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CONTRIBUTIVE EFFECT OF LOCAL GOVERNMENT REVENUE ON ECONOMIC DEVELOPMENT IN NIGERIA

Onochie Felix Okolie[1], Friday Ebikabowei Akpukpu[2] Francis N. Udeh[3]
[1,2&3]*Department of Accountancy, Faculty of Management Sciences, Nnamdi Azikiwe University, Awka, Anambra State, Nigeria*
Emails: [1]okoliefelix1@gmail.com; [2]akpukpufriday@gmail.com; [3]fn.udeh@unizik.edu.ng
Correspondence: akpukpufriday@gmail.com

ABSTRACT

This study concisely examined the contributive effect of Local Government revenue on economic Development in Nigeria. Specifically, the study examines how much local government revenue from Federation Account (FAAC), State allocation, Internally Generated Revenue, Value Added Tax (VAT), Grants and others have affected the Real Gross Domestic Product (RGDP) in Nigeria using time series data from 1993 – 2022. The data was analysed using the traditional OLS technique, Diagnostic test and Granger causality test were carried out on the data obtained from the Central Bank of Nigeria. The study in order to prevent occurrence of correlation of variables equally carried out the serial correlation LM test which clearly indicates that there was no correlation between the variables in the model. This is because the p-value are insignificant at 5% level of significance. The findings show that local government revenue from the various sources as contained in the study significantly affects economic development in Nigeria. Unidirectional link runs between Value Added Tax of local government revenue to real GDP in Nigeria. The study recommends among other things that local governments should be granted financial autonomy with periodic value for money audit as this will minimize wastage and maximize fiscal responsibility towards utilizing local government revenue for infrastructural and economic development in Nigeria.

Key words: *Economic Development, Federal Allocation, Internally Generated Revenue, Local Government, Revenue, State Allocation.*

1. INTRODUCTION

Local Government is one of the three tiers of Government that joined in sharing Federation revenue with the State and Federal Government. They were created to bring economic and infrastructural development to the people at the grassroots. Government at any level exists to provide services to the people for the enchancement of their living standard and therefore local governments are created to bring transformqation to rural lives (Musa & Ajibade, 2016) as cited by (Gbenga etal, 2022). The local government plays a crucial role in the delivery of services to the citizenry. The success of any local government is its ability to utilize its human and material resources to achieve the desired objectives i.e rendering needed services to the community (Brama etal, 2022).

Revenue is an increase in net worth resulting from transactions. For general Government units, there are four main sources of revenue: Taxes and other compulsory transfers imposed by government units, property income derived from ownership of assets, sales of goods and services and voluntary transfers received from other units (IMF, 2021). Every organization needs adequate flow of revenue to be able to perform its responsibilities to either the public or to customers. Governments collect revenues mainly for two purposes: to finance the goods and services they provide to citizens and businesses, and fulfill their redistribution role (OECD). According to the (Wikipedia) Government revenue or National revenue is money received by a Government from taxes and non-tax sources to enable it undertake non-inflationary public expenditure. In Nigeria, fiscal federalism is an area where all tiers of Government scramble to get their share of the revenue generated by the federation as allocation on monthly basis. Apart from the allocation from the federation account, governments at all level particularly the local governments are advised to look for alternative ways of generating revenue to augment the statutory allocation. This is because; the survival of every government is depended to large extent adequate funds. The inability of Governments at any level to generate sufficient finance to meet their fiscal expenditure has led so many Governments to borrowing to augment the deficit in the budget.

Local Governments are essential actors in economic development in Africa. Ideally, they play a key role in implementation of programmes, and they pursue local economic development to strengthen economic growth (Organization for Economic Corporation and Development, 2022). The aim of any government is to utilize the available scarce resources to ensure the growth and development of the country (Babarinde et al, 2021). The survival and continous service delivery and implementation of economic policies that enhance gross domestic product (GDP) in the country are all dependent on adequate availability of revenue to government. Furthermore, local government provides a secured and stable environment in which enterprises can flourish and are responsible for physical infrastructure necessary as prerequisites for economic activity (Gbenga et al, 2022). National economic development can be achieved through the creation of enabling environment for businesses and other formal and informal activities to strive. In order for Local Governments to contribute to economic growth, they should clearly state their priorities, invest in education, health and environmental sanitation. The problems faced by Local Governments in Nigeria are enormous. Within the confines of Nigeria federalism, the problem of revenue allocation has remained the most dominant and contentious in the interaction between Local Governments as the third tier of government and the other two tiers – Federal and State Governments (Braimah et al, 2022).

Local Government suffers in terms of revenue when allocations from the Federation Account are not enough due to short fall in crude oil revenue. At times, this creates serious financial crisis to many Local Governments as they may not be able to pay staff salaries nor execute capital projects. The refusal of Federal and State Governments to grant Local Government autonomy is another area that is slowing down Local Governments full potential in achieving economic growth in Nigeria. There is so much influence on Local Government finances by State Governments leading to practically no tangible development taking place. The Federal Government under President Muhammadu Buhari recently advocated the path of Local Government autonomy owing to the fact that States of the federation have continued to infringe on the exclusive and allocated responsibilities of Local Government (the Guardian, 2021)

Lastly, the problem of corruption and mismanagement of public fund is another area holding back substantial development at the local level. Often times, monies budgeted for projects are outrightly stolen or projects abandoned due to lack of funds, which have been corruptly stolen by Politicians and other officials. The recent comment by a serving Senator, Ali Ndume in the 10th National Assembly is a testimony to this. Revenue collectors too are not left out in the corruption in the Local Government as some even go as far as duplicating revenue receipts to issue to tax payers.

The main objective of this study is to investigate the contributive effect of Local Government revenue on economic development in Nigeria. The specific objectives include to:

1. access the effect of federal allocation to local government on economic development in Nigeria.
2. determine the effect of State allocation to local government on economic development in Nigeria
3. evaluate the effect of value added tax allocation to local government on economic development in Nigeria
4. investigate the effect of local government internally generated revenue on economic development in Nigeria.
5. access the effect of grants and other source of revenue to local government on economic development in Nigeria.

The hypotheses used in this study is stated as follows.

H_{o1} there is no significant effect of federal allocation to local government on economic development in Nigeria

H_{o2} State allocation to local government has no significant effect on economic development in Nigeria

H_{o3} value added tax allocation to local government has no significant effect on economic development in Nigeria

H_{o4} there is no significant effect on local government internally generation revenue on economic development in Nigeria.

H_{o5} grants and other source of revenue to local government has no significant effect on economic development in Nigeria.

2.1 LITERATURE REVIEW

Local government in every country forms essential part in the economic growth and development which the people at the grassroots enjoy. The 1976 local government reforms in Nigeria defines local government as government at local level, exercise through representative council established by law to exercise specific powers within defined areas(Gbenga etal, 2022). Local Government finances relates to fiscal operations of the local government through measures like revenue, expenditure, debt, budgeting and financial administration.

