, which shape both compliance behavior and service delivery outcomes.

1.5 Summary of Literature Review

The reviewed literature affirms that taxation plays a crucial role in financing public services across global, regional, and national contexts. Studies consistently show that well-managed tax systems can improve education, healthcare, and infrastructure, while weak administration and poor accountability undermine both revenue performance and service delivery (World Bank, 2019; ICTD, 2025). In Nigeria, research demonstrates that tax revenue contributes positively to service delivery, particularly through VAT and CIT collections (Aisien et al., 2024). Yet

inefficiencies, inequities, and poor transparency continue to limit outcomes (Godwin & Lilly-Inia, 2025). At the state level, evidence from Ekiti shows progress in revenue mobilization through electronic taxation, IPSAS compliance, and improved monitoring (Olaoye et al., 2023; Awotomilusi et al., 2023). Government reports also confirm significant IGR growth in recent years (Government of Ekiti State, 2024; 2025).

Despite these gains, the literature reveals clear gaps: limited sub-national focus, weak linkage between tax revenue and service outcomes, inadequate integration of citizen perceptions, and insufficient consideration of Ekiti's informal and agrarian context. These shortcomings highlight the originality and necessity of the present study, which seeks to empirically investigate the nexus between taxation and public service delivery in Ekiti State using mixed methodologies. By filling these gaps, the study aims to provide actionable insights for policy, strengthen the fiscal social contract, and contribute to sustainable development.

1.6 Results and Discussion

The socio-demographic characteristics of respondents are presented in Table 1. The results indicate that the mean age of respondents was 39.3 years (SD = 8.1), suggesting a relatively experienced sample suitable for institutional analysis. The majority of respondents were within the 30–39 age group, accounting for 33 respondents (42.9%), followed by those aged 40–49 years with 30 respondents (39.0%). In terms of



gender distribution, males constituted 58 respondents (75.3%), while females accounted for 19 respondents (24.7%). Respondents were drawn from relevant departments linked to internally generated revenue and healthcare service delivery, including finance/taxation, healthcare services, and administration. This distribution shows that the sample adequately represents key stakeholders involved in revenue generation and healthcare delivery in Ekiti State.

Table 4.1: Socio-Demographic Characteristics of Respondents (n = 77)

Variable	Frequency	Percentage (%)
Age (30–39)	33	42.9
Age (40–49)	30	39.0
Other Ages	14	18.1
Male	58	75.3
Female	19	24.7
Finance/Tax Dept	26	33.8
Administration	20	26.0
Healthcare Sector	31	40.2

1.7 Discussion of Findings

The findings of this study reveal that internally generated revenue plays a significant role in financing healthcare service delivery in Ekiti State, although its impact remains limited. Respondents generally agreed that internally generated revenue has increased over time, reflecting improvements in revenue mobilization mechanisms such as digital tax systems and

enhanced compliance strategies. This supports the findings of Olaoye, Opefolu, and AbdulRasheed (2023), who observed that electronic taxation reforms contributed to increased revenue generation in Ekiti State. However, despite this growth, the study found that the influence of internally generated revenue on healthcare service delivery is weak and statistically insignificant, suggesting that increased revenue alone does not guarantee improved healthcare outcomes. The results further indicate that challenges related to transparency and accountability significantly affect the effectiveness of internally generated revenue in the healthcare sector.

A considerable proportion of respondents expressed concerns about limited information regarding how revenue is allocated and utilized. This finding aligns with Godwin and Lilly-Inia (2025), who argued that weak accountability systems undermine the effectiveness of public expenditure in critical sectors such as healthcare. The implication is that even where financial resources are available, inefficiencies in management and allocation can prevent meaningful improvements in service delivery. In addition, the study highlights that perceptions of healthcare improvement remain moderate, with respondents acknowledging some progress but expressing uncertainty about the efficiency of resource utilization. This finding is consistent with Omodero and Dandago (2022), who noted that while revenue contributes to public sector funding, its impact on service delivery is often



constrained by institutional inefficiencies. The weak relationship identified in the regression analysis reinforces this argument, indicating that factors beyond revenue generationsuch as governance quality, policy implementation, and administrative capacityplay a more decisive role in determining healthcare outcomes.

Furthermore, the findings support the argument of Adeosun and Olukayode (2022) that taxpayer confidence and compliance are influenced by the visibility of public service benefits. In the context of Ekiti State, the limited improvement in healthcare services despite rising internally generated revenue suggests a gap in the fiscal relationship between government and citizens. This reflects a partial breakdown of the expected exchange in which citizens contribute revenue in anticipation of improved services. Consequently, strengthening the linkage between internally generated revenue and healthcare delivery requires not only increased revenue mobilization but also improved governance, transparency, and targeted investment in the health sector.

1.10 Conclusion

This study examined how internally generated revenue influences healthcare service delivery in Ekiti State. The findings show that although internally generated revenue has increased over time, its impact on healthcare delivery remains weak and statistically insignificant. This indicates that revenue growth alone does not guarantee improved healthcare outcomes, as factors such as

poor transparency, weak accountability, and inefficient resource management limit its effectiveness. The study therefore concludes that the relationship between internally generated revenue and healthcare service delivery in Ekiti State is constrained by governance challenges rather than revenue availability.

1.8 Recommendations

To improve healthcare service delivery through internally generated revenue, the study recommends that the government should strengthen transparency and accountability in the allocation and use of revenue. Clear reporting mechanisms should be established to ensure that funds directed to the health sector are properly tracked and utilized. In addition, priority should be given to healthcare funding to ensure visible improvements in facilities, personnel, and service access. The government should also enhance tax administration and public awareness to sustain revenue growth while building trust among citizens. Finally, improving institutional capacity and monitoring systems will ensure that internally generated revenue translates into meaningful healthcare outcomes in Ekiti State.

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