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**REVENUE ALLOCATION AND ITS EFFECT ON LOCAL
GOVERNMENT PERFORMANCE. A CASE STUDY OF ISOKO
NORTH AND ISOKO SOUTH LOCAL GOVERNMENT**

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Abstract

This study examined the effect of revenue allocation on local government performance in Isoko North Local Government Area and Isoko South Local Government Area, Delta State. Anchored on Fiscal Federalism Theory by Wallace E. Oates and Anwar Shah, the study adopted a quantitative survey design. Data were collected from 150 local government officials, with 132 valid questionnaires returned, representing an 88% response rate. Descriptive statistics, correlation, and regression analyses were used for data analysis. Findings revealed heavy dependence on federal allocations, weak internally generated revenue, limited fiscal autonomy due to state interference through the State Joint Local Government Account, and dominance of recurrent expenditure over capital projects. These factors negatively affected service delivery in healthcare, education, sanitation, and infrastructure. Regression results showed that fiscal autonomy and revenue adequacy positively influence performance, while state interference has a significant negative effect. The study concludes that structural fiscal reforms are necessary to improve local government performance and recommends enhanced fiscal autonomy, strengthened IGR, and improved accountability mechanisms. This work recommends that the State Joint Local Government Account should be restructured to allow direct allocation of funds to local governments, which will allow fiscal autonomy and performance, as well as Fiscal rules should be

introduced to limit recurrent expenditure and prioritize capital investment. This work demonstrates that fiscal autonomy is a stronger determinant of performance than revenue adequacy alone, thereby extending existing literature.

Keywords: Revenue Allocation; Local Government Performance; Fiscal Autonomy; Fiscal Federalism; Service Delivery

Introduction

Local governments are universally acknowledged as the tier of government closest to the people, established to serve as vehicles for grassroots development, democratic participation, and effective service delivery. In a federal state such as Nigeria, the existence of multiple levels of government the federal, state, and local requires an effective fiscal relationship to ensure that each tier discharges its constitutional responsibilities efficiently. Revenue allocation, which involves the distribution of financial resources among these levels of government, thus constitutes the foundation upon which intergovernmental relations and local government autonomy rest (Ekpo, 2004).

The importance of revenue allocation to local government performance cannot be overemphasized. In Nigeria, local governments are constitutionally entrusted with providing essential social services such as primary education, healthcare, rural roads, water supply, sanitation, and agricultural extension services (Federal Republic of Nigeria, 1999). However, the extent to which these responsibilities are performed depends largely on the adequacy, predictability, and timeliness of their revenue inflows. Without sufficient funds, local governments are unable to function effectively, leading to service delivery gaps, poor infrastructure, and underdevelopment at the grassroots.

Historically, the problem of revenue allocation in Nigeria is deeply rooted in the nation's colonial and post-colonial political economy. Before independence in 1960, the colonial administration had already recognized the difficulty of balancing regional needs with national development priorities. The Raisman Commission of 1958 was the first formal attempt to design a revenue allocation formula that reflected the principles of equity, efficiency, and unity. Since then, several commissions, including the Dina Committee (1968), Aboyade Technical Committee (1977), and the Okigbo Commission (1980), have attempted to create a formula that accommodates Nigeria's ethnic diversity, resource endowment, and development aspirations (Ekpo & Ndebbio, 1996). Despite these efforts, revenue allocation has remained one of the most contentious issues in Nigerian federalism, often sparking political debates, regional agitation, and demands for restructuring.

Another critical dimension of the revenue allocation problem is the interference of state governments in local government finances. Although Section 162 of the 1999 Constitution provides for the establishment of a State Joint Local Government Account (SJLGA), through which funds from the Federation Account are channeled to local governments, in practice, state governments often exercise excessive control over these funds. This situation has resulted in frequent complaints of deductions, diversion of allocations, and irregular disbursement of funds, leaving local governments with inadequate resources for development projects (Okoli & Onah, 2002). The excessive dependence on statutory allocation, coupled with state interference, has therefore weakened local governments' ability to execute their constitutional mandate.

Revenue allocation is not simply a fiscal exercise but a political and developmental issue. The availability of resources at the local government level directly affects the quality of governance, the extent of poverty reduction, and the degree of citizen participation in democracy. When resources are adequately and equitably distributed, local governments are empowered to provide public goods and services that enhance the well-being of citizens. Conversely, inadequate funding results in poor infrastructure, weak institutions, and limited access to education and healthcare, perpetuating cycles of poverty and underdevelopment (Agagu, 1997).

