Global Scientific and Academic Research Journal of Economics, Business and Management
ISSN: 2583-5645 (Online)
Frequency: Monthly
Published By GSAR Publishers
Journal Homepage Link- https://gsarpublishers.com/journals-gsarjebm-home/

INTERNALLY GENERATED REVENUE AND LOCAL GOVERNMENT PERFORMANCE IN SELECTED LOCAL GOVERNMENT AREA IN DELTA

By
CHUKWUKA Wilson[1,] KIFORDU A.A nthony[2], OFILI N. Peter[3]
[1]Department of Public Administration DELSU Business School, Asaba
[2]Department of Business Admninstration Delta State University, Abraka
[3]Department of Marketing and Entrepreneurship Delta State University, Abraka.

Article History

Received: 04/10/2025
Accepted: 10/10/2025
Published: 13/10/2025

Vol –4 Issue – 10

PP: -45-55

Abstract
*This study examines the relationship between **Internally Generated Revenue (IGR)** and **local government performance** in selected Local Government Areas (LGAs) in Delta State, Nigeria. Specifically, the study investigates the effects of **taxes, rates,** and **licenses and permits** on the performance of local governments in areas such as service delivery, infrastructure development, and administrative efficiency. A **descriptive survey research design** was adopted, and data were collected from a sample of **196 staff members** across five LGAs: Oshimili South, Warri South, Ughelli North, Sapele, and Ndokwa West.Data analysis was conducted using descriptive statistics and **multiple linear regression**. The results revealed that taxes have a significant positive effect on local government performance ($\beta = 0.451$, $p < 0.05$), indicating that effective tax administration contributes meaningfully to development outcomes. Similarly, property rates ($\beta = 0.309$, $p < 0.05$) and licenses and permits ($\beta = 0.337$, $p < 0.05$) were also found to significantly enhance local government efficiency and responsiveness.The study concludes that strengthening internally generated revenue mechanisms is essential for improving local governance in Delta State. It recommends improved tax compliance strategies, enhanced transparency in rate collection, and modernization of licensing processes. The findings contribute to the body of knowledge by providing empirical evidence of the fiscal-performance linkage at the grassroots level, and propose a practical framework for evaluating the impact of IGR sources on local government operations.*

Keywords: *Internally Generated Revenue, Taxes, Rates, Licenses, Local Government Performance, Delta State, Nigeria*

1. Background to the study

The performance of local governments in Nigeria is intricately linked to their capacity to generate revenue internally. This is particularly pertinent in Delta State, a region endowed with substantial natural resources, yet grappling with challenges in optimizing its revenue generation mechanisms. This study aims to examine the relationship between revenue generation and the performance of selected Local Government Areas (LGAs) in Delta State, focusing on the period from 2020 to 2025.

Delta State's economic landscape is characterized by a dual dependency on oil revenues and the Federation Accounts Allocation Committee (FAAC) allocations. While the state benefits from the 13% derivation fund due to its oil-producing status, there is a notable underperformance in sectors like solid minerals, which diminishes the potential for diversified revenue streams. Furthermore, the state's Internally Generated Revenue (IGR) has exhibited fluctuations; for instance, in 2020, IGR dipped by 7.65%, attributed to the economic downturn caused by the COVID-19 pandemic.

Recent data indicates a positive trajectory in Delta State's revenue generation efforts. In 2024, the state's IGR reached ₦157 billion, surpassing the projected ₦110 billion, marking a 145% performance rate. This achievement underscores the efficacy of strategies implemented by the Delta State Internal Revenue Service (DSIRS), including enhanced tax compliance measures and targeted engagement with the informal sector.

Despite these advancements, local governments in Delta State continue to face challenges in translating revenue generation

*Corresponding Author: **CHUKWUKA Wilson**

into tangible development outcomes. Studies have highlighted that over-reliance on statutory allocations can lead to complacency, hindering local governments from exploring innovative revenue avenues and impacting their overall performance. Additionally, concerns regarding financial mismanagement and lack of accountability have been raised, with reports of unaccounted funds and irregular expenditures in various ministries and agencies.

