International Journal of Academic Management Science Research (IJAMSR)
ISSN: 2643-900X
Vol. 6 Issue 12, December - 2022, Pages: 29-39

Revenue Generation and Local Government Development Attributes in Lagos, Nigeria

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Abstract: *The continuous decline in the revenue base of local governments and the surge for infrastructural development in Nigeria calls for urgent attention of researchers. This study hereby examines revenue generation and local government development attributes and personal emoluments and general administrative expenses as a moderating variable. To achieve the objectives of this study, this study employs the explanatory research design. Although Lagos State has 20 Local Government Areas (LGAs) and 37 Local Council Development Areas (LCDAs), this research concentrates on the LGAs. Thus, for each of the LGAs, the empirical data cover annual periods between 2016 and 2020, which is a span of 5 years. The local government development attributes as the dependent variables are comprised of four (4) components, viz. primary health care and primary education. Static panel regression analysis was employed to examine the effects of revenue generation on LG development attributes. This study revealed that without interaction (moderation) with personal emoluments and general administrative expenses (PGE), changes in internally generated revenue and grant and allocation exert positive and significant effects on development of primary educational (PED) across the selected Local Government Areas (LGAs) in Lagos State. However, personnel emoluments and general administrative expenses (PGE) exert negative but statistical insignificant impact on development of primary educational. This finding is similar to other variables of the study. Arisen from the findings of this study, the researcher recommended that Local Government Councils in Lagos state should reduce their expense on personal emoluments and general administrative. This is achievable if unnecessary costs are eliminated from recurrent expenditures; all the LGA should invest more into library facilities, primary education and ensure that all out of school children are enrolled back to school; local government councils in Lagos state should employ more qualify health practitioners and encourage door to door medical practice in all the 20 local government areas*

Keynotes: *Primary Education Department, Primary Health Care, Road Rehabilitation Centre, Poverty Alleviation, Local Government Area*

1. Introduction

All over the globe, the need to enhance the service delivery of governments (including the local governments) to the citizenry has been on the front burner, due to the continuous nosediving of revenues accruable to the government, evidenced from the unending Covid-19 pandemic, drastically drop in oil price from $60 in 2019 to $18 in 2020 and now selling at a loss. Explosion in major pipelines also disrupted sale of oil to neighbouring countries. This is happening when government is faced with cost of responding to the Coronavirus where the whole world was locked down due to the pandemic, people were not moving around, so gas was in minimal use. Trade war between Saudi and Russia over oil production level and now the ongoing war between Ukraine and Russia which has significantly affected the price of crudes and other essential commodities, these does not only affect the entire globe, but affect the entire African continents, therefore, Nigeria the giant of Africa and a force in the Sub Saharan Africa and Lagos state in particular is not spared. One component of public finance is local government funding. In general, the types of revenue that accrue to any level of government include tax revenue, capital receipts, non-tax revenue, and ongoing receipts. While the latter only occurs sometimes and in a greater quantity, the former is produced daily throughout the year. In addition, they are referred to as external and internal springs of income respectively. The internal sources of revenue are made up of a variety of significant and unrelated items that together provide the necessary funding for the large tasks assigned to the local governments being the third (3rd) tier of Nigeria government. According to Orewa and Adewumi (1983), the primary purposes of local government are to collect money from its residents in various ways and utilize it so as efficiently as possible deliver social services. Tenement rate/property rate, licensing, penalties, and fees, revenues from commercial endeavours, rent on property, interest payment, dividends, and other miscellaneous sources are all summed up as sources of revenue to LGAs, (Orewa & Adewumi,1983). Therefore, it is anticipated that a local government system focused on development will serve as a means of delivering the products and services required for long-term growth.

However, this study was carried out in Lagos State, Nigeria, which has a 351,861-hectare territorial land area and is divided into five administrative regions: Ikeja, Badagry, Ikorodu, Lagos [Eko] and Epe (IBILE). The divisions were created in May 1968 as a result of Administrative Divisions [Establishment] Edict No. 3, which was published in April 1968. The Divisions are further divided into 20 Local Governments and 37 Local Council Development Areas, respectively, in accordance with Nigeria's federal structure and the requirement to promote participatory democracy to the grassroots.

