e-ISSN 2795-3257
p-ISSN 2795-3236

Business Management
Gph-International Journal
www.gphjournal.org

10.5281/zenodo.7267617 Vol. 05 Issue 03 March - 2022 Manuscript ID: #0731

LOCAL GOVERNMENTS REVENUE COMPONENT AND ECONOMIC DEVELOPMENT IN NIGERIA

WOBO, H. O
Department of Accounting, Faculty of Management Sciences,
University of Port – Harcourt, Choba, Port- Harcourt.

Corresponding author: *WOBO, H. O
Email: henry4prof@gmail.com

ABSTRACT

Over the years and now, there has been considerable debate about the relationship between local government's revenue structure and economic development level. Although macroeconomic theory postulates that local government's revenue structure stimulate economic development level, empirical research has been less conclusive about this relationship. This study empirically examines this controversial relationship within the Nigerian context. Time series data on different types of local governments revenue structure and economic development level were collected from the Central Bank of Nigeria statistical bulletin, annual Central Bank of Nigeria reports, National Bureau of statistics and published allocation to local governments from the federation account sourced from the office of accountant general of the federation spanning from 1993-2019. Ordinary Least Square Multiple Regression, Auto Regressive Distributed Lag, Augmented Dickey Fuller, Unit Root test, Cointegration test, Granger Causality Test and Error Correction model was used in analyzing the data with the aid of E-view version 10. The empirical results indicate that local governments revenue structure significantly relate to economic development level, explaining about 75.9% and 74.1% of the total variation in poverty and unemployment. Local government revenue structures were found to significantly relate to economic development level. The empirical study therefore concludes that local governments revenue structure has the potency to make significant contribution to economic development level and recommends the application of best practices and effective management strategies to enhance revenue generation and utilization infrastructural projects so as to enable them fulfill their statutory responsibilities to the citizens at the grassroots thereby contributing their quota towards economic development in Nigeria.

KEYWORDS

Local Government Revenue component, Economic Development , Poverty Level, Unemployment Level and Nigeria.

Introduction

Local Governments are the third tier and the nearest government to the people at the grassroots in Nigeria. They are strategically positioned to play a pivotal role in national development. They are responsible for the governance of about 70 percent of the population of Nigeria and as such anything that impacts on their finances affects the people directly. This has placed them in a vantage position to articulate the needs of the majority of Nigerians and formulate strategies for their realization. Effective governance at this third tier level of government requires regular funding from the federal and state governments, coupled with ability to locally raise additional funds to ensure regular funds flow. It ahs also been observed that one of the recurrent problems of the three-tier system in Nigeria is dwindling revenue generation as characterized by annual budget deficits and insufficient funds for meaningful growth and viable projects development.

The 1999 constitution of the federal republic of Nigeria recognizes three tiers of government namely federal, states and local governments, and each level of government have its own functions allocated to it under the constitution. Achua(2012), observe that in practice, the magnitude of the resources (financial, human, materials and natural) available to each local government varies across the country and within a state. Consequently, the level of economic development and social transformation vary across the local government areas in the country. This has led to a wide disparity in the socio-economic well being of people across the Nigerian populace.

Local governments are saddled with much responsibilities and functions which require adequate provision of fund to execute them. Unfortunately, experience has shown that over the last three decades, inadequacy of funds has been discovered as the major factor constraining the effectiveness of local government administration in Nigeria. Ekpo and Ndebbio (1998) pointed out that though the revenue allocation system mandates that a certain fraction of the federation account be allocated to local governments, these funds are never enough to meet expenditure requirements. This is so because the size of the account is related to revenue from oil, which is subject to fluctuations, and the expectations of local government far exceed the available resources. So the local governments are perpetually in need of external funding. The desire to end the syndrome of inadequacy of revenue at this level of government to enhance good governance and economic development is the motivation for this study which has the aim of assessing the extent the local governments have been able to utilize their various revenue sources to impact on national economic development.

Economic diversification at all tiers of government in Nigeria is generally believed to remain the only option to sustain prosperity for the citizens. Nigeria must diversify her economy from dependency on crude petroleum. She operates a fiscal federalism consisting of the federal government, 36 states including the federal capital territory, Abuja and 774 local government councils all created by the Federal Government. According to Soludo (2011), most local governments and state governments drive over 90 percent of their total revenue from the revenue from the federation account. Currently more than 70% of such federation account comes from oil. Current statistics show that Nigeria has a population of one hundred and seventy four and half million (174.5m) people (World Bank, 2013), and that 95 percent of foreign exchange earnings come from oil. It is widely lamented that the monoproduct that Nigeria's finances hang on is being threatened. It is under intense attack from a global over supply of oil, the drastic improvement in shale gas technology, the continuous effort of the US to achieve oil independence and prevent geo-political tensions with major oil products (Budg1, 2014).

The ongoing global financial crisis which has affected every part of the world due to globalization has worsened the economic environment even at the local government level. Calls for local governments to supplement their various allocations from the Federal Account (FSA) and State subvention (STS) through diversification of their internally generated revenue (IGR) are quite timely and constitute the burden of this study. It will be a step in the right direction for each local government in Nigeria to identify its revenue potentials and take effective advantage of it. A large number of empirical studies have consequently looked the effect of local governments' revenue on economic development. Empirical studies in this area include the works of Jones., Ihendinihu and Nwaiwu (2015), Ayuba (2015), Cornelius., Ogar and Oka (2016), Gijlych., Sanira and Abdurahmen (2016), Ofoegba., Akwu and Oliver (2016), Worlu and Emake (2017), Edori., Edori and Idatora (2017), Obara and Nangih (2017), Adade (2018), Chigbu., Leonard., Bossco and Henry (2018), Uzoka and Chiedu (2018), Tuaneh and Okidim (2019), Nwaiwu (2020). These empirical studies argue that there is a positive effect of local governments' revenue on economic development. Moreso, the findings of Peter and Ferdinard (2016), Onyele and Nwokoacha (2016), Osunkogu (2019), Agbor (2020) contradict most of the earlier evidence on the relationship between local governments' revenue and economic development. However, not only did these studies yield conflicting empirical results and conclusions, perhaps due to the methodologies adopted in analyzing their research data, but more importantly, the time frame considered in many of them was rather short.

Above all, the contexts of these empirical studies were different from Nigeria. These observed limitations have left a trail on knowledge gap in the literature, thus warranting the need for a more systematic examination of the relationship between local governments revenue and economic development from the standpoint of Nigeria (Achun, 2012; Absele & Akintola, 2014. Our treatment of the subject matter differs from the past empirical studies in several important aspects, first we able to draw on an extensive literature of the least contributions and methodological shortcomings of many extent studies. This is a considerable advantage in retrospection. Second, the study sample comprises broad longitudinal data set spanning from 1980-2019. The data set is more robust than these used in the previous studies, especially those on developing countries. This study period also corresponds to and witnessed requires of economic reforms in Nigeria. Another important shortcoming of most previous studies which the current study seeks to overcome is that explicit attention was not paid to the time series. Characteristics of the data used. Using recent developments in time series econometrics as provide by Engle and Granger (1987), Herbert (2012), Phillips and Peran (1988), Dickey and Fuller (1979), Ojouy etal (2016), Ojony etal (2016), Johnensen (1991, 1995), Nwaiwu (2020). This empirical study is ale to derive the relationship between the variables in the model adopted.

The remainder of this empirical paper is organized as follows: Section two briefly surveys the literature pertaining to local governments' revenue and economic development level and specifies the hypotheses of the study. Section three describes the research procedure used to conduct the empirical analysis section four presents the main results and discussion of the econometric investigation. Section five wraps up with concluding remark, recommendation, limitation and suggestion for further studies.

Theoretical Literature and Hypotheses Development Levels

The theoretical prescriptions of pubic revenue decentralization theory are sketched to provide sufficient rationale for local government revenue structure and economic development level; different metric of analysis. The generic principles of finance and accounting to organizational performance. The generic principles of finance to organizational performance apply to local government as a public sector organization. The theory and practice of public finance is applicable to the local government. Finance has two basic elements namely the revenue and expenditure elements. Public revenue in a federal system assumes that there are benefits to be derived from decentralization. Public revenue decentralization theory occurs when lower tiers of government have statutory power to raise taxes and carry out spending activities within specified legal criteria. This is referred to as the overlapping authority model propounded by Wright (1978) on intergovernmental relationships. Public revenue decentralization occurs when much of the money is raised centrally but part of it is allocated to lower levels of government through some revenue-sharing formula otherwise known as administrative decentralization. According to Subain and Oke (2015), the main reason for decentralization is anchored on allocation sharing or efficiency grounds so it is possible to advance argument for decentralization in Nigeria where there are many ethnic groups. Budyl (2014) contends that "there are surely reasons, in principle to believe that policies formulated for the provision of infrastructure and even human capital that are sensitive to regional or local conditions are likely to be more effective in encouraging economic development than centrally determined policies that ignore these geographical differences."