Statement of the Problem

The efficacy of local governance in Nigeria is significantly influenced by the capacity of Local Government Areas (LGAs) to generate revenue internally. In Delta State, despite notable strides in revenue generation, challenges persist that impede optimal local government performance. This study seeks to investigate the underlying issues affecting the relationship between revenue generation and local government performance in selected LGAs within the state. Delta State has experienced a concerning downward trend in its IGR. The state's IGR as a percentage of the total budget has decreased from 17.35% in 2023 to 16.35% in 2024, with projections indicating a further decline to 15% in 2025. This decline raises questions about the effectiveness of current revenue generation strategies and their impact on local government performance. Reports indicate instances of financial mismanagement and lack of accountability within the state's revenue collection system. The New Delta Coalition has criticized the state's reliance on party chieftains as revenue consultants, alleging underreporting and fraud. Such practices undermine the integrity of revenue generation efforts and hinder the performance of local governments. Despite efforts to boost IGR, Delta State remains heavily dependent on federal allocations. In 2023, the state's IGR accounted for only 17.35% of the total budget, with the remainder sourced from federal allocations. This over-reliance limits the autonomy of LGAs and affects their ability to deliver quality services to the populace. A significant number of LGAs in Delta State have failed to generate any revenue. In 2023, 25 out of the 25 LGAs in Delta State did not generate any revenue, highlighting a systemic issue in local revenue generation. This underperformance directly impacts the ability of these LGAs to fund development projects and provide essential services. The challenges in revenue generation have direct implications for local government performance. Insufficient funds hinder the ability to implement development projects, maintain infrastructure, and provide quality services to citizens. Addressing these issues is crucial for enhancing the effectiveness and efficiency of local governments in Delta State. The persistent challenges in revenue generation and management within Delta State's LGAs necessitate a comprehensive examination. Understanding the underlying factors contributing to these issues is essential for developing strategies to enhance local government performance and ensure sustainable development in the state.

Research Questions

The following research questions guided the study:

i. What is the effect of taxes on local government performance in Delta State

ii. What is the effect of rates on local government performance in Delta State

iii. What is the effect of licenses and permits on local government performance in Delta State

Objectives of the study

i. to determine the effect of taxes on local government performance in Delta State

ii. to determine the effect of rates on local government performance in Delta State

iii. to determine the effect of licenses and permits on local government performance in Delta State

Research Hypotheses

The study is guided by the following hypotheses:

H_{01}: There is no significant effect of taxes on local government performance in Delta State

H_{02}: There is no significant effect of rates on local government performance in Delta State

H_{03}: There is no significant effect of licenses and permits on local government performance in Delta State

2. Review of Related Literature

Conceptual Review

Internally Generated Revenue

Internally Generated Revenue (IGR) refers to the funds that a government generates within its jurisdiction through various means, excluding external sources such as grants or loans. In Nigeria, IGR primarily comprises taxes and revenues collected by Ministries, Departments, and Agencies (MDAs). Taxes include Pay-As-You-Earn (PAYE), direct assessments, road taxes, stamp duties, capital gains tax, withholding taxes, and other local government revenues. MDAs contribute through fees, levies, and other charges associated with their services.

The significance of IGR lies in its potential to reduce dependence on federal allocations, thereby enhancing fiscal autonomy and promoting sustainable development at the state and local government levels. For instance, in 2023, the 36 states and the Federal Capital Territory (FCT) collectively generated ₦2.43 trillion in IGR, marking a 26.03% increase from ₦1.93 trillion in 2022. Lagos State led with ₦815.86 billion, followed by the FCT with ₦211.10 billion, and Rivers State with ₦195.41 billion.

The growth in IGR reflects improvements in tax administration, increased compliance, and the expansion of revenue-generating activities by MDAs, (NBS, 2024). However, challenges such as inadequate infrastructure, limited taxpayer education, and political interference continue to hinder optimal revenue generation. Addressing these issues through reforms and capacity building is crucial for maximizing the potential of IGR in fostering economic development.

*Corresponding Author: **CHUKWUKA Wilson**

Local Government Performance

Local Government Performance in Nigeria pertains to the effectiveness and efficiency with which local government areas (LGAs) deliver public services and execute their constitutional responsibilities. This encompasses the provision of basic education, healthcare, infrastructure, and the maintenance of law and order at the grassroots level. The performance of LGAs is influenced by various factors, including financial autonomy, administrative capacity, and political dynamics.A significant challenge to optimal local government performance in Nigeria has been the lack of financial autonomy. Historically, state governments have exerted control over funds allocated to LGAs, often withholding or misappropriating these resources. A report by Premium Times highlighted that over a 16-year period, state governments controlled more than ₦23 trillion meant for LGAs, leading to a development deficit at the grassroots level . This practice undermined the ability of LGAs to effectively perform their duties, resulting in poorly maintained schools, inadequate healthcare facilities, and insufficient infrastructure.