The lack of administrative capacity to access the tax base, a lack of administrative capacity to enforce taxes, taxpayer resistance, intentional and explicit tax evasion, corruption, including revenue embezzlement, outside pressure on the local finance department to make optimistic projections, and political pressure on the local tax administration to relax on revenue, are some of the identified problems of the LGAs in Lagos state. In addition to the above problems is the huge collapse of primary education, primary health care, road rehabilitation and poverty alleviation as a result of low revenue accruable to the local government. Worthy of note is the dilapidated state of library and primary health care in the entire 20 local governments in Lagos state. However, more than 70% of revenue (Grants/Allocations, IGR, Donations) accruable to the local governments are used for recurrent expenditures such as personnel emoluments and general administration expenses, therefore, capital expenditures (primary health care, primary education) are almost left unattended to. This study hereby examines revenue generation and local government development attributes using the following specific objectives: 1. To determine the extent to which internally generated revenue, grant/allocation as well as interaction of personnel emoluments and general administrative expenses with generated revenue and grant/allocation affect development of primary education.

2. To examine the extent that internally generated revenue, grant/allocation as well as interaction of personnel emoluments and general administrative expenses with generated revenue and grant/allocation affects primary health care development.

Literature Review

2. Local Government

Local governments have existed from the beginning of time, although it has only lately gained widespread acceptance in academic and practical literature (Shah, 2020). Sorka (2019), described it as the decentralization or distribution of supreme decision-making, in which the decision-making power is dispersed geographically or downward from distant places near the top administration, bringing it closer to the people it will effect. Oyediran (2019) defines local government as the extension of political process on a local level, i.e. local self-administration and inclusion of noble ideals of impartiality, protection of minority rights, and integrity, all of which are thought to be essential to the development of a liberal democratic society.However, Aborisada (2022) sees local government as rule by democratically elected organizations tasked with carrying out administrative and executive functions for residents of a certain area or location. Shah (2006) claims that local government is a particular set of institutions or organizations created by national constitutions. Meanwhile, Keshav, (2018) gave a more comprehensive definition, noting that it encompasses the direct and indirect roles of formal institutions of local government and government hierarchies, as well as the roles of informal norms, networks, community organizations, and neighbourhood associations in pursuing collective action by defining the framework for citizen-citizen and citizen-state interactions, group decision-making, and the provision of local public services. Local governance therefore incorporates the many objectives of prosperous, living, working, and ecologically responsible self-governing communities. To incorporate the Nigerian concept of LGAs, the Nigeria 1976 Guideline for Local Government Reform, described local government as authority at the local level exercised by a representative council created by law to function within designated regions." These powers should provide the council significant influence over local issues, including staffing, as well as institutional and financial ability to begin, decide, and carry out initiatives. This would complement the work that the state and federal governments do in their respective regions. Through the delegation of duties to those councils and the active involvement of the people and their traditional institutions, this will ensure that local initiative and reaction to local needs are prioritized (Akindele, 2022).The third (3^{rd}) tier of government in Nigeria is therefore local government, which is protected by the constitution and is made up of democratic elected governments whose job it is to offer basic amenities/services to the populace at large.

Service Delivery

Joseph (2017), sees services as the products and social outputs that members of a society desire to get for the benefit of everyone, such as a safe and habitable environment, clean water, quality education, health care, and security. (Jung, 2022). The provision of water, sewage collection and disposal, garbage removal, the supply of power and gas, municipal health services, municipal roads and storm water drainage, street lighting, and municipal parks and recreation are among these services, according to Joseph (2017). The services that local governments in Nigeria are obligated to provide in this regard are listed in the fourth schedule of the Constitution of the Federal Republic of Nigeria. Fajobi (2020) asserts that the decentralization of local governments left a gap in the effectiveness of service delivery and the collection of taxes. This was due to a number of factors, including unclear legislation regarding when to collect taxes and to whom to provide services, a subpar accounting system, unskilled staff, and politicians who all had an impact on how well local authorities performed. Jumare (2019), who observed that the sub-counties in the Ntungamo area give water programmes a lower priority and provide less funds, is in agreement with this. This prevents the building of new and the repair of existing safe and community water resources.According to Jumare (2019) the failure of local governments to improve their taxable sources to the overemphasis of the population and equality requirements for revenue sharing over the local governments' taxable capacity. This could be true when reference was made to over 80% of the local government expenditure, both capital and recurrent, depends on the statutory allocation, rather than the internally generated efforts.Given the above explanation, it could be realized that the abolition of these major internal revenue sources was made to satisfy political instincts or desires at the expense of economic realities. The consequence of all these has been the over-reliance of the local governments as well as most state governments on grants and allocation from federation account (Amaechi, 2022).

