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Effect of Revenue Generation as a Tool for Infrastructural Development in Ayamelum Local Government Area of Anambra State (2015- 2023)

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ABSTRACT

The study focused on effect of revenue generation as a tool for infrastructural development in Nigeria. A study of Ayamelum Local Government (2015- 2023). With the specific objectives as: to identify potential revenue streams for infrastructural development in Ayamelum Local Government Area of Anambra State and toto determine the impacts of internally generated revenue on infrastructural development in Ayamelum Local Government Area of Anambra State. In line with the objective of the study, the researcher came up with three research questions and matching hypotheses to direct the study. fiscal federation theory as the basis for this study; the theory was propounded by Kenneth Arrow, Richard Musgrave and Paul Sadweh Samuelson in Samuelson's two important papers in 1954 and 1955 respectively. Data were collected from both primary and secondary sources; the primary data were collected through questionnaires, while the secondary data were sourced from academic journals and internets. Validated questionnaire was used to administer the instrument to 399 respondents of which 381respondents returned the questionnaire. The data collected were presented in frequency tables and analyzed using percentages and the hypotheses were tested using chi-square. From the findings of this study it was discovered inter alia;there are potential revenue streams for infrastructural development in Ayamelum Local Government Area of Anambra state and there are significant impact of internal generated revenue on infrastructural development in Ayamelum Local Government Area of Anambra State. Therefore, the study recommends that Checks and balances should be used to control/manage the funds been generated by the local government and that the joint account system should be repealed due to the level of embezzlement by state governments from the allocation meant for local governments to carry out their functions.

Keywords: Revenue generation, infrastructural development, Ayamelum Local Government, internally generated revenue

INTRODUCTION

The financial sustainability of local governments in Nigeria has become an issue of critical importance, particularly given the increasing cost of governance and the declining revenue from the Federation Account Allocation Committee (FAAC) (Mbanasor, 2018). Local governments, which serve as the closest tier of government to the grassroots, play a vital role in providing essential infrastructure and services. However, their ability to fulfill these responsibilities is significantly constrained by inadequate revenue generation. The existing revenue allocation formula grants the federal government 52.68% of funds from the Federation Account, while state and local governments receive 26.72% and 20.60%, respectively. This allocation, coupled with the State/Local Government Joint Account System, often leaves local governments financially incapacitated (Odoh, 2016).

Internally generated revenue (IGR) is meant to serve as an alternative funding source for local governments, allowing them to complement federal allocations and enhance infrastructure development. Local governments in Nigeria have the legal authority to generate revenue from various sources, including taxes, licenses, levies, and fines. However, many local governments struggle to effectively harness these sources, leading to financial shortfalls that hinder economic and social development (Udoudo & Ekpenyong, 2019). In the case of Ayamelum Local Government Area in Anambra State, the inadequate revenue generation has resulted in a lack of essential infrastructure such as roads, schools, healthcare facilities, and electricity. The situation is further exacerbated by the evasion of taxes by citizens and corruption among government officials responsible for revenue collection (Layeri, 2020).

The slow pace of infrastructural development in Ayamelum can also be attributed to the overreliance on federal allocations, which are often insufficient to cover both recurrent and capital expenditures. According to Akpo (2019), the statutory allocations received by local governments are inadequate, forcing them to depend heavily on the federal government rather than exploring alternative revenue sources. Akpan & Nnanseh (2017) emphasize that infrastructure is a fundamental driver of economic growth, and without adequate investment in infrastructure, sustainable development remains elusive. Unfortunately, local governments, including Ayamelum, have failed to prioritize revenue generation, leading to financial instability and underdevelopment.

One of the major challenges facing local governments in Nigeria is the failure to adopt creative and sustainable strategies for revenue generation. Fajobi (2020) argues that many local government administrators lack the initiative to explore untapped revenue streams and instead rely heavily on allocations from the central government. This financial dependency has stifled development, leaving many local governments unable to meet their obligations to citizens. In Ayamelum, there are several potential revenue sources, including agricultural products such as cassava, rice, and yams, as well as food processing industries. However, the mechanisms for generating and utilizing these revenues for infrastructural development remain underdeveloped.