In July 2024, the Nigerian Supreme Court ruled that it was unconstitutional for state governments to receive and control funds allocated to LGAs. This landmark decision affirmed the financial autonomy of LGAs, mandating that federal allocations be paid directly to them . While this ruling was a step towards enhancing local government performance, its full implementation remains a work in progress, with some state governments still resisting the directive. Moreover, a study by Atede et al. (2023) emphasized that the financial challenges faced by LGAs are compounded by their overdependence on federal and state allocations, lack of internal revenue generation, and inadequate administrative structures. These factors hinder the capacity of LGAs to deliver essential services effectively.

Despite these challenges, there have been instances of improved local government performance. For example, a study on the Ukwuani Local Government Administration in Delta State found that implementing performance evaluation systems positively impacted employee performance, suggesting that enhanced accountability mechanisms can lead to better service delivery at the local level . In conclusion, while the performance of local governments in Nigeria has historically been impeded by financial mismanagement and lack of autonomy, recent legal and administrative reforms offer hope for improvement. For sustainable progress, it is imperative that LGAs are granted full financial autonomy, supported by robust administrative frameworks and accountability systems.

Taxes

Taxes are compulsory financial charges or levies imposed by governments on individuals and entities to fund public expenditures and services. They are a primary source of revenue for governments worldwide, enabling the provision of infrastructure, education, healthcare, and other essential services. Taxes differ from other forms of government revenue, such as fines or fees, as they are unrequited payments—meaning taxpayers do not receive a specific benefit in return for their payment.

Types of Taxes

Taxes can be broadly categorized into two main types:

1. **Direct Taxes**: These are levied directly on individuals or organizations. The taxpayer bears the burden of the tax, and it cannot be shifted to another party. Examples include income tax, corporate tax, and property tax .
2. **Indirect Taxes**: These are imposed on goods and services rather than on income or profits. The tax burden can be shifted from the producer or seller to the consumer. Common examples are sales tax, value-added tax (VAT), and excise duties .

Purposes of Taxation

The primary purpose of taxation is to generate revenue for government spending. However, taxes also serve other important functions:

- **Resource Allocation**: Governments use taxes to influence the allocation of resources in the economy, promoting activities that align with public policy objectives.
- **Income Redistribution**: Progressive tax systems aim to reduce income inequality by taxing higher incomes at higher rates and redistributing the revenue to support social programs .
- **Economic Stabilization**: Tax policies can be used to manage economic cycles, stimulating growth during recessions and curbing inflation during periods of economic boom .

Taxes are integral to the functioning of modern economies, providing governments with the necessary funds to deliver public services and achieve policy goals. Understanding the different types of taxes and their purposes helps individuals and businesses comply with tax obligations and contributes to the overall well-being of society.

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Tax rates are the percentages at which individuals or entities are taxed on their income, property, or consumption. These rates are determined by governmental authorities and can vary based on the type of tax, the taxpayer's income level, and the jurisdiction's tax policies.

Types of Tax Rates

1. **Marginal Tax Rate**: This refers to the rate applied to the last dollar earned. In progressive tax systems, as income increases, the marginal tax rate also increases, meaning higher income is taxed at higher rates. For instance, in the United States, the federal income tax system has multiple brackets, with rates ranging from 10% to 37% depending on income levels .
2. **Effective Tax Rate**: This is the average rate at which an individual or corporation is taxed, calculated by dividing the total tax paid by total income. It provides a clearer picture of the actual tax burden compared to the marginal rate .
3. **Flat (Proportional) Tax Rate**: Under this system, a single tax rate is applied to all income levels, meaning everyone pays the same percentage regardless of their income. Countries like Estonia and Russia have implemented flat tax systems .
4. **Progressive Tax Rate**: In this system, the tax rate increases as the taxable amount increases. Higher-income individuals or entities pay a larger percentage of their income in taxes compared to lower-income earners. This approach aims to reduce income inequality by taxing individuals based on their ability to pay .
5. **Regressive Tax Rate**: Contrary to progressive taxes, regressive taxes impose a higher burden on lower-income individuals. For example, sales taxes are considered regressive because they take up a larger percentage of income from low-income earners compared to high-income earners .