The Nigerian case is particularly instructive because of the country's diversity and complexity. With over 774 local government councils spread across 36 states and the Federal Capital Territory, the challenge of equitable revenue allocation is immense. Factors such as population, land mass, resource endowment, and fiscal capacity are often considered in designing allocation formulas, yet controversies persist. For instance, oil-producing states in the Niger Delta have long agitated for higher derivation principles to reflect the environmental costs of resource exploitation, while less-endowed states emphasize national equity and need (Suberu, 2001). These competing demands illustrate the difficulty of reconciling national unity with regional justice.

The performance of local governments in Nigeria, therefore, cannot be divorced from the issue of revenue allocation. Inadequate resources, coupled with mismanagement and interference, have left most councils unable to fulfill their developmental roles. This failure has far-reaching consequences for Nigeria's democracy and development, as the grassroots constitute the foundation upon which national stability and progress rest. Strengthening local governments through improved revenue allocation mechanisms is thus not only a fiscal necessity but also a democratic imperative.

In conclusion, revenue allocation remains a central determinant of local government performance in Nigeria. The historical trajectory of revenue allocation, the political economy of oil dependence, and the persistent problem of state interference underscore the need for comprehensive reform. Without addressing these issues, local governments will continue to underperform, and grassroots communities will remain deprived of the dividends of democracy. This study therefore seeks to examine the dynamics of revenue allocation and its impact on local government performance in Nigeria, with the aim of providing insights into how fiscal federalism can be restructured to promote sustainable development at the grassroots.

Objectives of the Study

The main objective of this study is to examine the effect of revenue allocation on local government performance in Nigeria.

The specific objectives are to:

- i. Assess the adequacy of revenue allocated to local governments for the execution of their statutory functions in Nigeria.
- ii. Examine the effect of revenue allocation on local government performance in service delivery.
- iii. Determine the extent to which fiscal autonomy influences local government performance in Nigeria.

Research Questions

To guide the study, the following research questions are raised:

- i. Is the revenue allocated to local governments adequate for the execution of their statutory responsibilities in Nigeria?
- ii. What effect does revenue allocation have on local government performance in service delivery?
- iii. To what extent does fiscal autonomy influence local government performance in Nigeria?
- iv. What challenges affect the effective utilization of allocated revenue by local governments in Nigeria?
- v. What policy measures can improve revenue allocation and enhance local government performance in Nigeria?

Research Hypotheses

To answer the research questions, the researcher posed the following set of hypotheses:

H₀₁: Revenue allocation has no significant effect on local government performance in Nigeria.

H₁₁: Revenue allocation has a significant effect on local government performance in Nigeria.

H₀₂: Revenue adequacy has no significant relationship with local government service delivery in Nigeria.

H₁₂: Revenue adequacy has a significant relationship with local government service delivery in Nigeria.

Review of Related Literature

The scaling exercise continues to be one of the most critical questions relating to public financing, especially in political systems that are federal in nature and division of responsibilities takes place at various layers of government. Quite simply, revenue allocation is the equitable division of financial resources among the different government units in such a way that they can meet their constitutional obligations and undertake necessary development activities. In the case of Nigeria, the issue of revenue allocation is central to inter-governmental relations and affects not only the outcomes of governance but the cohesion of the federation as well (Nwogwugwu & Oloruntoba, 2015).

Conceptual Review

Ekpo (2004), posits that revenue allocation is “the sharing of financial resources among the different tiers of government in a federation in such a way that each tier has adequate resources to discharge its constitutional responsibilities.” This underscores the following main points: (i) the federated nature of the state, (ii) sharing resources, and (iii) the responsibilities are constitutional. Ola and Tonwe (2009) also state that revenue allocation in a federation is aimed at promoting equity, efficiency, and financial stability within the constituent units. In the absence of an adequate revenue distribution framework, particular levels of government, most importantly local and subnational, risk administrative paralysis, which constitutes a governance failure.