2.1.2 Sources of Local Government Revenue

Government revenue or National revenue is money received by government from taxes and non-tax sources to enable it, assuming full resources employment, to undertake non-inflationary public expenditure. Government revenue as well as government spending are components of the government budget and important tools of the government fiscal policy (Wikipedia). Revenue is equally defined by International Monetary Fund as an increase in net worth resulting from a transaction. For general government units, there are four sources of revenue: taxes and other compulsory transfers imposed by government units, property income derived from the ownership of assets, sales of goods and services and voluntary transfers received from other units. According to (Braimoh & Onuoha, 2022). The term "revenue generation" refers to the processes and methods used by local governments to raise funds for service delivery.

In Nigeria the sources of revenue to government had been significantly from crude oil that generates more than 60% percent of our national revenue. Government revenue according to (Babarinde, 2022) is the various incomes sourced by government from business, donation, grants, aids and so on which are used in financing operations, activities and expenditures. Government revenue as highlighted by the (CBN, 2021) includes income from federation and state allocation, value added tax, internally generated revenue, excess crude, budget augmentation, subsidy reinvestment and employment program (SURE-P). To improve the local government's revenue base, the dependency on external sources of funding should be decreased and attempts to improve internal revenue streams should be promoted as the current finance pattern and procedure for local government will not result in quick rural development and will make it difficult to bring government closer to the people at the local level (Braimoh et al, 2022). The following are the various sources of revenue to the Local Government council in Nigeria as prescribed by the constitution.

2.1.3 Federal Allocation

This is an external source of revenue to the local government councils in Nigeria. Statutory allocation from the federation account, grants and loans from federal and state government and other sources are all external sources of revenue for the local government. The following sources are briefly discussed: The Federation Account is obligated to make the following statutory allocations: The Federal Republic of Nigeria's 1999 Constitution establishes mandatory transfers of public funds to local government councils within the state(Braimoh, et al, 2022) The three tiers of government share revenue generated from the Federation account using the approved revenue sharing formula. The statutory allocation to local government is one of the most reliable source of revenue to local government to meet their own fiscal expenditure needs and responsibilities as assigned to them by the constitution. Over 70% of local government revenues comes from allocation from the federal government. According to Nwali (2018), as cited by (Braimoh et al, 2022) the statutory allocation from the federal account remains the most important external source of revenue for local governments in Nigeria. The amount standing to the credit of the Federation Account less the sum equivalent to 13 per cent of the revenue accruing to the Federation Account directly from any natural resources as a first line charge for distribution to the beneficiaries of the derivation funds in accordance with the Constitution shall, be distributed among the Federal and State Governments and the Local Government Councils in each State of the Federation on the following basis, that is to say- (I) the Federal Government 56.00 per cent; (ii) the State

Governments 24.00 per cent; (iii) the Local Government Councils 20.00 per cent (Federal Account Allocation committee, 2022). The Federation Account has been the focal pool from which the three tiers of government in Nigeria derive their monthly allocation which is expected to be judiciously utilized in addressing socio-economic development of their localities (Sanusi, Tabi'u & Mohamed, 2013)

2.1.4 State Allocation

The State and Local Government Joint Account (SLGJA) was introduced in the 1999 Constitution of the Federal Republic of Nigeria with the basic aim of pooling all the financial allocations due to the various local government councils from the Federation Account for onward distribution by the states to the local councils (Okafor & Ijeoma, 2019). Local Government also receives allocations from State governments revenues generated from various sources within the State. It is another external source of revenue to local government councils to augment its own internally generated revenues. According to (Ahmad et al, 2013) the overreliance and overdependence on the Federation Account exposes financial weaknesses of many states that could collapse within few months if the free money were not allocated from Abuja. Yet most of the states still embezzle rightful allocations to their local government councils.

2.1,5 Value Added Taxes

This is a tax imposed on goods and services of various kinds which items have been listed by government. The standard VAT rate is 7.5% (increased from 5% on 1 February 2020 (Worldwide Tax Summaries, 2024). The share of value added tax constitutes a source of revenue to local government in Nigeria. State receives more shares from VAT than the federal government since the goods and services are consummated at their respective states and local governments. VAT rate will lead to a positive impact on economic growth. The conclusions showed a positive relationship between economic growth and government revenue, though, at a slow pace (Rotimi et al, 2022) Value added tax is an area where government at all levels derive revenue in the formof allocation from the federation account allocation committee. The higher goods and services are produced and consumed in a particular state, the more allocation such state gets from distribution of VAT revenue among the tiers of government. Value added tax is one of the sources of indirect tax available to government to raise revenue through the imposition of tax on goods and services, which are borne by the users of such items. According to John (2020), indirect tax is another major source of government revenue. They are taxes levied upon persons or groups whom they are not intended should bear the burden or incidence, but who will shift them to other people. They are normally levied on commodities or services and hence their incidence does not fall directly on the final payers. It includes Import duties (and fees), Excise duties, Export duties, Value Added Tax (VAT)

2.1.6 Internally Generated Revenue

Internal sources of revenue for local governments are important sources of funding for their operations (Braimoh et al, 2022) Local Government on their own generate revenues internally as stipulated in the 1999 constitution as amended to meet their financial needs. The various sources available for local government revenue generation include; taxes, fines, rates, sales of property and investment, rent from shops, rent on Government Properties, Development Levies and Licenses. The question therefore is, what can local government do to resolve this persistent problem of insufficient funds? Local government should however, think outside the box to diversify its internally generated revenue base since revenue sharing formula among the three tier of governments in Nigeria does not favour local governments but only favour the federal and the states in respect of sharing percentage (Adesanya & Olayinka, 2023). The 1999 Constitution of the Federal Republic Nigeria as amended empowers the Local councils as per fiscal federalism to generate revenue internally to enable it meet it is the responsibilities in the residual list.

Local government has numerous internal sources of revenue which can be tapped and used to funds its annual capital and recurrent expenditures. Some of these internal sources are fees, permits, licences, charges, tolls, fines, and taxes. Internally generated revenue of most local governments in developing countries constitute a small fraction of the total revenue available for funding their activities as many relied on external sources (Adesanya & Olayinka, 2023). The functions of local government was further captured by Adesanya and Olayinka as stated in Nigeria 1999 constitution to include mandatory and concurrent functions. For mandatory functions, one of the role is the control and regulation of outdoor advertisement and hoarding as highlighted in section J(a) of the fourth schedule of the 1999 constitution. This function gives local government the power to generate revenue in the form of fees or charges from issuance of licence or permit for outdoor signage, advertisement and hoarding. This form of revenue has been a challenge to local government in collection with less focus and paltry revenue being generated. But, local governments in some States in Nigeria had delegated the power to control, regulate, monitor and generate fees or charges on signage, hoarding and advertisement to Signage and Advertisement Agency. Revenue generation by signage and advertisement agency is expected to boost IGR and thereafter enhance local government performance on its mandatory functions to the citizens in the area of construction and maintenance of, roads, streetlights, drains, parks, gardens, traditional ruler's palace, and other public facilities. In addition, enough funds will also be available to take care of the concurrent responsibilities such as the provision, funding, construction or maintenance of primary schools, vocational centers, health facilities and services, women empowerment, environmental sanitation, and maintenance of peace and security.

