

## Internally generated revenue efficiency in rural local governments: evidence from Gwarzo and Kabo LGAs, Kano State, Nigeria

Yusuf Sani

Department of Accountancy, Federal Polytechnic Kabo, Kano State, Nigeria

Corresponding email : [yusufsani@fudma.edu.ng](mailto:yusufsani@fudma.edu.ng)

<https://doi.org/10.33003/fujafr-2026.v4i1.321.276-289>

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### Abstract

**Purpose:** This study investigates how local governments generate and manage internally generated revenue (IGR) in Gwarzo and Kabo Local Government Areas of Kano State, Nigeria, with the aim of understanding its effect on public service delivery. The research is motivated by concerns over limited revenue capacity and its implications for the provision of essential community services.

**Methodology:** A quantitative comparative case study design was adopted. Structured questionnaires were administered to 100 local government employees across both LGAs. Data was analyzed using descriptive statistics, independent sample t-tests, and Pearson correlation to assess differences in revenue generation, management efficiency, and their relationship with service delivery outcomes.

**Results and conclusion:** The findings show that both LGAs rely on similar revenue sources, including market taxes, business permits, motor park levy, and tenement rates. Internally generated revenue was moderate in both areas, with no statistically significant differences observed. Efficiency in revenue management and institutional challenges were found to have weak and insignificant effects on service delivery and overall revenue outcomes. The study concludes that structural and systemic reforms are critical for enhancing the financial performance of local governments.

**Implication of findings:** The results highlight the need for capacity building, improved transparency, and stronger revenue enforcement mechanisms. Expanding the revenue base, improving collection efficiency, and reinforcing accountability are essential to ensure effective service delivery and foster grassroots development in rural local governments.

**Keywords:** Internally generated revenue, Local government finance, Fiscal discipline, Rural administration, Nigeria.

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### 1. Introduction

Local governments play a vital role in Nigeria's federal system, acting as the closest tier of government to rural communities. Ideally, they should harness local resources and turn them into real public services like rural roads, markets, sanitation, and primary education. This is where Internally Generated Revenue (IGR) comes into play, serving as a key foundation for fiscal sustainability at the grassroots level. When local governments effectively collect revenue through taxes, levies, and service charges, they gain a level of financial independence that allows for responsive governance and local development (Ekpo, 2015; Odoemene, 2020; Adekoya & Olayinka, 2023; Angahar & Olalere, 2023; Ibrahim et al., 2020; Coker et al., 2015; Sehinde et al., 2015). However, the reality in many Nigerian local governments tells a different story. Despite the constitutional allocation of revenue sources, most councils find themselves heavily reliant on federal transfers from the Federation Account Allocation Committee, with internally generated funds making up only a small portion of their total revenue (Angahar & Olalere, 2023; Odoemene, 2020; Ibrahim et al., 2020; Coker et al., 2015; Ekpo, 2015; Adekoya & Olayinka, 2023).

In a perfect world, a well-functioning rural local government would have a diverse revenue base, backed by efficient collection systems, transparent administration, and effective use of locally generated funds. Under these circumstances, internally generated revenue would complement statutory allocations and offer financial flexibility for community development projects. Unfortunately, this ideal often falls short

in reality. Many rural local governments face challenges like weak administrative capacity, insufficient revenue databases, limited enforcement mechanisms, and public resistance to taxation, all of which hinder their ability to mobilize revenue effectively (Ekpo, 2015; Coker et al., 2015; Ibrahim et al., 2020; Odoemene, 2020; Angahar & Olalere, 2023; Adekoya & Olayinka, 2023; Sehinde et al., 2015). These weaknesses can lead to some serious issues. When local revenue systems are not working well, local governments find themselves relying heavily on external transfers. This makes them vulnerable to changes in federal funding, which in turn weakens their ability to provide essential public services to the community. The negative effects show up as crumbling rural infrastructure, poor service delivery, and a lack of trust from citizens in their local governance.

Previous studies have looked into how local governments in Nigeria generate their own revenue, mainly focusing on sources of income, institutional challenges, and how revenue generation relates to development outcomes (Ekpo, 2015; Odoemene, 2020; Ibrahim et al., 2020; Coker et al., 2015; Adekoya & Olayinka, 2023; Angahar & Olalere, 2023; Sehinde et al., 2015). While these studies offer valuable insights, they often analyze revenue generation at a broad level or concentrate on urban and state contexts. There's been much less focus on how efficiently rural Local Government Areas, especially in northern Nigeria, mobilize their internal revenue sources, where the socio-economic and administrative landscapes can be quite different. This oversight leaves many important questions unanswered about how well rural councils are managing and utilizing their own revenue.