Oviasuyi, Idada, and Isiraojie (2010) pointed out that, in the case of Nigeria, the reason revenue assignments are prominent is due to the very low levels of Internally Generated Revenues (IGR) of many local governments and states. In comparison to other federations like the USA or Canada, where a good proportion of the revenue raised by subnational governments is collected through local taxes, the Nigerian case is that the revenue raised by subnational units is virtually nil, thus, heavily reliant on the Federation Account. This federal fiscal support brings about issues on the local governments’ autonomy, their accountability, and capacity to serve their constituents.

The Legal and Constitutional Basis of Revenue Allocation

Revenue distribution is more than an administrative activity; it is also deeply rooted in constitutional law. The 1999 Constitution of Nigeria (as amended) creates the Federation Account into which are paid all revenue collected by the federal government, save for state revenue and personal income tax, including a few others. Section 162 of the Constitution says the funds in the Federation Account shall be allocated to the three levels of government following an allocation formula approved by the National Assembly on the recommendations of the Revenue Mobilization Allocation and Fiscal Commission (RMAFC).

The Constitution grants the RMAFC the responsibility of overseeing the accruals to and disbursements from the Federation Account and, from time to time, to review the allocation formula to cater for the changing needs of the country. The allocation of revenues, however, remains a matter of political dispute, particularly with respect to the grounds on which revenues are shared.

Principles of Revenue Allocation

Many principles on which revenue allocation is based in federations have been documented by both scholars and policymakers. According to Ekpo (2004), these guiding principles are meant to achieve fiscal equity, promote national unity, and reduce interregional disparities. Similarly, Ola and Tonwe (2009) emphasize that a good revenue allocation system should reflect the dual goals of national integration and efficient service delivery. Musgrave and Musgrave (1989) further assert that fiscal

sharing principles must balance vertical equity (between levels of government) and horizontal equity (among states).

Derivation Principle: The focus here is on the return of a fraction of the revenue for a given resource to the region from which it was derived. In Nigeria, this is particularly the case for the oil-producing states of the Niger Delta (Ekpo & Ndebbio, 1998; Watts, 2006; Elaigwu, 2011).

Equality of States: In this principle, there is an equal sharing of revenue among all the states irrespective of population or resource base. This is something people try to justify and defend by saying how it is important to promote unity and cohesion (Ojo, 2010; Elaigwu, 2011; Aigbokhan, 1999).

Population principle: Here, it is assumed that each state has a population and that the more people come to the state, the more funds that state requires for public services (Ola & Tonwe, 2009; Okeke, 2014; Eme, 2010).

Land and Terrain: Some states are more landlocked and surrounded by more difficult terrain, which makes the costs of providing infrastructure and services unreasonable; hence, more funds are allocated to these states (Ekpo, 2004; Oates, 1972; Odoko, 2016).

Existing Wealth and Financial Need: Some people argue that the allocation of funds should consider the amount of taxes and money each state has and that the states that are wealthier and more developed should pay more, while the poorer states should get more money, to promote more equity between the states (Musgrave & Musgrave, 1989; Arowolo, 2011; Akindele & Olaopa, 2002).

The finer national Interest or Economic efficiency: This authorizes allocation of revenue within a framework of more general developmental objectives of the country, which may include effective utilization of the country's resources (Ekpo, 2004; Adamolekun, 2002; Aigbokhan, 1999).

The combination of these principles has transformed the interaction between these principles into competing claims among the different states and regions of Nigeria. Such claims have spurred the creation of multiple commissions and committees which have sought to derive and recommend specific allocation formulas (Suberu, 2001; Ojo, 2010; Elaigwu, 2011).

Theoretical Review

A sound theoretical framework is fundamental to understanding the complex relationship between revenue allocation and local government performance, particularly within a federal system such as Nigeria's. Revenue allocation is not merely a technical exercise of sharing public funds; it is deeply embedded in political, institutional, and constitutional arrangements that define the powers and responsibilities of different tiers of government. In Nigeria, persistent challenges such as fiscal centralization, weak intergovernmental coordination, limited fiscal autonomy of local governments, and uneven development outcomes have intensified scholarly interest in identifying an appropriate theoretical lens for analysis (Suberu, 2015; Arowolo, 2011; Agbo & Omoweh, 2021).