There is a great relationship between decentralization and economic growth; and behaviour for economic fundamentals within the decentralized jurisdiction is a matter that remains an empirical issue and discussions must be country specific. Kim (1995) quoted in Oates (1996) has shown that in his model for explaining the relationship between rates of economic growth and revenue decentralization, that there exists positive and statistically significant change, using a sample of countries. His results also show that, other things being equal, more public revenue decentralization was associated with more rapid growth in GDP per capita during the (1974-1989) period. Oates (1996), on the other hand, argues that decentralization can increase disparities, jeopardize stability, undermine efficiency and encourage corruption. He maintains that local authorities, for example, have few incentives to undertake economic stabilization policies. The instrument of monetary and public revenue policies are better handled by the central government. Ude and Ayodi (2014) expressed a contrary view that the principles of centralization is costly because it leads the government to provide public goods that diverge from the preferences of the citizens in particular areas (regions, provinces, states, local governments). He also argues that “when these preferences vary among geographical area, a uniform package chosen by a nation’s government is likely to force some localities to consume more of less than they would like to consume.

According to Tanzi and Zee (2000) the interpretation of both Oates and Prud’homme assumes that sub-national government levels already exist, hence the crucial problem becomes which of the existing government levels ought to be responsible for particular forms of spending. The function of government can be divided into three-allocation, distribution and stabilization function (Musgrave & Musgrave, 2004). Using this stratification, stabilization and distribution functions are expected to be under the periphery of the central government while lower government undertakes allocative functions. Hence, any spending and taxing decisions that will affect the rate of inflation, level of unemployment, etc. are better handled at the centre, while other activities that will affect social welfare are more efficient if undertaken by subnational governments.

Theoretically, the scope of benefit is the basis for allocating responsibilities to the tiers of governments in a federal system such as Nigeria. Public goods and services delivery can be assigned to lower levels of government. Leyira., Chukwuma and Asian (2012), observed that studies on tax and public revenue mobilization in Nigeria have shown a high degree of centralization. According to Oates (1996), the allocation of revenue to the tiers of government does not adhere strictly to the expenditure requirements of each tier. Thus the federal government ahs become a surplus spending unit. While other functions he proposes the determination of other tier’s share through the aggregation of its basic expenditure needs. To reduce the gap between tax power and responsibilities, two types of revenue sources are allocated to each tier. These are independent revenue sources and direct allocation from the federation to which centrally collectable revenues are paid. Local governments also receive allocations from state internal revenues. An agreed formula for vertical revenue sharing is used in sharing funds from the federation account. Another key issue in the practice of public revenue mobilization in Nigeria is how to distribute the bloc share from the federation account among the constituent units of each tier, that is, among the 36 states and the 774 local governments. This is called horizontal revenue sharing. In Nigeria, there are four categories in the vertical allocation list – federal, state, local governments, and the special fund. The allocation to the federal capital territory (FCT) is accounted or under the special fund which is administered by the federal government.

Ofoegbu etal (2016), observed that public revenue mobilization is one of the most keenly contested issues in Nigeria. They further stated that a comprehensive review of the reports of the various commissions and government policies from the 1946 Philipsons Commission to the activities of the National Revenue Mobilization, Allocation and Fiscal Commission established in 1989 could be found in Leyira etal (2012), Emenuga (1993) and Ekpo (1994). Local governments in Nigeria received statutory allocations from the two higher tiers of government (federal and states). At the present revenue sharing formula, local governments receive 20 per cent from the federation account. They are also statutorily entitled to 10 per cent of states’ internally generated revenue. As regards to Value Added Tax, local governments receive 30 percent in 1998. This was shared to local governments, on the following basis: equality (50 per cent): population (30 percent) and derivation (20 per cent). In 1999, local governments received 35 per cent of the VAT proceeds. The federal government controls all the major sources of revenue like import and excise duties, mining rents and royalties, petroleum sales tax, petroleum profit tax and companies income tax among other revenues sources. Local government taxes are minimal hence this limits their ability to raise independent revenue and so they depend solely on allocation from the federation account. Much of the revenue collected by the federal government and distributed among the different tiers of government using the vertical revenue allocation formula is from the federation account. But the federal government seems to exercise too much control over its distribution. So many deductions are made from the total revenue collected before the rest is distributed according to the sharing formula.

Conceptualizing Economic Development

The promotion of economic development has been a widely practiced and increasingly important activity and function of many local governments across the globe for decades, especially those of the developed nations (Ofoegbu, etal 2016), and a recent function for their counterparts in the developing countries. Though the concept is not a new phenomenon, what is new is the increasing incidence of such activity, it growing acceptability and the parallel increase in the importance of various locally based development initiatives (Nel, 2019). The attractiveness of the concept in recent times may be attributed to the debt crisis, the effective inability of many of these countries to intervene at the local level, the imposition of structural and a series of national and political shocks which are very common in this part of the globe (Nel, 2019).

It has also be accelerated based on the enhanced status of the locality in the global economy and the importance of local decision making, democracy and the recent state of decentralization in the developing world.

In recent times, it has become imperative for many developing countries to adopt and pursue decentralization policies and devolve power to sub national levels of government. Most central governments would also want to reduce overload and congestion at the centre and speed up operational decision-making and implementation by minimizing the bottlenecks associated with over-centralisation of powers and functions at just one or two points to boost their efforts at decentralizing. In the light of this governments are in a way and through various means empowering local government units to carry out economic development activities as they are closer to the action spots and will be in a better position to analyze both the potentials and challenges to economic development at the local level. The creation of a more conducive environment for a successful local development revenue structure is therefore one of the main rationales making the concept of decentralization very popular in development circles. Economic development is considered as one of the main policy fields where positive effects of decentralization are supposed to make themselves felt(Ayuba, 2015)

In consonance with this, traditional top-down approaches of formulating and implementing development activities without consultation and involvement o the local people are gradually being replaced by a holistic approach to local development. In addition to the already mentioned factors, the concept of economic development is receiving much attention in recent times as a better alternative for local territorial development for other reasons. Cunningham and Meyer – Stamer (2005), the Washington consensus, made up of various multilateral institutions discouraged the discretionary targeted approaches sin the promotion of economic development in many developing countries by their governments from the 1980s and rather emphasized on the creation of a stable macro economic framework and functioning markets by these governments. However, as they write, this was not sufficient to unleash entrepreneurial dynamism that was needed to create a satisfactory level of employment and kind of development expected. Many of these countries experienced increasing levels of unemployment, widening poverty gabs and inequality and there was therefore the need to re-focus on development paradigms that will address these development challenges. Moreover, its prominence across the world can be associated with the weakening of centralized economic management, attempts by localities to address the effects of economic restructuring across the globe and the new paradigms for local interventions.

The Local Government: Constraints and Challenges:

It has been earlier observed that one of the major constraints in the effectiveness of local government administration in Nigeria is inadequate finance. Finance is the basic wheel that enables an organization to move along a chosen path. It is a crucial prerequisite which enables an organisation, public or private to maintain itself and effectively meet its commitment to individual and groups who consume its output of goods and services. Local government as a public sector organisation has assigned functions and responsibilities, as well as administrative structure and financial arrangement for maintaining both itself and rendering its statutorily assigned functions to its citizens. It is therefore, pertinent to identify the constraints in the effectiveness of generating revenue from the present source of revenue to local governments, This study will attempt to review opinions and reason widely given on the subject. Ojong etal (2016) observed that a major factor that impact on fiscal federalism in Nigeria and makes the local government not to be self reliant in finance is the continuous creation of new states and local government under the assumption that these new entities would become development centres. In 1976, there were 12 states and 30 Local Governments in Nigeria. However, by 1991, the total number of states and Local Governments had increased to 30 and 589 respectively, at present; there are 36 states and 774 Local Governments in the Federation. There are fill agitations for the creation of additional states, and the National Assembly appears to be favourably disposed to grant the request. One implication of this continuous growth in the number of states and local governments is that the statutory allocation of funds for each tier of government have dwindled and become inadequate for supporting their expenditures. The creation of new states and local governments tend to induce high overhead costs such as increased provision of secretariats, staff emoluments, rental of building, etc, with the consequence that outlays on maintenance and new capital expenditures are low. The result is that many states and local governments run overall deficits in their fiscal operations, which are financed through contractors' finance as well as credit from state owned banks. Defaults in meeting these obligations have contributed in many cases to distress in the financial system.

