# INTERNALLY GENERATED REVENUE (IGR) AND INFRASTRUCTURAL DEVELOPMENT OF LOCAL GOVERNMENT AREAS IN NIGERIA

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**ABSTRACT:** This study examined the effects internally generated revenue can exude on the infrastructural development of Local government Areas in Nigeria. The Local government system in the country has over the years been under the pressure of paucity of funds and as a result, has failed to provide the needed infrastructure in the various communities that could engender development. In line with the statement of the problem, three research questions and objectives were formulated and posited in the study. Two theories, the theory of federalism and resource mobilization theory were used to analyze the study. The study adopted survey research design and dwelled on the use of both primary and secondary data generated from mailed questionnaire and official documents such as periodicals, annual reports, journals and newspapers as well as data base of the National Bureau of Statistics (NBS) and the Central Bank of Nigeria. The result indicated that IGR of local governments is grossly inadequate and the enhancement of revenue sources and the efficient utilization of these revenues would promote infrastructural development in the local communities. Based on the findings, it was recommended that the Nigerian government (at all levels) and the people should pay more attention to the enhancement of local government revenue generation sources so as to drive development at the community level.

**Keywords:** Government, Infrastructure, Revenue Generation, Development, Federalism

## INTRODUCTION

Internally generated revenues (IGR) are revenues generated by a tier/level of government within its constitutionally allowed spheres of authority. It is the revenue generated by the local, state or federal government, in a federal system of government or, in the context of Nigerian federalism, independent of their share of revenue from the federation account (Obi, 2001, p.472; Deloitte, 2017). Nigeria's dependence on the oil revenue and the effect of the continued fluctuating oil prices has also been damaging, causing reverberations beyond the federal government, to both the finances of states and local governments in the country (Adeleke, 2011). States and local governments which depend mainly on statutory allocations from the federation have found their ability to deliver most basic public services (education, health, and other infrastructural facilities as motor-able roads, electricity and potable water) to the citizenry significantly hampered. This unfortunate scenario is more severe in states and local governments with little or no Internally Generated Revenues (IGR). Although some states are genuinely eager to grow their IGR base, there seemed to be a general lack of innovative ideas and political will to harness available opportunities for revenue diversification.

Furthermore, many legitimate sources of revenue remain unexploited, while procedures for collecting, remitting and accounting for the existing revenue sources often fall short of acceptable standards and best practices (Jimoh, 2003). In modern societies, it is responsibility of the government to provide the infrastructural needs of the people. To fulfill this social obligation, revenue in form of money is required. Hence government needs money to protect lives and property, provide amenities for the people and enhance people's living standard. Government at all levels in Nigeria has been constitutionally permitted to generate revenues either through the collection taxes from the public and or exploitation of mineral resources according to the legislative competence of each level of government, in order to discharge their functions to the people (Adeleke, 2011, p.28).

Two main sources of revenue generation have been provided by law to the local government system in Nigeria. These include the Internally Generated Revenue (IGR) which is the main focus of this study and the Statutory Revenue Allocation (SRA) which is a fraction of the revenues generated by the federal and or state government and which is remitted to the local governments in the federation as monthly revenue allocation. IGR at the local government level became a governance issue when it was discovered that the rural communities which formed the nucleus of the local government were highly neglected in terms of basic amenities and other social infrastructure by the state and central governments. Before 1976 in Nigeria, revenue generation and utilization was left solely in the hands of the federal and state governments. But following the creation of the local government system in Nigeria in 1976, the right of revenue generation in the rural areas was transferred to the local governments. Local government needed to generate enough internal revenue to complement the statutory allocation from the federal government which was fast dwindling because of the volatility of the mono-product (crude oil) economy of Nigeria (Adeleke, 2011). The devolution of revenue generation power to the local government was aimed at enabling local government councils to perform specific functions and to achieve some level of development in the rural communities that made up the local governments (Ihe & Umeaka, 2006, p.202).

**Statement of the Problem**

Low funding arising from low internally generated revenues and a paltry handout received monthly by local governments from the federation in form of statutory monthly allocation has gravely affected the level of infrastructural development in most local government areas in Nigeria, especially those located in the rural areas. This is true as the issue of bad roads, lack of portable water, poor access to power supply and low availability of health care facilities are the order of the day in the various localities in the country (Obi, 2001, p.480).