Fiscal Federalism Theory provides the most suitable framework for examining these dynamics. The theory explains how public revenues and expenditure responsibilities should be distributed among levels of government in a federation to promote efficiency in service delivery, equity in development outcomes, and macroeconomic stability. It emphasizes that each tier of government should be assigned functions and financial resources that correspond with its comparative advantage and proximity to citizens (Oates, 2012; Shah, 2014; Watts, 2018).

Beyond its explanatory value, fiscal federalism also offers a normative benchmark for evaluating the effectiveness of intergovernmental fiscal arrangements. It provides criteria for assessing whether

existing revenue allocation systems align with constitutional responsibilities and developmental objectives, particularly at the local government level where grassroots services such as primary healthcare, basic education, sanitation, and rural infrastructure are delivered. In the Nigerian context, the theory is especially relevant for interrogating whether current revenue allocation practices support or undermine local government performance and grassroots development (Odoko, 2014; Eboh & Igbokwe, 2018; Agbo & Omoweh, 2021).

In the Nigerian context, where local governments are constitutionally recognized as the third tier of government but remain financially dependent on higher levels, fiscal federalism offers a robust analytical tool for interrogating the mismatch between assigned functions and available resources. This study therefore adopts fiscal federalism as its sole theoretical framework for analyzing the impact of revenue allocation on local government performance in Nigeria (Oates, 2012; Arowolo, 2011; Agbo & Omoweh, 2021).

Empirical Review

Empirical literature provides evidence-based insights into the relationship between revenue allocation and local government performance. While theoretical discussions emphasize the principles of equity, efficiency, and autonomy, empirical research investigates whether these objectives are achieved in practice. Over the years, numerous studies, both qualitative and quantitative, have explored how Nigeria's revenue allocation system affects grassroots governance. This section reviews relevant studies, highlighting their findings, methodological approaches, and implications for the performance of local governments (Okoli & Onah, 2002; Olusola, 2011; Agbo & Omoweh, 2021).

Gap in Literature

The extensive body of literature on revenue allocation and local government performance in Nigeria provides valuable insights into the dynamics of fiscal federalism, intergovernmental relations, and grassroots development. However, despite decades of research, local governments in Nigeria remain plagued by poor service delivery, weak fiscal autonomy, and recurring crises of legitimacy. This paradox highlights critical gaps in existing scholarship, which necessitate further inquiry. This section identifies and analyzes the key limitations in current studies and demonstrates how the present research contributes to filling these voids (Suberu, 2001; Arowolo, 2011; Agbo & Omoweh, 2021).

Limited Empirical Link between Revenue Allocation and Grassroots Outcomes

Most of the literature has concentrated on the politics of revenue allocation—debating the fairness of formulas, principles of derivation, equality of states, and federal dominance (Ekpo, 2004; Suberu, 2001; Nwokedi, 2017). While these discussions are important, they often remain abstract and theoretical, without providing sufficient empirical analysis of how allocation translates into tangible grassroots outcomes.

For example, studies such as Arowolo (2011) and Ola & Tonwe (2009) emphasize the structural imbalance of Nigeria's fiscal system but do not systematically measure how revenue flows affect indicators like healthcare, education, rural infrastructure, or poverty reduction. Similarly, most works limit themselves to describing financial crises at the local level, without connecting these to service delivery metrics.

The consequence is a significant gap between allocation debates at the macro level and performance realities at the micro level. This disconnect makes it difficult for policymakers to evaluate whether changes in allocation formulas actually improve the living conditions of citizens at the grassroots.

The present study addresses this gap by explicitly linking revenue allocation patterns to measurable performance indicators such as healthcare access, school enrolment, agricultural support, and rural

roads. By doing so, it moves beyond abstract theorizing to provide an evidence-based assessment of developmental outcomes (Olowu, 1999; Bird & Vaillancourt, 1998; Watts, 2008).

Methodology

This study adopts a cross-sectional research design to examine the relationship between revenue allocation and local government performance in Isoko North and Isoko South Local Government Areas of Delta State, Nigeria. The design enables the study to systematically describe the existing revenue allocation structure, fiscal arrangements, and performance indicators of local governments, while the explanatory design allows for the examination of causal relationships between revenue allocation variables and performance outcomes (Creswell, 2014; Kothari, 2004).