2.1.7 Expenditure

Perhaps, another interesting aspect of public finance that has received much attention in literature, debate, and empirical analysis is the effect of public expenditures. Many support large public expenditure because it pulls money into circulation, increases investment, and reduces tax averseness (John, 2023). Expenditure at local or any other level of governments, mostly takes the form of recurrent and capital expenditure. Government expenditure are the various cost, expenses and utilization of financial resources (funds) by the public sector for the proper functioning of government machineries and for the provision of public goods and services. In other words, the amount of money spent by government to provide public goods and ensure public governance is called government expenditure (Abdulmakeed et al 2019) as cited by (Gbenga et al, 2022). Government expenditure also called public expenditure could be capital expenditure and recurrent expenditure. Public expenditure has over time become the key instrument by which governments seek to promote economic growth and development, especially in developing countries like Nigeria (Usman, 2011) as cited by (John, 2023). According to Bingilar and Oyadonghan (2020) cited in John, 2023) defined government expenditure as the government's costs for providing and maintaining itself as an institution, the economy, and society. They further stated that government expenditures tend to increase with time as the economy becomes large and more developed or as a result of an increase in its scope of activities. Equally, (Aluthge, Adamu & Abdu 2021) stated that, government expenditure remains an important instrument utilised in the process of development. They further emphasized that, government expenditure, plays a pivotal role in the functioning of any economy at almost all stages of growth and development.

2.1.7.1 Capital Expenditure

Government expenditure is capital in nature when the expenditure involves procurement of long lived and highly valued assets and properties that are capable of producing other assets.

Construction of roads and bridges, building of hospitals, acquisition of plants and machineries are examples of capital expenditure of government (Gbenga et al, 2022). Economic development of any country needs government spending on capital expenditure in bridging the gap of underdevelopment in Africa and Nigeria in particular. Adequate provision of capital expenditure attracts both foreign and local investments. No investor would want to invest in a country where there are poor infrastructures, government's lack of will to develop modern and economic boosting projects such as modern train stations, accessible roads, dams, telecommunications, constant electricity supply, water supply to homes, improved irrigation system, improved airport facilities to international standards and so on. Capital expenditures are constructions undertaken by the government on roads, bridges, health centers, military installations and hardware. Government expenditure can be for the purchase of goods and services for current use to directly satisfy the needs of the members of the community or it can be for purchase of goods and services for the purpose of creating future benefits such as infrastructure investment and the expenditures can represent transfers of money, such as social salaries and cost of administration (John, 2023). Government operations and activities can be greatly affected without adequate provision of funds for capital expenditure. Capital Expenditure in essence have positive drive in the economy in terms of creation of both short term and long term employment for people who engaged in the construction and mining industry.

2.1.7.2 Recurrent Expenditure

Expenditures in the forms of payment of worker's wages and salaries, expenses of printing and stationary, debt servicing, regular repairs and maintenance and expenditures necessary for the day to day administration of government affairs constitute the recurrent expenditures of government (Gbenga et al, 2022). Recurrent expenditure may affect economic growth through its effects on people's ability and willingness to work, save and invest. (Mudiadga etal, 2022) Workers are motivated when they are paid their salaries regularly and the maintenance of their working environment will go a long in creating positive impact on the economy. Government's failure to spend on recurrent expenditure as at when due can cause economic disruption due to labour union actions that results to loss of billions of naira in economic activities. For instance, the Monday seat at home declared by IPOB has caused the lost of billions in the South Eastern states and the Nigeria economy in general. To avoid bringing the economy to its knees, government should constantly dialogue with various parties to resolve issues early to avoid economic shutdown.

2.1.8 Reason for the Creation of Local Government

The creation of the Local Government council was intended to bring government closer to the people at local level so that the people can feel the impact of government social goods and services. (Adesanya et al 202) stated that Local government is created to enhance the process of democratization, facilitate citizens' participation in decision making and make provision for goods and services at the local areas. The existence of local government is to reduce the responsibilities of the central and state governments which sometime appear to be too much for the central government to bear or to oversee the entire country that has large geographical space and population. The local councils therefore help the government at the center in passing the general economic policies and programs to the people at the grassroots by making the basic amenities available in the best way possible. Adesanya etal cited Adekoya, Agbetunde and has stated that local governments are created to facilitate democratic self-government and also act as channel of communication between other tiers of governments. Local governments are saddled with much responsibilities and functions which require adequate provision of funds 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 (Wobo, 2022)

Nigeria is a multicultural country. The creation of local government councils creates the feeling of belonging among the different groups who have government presence in their area through the local government councils that brings the dividends of democracy to the people at the grassroots. 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 has its own functions allocated to it under the Constitution (Wobo, 2022). The clamour for the creation of more local government councils in the country has been one of major political discourse for a very long time by both political analysts and different interest groups in the country. To some, they have not being treated fairly in terms of the allocation accruing to the Local Government Councils. Currently, there are 774 local government council areas in the country sharing constitutional power with the federal and states government.

2.1.9 Local Government as a Source of Economic Development in Nigeria

Economic growth as one of the macroeconomic goals of most public finance policies can be defined as the continuous expansion of productive capacity of an economy which reflects increased capacity utilization to produce goods and services and is normally represented by gross national product or gross domestic product (Abdulmakeed etal, 2019) as cited by (Gbenga etal, 2022). Local Government as a tier of government can engineer economic growth and development through appropriate utilization of the revenues at its disposal. The process of economic growth of a nation relates to the ability of the nation to generate adequate revenue to meet its obligations (Okwori etal) as cited by (Rotimi et al, 2022). The quest for economic growth and development has been the major priority of government all over the world. While the advanced countries, like USA, France, china and Britain and so on has attained substantial economic growth and development that has improved the lives of their citizens, developing countries in Africa and Nigeria in particular have not been able to achieve much economic growth due to faulty economic policies, misplaced priorities, non-people oriented programs, lack of Will by the political class and policy inconsistencies. Local Government economic policies need to strike a balance. The need to be aligned with national economic policy priorities, but they also need to be adapted to the local context (OECD, 2022). The importance of local government in economic development does not mean that national government has no role to play. National and local governments can provide effective support for the economy without the contribution of the other (OECD, 2022).