Given the urgent need for infrastructural development and economic growth in Ayamelum Local Government Area, it is imperative to identify and implement effective strategies for improving revenue generation. This study aims to explore the challenges associated with revenue generation in Ayamelum, assess the impact of internally generated revenue on infrastructure development, and propose practical solutions for enhancing local government finances. By addressing these issues, the study seeks to contribute to the discourse on sustainable local government financing and the broader goal of grassroots development in Nigeria.

Objectives of the Study

The broad objective of the study is effect of revenue generation as a tool for infrastructural development in AyamelumLocal Government Area of Anambra state. The specific objectives include:

1. to identify potential revenue streams for infrastructural development in Ayamelum Local Government Area of Anambra State

2. to determine the impacts of internally generated revenue on infrastructural development in Ayamelum Local Government Area of Anambra State

3. to analyze the current revenue generation mechanisms on infrastructural development in Ayamelum Local Government Area of Anambra State

Research Questions

The following research questions were raised;

1. What are the potential revenue streams for infrastructural development in Ayamelum Local Government Area of Anambra state

2. What are the impact of internal generated revenue on infrastructural development in Ayamelum Local Government Area of Anambra State

3. What are the current revenue generation mechanisms for infrastructural development in AyamelumLocal Government Area of Anambra State

Research Hypotheses

1. **Ho**: There are no potential revenue streams for infrastructural development in AyamelumLocal Government Area of Anambra state

2. **Ho:** There are no significant impact of internal generated revenue on infrastructural development in Ayamelum Local Government Area of Anambra State.

3. **Ho:** There are no current revenue generation mechanisms for infrastructural development in Ayamelum Local Government Area of Anambra State.

LITERATURE REVIEW

Conceptual Review

Concept of Revenue

The term revenue has been defined by various authors in different ways. Adam (2017) conceptualized revenue as the fund required by the government to finance its activities. These

funds are generated from different sources such as taxes, borrowing, fines, fees etc. It is also seen as the total amount of income that accrues to an organization within a specified period of time (Hamid, 2018). Bhaha (2021) contends that revenue include "routine and "earned" income. For these reasons, according to him, revenue do not include borrowing and recovery of loans from other parties, but it include tax receipts, donations, grants, fees and fines and so on. Similarly, Peace (2018) defined revenue as all the money received other than from issue of all debts and liquidation of investments. Government revenue includes tax collections, charges and miscellaneous revenues, utility and insurance trust revenue for all funds and agencies of a government. This is money received by a government. It is an important tool of the fiscal policy of the government and is the opposite factor of government spending. Revenue earned by the government are received from sources such as taxes levied on the incomes and wealth accumulation of individual and corporations and on the goods and services produced, exports and imports, nontaxable sources such as government owned corporations incomes, central bank revenue and capital receipts in the form of external loans and debts from international financial institutions. It is used to benefit the country. Government use revenue to better develop the country, to fix roads, provide steady power supply and adequate water supply etc. The money that the government collects pays for the services that are provided for the people. The sources of finance used by the federal government are mainly taxes paid by the public.

Concept of Internal Generated Revenue

Nightingale as cited in Samuel and Gabriel (2018) posited that revenue is the resources needed by government in the public sector for the purpose of governance. Revenue can also be considered as income that accrued to an entity. Therefore, the local government revenue is generated from taxation, the sale of government properties and external source. Ishola (2017) seen revenue as resources through which government of a country use to finance its activities. State government can generate her revenue either through taxes, vehicle haulages, mining, grant and aids, royalties, among others. Otunbala (2021) postulated that government revenue includes the total fund generated from oil and non-oil sources which includes taxes, fines, rates, grants, and income other than funds raised from issue of debt instrument. Base on the above definitions, it can be considered that the total amount of cash-inflows accruing to local government from internal and external sources within a stipulated period constitutes her revenue. Osisami (2019) in Adesoji and Chike (2021) opined that revenue that accrued to state and local governments in Nigeria is categorized into internally generated revenue and external revenues, the latter is obtainable from the distributable pool that is statutory allocation and aids and grant from international donor. Internally generated revenue are revenues generated within the state, which includes taxes, motor vehicle licensing, royalties, among others.