The Role and Challenges of the Local Government Towards Delivery of Service in Nigeria

With a population of 140 million (Adeyemo, 2020), 64 percent of whom reside in rural regions, Nigeria is the most populated nation in Africa. In an effort to promote grassroots development, local governments were established to offer rural residents a degree of enjoyable services. Ola (2017) claims that the local government, or third tier of government in Nigeria, has as its primary responsibility providing equivalent services to rural citizens. Regardless of the type of political system, local governments are set up all around the world to deliver efficient local services. In its capacity as a development agent, local government is responsible for utilizing funding from the federal, state, and local governments as well as internally generated income (IGR) to enhance the quality of life for those under the jurisdiction of the local government council. To do this, local government must initiate and draw local councils into development initiatives, such as the supply of access roads, water, and rural power; communal services, such as the construction of roads and bridges; and other endeavors. (Ola, 2017).

The 1976 Nigerian Local Government Reform Guidelines defined the following as the main objectives of local government in accordance with the aforementioned. The following goals are attained by creating them or giving them to local representative bodies: To: a) Hold suitable services and development efforts responsible to local desires and initiatives; b) Promote initiative and leadership potential by facilitating democratic self-government near to the local levels of our society; c: By including the public in the development of their community, it is possible to mobilize people and material resources; d) provide a conduit for two-way communication (both state and federal). One of the primary motivations for local government establishment, in accordance with the aforementioned objectives, is to provide services while making use of the financial and human resources at its disposal to encourage grassroots development. Local government is at the bottom of the governmental food chain under the federalist system. While it is a body corporate with a common seal, the federal government is the sovereign national government, the state government is a quasi-sovereign, and the local government is an infra-sovereign that is subordinate to and under the control of the state government. Its primary function is to provide mandatory municipal services (Snavely, 2022).

Local Government Revenue Resources

Jumare (2019) noted that the availability of financial resources has a significant impact on how successful and vigorous fiscal federalism may be. According to Wheare (2016), each level of government should have sufficient resources to carry out its duties independently of requests for financial support from higher levels of government. Wheare (2016) emphasized that the idea that both state and local authorities are no longer in coordination with the federal government but rather are subordinate to it if, for instance, they discover that the services assigned to them are too expensive for them to perform and (therefore) ask the federal authority for grants and subsidies to assist them. In actuality, financial subordination signals the end of federalism, regardless of how meticulously the formal structures are kept. Therefore, that state follows. In a federal system, the constitution must grant both local and national authorities the authority to obtain and manage their respective adequate financial resources. Each must be able to levy taxes and take out loans on its own to pay for its own services (Wheare, 2016).

Theoretical Review

Fiscal Decentralization

The financial facets of devolution to regional and local government are included in fiscal decentralization. It is the current lingo; other terms like fiscal federalism and central-local (or intergovernmental) budgetary relations are frequently employed. Fiscal decentralization theory, according to Olayungbo and Olayemi (2018), addresses two connected problems. The first is how different levels of government are split up in terms of spending and income sources (national, regional, local etc). The second concern is how much latitude regional and local governments are given to choose their expenses and income (both in aggregate and detail). Ocheni (2018) asserts that the actuality of decentralization in its broader political and administrative meaning is significantly impacted by the combination of these factors. The breadth of public services that regional and local governments finance will have a significant impact on how much authority and responsibility they actually wield; Whether their income is sufficient to cover these obligations; The degree to which people actually have a choice in how much money they spend on certain services; Whether they are permitted to choose their taxes and fees' rates. According to the theory's network, the following factors and ideas are relevant to local finances: Spending control, local taxation, transfers between governments, and capital financing are among the list of priorities: Local judgment; and a recipient of government assistance (public).