This study aims to fill a significant gap by looking into how effectively two rural local governments in Kano State Gwarzo and Kabo generate their own revenue. By drawing on insights from fiscal federalism and resource mobilization theory, the research assesses the structure, performance, and administrative efficiency of local revenue systems in these areas. The main goals are to pinpoint the sources of internally generated revenue, compare the revenue performance of the two local government areas (LGAs), and explore how efficiently revenue management impacts public service delivery. The rest of the paper is structured as follows. The next section reviews pertinent literature and theoretical viewpoints on internally generated revenue and local fiscal autonomy. Following that, the methodology section outlines the research design, data sources, and analytical methods employed in the study. The next part presents and discusses the empirical findings. Finally, the paper wraps up with conclusions and offers policy recommendations aimed at enhancing revenue efficiency in rural local governments.

## **2. Literature review**

This section reviews key concepts, theories, and empirical studies relevant to local government revenue management and service delivery. It examines the notions of efficiency, internally generated revenue (IGR), local government finance, fiscal discipline, and rural administration, highlighting how these concepts shape governance and development outcomes. The review also considers Fiscal Federalism Theory as a guiding framework and synthesizes empirical evidence on revenue sources, comparative performance across local governments, revenue management efficiency, and institutional constraints, while identifying gaps that inform the focus of the current study.

### *The concept efficiency*

Efficiency is the optimal use of scarce resources to maximize outcomes, interpreted differently across disciplines. Economics emphasizes allocative, productive, and technical efficiency (Barbero & Zofío, 2023), while management focuses on process improvement, waste reduction, and performance measurement (Witzel, 2002; Hilsenrath et al., 1997). Systems perspectives highlight its multidimensional and context-dependent nature, integrating financial, technological, and strategic factors (Vavilkin &

Plaskova, 2023). In local governance, efficiency involves generating revenue, minimizing administrative costs, and using resources prudently for development (Obasanjo & Akinbode, 2018). Weak efficiency in rural LGAs increases dependence on federal transfers, undermining service delivery and fiscal autonomy (Adedeji et al., 2021; Sulaiman et al., 2020). This implies that enhancing efficiency is essential for sustainable local development and effective governance.

### ***Internally generated revenue (IGR)***

Internally Generated Revenue (IGR) is widely defined as revenue mobilized within a jurisdiction to support expenditure and fiscal sustainability, though perspectives differ in emphasis. Economically, it reflects productive capacity and links to macroeconomic indicators such as GDP (Falayi, 2023). Public finance views position IGR within fiscal federalism, highlighting tax effort and autonomy (Adanu, 2024; Coker et al., 2015). At local levels, it is shaped by administrative capacity and constraints (Adekoya et al., 2023; Folayan et al., 2023). These perspectives converge on IGR as a tool for self-reliance but differ across macroeconomic, fiscal, and institutional lenses. Institutional views stress its role in sustaining operations amid funding gaps (Onuoha, 2013). This implies that strengthening IGR requires integrating economic performance, fiscal structures, and administrative capacity.

### ***Local government finance***

Local government finance is defined as the system through which local authorities mobilize, allocate, and manage resources for service delivery, though perspectives vary. Public finance views emphasize fiscal federalism, focusing on own-source revenue, transfers, and autonomy (Coker et al., 2015; Angahar & Olalere, 2023). Economic perspectives link financial capacity to grassroots development and infrastructure outcomes (Odoemene, 2020; Ibrahim et al., 2020), while institutional views stress governance quality and administrative efficiency. These perspectives converge on its role in service delivery but differ in focus on structure, performance, and capacity. This implies that effective local finance depends not only on revenue availability but also on strong institutions and efficient financial management systems.

### ***Fiscal discipline***

Fiscal discipline refers to adherence to sound financial practices that ensure balanced, sustainable, and policy aligned public finances. Public finance perspectives stress budgetary control, deficit avoidance, and efficient allocation (Alesina & Ardagna, 2010; IMF, 2022). Administrative views emphasize institutional capacity for planning, monitoring, and executing budgets, alongside revenue mobilization and compliance (Folayan et al., 2023). Economic perspectives link it to sustainable growth through prudent spending and controlled borrowing (Schick, 2007). These perspectives converge on sustainability and efficient resource use but differ in focus on rules, outcomes, and capacity. This implies that fiscal discipline depends on combining macro stability objectives with strong institutional mechanisms and effective budget execution.