Concept of Infrastructural Development

By infrastructure, it means a large scale public systems, services and facilities of countries that are necessary for economic activities. The Readers Digest Universal Dictionary defines the term infrastructure as a supporting structure, the basic facilities, equipment, services and installations needed for the development and functioning of a country The components or elements of infrastructure are electricity, telecommunication, transport (road, rail, ocean, air, pipeline) etc, (Ajakaiye, 2019). Aigbokhan (2020) explains infrastructure as a term, which encompasses activities referred to as "social overhead capital" with two principal characteristics

being that they have economies of scale in production and spillovers from users to non-users. The provision of infrastructure services by government can be explained in economics literature within the context of public goods, natural monopolies, merit goods and externalist. Public goods are goods, which once provided becomes available to all whether or not payments are made for the services. Examples are law and order, defence etc. Natural monopolies arise because of the enormous cost required to bring such goods/services to manageable levels, hence the need for a single investor (government) that would ensure for the economy to reap from the benefits of such investment. Merit goods are considered to have intrinsic values, which, if left to individual consumers, would generally not be consumed at the required level, for example, education, health etc. The positive externalities derivable from the services mentioned, may not allow it to be left with the private sector alone.

The term infrastructure could be defined in various aspects, but the researcher will define it as the provision of essential services and amenities to the industry and household in the society (Martini and Lee 2019). Hence, infrastructural development projects are a key input in the development of the economy and a panacea economic activity and growth. However, what is regarded as "essential", "key", and "panacea" changes from one country to another. For instance, the massive production of steel, coal and iron ore was once regarded as indispensable infrastructure. Infrastructures are of two types which are: hard and soft infrastructure (Adesoji& Chike, 2013). According to them, hard infrastructure refers to the large physical networks necessary for the function of a modern industrial nation, whereas soft infrastructure refers to all the institutions which are required to maintain the economic health, culture and social standards of a country, such as the financial system, the education system, the healthcare system, the system of government and law enforcement as well as emergency services. .

Investopedia (2021) noted that infrastructure is the basic physical systems of a business or nation; transportation, communication, sewage, water and electric systems are all examples of infrastructures. These systems tend to be high-cost investment; however, they are vital to a country's economic development and prosperity. Projects related to infrastructure improvements may be funded publicly or privately or through public-private partnership. According to Wikipedia (2017), infrastructure refers to the fundamental facilities and systems serving a country, city or area, including the services and facilities necessary for its economy to function. It typically characterizes technical structures such as roads, bridges, tunnels, water supply, sewer, electrical grids, telecommunications, and do forth and can be defined as the physical components of interrelated systems providing commodities and services essential to enable, sustain, or enhance societal living conditions. In Nigeria, under investment in infrastructural development was a bane to her vision of becoming a top 20 economy by the year 2020. Despite her economic growth over the years, this has not translated to economic development due to lack of infrastructure, high poverty rate, unemployment etc. According to Afuberoh and Okoye (2014), the primary economic goals of developing countries are to increase the rate of economic growth and hence per capita income, which leads to a higher standard of living. Krol (2021) gave an excellent summary of existing literature, which suggests that reduction in congestion and adequate maintenance contribute to greater benefits from public infrastructure. Similarly, Renikka and Svensson (2020) have shown that poor public capital significantly reduces the complementary private investment.