Benefit-Received Theory of Taxation

This perspective contends that the amount of taxes an agent pays should reflect the benefit he receives from the variety of goods and services the state offers (Fajobi, 2020). The theoretical framework in the benefit received principle or expenditure-revenue principle does not contain the identification of a single fiscal system to be utilized as a point of investigation into governmental operations and their possible influence on the taxable capacity of multiple levels of government. In other words, the framework does not allow the fiscal expert to provide a different allocation of tax burdens and public spending that will produce the intended outcome. Emphasis should be placed on the study of the government's decision-making processes that are required to account for such levies and expenditures (Jumare, 2019). According to this study's hypothesis, tax payers only gave money to the government when they knew they would receive something in return in the shape of services (as a quid pro-quo). As a result, the government's ability to generate income depends on its ability to give the populace access to fundamental services.

Empirical Review

According to Vanessa and Fabrizio (2021), the majority of individuals in low-income nations make significant contributions to the funding of regional public goods through the generating of unofficial income (IRG). On the other hand, little is understood about how IRG functions in reality. In a vulnerable setting, Vanessa and Fabrizio (2021) produce fresh data on the size, regressivity, and association of IRG with the state. The researchers rely on original data gathered from surveys of over 2,300 households and 117 community leaders in the Gedo region in addition to thorough qualitative study.First, Snavely (2022) demonstrate the prevalence of IRG. More than 70% of households report having paid at least one unofficial tax or charge in the preceding year, amounting to 9.5% of their yearly income on average. This study revealed that internally generated revenue and grant/allocation plays a significant role in primary health care development. Additionally, the study reveals that among contributing families, those in lower income brackets make bigger contributions than those in higher income brackets. In addition, as predicted by theory and expectations, informal payments have unfavourable impacts on communities as a whole. People in wealthy communities make more informal payments than those in poorer ones, and as a result, they have access to more public goods.

Aborisada (2022) look at four justifications for the occurrence of IRG. First, it is obvious that IRG fills in the gaps created by underdeveloped governmental capability. Additionally, the researchers demonstrate that IRG can strengthen citizen perceptions of the state's legitimacy, suggesting that the sub-national governments often gain from informal taxes. Second, because informal taxing authority have higher credibility and taxpayers view informal payments as being more equitable than those made by the state, they are more effective tax collectors than the government. Third, refuting the notion that unofficial donations need to be categorized as user fees, the majority of taxpayers have no expectations of receiving anything in exchange for their contributions. Fourth, taxpayers link informal contributions with punishment and unofficial institutions of enforcement, contrary to theories that suggest they may be voluntary.

The relevance of IRG is emphasized by Ajayi (2022) for the delivery of public goods in situations with inadequate formal institutional frameworks, for regular citizens, and for policymakers aiming to increase the power of federal state in the south-central Somalia. First and foremost, evaluations of taxes, service delivery, social protection, and equality must take informal tax institutions into consideration. The results about the complementarity of IRG and different levels governance as well as the relative effectiveness of local leaders' income generation have significant ramifications for understanding state building processes from below. In fact, our findings imply that in some delicate settings, governments may lack motivation to expand their taxation jurisdiction. Despite the extensive literature on fiscal policy, Wenyi, Shu-Chun, Yang, and Luis-Felipe (2018) claim that there aren't many researches that focus exclusively on low-income countries (LICs). Wenyi, Shu-Chun, Yang, and Luis-Felipe (2018) used a New Keynesian small open economy model to show, analytically and numerically, that LICs' reliance on external financing, ineffective public investment, and lack of home bias in public investment all play significant roles in the effects of government spending. However, it also has a tendency to boost the real exchange rate, which lowers traded production. External finance broadens the resource envelope, which lessens the consequences of crowding out. Capital scarcity in LICs implies high public capital returns, but low marginal investment efficiency can greatly lower the output multiplier. Wenyi, Shu-Chun, Yang, and Luis-Felipe (2018) came to the conclusion that internally generated revenue and grant/allocation plays a significant role in primary health care development, and the public investment are not successful in boosting production in the short run since LICs frequently rely heavily on imports to complete public investment projects, undermining its ability to stimulate short-term demand.