Implications of Tax Rates

The structure and level of tax rates have significant implications for economic behavior and social equity. Progressive tax systems are often viewed as more equitable, as they align tax burdens with individuals' ability to pay. However, high marginal tax rates can potentially discourage investment and savings. On the other hand, flat tax systems are simpler and can encourage economic growth but may disproportionately affect lower-income individuals. Regressive taxes, while easier to collect, can exacerbate income inequality and place a heavier burden on the economically disadvantaged. Understanding the various types of tax rates and their implications is crucial for both policymakers and taxpayers. Tax rates influence economic decisions, income distribution, and the overall effectiveness of a tax system in achieving its intended goals. Therefore, careful consideration must be given to the design and implementation of tax rate structures to balance revenue generation with fairness and economic efficiency.

Licenses and permits

Licenses and permits are official authorizations granted by governmental authorities that allow individuals or entities to engage in specific activities or operate within particular jurisdictions. These legal instruments ensure that businesses comply with established standards, regulations, and laws, thereby promoting public safety, environmental protection, and fair competition.

Types of Licenses and Permits

1. **Business Licenses**: These are general authorizations required to operate a business within a specific locality. They are typically issued by local or municipal governments and may be subject to renewal. Operating without a valid business license can result in fines or closure of the business.
2. **Professional Licenses**: Certain professions require individuals to obtain licenses to practice legally. These licenses ensure that practitioners meet the necessary educational and ethical standards. Examples include licenses for doctors, lawyers, and accountants.
3. **Health and Safety Permits**: Businesses involved in food preparation, healthcare, or other activities that impact public health are required to obtain health and safety permits. These permits ensure that businesses adhere to hygiene and safety standards.
4. **Environmental Permits**: Businesses whose operations may affect the environment, such as manufacturing or construction, must obtain environmental permits. These permits assess and mitigate potential environmental impacts.

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5. **Sales Tax Permits**: Retailers and service providers are often required to obtain sales tax permits to collect and remit sales tax on taxable goods and services. This ensures compliance with state and federal tax laws.

Importance of Licenses and Permits

Obtaining the necessary licenses and permits is crucial for businesses to operate legally and avoid potential legal issues. These authorizations help maintain industry standards, protect public health and safety, and ensure that businesses contribute appropriately to government revenues through fees and taxes .

Consequences of Operating Without Proper Licenses

Failure to obtain the required licenses and permits can lead to significant consequences, including:

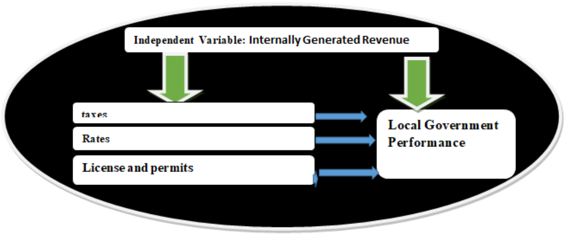
- **Fines and Penalties**: Businesses may incur substantial fines for non-compliance.
- **Legal Action**: Operating without proper authorization can result in lawsuits or other legal actions.
- **Business Closure**: Authorities have the power to shut down businesses that operate without the necessary licenses.
- **Reputational Damage**: Non-compliance can harm a business's reputation and erode customer trust .

Licenses and permits are fundamental components of business operations, ensuring that enterprises function within the legal framework and adhere to established standards. By obtaining the necessary authorizations, businesses not only comply with regulations but also build credibility and contribute to the well-being of the community and the economy.

Conceptual Framework

Conceptual Model of the Study

The conceptual model of the study depicts the independent and dependent variables of the study in figure 2.1 below;



Source: Authors fieldwork analysis 2025.

Taxes and local government performance

The relationship between taxes and local government performance is pivotal in shaping the quality of public services and infrastructure within a community. Tax revenues serve as the primary financial resource for local governments, enabling them to fund essential services such as education, healthcare, transportation, and public safety. The efficiency and effectiveness with which these funds are utilized directly influence the overall performance and satisfaction of the community.

A robust tax base enhances a local government's financial capacity, allowing for increased investment in public services and infrastructure. Studies have shown that local governments with higher tax revenues can allocate more resources towards improving service delivery, thereby enhancing the quality of life for residents. For instance, research indicates that an increase in local tax revenue is positively correlated with improvements in public facilities and services, such as education and healthcare, which are essential components of local government performance .

Effective tax policies and efficient revenue management are crucial for optimizing the relationship between taxes and local government performance. Implementing clear and fair tax policies can increase compliance and reduce evasion, leading to a more stable revenue stream. For example, studies have highlighted the importance of simplifying licensing processes and enhancing enforcement mechanisms to improve tax collection efficiency and, consequently, service delivery.