Empirical Review

Obi, Emenike and Chukwurah (2021) examined the effect of internally generated revenue on the infrastructural development of local governments. Specifically, the study was carried out to determine the impact of internally generated revenue on health care infrastructure, primary educational facilities, water resource infrastructure and rural electrification. Four research questions and four null hypotheses guided the study. The study adopted a descriptive survey research design. The population for the study is 1252650 people of the local government areas, 400 sample sizes was obtained using Taro Yamane's formula, proportionate allocation method was used to allocate the samples to the local governments. The instrument for data collection was a structured questionnaire which was face validated by research experts. The data collected for this study was analyzed using mean and simple percentage; however chi-square was used to analyze the hypotheses. The findings of the study showed that the internally generated revenue have no impact on infrastructural development in the local governments, due to the smallness of the revenues generated.

Tanko and Shishi (2020) examined the effect of revenue generation on infrastructural development. The study covered the period of 2010-2019 due to limited availability of data. The descriptive research design was used. The study employed secondary data. IGT=Internally Generated Revenue for the year, STA=Statutory Allocation Receipt for the year, GTR=Grant Receipt for the year were used as proxy for revenue, while capital expenditure was used as proxy for infrastructural development. Data were collected from the National Bureau of Statistics (NBS), and the data were analyzed using regression with Newey-West standard error since the study is time series. The study revealed that IGR has a positive impact on infrastructural development. Similarly, the grant received by the State Government improved infrastructural development.

Ogechi and Adenugba (2013) analyzed the effect of internal revenue generation on infrastructural development. Descriptive and inferential statistics were used for the analysis. Descriptive involved the use of spearman's rank to determine the direction of relationship between internally generated revenue and infrastructural development. The study also revealed various methods of generating revenue like enforcement of tax personal, creating awareness to the public etc. The study also recollects that revenue administration agencies need to be reviewed to be able to generate more revenue.

Ajike, Ariguzo, Akinyosoye, Nwankwere and Oyedeji (2018) investigated the impact of internally generated revenue on infrastructural development. Stamp duty, capital gains tax, education tax and petroleum profit tax were used as proxy for internally generated revenue while transport infrastructure was applied as proxy for infrastructural development. Exposte facto research design was employed for the study been a secondary data. The study covered an evaluation of annual time series data for a twenty-one-year period, commencing from years 1998 to 2018. Findings revealed that internally generated revenue components had significant effect on transport infrastructure. The study concluded that internally generated revenue enhances the transport infrastructural development in Nigeria.

Okezie and Tunji (2020) examined Nigeria's tax structure and economic development from the standpoint of infrastructural deficiencies. This study's population consisted of 4,200 tax practitioners, senior management staff of the Federal Inland Revenue Service. Simultaneously, Taro Yamane's formula was used to determine the sample size of 365. Cronbach Alpha reliability coefficients take values between 0.864 and 0.952, thus confirming the reliability of data used. The study employed a survey research design using a structured questionnaire

administered to senior tax practitioners and senior staff of the Federal Inland Revenue Service. A total of 85% of the questionnaire administered were retrieved while descriptive and inferential statistics were used for the data analysis. The study found that the tax structure had a significant positive effect on infrastructure in Nigeria.

Omoniyi and Hassan (2020) assessed internally generated revenue and infrastructural development. This study relied on secondary data generated from journals, articles, books, internet and data obtained from National Bureau of Statistics, Joint Tax Board and State Boards of Internal Revenue. The categories of the Data source adopted by the National Bureau of Statistics which were also adopted by this paper are: Ministries, Departments and Agencies (MDAs); Direct Assessment; Pay As You Earn (PAYE); Road Taxes and Other Taxes. A straight forward analytical review was employed. The study revealed that IGR has contributed significantly to the provision of infrastructure in the State.

Olugbade and Adegbie (2020) examined the contributions of personal income tax to infrastructural development to determine the effect that personal income tax has on infrastructural provisions of the state. The study adopted ex-post facto research design. The study covered Personal Income Tax and infrastructures development of Lagos State from 1997 to 2018. Secondary data were obtained. Data were analyzed using descriptive and inferential statistics. The study found that Personal Income Tax has significant effect on infrastructural development of the state. Given infrastructural provisions. The study shows that more government income from PIT was spent on housing infrastructures over other infrastructural provisions.

