

**FISCAL FEDERALISM AND REVENUE ALLOCATION IN NIGERIA:
IMPLICATIONS FOR LOCAL GOVERNMENT AUTONOMY IN OREDO LOCAL
GOVERNMENT AREA, EDO STATE**

**Mercy Chioma UZOUKWU
PG/IPA/S2415651**

**INSTITUTE OF PUBLIC ADMINISTRATION AND HEALTH SERVICES
MANAGEMENT,
UNIVERSITY OF BENIN,
BENIN CITY**

APRIL, 2026.

**FISCAL FEDERALISM AND REVENUE ALLOCATION IN NIGERIA:
IMPLICATIONS FOR LOCAL GOVERNMENT AUTONOMY IN OREDO LOCAL
GOVERNMENT AREA, EDO STATE**

**Mercy Chioma UZOUKWU
PG/IPA/S2415651**

**A RESEARCH PROJECT SUMMITTED TO THE INSTITUTE OF PUBLIC
ADMINISTRATION AND HEALTH SERVICES MANAGEMENT,
IN PARTIAL FULFILMENT OF THE REQUIREENTS FOR THE AWARD OF POST
GRADUATE DIPLOMA (PGD) DEGREE IN PUBLIC ADMINISTRATION,
UNIVERSITY OF BENIN, BENIN CITY, NIGERIA**

APRIL, 2026.

DECLARATION

This project is based on a study undertaken by me in the Institute of Public Administration and Health Services Management, University of Benin, under the supervision of Dr. M.O. Izevbizua. All findings and analysis in the study are product of my personal research and the views of others who have contributed and expressed their knowledge.

Mercy Chioma UZOUKWU

Date

CERTIFICATION

We, the undersigned, certify that this research work was written by **Mercy Chioma UZOUKWU** of the Institute of Public Administration and Health Services Management, University of Benin, Benin City, Nigeria, in partial fulfillment of the requirements for the award of Postgraduate Diploma in Public Administration.

Dr. M.O. Izevbizua
(Project Supervisor)

Date

Dr. J.O. Osaghae
(Director of the Institute)

Date

DEDICATION

This project work is dedicated to Almighty God for His unending love and constant protection to accomplish this goal

ACKNOWLEDGEMENTS

I will like to appreciate Dr. C. Oyemwinmina. I also appreciate the help of Mrs. Isonah who assisted with the research.

I will also like to appreciate the director of the Institute of Public Administration and Health Services Management, Dr. J.O. Osaghae, the Programme Coordinator Dr. S.E. Obamwonyi for their support throughout this journey.

TABLE OF CONTENTS

Title Page	i
Declaration	ii
Certification	iii
Dedication	iv
Acknowledgements	v
Table of Contents	vi
Abstract	viii

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study	1
1.2 Statement of the Problem	4
1.3 Research Questions	5
1.4 Objectives of the Study	6
1.5 Significance of the Study	6
1.6 Scope and Delimitation of the Study	8
1.7 Definition of Terms	9

CHAPTER TWO: REVIEW OF RELATED LITERATURE

2.1 Theoretical Framework	11
2.2 Concept of Fiscal Federalism	14
2.3 Concept of Revenue Allocation	16
2.4 Principles of Fiscal Federalism	17
2.5 Historical Evolution of Federalism in Nigeria	20
2.6 Local Government Autonomy	24
2.7 Factors Influencing Revenue Allocation in Nigeria	26
2.8 Structure and Challenges of Local Government Finance in Nigeria	28
2.9 Challenges to Local Government Autonomy in Nigeria	31
2.10 Implications of Fiscal Federalism for Local Government Autonomy	33
2.11 Impact of Federal and State Policies on Local Government Performance	35
2.12 Empirical Review of Studies on Fiscal Federalism and Local Government Autonomy	37
2.13 Summary of the Literature Review	40

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design	43
3.2 Area of the Study	44
3.3 Population of the Study	44
3.4 Sample Size and Sampling Technique	44
3.5 Research Instrument	45
3.6 Validity of the Instrument	45
3.7 Reliability of the Instrument	45
3.8 Method of Data Collection	46
3.9 Method of Data Analysis	46

CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction	47
4.1 Presentation of Data	47
4.2 Discussion of Findings	51