2.1.10 Challenges Faced by Local Government in Economic Development

Local Government areas in Nigeria are faced with a lot of challenges that hinders their ability to contribute meaningfully to economic development in Nigeria. Since Nigeria returned to democracy in 1999, there has been a decline in the delivery of social services at the grassroots due to overwhelming corruption, weak institutions and oversights, poor health services, lack of potable water, poor facilities in the primary education sector. (Idayat, 2020). The various economic crises that took place between 2008 till date, the corona virus pandemic of 2019 and the Russian- Ukraine war has caused serious economic problems to various countries around the world leading to revenue reduction, fall in oil prices and economic hardship due to low production. These has brought so much financial crisis to so many local government in Nigeria. Federal allocation to states and local governments become small as a result of poor revenue generations. The inability of local governments to strategize plans to generate adequate revenue has worsen the situation the more, resulting to nor delivery of needed goods and services to the people.

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The lack of autonomy by local government, whereby governors influence policies and programs of local council areas has impacted negatively on the ability of local governments to deliver the dividends of democracy to the people at the grassroots. In its bid to ensuring effective grassroots governance that will bring development to the masses, the Federal Government has reiterated its plans to ensure that local governments are given financial autonomy (Leadership, 2024). The present grip that State Governors have on Local Governments as a result of the constitutional provision of the state and local government joint account (JAAC) has made it difficult for Local Governments to operate on own their own without undue interference. The control of states on local government finances should be broken to free the council areas from financial bondage placed on them by corrupt State Governors. Equally, The Senate asked President Bola Tinubu to convene a national dialogue to deliberate on full autonomy for Local Governments in the country (premium time, 2024). Government officials' corruption and mismanagement has also contributed negatively to economic development of the country. This is because monies meant for public provision of goods and services are either diverted to private accounts or mismanaged without remorse. Ineffective strategies and methods in collections of revenue is another problem facing local government areas in Nigeria. So many local governments lack strategies on to how develop plans to enable them collect taxes and fines, rates and so on available to them at their localities. The attitude of people in evading tax payment, as this affect the overall generation of revenue that could have been used for improvement of lives.

2.2 Theoretical Review

The following are the theories used to explain the topic under study.

I. The theory of Fiscal Federalism

ii. The Democratic-participation theory

iii. The Efficiency-Services theory

iv. The Development theory

2.2.1 The Theory of Fiscal federalism

The theory of fiscal federalism was originally developed by German-born American economist, Richard Musgrave in 1959. Musgrave argued that Government system have the ability to solve many of the issues bedeviling local governments by providing the balance and stability needed to overcome disruptive issues like uneven distribution of wealth and lack of widely available resources (Jack and Julia, 2023).

2.2.2 The Democratic participation Theory

The theory of Democratic participation was developed by jean-jacques Rousseau and J.S Mill in the 18th century. The theory is of the opinion that local government has the right setting for the involvement and participation of the people in local democracy. It gives the people the room to choose their representatives in government both at local and national level to manage the common wealth on behalf of the citizens in order to bring economic growth and development to the people. The Theory gives the people power over the elected representatives as they could be withdrawn when they fail to perform to the expectations of the people while they are in office. Society has grown beyond the level where everybody can get involved directly in the decision-making process that affects the collective good of the people. Therefore, Democratic participation become the ideal form of government where the people decides who represents them at various levels of government which in turn creates room for economic growth and development.

2.2.3 The Efficiency-Services theory

The efficiency services theory was developed by William Mackenzie and Sharpe in year 1954. This school of thought is of the belief that, local governments have the responsibility to not only deliver goods and services to the people at the grassroots but are expected to be effective and efficient in resources utilization. This theory held that local governments are primarily created to provide all the needed services to the people since they are the closest to them at the local level. The need to effectively and efficiently manage local government revenue in achieving economic growth makes this theory useful because as a tier of government, there is need for accountability on the part of those entrusted with the management of local government revenue for the benefits of the people. This theory is of the opinion that, local government councils are nearer to the grassroots, therefore, they are in a better position to provide efficient services to the people thereby increasing national economic growth.

2.2.4 The Development Theory

The development theory was said be propounded by an American historian, Walt W Rostow in 1960. According to (Adeyemo, 2011) as cited by (Omoniyi and Busay, 2016,), the theory originated from the developing countries in attempt to position local government as developmental agent. The view of development school of thought is that, local government should serve as an agent of development (Moniye etal, 2016). This theory believes that local government is a veritable avenue in creating development and should be allowed to bring political and social economic development to the people at the local level. Government exists for the purpose of protection of lives and properties and the development of the country and the people are the direct beneficiaries of such development.

This study will be anchored on the theory of fiscal federalism. This theory allows the sharing of responsibilities by the three tiers of government and how revenue is to be distributed among the federating units to create an enabling environment for economic growth, even development and priority setting. Nigeria as a country has been practicing the principle of fiscal federalism right from the colonial era, since then different commissions had been set up to device acceptable formulas for revenue sharing among the three tiers of government. While the theory had been practiced to the advantages of the states in the United States of America, where States are solely in charge of what they derive (revenue) from their state and pay tax to the federal government, it is a different practice in Nigeria where the centre enjoy more of the resources generated from states than the state themselves. The issue of national politics has even worsened the situation, since every groups want the kind of revenue sharing formula that will favour their zones while those whose lands are been devastated get nothing much to show for what that is been gotten from their lands. Local Government being the third tier of government has not been able to account for monies allocated to them for any meaningful development due external influence and lack of autonomy, corruption and mismanagement by local council chairman and other officials. Fiscal federalism is a theory that believes in given more to who owns resources than given more to who owns little.

2.3 Empirical Review

This aspect takes a critical look at works done by other researchers and literatures that are empirical in nature. The empirical works done by others give a clear view of what has been found in that field and what is still needed to be found or discovered.

Joseph and Omodero (2020) in their study investigated the relationship between Government revenues and the economic growth of Nigeria. The study employs exploratory and ex-post facto research designs while using secondary form of data spanning from 1981 to 2018 collected from the Federal Inland Revenue Services (FIRS), National Bureau of Statistics and CBN statistical bulletin. The relationship was tested by using Ordinary Least Squares (OLS) regression technique. The study finds out that federally collected revenue and value added tax have a moderate positive relationship with the economic growth in Nigeria within the study time.

Aluthge et al (2021) carried out an investigation on the impact of Nigeria government capital and recurrent expenditures on economic growth using time series data for the period 1970-2019.They applied ARDL approach in carrying out their data analysis. They equally applied structural break in the unit root test and the co-integration analysis. The study concluded that capital expenditure was established to have positive and significant impacts on economic growth both on the short and long run. On the other hand, recurrent expenditure does not have significant impact on economic growth in Nigeria.

In their study (Rotimi et al, 2021) studied the relationship between revenue generation and economic growth in Nigeria. It employed time series data sourced from the Central Bank of Nigeria (CBN) and the National Bureau of Statistics (NBS) from 1981-2018. They used the multiple regression approach with the conclusion which indicates that domestic debts and non- oil revenue have positive and significant impact on economic growth, while external debts and oil revenue which are opposite to economic growth in Nigeria.

Odinakachi et al (2021) examined the effect of federal government revenue and expenditure on the economic growth of Nigeria for the period 1983 to 2018. The investigation was anchored on ex-post facto research design to produce test results via Bounds test, ARDL short/long run estimates and to make forecasts. The study reveal that federal government retained revenue, non-oil revenue and recurrent expenditure have statistical significant effect on economic growth in Nigeria.