Owolabi and Awoyinka (2020) examined the effect of federal statutory revenue state allocation on infrastructural development. The study employed ex-post facto research design with ARDL method of analysis and data was sourced from National bureau of statistics. The data were collected on the study variables of dependent variables (environment management, youth and social development, education, health, agriculture and transport sectors) and independent variables was federal allocation. Findings revealed that federal statutory revenue state allocation significantly affects environmental management. The findings of the study revealed that share of allocation received from the federation account as well as debt both had a positive and significant influence in the provision of infrastructure while internally generated revenue, showed a negative and significant relationship. Other receipts comprising of contributions from Local Governments for the execution of joint projects as well as local and foreign grants and assistance received indicated a positive but insignificant relationship.

Ayeni and Afolabi (2020) examined the dynamic relationship between tax revenue, infrastructural development and economic growth in Nigeria, using an annual secondary time series data from 1981 – 2018. The unit root properties of the series were examined using both Augmented Dickey Fuller (ADF) test and Phillip Perron (PP) test, while the Johansen Co-integration test was employed to examine if the series are cointegrated. The results reveal that the series are all integrated of order 1 and non-cointegrated. To examine the direction of causality and the interrelationship among the variables, a vector autoregression (VAR) causality test was carried out, and a VAR at-first difference model was estimated. The results reveal a unidirectional causality running from tax revenue to economic growth and from economic growth to infrastructure, while a bi-directional causality is found between tax revenue and infrastructural development. Findings from the impulse response results show that while tax revenue influences economic growth and infrastructure, infrastructure does not influence economic growth, but significantly influence tax revenue collected.

Oladipo, Efuntade, Olusegun, and Dada (2020) examined foreign direct investment and its impact on revenue generation in Nigeria, with emphases on the role of company income tax as mediating factor. This Study is predicated on the Doctrine of Unbalanced Growth Theory, Solow-Swan growth theory and Romer Growth Model. Secondary data source was explored in presenting the facts of the situation. The secondary data were obtained from relevant literatures, Central Bank of Nigeria Statistical Bulletin and National Bureau of Statistics publications among other. In an attempt to do this, ordinary least square regression technique was employed in which T-test, R-Square, Standard Error Test and Durbin Watson test ADF/PP unit root and co-integration test were used in the data analysis, information concerning foreign direct investment, company income tax, petroleum profit tax and corporate tax were extracted. The empirical evidence shows that FDI has positive impact on revenue generation in Nigeria. The result of the finding revealed consistence present of co-integration among the variables which is a clear indication that foreign direct investment has a significant and positive relationship with revenue generation with strong emphasize on company income tax as mediating factor. In conclusion, foreign direct investment increase.

Onwuka and Christian (2019) examined revenue generation as a tool for infrastructural development in Nigeria. Time series data were applied in carrying out this research work and the data were sourced from Federal Ministry of Finance, Office of the Accountant General of the Federation, Federal Republic of Nigeria Official Gazettes and the various States' Official Gazettes, Central Bank of Nigeria (CBN) and Nigeria Bureau of Statistics (NBS). Ordinary least square regression analysis was employed in this work with the use of STATA 13 economic package. The scope of the study is basically focused on Nigeria's total revenue generated, infrastructural development and economic growth. The findings of this work reveal that revenue generated have significant effect on infrastructural development in Nigeria. Also, it was concluded that revenue generated have significant effect on economic growth in Nigeria.

Olayinka and Phebe (2019) assessed the impact of internally generated revenue on infrastructural development in Lagos state. Non-experimental research design and secondary data was used in carrying out the study. Data was sourced from State and Local Government Programme (SLGP) Consultants' Report 320 and Lagos state ministry of Planning and Budgeting website from (1996- 2015) spanning a period of 20years. Taxes, fines & fees, licenses, earnings and sales were used as proxy for revenue while infrastructural project was applied as proxy for infrastructural development. Data collected were presented in table and the hypotheses were tested using Simple Linear regression technique for analysis and estimating the linear relationship between infrastructural development which is the dependent variable and Revenue which is independent variable. The result showed that there is a significant positive relationship between internally generated revenue and infrastructural development. Taxes, earnings and sales which are major components of internally generated revenue, do not have any significant impact on the infrastructural development of Lagos state. However, licenses, fines and fees have a significant impact on the infrastructural development of the state.