Udeh and Ayodi (2014) observes that another factor is the fact that financial transfer in Nigeria mostly takes the form of statutory allocation, and is one of the most politicised issues in the country. Consequently, about twelve different ad-hoc commissions/ committee have been set up between 1946 and 1999 to study and review the revenue allocation formula. Apart from these Commissions/ Committees, there have been many executive tampering with the allocation formula just like the amendment effected in 1984. Irrespective of the outcomes of these various commissions/committees, it has been practically impossible for the local governments to perform their statutory assigned functions principally because of inadequate revenue. In additions the efficiency and effectiveness expected of local governments have been unrealistically high because both the Federal and State Government have consistently given additional responsibilities to this level of government without commensurate additional finance, An example is the current additional burden of funding primary school education which ha been placed on the shoulders of the local governments. Further exacerbating the situation is the irregularity and uncertainty of payment of 5tatutory allocation to the local governments by both the state and the federal governments (Adebayo, 1970).

The third factor is that as a result of the statutory allocations to local governments, both the federal and some state governments have had occasions to abolish some of the traditional sources of revenue like poll or community tax. Furthermore, some state governments have gone even further to usurp some of the viable sources of revenue of local government such as fees and charges from markets, thereby increasing the latter's dependence on statutory allocation. Yet again, some state governments, and even the federal government have had occasions to compulsorily acquire and take over, some solid mineral resources land and rights located in some local government domain and territory. Such mineral rights could serve as sources of revenue to the concerned local governments.

Fourthly, Adeleke and Ehinomen (2012), observed that because of the fact that the Federal Government was statutorily obliged to pass the allocation for the local governments to the supervising state government for distribution, most of the states often misappropriated the allocation 'for their local governments units. This situation becomes problematic in situations where local government is in the opposite camp with the reigning state government, or the local government chairman is not in a good book with the state Chief Executive. In some states where 10 percent of their internally generated revenue is paid to their respective local government units, most often, these allocations were never paid as at when due, a practice which often destabilizes the budgets of the local governments. It is also observed that as a result of the sudden relative affluence of the local governments) some of them have embarked on prestigious and 'white elephant' projects, and in some cases have become apparently corrupt in their operations both of which are 'antithetical to efficiency and effectiveness at this level of government. It is observed also, that another constraint to self-reliance in local government finance is the negative impact of the new found wealth of local governments; which since 1976 has dampened the tempo of self-help efforts, learning by doing good citizenry and social responsibilities by the people whose practice had hitherto complimented government efforts at the community level. This lack of self-help has led to lack of growth and development process, which would have brought increased revenue to the government.

Worlu & Emeka (2017), summarized the constraints militating against optimizing revenue generation at the Local Government level as follows:

1. Inadequate and poor social and physical infrastructure. This constrains the ability to optimize natural and human endowments.
2. Weak and declining rural economy with low development indices and poor standard of living for most of the people.
3 Un-motivated civil service work-force that is unwilling to create the right environment for private sector investments.
4. Declining/Low industrial sector and weak/ unorganized private sector.
5. Over-dependence on unstable Federal and State revenue and a very high level of domestic contractor debts.

On the issue of challenges, Worlu and Emeka (2017), observed that the factors inhibiting effective and efficient IGR administration within the local governments include: entitlement mentality and the high fiscal dependency of LG on FAAC allocations as most Local governments neglect the need to grow their IGR; lack of clear 5trategy for increasing and diversifying IGR; legal bottlenecks; lack of strong political will from the leadership to diversify the economy thereby reducing over-dependence on petro-dollars; poor accounting system and weak financial management infrastructure; absence of sound monitoring mechanism; negative impact of political influence and perceived public lack of confidence in governance; weak technical capacity and poor level of IGR automation; conflicts regarding the issue of “relevant tax authority” between the State and the Local Governments; corruption and lack of accountability among officials and payers. Orewa and Adewumi (1992), posited that: one of the factors responsible for Local Government poor revenue collection is the casual attitude of the revenue collectors and other treasury staff. They labour under the illusion that (no matter) whatever revenue they collect directly, the ‘father charismas’ of Federation Account will provide adequate funds for the payment of personal emoluments of the staff. This assumption is deceptive in that with poor revenue generation efforts, some council have found themselves unable to pay salary after deductions made by the State Governments.

Ofoegbu etal (2016), observed that Subair and Oke (2016), described how federal government inaugurated a 10-man technical committee under the chairman of late Aihaji Umaru Ndayako to review the structure of local governments in Nigeria. The committee which composed a representative from the six geo-political zones of the country had a four-point terms preference which include examining the revenue generated and how it’s been utilized in the last four years. The committee inaugurated on June 25, 2003, came out with the following problems:

i. Weak financial base due to lack of independent sources of fund.
ii. Embezzlement of funds, contracts and improper keeping of books of account.
iii. Bribery and corruption are the scene of the day in some local councils and misappropriation of funds.
iv. Poor leadership of local councils or absence of good leadership also constitutes problems.
v. Dilapidated infrastructural facilities such as road, water, rural electrification etc.
vi. Local government conditions of services are not attractive enough for, the highly qualified staff that can turn round the local governments.
- vii. The machinery for tax or rate collection is grossly inadequate and inefficient.
viii. Lack of independence in the traditional jurisdictional functions of the local governments for example primary education should not be ounces of the state nor federal governments.
ix. Low caliber of the political functionaries in the local governments whereby most councilors are not better than illiterates
x. Political instability in the country lead to frequent changes in structure and functions of local government in Nigeria.

xi. Uneven distribution of resources in the local governments. Some local government especially in urban areas find it easier to generate adequate revenue than those in the rural areas,

xii. Too much interference from the federal governments whereby the true federalism is not applied in the relationship between the local government and other governments.

The Clog of Corruption to Optimization of IGR in Local Governments.

It has been widely observed that in mast cases, taxpayers' unwillingness to pay taxes and fees was a major obstacle to enhancing local government revenues, Corruption and other factors which shall be highlighted here are commonly perceived to impact on tax payers' compliance behavior. Alluding to this assertion, Fjelstad, et al. (2004), reported some factors that impact on taxpayers' compliance behaviour in Tanzania as follows. "Only 28.6% of the respondents see tax-payers unwillingness to pay to be a problem. In contrast, too high taxes (47.9% of the respondents) and dishonest tax collectors (45.7%) were perceived to be major problems. however, the most serious problem perceived by a majority of the respondents (58.4%) was that the money collected was not spent on public services. Dissatisfaction on poor linkages between taxes paid and service delivery showed no rural urban divide. In general, taxes were widely perceived to be unfair. Firstly, only 9% of the respondents agreed with the statement that "most of the tax revenues collected in the area is used for reciprocal services". Secondly, the majority of all respondents (51%) held the view that people should deny paying taxes until services improved. Thirdly, 73% of the respondents said they would be willing to pay more taxes in exchange for improved services. In the same vein, Nel (2019), observed that corruption was perceived to be a problem in all the local governments in Nigeria. There is a belief across the nation that corruption had to be combated at every opportunity. This reflects that much is left to be done to build trust-relations between the local authorities and citizens. A favoured measure to improve the use of IGR is stronger punishment of government employees and politicians.

More information should be given to the public on the allocation of IGR as this will improve the use of revenues. Ayuba(2015), opined "that embezzlement of revenue by Local Government revenue collectors has also resulted in widespread unwillingness by communities to pay taxes." He also observed that there have been reported cases of revenue collectors helping themselves with funds collected for the councils, thus discouraging would — be tax payers from taking this civic responsibility seriously. Thus, tax evasion becomes common place. Similarly, misplacement of council funds by Local Government chairmen is yet another problem. Some Local Government chairmen deposited Local Government allocations into private savings account and loan companies in which the Local Government had no Account. This is done with the intention to collecting the accruable interests on such funds on maturity. These ugly practices well described by Ugwu (2009:49) when he states that leadership failure and bad governance at all levels of government inhibits attracting external development assistance. This is also coupled with the high level of corruption leveled at local government functionaries of handling local government funds.

Today, numerous challenges require local governments to adopt new approaches to meet the high expectations of citizens, businesses and other governments. Tighter budgets, complex legislations, regulatory reforms and the expectations of an increasingly savvy customer base should cause revenue department of local governments to map out an aggressive path to high performance. A local government must endeavour to maximize its internal revenue efforts if it is to attain a meaningful financial autonomy. Such efforts must be geared towards maximizing revenue yield from the traditional sources, expanding the revenue base and exploiting capital market funding (Okafor, 1999).

Empirical Review

Several empirical studies after the seminal works of Gray (1995), empirical studies related to public revenue generation have been conducted by different researchers.

Table 1: Webometric Analysis of Local Government Revenue Component and Economic Development in Nigeria.