Most of the rural areas in Nigeria, particularly, in the South East and the Northern region of the country are highly underdeveloped and therefore have witnessed a high level poverty and vulnerability among the rural inhabitants compared with the Western region. Many rural areas in the country are not privileged to have good means of livelihood. Road users in most localities suffer harrowing experiences during the rains, with gully erosion, potholes and ditches on bad and hardly maintained roads. Not only that, rural communities in the country do not have access to quality schools, hospitals and recreational facilities. More so, a teeming population of the citizens has been significantly disrupted as a result of the present humanitarian and economic situation in the country.

Again, over reliance on statutory allocation from the federal government by local governments has led to a neglect of the internal sources of revenue generation. This problem has made many local governments in the country to remain where they are without any remarkable improvements (Nnamocha, 2002, p.104). In the views of Obi (2004, p.80), the following constitute the problems of revenue generation in the local government system in Nigeria: violation of the constitution and revenue allocation act of 1981; this takes the following forms: most state governments interfere with the funds in the state local-government joint account; some state government blatantly refuse to open a state/local government account, only a few state governments remit the constitutionally prescribed ten per cent of their internal revenue to the local governments.

Against the foregoing problems confronting infrastructural development in the local government system in Nigeria, present study (Munim & Schramm, 2018) proffered the following research questions. (i) Why is there a deficit in infrastructural development in local government areas in Nigeria? (ii) What effects does the IGR have on infrastructural development of local government areas? (iii) How can the IGR of LGAs be enhanced in order to increase infrastructural development of local governments in the country?

## Objectives of the Study

The main aim of the IGR study is (1) to inform the general public about the place of IGR on infrastructural development of local government areas in Nigeria (2) to find out whether inadequate IGR is the cause of poor infrastructural development in LGAs and (3), to proffer solutions for effective infrastructural development through the transformation of the IGR system of the local government.

## Conceptual Clarification

### Revenue:

The term revenue may be conceptualized from more than one discipline or branch of knowledge. In accounting, revenue is the income that a business has from its normal business activities, usually from the sale of goods and services to its customers (Carcello, 2008, p.199). It may also refer to business income in general, or it may mean the amount, in a monetary unit, earned during a period of time. For non-profit organizations, revenue can be defined as the gross receipts, support and contributions received within a definite time frame. According to United States' Department of Treasury, the operating revenues can include donations from individuals and corporations, support from government agencies, income from activities related to the organization's mission, income from fundraising activities, and membership dues.

In government parlance, revenue or government revenue includes all monies (i.e., taxes and fees) received from sources outside the government entity (Popp, 1993). Large governments usually have an agency or department responsible for collecting government revenue from companies and individuals. Revenue, according to Section 162 subsection 10 of the Constitution of the Federal Republic of Nigeria 1999 CAP. C23 L.F.N. 2004 refers to any income or return accruing to or derived by the government of the federation from any source and includes - any receipts, however described, arising from the operation of any law; any return, however described, arising from or in respect of any property held by the government of the federation; and any return by way of interest on loans and dividends in respect of shares or interest held by the government of the federation in any company or statutory body. One salient point derivable from the foregoing definitions is that revenue does not only imply monetary income but can also include social support and other physical property.

**Internally Generated Revenue (IGR):**

IGR is the term used to refer to the amount of revenues generated within the confines of the territorial jurisdiction of a government, say, the federation in the case of the federal government, the state or region in the case of a federating state or a local government as the third tier of government in a federal state (Oseni, 2013). Such revenue is usually controlled by the very government or the tier from where the revenue was generated. According to Obi (2001, p.472), revenue generation is concerned with how organizations (federal, state and local government or private/public institutions) attract finance to sustain themselves and discharge their statutory responsibilities. This is to say that, the government at the federal, state and local levels need revenue to execute their functions and achieve their objectives or campaign promises in a democratic system of government and must of necessity collect revenues.

**Local Government:**

The encyclopedia Britannica defined local government as the authority to determine and execute measures within a restricted area inside and smaller than a whole state. According to Njoku (2009), local government as a tier/level of government is generally applied to the administrative unit of small local areas into which a country is subdivided or split. It is a form of government which in many contexts, exist as the lowest tier of administration in a given state (Kemp, 1998). It is because of its proximity to local people that local governments are usually given such functions/powers that are of special concern to these areas so as to make such government tasks are realizable within the shortest possible time. A comparison of the functions of the local government in Nigeria with those of the higher tiers of government as state and federal government shows very close similarities; for instance, the functions of protective service, the provision of social service, maintenance of law and order and settlement of communal disputes (Ebonyi, 200, p.438). As such, local government in Nigeria is not only government in theory; it performs all those operational functions similar to those of the higher tiers of government and which makes it a consummate third tier government as enshrined in the constitution of the federal government of Nigeria (Ebonyi, 2001, p.438).