Yunana, Yunana and Muhammad (2019) investigated the impact of Internally Generated Revenue on the development of Local Governments in Kaduna State, a case study of Chikum local government. Structured questionnaire were administered to 125 respondents and the data were analyzed using simple descriptive and spearman rank correction. A major finding of the study was that internally generated revenue displayed a positive but significant influence on development of Chikum local government.

Olaniyi, Mustapha and Oyedokun (2019) investigated the impact of taxation on government capital expenditure in Nigeria. Secondary data were used and were obtained from Central Bank of Nigeria (CBN) Statistical Bulletin and Federal Inland Revenue Service Website for Period 1994 to 2016. Descriptive statistics was used to describe the variables under investigation, Augmented Dickey Fuller (ADF) Unit Root Test and Johansen Cointegration tests were used to establish the stationarity and long run association among the variables while Error Correction Model (ECM) was used to establish the exact impact of taxation on capital expenditure in Nigeria. The study showed that Company Income Tax (CIT), Petroleum Profit Tax (PPT), Personal Income Tax (PIT) and Education Tax (EDT) have significant financing power on government capital expenditure. Contrarily, Value Added Tax (VAT) and Capital Gains Tax (CGT) are not significant variables affecting government Capital expenditure in Nigeria. However, co-integration result indicated that there was a long-run relationship between tax revenue and government capital expenditure. It was concluded that taxation revenue has significant effect on government capital expenditure in Nigeria.

Okoror, Muhammadu and Uwaleke (2019) examined empirically, the impact of company income tax on infrastructural development in Nigeria. This study adopts an ex-post facto research design. In this study, secondary data retrieved from the CBN statistical bulletin, Federal Inland Revenue Service (FIRS) and National Bureau of Statistics for various years were used. The data covers the period 1981-2017. The data analysis technique that is utilized in this study is the dynamic Least Squares for co-integrated regression. The findings of the study reveal that company income tax is generally not characterized with threatening oscillations year-on-year over the period. The results reveal that the coefficient is positive and statistically significant at 5% level. Therefore, the null hypothesis that CIT has no positive and significant impact on Infrastructural development in Nigeria was rejected.

Umar, Abubakar and Lydia (2018) examined the effect of internally generated revenue on Infrastructural development, whether revenue generation has impacted on the state by providing water, electricity and roads network. To achieve the objectives of the study, a documentary research method was designed, relying on secondary data from hard and electronic copy from internal Revenue Board central data bases, statistical data internal Revenue Board. The study found that the revenue generation by the state revenue agency was very low as to register any tangible effect on the state budget that rely heavily on allocation from the federation account and other sources. Internally generated revenue has minimal on the infrastructural development of the state, but it has significant impact on the annual expenditure on water, electricity and roads network. The study also revealed that internally generated revenue was economical and tax avoidance and evasion were also insignificant.

Oliver, Edeh, and Chukwuani (2017) examined the effect of Federal Government of Nigeria's Tax resources on infrastructural development of Nigeria. Income from Value Added Tax (VAT), Petroleum Profit Taxes (PPT) were used as proxies for Tax revenues/resources while Infrastructural Development was applied as proxy for Infrastructural Development of Nigeria. The research adopted ex-pos-facto research design as secondary data were used for the analysis. Data were sourced from the Central Bank of Nigeria Statistical Bulletin and the Federal Statistical Bureau. Data were analyzed using the multiple linear regression technique. The result reveals tax revenue resources (PPT, CIT AND VA3T) had positive and insignificant effect on Infrastructural Development in Nigeria.

Ediogbanya (2013) examined the revenue generative and its impact on government development effort of selected local councils. Secondary data were used. Finding from the study was that government revenue positively correlate with infrastructural development. The study also established that there is significant relationship between allocation from the excess crude oil account and government development effort. It was recommended that government should put necessary modern technological machineries in place as this will boost its internal revenue generation and subsequent provision of adequate social amenities.