Despite the positive correlation between taxes and local government performance, challenges such as tax evasion, administrative inefficiencies, and political interference can undermine the potential benefits. Addressing these challenges requires a combination of transparent governance, public engagement, and continuous improvement of tax administration systems to ensure that tax revenues are effectively translated into improved public services.

Hence, taxes play a fundamental role in determining the performance of local governments. A well-managed and adequately funded local government is better positioned to meet the needs of its constituents and foster sustainable community development. Therefore, strengthening the mechanisms for tax collection and management is essential for enhancing local government performance and achieving broader social and economic objectives.

Rates and local government performance

Tax rates are a fundamental aspect of local government finance, influencing both the revenue available for public services and the economic behavior of residents and businesses. The interplay between tax rates and local government performance is multifaceted, encompassing aspects of revenue generation, service delivery, and economic development. Higher tax rates can potentially increase local government revenues, thereby enhancing the capacity to fund public services such as education, healthcare, and infrastructure. For instance, research indicates that increasing per capita tax revenue positively correlates with improved local government performance, as additional funds enable better service delivery and infrastructure development (Ogweno & Semedo, 2025).

Conversely, elevated tax rates may discourage investment and entrepreneurship, potentially leading to reduced economic activity within the locality. Studies have shown that a 10% increase in property and other taxes can result in a significant downturn in local economic indicators, such as a 5.3% decrease in nonfarm proprietors' employment rates and a 7.5% increase in local unemployment rates (Gale & Samwick,

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2020). This economic contraction can, in turn, diminish the tax base, creating a cyclical challenge for local governments. The relationship between tax rates and local government performance is not linear; rather, it suggests an optimal range. Excessively high tax rates may lead to economic disincentives, while too low rates may result in insufficient revenue. Research indicates that moderate tax rates, coupled with efficient tax administration, are more likely to foster economic growth and enhance local government performance (Gale & Samwick, 2020).

Public trust and the perceived fairness of tax rates significantly influence compliance and, consequently, local government performance. In Sierra Leone, for example, informing residents about the direct benefits of tax-funded services led to a 20% increase in property tax payments, highlighting the importance of transparency and communication in fostering a cooperative tax environment (Local Government Revenue Initiative, 2024). Hence, the relationship between tax rates and local government performance is complex and influenced by various factors, including the level of taxation, economic conditions, and public perception. While higher tax rates can enhance revenue and service delivery, they must be balanced to avoid adverse economic effects. Effective tax policies, transparency, and public engagement are essential in optimizing this relationship to ensure sustainable local governance.

Licenses and permits and local government performance

Licenses and permits are regulatory instruments used by local governments to oversee various economic, environmental, and social activities within their jurisdictions. They serve as both a means of control and a source of internally generated revenue, directly influencing the effectiveness and efficiency of local government operations. The relationship between the issuance of licenses and permits and local government performance is multifaceted, impacting service delivery, governance transparency, economic development, and public trust. One critical aspect of this relationship is revenue generation. Licenses and permits provide local governments with non-tax income that supports the funding of essential services such as sanitation, infrastructure maintenance, and business regulation. Efficient management of licensing systems enhances revenue mobilization and enables local authorities to invest in community development initiatives. For example, Alindajao et al. (2023) found that the digitization of business permits and licensing processes in Quezon City led to increased compliance and improved satisfaction among local businesses, which in turn enhanced the performance of the local government by promoting a more business-friendly environment.

Moreover, the efficiency with which licenses and permits are processed significantly influences the perceived competence and responsiveness of local governments. Streamlined procedures reduce bureaucratic delays, improve transparency, and foster a more enabling environment for private sector participation. In contrast, complex or slow licensing processes can hinder business activities, discourage investment, and diminish public confidence in local administration. The Wall Street Journal (2024) highlighted Pennsylvania's policy of reimbursing applicants for delayed permits, which not only improved processing times but also reinforced accountability in public service delivery. However, poorly designed licensing regimes may contribute to inefficiencies and corruption, which undermine local government performance. In Ghana, for instance, excessive licensing requirements have been linked to administrative bottlenecks and opportunities for rent-seeking behavior, weakening governance structures and excluding small enterprises from formal economic participation (The Business & Financial Times, 2021). Such challenges demonstrate that the quality of licensing frameworks is just as important as their presence.

Hence, licenses and permits are more than regulatory tools; they are performance indicators and enablers of good governance at the local level. When administered transparently and efficiently, they enhance revenue collection, encourage economic activity, and strengthen institutional trust. To sustain these benefits, local governments must continuously reform their licensing systems to promote inclusivity, simplicity, and accountability.