### ***Rural administration***

Rural administration refers to the coordination of resources, policies, and services to promote development and welfare in rural areas, though perspectives vary. Governance views emphasize institutional structures, decentralization, and administrative capacity (Agbaje & Olowu, 2019; Onwuka, 2021). Economic perspectives link it to efficient resource allocation, revenue mobilization, and service delivery (Adeyemi, 2020; Olayinka & Lawal, 2022), while sociological views stress community participation and informal institutions (Akinyemi & Bello, 2018). These perspectives converge on their role in translating policy into outcomes but differ in focus on institutions, efficiency, and social dynamics.

This implies that effective rural administration requires integrating strong governance systems with economic management and active community engagement.

### *Theoretical review*

Fiscal Federalism Theory explains how fiscal responsibilities should be distributed across government tiers to enhance responsiveness and local accountability (Musgrave, 1959; Oates, 1999; Bird & Zolt, 2015; Arowolo, 2011; Angahar & Olalere, 2023). Internally generated revenue (IGR) is central to local fiscal autonomy, as higher IGR fosters a social contract linking taxes to services, while dependence on intergovernmental transfers can weaken fiscal discipline and accountability (Bird & Zolt, 2015; Oates, 1999; Adejoh et al., 2019;). In practice, Nigeria's centralized fiscal system limits local revenue mobilization, making IGR performance dependent on administrative capacity, institutional quality, and local economic conditions (Arowolo, 2011; Coker et al., 2015; Olaoye & Afolabi, 2022; Odoemene, 2020). This implies that enhancing IGR efficiency is essential for financial sustainability, stronger fiscal discipline, and improved service delivery in rural local governments.

### *Empirical review*

**Sources of internally generated revenue in rural LGAs:** Rural local governments generate internally sourced revenue primarily through property taxes, market levies, licenses, fines, and municipal service fees (Ekpo, 2015; Odoemene, 2020; Ibrahim et al., 2020; Adekoya & Olayinka, 2023). Studies show that property taxes and market levies contribute significantly, though poor record-keeping, weak enforcement, and political interference limit overall efficiency (Ekpo, 2015; Coker et al., 2015; Angahar & Olalere, 2023).

Diversifying revenue sources can enhance fiscal resilience, but the lack of detailed LGA-level analysis, especially in northern rural areas like Gwarzo and Kabo, constrains understanding of local revenue dynamics. This suggests targeted assessments are needed to optimize revenue mobilization and strengthen financial sustainability (Odoemene, 2020; Adedeji et al., 2021; Sulaiman et al., 2020).

**Comparative revenue performance across local governments (H<sub>1</sub>):** Revenue performance across local governments in Nigeria exhibits considerable variation, influenced by economic conditions, administrative capacity, population size, and governance quality. Studies indicate that effective revenue mobilization is closely linked to the efficiency of government operations and the diversity of revenue sources. Dada, Adebayo, and Adeduro (2017) found that infrastructure development, administrative efficiency, and governance quality significantly enhance internally generated revenue, whereas financial mismanagement and weak monitoring undermine it. Similarly, Sehinde, Akanbi, and Ajayi (2015) reported that rural councils, such as Ibarapa East, face very low revenue due to reliance on narrow sources like market fees, motor park levies, and licensing charges, compounded by weak tax enforcement and limited administrative capacity. Collectively, these studies suggest that administrative competence, governance practices, and economic context are central to explaining differences in revenue performance, yet most research focuses on single LGAs or general trends, leaving comparative analysis across rural councils underexplored.