Author & Year	Research Title	Journal, Volume, Number & Page
Achua, (2012)	Finance imbalance and fiscal autonomy in Nigerian local governments: Benue State Experience.	The National Accountant Journal, 45(2),16-20.
Absede, and Akintola, (2014)	Local Government Funding: Entrepreneurial perspective to internally generated funds (IGFs)	International Journal of Managerial Studies and Research(IJMSR) 2(5), 4-16.
Adeleke, and Ehinomen, (2012)	Financing local government projects through the capital market: A proposition for self reliance in finance.	The National Accountant Journal, 45(2), 3-8.
Anastassiou, and Dritsaki, (2005)	Tax revenue and economic growth: Am empirical investigation in Greece.	Journal of Social Sciences, 1(2),99-140.
Jones, Ihendinihu, and Nwaiwu, (2015)	Total revenue and economic growth in Nigeria: Empirical Evidence.	Journal of Emerging Trends in Economics and Management Sciences, 6(1), 40-46.
Ndulue, (2005)	The private sector and generation of tax revenue in the FCT, Abuja.	Abuja Journal of Administration and Management, 11(2),75-83.
Nwosu and Okafor, (2014)	Government revenue and expenditure in Nigeria. A **disaggregated** analysis.	Asian and Financial Revenue, 47(3),877-892.
Alli, (2009)	Managing the tax reform process in Nigeria.	Niger Account, 42(1),45-51.
Adereti, Adesina and Sanni, (2011)	Value added tax on economic growth in Nigeria.	European Journal of Humanities and Social Sconces, 10(1),456-471.
Appah, (2010)	The relationship between fiscal policy and economic growth in Nigeria. (1991-2005)	International Journal of Economic Development Research and Investment, 12(2),37-47
Ekeoha, Ekeoha, Makolu and Onyema, (2012)	Revenue Implications of Nigeria's tax system.	Journal of Economic and Sustainable Development, 3(8),206-214
Adeyemi, (2012)	Sustainable development strategies for poverty alleviation: The tax perspective.	International Journal of Accountancy, 115(18),69-77
Adade, (2018)	E-taxation adoption and revenue generation in Nigeria.	Research Journal of Finance and Accounting, 9(24),116-124
Amina and Eluwu, (2014)	The impact of tax reforms on government revenue generation in Nigeria.	Journal of Economic and Social Development (JESD), 1(1),1-10
Ayuba, (2014)	Revenue Generation and Economic Development in Nigeria.	International Journal of Finance and Accounting, 3(5),303-309
Chigbu, Leonard, Bossco and Henry, (2018).	Impact of e-taxation on Nigerian revenue and economic growth: A pre-post analysis.	International Journal of Finance and Accounting, 7(2),19-26
Cornelius, Ogar and Oka, (2016)	The impact of tax revenue on economic growth: Evidence from Nigeria.	Journal of Economic and Finance, 7(1),32-38
Dickson, and Rolle, (2014).	The impact of tax reform on federal revenue generation in Nigeria.	Journal of Policy and Development Studies, 9(1),62-109
Edori, Edori and Idatoru, (2017)	Issues and challenges inherent in the Nigerian tax system.	Journal of Management Science and Engineering, 2(4),52-57
Ekeocha,Ekeocha, Malaudu and Odah, (2012)	Revenue implications of Nigeria's tax system.	Journal of Economics and Sustainable Development,

		3(8),206-215
Enahoro and Olabisi, (2012)	Tax administration and revenue generation of Lagos, State government, Nigeria.	Research Journal of Finance and Accounting, 3(5),133-139
Gylych, Samira, and Abdurahman, (2016).	The impact of tax reforms and economic growth of Nigeria.	The Empirical Economics Letters, 15(5),72-79
Halina, (2014)	A critical analysis of tax sector reforms in Nigeria from 1978-2012.	Journal of Energy Economics Policy, 3(2),143-152
Ilenyen, and Mieseigha, (2014).	Taxation as an instrument of economic growth. The Nigerian perspective.	Information and Knowledge Management, 4(120, 49-53
James, and Moses, (2012)	Impact of tax administration on government revenue in a developing economy. A case study of Nigeria.	International Journal of Business and Social Sciences, 3(8), 99-113
Jones, and Ekwueme, (2016)	Assessment of the impact of tax reforms on economic growth in Nigeria.	Journal of Accounting and Financial Management, 2(2),15-28
Obara, and Nongih, (2017)	Tax Compliance barriers and internally generated revenue in Nigeria: Empirical from small and medium enterprises in Port-Harcourt metropolis.	International Journal of Academic Research in Accounting, Finance and Management Sciences, 7(4),169-176
Omoruyi, (2019)	Growth and Flexibility of federal government tax revenue: 1960-1979.	Economic and Financial Review, 21(1),11-19
Onyele, and Nwokocha, (2016)	Sources of public funds and economic prosperity: The Nigerian case.	Journal of Business & Financial Affairs, 5(4),2-11
Osunkoga, (2019)	Nigeria tax system needs autonomy to develop its economy.	Journal of Accounting Literature, 25(6), 12-25
Owens, (2006)	Tax in a Borderless world.	Journal of Political Education, 41(11),38-50
Peter, and Ferdinard, (2016)	Tax reforms and revenue trend in Nigeria: The Dyadie Internet.	Research Journal of Finance and Accounting, 7(19),84-92
Sanchez, (2000).	The legacy of human development: A tribute to Habbubul Haq.	Journal of Human Development, 1(1),9-16
Tuaneh, and Essi, (2017)	Simultaneous equation modeling of investment and **consumption** function in Nigeria.	International Journal of Economics and Business Management, 3(8),53-71
Tuaneh, and Okidim, (2019)	On agricultural performance amidst macroeconomic instability in Nigeria: Auto regressive distributed lagged modeling 2010 q1-2017 q4	Asian Journal of Economic, Business and Accounting, 10(2),1-13
Uzoka, and Chiedu, (2018)	Effect of tax revenue on economic growth in Nigeria.	International Journal of Social Sciences and Management Research, 4(7),2545-5303
Yusuf,(2015)	An analysis of the impact of oil price shocks on the growth of the Nigerian economy, 1970-2011.	African Journal of Business Management , 9(3),103-115
Agbor, (2020)	The effect of tax practices on the economy of countries in sub-Saharan Africa.	Journal of Finance and Accounting, 24(51),93-115
Chigba, and Njoku, (2015)	Taxation and the Nigeria economy 1994-2012.	Management Studies and Economic System, 2(2),111-128

Ibadin, and Oladipupo, (2015)	Indirect taxes and economic growth in Nigeria.	Ekon Misgo 1 Praksanbk, 24(2), 345-364
Ofoegbu, Akwu, and Oliver, (2016).	Empirical analysis of effect of tax revenue on economic development of Nigeria.	International Journal of Asian Social Science, 10(6),604-613
Worlu, and Emeka, (2017)	Tax revenue and economic development in Nigeria: A macro econometric approach.	Academic Journal of Interdisciplinary Studies, 2(1),211-223

Research Question and Hypotheses Development

The major hypotheses development of this empirical study is a derivative of the foregoing discourse, leading us to predict a priori a negative relationship between local governments' revenue and economic development level in Nigeria. The study provides answer to the following research question.

RQ_1:What is the relationship between local governments revenue structure and economic development level in Nigeria?

However, the above research question give rise to two hypotheses stated in the null forms that:

H_{01}: There is no significant relationship between various revenue sources of local governments' revenue (FSA, SS, IGR, VAT, GOR) and poverty rate in Nigeria.

H_{02}: Various sources of local governments' revenue (FSA, SS, IGR, VAT, GOR) and employment rate in Nigeria.

Methodological and Analytical Framework

This section indicates the methodological and analytical framework adopted to explore the econometric long run equilibrating relationship and short dynamics in the selected variables. If any, to achieve the set objectives of the study. The research design applied is ex-post facto which seek to describe the existing status of what is being investigated and the reason for the adoption the ex-post facto research design is because the data already exists, the variables of the study can not be manipulated and will be applied as verifiable variables for the realization of the objective of the study. This makes for the reliability of the design.

Time series data regarding the variables of study were source from Central Bank of Nigeria Statistical bulletin, annual central bank reports, national bureau of statistics, Nigerian insurance deposit corporation, federal inland revenue service (FIRS) and published allocation to local governments from the federation account source from office of accountant general of the federation(Agbor, 2020).

We utilized the ordinary lest squares (OLS) of multivariate regression based auto-regressive distributed lag (ARDL), Augmented Dick Fuller (ADF) (Gujarati & Porter, 2009), Johansen Co-integration test (Gujarati, 2006; Pair-wise Granger Causality test (Granger & Newbold, 1974), Lag Order Selection Criteria (Gujarate & Porter, 2009) and Vector Error Correction Model (Gujarati, 2006) using E-view version 10.