CHAPTER FIVE: SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1 Summary of Findings	54
5.2 Discussion of Findings	56
5.3 Conclusion	58
5.4 Recommendations	58

REFERENCES	60
-------------------	-----------

APPENDICES	64
-------------------	-----------

ABSTRACT

This study examines the impact of fiscal federalism and revenue allocation on local government autonomy, using Oredo Local Government Area of Edo State as a case study. Despite the constitutional recognition of three tiers of government, Nigeria's centralized fiscal framework often undermines the financial and administrative independence of local councils. The study specifically explored how the concentration of revenue powers and the operation of the State Local Government Joint Account (JAC) affect the developmental capacity of Oredo LGA. Adopting a descriptive research design, the study utilized a sample of 150 staff members from the Oredo Local Government Council, selected through stratified random sampling. Data collected via structured questionnaires were analyzed using mean scores, standard deviation, and Chi-Square statistical tests. The findings reveal that Nigeria's current fiscal federalism significantly limits the financial autonomy of Oredo LGA, as heavy reliance on statutory allocations and state-level interference through the JAC system disrupts budget implementation and service delivery. Furthermore, the council faces internal challenges in revenue generation, including technological gaps and low tax compliance. The study concludes that without genuine fiscal independence, local governments remain administrative appendages of the state rather than effective agents of grassroots development. Consequently, it is recommended that the federal government implement direct statutory allocations to local councils to bypass the bottlenecks of the Joint Account. Additionally, the study suggests strengthening legal safeguards for local autonomy and investing in modern technology to enhance internally generated revenue, thereby ensuring sustainable development and improved public service delivery at the grassroots level.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Nigeria's federal system is structured around three constitutionally recognized tiers of government, the federal, state, and local governments, each expected to function with assigned powers and responsibilities. Within this structure, fiscal federalism provides the guiding framework for determining how financial resources and expenditure responsibilities are allocated among the tiers. In principle, fiscal federalism promotes efficiency, accountability, and balanced development by ensuring that each level of government possesses the fiscal capacity to perform its core functions. However, in practice, Nigeria's fiscal system has been marked by persistent conflicts, imbalances, and contestations, particularly around issues of revenue allocation and local government autonomy (Akindele, Olaopa & Obiyan, 2019). These tensions have had profound implications for the functioning of local governments across the country, including Oredo Local Government Area of Edo State.

Local governments are conceived as the tier closest to the grassroots, responsible for delivering essential public services such as primary healthcare, basic education, local roads, markets, sanitation, and community development. The 1976 Local Government Reforms and the 1999 Constitution reinforced this expectation by assigning substantial responsibilities to local government councils. Ideally, these responsibilities require adequate fiscal autonomy, administrative discretion, and stable access to revenue. Yet, the realities of Nigeria's political and fiscal environment have undermined these ideals. Studies consistently show that local governments are financially vulnerable because they depend heavily on federally collected revenue and state-level control mechanisms, including the Joint State–Local Government Account (Ofoeze & Nnamani, 2018).

The Joint Account system, in particular, has been widely criticized for granting state governments significant influence over local government finances, often resulting in deductions, delayed disbursements, and restricted fiscal decision-making at the local level. This dynamic contradicts the core objectives of fiscal federalism, which emphasize decentralized decision-making and local responsiveness. In states like Edo, this structure has contributed to operational inefficiencies, reduced developmental capacity, and weakened local democratic governance. For a metropolitan LGA such as Oredo, home to Benin City, the Edo State capital, these fiscal constraints are especially consequential because the area faces complex urban management challenges, growing service delivery needs, and rising demands for infrastructural development.

Scholarly evidence underscores that misalignments in Nigeria's revenue allocation formula are central to the constraints faced by local governments. The current vertical allocation structure, which allocates the majority of federally generated revenue to the federal government, leaves local governments with a small fraction of national revenue, despite their enormous responsibilities. This structural imbalance discourages effective service delivery and contributes to local administrative inefficiency. According to Arowolo (2011), the constrained fiscal capacity of local governments directly hampers their ability to stimulate rural development, maintain public infrastructure, or implement development programs. These limitations are further exacerbated by political interference, weak financial management systems, and low internally generated revenue (IGR).