When examining efficiency in revenue collection, empirical evidence points to significant disparities among rural LGAs. Ibrahim et al. (2020) observed that administrative capacity, enforcement methods, and corruption levels directly affect collection efficiency, with systemic issues such as delayed fund transfers and weak internal controls further undermining performance. Angahar and Olalere (2023) found that local economic activities, institutional structures, and taxpayer compliance drive variations

in revenue efficiency among northern LGAs, confirming Coker et al. (2015) that organizational competence and political commitment are critical. Alternative revenue sources, including service charges and advertising, are often underutilized, representing untapped potential for improving efficiency (Adekoya & Olayinka, 2023). On the other hand, Adigwe (2025) finds that business size and profitability, rather than sectoral differences, are the key drivers of voluntary tax compliance, implying that areas with larger and profitable firms tend to generate higher revenue. Similarly, Olumoh and Mubaraq (2025) show that effective tax audit management and control systems significantly improve revenue agency performance. Therefore, disparities in revenue between Gwarzo and Kabo can be attributed to differences in audit effectiveness and the financial strength of businesses within each jurisdiction. These studies converge on the idea that effective revenue mobilization requires not only administrative and institutional capacity but also a proactive approach to diversifying revenue streams. However, gaps remain in systematic comparative analyses linking efficiency with public service delivery outcomes, highlighting the need for research that evaluates how differences in revenue management practices influence development performance in rural councils (Ibrahim et al., 2020; Angahar & Olalere, 2023; Ekpo, 2015; Coker et al., 2015; Odoemene, 2020; Obasanjo & Akinbode, 2018). This underscores the importance of strengthening administrative systems and governance structures to maximize internally generated revenue and improve service delivery in rural local governments.

**Revenue management efficiency and public service delivery (H<sub>2</sub>):** The efficiency of revenue management in local governments significantly influences the quality and reach of public service delivery, particularly in rural contexts. Studies consistently show that internally generated revenue (IGR) enhances the capacity of local governments to fund infrastructure, healthcare, education, and other development initiatives. For instance, Odoemene (2020) demonstrated a positive association between IGR and infrastructure development, although the overall impact was limited by low revenue capacity and suboptimal allocation of funds. Similarly, Ibrahim et al. (2020) found that increases in IGR corresponded with higher public expenditure, indicating that revenue generation directly affects the level of government investment in services. At the national level, Ubali et al. (2024) observe that tax revenue in Nigeria has historically shown a negative long-term effect on sustainable development goals due to inefficient utilization and poor management. However, these studies also highlight that expenditure growth often outpaces revenue increases, creating fiscal imbalances that may hinder the sustainability of development programs. This indicates that while revenue mobilization is critical, it is insufficient on its own without strong financial planning and expenditure control mechanisms.

The effectiveness of IGR in translating into improved service delivery is further mediated by governance quality, administrative capacity, and accountability systems. Research on local governance and decentralization in Nigeria emphasizes that fiscal decentralization allows decision-making to be closer to communities, facilitating more responsive and efficient resource allocation (Udeaja & Amobi, 2023). Nonetheless, challenges such as weak financial management, corruption, and poor compliance monitoring often prevent internally generated funds from achieving intended service outcomes (Oluwaleye, 2015; Sehinde et al., 2015). Comparative analyses of rural LGAs are limited, leaving gaps in understanding the contextual factors that differentiate high performing from low-performing areas (Odoemene, 2020; Ekpo, 2015; Coker et al., 2015; Angahar & Olalere, 2023; Adekoya & Olayinka, 2023). Collectively, these findings suggest that revenue management efficiency is a critical determinant of public service delivery, but its effectiveness depends on strong institutional structures, prudent expenditure management, and transparent governance practices. Strengthening these factors could

maximize the developmental impact of IGR, particularly in resource-constrained rural local governments, supporting sustainable local development and improved service provision.

**Institutional and administrative constraints to revenue mobilization (H<sub>3</sub>):** A significant body of research delves into the institutional and administrative hurdles that impact the ability of local governments to generate their own revenue. Experts generally agree that the quality of governance, the capacity of administrative systems, and the frameworks in place are vital in shaping how well revenue is collected. Coker, Eteng, Agishi, and Adie (2015) point out that in Nigeria, local governments face serious limitations in their revenue performance due to weak fiscal independence, political meddling, and ineffective administrative practices. Their findings highlight that poor record-keeping, lack cluster enforcement of revenue collection, and corruption often result in major revenue losses. As a result, many local governments fail to fully tap into potential revenue sources.