Cordelia, Michael, and John (2018) looked into how internally generated income (IGR) affected Nigeria's economic growth. It has been a significant issue for Local and States governments in Nigeria to raise enough money to meet their financial obligations. Nigeria's economic progress has continued to be hampered by the inappropriate use of IGR and corruption, which is why the populace is so vocal about the issue. This study employed a Research design used was ex-post facto to specifically investigate the effects of total IGR (TIGR), federal government independent revenue (FGIR), states independent revenue (SIGR), and local government independent revenue (LIGR) on the real gross domestic product (RGDP, which is a proxy for economic development) of the country.

International Journal of Academic Management Science Research (IJAMSR)
ISSN: 2643-900X
Vol. 6 Issue 12, December - 2022, Pages: 29-39

The time series data utilized covered the years 1981 to 2016 and were sourced from the Statistical Bulletin of the Central Bank of Nigeria (CBN). The multi-regression and t-test statistical tools were used to analyse the data and evaluate the hypotheses.

Research Methods

The study adopted explanatory research design. The population of the study covers the 20 local government areas of Lagos State as approved by the constitution of Nigeria (Oladele, 2020). The study covers the period between 2016 to 2020. Dependent Variables is local government development attributes proxy by primary health care and primary education. Whereas the independent variables are revenue generation sources (internal and external sources).

Model Specification

Following the conceptual framework of the study, the response variables are the local government development attributes, such as primary health care and primary education Meanwhile, the explanatory variables include the revenue generation sources, such as internally generated revenue, and grant and allocation. In addition, the interaction of personal emoluments and general administrative expenses with each of the revenue generating sources was included in the model to examine the interaction or moderating effect the LG attributes. Thus, based on the number of response variables (LGs attributes) and the objectives of the study, two model specifications are presented such that each LG attribute is expressed as function of the revenue generating sources and their interactions with personal emoluments and general administrative expenses. Based on the forgoing, the panel data regression models are expressed as follows:

***PED* Model – Objective 1**

$$PED_{it} = \beta_0 + \beta_1 IGR_{it} + \beta_2\, GRA_{it} + \beta_3 PGE_{it} + \beta_4 IGR_{it} * PGE_{it} + \beta_5\, GRA_{it} * PGE_{it} + \mu_{it} \quad (3.1)$$

***PHC* Model – Objective 2**

$$PHC_{it} = \beta_0 + \beta_1 IGR_{it} + \beta_2\, GRA_{it} + \beta_3 PGE_{it} + \beta_4 IGR_{it} * PGE_{it} + \beta_5\, GRA_{it} * PGE_{it} + \mu_{it} \quad (3.2)$$

Where β_0 is the intercept coefficient while β_1 to β_6 represent the Partial slope coefficients of each LG attribute with respect to IGR, GRA, PGE, IGR*PGE and GRA*PGE respectively. Meanwhile, t represents time from 2016 to 2020 while $\boldsymbol{i}$ = 1, 2, …, 20 (individual LGAs)

4. Data Analyses and Results

Descriptive Statistics

This section provides the descriptive or summary statistics of the variables being examined in the study such as internally generated revenue (*IGR*), grant/allocation (*GRA*), personnel emoluments and general administrative expenses (*PGE*), expenditure on primary education (*PED*), expenditure on primary health care (*PHC*). Table 4.1 presents the summary statistics of the above-mentioned panel series expressed in millions of Naira. In terms of revenue generation, the average grant and allocation (*GRA*, ₦4594.40 million) over the selected five-year period is considerably higher than the average internally generated revenue (*IGR*, ₦409.408 million) across the selected Local Government Areas (LGs). This suggests that Local Governments derive substantial part of their revenue from grants and allocations. Among the selected local government development attributes, primary health care (*PHC*) seems to be the major focus in local government administration having the largest average value of about ₦207.796 million worth of expenditure over the selected five-year period. Poverty alleviation (*PVA*) appears to have the least allocation with an average of ₦49.75 million.