Oredo Local Government Area reflects these broader national patterns. Despite its urban status and revenue-generating potential, the LGA faces difficulties typical of Nigerian local governments: overdependence on statutory allocations, minimal fiscal discretion, and limited institutional autonomy. These conditions undermine the ability of the council to address local needs effectively. The inability of local governments to exercise genuine

autonomy has not only weakened grassroots governance but also aggravated development deficits. Ogunniyi and Oluwafemi (2020) argue that weak revenue allocation practices in Nigeria significantly constrain grassroots development, thereby reducing the effectiveness of the local tier of government within the federal system.

Recent political debates and reform proposals highlight the persistent concerns about Nigeria's fiscal structure and the urgent need for a more decentralized, transparent, and equitable revenue allocation system. The National Assembly, civil society organizations, and local government associations have intensified advocacy for constitutional amendments that guarantee administrative and financial autonomy for local governments. These debates underscore a growing consensus that Nigeria's current fiscal architecture does not adequately support effective local governance. Nonetheless, empirical evidence from specific local government areas, such as Oredo, is essential to understanding how national fiscal policies translate into real governance outcomes at the local level.

Against this backdrop, this study investigates the implications of Nigeria's fiscal federalism and revenue allocation framework for local government autonomy in Oredo LGA. It explores how national and state-level financial arrangements shape the capacity of the LGA to carry out its statutory responsibilities. The study also assesses the extent to which fiscal constraints affect service delivery, grassroots development, administrative performance, and democratic accountability in the local governance system.

This background establishes that the historical and contemporary challenges confronting local governments in Nigeria are deeply rooted in structural weaknesses in the country's fiscal federal arrangement. Although local governments are constitutionally recognized as a distinct tier of government, their fiscal and administrative autonomy remains significantly undermined by centralization, state dominance, and an inequitable revenue allocation formula. Oredo Local Government Area presents a valuable case through which

these dynamics can be examined. By providing empirical insights from this LGA, the study contributes to the broader discourse on strengthening Nigeria's federal system and enhancing the effectiveness of local governance through improved fiscal autonomy.

1.2 Statement of the Problem

Despite being constitutionally recognized as the tier of government closest to the grassroots, local governments in Nigeria continue to operate with limited fiscal and administrative autonomy due to the country's highly centralized fiscal federalism structure. Although the 1999 Constitution outlines substantial responsibilities for local government councils, including primary healthcare, community development, local road maintenance, and environmental sanitation, their ability to perform these functions remains significantly constrained by the national revenue allocation formula and state-level control mechanisms. The Joint State–Local Government Account (JAC), in particular, has become a central point of contention, as it often results in deductions, delayed disbursements, and reduced discretion over financial resources. Consequently, most local governments remain heavily dependent on statutory allocations, lack financial independence, and experience difficulty mobilizing internally generated revenue.

These structural challenges are evident in the operations of Oredo Local Government Area, which despite its urban status and revenue-generating potential, continues to face financial limitations that hinder effective service delivery. The mismatch between the LGA's statutory responsibilities and its accessible financial resources manifests in poor infrastructural maintenance, inadequate provision of social services, bureaucratic inefficiencies, and weak community-level development outcomes. Furthermore, persistent political interference, limited transparency in the disbursement of local government funds, and the absence of a truly decentralized fiscal framework exacerbate these challenges, thereby undermining local governance and weakening grassroots participation.

While numerous studies have examined fiscal federalism in Nigeria, there is limited empirical focus on how revenue allocation practices specifically affect the administrative and developmental capacities of individual local government areas such as Oredo. This gap in empirical evidence limits the ability of policymakers and scholars to understand the practical implications of Nigeria's fiscal structure on local autonomy and performance. Therefore, the problem this study addresses is the persistent disjunction between Nigeria's constitutional expectations of local government autonomy and the restrictive fiscal realities experienced by Oredo Local Government Area, which collectively impede effective governance, service delivery, and sustainable grassroots development.