**Literature Review**

Osni (2013), in a study on Internally Generated Revenue (IGR) in Nigeria: A panacea for state development, which focused on the need for states to harness ways of generating IGR other than the revenue from oil stated that local governments in Nigeria prior to the 1976 local government reform were to a reasonable extent, financially independent of the state and federal governments as they were able to generate enough revenue internally to manage their own affairs. He argued however, that the local government capacity for revenue generation drastically dwindled following the introduction of the local government reform. Accordingly, during the period the introduction of the statutory revenue allocation by the federal government and its subsequent enshrinement into the 1979 constitution made it mandatory for the federal government to allocate a certain percentage of the federally generated revenue to the states and local governments in the country. This monthly handouts by the federal government to the states and local governments, dissuaded the local governments from finding further means of shoring up their IGR (Atakpa, Ocheni & nwankwo, 2012).

Ezenwaodu (2005) argued that the local government reform of 1976 was significant because it tried to tackle the financial crisis in the local government system more creatively than other previous reforms, by introducing statutory grants from the federation account and part of a state's revenue to the local governments. He contended that the reform restored what used to be a major component of local revenue and also emphasized the fiscal responsibility of the other higher tiers of government to the local government.

Ubah (2007, p.33) while writing on the strategies for effective internal revenue generation in the Nigerian Local Government noted that a larger number of Nigerians live in the local government areas. By this token, one would realize the critical role which local government plays in the lives of the ordinary Nigerian citizens. Accordingly, it was in full realization of this role that the Nigeria constitution established local government as a full-fledged government, so as to bring development in both human and infrastructural facilities nearer to the people. He, however, regretted that local governments in Nigeria have performed below expectation in rural development in spite of the great optimism that ushered in the new local government system in 1976. He attributed the poor performances to the country's development strategy which has been urban based (Ubah, 2007). He lamented that the colonial image of the local government as an instrument of exploitation has continued to persist in Nigeria and that this is manifested in the inability of the local government to improve the standard of living of the people. He concluded by saying that local government in Nigeria can be made effective not by changing the status of the local government, but by a fundamental change in the administrative, political, social and economic structure of the country aimed at emancipating the people from their present state of underdevelopment (Ubah, 2007, p.30; Ebonyi, 2001, p.437).

Be that as it may, in as much as Ojo & Owojori (1998) writing on Mobilization of internally generated revenues in some selected local governments in Ondo state did not disagree with the view that the above changes are necessary, they however opined that in the absence of these changes, local government can be made to perform more effectively if adequate finance is available to them. That is a way of saying that paucity of funds is the major problem militating against the operations of local governments in Nigeria.

## Infrastructural Development in Local Government

The low level of infrastructural development has led to the lack of employment opportunities in most of Nigeria's local government. Since rural areas are agrarian in nature and considering that most people in rural area are subsistent in their various vocations, it is impossible for them to earn a healthy living or gain access to productive employment without the provision of infrastructural facilities and social amenities in the localities (Adaba, 2001, p.70).

Lawal (2014) in his study on local government and rural infrastructural development in Nigeria, bemoaned the level of decay in physical infrastructure in Nigeria's local government areas. For him, despite the fact that the bulk of the food consumed in the country are produced in the localities as well as the bulk of the electoral votes, infrastructural facilities are not duly provided in most rural areas of the country. His assertion was premised on the findings that amenities including health centers and school, good roads, stable electricity, clean water, recreational facilities, postal agencies and information and communication facilities were very much in short supply in most rural communities of the local governments in the country, and where they existed, they were mostly in dilapidated states (Lawal, 2014; Razin, 1998).

## Theoretical Framework of Analysis

The study on IGR was anchored on two theories of resource generation and distribution as identified by Gboyega (1987; see also Abdulkarim & Mahmood, 2019), which included the theory of Fiscal Federalism and the Resource Mobilization theory. The theory of Fiscal Federalism was originally developed by Musgrave (1959) and Oates (1972). The theory dwells on the division of public sector revenues, authorities and function based on a constitutionally laid down principles among multiple layers of government. It is a framework used to refer to the pro-lateral fiscal division of resources among the vertical tiers of government in a federal system of government (Buchanan, 1995; Jha, 2014).