Gbenga et al (2022) examined the effect of local government finances on economic growth in Nigeria for the period 1993-2021. One the objectives of the study was to assess the effect of local government revenue on economic growth in Nigeria. They used the dynamic least squares, fully modified least squares, and Granger Causality Techniques were applied to the annual Time Series data collected from Central Bank of Nigeria statistical bulletin. The findings of the study confirmed the existence of a long run relationship between local government finances and economic growth in Nigeria.

Adesanya etal (2023) carried out an investigation on Boosting Internally Generated Revenue in Local Government: Signage and Advertisement Revenue as an option for consideration. The focus of the study was to boost internally generated revenue in Lagos State. Secondary data were extracted from Auditor's General Report 2015-2021 and these were analyzed with descriptive and inferential statistics at 5% level of significance. The study revealed that SAR positively have effect on total IGR (Adj.R2=0.713431, F(1,7)=347.0494, p=0.000).

3. METHODOLOGY

This study adopted the ex-post facto research design method in order to determine the contributive effect of local government revenue on economic development in Nigeria (1993–2023). The ex-post facto research design allows the use of past data in evaluating their relationship between variables of interest and the data for this study is from secondary source and annual infrequency and was adopted from CBN statistical Bulletin and Nigeria Bureau of Statistics bulletin. The choice of this research design becomes necessary because the event being studied had already taken place and there searcher has no single control over any of the independent variables. The adoption of the secondary data is to align with the research design of after-effect approach (ex-post facto) used in this study in determining the contributive effect of local government revenue on economic development in Nigeria.

The description of variables of study are shown in the forms of Items, Signs, measurements and types as summarized below in Table 1.

Table 1: Operationalisation of variables

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Particulars	Signs	Measurements	Types
Economic Development	RGDP	GDPatcurrentpricesanditrepresentse conomicdevelopmentinBillions(#)	Dependent
Local Govt Revenue			
Federal Allocation	FEDAL	Revenue from Federal Allocation	Independent
State Allocation	STAAL	Revenue from State Allocation	Independent
Value Added Tax	VATAL	Revenue from Value added Tax	Independent
Internally Generated Revenue	IGRAL	Revenue from IGR	Independ ent
Grants and others	GRTAL	Revenue from grants and others	Independent

Source: Authors compilation.

In this study, the linear regression analysis and analysis of variance (ANOVA) were applied usingE-views 12.0 software for the panel data in order to determine the relationship between the dependent and independent variables. The dependent variable, economic development is proxy by gross domestic product (GDP) while the independent variable, Local government revenue is proxy by allocation from federal government, allocation from state government, Internally generated revenue (IGR), Value added tax (VAT), grants and others. The regression techniques applied in the analysis of the contributive effect of local government revenue on economic development in Nigeria (1993-2023) traditional OLS technique, diagnostic test and diagnostic test were carried out. The descriptive properties of the data show the number of observations mean, median, maximum, minimum, standard deviation and sum of mean deviation. The data unit root test was equally applied to know the stationary of the data. The P-Value approach was employed in this study to determine whether or not the independent variables (localgovernmentrevenues) have significant effects on the dependent variable (GDP in Nigeria). If the P-value of the coefficient of variables does not exceed any of 0.01, 0.05 and 010, then the variable is said to have significant effect on the dependent variable and vice versa.The granger causality test was used to test the hypotheses of the study.

4. RESULT AND DISCUSSIONS

4.1.1 Data Presentation

The data used in the analysis are presented in this sub-section. The data were obtained from Central Bank of Nigeria (CBN) and Federal Inland Revenue Service (FIRS). Table 2 details the data on federal allocation, state allocation, value added tax, internal revenue, grant and others, and nominal GDP from 1993 to 2022.

Table 2: Federal Allocation, State Allocation, Value added Tax, Internal Revenue, Grant and Others, and Nominal GDP from 1993 to 2022

Year	Federal Allocation (N' Billion)	State Allocation (N' Billion)	VAT (N' Billion)	Internal Revenue (N' Billion)	Grant and Others (N' Billion)	Nominal GDP (N' Billion)
1993	18.87	0.25	0.00	1.04	0.24	1,259.07
1994	17.32	0.47	0.00	1.21	0.23	1,762.81
1995	17.88	0.63	3.56	2.11	0.24	1,259.07
1996	17.59	0.69	3.31	2.21	0.00	1,259.07
1997	20.44	0.58	7.57	2.51	0.14	1,259.07
1998	30.60	0.75	10.17	3.33	0.09	1,259.07
1999	43.87	0.42	9.56	4.68	2.27	1,259.07
2000	118.59	1.92	13.91	7.15	10.30	6,897.48
2001	128.50	1.60	20.10	6.02	15.30	8,134.14
2002	128.90	1.67	18.73	10.42	12.43	11,332.25
2003	291.41	2.12	39.65	20.18	16.82	13,301.56
2004	375.66	3.63	45.99	22.41	20.62	17,321.30
2005	493.00	3.24	55.79	24.04	21.14	22,269.98
2006	550.80	3.43	75.92	23.23	20.88	28,662.47
2007	568.30	3.00	105.10	21.30	7.51	32,995.38
2008	722.26	6.82	135.92	23.11	4.71	39,157.88
2009	529.31	19.74	157.38	26.06	31.70	44,25.56
2010	716.97	12.67	189.13	26.15	48.91	54,612.26
2011	940.03	35.21	218.23	31.60	228.98	62,980.40
2012	977.40	8.74	238.55	26.62	131.55	71,713.94
2013	1,106.97	12.79	267.32	29.29	94.01	80,092.25
2014	1,125.08	4.13	266.86	36.49	91.02	89,043.62
2015	822.97	6.88	261.65	24.03	83.21	95,144.96
2016	595.96	976	272.49	36.39	34.90	101,489.49
2017	828.95	12.87	325.13	38.22	28.88	113,711.63
2018	1244.15	16.05	366.29	32.50	11.98	127,762.55
2019	1222.74	18.35	395.11	32.70	27.14	144,210.49
2020	905.86	7.11	590.20	42.07	59.62	152,324.1
2021	981.75	9.38	658.16	63.78	47.75	173,527.7

2022	1,077.51	34.30	802.50	46.23	45.67	199,336.00

Source: Central Bank of Nigeria (CBN) and Federal Inland Revenue Service (FIRS)

4.1.2 Descriptive Properties of the Data

Table 3 shows the descriptive statistics of the variables. It shows the total number of observations, mean, median, maximum, minimum, standard deviation and sum of mean deviation. The mean values of the variables: gross domestic product, federal allocation, state allocation, value added tax, internal revenue, and grant and others are 55325.49, 553.9880, 40.18133, 185.1427, 22.23600 and 36.60800 respectively, while the median of the study variable are 30828.93, 559.5500, 3.880000, 120.5100, 23.63000 and 20.75000. The minimum values of the series are 1259.070 for gross domestic product, 17.32000 for federal allocation, 0.250000 for state allocation, 0.0000 for value added tax, 1.040000 for internal revenue and 0.000000 for grant and others, whereas the maximum values are 199336.0, 1244.150, 976.0000, 802.5000, 63.78000 and 228.9800 respectively for gross domestic product, federal allocation, state allocation, value added tax, internal revenue, and grant and others.