Theoretical Review

Fiscal Decentralization Theory

Fiscal decentralization refers to the process by which financial responsibilities, including revenue generation and expenditure control, are transferred from central to local governments. The central premise is that local governments are better positioned to understand and respond to the specific needs of their communities when they have the autonomy to generate and manage their own resources (Oates, 1972).

In the context of Delta State, the theory explains how enhancing the capacity of local government areas (LGAs) to generate internal revenue—through taxes, levies, licenses, and fees—can lead to improved local governance outcomes. These may include better service delivery, infrastructure development, and economic empowerment within the localities. According to Martinez-Vazquez and McNab (2003), effective fiscal decentralization requires not only the devolution of financial authority but also the development of accountability mechanisms that ensure revenue is used transparently and efficiently. Where local governments depend heavily on allocations from the central government, performance is often constrained by delays, bureaucratic bottlenecks, and misalignment between resource allocation and local needs.

Application to the Delta State Context

In Delta State, many LGAs face challenges of poor performance due in part to overreliance on federal allocations and weak IGR structures. Applying the fiscal decentralization model suggests that empowering LGAs to harness local revenue potentials—such as property taxes, market dues, and business licenses—can increase their financial independence and responsiveness. Furthermore, the theory posits that when citizens see a direct link between the taxes and fees they pay and the quality of services provided, they are more likely to

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comply with local revenue policies. This civic participation further enhances local government accountability and performance (Bird & Vaillancourt, 1998). Hence, Fiscal Decentralization Theory offers a strong theoretical underpinning for examining the relationship between internally generated revenue and local government performance in Delta State. It emphasizes the importance of local fiscal autonomy, efficient revenue collection, and accountability mechanisms as prerequisites for effective governance at the grassroots level.

Empirical Review

Ekwe's(2023), examined the Impact of IGR on Educational Infrastructure. The study investigates the relationship between Internally Generated Revenue (IGR) and infrastructure development in Delta State, focusing on health and education sectors. Using data from 2008 to 2018 and Ordinary Least Squares (OLS) regression, the research finds that while IGR has an insignificant impact on health infrastructure, it significantly contributes to educational infrastructure development. The study recommends that at least 40% of IGR be allocated to the health sector to improve service delivery.

Okereke and Olewe's, (2023) worked on IGR and Rural Development research which examines the effect of IGR on rural development in Enugu State, Nigeria. The study reveals that IGR significantly influences the provision of road and educational infrastructure but has an insignificant effect on water infrastructure. The authors suggest that local governments should enhance IGR to improve infrastructure and service delivery.

Coker et al. (2019), worked on challenges in expanding IGR and explore the challenges local governments face in expanding IGR. The study identifies issues such as inadequate strategies, corruption, and lack of accountability, which hinder effective revenue generation. The authors advocate for improved tax administration and transparency to enhance IGR and, consequently, local government performance.

Summary of Gap

Despite the growing body of research on Internally Generated Revenue (IGR) and its relationship with local government performance in Nigeria, several critical gaps remain, particularly concerning localized studies in Delta State. The following summarizes the key gaps in the literature: limited context-specific empirical evidence**,** narrow scope of performance indicators**,** insufficient focus on governance and institutional factors**,** outdated or limited data coverage**,** lack of comparative LGA-level analysis within Delta. The existing literature provides a foundational understanding of IGR and its relevance to local government performance. However, critical gaps—particularly in geographic focus, performance measurement, governance analysis, and data timeliness—underscore the need for focused, empirically rich studies on Delta State's local governments. Addressing these gaps will strengthen the evidence base needed for improving fiscal policy and service delivery at the grassroots level.

3. Research Methodology

Research Design

This study adopts a **descriptive survey research design**. This design is appropriate because it allows the researcher to collect data from a defined population in order to describe and analyze the relationship between Internally Generated Revenue (IGR) and local government performance in selected LGAs of Delta State. The survey approach is particularly suited for capturing opinions, practices, and administrative patterns from local government staff and officials.

Population of the Study

The target population for this study comprises 385 senior and middle level management staff members working across the selected Local Government Areas in Delta State—namely Oshimili South, Warri South, Ughelli North, Sapele, and Ndokwa West. These include administrative staff, revenue officers, finance department personnel, and senior management involved in budget implementation and service delivery.

Sample Size Determination

Since the population is **known and finite (N = 385)**, **Yamane's (1967) formula** is used for calculating the sample size of 196.