According to Vincent (2001) the concept of federalism implies that each tier of government is coordinated independently in its delimited sphere of authority and should also have appropriate taxing powers to exploit its independent sources of revenue. Basically fiscal federalism emphasized on how revenue are raised and allocated to different level of government for development (Dang, 2013; Inman & Rubinfeld, 1997). In Nigeria's context, several attempts have been made in a bid to achieve a harmonious sharing formula for the distribution of national economic resources among the component units of the federation (Abdulkarim & Mahmood, 2019).

However, in spite of all these efforts there are still inherent challenging issues to resource generation and allocation in Nigeria. Among these critical issues are over dependence on oil revenue, conflicts over sharing formula among the federating states and local governments, "centralizing tendency" of fiscal relation in Nigeria and the agitation for resource control, among others (Abdulkarim & Mahmood, 2019). Federalization of resource generation and allocation is not only limited to the fiscal relation of the three tiers of government in its true sense, but could also be extend to the internal allocation of the generated revenues and values among the communities in the local government.

**Resource Mobilization Theory**

Resource mobilization is the process of getting resources from the resource provider, using different mechanisms, to implement an organization's predetermined goals (McCarthy & Mayer, 1977). It is a theory that is used in the study of social movements and argues that the success of social movements depends on resources (time, money, skills, etc.) and the ability to use them. Resource mobilization theorists (McCarthy & Mayer, 1977; Buechier, 1999; Seltzer, 2019) are of the view that local government facilitates the mobilization and generation of local resources (both human and material) domiciled within its geo-political enclave for easy exploration and exploitation. In a federation like Nigeria, the local government is conceived by many as the landlord of the state. This is because; natural resources, (human and material) are domiciled in the local government and are occasionally mined by the state and federal governments in accordance with the prescription of the enabling laws.

Seltzer, writing on "what is resource mobilization and why is it important?" however noted that, "poor auditing has contributed immensely to problem of internal revenue generation of local governments" (2014). According to Musgrave, local government should have a means of ascertaining whether its financial operation is properly conducted, and this can only be done through regular auditing of revenue and expenditure accounts. So it is impossible to mention revenue generation at the state and even the federal level without the input of the local government (Eminue, 2006). Local governments are thus, veritable instruments strategically placed for stimulating grassroots generation of revenue and bringing same to bear on rural development (Eminue, 2006).

Consequently, in spite of the relevance of Fiscal Federalism theory to the study, the Resource Mobilization framework was adopted and applied because it emphasized more on the generation of revenue or resources of government rather than on sharing or allocation of it (Adedeji, 1969). Again, the resource mobilization theory was effectively complemented by the Fiscal Federalism theory.

**Application of the Theory of Fiscal Federalism to the Study**

The theory of Fiscal Federalism was chosen and applied to the study as it offered a better analytical suitability to the study. The theory emphasized the need for the governments at every level in a federation, to harness its internal resources on incremental bases and mobilize people towards accomplishing the goals of economic development. The theory presupposes that there can be no development of any sort whether infrastructural, political or economic without financial and material resources, necessitating the continuous need for government to fine-tune its revenue generation strategies. In Nigeria, local governments depend mainly on the statutory revenue allocation which is an external source of income and which does not sustain the developmental appetite of the local communities. So the need to generate revenue internally has become a compelling one, and that is only realizable where there is a radical avoidance of rent-seeking individuals who use their public positions to pursue private goals (Buchanan, 1995, pp.19-27).

**Methodology**

This study made use of the survey research design (See Nwobi et al, 2019; Njoku, 2019). Both primary and secondary data were used. A random sampling of the literate adult population of rural local governments in Imo was conducted. The universal population size was 1000 comprising males and females. Using Taro Yamen's formula for the selection of the sample size (Unanka, 2000) $n = N/1+N (e)^2$ , where n is the sample size; N is the population size; e is the margin of error and 1 is a constant, and considering the heterogeneity of the Nigerian population, the sample size of 285 individuals was purposively included in the study. Respondents were drawn from the communities in the LGAs. The instruments of the study were questionnaire which contained questions relevant to the study. The primary data derived from the results of the questionnaire sent out and retrieved. A four point Likert scale was used to present the data in tabular forms. A decision regarding the acceptability or otherwise of the respondents' answers was based on the percentage rate of response. The secondary data was largely derived from official documents, journals, annual reports, text books and Internet sources. The method of analysis adopted was a combination of the quantitative and qualitative methods.