Table 3: Descriptive Properties of Data

	Mean	**Median**	**Maximum**	**Minimum**	**Std. Dev.**
GDP	55325.49	30828.93	199336.0	1259.070	59233.99
FA	553.9880	559.5500	1244.150	17.32000	427.2684
SA	40.18133	3.880000	976.0000	0.250000	176.9878
VAT	185.1427	120.5100	802.5000	0.000000	210.6587
IR	22.23600	23.63000	63.78000	1.040000	15.70328
GRO	36.60800	20.75000	228.9800	0.000000	49.12984

	Skewness	**Kurtosis**	**Jarque-Bera**	**P-value**	**Obs**
GDP	0.89690	2.64220	14.18213	0.0005	30
FA	0.05699	1.58281	20.52676	0.0000	30
SA	5.17709	27.8832	907.9802	0.0000	30
VAT	1.36131	4.29135	11.35035	0.0034	30
IR	0.38531	2.86424	24.65367	0.0000	30
GRO	2.35908	9.12843	74.77332	0.0000	30

Source: Output data from E-views 12.0

The standard deviation of the variables are 59233.99, 427.2684, 176.9878, 210.6587, 15.70328 and 49.12984 for gross domestic product, federal allocation, state allocation, value added tax, internal revenue, and grant and others respectively. The measure of asymmetry of the distribution of the series around its mean that is, skewness of all the variables are positive suggesting that all the variables in the model are positively skewed towards normality. The p-values of the Jarque-Bera for all the variables are significant at 5% level meaning that all the variables are normally distributed and free from any outlier that may affect the regression output.

4.1.3 Data Unit Root Test Result

The unit root test is utilized to ascertain stationarity in a time series. A time series has stationarity if a shift in time does not cause a change in the shape of the distribution; unit root are one cause for non-stationarity in time series data. The assessments of the stationarity of the data were carried with Augmented Dickey-Fuller (ADF). The unit root test was performed at first difference and it was confirmed that the variables are stationary and free from defect that may affect the result of the analysis as revealed in Table 4.

Table 4: Result of ADF Test at First Difference

$P_{i,t}$ Variables	Intercept	Trend & Intercept	None	Inference
GDP	-6.158956 (0.00)*	-8.085734 (0.00)*	-4.689321 (0.00)*	Stationary
FA	-6.080446 (0.00)*	-5.975380(0.00)*	-5.531468 (0.00)*	Stationary
SA	-4.680318 (0.00)*	-4.770170 (0.00)*	-4.391723 (0.00)*	Stationary
VAT	-4.604509 (0.00)*	-4.417496 (0.01)*	-2.765804 (0.00)*	Stationary
IR	-5.949645 (0.00)*	-5.913807 (0.01)*	-6.297023 (0.00)*	Stationary
GRO	-6.225072 (0.00)*	-6.119150 (0.00)*	-6.331569 (0.00)*	Stationary

Source: Data output via E-views 12.0

Note: The optimal lag for ADF test is selected based on the Akaike Info Criteria (AIC), p-values are in parentheses where (*) & (**) denote significance at 1% and 5% respectively.

4.4 OLS Relationship

The nature of relationship between local government revenue and economic development in Nigeria was estimated using the traditional OLS methodology. The global utility of Adjusted R-square, f-statistic, Durbin Watson and the relative statistic of the individual variables were the statistical yardstick for interpretation of the OLS run relationship analysis. The result in Table 4.4 reveals that there is a positive relationship between local government revenue with respect to federal allocation (significant), state allocation (significant), value added tax (significant) and economic development in Nigeria. Internally generated revenue (insignificant) and grant and others (insignificant) surprisingly related negatively with economic development in Nigeria. Holding local government revenue: federal allocation, state allocation, value added tax, internal revenue, and grant and others constant would results in N-757.84 billion in reduction in gross domestic product which is the proxy for economic development in Nigeria. A unit rise federal allocation (significant), state allocation (significant), and value added tax (significant) lead to N43.43881 million, N31.27295 million, and N236.4742 million value appreciation in gross domestic product in Nigeria respectively. On the contrary, gross domestic product would be down by N453.1390 million and N80.40042 million following a percentage increase in internally generated revenue (insignificant) and grant and others (insignificant) accordingly.

Table 5: OLS Regression

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	-757.8488	4183.259	-0.181162	0.8578
FA	43.43881	11.49913	3.777575	0.0009
SA	31.27295	13.04188	2.397887	0.0246
VAT	236.4742	22.67097	10.43070	0.0000
IR	-453.1390	373.1179	-1.214466	0.2364
GRO	-80.40042	55.67020	-1.444227	0.1616
R-squared	0.967451	Mean dependent var		55325.49
Adjusted R-squared	0.960670	S.D. dependent var		59233.99
S.E. of regression	11747.13	Akaike info criterion		21.75746
Sum squared resid	3.31E+09	Schwarz criterion		22.03770
Log likelihood	-320.3619	Hannan-Quinn criter.		21.84711
F-statistic	142.6709	Durbin-Watson stat		1.416403
Prob (F-statistic)	0.000000			

Source: Data output via E-views 12.0

JOURNAL OF CONTEMPORARY ISSUES IN ACCOUNTING
Volume 5, Number 2, August 2024, pp. 41 – 71.
ISSN 2814 - 1113
https://journals.unizik.edu.ng/index.php/jocia/index

The adjusted R-square reveals that 96.06% changes gross domestic product was as a result of fluctuations in sources of local government revenue: federal allocations, state allocation, value added tax, internal revenue, and grant and others. This is statistically significant with respect to the p-value (0.00) and f-statistic (142.67). The Durbin Watson coefficient of 1.41 signifies no issue of autocorrelation in the model as the value is within the acceptable range of no autocorrelation in an estimated model.

4.1.5 Diagnostics Test

4.1.5.1 Serial Correlation LM Test

When the variables in a model are serially correlated, inferences from estimation of such model would be spurious and unreliable in statistical terms. In order to prevent the occurrence of serial correlation in the model specified for this study, the serial correlation LM test was performed. The result which indicated in Table 6 reveals that the variables in the model were not serially correlated with each other as the p-value are insignificant at 5% level of significance.