1.3 Research Questions

To guide the investigation into how fiscal federalism and the existing revenue allocation framework shape the autonomy and performance of local governments in Nigeria, this study focuses on Oredo Local Government Area as a case. The following research questions are formulated to direct the inquiry:

1. How does Nigeria's fiscal federalism structure influence the financial autonomy of Oredo Local Government Area?
2. In what ways does the current revenue allocation formula affect the administrative and developmental capacity of Oredo Local Government Area?
3. What is the impact of the Joint State–Local Government Account on the fiscal independence and operational effectiveness of Oredo Local Government Area?
4. What challenges does Oredo Local Government Area encounter in mobilizing and managing internally generated revenue?
5. What measures can enhance the fiscal autonomy and overall performance of Oredo Local Government Area within Nigeria's federal system?

1.4 Objectives of the Study

The broad objective of this study is to examine how fiscal federalism and the existing revenue allocation framework influence local government autonomy in Nigeria, using Oredo Local Government Area as a case study. The specific objectives are to:

1. Assess how Nigeria's fiscal federalism structure influences the financial autonomy of Oredo Local Government Area.
2. Examine the effects of the current revenue allocation formula on the administrative and developmental capacity of Oredo Local Government Area.
3. Determine the impact of the Joint State–Local Government Account on the fiscal independence and operational effectiveness of Oredo Local Government Area.
4. Identify the challenges faced by Oredo Local Government Area in mobilizing and managing internally generated revenue.
5. Recommend measures that can enhance the fiscal autonomy and overall performance of Oredo Local Government Area within Nigeria's federal system.

1.5 Significance of the Study

This study is significant because it addresses one of the most persistent governance challenges in Nigeria: the tension between constitutional expectations of local government autonomy and the restrictive fiscal and political realities that shape local governance. By focusing on Oredo Local Government Area, the research offers nuanced insights into how fiscal federalism and revenue allocation practices influence the performance and developmental responsibilities of local governments. These insights are valuable to policymakers, scholars, public administrators, and development practitioners who seek empirical evidence to guide reforms aimed at strengthening Nigeria's federal system.

First, this study contributes to academic literature by expanding the empirical understanding of Nigeria's intergovernmental fiscal relations. Although substantial research

has examined fiscal federalism at the national level, fewer studies provide localized analyses that highlight how specific LGAs are affected by broader fiscal policies. This research therefore fills a notable gap by offering a detailed examination of the implications of the revenue allocation framework on the autonomy and operational capacities of Oredo Local Government Area. The findings will enrich scholarly debates on decentralization, local governance, and fiscal policy, particularly within the Nigerian context.

Secondly, this study will be valuable to policymakers at both state and federal levels. As debates on constitutional amendments and local government autonomy intensify, reliable data and localized evidence become essential for informed decision-making. By identifying the practical constraints faced by Oredo LGA, such as limited fiscal discretion, heavy dependence on statutory allocations, weak internally generated revenue, and the challenges created by the Joint State–Local Government Account, the study provides policy-relevant insights that can guide reforms in revenue allocation, intergovernmental fiscal relations, and local government administration. Such reforms are central to improving governance outcomes and ensuring that local governments function as effective agents of grassroots development.

Thirdly, this study benefits local government administrators, including those within Oredo LGA and other LGAs across Nigeria. Understanding the factors that constrain or enhance fiscal autonomy can help administrators design more effective strategies for revenue mobilization, financial management, and service delivery. The recommendations generated from this study can assist local government officials in advocating for greater financial autonomy, improving internal fiscal discipline, and strengthening administrative capacity in ways that promote accountability and transparency.

Fourthly, this study has practical implications for civil society organisations, community stakeholders, and development advocates who work at the grassroots level. By

clarifying the relationship between fiscal structures and service delivery outcomes, the study enables these groups to better understand the root causes of local governance challenges. This, in turn, equips them to engage more effectively in advocacy, public participation, and policy dialogue aimed at improving local governance and community development.

This study is also significant to the citizens of Oredo Local Government Area. Local governments are expected to provide basic services that directly affect the quality of life of citizens, including waste management, primary health care, local road maintenance, and community facilities. By examining the fiscal constraints that hinder effective service delivery, the study contributes to a better public understanding of the structural issues affecting development at the grassroots. Such awareness empowers citizens to demand improved performance, increased transparency, and greater accountability from both local and state governments.

Finally, this study is important to the researcher and other students of Public Administration. It provides an opportunity to apply theoretical frameworks, such as fiscal federalism and decentralization theory, to real administrative problems. It also serves as an academic resource for future research on governance, fiscal policy, and public sector reforms in Nigeria.