**Data Presentation and Analysis**

**Table 1: Responses on the provision of infrastructure in the LGAs**

| S/N | Q. Items | SA | A | NA | D | SD | Total | Decision |
|---|---|---|---|---|---|---|---|---|
| 1 | Local Government councils adequately and effectively provide infrastructural facilities such as portable water, good feeder roads, quality primary schools and standard health centres in local communities in the state | 30 (11%) | 71 (25%) | 7 (2%) | 92 (32%) | 85 (30%) | 285 (100%) | Rejected |
| 2 | Available infrastructural facilities in LGAs are mostly provided by state and federal governments rather than LGs | 68 (24%) | 121 (43%) | 9 (3%) | 52 (18%) | 35 (12%) | 285 (100%) | Accepted |
| 3 | Paucity of funds hinder local government efforts in providing social amenities to the local communities | 88 (31%) | 111 (39%) | 4 (1%) | 49 (17%) | 33 (12%) | 285 (100%) | Accepted |
| | **Total** | **186 (22%)** | **303 (35%)** | **20 (2%)** | **193 (23%)** | **153 (18%)** | **855 (100%)** | **Accepted** |

***Source: Researcher's Field Data 2020***

Table 1 above sought to access the views of respondents on the provision of infrastructural facilities in communities of the local government. From the table, a total of 285 respondents responded to the question on whether local governments adequately and effectively provided infrastructural facilities in their communities. Of the number, 62% held a negative view while only 36% affirmed that local governments adequately and effectively provided infrastructural facilities in their local communities and just an insignificant 2% declined to respond to the question. Supporting the majority negative opinion however, 67% agreed that the available infrastructural facilities that can be sighted in most local government areas today were provided by the state or federal government rather than the local government councils. Only 30% held an opposing view to this postulation while 1% withheld comment on the question. More so, 70% against 30% of the respondents agreed that paucity of funds actually precluded local governments from providing their communities with infrastructural development. The implication of the foregoing is that paucity of funds and undue interference in the affairs of the local government by the state and sometimes the federal government has drastically usurped the capacity of the local governments to generate funds within their spheres of authority and use same for development of their communities. In many states of the federation such as in Imo and Abia, over the past seven years, local governments had not been permitted by their state governors to collect internal revenues as the states now took over these functions and therefore decides what gets to the LGAs as per development projects and infrastructure.

**Table 2: Responses on the effects of LG IGR on Infrastructural Development**

| S/N | Q. Items | SA | A | NA | D | SD | Total | Decision |
|---|---|---|---|---|---|---|---|---|
| 1 | LG IGR constitutes a significant part of the total revenue of the local government | 47 (16%) | 56 (20%) | 5 (2%) | 100 (35%) | 77 (27%) | 285 (100%) | Rejected |
| 2 | LG IGR has tremendously improved infrastructural development in local communities in the LGAs in Nigeria | 33 (12%) | 49 (17%) | 1 (4%) | 142 (49%) | 60 (21%) | 285 (100%) | Rejected |
| 3 | The number of rural projects delivered by the LGs in terms of construction of feeder roads, heath centers, primary schools and provision of rural electrification and pipe borne water in the rural areas is very encouraging. | 30 (10%) | 50 (17%) | 1 (3%) | 83 (29%) | 121 (42%) | 285 (100%) | Rejected |
| | **Total** | **110 (13%)** | **155 (18%)** | **7 (8%)** | **325 (38%)** | **258 (30%)** | **855 (100%)** | **Rejected** |

***Source: Researcher's Field Data 2020***

Table 2 provided insight on the effects of IGR on the infrastructural development of local governments. From the above table, 62% of respondents rejected the postulation that IGR constitutes a significant part of the total annual revenue of local governments while 36% which is a minority, held an affirmative opinion, with an infinitesimal 2% not giving any views. That is to say that the main source of revenues of the local governments is not their IGR but could be other funds such as the statutory revenue allocation from the federal government and state grants to the LGAs, although these funds are subject to the vagaries of the state manipulations.