Table 4.1-: Descriptive Statistics
Panel Data Dimensions: 2016 – 2020 X 20

Statistics	Variable IGR	GRA	PGE	PED	PHC	RRH	PVA
Mean	409.4077	4594.403	3212.142	63.62789	207.7963	195.5056	49.74573
Median	338.5305	4831.493	3434.500	40.33463	193.1982	57.60745	36.87600
Maximum	1618.967	8452.883	6424.760	392.3634	749.9192	1096.509	303.9665
Minimum	78.4751	4.299739	483.6502	0.0000	-9.044	7.907509	3.53700
Std. Dev.	284.0040	1577.705	1236.933	64.4555	138.7801	242.7765	43.2220
Skewness	1.9231	-0.6248	-0.14298	2.3634	1.1321	1.5319	2.7103
Kurtosis	7.4123	3.4117	3.1684	9.9089	4.6865	4.6978	14.2813
Jarque-Bera	142.7563	7.2117	0.4590	291.9859	33.2136	50.6094	652.7203
p-value	0.0000	0.0272	0.7950	0.0000	0.00000	0.0000	0.0000
Observations	100	100	100	100	100	99	100

Source: Researcher's computation, 2022

The panel series such as *IGR*, *PED*, *PHC*, *RRH* and *PVA* to have positively skewed distributions while *GRA* and *PGE* appear to be negatively skewed judging by the coefficients of skewness. Judging by the coefficients of kurtosis, all the panel series are found to be leptokurtic having their kurtosis coefficient above the threshold of 3. The Jarque-Bera statistics reveal that the panel series such as *PGE* demonstrates the normal distribution assumption having its *p*-value more 5% level of significance. However, the normality assumption is violated in the distributions of *IGR*, *GRA*, *PED*, *PHC*, *RRH* and *PVA* having their respective *p*-values less than the 5% level of significance.

Correlation Matrix
Table 4.2 presents the correlation matrix for the variables. As a rule of thumb, all pair-wise correlation coefficients are less than 0.8 (Gujarati & Dawn, 2009). Thus, judging by the correlation coefficients, multicollinearity is avoided among the observed variables.

Table 4.2-: Pair-Wise Correlation Matrix: 2016 – 2020 X 20

Variables	*IGR*	*GRA*	*PGE*
IGR	-		
GRA	-0.0043	-	
PGE	0.1656	0.7112	-

Source: Researcher's computation, 2022

4. Model Estimation and Results
The results of the model estimation are provided herein using the natural logs of the variables being examined. The static panel data estimators such as random effect and fixed effect estimators were utilized since the data structure is that of short panel involving 20 cross-sections, that is, Local Government Areas ($N = 20$) and period of 5 years ($T = 5$) between 2016 and 2020. Thus, given the objectives of the study, two models were estimated. Each model captures each of the objectives of the studies. The first panel model (*PED* model) captures the influence of revenue generation on primary education (*PED*), the second model (*PHC* model) captures the effects of revenue generation on primary health care (*PHC*).

4. Objective One
To determine the extent to which Internally Generated Revenue, grant/allocation, interaction of personnel emoluments and general administrative expenses with Generated Revenue and grant/allocation affect primary education.

Table 4.3-: Estimated Static PLS Result. DV: PED

Independent Variable	FE	RE
Constant	14.1989	17.5212
	(8.7310)	(17.8150)
IGR	4.2273***	1.7523
	(1.2701)	(1.9210)
GRA	5.0671***	-3.5355
	(1.3962)	(2.2413)
PGE	-1.3616	-1.8131
	(1.1648)	(2.1923)
*IGR*PGE*	0.5093***	-0.2173
	(0.1637)	(0.2399)
*GRA*PGE*	0.6265***	0.4522
	(0.1707)	(0.2726)
Statistics		
R-squared	0.4110	0.1543
Adj. R-squared	0.2199	0.1088
F-statistic	2.1512*	3.3932
	(0.0065)	(0.0073)
Diagnostics		
Jarque-Bera stat.	4.4647	3.5997
p-value	(0.1073)	(0.1653)
Hausman Test		
Chi-square stat. (χ^2)		2.0529
p-value		(0.0403)

Source: Researcher's computation (2022)

***Note*:** The values in the parentheses are the standard errors for the respective coefficients, while ***, ** **&** * denote statistical significance at the conventional 1% to 10% levels of significance.