The significance of this study lies in its potential to enhance the understanding of fiscal federalism at the local level, inform policy reforms, support evidence-based advocacy, and ultimately contribute to the strengthening of local governance and grassroots development in Nigeria.

1.6 Scope and Delimitation of the Study

This study focuses on examining how Nigeria's fiscal federalism structure and revenue allocation framework influence local government autonomy, using Oredo Local Government Area of Edo State as the primary case. The scope of the study is limited to

assessing the financial, administrative, and operational implications of the current revenue allocation formula, the Joint State–Local Government Account, and internally generated revenue capacity on the performance of Oredo LGA. The study also investigates the specific challenges that restrict the LGA’s ability to exercise meaningful fiscal autonomy and deliver essential public services.

Geographically, the study is confined to Oredo Local Government Area and does not extend to other LGAs in Edo State, although insights may be broadly indicative of patterns observable in similar urban LGAs across Nigeria. The study covers the period from 1999 to the present, reflecting the era of the current constitutional framework governing intergovernmental fiscal relations.

The study is delimited to selected staff of Oredo Local Government Council, relevant officials of Edo State’s Ministry of Local Government and Community Affairs, and community stakeholders who have direct knowledge of local governance operations. Financial records, operational practices, and perceptions of autonomy form the main data sources. Issues relating to political party dynamics, electoral processes, or comparative state-level analyses fall outside the scope of this study, except where they directly influence the fiscal autonomy of Oredo LGA.

1.7 Definition of Terms

Administrative Capacity: The ability of a local government to effectively plan, implement, and manage public services and development programmes through competent personnel, adequate financial resources, and efficient administrative structures.

Fiscal Federalism: A system of public finance in which responsibilities for revenue generation, resource allocation, and expenditure are shared among different tiers of government within a federal structure. It determines how financial powers and functions are distributed among federal, state, and local governments.

Grassroots Development: Developmental initiatives and service delivery efforts targeted at improving the welfare, infrastructure, and socio-economic conditions of local communities at the lowest tier of government.

Intergovernmental Fiscal Relations: The financial relationships and interactions among the federal, state, and local governments, particularly concerning revenue sharing, grants, taxation powers, and expenditure responsibilities.

Internally Generated Revenue (IGR): Revenue generated by a local government from within its jurisdiction through taxes, levies, fees, fines, and other authorized sources. IGR reflects the financial capacity and economic viability of a local government.

Joint State–Local Government Account (JAC): A constitutionally established account through which federal allocations to local governments are channeled via state governments. State governments often exercise control over this account, influencing the disbursement and utilization of local government funds.

Local Government Autonomy: The degree of independence granted to local government councils to make decisions, manage their finances, and carry out administrative responsibilities without undue interference from higher levels of government. It comprises fiscal, administrative, and political dimensions of independence.

Revenue Allocation: The process by which federally collected revenue is distributed among the three tiers of government in Nigeria based on constitutional provisions, statutory formulas, and administrative arrangements. It includes both vertical allocation (among levels of government) and horizontal allocation (among states or local governments).

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter reviewed existing scholarly works, theoretical arguments, empirical studies, and conceptual positions relevant to Fiscal Federalism, Revenue Allocation, and Local Government Autonomy in Nigeria, with particular reference to Oredo Local Government Area.

The review is organised under the following major subheadings:

- Theoretical Framework
- Concept of Fiscal Federalism
- Concept of Revenue Allocation
- Principles of Fiscal Federalism
- Historical Evolution of Federalism in Nigeria
- Local Government Autonomy
- Factors Influencing Revenue Allocation in Nigeria
- Structure and Challenges of Local Government Finance in Nigeria
- Challenges to Local Government Autonomy in Nigeria
- Implications of Fiscal Federalism for Local Government Autonomy
- Impact of Federal and State Policies on Local Government Performance
- Empirical Review of Studies on Fiscal Federalism and Local Government Autonomy
- Summary of Literature Review

2.1 Theoretical Framework

Given the complexity of fiscal relations in Nigeria's federal system, several theories help to illuminate the dynamics between different tiers of government, especially the position of local governments within a revenue-sharing system historically dominated by federal and state authorities. For this study, three major theories are adopted: Fiscal Federalism Theory,

Decentralization Theory, and Agency Theory. These theories collectively help to explain how intergovernmental relations, revenue distribution, and institutional constraints shape local government autonomy in Nigeria.