Model Specification

The model specification is based on the theory that governments revenue contribute to economic development level in Nigeria (Herbert., Nwaogu & Nwaiwu, 2018; Ironkwe & Agu, 2019).Specifically, the econometric model from related empirical evidence used by Ayuba (2014), Ihendinihu., Jones & Ibanichuka, 2014; Jones., Ihendinihu & Nwaiwu, 2015) was adopted but we made modifications. The empirical study generated three econometric models to achieve the objectives and answer the corresponding research question. Consequently, the model specification was formulated in the following functional forms:

$$PL_{it} = \int(FSA_{it}, STS_{it}, IGR_{it}, VAT_{it}, GOR_{it}) \qquad \text{i}$$
$$UL_{it} = \int(FSA_{it}, STS_{it}, IGR_{it}, VAT_{it}, GOR_{it}) \qquad \text{ii}$$

Integrating mathematical model into the functional form to arrived at as thus:

$PL_{it} = \quad Y_{oit}+Y_1\,FSA_{it} + Y_2\,STS_{it} + Y_3\,IGR_{it}+ Y_4VAT_{it} + Y_5GOR_{it}$ iii

$UL_{it} = \quad \lambda_{oit}+\lambda_1\,FSA_{it} + \lambda_2\,STS_{it} +\lambda_3\,IGR_{it}+\lambda_4VAT_{it} +\lambda_5GOR_{it}$ iv

These functional and mathematical model do not have a stochastic variable and since in econometric relationship we deal with stochastic variables, that is variables that have probability distribution, the above functional and mathematical equations are stated in equations 1-IV that describes how the dependent variables are econometrically related to all the predictor variables and an stochastic disturbance term stated as econometric **regression** model as follows:

$PL_{it} = \quad \alpha_{oit}+\alpha_1\,FSA_{it} +\alpha_2\,STS_{it} +\alpha_3\,IGR_{it}+\alpha_4VAT_{it} +\alpha_5GOR_{it}+\mu_{it}$ v

$UL_{it} = \quad \beta_o+\beta_1\,FSA_{it}+\beta_2\,STS_{it} +\beta_3\,IGR_{it}+\beta_4VAT_{it} +\beta_5GOR_{it}+\mu_{it}$ vi

Where: α_{oit}, β_{oit}, = Intercept term (Parameter). This gives the mean or average mean on PL_{it} or ML_{it} (as the case may be) of all the variables excluded from the model. In other words, it is the average value of PL_{it} and ML_{it} when FSA_{it}, STS_{it}, IGR_{it}, VAT_{it} and GOR_{it} are sets equally to zero.

$\alpha_1\beta_1$ - $\alpha_5\beta_5$ = Parameters known as partial regression coefficients (Ghyarati & Porter, 2009; Osuala, 2010; Ihendinihu, etal 2014). It measures the change in the mean value of PL_{it} or ML_{it} per unit change in each variable holding one the predictor variable constant.

μ_{it} = Represents the stochastic disturbance term. It represents the residual term of all the other variables not included in the model. The error term follows normal distribution with mean zero and constant variance σ^2. Sweency etal (2006) stated that it accounts for the variability in the dependent variables that cannot be explained by the linear effect of all the independent variables in the model. The same is applicable to ML_{it}.

FSA_{it} = Federal Statutory Allocation 'i' for the period of time 't'
STS_{it} = State subvention 'i' for the period of time 't'
VAT_{it} = Value Added tax 'i' for the period of time 't'
IGR_{it} = Internally Generated Revenue 'i' for the period of time 't'
GOR_{it} = Grants and other Revenue 'i' for the period of time 't'
$_{It}$ = For the period of time.

Aprior Expectation.
The apriori expectation was stated as follows:

$\lambda_1 > o$, $\lambda_2 > o <$

Econometric Results and Discussion

This section deals with econometric results based on the empirical model developed in the methodological section. Data conversion was done and time series properties using Augmented Dickey Fuller (ADF), Error Correction Model before estimation.

Table 2: The descriptive Statistics of the variables

Statement	Unemployment Rate	Poverty Rate	FSA	STS	VAT	IGR	GOR
Mean	11.14191	60.10953	377773.6	4537.978	75479.66	13763.38	112235.3
Median	12.30001	61.10001	291406.9	211948.41	10420.81	10420.81	16820.31
Maximum	23.90001	72.0001	1107001	19700.01	267300.1	29300.01	414800.1
Minimum	3.200001	45.90001	17586.50	253.1001	0.000001	1035.601	0.000000
Std Dev.	6.887114	6.089969	34748711	5575.307	8738740	10628.41	165761.2
Skewness	0.264309	-0.112453	0.646836	1.469472	1.014733	0.10283	1.089436
Kurtosis	2.380365	2.037122	2.287200	3.928810	2.612864	1.276157	2.350418
Jurque Bera	0.580456	0.855502	1.908961	8.312565	3.735032	2.638242	4.523252
Probability	0.748093	0.651974	0.385012	0.015666	0.154508	0.267370	0.104182

Sum	233.9800	0.651974	7.933246	95297.30	1584968.	289030.8	2356939.
Sum Sq Dev	741.7546	1271.078	2.41E+12	6.22E+08	1.53E+11	2.26E+09	5.50E+11
Observation	21	21	21	21	21	21	21

Table 2 above indicates that the mean unemployment rate, poverty rate federal statutory allocation, state subvention, value added tax, Internally Generated Revenue, Grant Other Revenue accruing to local governments in Nigeria between 1993-2013 were 11.14191, 60.10953, 377773.7, 4537.968, 75474.66, 13763.38, and 112235.3 respectively. It was further discovered that the standard deviation values of unemployment rate, poverty rate, federal statutory allocation, state subvention, value Added tax, internal revenue and GOR between 1993-2013 were 7.972070, 18.86716, 347487.1, 5575.307, 87387.40, 10628.40, 10628.40 and 165761.2 respectively. This is an indication of high degree of co-movement of the variables used in this study.

Unit Root Test Results

The rationale for testing for unit root is to avoid working with non-stationary time series data thereby making forecast based on spurious results as estimates derived from such data will possess non-constant mean and variance. Consequently, we tried to establish the stationarity of the time series data employed in this study by using the Augmented Dickey Fuller (ADF) test for unit roots as shown in table 4 below.

Table 3 Unit Root Result at level

	With intercept and trend	ADF	Critical values at	Probability
Unemployment rate	“	-2.428561	1% level – 4.532598 5% level – 3.6736.6 10% level – 3.277364	0.3549
Poverty rate	“	-1.956693	1% level – 4.498307 5% level – 3.658446 10% level – 3.268973	0.5883
FAS	“	-1.397549	1% level – 4.498307 5% level – 3.658446 10% level – 3.268973	0.8296
STS	“	2.724231	1% level – 4.667883 5% level – 3.733200 10% level – 3.310349	1.0000
IGR	“	-3.160383	1% level – 4.498307 5% level – 3.658446 10% level – 3.268973	0.1202
VAT	“	-0.135461	1% level – 4.498307 5% level – 3.658446 10% level – 3.268973	0.9899
GRO	“	-1.467324	1% level – 4.498307 5% level – 3.658446 10% level – 3.268973	0.8066

The above econometric result shared that the time series data used in the study are all non-stationary at level. This necessitate test for stationarity after first difference.

Table 4 Unit Root Result at first difference

	With intercept and trend	ADF	Critical values at	Probability
Unemployment rate	"	-4.091453	1% level – 4.532598 5% level – 3.673616 10% level – 3.277364	0.0231
Poverty rate	"	-4.313400	1% level – 4.532598 5% level – 3.673616 10% level – 3.277364	0.0152
FSA	"	-4.295849	1% level – 4.532598 5% level – 3.673616 10% level – 3.277364	0.0157
STS	"	-4.017561	1% level – 4.667883 5% level – 3.733200 10% level – 3.310349	0.0309
IGR	"	-5.834368	1% level – 4.532598 5% level – 3.673616 10% level – 3.277364	0.0008
VAT	"	-5.743278	1% level – 4.532598 5% level – 3.673616 10% level – 3.277364	0.6010
GOR	"	-4.193695	1% level – 4.728363 5% level – 3.759743 10% level – 3.324976	0.0244

Table 5 above shows that the variables were stationary after first differencing that is, they were integrated of Order 1(1).