As shown in table 4.3, the summary of the estimates and statistics obtained from the estimated static panel regression models using the random effect and fixed effect estimators. Thus, the Hausman test (p = 0.0403 < 0.05) result supports the fixed effect method as the efficient estimator. Based on the foregoing, the fixed effect estimator is chosen in discussing the findings for objective one of the study. Meanwhile, the F-statistics (2.1512) indicates all the explanatory variables appear to have combined significant impact on development of primary educational (*PGE*) having a p-value (0.0065) less than 1% level of significance.

Post Estimation Tests

The post estimation tests herein include cross-sectional dependence test, normality test and serial correlation test. The essence of these tests is to ascertain the applicability of the underlying assumptions of OLS and the validity of the estimates obtained. The post-tests are residual-based diagnostics.

Table 4.4-: Post Estimation Test Results for FE Method

Cross-sectional dependence test:	*Statistics*	*P-value*
Pearson CD test	0.5164	0.4830

Serial Correlation Test	Statistic	
Durbin Watson Statistic	1.9762	
Normality Test:	Statistics	
Jarque-Bera	4.4647	0.1073

Source: Authors' computation (2022).

Table 4.4 presents the results of the cross-sectional dependence test, serial correlation test and normality test. For the cross-sectional dependence test, the null of "no cross-sectional dependence" cannot be rejected since the *p*-value of the Pearson CD test statistic is above 5% level of significance. Also, the null hypothesis of "no serial correlation" cannot be rejected. This suggests that there is no existence of serial correlation in the residuals of the estimated panel regression model for the given sample period. In addition, the normality test result reveals that the residuals of the estimated model are normally distributed having statistically insignificant test result. Based on the foregoing, the estimated parameters are reliable and valid for inferences and policy making having satisfied underlying assumptions of the estimation method.

Objective Two

To examine the extent to which Internally Generated Revenue, grant/allocation, interaction of personnel emoluments and general administrative expenses with Generated Revenue and grant/allocation affect primary health care development.

Table 4.5-: Estimated Static PLS Result. DV: *PHC*

Independent Variable	FE	RE
Constant	27.5660^{**}	23.4261^{**}
	(11.5524)	(11.1576)
IGR	2.1419^{*}	2.1198^{*}
	(1.2089)	(1.1568)
GRA	4.5159^{***}	4.0037^{***}
	(1.4899)	(1.4110)
PGE	-4.1212^{***}	-3.5327^{**}
	(1.5216)	(1.4714)
*IGR*PGE*	0.2721^{*}	0.2639^{*}
	(0.1486)	(0.1432)
*GRA*PGE*	0.7229^{***}	0.6468^{***}
	(0.1905)	(0.1811)
Statistics		
R-squared	0.7258	0.5546
Adj. R-squared	0.6368	0.5306
F-statistic	8.1601^{***}	23.1570^{***}
	(0.0000)	(0.0000)
Diagnostics		
Jarque-Bera stat.	2.0352	0.8674
p-value	(0.3615)	(0.6481)
Hausman Test		
Chi-square stat.	-	6.3930
p-value		(0.2698)

Source: Researcher's computation (2022)

***Note*:**The values in the parenthesis are the standard errors for the respective coefficients, while ***, ** **&** * denote statistical significance at the conventional 1% to 10% levels of significance.

Table 4.5 presents the summary of the estimates and statistics obtained from the estimated static panel regression models using the random effect (RE) and fixed effect (FE) estimators. Based on the RE estimation result, the insignificant Hausman test result (p = 0.2698 > 0.5) supports the random effect method as the efficient estimator over the fixed effect estimator. This implies the non-rejection of null hypothesis that Random is appropriate for the data under investigation. Based on the foregoing, the RE estimator is chosen in discussing the findings for objective two of the study.

Overall Test of Significance of the Estimated PHC Model

As shown in table 4.5, the F-statistics (23.1570) indicates all explanatory variables appear to have pooled significant effects on primary health care development (*PHC*) having a *p*-value (0.0000) less than 1% level of significance.

Post Estimation Tests

Table 4.6 presents the results of the cross-sectional dependence test, serial correlation test and normality test.