Fiscal Federalism Theory

Fiscal Federalism Theory forms the backbone of discussions surrounding the allocation of financial resources in federated states. The theory, developed primarily by Musgrave (1959) and Oates (1972), provided a framework for understanding how functions and finances should ideally be distributed among different tiers of government to promote efficiency, equity, and accountability.

In the Musgravian tradition, public finance responsibilities are grouped into three major functions:

1. **Allocation** – provision of public goods;
2. **Distribution** – reducing income inequality;
3. **Stabilization** – maintaining economic stability.

Oates (1972) further proposed the *Decentralization Theorem*, which argues that lower levels of government are better positioned to provide public goods that reflect local preferences. In principle, therefore, local governments should have sufficient fiscal autonomy, both in terms of revenue generation and expenditure control, to meet the immediate needs of their communities.

In Nigeria, however, the practical application of Fiscal Federalism diverges from the normative ideals. The federal government controls the bulk of revenue sources, especially oil revenues, while local governments depend heavily on statutory transfers from the Federation Account. This vertical imbalance is worsened by horizontal imbalances created by varying economic capacities across states and localities. For Oredo Local Government, which is

structurally dependent on federal allocations, this creates vulnerability and limits its ability to exercise meaningful autonomy.

Decentralization Theory

Decentralization theory argues that governance effectiveness improves when authority, responsibilities, and financial resources are transferred from central authorities to lower tiers of government. Rondinelli, Nellis, and Cheema (1984) emphasized three dimensions of decentralization:

- **Political Decentralization** – enhancing citizen participation and local decision-making.
- **Administrative Decentralization** – distributing administrative powers to local units.
- **Fiscal Decentralization** – allocating financial authority and revenue-generating powers to local governments.

The third dimension, fiscal decentralization, is most relevant to this study. It involves providing local governments with independent revenue sources, flexibility in expenditure, and equitable intergovernmental transfers. Effective fiscal decentralization promotes development by ensuring that local governments have direct control over financial resources needed for grassroots governance.

In Nigeria, decentralization exists largely in theory. Although the 1999 Constitution recognizes local governments as the third tier of government, state governments maintain strong influence over their finances, particularly through the State Joint Local Government Account (SJLGA). The SJLGA system, often criticized for enabling state-level interference, limits fiscal autonomy and undermines the decentralization principle.

For Oredo Local Government, this theoretical lens helps illuminate why inadequate fiscal independence limits service delivery, despite constitutional and administrative structures that appear to promote autonomy.

Agency Theory

Agency Theory, introduced by Jensen and Meckling (1976), explained relationships in which one actor (the principal) delegates authority to another (the agent). The theory identifies two major challenges: **information asymmetry** and **goal conflict**. These challenges create the need for monitoring and control mechanisms.

In Nigeria's fiscal structure, the federal government acts as the *principal* with constitutional oversight over revenue distribution, while state and local governments function as *agents*. However, in practice, local governments also become agents of state governments because the constitution gives states the authority to regulate their operations, including financial administration through the SJLGA mechanism.

This multiple-principal problem creates layered accountability challenges. Local governments often face:

- Conflicting directives from federal and state authorities;
- Limited discretion in managing funds;
- Opportunities for state-level interference;
- Weak incentives to pursue independent revenue generation.

For Oredo Local Government, the theory explains how institutional arrangements reduce its ability to act independently and efficiently in the interest of local citizens.

2.2 Concept of Fiscal Federalism

Fiscal federalism refers to the system of financial relationships that exists among different levels of government within a federal structure. It concerns the division of public sector functions and the appropriate allocation of resources among federal, state, and local governments to ensure effective governance and delivery of public services. At its core, fiscal federalism seeks to align expenditure responsibilities with revenue-generating powers,

thereby promoting efficiency, accountability, and balanced regional development (Oates, 1999).