Akpan and Nnaseh (2013) studies the effect of Internally Generated Revenue (IGR) on infrastructural development. Ex-post facto research design was adopted in the study. The data were analysed with simple percentage statistic while simple regression was used in testing the hypothesis. Findings show that internal generated revenue contributes significantly and positively to provision of water, electricity and roads and more skewed to road than electricity and water. The study was able to conclude that IGR has made positive but uneven contributions to the development of infrastructure in the state as some aspects of infrastructure like road was found to receive more boosts from IGR than others.

Theoretical Framework

The Fiscal Federalism Theory forms the basis of this research, analyzing how fiscal responsibilities and resources are allocated among different levels of governments in a federal system. The basic functions of government—allocation, distribution, and stabilization—were first presented by Richard Musgrave (1959), highlighting how these have to be allocated among several tiers. Kenneth Arrow (1970) expanded on the role of the government in resolving market failure, providing income equity, and ensuring macroeconomic stability. Based on Keynesian economics, this model emphasizes the need for intervention by the government, especially during times of recession, to maximize social welfare when market forces cannot. One of the basic principles of fiscal federalism is that all levels of governments ought to specialize in providing public goods within its respective jurisdiction. Decentralization Theorem proposed by Wallace E. Oates (1972) further asserted this theory stating that decentralized government would be a better provider of public goods given that it better knows the preferences and tastes in its jurisdiction. This argument created the foundation for the first-generation theory of fiscal decentralization (Oates, 2004). In essence, fiscal federalism seeks to align revenue collection and expenditure responsibilities among federal, state, and local governments so that efficiency, equity, and accountability are created in public finance.

The theory is particularly applicable in the efficient provision of public goods. Oates (2004) developed the concept of "perfect mapping" or "fiscal equivalence" (Olson, 2015), whereby government borders overlap with public good beneficiaries. In practice, however, all public goods are not readily contained within one jurisdiction. Some, for example, roads, generate inter-jurisdictional spillovers, in that benefits extend beyond the local government responsible for their upkeep. As a reaction to this, fiscal federalism employs Pigouvian subsidies in which the central government provides matching grants to lower levels to fund such commodities sufficiently, availing themselves of their positive externalities. Besides public goods provision, the theory also makes clear that various governments have varying responsibilities. Local and state governments must be worried about offering localized services, whereas stabilization and income redistribution are the domains of the central government. The rationale for allocating redistribution to the central level is that redistribution at the local level has the ability to induce distortions such as the flight of richer individuals to non-redistributing regions and the migration of poorer individuals into redistributing regions. A nationally directed policy of redistribution sidesteps these distortions and thus makes it fair among jurisdictions.

RESEARCH METHOD

The study adopted a survey research design, enabling data collection from a sample of the population through personal and impersonal means. The research focused on Ayamelum Local Government Area of Anambra State, which comprises eight communities: Omasi, Umumbo, Anaku, Umueje, Ifite-Ogwari, Omor, Igbakwu, and Umuerum. Both primary and secondary data sources were utilized; primary data were gathered from oral interviews and questionnaires, while secondary data were obtained from textbooks, journals, newspapers, and internet sources. The study's population included all residents of Ayamelum LGA, estimated at 273,600 according to the 2022 NBS projection. Due to the large population size, the researcher determined a sample size of 399 using the Taro Yamane formula. Data were analyzed using descriptive statistical methods, including frequency tables and percentages. Hypotheses were tested using the chi-square (X^2) statistical tool, which compared observed and expected frequencies. The chi-square formula was applied with a decision rule based on a 5% significance level, accepting or rejecting the null hypothesis depending on the comparison of calculated and critical values.

RESULT AND DISCUSSIOIN

Test of Hypotheses

Hypothesis One: No potential revenue streams exist for infrastructural development in Ayamelum LGA.