The choice of this design is justified by the nature of the study, which seeks to assess how variations in statutory allocations, fiscal autonomy, and intergovernmental fiscal relations influence service delivery and development outcomes at the local government level in Isoko North and Isoko South Local Government Areas of Delta State. Quantitative methods are appropriate because they permit objective measurement of variables and the use of statistical techniques to test relationships and hypotheses derived from fiscal federalism theory (Oates, 2012; Arowolo, 2011). This approach is consistent with prior empirical studies on revenue allocation and local government performance in Nigeria (Eboh & Igbokwe, 2018; Agbo & Omoweh, 2021).

Data Analysis

A total of 150 structured questionnaires were distributed to staff across selected LGAs in Delta State using stratified sampling to ensure representation across departments and administrative levels. Out of these, 132 were returned and found properly completed.

Response Rate = 88%

An 88% response rate is considered statistically robust for survey-based research. According to Creswell (2014), response rates above 70% significantly reduce sampling bias and enhance external validity. The high return rate in this study suggests strong respondent engagement and increases confidence in the reliability of the dataset for inferential statistical analysis.

Table 1: Revenue Structure

Item	Mean	Std Dev	Decision
Federation allocation is main revenue source	4.52	0.64	Agree
IGR contributes significantly	2.41	0.81	Disagree
Allocations are predictable	2.87	0.76	Disagree

Source: Field Survey (2026)

Interpretation and Analysis

1. Heavy Dependence on Federation Allocation (Mean = 4.52)

The high mean score of 4.52 strongly confirms that statutory allocations from the Federation Account constitute the primary source of revenue for local governments in Delta State. The relatively low standard deviation (0.64) indicates strong consensus among respondents.

This finding empirically confirms the presence of vertical fiscal imbalance, a situation where subnational governments bear significant expenditure responsibilities without corresponding revenue-raising powers. According to Wallace E. Oates (2012), vertical imbalance occurs when revenue centralization exceeds expenditure decentralization, thereby creating structural dependency.

This imbalance is intensified by the oil-dependent federal revenue structure, where federally collected oil revenues dominate the distributable pool. Local governments therefore rely heavily on transfers rather than autonomous fiscal generation. Such dependency reduces fiscal initiative and weakens accountability mechanisms because local citizens do not directly finance most expenditures through local taxation.

The implication is that fiscal decentralization in Nigeria is largely administrative rather than financial. While local governments are constitutionally recognized, they lack meaningful revenue independence.

2. Weak Internally Generated Revenue (Mean = 2.41)

The low mean of 2.41 indicates disagreement that internally generated revenue (IGR) contributes significantly to local government finances. The standard deviation of 0.81 suggests moderate variation, but overall consensus toward weak IGR capacity.

Low IGR reflects:

1. Weak tax administration
2. Narrow tax base
3. Political reluctance to enforce local taxation
4. Overdependence on federal transfers

According to Shah (2014), effective fiscal decentralization requires subnational governments to raise a significant proportion of their own revenue to enhance efficiency and accountability. Where revenue is externally sourced, fiscal responsibility becomes diluted.

The weak IGR capacity observed here undermines the benefit principle of taxation, which links taxation to service provision. Without meaningful local taxation, citizens are less likely to demand accountability, thereby weakening grassroots democracy.

3. Unpredictability of Revenue (Mean = 2.87)

With a mean below 3.00, respondents disagree that allocations are predictable and regular. Revenue volatility may arise from:

1. Fluctuations in oil revenue
2. Federal fiscal shocks
3. Delays in disbursement
4. Deductions at the state level

Revenue instability directly affects:

1. Medium-term expenditure frameworks
2. Capital project continuity
3. Infrastructure planning
4. Budget credibility

Fiscal federalism emphasizes predictability as essential for efficient public expenditure management. Unstable transfers reduce the planning horizon of local governments, forcing them into short-term recurrent expenditure patterns rather than strategic capital investment. Replace this placeholder with your manuscript text.

Table 2: Fiscal Autonomy Indicators

Item	Mean	Std Dev	Decision
Full autonomy in fund usage	2.33	0.92	Disagree
State interference affects finances	4.21	0.70	Agree
SJLGA limits fiscal independence	4.47	0.58	Agree

Source: Field Survey (2026)

Interpretation

1. Limited Autonomy (Mean = 2.33)

Respondents largely disagree that their local governments have full autonomy in using allocated funds. This low mean reflects perceived restrictions imposed by state governments. Autonomy is a

central pillar of fiscal federalism. Oates' decentralization theorem argues that subnational governments are more efficient when they have discretion over expenditure decisions.