The primary instrument for data collection was a structured questionnaire consisting of both closed-ended and Likert-scale items. The questionnaire was divided and categorised:Section A:Demographic data of respondents, Section B: Items on Internally Generated Revenue (e.g., sources, collection efficiency) and Section C: Items on local government performance indicators (e.g., infrastructure, service delivery, transparency)

Validity of Research Instrument

To ensure **content validity**, the questionnaire was reviewed by experts in public administration and local government finance, as well as academic supervisors. Their suggestions was incorporated to improve question clarity, relevance, and comprehensiveness.

Reliability of Research Instrument

A pilot study was conducted using 20 respondents from a nearby LGA not included in the main study. The Cronbach's Alpha coefficient will be used to test internal consistency. A coefficient of 0.70 or above was considered acceptable, indicating that the instrument is reliable.

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Table 1: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.817	.822	5

Source: SPSS Output, 2025.

It is evident from the table that that the five variables are reliable because its Cronbach Alpha value is greater than 0.7 that is 0.817. Therefore, all items are reliable, hence, the questionnaire used in this study can be considered as an instrument for measuring.

Method of Data Analysis

Descriptive statistics such as frequencies and percentages were used in answering the research question and the correlation analysis was use determine the nature of relationship between the independent and dependent variables. Theses hypotheses is tested using the multiple regressions with the aid of SPSS version 23, to find the the effect of Internally Generated Revenue on Performance of Local Government in selected Local Government Areas in Delta State, Nigeria. Data collected was analyzed using descriptive and inferential statistics.

4. Results and Discussions

Data Presentation

Table 2: Demographic Characteristics of Respondents (n = 196)

Variable	Category	Frequency	Percentage (%)
Gender	Male	111	56.6
	Female	85	43.4
Age	18–30	48	24.5
	31–45	91	46.4
	46 and above	57	29.1
Department	Revenue/Finance	81	41.3
	Admin/Others	115	58.7

Table 2. presents the demographic characteristics of the 196 respondents. The results show that males (56.6%) slightly outnumber females (43.4%), indicating a modest gender imbalance. Most respondents fall within the 31–45 age bracket (46.4%), followed by those aged 46 and above (29.1%). This suggests that the sample is largely composed of middle-aged employees. In terms of departmental distribution, the majority (58.7%) work in Administration and other related units, while 41.3% are in Revenue or Finance departments.

Descriptive Analysis of Key Variables

Table 3: Respondents' Perception of Key IGR Sources and Local Government Performance

Statement	Mean	Std. Dev
Taxes contribute significantly to infrastructure and service delivery.	4.12	0.68
Property and tenement rates improve local budget performance.	3.88	0.74
Licenses and permits enhance local revenue and efficiency.	4.03	0.70
Local government performance has improved over the last 3 years.	3.79	0.81
IGR is critical to sustaining public services at the LGA level.	4.25	0.65

Table 3 above shows **high** mean scores (above 3.50) indicate that respondents generally agree that taxes, rates, and licenses/permits significantly impact local government performance.

Inferential Analysis

A multiple linear regression analysis was conducted to determine the effects of taxes, rates, and licenses/permits (independent variables) on local government performance (dependent variable).

Table 4: Model Summary

Model	R	R^2	Adjusted R^2	Std. Error
1	0.729	0.531	0.521	0.517

The model summary indicates a strong positive relationship (R = 0.729) between the independent and dependent variables. The coefficient of determination (R^2 = 0.531) shows that about 53.1% of the variance in the dependent variable is explained by the model. The adjusted R^2 value of 0.521 further confirms the model's good explanatory power after adjusting for sample size and predictors.

Table 5: ANOVA Table

Source	Sum of Squares	df	Mean Square	F	Sig.
Regression	64.932	3	21.644	81.12	0.000
Residual	57.324	192	0.298		
Total	122.256	195			

The ANOVA results indicate that the regression model is statistically significant ($F = 81.12$, $p < 0.05$). This means the independent variables jointly have a significant effect on the dependent variable. The low significance value (0.000) confirms that the model provides a good fit for explaining variations in the outcome.

Table 6: Coefficients Table

Predictor	B	Std. Error	Beta	t	Sig. (p)
(Constant)	1.342	0.265	—	5.066	0.000
Taxes	0.402	0.063	0.451	6.381	0.000
Rates	0.288	0.071	0.309	4.056	0.000
Licenses & Permits	0.322	0.066	0.337	4.879	0.000

The coefficients table shows that taxes ($\beta = 0.451$), rates ($\beta = 0.309$), and licenses and permits ($\beta = 0.337$) all have positive and significant effects on local government performance ($p < 0.05$). Taxes emerged as the most influential predictor, followed by licenses and permits, and then rates. This indicates that effective management of these IGR sources substantially enhances local government performance.