The study of Olumoh and Mubaraq (2025) identify critical constraints such as weak audit processes, a lack of comprehensive strategic internal audit plans, and political interference as systemic institutional weaknesses and administrative hurdles that hampered revenue mobilization. From the taxpayer's perspective, Adigwe (2025) notes that the perceived complexity of the tax system and a fundamental mistrust of how the government utilizes proceeds discourage voluntary compliance. In a similar vein, research on public accountability and digital governance indicates that technological advancements can greatly enhance revenue management. Mohammed and Haruna (2020) explored how e-governance can boost accountability in local government revenue processes, discovering that using information and communication technology leads to greater transparency, less corruption, and improved revenue monitoring. The findings of Akpootu and Yusuf (2025) emphasize ineffectiveness of traditional statutory audits in detecting embezzlement and financial malpractice necessitates the demand for specialized forensic accounting to restore financial governance.

Despite these valuable insights, many existing studies tend to concentrate on governance challenges at the national or state level, overlooking how institutional limitations specifically impact revenue generation in rural local government areas (LGAs). Consequently, there is a lack of empirical evidence on how administrative issues affect revenue outcomes in these particular local contexts.

### **Patterns, contradictions, and knowledge gaps**

In the literature reviewed, three key patterns stand out. First off, efficient revenue mobilization is crucial for achieving fiscal autonomy and delivering services effectively (Ekpo, 2015; Ibrahim et al., 2020; Odoemene, 2020; Coker et al., 2015; Adekoya & Olayinka, 2023; Angahar & Olalere, 2023; Sehinde et al., 2015). Secondly, factors like administrative capacity, institutional quality, and compliance play a significant role in determining efficiency (Ibrahim et al., 2020; Ekpo, 2015; Odoemene, 2020; Coker et al., 2015; Angahar & Olalere, 2023; Adekoya & Olayinka, 2023; Obasanjo & Akinbode, 2018). Lastly, many studies fall short in providing detailed, comparative analyses at the Local Government Area (LGA) level, especially in northern rural contexts, which limits their relevance to places like Gwarzo and Kabo. However, contradictions occurred where some research indicates that higher revenue consistently translates to better services, while other studies highlight inefficiencies that disrupt this connection (Angahar & Olalere, 2023; Odoemene, 2020; Ekpo, 2015; Ibrahim et al., 2020; Adekoya & Olayinka, 2023; Coker et al., 2015; Sehinde et al., 2015).

Given the comparative and quantitative nature of the study, the following hypotheses were tested:

- H1: There is a significant difference between Gwarzo and Kabo LGAs in the level and composition of internally generated revenue.
- H2: Revenue management efficiency significantly influences the quality of public service delivery in the two LGAs.
- H3: Institutional and administrative challenges significantly affect revenue mobilization and utilization outcomes.

By concentrating on rural administrative settings, this study adds valuable evidence to the ongoing discussions about grassroots fiscal capacity and decentralized governance in Nigeria.

### 3. Methodology

This research utilized a quantitative comparative case study design to explore how effectively Gwarzo and Kabo Local Government Areas (LGAs) in Kano State, Nigeria, generate their own revenue. A quantitative approach was chosen because it enables a systematic measurement and analysis of financial factors, like how efficiently revenue is collected, expenditure ratios, and overall administrative performance, all while reducing the potential for researcher bias (Creswell & Creswell, 2018). The comparative case study method is particularly fitting for this research as it allows for a structured side-by-side comparison of two different rural local governments that function under the same state policies but have their own unique economic and administrative traits (Yin, 2018). By framing the study within a quantitative context, the research maintains objectivity in evaluating the differences in revenue performance and management practices between the two LGAs.

The research took place in Gwarzo and Kabo LGAs, both of which are mainly rural areas where the economy is largely based on agriculture, small-scale trading, and local markets. Even though they share these commonalities, each LGA has its own unique market dynamics and administrative practices that influence how they generate revenue. This study utilizes longitudinal data from 2018 to 2023, allowing for a thorough examination of trends in revenue collection and spending over time. This period is long enough to capture both short-term fluctuations and long-term trends in revenue efficiency, providing valuable insights into the financial realities faced by rural local governments.

The focus group for this study included staff from the finance, revenue, and administrative departments of both LGAs. These individuals are directly involved in collecting revenue, preparing financial reports, and managing public funds, making them the best sources of information regarding institutional processes and administrative hurdles. A total of 100 respondents were carefully chosen, ensuring equal representation from each LGA to support a reliable comparative analysis. This targeted sampling approach was necessary because it emphasizes participants with specific expertise and access to relevant financial records, ensuring that the data collected effectively addresses the study's goals (Saunders et al., 2019).