Table 4.6-: Post Estimation Test Results for RE Method

Cross-sectional dependence test:	*Statistics*	*P-value*
Pearson CD test	0.3349	0.1417
Serial Correlation Test	Statistic	
Durbin Watson Statistic	1.9634	
Normality Test:	Statistics	
Jarque-Bera	0.8674	0.6481

Source: Authors' computation (2022)

For cross-sectional dependence test, the null of "no cross-sectional dependence" cannot be rejected since the *p*-value of the Pearson CD test statistic is above 5% level of significance. This suggests that the cross-section residuals are independent or not correlated. Furthermore, the Durbin-Watson statistic (d) is 1.9634 connote that "no serial correlation" cannot be rejected since the Durbin-Watson statistic is approximately equal to two ($d \approx 2$), Also, the Jarque-Bera statistic (0.8674), having the p-value of 0.6481, uphold the assumptions of normality of the estimated model since the p-value is more than 5% level of significance, the residuals of the estimated model are normally distributed having statistically insignificant test result. Thus, the foregoing post-test results suggest that the estimated parameters are reliable and valid for inferences and policy making having satisfied underlying assumptions of the estimation method.

Discussion of Findings

In studying revenue generation and local government development attributes, two static panel models were estimated, each connecting revenue generation sources (such as internally generated revenue and grant/allocations) to each of the development attributes (such as primary health care and primary education). In addition, personnel emoluments and general administrative expenses was utilised as a moderator to assess the interaction effects with each revenue generation source on each of the developmental attributes. Findings from this study are discussed in-line with the objectives of the study:

Objective One

Findings from this study are in line with the study conducted by Vanessa and Fabrizio (2021), who argue that internally generated revenue plays a significant role in the infrastructural development of local governments. Findings from this study unanimously assert that the estimated PED models reveal that internally generated revenue and grant allocations exert significant impact on the development of primary education in Lagos State. Moreover, the interaction of personnel emoluments and general administrative expenses with revenue generation exerts a significant impact on the development of primary education across the LGAs in Lagos State. Prasetyo (2020) equally supported the findings from this study by asserting that SMEs remain a major source of internally generated revenue for the government of Indonesia, and if these funds are properly channelled, it will translate into improvements in educational quality. Similarily, findings from this study are supported by Jacob (2018), who concluded that taxes (capital gains tax) are a primary factor in wealth creation and that this translates into a positive impact on quality education. It could therefore be concluded that the objective of this study has been attained, and it asserts that internally generated revenue, grant or allocation decisions, and the interaction of personnel emoluments and general administrative expenses with generated revenue and grant or allocation decisions affect the development of primary education.

Objective Two

Findings from Wenyi, Shu-Chun, Yang, and Luis-Felipe (2018); Vanessa and Fabrizio (2021) unanimously agreed that internally generated revenue and grant/allocation plays a significant role in primary health care development. The estimated primary health care development (PHC) models reveal that internally generated revenue and grant/allocations exert significant impact on the development of primary health care in Lagos State. Moreover, the interaction of personnel emoluments and general administrative expenses with revenue generation exert significant impact on the development of primary health care across the LGAs in Lagos State. Similarly, Snavely (2022) agrees with the findings from this study and concluded that internally generated revenue and grant/allocation plays a significant role in primary health care development. Objective two could therefore be seen to have been achieved and therefore concluded that internally generated revenue, grant/allocation as well as interaction of personnel emoluments and general administrative expenses with generated revenue and grant/allocation affect primary health care development.

Conclusion and Recommendations

The main objective of this study is to examine revenue generation and local government development attributes. This study concluded that personal emoluments and general administrative expenses, internally generated revenue and grant and allocation exert positive and significant effects on development of primary educational across the selected Local Government Areas (LGAs) in Lagos State. However, personnel emoluments and general administrative expenses exert negative but statistical insignificant impact on development of primary educational. Arisen from the findings of this study, the recommends that to ensure quality primary education and improvement of library facilities in all the 20 Local Government in Lagos state, all the LGA should invest more into library facilities, primary education and ensure that all out of school children are enrolled back to school. Also, to enhance primary health care development, local government councils in Lagos state should employ more qualify health practitioners and encourage door to door medical practice in all the 20 local government areas.

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