Table 6: Serial Correlation LM Test

F-statistic	2.396624	Prob. F(1,23)	0.1352
Obs*R-squared	2.831035	Prob. Chi-Square(1)	0.0925

Source: Data output via E-views 12.0

4.1.5.2 Heteroskedasticity Test

The presence of heteroskedasticity is considered not ideal and casts a dent to inference that would be made from such estimation of a model. In an attempt to be sure of the absence of of heteroskedasticity, the model was checked accordingly. The results of the test which is highlighted in Table 4.6 points to the fact that there is no heteroskedasticity in the model judging from the insignificant p-value of the f-statistics coefficient at 5% level of significance.

Table 7: Heteroskedasticity Test

F-statistic	0.259268	Prob. F(5,24)	0.9308
Obs*R-squared	1.537383	Prob. Chi-Square(5)	0.9087

Source: Data output via E-views 12.0

4.1.5.3 Ramsey Reset Test

The Ramsey Reset specification is the general test for how well a model is specified. It determines whether non-linear combination of the fitted values help explain the dependent variable. With the result in Table 8, the non-linear combination of the fitted values of the independent does not explain the changes in the dependent owing to the insignificant p-value (5% level of significance) for the regression model estimated.

Table 8 Ramsey Reset Specification

Estimates	t-statistic	df	P-value
t-statistic	0.481422	23	0.6348
F-statistic	0.231768	(1, 23)	0.6348

Source: Data output via E-views 12.0

4.1.6 Granger Causality Test

To causal relationship between the dependent and independent variables were determined using the granger causality analysis. From the result in Table 9, there is no causal relationship between local government revenue: federal allocation, state allocation, internal revenue, grant and others; and gross domestic product in Nigeria. Causality does not flow from federal allocation, state allocation, internal revenue, grant and others to gross domestic product in Nigeria at a 5% level of significance. This result implies that federal allocation, state allocation, internal revenue, grant and others have no significant effect on gross domestic product in Nigeria within the period covered by the study. On the contrary, it was revealed that gross domestic product in Nigeria has significant effect on internal revenue owing to the flow of causality from gross domestic product to internal revenue of local government in Nigeria at a 5% level of significance. It was also discovered that it is value added tax that significantly affects gross domestic product. This is on the fact that there is unidirectional relationship between value added tax and gross domestic product. The causality flows from value added tax to gross domestic product at a 5% level of significance.

JOURNAL OF CONTEMPORARY ISSUES IN ACCOUNTING
Volume 5, Number 2, August 2024, pp. 41 – 71.
ISSN 2814 - 1113
https://journals.unizik.edu.ng/index.php/jocia/index

Table 9: Granger Causality Result

Null Hypothesis:	Obs	F-Statistic	Prob.	Remarks
FA does not Granger Cause GDP	29	0.00129	0.9716	No Causality
GDP does not Granger Cause FA		0.49267	0.4890	No Causality
SA does not Granger Cause GDP	29	0.02125	0.8852	No Causality
GDP does not Granger Cause FA		1.10925	0.3019	No Causality
VAT does not Granger Cause GDP	29	10.9951	0.0027	Causality
GDP does not Granger Cause VAT		0.59060	0.4491	No Causality
IR does not Granger Cause GDP	29	3.63212	0.0678	No Causality
GDP does not Granger Cause IR		4.90632	0.0357	Causality
GRO does not Granger Cause GDP	29	0.22874	0.6365	No Causality
GDP does not Granger Cause GRO		0.39501	0.5352	No Causality

Source: Data output via E-views 12.0

4.2 Test Hypotheses

Decision Rule: If the p-value of f-statistic in granger causality test is less than 0.05, the null hypothesis is rejected. On the other hand, the null hypothesis is accepted if the p-value of f-statistic in granger causality test is above 0.05.

4.2.1 Hypothesis One

H_0: There is no significant effect of federal allocation to local government on economic development in Nigeria.

Table 10 dispels that the p-value for federal allocation to local government is insignificant at 5% level of significance. This is an indication that federal allocation to local government has no significant effect on economic development in Nigeria. In effect, the null hypothesis that there is no significant effect of federal allocation to local government on economic development in Nigeria is accepted, while the alternate hypothesis rejected.

Table 10: Hypothesis One

Hypothesis	Independent Variable	F-Statistic	P-Value	Decision
Hypothesis 1	Federal Allocation (FA)	0.00129	0.9716	Accept H_0 & RejectH_1

Source: Granger Causality Output in Table 4.8

4.2.2 Hypothesis Two

H_0: There is no significant effect of state allocation to local government on economic development in Nigeria.

As can be seen in Table 11, state allocation to local government does not significantly affect economic development in Nigeria. By indication, state allocation to local government has no significant effect on economic development in Nigeria. In the light of this, the null hypothesis that there is no significant effect of state allocation to local government on economic development in Nigeria is accepted, and the alternate hypothesis rejected.

Table 11: Hypothesis Two

Hypothesis	Independent Variable	F-Statistic	P-Value	Decision
Hypothesis 2	State Allocation (SA)	0.02125	0.8852	Accept H_0 & RejectH_1

Source: Granger Causality Output in Table 4.8

4.2.3 Hypothesis Three

H_0: There is no significant effect of value added tax on economic development in Nigeria.

The output in Table 12 depicts that value added tax has significant effect on economic development in Nigeria owing to the fact that the p-value for value added tax (0.0000) is significant at 5% level of significance. In this regard, the null hypothesis that there is no significant effect of value added tax on economic development in Nigeria is rejected, while the alternate hypothesis is accepted.

Table 12: Hypothesis Three

Hypothesis	Independent Variable	F-Statistic	P-Value	Decision
Hypothesis 3	Value Added Tax (VAT)	10.9951	0.0027	RejectH_1 &Accept H_0

Source: Granger Causality Output in Table 4.8

4.2.4 Hypothesis Four

H_0: There is no significant effect of local government internally generated revenue on economic development in Nigeria.

From the output in Table 13, it is vivid that economic development in Nigeria is not significantly affected by local government internally generated revenue. Therefore, the null

JOURNAL OF CONTEMPORARY ISSUES IN ACCOUNTING
Volume 5, Number 2, August 2024, pp. 41 – 71.
ISSN 2814 - 1113
https://journals.unizik.edu.ng/index.php/jocia/index

hypothesis that there is no significant effect of local government internally generated revenue on economic development in Nigeria is accepted, while the alternate hypothesis rejected.

Table 13: Hypothesis Five

Hypothesis	Independent Variable	F-Statistic	P-Value	Decision
Hypothesis 5	Grant and Others (GRO)	3.63212	0.0678	Accept H_0 & RejectH_1

Source: Granger Causality Output in Table 4.8

4.2.6 Hypothesis Five

H_0: There is no significant effect of grants and other sources of revenue to local government on economic development in Nigeria.

Table 4.13 shows that the p-value for grants and other sources of revenue to local government is insignificant at 5% level of significance. This implies that grants and other sources of revenue to local government have no significant effect on economic development in Nigeria. In effect, the null hypothesis that there is no significant effect of grants and other sources of revenue to local government on economic development in Nigeria is accepted, while the alternate hypothesis rejected.