Data collection was a blend of structured questionnaires adapted. The questionnaires aimed to gather insights on transparency, administrative efficiency, and institutional constraints, while the revenue records offered concrete data on internally generated revenue over a five-year span. For the analysis, we calculated descriptive statistics, like means and standard deviations, to highlight trends and variations. To identify any statistically significant differences between the LGAs, we used an independent sample t-test to compare average revenue performance and efficiency metrics for Gwarzo and Kabo. This methodological approach ensures that the study yields solid, evidence-based insights into how effectively revenue is generated and what that means for local governance.

#### 4. Results and discussion

The researcher used descriptive statistical tools like frequency counts, percentages, and mean scores to dive into the data. The results are laid out in tables and explained in detail.

**Table 1: Mean analysis of selected questionnaire items**

Item	Mean	Decision
Q8	3.64	Agree
Q9	3.49	Undecided
Q10	3.66	Agree
Q11	2.98	Undecided
Q12	3.32	Undecided
Q13	3.75	Agree
Q14	3.62	Agree
Q15	3.40	Undecided
Q16	3.88	Agree
Q17	4.06	Agree
Q18	2.92	Undecided
Q19	3.24	Undecided
Q20	2.81	Undecided
Q21	3.08	Undecided
Q22	2.86	Undecided
Q23	3.35	Undecided
Q24	3.62	Agree
Q25	3.44	Undecided
Q26	2.69	Undecided
Q27	3.19	Undecided
Q28	2.30	Disagree
Q29	3.93	Agree
Q30	3.61	Agree
Q31	4.05	Agree
Q32	3.89	Agree

Table 1 shows that several items recorded mean values above 3.00, indicating general agreement on aspects of revenue administration (e.g., Q8 = 3.64; Q13 = 3.75; Q17 = 4.06). However, many items remained "Undecided," reflecting mixed perceptions of efficiency and institutional performance.

**Table 2: Comparative analysis: Gwarzo vs Kabo (mean comparison between LGAs)**

Item	Gwarzo Mean	Kabo Mean
Q8	3.68	3.60
Q9	3.52	3.46
Q10	3.74	3.58
Q11	3.08	2.88
Q12	3.48	3.16
Q13	3.86	3.64
Q14	3.66	3.58
Q15	3.46	3.34
Q16	3.96	3.80
Q17	4.12	4.00
Q29	4.04	3.82
Q30	3.70	3.52
Q31	4.08	4.02
Q32	3.94	3.84

Table 2 further indicates that Gwarzo LGA consistently recorded slightly higher mean scores than Kabo (e.g., Q8: 3.68 vs 3.60; Q17: 4.12 vs 4.00), suggesting marginally better-perceived revenue administration, though differences are minimal.

**Table 3: Group statistics**

LGA	N	Mean	Std. Deviation
Gwarzo	50	3.54	0.33
Kabo	50	3.43	0.38

Table 3 reports that Gwarzo (Mean = 3.54) and Kabo (Mean = 3.43) have close average scores.

**Table 4: T-test result**

Test	t-value	p-value	Decision
Independent t-test	1.48	0.142	Not Significant

The independent t-test result ( $t = 1.48$ ,  $p = 0.142$ ) shows no statistical evidence difference in internally generated revenue between the two LGAs. The findings indicate a t-value of 1.48 and a p-value of 0.142, which exceeds 0.05. This suggests that the difference in levels of internally generated revenue between Gwarzo and Kabo LGAs isn't statistically significant.

**Table 5: Correlation result**

Variables	r	p-value	Interpretation
Revenue management efficiency & Service delivery	-0.087	0.387	Not significant

Table 5 shows a correlation coefficient of  $r = -0.087$  with  $p = 0.387$ , indicating a very weak and statistically insignificant relationship between revenue management efficiency and public service delivery.

**Table 6: Correlation result**

Variables	r	p-value	Interpretation
<b>Institutional challenges &amp; revenue mobilization</b>	0.153	0.129	Not significant

Table 6 presents a weak positive correlation ( $r = 0.153$ ,  $p = 0.129$ ), which is statistically insignificant. This implies that institutional and administrative challenges do not significantly influence revenue mobilization outcomes in the dataset.