Chi-Square Test: The calculated chi-square value (318.56) is greater than the critical value (16.92) at a 0.05 significance level. **Decision:** The null hypothesis is rejected, and the alternative hypothesis is accepted. This confirms the existence of potential revenue streams for infrastructural development in Ayamelum LGA.

Hypothesis Two: Internally generated revenue has no significant impact on infrastructural development in Ayamelum LGA.

Chi-Square Test: The calculated chi-square value (240.86) is greater than the critical value (21.03) at a 0.05 significance level. **Decision:** The null hypothesis is rejected, and the alternative hypothesis is accepted. This confirms that internally generated revenue has a significant impact on infrastructural development in Ayamelum LGA.

Hypothesis Three: No current revenue generation mechanisms exist for infrastructural development in Ayamelum LGA.

Chi-Square Test: The calculated chi-square value (78.76) is greater than the critical value (15.51) at a 0.05 significance level. **Decision:** The null hypothesis is rejected, and the alternative hypothesis is accepted. This confirms the presence of current revenue generation mechanisms for infrastructural development in Ayamelum LGA.

Conclusion: The findings indicate that Ayamelum LGA has potential revenue streams, internally generated revenue significantly contributes to infrastructural development, and there are existing revenue generation mechanisms in place.

Discussion of Results

From the hypothesis one, the null hypothesis was rejected while the alternate was accepted which states that there are potential revenue streams for infrastructural development in Ayamelum Local Government Area of Anambra state. Poor internally revenue stream remains one of the devastating problems hindering effective and efficient local government administration and development in most states in the Country (Ajiyi and Abubakar 2011).

The second hypothesis revealed that there are significant impact of internal generated revenue on infrastructural development in Ayamelum Local Government Area of Anambra State. This finding is in line with, Salau (2019),The number of abandoned projects in local government due to lack of funds because of mismanagement, misallocation and inefficient use of funds is enormous, thereby jeopardizing the well-being of the citizens within the locality.

The third hypothesis revealed that there are current revenue generation mechanisms for infrastructural development in Ayamelum Local Government Area of Anambra State, this tally in line with the submission of Wada and Aminu (2014), opined that state and local government joint account allocation committee coupled with much supervision of various ministries and agencies have made the financial autonomy of local government a mirage. (Gambrell, 2011:2) State-level officials put trusted lieutenants or lackeys into local governments, who tailor their opinions and operations to suit their political "godfathers," Those who don't obey lose out on unmonitored government money, while those who follow orders end up with Sports Utility Vehicles.

CONCLUSION

Based on the data collected, analyzed, and the results of the statistical tests of the hypotheses, the following conclusions were drawn: Firstly, the provision of services in the local government system is directly influenced by the level of revenue generated by the councils. This implies that higher revenue generation leads to an increase in both the quantity and quality of services provided, whereas lower revenue results in limited service delivery. Secondly, commercial and economic activities play a significant role in determining local government revenue and the efficiency of service delivery. A comparative data analysis revealed that the revenue generation capacity of Ayamelum Local Government Council has a substantial impact on service provision. This outcome is attributed to the growing level of economic and commercial activities within the area. Furthermore, the study examined the impact of internally generated revenue on infrastructural development in Ayamelum Local Government. The findings indicate that internally generated revenue is a crucial factor in financing developmental projects. Lastly, the study concludes that effective management of generated revenue is fundamental to ensuring the availability of funds for service provision. Revenue generation alone does not guarantee infrastructural development; rather, its proper management plays a pivotal role in determining the extent of development within the local government area.

RECOMMENDATIONS

In line with the above findings, the researcher made the following recommendations.

1. The Local Government should encourage public- private partnerships to finance and deliver infrastructure project.

2. The Local government should improve its tax administration by streamlining tax collection, processes, reducing tax evasion and providing incentives for taxpayers to comply. The local government should develop a comprehensive infrastructure master plan that outlines its infrastructure need and priorities.

3. The local Government should diversify its revenue streams to reduce dependence on a single source of revenue. This can be achieved by exploring new revenue sources , such as public- private partnerships, grants, and donor funding

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