4.2.7 Discussion of Results

The empirical results from the data obtained from the Central Bank of Nigeria between 1993 to 2022, using the traditional OLS technique, diagnostic test and the granger casulity test clearly indicates that, there is a positive relationship between local government revenue with respect to federal allocation significant, state allocation significant, value added tax significant and economic development in Nigeria. The economy of countries and particularly Nigeria could experience significant growth and development, if adequate resources available and are channeled to regions and local government councils to spend on both capital and recurrent expenditures. The more the activities of government in stimulating infrastructure investment and development, the more the economy grows, thereby increasing the normal Gross domestic product. From the result, allocation to local government from all source contribute to economic development, because the people at the grassroots benefits directly from the local government improved resources through creation of employment, provision of health care, education and so on. The study has shown the importance of federal allocation, state allocation and value added tax allocation to Local Government council in Nigeria. The bulk of the revenue of local government comes from the above areas and any significant fall, goes a long way to affect local government operations and programs in Nigeria. It is therefore clear why the relationship between economic development and these sources of Revenue to local government is significant. However, internally generated revenue and Grants and others are insignificant and surprisingly related negatively with economic development in Nigeria. One of the major problems that has dragged local government back in Nigeria in terms development is the inability to generate revenue on their own. Often times, the grants and other sources of revenue are not enough for the councils to embark on their desired policies and programs. This in essence significantly affects the overall growth of the economy.

The study also employed the Granger Causality test to test the relationship between dependent and independent variables. The results from the granger test indicates that, there is no causal relationship between local government revenue: federal allocation, state allocation, internal revenue, grant and others; and gross domestic product in Nigeria. It was also discovered that, allocation of Value Added Tax to local government significantly affects gross domestic product. This is on the fact that there is unidirectional relationship between value added tax and gross domestic product. The study, in order to prevent occurrence of correlation of variables, equally carry out the serial correlation LM test which clearly indicates that there was no correlation between the variables in the model. This because is the p-value are insignificant at 5% level of significance.

CONCLUSION AND RECOMMENDATIONS

Substantive economic growth and development is the main objective of every serious nation all over the world. A country like Nigeria with large geographical location and population, the governance and overall supervision has been very difficult for the central government. In the light of the above, the local government council areas were therefore created by the constitution as third tier of government to fill the gap between the central government and the people at the grassroots. The decentralization of government has made it possible for the people at the local level to participate and benefit from government social goods and service. The ability of local government to provide the desired social goods and carry out developmental projects that will translate to economic growth and development are all dependent on adequate finance at their disposals. A nation that does not pay attention to the development of its interior villages and towns is not ready for economic growth and development. Agricultural production that has to do with various farming activities takes place in the villages and towns, and therefore, the local government council areas are the best place to facilitates the easy development and the overall economic growth of the country.

Finance is the bedrock of every economic development plus the availability of human and material resources. The generation of revenue is an important aspect of every government and they do this by well-planned fiscal policies. In Nigeria, the government derive her revenue at all levels through tax and other sources. The constitution has provided the sharing of revenue among the three tiers of government of revenue generated through the collect wealth and resources. The local government as a tier of government benefits from the allocation of revenue from the federation account and the state and local government joint account. They also generate revenue internally to meet their capital and recurrent expenditure needs. The proper expending of local government revenue on capital project, provision of social goods brings about accelerated development thereby creating employment opportunities for the people at the grassroots. The dire need for local government autonomy cannot be overemphasized. This is because the joint account being managed by the state governors of the federation is not helping the local government areas to function properly as their policies and programs are mostly dictated by the governors who put them in office instead of the people supposedly being served. The recent Supreme court judgment is a welcomed development as it will now make the local government councils to be fully autonomous.

This study therefore recommended that:

a. Local governments should be granted full financial autonomy with periodic value for money audit as this will minimize wastage and maximize fiscal responsibility towards utilizing local government revenue for infrastructural and economic development in Nigeria.
b. Local government should not only rely on external allocations rather they should explore every avenue to internally generate revenue to finance their programs and policies. The over reliance on external revenue has dragged back most local governments that cannot generate revenue internally
c. Local government revenue staff should be trained from time to time on modern techniques of collection of revenue at their local areas.
d. The development of the local towns and villages should not be solely left in the hands of the local councils since their financial strength cannot carry the much-needed infrastructural development and other basic amenities to the people at the grassroots. This is because much of the farming activites takes place at the villages which produce most of the agricultural produce in the country.

e. In order to achieve holistic development, the federal government should from time to time ensure the local government councils are following the developmental plans of the country to attract more grants and supports.

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JOURNAL OF CONTEMPORARY ISSUES IN ACCOUNTING
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APPENDIX

Year	Federal Allocation N'billion	State Allocatio N'billion	VAT N'billion	Internal Revenue N'billion	Grant & Other N'billion	Normal GDP N'billion
1993	18.87	0.25	0.00	1.04	0.24	1,259.07
1994	17.32	0.47	0.00	1.21	0.23	1,762.81
1995	17.88	0.63	3.56	2.11	0.24	1,259.07
1996	17.59	0.69	3.31	2.21	0.00	1,259.07
1997	20.44	0.58	7.57	2.51	0.14	1,259.07
1998	30.60	0.75	10.17	3.33	0.09	1,259.07
1999	43.87	0.42	9.56	4.68	2.27	1,259.07
2000	118.59	1.92	13.91	7.15	10.30	6,897.48
2001	128.50	1.60	20.10	6.02	15.30	8,134.14
2002	128.90	1.67	18.73	10.42	12.43	11,332.25
2003	291.41	2.12	39.65	20.18	16.82	13,301.56
2004	375.66	3.63	45.99	22.41	20.62	17,321 30
2005	493.00	3.24	55.79	24.04	21.14	22,269.98
2006	550.80	3.43	75.92	23.23	20.88	28,662.47
2007	568.30	3.00	105.10	21.30	7.51	32,995.38
2008	722.26	6.82	135.92	23.11	4.71	39,157.88
2009	529.31	19.74	157.38	26.06	31.70	44,25.56
2010	716.97	12.67	189.13	26.15	48.91	54,612.26
2011	940.03	35.21	218.23	31.60	228.98	62,980.40
2012	977.40	8.74	238.55	26.62	131.55	71,713.94
2013	1,106.97	12.79	267.32	29.29	94.01	80,092.25
2014	1,125.08	4.13	266.86	36.49	91.02	89,043.62
2015	822.97	6.88	261.65	24.03	83.21	95,144.96
2016	595.96	976	272.49	36.39	34.90	101,489.49
2017	828.95	12.87	325.13	38.22	28.88	113,711.63
2018	1244.15	16.05	366.29	32.50	11.98	127,762.55
2019	1222.74	18.35	395.11	32.70	27.14	144,210.49
2020	905.86	7.11	590.20	42.07	59.62	152,324.1
2021	981.75	9.38	658.16	63.78	47.75	173,527.7
2022	1,077.51	34.30	802.50	46.23	45.67	199,336.00

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