Co-integration Analysis Results

Having established from the unit root tests that the variables are not stationary at leel out are integrated of order one, it follows that the linear **continuation** of one or more of these variables might exhibit along run relationship. In a bid to capture the extent of co-integration among the variables utilized the multivariate co-integration methodology proposed by Johansen (1990). Table 6 below shows unemployment with the number of integrating independent variables that is, FSA, STS, IGR, VAT and GOR

Table 5 unemployment cointegrtion test (Johansen Method)
Table 5: Co-integration Test (Johensen Method)
Series URR – GR – RATE FSA, STS, IGR, VAT, GRO.
Lags Interval (in first differences) 1 to 1
Unrestructured Cointegration Rank Test (Trace)

Hypothesized

No of CE's'	Eigen value	Trace Statistics	0.05 Critical value
None*	1.000000	541.9977	95.75366

At most 1*	0.998203	240.5393	69.81889
At most 2*	0.970122	120.4261	47.85613
At most 3*	0.807562	53.72419	29.79707
At most 4*	0.684834	22.41251	15.49471
At most 5*	0.024641	0.474050	3.841466

Trace test indicates 5 cointegrating equ(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
** Mackinnon-Hang-michelis (1999) p-value

Unrestricted Cointegration Rank Test (Maximum Eigen value)

Hypothesized No of CE's'	Eigen value	Max. Eigen Statistics	0.05 Critical value
None*	1.000000	301.4584	40.67757
At most 1*	0.998203	120.1132	33.87687
At most 2*	0.970122	66.70189	27.57434
At most 3*	0.807562	31.31168	21.13162
At most 4*	0.684834	21.93846	14.26460
At most 5*	0.024641	0.474050	3.841466

Max – eigenvalue test indicates 5 cointegrating eyn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level.
** mackinnon – Hong – muchelias (1999) P-value.

The implication of the above result is that there is a possibility of the existence of long run relationship between unemployment and all these variables. Hence both the trace and Eigen value indicate 5 co-integrating equations at 5% level of significance, we reject the null hypothesis and accept its alternative on the basis of the existence of five co-integrating vectors at 5% level of significance. However, each of the co-integrating test results of unemployment rate and poverty level with the various revenue sources of local government (namely FSA, STS, IGR, VAT and GOR) all indicates three (3) co-integrating equations at 5% at both trace and **Eigen** value. The implication is that the null hypotheses are rejected and their alternatives that imply existence of three co-integrating vectors (rs3) at 5% level accepted. The above results also indicate that there were co-integration in unemployment rate and poverty rate models with the trace giving two cointegrating variables and max **Eigen** value of 2 cointegrating variables for each model.

Lag Selection Criteria

From table 6 below the lag order criteria using LR, FPE, AIC, SC and HU respectively is 2. This is because the lag order selection result fell on 2 and the sequential modified LR test statistic each was tested at 5 percent level of significance. The optimal lag length was utilized to ascertain if there was cointegration among the variables, that is, if long relationship among each of GDP, unemployment rate, poverty rate and inflation rate with the various revenue sources of local governments, of which results showed the existence of at least 1 co-integrating vector at minimum Eigen value and trace statistic respectively for each of the models

Table 6: Lag Selection Criteria.

VAR Lag Order Selection Criteria
Endogenous variables: FSA STS IGR VAT GOR
Exogenous variables: C
Date: 02/19/16 Time:16:37
Sample: 1993 – 2019
Included observations: 19

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-1388.669	NA	2.31e+56	146.8073	147.1055	146.8578
1	-1283.142	133.2980	1.90e+53	139.4886	141.5763	139.8419
2	-1026.228	162.2612*	7.61e+43*	116.2345*	120.1117*	116.8907*

* indicates Tag order selected by the criterion
LR: sequential modified LR test statistic (each test at 5% level)
FPE: Final prediction error
AIC: Akaike information criterion
SC: Schwarz information criterion
HQ: Hannan-Quinn information criterion

Granger Causality Test

The researcher has been able to establish that the time series set of data is stationery after first differencing indicating that there was a long term relationship between the variables. This gave rise to the need to ascertain the direction of causality, that is, whether the variables granger causes each other or not or whether there was a multidirectional or unidirectional causation. Consequently, the Granger Causality Test was conducted for this purpose. The details of the findings are as shown in Table 8 below.

Table 7 Granger Causality Test

Null Hypothesis	Obs	F-Statistic	prob.	Conclusion
FSA does not Granger Cause Poverty Rate Poverty Rate does Not Grange Cause FSA	19	0.34985 0.16102	0.7108 0.8528	No Granger causality
STS does not Granger Cause Poverty Rate Poverty Rate does not Grange Cause STS	19	4.49862 0.03431	0.0310 0.9664	Unidirectional Granger causality
IGR does not Granger Cause Poverty Rate Poverty Rate does not Grange Cause IGR	19	0.79616 0.65061	0.4705 05368	No Granger causality
VAT does not Granger Cause Poverty Rate Poverty Rate does Not Grange Cause VAT	19	2.90419 1.56856	0.0881 0.2428	Unidirectional Granger causality
GOR does not Granger Cause Poverty Rate Poverty Rate does Not Grange Cause GOR	19	3.97799 0.20565	0.0429 0.8165	Unidirectional Granger causality
FSA does not Granger Cause Unemployment Rate Unemployment Rate does not Grange Cause FSA	19	0.45231 4.85769	0.6451 0.0250	Unidirectional Granger causality
STS does not Granger Cause Unemployment Rate Unemployment Rate does not Grange Cause STS	19	0.02773 0.42385	0.9727 0.6626	No Granger causality
IGR does not Granger Cause Unemployment Rate Unemployment Rate does not Grange Cause IGR	19	0.10133 5.26823	0.9043 0.0197	Unidirectional Granger causality
VAT does not Granger Cause Unemployment Rate Unemployment Rate does not Grange Cause VAT	19	0.02069 0.89308	0.9796 0.4315	No Granger causality
GOR does not Granger Cause Unemployment Rate Unemployment Rate does not Grange Cause GOR	19	1.57256 0.37179	0.2421 0.6961	No Granger causality

The results in table 7 above show that there is a unidirectional causality. In the test of poverty level and the various revenue sources of local governments, the result shows no causality between poverty Level and PSA as well as between poverty level and lGR respectively. This shows that FSA and IGR of local governments do not reduce poverty level in Nigeria. The s2me result on the other hand shows that STS, VAT and GOR granger cause poverty level. This unidirectional causality implies that increase in these revenue sources will in turn lead to the reduction of the unemployment level of Nigeria - all things being equal.

Finally, the Granger Causality test further revealed a unidirectional causality between FSA and unemployment, as well as between IGR and unemployment. This shows that these revenue sources are not actively utilized in creating and sustaining employment opportunities at the grassroots of governance in Nigeria as the level of unemployment within the period of study is very high. The test also shows that STS, VAT and GOR does not Granger cause unemployment level in Nigeria.

H_{01}: The various revenue sources of local governments (FSA, STS, IGR, VAT, and GOR) does not significantly related to the Poverty Level of Nigeria.

Table 8 multiple regression analysis of Poverty Level and various revenue sources of local governments in Nigeria.

Dependent variable; PR
Method: Least Squares
Date: 02/19/19 Time: 17:34
Sample: 1993 2019
Included observations: 21

Variable	Coefficient	Std. Eror	t-Statistic	Prob.
C	0.582011	0.026838	21.68629	0.0000
FSA	-3.52e-07	3.99E-07	-0.883719	0.3908
STS	-8.79e-06	7.16E-06	-1.226998	0.2387
IGR	2.17E-06	4.74E-06	0.458165	0.6534
VAT	2.12E.06	2.02E-06	1.045763	0.3122
GRO	2.10E-08	6.42E-07	0.032698	0.9743

R-squared	0.463571	Mean dependent var	0.601095
Adjusted R-squared	0.284762	S.D. dependent var	0.079721
S.E. of regression	0.067421	Akaike info criterion	-2.320758
Sum squared resid	0.068184	Schwarz criterion	-2.022323
Log likelihood	30.36796	Hannan-Quinn criter.	-2.255990
F-statistic	2.592542	Durbin-Watson stat	0.605099
Prob(F-statistic)	0.069887		

From table 8 above the coefficients of the independent variable are not statistically significant though constant is significant at 1 percent, implying a fitted regression model. It can also be observed from the summary of the multiple regression analysis that the R-squared of 46 percent indicates a weak relationship between poverty level in Nigeria and the various revenue sources of local governments. The f-statistic significance level at above 5 percent also supports that the variables under consideration do not have strong effect on the poverty level in Nigeria. The researcher on the strength of the above findings accepts the null hypothesis which states that the various revenue sources of local governments have no significant effect on the poverty level of Nigeria and rejects its alternative. This is contrary to the apriori expectation.

H_{02}: There is no significant relationship between the various revenue sources of local governments (FSA, STS, IGR, VAT, and GOR) and unemployment level in Nigeria over the study period.

Table 9 Multiple Regression Analysis of Unemployment and various Revenue Sources of Local Government in Nigeria.