Without autonomy:

1. Local preferences are ignored
2. Resource allocation becomes politically influenced
3. Efficiency gains from decentralization are lost
2. State Government Interference (Mean = 4.21)

The strong agreement (mean = 4.21) indicates that state interference significantly affects financial decisions. The relatively low standard deviation suggests strong respondent consensus.

State interference often manifests through:

1. Control over disbursement
2. Mandatory deductions
3. Political oversight
4. Project imposition

Such interference creates horizontal distortions within the federal system.

3. Impact of the State Joint Local Government Account (Mean = 4.47)

The highest mean (4.47) confirms widespread belief that the State Joint Local Government Account (SJLGA) limits fiscal independence.

The SJLGA was constitutionally designed to coordinate transfers but has been criticized for enabling state-level fiscal dominance. This contradicts the subsidiarity principle emphasized by Anwar Shah (2014), which holds that services should be provided at the lowest effective level of government.

Testing of Hypotheses

To examine relationships between revenue allocation variables and performance, Pearson correlation and multiple regression were conducted.

Correlation Analysis

Table 4.12: Correlation Matrix

Variables	Revenue Adequacy	Fiscal Autonomy	State Interference	Performance
Revenue Adequacy	1	0.48*	-0.44*	0.62*
Fiscal Autonomy	0.48*	1	-0.71*	0.71*
State Interference	-0.44*	-0.71*	1	-0.68*
Performance	0.62*	0.71*	-0.68*	1

Source: Field Survey (2026)

Significant at $p < 0.05$

Interpretation

The correlation coefficient (r) measures the strength and direction of linear relationships.

Revenue Adequacy & Performance ($r = 0.62$)

This indicates a moderate-to-strong positive relationship. As revenue adequacy increases, service delivery performance improves.

Fiscal Autonomy & Performance ($r = 0.71$)

This strong positive relationship suggests autonomy is more influential than revenue volume alone.

State Interference & Performance ($r = -0.68$)

The negative coefficient indicates that increased interference significantly reduces performance.

These relationships strongly support Fiscal Federalism Theory.

Regression Analysis

Regression determines predictive strength.

Model:

LG Performance = $\beta_0 + \beta_1(\text{Revenue Adequacy}) + \beta_2(\text{Fiscal Autonomy}) + \beta_3(\text{State Interference}) + \varepsilon$

Model Summary

R = 0.76

R² = 0.58

Adjusted R² = 0.56

This means 58% of the variation in performance is explained by fiscal variables.

ANOVA (F = 59.84, p < 0.001)

The model is statistically significant.

Regression Coefficients

Variable	Beta	t-value
Revenue Adequacy	0.36	4.72
Fiscal Autonomy	0.41	5.91
State Interference	-0.39	-5.44

Source: Field Survey (2026)

Interpretation

Fiscal autonomy has the strongest standardized coefficient ($\beta = 0.41$). This means improving autonomy produces the greatest improvement in performance.

State interference has a strong negative impact ($\beta = -0.39$).

Revenue adequacy also significantly improves performance ($\beta = 0.36$).

All hypotheses are statistically confirmed at the 5% significance level.

Discussion of Findings

This study examined the relationship between revenue allocation and local government performance in selected Local Government Areas (LGAs) in Delta State, Nigeria. Anchored on Fiscal Federalism Theory as propounded by Wallace E. Oates and further developed by Anwar Shah, the study evaluated how revenue adequacy, fiscal autonomy, and state interference influence service delivery outcomes at the grassroots level. In addition, the study was refined using insights from the works of Akpomuvire Mukoro, particularly on intergovernmental relations and local governance in Nigeria.

The study adopted a quantitative research design using structured questionnaires administered to 150 local government officials, out of which 132 were validly returned, yielding an 88% response rate. Data were analyzed using descriptive statistics, correlation analysis, and multiple regression techniques.

The major findings are summarized as follows:

1. Structural Dependence on Federal Allocation

The study revealed that statutory allocations from the Federation Account remain the dominant source of revenue for local governments (Mean = 4.52). Internally Generated Revenue (IGR) was found to be weak and insignificant. This confirms the existence of vertical fiscal imbalance, where expenditure responsibilities exceed revenue-raising capacity (Oates, 2012).