It is common knowledge that the share of 10 percent of state IGR which is constitutionally allotted to the local governments of each state is never remitted by most states in the country. Again, 70% of respondents disagreed that IGR has had much improvement on the infrastructural development of communities in the local government areas, whereas 29% agreed that IGR has had a palpable improvement on infrastructure of the LGAs. On the 3$^{rd}$ question, just a few respondents, 27% believed that local governments were doing enough in the area of infrastructural development provision while an absolute majority of 71% does not believe so. The implied bottom line is that local governments in the country have not impacted very positively on their local communities through the provision of infrastructure owing basically to their very poor IGR and the irregular hand out of the federal and state governments.

**Table: 3. Responses on how to effectively enhance and efficiently manage LG IGR to Improve Infrastructural Development of Local governments in Nigeria**

| S/N | Q. Items | SA | A | NA | D | SD | Total | Decision |
|---|---|---|---|---|---|---|---|---|
| 1 | LG IGR can be enhanced through an aggressive and technologically driven drive for IGR in the local councils | 127 (44%) | 89 (31%) | 3 (1%) | 27 (10%) | 39 (14%) | 285 (100%) | Accepted |
| 2 | Deployment of result oriented personnel in the revenue generation and finance departments of the LGAs will effectively enhance the revenue base of the local government. | 109 (38%) | 103 (36%) | 1 (3%) | 28 (9%) | 44 (15%) | 285 (100%) | Accepted |
| 3 | Reliance on federal revenue allocation and state grants alone is enough for LG infrastructural development | 38 (13%) | 39 (13%) | 4 (1%) | 166 (58%) | 38 (13%) | 285 (100%) | Rejected |
| | **Total** | **247 (28%)** | **231 (27%)** | **8 (9%)** | **221 (25%)** | **121 (14%)** | **855 (100%)** | **Rejected** |

***Source: Researcher's Field Data 2020***

Table 3 displayed responses on how LG IGR can be enhanced and efficiently managed in order to improve the infrastructure in LGAs in Nigeria. Accordingly, 75% of the respondents agreed that applying technology in the drive for IGR by local governments would surely enhance their revenues while 24% believed otherwise, with only 1% declining comment. Technology in this context may include the computerization of payment systems and the use of fraud resistant receipting, among others in the drive for internal revenue. Furthermore, 74% supported the view that the deployment of the right kind of staff in the revenue generation and finance departments of LGAs would definitely enhance the revenue base of the LG system. And lastly however, 71% disagreed that LG reliance on federal revenue allocation and state grants alone is enough for LG's infrastructural development. This shows that LG councils have a lot to do in order to ensure that their revenue base is strong enough to be able to support the development of needed infrastructure in their localities.

**Table: 4. Internally Generated Revenue of Lere Local Government Council in Kaduna, Nigeria (2010 – 2014)**

| S/N | Sources of LG IGR | 2010 Amount in (N) | 2011 Amount in (N) | 2012 Amount in (N) | 2013 Amount in (N) | 2014 Amount in (N) |
|---|---|---|---|---|---|---|
| 1 | Tax | 82,415 | 86,300 | 88,410 | 72,190 | 29,200 |
| 2 | Rate | | | 10,190 | | 11,400 |
| 3 | License, Fines and Fees | 515,277 | 698,935 | 721,945 | 920,250 | 935,100 |
| 4 | Earnings from commercial undertakings | 144,237 | 180,085 | 191,770 | 39,350 | |
| 5 | Rent on L.G. Property | | | | | |
| 6 | Interest Payment and Dividends | | | | | |
| 7 | Miscellaneous | 599,335 | 682,500 | 701,025 | 740,005 | 908,650 |
| | **Total** | **1,341,264** | **1,647,820** | **1,713,349** | **1,771,795** | **1,884,350** |

***Source: Planning and Finance Unit Lere Local Government (2015) culled from Abdulkarim & Mahmood, (2019)***

Table 4 above showed the internally generated revenue of a local government in Nigeria, Lere local government of Kaduna state from 2010 to 2014. A quick glance at the table will reveal that the average annual IGR of the local government was N1, 671,715.6 which represented a far cry from the amount needed to carryout meaningful development in the rural areas. This assertion has supported an earlier postulation in this study that local governments in Nigeria suffer severe paucity of funds due partly to poor IGR. It is yet to be seen any local government in the country that has internally generated its monthly overhead cost let alone enough amount to undertake the construction of a standard project in any of the communities.