Dependent variable; UNEMPLOYMENT RATE
Method: Least Squares
Date: 02/19/19 Time: 17:34
Sample: 1993- 2019
Included observations: 21

Variable	Coefficient	Std. Eror	t-Statistic	Prob.
C	0.582011	0.026838	21.68629	0.0000

FSA	-3.52e-07	3.99E-07	-0.883719	0.3908
STS	-8.79e-06	7.16E-06	-1.226998	0.2387
IGR	2.17E-06	4.74E-06	0.458165	0.6534
VAT	2.12E.06	2.02E-06	1.045763	0.3122
GRO	2.10E-08	6.42E-07	0.032698	0.9743

R-squared	0.463571	Mean dependent var	0.601095
Adjusted R-squared	0.284762	S.D. dependent var	0.079721
S.E. of regression	0.067421	Akaike info criterion	-2.320758
Sum squared resid	0.068184	Schwarz criterion	-2.022323
Log likelihood	30.36796	Hannan-Quinn criter.	-2.255990
F-statistic	2.592542	Durbin-Watson stat	0.605099
Prob(F-statistic)	0.069887		

From the multiple regression analysis result shown in table 9 above, there is a significant and strong relationship of about 83 percent between the various revenue sources of local governments and unemployment level in Nigeria except for VAT which has a negative coefficient, This implies a strong degree of association and positive impact on unemployment, that is, an increase in revenue sources is likely to also affect the level of unemployment in the country. The impacts are positive for all the independent variables except for VAT. The result indicates that about 83 percent of changes that occur in the level of unemployment in Nigeria within the study period were expl8ined by these included various revenue sources of local governments in Nigeria. The adjusted R-squared of 77 percent approximately also indicate the extent of goodness of fit of the entire regression model. F-statistic at 1 percent level of significance also attests that our slope coefficients are significantly different from zero.

There is a high degree of direct association with unemployment level which implies that all the variables of concern here move in the same direction, that is, as revenue sources of local governments increase; unemployment level in the nation still rise along with it. This result is contrary to apron expectation, since it is widely held that part of revenue resources of local governments should be channeled to create employment opportunities in their respective areas of jurisdiction as they enjoy high level of income from various revenue sources that accrues to them. Based on the result of these analyses we accept the null hypothesis and reject the alternative which posits that there is no significant impact by the various revenue sources of local governments (FSA, STS, IGR, VAT, and GOR) on un- employment level in Nigeria over the study period.

Concluding Remark and Recommendations

This study investigated empirically the relationship between local governments' revenue structure and economic development. Local governments in several countries across the globe, especially in sub-Saharan Africa have been found to be increasingly effective and efficient at delivering social services. However, their contribution to the promotion of local economic development has been negligible if not totally absent. There has been a lack of clarity regarding their promotional roles and absence of capacities for coordinating the actions of other actors in this field, and for convening the private sector and towards harmonizing and consolidating economic development promotion action through integrated economic development. Strategies (UNCDF etal, 2008). These issues also have their manifestation in Nigeria where the kind of involvement of local governments revenue structure as it relates to economic development is not much felt. Collectively, an increase in local governments' revenue structure will increase economic development level. From the individual coefficients of each local governments revenue structure have no statistical relationship both on the long and short run equilibrium. This conclusion herein has posed certain conflicting assertions with real life situation.

The chief recommendations from the findings of this study are that local governments should strategically diversify and effectively harness their sources of internally generated revenue. This is because diversification will provide a major strategy for boosting revenue generation for the local governments in order to achieved self reliance in financing.

Moreso, the environment within which it operates should be favourable for its active involvement in the process and these calls for the intervention of the state and the active involvement of other local actors in the municipality. No effort should be spared for maximizing revenue yield from the identified traditional internal revenue sources, expanding the revenue base through the entrepreneurial alternative sources being advocated; and exploiting capital market funding option for capital projects – all geared towards enhancing the local governments' revenue profile. These options when matched with political will, effective leadership, and efficient management will guarantee generation of adequate revenue for meting the challenges of her expenditures in terms of provision of social amenities and the running costs of the local governments. To be successful in this venture, it is also recommended that there should be improved management techniques at the local government level.

Management should allocate greater percentage of total revenue to strategic capital expenditure, so as to fulfill their social obligations to the citizens thereby motivating them to pay revenue due to the council. It is however clear that for local governments to be able to achieve the goals and outcomes of economic development; they should be prepared to put in specific and pragmatic measures that are effective and conductive in stimulating the process.

References

Abisede, A. and Akintola, O. (2014). Local government funding: Entrepreneurial perspective to internally generated funds (IGR). International Journal of Managerial Studies and Research (IJMSR), 2(5),9-16

Absede, A. & Akintola, E.W. (2014). Local Government Funding: Entrepreneurial perspective to internally generated funds (IGFs). International Journal of Managerial Studies and Research(IJMSR) 2(5), 4-16.

Achua, E(2012). Finance imbalance and fiscal autonomy in Nigerian local governments: Benue State Experience. The National Accountant Journal, 45(2),16-20.

Adade, B.J. (2018). E-taxation adoption and revenue generation in Nigeria. Research Journal of Finance and Accounting, 9(24),116-124

Adebayo, A. (1970). Finance in Nigeria: Problem and problems, IIe: Best man publishers.

Adeleke, A. & Ehinomen, C (2012). Financing local government projects through the capital market: A proposition for self reliance in finance. The National Accountant Journal, 45(2), 3-8.

Adereti, S.A., Adesina, J.A. & Sanni, M.R (2011). Value added tax on economic growth in Nigeria. European Journal of Humanities and Social Sconces, 10(1),456-471.

Adeyemi, K.S.(2012). Sustainable development strategies for poverty alleviation: The tax perspective. International Journal of Accountancy, 115(18),69-77

Agbor, M.B. (2020). The effect of tax practices on the economy of countries in sub-Saharan Africa. Journal of Finance and Accounting, 24(51),93-115

Akindele, S.T. & Olaopa, O. (2002). Fiscal Federation and local government finances in Nigeria, Lagos: government printers.

Alli, B.D. (2009). Managing the tax reform process in Nigeria. Niger Account, 42(1),45-51.

Amelita, C.R. (2005). Entrepreneurial approaches of local government units in government: The Philippine experiences. A paper presented at the annual conference of Network of Asia Pacific schools and institutes of public administration and governance (NAPSIPAG), Beising between, 5-7 Dec., 2005.

Amina, A.A. & Eluwu, D.I. (2014). The impact of tax reforms on government revenue generation in Nigeria. Journal of Economic and Social Development (JESD), 1(1),1-10

Anastassiou, T & Dritsaki, C. (2005). Tax revenue and economic growth: Am empirical investigation in Greece. .Journal of Social Sciences, 1(2),99-140.

Appah, E (2010). The relationship between fiscal policy and economic growth in Nigeria. (1991-2005). International Journal of Economic Development Research and Investment, 12(2),37-47

Ayuba, A.J. (2014). International Journal of Finance and Accounting, 3(5),303-309

Ayuba, A.J. (2015). Impact of non-oil revenue on economic growth: The Nigeria perspective. International Journal of Finance and Accounting, 3(5),303-309.

Bellow – Imar, I.E. (1990). Local Government finance in Nigeria, Ibadan, NISER.

Chigba, E.E. & Njoku, C.O (2015). Taxation and the Nigeria economy 1994-2012. Management Studies and Economic System, 2(2),111-128

Chigbu, E.E., Leonard, I.A., Bossco, E.O. & Henry, C.A. (2018). Impact of e-taxation on Nigerian revenue and economic growth: A pre-post analysis. International Journal of Finance and Accounting, 7(2),19-26

Cornelius, M.O., Ogar, A. & Oka, F.A. (2016). The impact of tax revenue on economic growth: Evidence from Nigeria. Journal of Economic and Finance, 7(1),32-38

Dickey, D.A. and Fuller, W.A. (1999). Distribution of the estimators for autoregressive time series with a unit root. Journal of the American Statistical Association, 74(5), 427-431

Dickson, E.O. & Rolle, R.A. (2014). The impact of tax reform on federal revenue generation in Nigeria. Journal of Policy and Development Studies, 9(1),62-109

Edogbanya, A. and Sule, J.G (2013). Revenue generation: Its impact on governmental effort (A study of selected council in Kogi East: Global Journal of Management and Business Research Administration and Management, 13(4),15-35.

Edori, D.S., Edori, I.S. & Idatoru, A.R. (2017). Issues and challenges inherent in the Nigerian tax system. Journal of Management Science and Engineering, 2(4),52-57

Ekeocha, P., Ekeocha C., Malaudu U. & Odah, M (2012). Revenue implications of Nigeria's tax system. Journal of Economics and Sustainable Development, 3(8),206-215

Ekeocha, P.C., Ekeocha, C.S., Malaolu, V. & Oduh, M.O. (2012). Revenue Implications of Nigeria's tax system. Journal of Econometrics and Sustainable Development, 3(8),206-215.