Discussion of Findings

Effect of Taxes on Local Government Performance

The regression result shows that **taxes have a positive and significant effect** on local government performance ($\beta = 0.451$, $p < 0.05$). This suggests that effective tax collection enhances infrastructure provision and service delivery. This aligns with **Alindajao et al. (2023)**, who found that improved tax systems directly strengthen administrative capacity at the local level.

Effect of Rates on Local Government Performance

Property and tenement rates were found to significantly predict performance ($\beta = 0.309$, $p < 0.05$). This confirms that these rates, when well-managed, contribute to a stable revenue base. This supports the findings of **Ekwe (2023)**, who argued that rates are essential for sustainable budget planning in Nigerian LGAs.

Effect of Licenses and Permits on Local Government Performance

Licenses and permits also showed a strong positive relationship with performance ($\beta = 0.337$, $p < 0.05$). Their ease of administration and revenue predictability make them valuable tools. This finding is consistent with Wall Street Journal (2024)**,** which noted that digitizing licensing procedures improves both efficiency and accountability.

The findings reveal that taxes emerged as the strongest predictor of local government performance among the various internally generated revenue (IGR) sources examined. Rates were also found to play a significant role in enhancing financial planning and improving service quality, particularly when effectively enforced. Furthermore, licenses and permits—especially when digitized or streamlined—were identified as efficient revenue collection mechanisms that contribute to improved governance and administrative effectiveness at the local government level..

6. Summary

This study investigated the relationship between Internally Generated Revenue (IGR) and local government performance in selected Local Government Areas (LGAs) in Delta State, Nigeria. The study specifically assessed the effects of taxes, rates, and licenses/permits on the performance of local governments in delivering services, infrastructure, and governance. A descriptive survey design was adopted, and data were collected through structured questionnaires administered to 196 respondents across five LGAs: Oshimili South, Warri South, Ughelli North, Sapele, and Ndokwa West. Descriptive statistics, Pearson correlation, and multiple regression analysis were used for data analysis.

Findings and Observations

Based on the data analysis and interpretation in the following key findings were made:

i. Taxes significantly affect local government performance: A strong, positive relationship was observed between tax revenue and improvements in infrastructure, staff welfare, and basic services ($\beta = 0.451$, $p < 0.05$).

ii. Rates positively influence local government performance: Property and tenement rates were shown to significantly impact the financial health and operational capacity of LGAs ($\beta = 0.309$, $p < 0.05$).

iii. Licenses and permits contribute significantly to service delivery: Efficient collection of licenses and permits enhances responsiveness and public satisfaction ($\beta = 0.337$, $p < 0.05$).

iv. IGR is a critical enabler of self-reliance and financial autonomy in local governments: Respondents agreed that internally generated funds enable LGAs to implement projects without depending entirely on federal allocations.

v. Challenges such as poor compliance, corruption, and weak enforcement affect IGR performance: Observations show that limited public awareness and administrative inefficiencies weaken IGR potential.

Conclusion

The study concludes that internally generated revenue—specifically from taxes, rates, and licenses/permits—has a significant and positive impact on local government performance in Delta State. Effective mobilization and management of these revenue sources are essential to improving infrastructure, enhancing service delivery, and ensuring accountability in governance. Local governments that strengthen their IGR systems are better positioned to respond to the needs of their constituents and achieve developmental goals.

*Corresponding Author: **CHUKWUKA Wilson**

Recommendations

Based on the findings, the following recommendations are proposed:

i. Strengthen Tax Administration Systems: LGAs should improve tax collection processes through the adoption of digital platforms, public awareness campaigns, and enforcement of compliance.

ii. Enhance Transparency and Accountability: Transparent accounting of revenue generated from rates and licenses should be prioritized to build public trust and improve civic participation.

iii. Review and Update Legal Frameworks: Obsolete by-laws regulating property rates and permits should be updated to reflect current economic realities and enhance enforceability.

iv. Capacity Building and Staff Training: Training programs should be organized for revenue officers and administrators on modern revenue generation techniques and ethics.

v. Introduce Performance-Based Budgeting: Link revenue generation targets to service delivery outcomes to incentivize efficiency and performance improvements in LGAs.

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