**Table: 5. Total Annual External Revenue of Lere LGA (2010 – 2014)**

| Year | Amount (N) |
|---|---|
| 2010 | 301,297,338 |
| 2011 | 588,177,790 |
| 2012 | 626,788,760 |
| 2013 | 626,783,760 |
| 2014 | 948,494,838 |

***Source: Local Government Service Commission, Kaduna State, culled from Abdulkarim & Mahmood, 2019***

Table 5 showed the total annual external revenue of Lere local government. In comparison with its annual IGR for the corresponding periods, one can appreciate that external revenue covered more than 97% of the entire annual revenue of the local government. And this trend has continued unabated in majority of Nigeria's local governments. Because the external revenues which take the form of monthly statutory revenue allocations and state grants are highly susceptible to manipulations of the state governments, and more so, that they are dependent on the volatility of the crude oil market, shortage of funds has always posed a problem for the local government councils in providing infrastructure in the local communities.

**Findings and Discussion**

Based on the data collected and analyzed, the study found out that most LGAs in Nigeria lack the capacity to develop their revenue generation machinery due to undue interference of state governments in the financial systems of the local governments as well as the over dependence of the local governments on the external revenues from the Statutory Revenue Allocation by the federal government. This corroborated the views of Oseni (2013) which insisted that IGR has continued to play a second fiddle in the sources of revenue of the various tiers of government in Nigeria because of the nation's heavy reliance on oil. Also there is very low rate of revenue generation among local governments in Nigeria due to non payment of taxes and rates by the inhabitants of the rural areas (Atakpa & Ocheni, 2012). This could be the result of poverty and massive unemployment that is prevalent in the rural areas in Nigeria.

The study further revealed that local governments have not provided encouraging infrastructural development on their own in most of their communities but rather, depend on those provided by their states or the federal government (Khalil & Adelabu, 2011). Leaders of local governments have not harnessed the available local revenue sources within the local governments. And lastly, Local government funds/revenues are most times diverted to private accounts even at source, due to bad leadership and corruption. So many political cum traditional leaders such as some state governors and leaders of the Houses of Assembly, state executive members of the ruling party in the state, some powerful traditional chiefs, leaders of the most powerful clandestine groups in the LGAs and even some powerful religious leaders mandatorily demand a share from whatever comes to the local government every month as a reward for their efforts in helping to put the LG chairman in power.

**Conclusion**

Local government is an authority to determine and execute measures within a restricted area inside and smaller than a whole state. It is a system designed for local communities to jointly pursue their common goals and needs of development which would not be possible if undertaken by an individual. As such, the effectiveness of local government is adjudged by the development it provides, in terms of social infrastructure and the happiness and general well-being of the community it was created to serve. Based on that, local government authorities need revenue (which has to be generated internally and or externally) to execute theirs legitimate functions.

In this study, it was discovered that many revenue sources exist in local governments in Nigeria but local governments have not effectively harnessed and utilized these revenue sources for the development of the local communities. This phenomenon has led to the poor infrastructural development of the communities such as can be seen in the lack of portable water supply, poor rural road networks, dilapidated school blocks and moribund health centers, among others in various communities in the country.

Regrettably, inhabitants of rural communities seldom pay taxes and rates to the local governments because of poverty and ignorance. Conclusively, effective revenue generation and utilization will enhance infrastructural development of local governments, and that can be achieved if the IGR mechanism of the LGAs is reinvigorated to generate more funds to complement the external revenue that is not steady and sustainable.

**Recommendations**

Based on the findings of the study, the following recommendations were made:

1. There should be total re-orientation and enlightenment of the inhabitants of L.G.A on the importance of taxes and rates payments to the government. This will help the people to always pay their taxes which will enhance the LG's IGR for the development of the areas.
2. Since people evade tax because of poverty and bad economic condition of the country, the government at all level should create job opportunities for people to get employed and contribute to local government economy.
3. The state and local government authorities should provide environment for private investors to come into the L.G.As and invest, to improve the economic status of the local governments. This will help to improve per-capita income of the people, reduce poverty and insecurity
4. The LGAs should employ technology driven measures towards the enhancement of IGR as well as hire cable and honest staff in their IGR and finance department. This will help minimize incidences of theft and financial corruption that has hampered IGR of many LGAs in Nigeria
5. Infrastructure in rural areas as road construction, building of schools, provision of potable water, building of market and parks and electrification should be encouraged by the state as that will better the lives of the people in the grassroots.

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