Ekeoha, P.C., Ekeoha, S.C., Makolu, V. & Onyema, M (2012). Revenue Implications of Nigeria's tax system. Journal of Economic and Sustainable Development, 3(8),206-214

Ekpo, A.H. & John, N. (1998). Local fiscal operations in Nigeria. Research paper, 73,AERC Nairobi, Kenya.

Emenuga, C. (1993). The search for an acceptable revenue allocation formula: The National Questions and Economic Development in Nigeria Ibadan, Nigerian Economic Society.

Enahoro, J.A. & Olabisi, J (2012).Tax administration and revenue generation of Lagos, State government, Nigeria. Research Journal of Finance and Accounting, 3(5),133-139

Enyk, R.F. & Granger, C.W.J (1987). Cointegration and Error Correction. Representation, Estimation and Testing. Econometric, 55(3),251-276.

Ezeabasili, V.N. Tsegbu, I.N. & Herbert, W.E. (2012). Economic growth and fiscal deficits: Empirical evidence from Nigeria. Economics and Finance Review, 296),85-96.

Ghyarati, D.N. & Porter, D.C. (2009). Basic econometrics 5th Ed. Bostm: Mcgraw Hill International Edition.

Gray, B. (1989). Collaborating. Finding Common Ground for Multiparty Problems. San- Franscisco: Jossey Bass.

Gylych, J., Samira, A. & Abdurahman, I. (2016). The impact of tax reforms and economic growth of Nigeria. The Empirical Economics Letters, 15(5),72-79

Halina, F.O. (2014). A critical analysis of tax sector reforms in Nigeria from 1978-2012. Journal of Energy Economics Policy, 3(2),143-152

Ibadin, P.O & Oladipupo, A.O (2015). Indirect taxes and economic growth in Nigeria. Ekon Misgo 1 Praksanbk, 24(2), 345-364

Ibanichuka, E. (2014). Assessment of the long-run equilibrium relationship between tax revenue and economic growth in Nigeria: 1986-2012. The SIJ transactions on industrial, financial & Business Management (IFBM), 2(2),39-47.

Ilenyen, C.J. & Mieseigha, E.G. (2014). Taxation as an instrument of economic growth. The Nigerian perspective. Information and Knowledge Management, 4(120, 49-53

James, A. & Moses, A. (2012). Impact of tax administration on government revenue in a developing economy. A case study of Nigeria. International Journal of Business and Social Sciences, 3(8), 99-113

Jones, E & Ekwueme, D.C. (2016). Assessment of the impact of tax reforms on economic growth in Nigeria. Journal of Accounting and Financial Management, 2(2),15-28

Jones, Ed., Ihendinihu, J.G. & Nwaiwu, J.N (2015). Total revenue and economic growth in Nigeria: Empirical Evidence. Journal of Emerging Trends in Economics and Management Sciences, 6(1), 40-46.

Kaldor, N. (2017). The case for regional policies. Scottish Journal of Political Economy, 17(3),337-348.

Kim, H.I. (1995). Local Governments revenue: A contingency analysis. Malaysian Accounting Review, 6(2),1-8.

Musgrave, R.A. & Musgrave, P.(2004). Public Finance in theory and practice. Indian: Tata McGraw-Hill.

Ndulue, J.K. (2005). The private sector and generation of tax revenue in the FCT, Abuja. Abuja Journal of Administration and Management, 11(2),75-83.

Nel, E. (2019). Local economic development: A review and assessment of its current status in South Africa. Urban Studies, 38(7),1003-1024.

North, C.D.(2012). Institution and economic theory: American Economist, 36(1),3-6

Nwachukwu, C. (2013). Economic diversification optimizing revenue generation at state and local government levels paper presented at advocacy workshop on economic. Diversification and enhanced revenue generation on 17-18 June 2013 by the presidency Federal Republic of Nigeria.

Nwaiwu, J.N. (2020). Oil revenue and economic development in Nigeria. Accounting Journal, 5(2),57-70

Nwosu, O.C & Okafor, H.O. (2014). Government revenue and expenditure in Nigeria. A **disaggregated** analysis. Asian and Financial Revenue, 47(3),877-892.

Oates, W. (1996). The effects of property taxes and local public spending on property values: An empirical study of tax capitalization and tie about hypotheses. Journal of political economy, 77(5),957-971.

Obara, L.C. & Nongih, E. (2017). Tax Compliance barriers and internally generated revenue in Nigeria: Empirical from small and medium enterprises in Port-Harcourt metropolis. International Journal of Academic Research in Accounting, Finance and Management Sciences, 7(4),169-176

Ofoegbu, G.N., Akwu, D.O. & Olieve, O. (2016). Empirical analysis of effect of tax revenue on economic development of Nigeria. International of Asian Social Science, 6(1), 604-613.

Ofoegbu, G.N., Akwu, D.O. & Oliver, O. (2016). Empirical analysis of effect of tax revenue on economic development of Nigeria. International Journal of Asian Social Science, 10(6),604-613

Ogbonna, G.N. & Appah, E. (2012). Impact of reforms and economic growth of Nigeria: A time series Analysis. Current Research Journal of Social Sciences, 4(1),62-68.

Ojong, C.M., Anthony, O. & Akripo, B.F(2016). The impact of tax revenue on economic growth: Evidence from Nigeria. IOSR Journal of Economics and Finance, 7(1),32-38

Omoruyi, S. E (2019). Growth and Flexibility of federal government tax revenue: 1960-1979. Economic and Financial Review, 21(1),11-19

Onyele, K.O & Nwokocha, E.B (2016). Sources of public funds and economic prosperity: The Nigerian case. Journal of Business & Financial Affairs, 5(4),2-11

Orewa, G.O. (1983). Rural and Local administration in Nigeria. the changing scene, Benin City: Ethiope Publishing Corporation.

Orewa, G.O. and Adewumi, J.B. (1992). Local Government in Nigeria. The changing science, Benin City: Ethiopia Publishing Corporation.

Osunkoga, D. (2019). Nigeria tax system needs autonomy to develop its economy. Journal of Accounting Literature, 25(6), 12-25

Owens, J. (2006) Tax in a Borderless world. Journal of Political Education, 41(11),38-50

Peter, A.O. & Ferdinard, I.). (2016). Tax reforms and revenue trend in Nigeria: The Dyadie Internet. Research Journal of Finance and Accounting, 7(19),84-92

Rogerson, C.M. (1995). Local economic development planning in the developing world, Regional Development Dialogue, 16(2),5-25

Sanchez, O.A. (2000). The legacy of human development: A tribute to Habbubul Haq. Journal of Human Development, 1(1),9-16

Soludo, . (2017). Towards the economic transformation and viability of Nigeria states: Can we break the oil resource curse? Being an inauguration lecture delivered in Niger state on May 28, 2011 as part of Dr. Ma'azu Babangida Aliya, Nigerian Journal of Banking and Finance, 2(1),15-36.

Tanzi, V. & Zee, H.H. (2000). Tax policy for emerging markets: Developing countries. National Tax Journal, 53(2),299-322

Tuaneh, G.L. &Essi, I.D. (2017. Simultaneous equation modeling of investment and **consumption** function in Nigeria. International Journal of Economics and Business Management, 3(8),53-71

Tuaneh, L.G. & Okidim, A.I. (2019). On agricultural performance amidst macroeconomic instability in Nigeria: Auto regressive distributed lagged modeling 2010 q1-2017 q4. Asian Journal of Economic, Business and Accounting, 10(2),1-13

Ude, D.K. & Ayodi, J.E. (2014). Investigation of the impact of non-oil revenue on economic growth in Nigeria. International Journal of Science and Research (IJSR), 3(11), 2319-7064.

Uhunmwuangho, S.O. & Aibieyi (2013). Problems of revenue generation in Local Government Administration in Nigeria. AFRREV IJN, 2(3), 20-30.

Uzoka, P.U & Chiedu, C.U. (2018). Effect of tax revenue on economic growth in Nigeria. International Journal of Social Sciences and Management Research, 4(7),2545-5303

Vincent (2001). Leyira, C.M., Chukwuman, E. & Asian, A.U. (2012). Tax system in Nigeria: Challenge and the way forward. Research Journal of Finance and Accounting, 3(5),9-15.

Worlu, C.N. & Emeka, N (2017).Tax revenue and economic development in Nigeria: A macro econometric approach. Academic Journal of Interdisciplinary Studies, 2(1),211-223

Yusuf, M.(2015). An analysis of the impact of oil price shocks on the growth of the Nigerian economy, 1970-2011. African Journal of Business Management, 9(3),103-115