This finding is consistent with Mukoro's analysis of intergovernmental fiscal relations, which argues that Nigerian local governments function largely as administrative appendages rather than financially autonomous entities due to overdependence on external transfers (Mukoro, 2006; 2012).

2. Revenue Unpredictability

The study found that revenue allocations are often irregular and unpredictable (Mean = 2.87), thereby undermining effective planning and development. This aligns with Shah's (2014) position that predictability of transfers is essential for efficient decentralized governance.

Mukoro also emphasizes that unstable fiscal flows weaken local government capacity to execute rural development programmes effectively, especially in resource-constrained regions like the Niger Delta.

3. Limited Fiscal Autonomy

The findings show that local governments lack fiscal autonomy, with strong evidence of state interference (Mean = 4.21) and constraints imposed by the State Joint Local Government Account (Mean = 4.47).

This supports Mukoro's argument that intergovernmental fiscal relations in Nigeria are characterized by domination of lower tiers by higher levels, thereby weakening democratic governance and administrative efficiency at the local level (Mukoro, 2003; 2010).

4. Recurrent Expenditure Dominance

The study revealed that most local government funds are spent on salaries and overheads (Mean = 4.39), while capital projects are underfunded (Mean = 2.28).

Mukoro similarly notes that local governments in Nigeria are structurally trapped in a cycle of administrative expenditure, limiting their ability to function as engines of rural transformation.

This confirms both fiscal federalism theory and Mukoro's empirical observations that autonomy is central to local government effectiveness.

Conclusion

This study concludes that the performance challenges facing local governments in Delta State are fundamentally structural and rooted in the design of Nigeria's intergovernmental fiscal system.

First, the dominance of federal allocations and weak internally generated revenue confirm the persistence of vertical fiscal imbalance. Local governments lack sufficient independent fiscal capacity to discharge their responsibilities effectively. This aligns with both Oates (2012) and Mukoro's critique of Nigeria's centralized fiscal structure.

Second, fiscal autonomy is significantly constrained by state-level interference, particularly through the State Joint Local Government Account. As emphasized by Mukoro, this institutional arrangement undermines democratic decentralization and transforms local governments into extensions of state governments rather than independent governance units.

Third, the dominance of recurrent expenditure reflects systemic fiscal stress, where wage obligations crowd out developmental spending. This results in stagnation of infrastructure and weak service delivery outcomes.

Fourth, the study validates the decentralization theorem, which posits that efficiency improves when subnational governments have fiscal discretion. However, as Shah (2014) and Mukoro both argue, decentralization without financial authority is ineffective and counterproductive.

In summary, improving local government performance in Nigeria requires fundamental restructuring of fiscal relations, enhancement of revenue autonomy, and strengthening of accountability mechanisms.

Recommendations

1. Reform of the State Joint Local Government Account (SJLGA)

The SJLGA should be restructured to allow direct allocation of funds to local governments. Evidence from this study shows that state interference significantly undermines fiscal autonomy and performance.

Mukoro strongly criticizes the SJLGA as a mechanism that distorts intergovernmental relations and weakens grassroots governance. Reforming this structure would restore financial independence and improve accountability (Mukoro, 2010; Oates, 2012; Suberu, 2015).

2. Strengthening Internally Generated Revenue (IGR)

Local governments should expand their revenue base through improved tax administration, digitization, and property taxation.

Mukoro emphasizes that without internal revenue capacity, local governments cannot function as viable governance units. Strengthening IGR will enhance fiscal responsibility and reduce overdependence on federal transfers (Shah, 2014; Mukoro, 2012).

3. Revenue Predictability Mechanisms

Transparent, rule-based allocation systems should be adopted to ensure stability in revenue flows. Mukoro notes that unpredictable funding disrupts rural development planning and weakens institutional performance. Stabilization mechanisms are therefore necessary for sustainable governance (IMF, 2020; Shah, 2014; Mukoro, 2006).

4. Expenditure Rebalancing

Fiscal rules should be introduced to limit recurrent expenditure and prioritize capital investment. Mukoro highlights that excessive administrative spending undermines the development functions of local governments. Rebalancing expenditure will enhance infrastructure delivery and economic development (Shah, 2014; Mukoro, 2010).

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