### *Discussion of findings*

The findings from Table 3, which show “no statistically significant difference in internally generated revenue between Gwarzo and Kabo LGAs ( $t = 1.48$ ,  $p = 0.142$ )”, support earlier studies that rural LGAs often operate under similar structural and economic constraints, leading to comparable revenue outcomes (Ekpo, 2015; Odoemene, 2020; Ibrahim et al., 2020). This is consistent with evidence that rural councils depend on limited and similar revenue sources such as market levies and licenses, resulting in minimal variation across jurisdictions (Sehinde et al., 2015; Coker et al., 2015).

The perception results in Table 1 and Table 2, where “mean scores are largely moderate with many undecided responses” and “Gwarzo shows only slightly higher averages than Kabo,” reinforce the argument that administrative capacity and governance quality are generally weak and uniform across rural LGAs (Angahar & Olalere, 2023; Adekoya & Olayinka, 2023). This aligns with the literature emphasizing that institutional quality and administrative efficiency are key determinants of revenue performance (Obasanjo & Akinbode, 2018; Ibrahim et al., 2020).

However, the result in Table 4, which indicates “a weak and insignificant relationship between revenue management efficiency and service delivery ( $r = -0.087$ ,  $p = 0.387$ )”, contradicts the widely held view that improved IGR leads to better development outcomes. While studies such as Odoemene (2020) and Ibrahim et al. (2020) found that increased revenue enhances public expenditure and infrastructure, this study aligns with contrary evidence showing that poor governance, misallocation of funds, and weak accountability mechanisms can break the link between revenue and service delivery (Oluwaleye, 2015; Sehinde et al., 2015; Ubali et al., 2024). This suggests that revenue generation alone is insufficient without effective utilization and financial discipline.

Furthermore, the finding from Table 5, where “institutional challenges show a weak and insignificant relationship with revenue mobilization ( $r = 0.153$ ,  $p = 0.129$ )”, deviates from dominant literature that identifies administrative inefficiency, corruption, and weak enforcement as major constraints (Coker et al., 2015; Angahar & Olalere, 2023; Ibrahim et al., 2020). A plausible explanation, consistent with Fiscal Federalism Theory, is that broader systemic issues such as fiscal centralization and dependence on federal allocations overshadow local institutional factors (Oates, 1999; Bird & Zolt, 2015; Arowolo, 2011).

Overall, the combined evidence from Tables 1–6 suggests that while revenue systems exist in both LGAs, their effectiveness is limited by systemic, structural, and governance-related factors rather than isolated administrative inefficiencies. This supports the broader literature that emphasizes the importance of institutional strength, fiscal autonomy, and accountability frameworks in enhancing local government financial performance (Angahar & Olalere, 2023; Odoemene, 2020).

## 5. Conclusion

The study wraps up by highlighting that while Gwarzo and Kabo LGAs have clear revenue sources and some basic financial management systems in place, their ability to generate and effectively use revenue is still hampered by various institutional and administrative challenges. To boost sustainable local government finance and improve service delivery, it is crucial to enhance financial discipline, build professional capacity, and establish strong accountability mechanisms.

Based on the findings, the following recommendations are proposed:

- i. Local governments should move beyond traditional sources (e.g., market levy and permits) by exploring alternative revenue streams such as digital taxation systems, signage/advertisement fees, and public-private partnerships.
- ii. There is a need to improve budget execution, monitoring, and transparency mechanisms. Linking revenue directly to specific development projects can enhance accountability and public trust.
- iii. Continuous training programs should be implemented to improve technical, administrative, and financial management skills of staff. Strengthening human capital will enhance efficiency in revenue collection and utilization.
- iv. Introducing e-governance and automated revenue collection platforms can minimize leakages, reduce corruption, and improve monitoring. This aligns with the need to address inefficiencies not captured statistically but evident in practice.
- v. Local governments should strengthen internal controls, audit systems, and interdepartmental coordination to improve overall financial performance.
- vi. In line with fiscal federalism insights, policies should aim at increasing local fiscal autonomy by incentivizing internally generated revenue efforts and reducing overreliance on external transfers.
- vii. Since systemic factors influence outcomes, state and federal governments should implement reforms that enhance fiscal decentralization, improve revenue rights, and support local economic development, thereby strengthening the revenue capacity of rural LGAs.

These recommendations emphasize that improving IGR efficiency and service delivery requires a holistic approach, combining administrative improvements, technological adoption, and broader institutional and policy reforms.

Future research should delve into how digital financial systems can enhance revenue collection for local governments. It would also be beneficial to carry out broader comparative studies across various local governments to yield insights that are more widely applicable.

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