The conceptual foundation of fiscal federalism is grounded in the idea that decentralizing fiscal powers enhances the capacity of sub-national governments to respond to the preferences and needs of their local populations. This perspective is supported by the decentralization theorem, which posits that local governments are better positioned to provide public goods whose benefits are localized, because they possess more information about local needs and conditions (Musgrave, 1959; Oates, 1972). Accordingly, fiscal federalism promotes a multi-tiered governance arrangement where each level of government functions within defined constitutional and financial boundaries.

In practice, fiscal federalism involves determining who does what, who pays for what, and how revenue is shared among the tiers of government. These intergovernmental fiscal relations are essential for macroeconomic stability, equity, and administrative efficiency. In federal systems like Nigeria, fiscal federalism becomes even more significant due to the country's ethnic diversity, uneven resource endowment, and political history. As scholars note, federations with diverse populations often rely on fiscal federalism to balance autonomy with national unity while minimizing regional inequalities (Watt, 2008; Arowolo, 2011).

In the Nigerian context, fiscal federalism is characterized by a strong centralization of revenue, particularly from natural resources, combined with extensive fiscal responsibilities assigned to state and local governments. This mismatch between responsibilities and financial autonomy has fueled debates about the fairness of revenue allocation formulas, the adequacy of local government funding, and the broader implications for local government autonomy. Researchers argue that Nigeria's current fiscal structure undermines the principle of true federalism by limiting sub-national governments' ability to function independently (Ekpo & Ndebbio, 1996).

The concept of fiscal federalism underscores the importance of designing a fiscal arrangement that not only ensures equitable sharing of national resources but also strengthens the capacity of local governments to deliver essential services. This is particularly relevant for assessing the implications of Nigeria's revenue allocation system on the autonomy of local governments, including those in Oredo Local Government Area.

2.3 Concept of Revenue Allocation

Revenue allocation refers to the systematic distribution of financial resources among the various tiers of government within a state. In a federal system like Nigeria's, it is a mechanism designed to ensure that each level of government, federal, state, and local, receives adequate funds to carry out its constitutional responsibilities. As scholars generally argue, revenue allocation is central to intergovernmental fiscal relations because it determines the financial viability, autonomy, and administrative efficiency of subnational governments (Ekpo & Ndebbio, 1996).

Revenue allocation in Nigeria is rooted in the need to balance national unity with regional equity. It seeks to address disparities in resource endowment among the constituent units, especially considering that some states or local governments possess greater natural or economic advantages than others. Thus, the allocation system is expected to promote fairness, national integration, and even development (Oates, 1999). In practice, however, the Nigerian revenue allocation formula has been a source of intense political negotiation and contestation. This is because fiscal powers are heavily centralized at the federal level, leaving subnational governments, particularly local governments, dependent on transfers (Amuedo-Dorantes & Pozo, 2010).

The country operates two major forms of allocation: vertical allocation, which deals with how revenue is shared among the three tiers of government, and horizontal allocation, which determines how resources are shared among states and among local governments.

These allocation patterns are guided by principles such as equality of states, population, land mass, internal revenue effort, and social development factors (Arowolo, 2011). Despite these principles, critics argue that the process remains politically influenced and often fails to reflect actual development needs.

For local governments, revenue allocation is particularly crucial because their fiscal capacity is weak and their internal revenue sources are limited. Many scholars observe that without adequate and predictable revenue transfers, local governments cannot effectively perform their constitutional roles in grassroots development, public service delivery, and community mobilization (Oni, 2013). Thus, the concept of revenue allocation is inseparable from discussions on local government autonomy, financial stability, and the broader functionality of Nigeria's federal system.

2.4 Principles of Fiscal Federalism

Fiscal federalism is anchored on a set of guiding principles that determine how authority, responsibilities, and financial resources are shared across different tiers of government in a federal system. These principles are particularly significant in Nigeria, where fiscal relations remain deeply politicized and central to debates on resource control, national integration, and local government autonomy. Understanding these principles not only clarifies the theoretical underpinnings of federal fiscal relations but also offers insight into the persistent tension between the federal, state, and local governments (Oates, 1999; Suberu, 2001).

Principle of Fiscal Autonomy

Fiscal autonomy refers to the degree of independence each level of government has to raise revenue and make expenditure decisions without undue interference from higher levels of government. Scholars such as Wheare (1963) argued that for federalism to function effectively, each tier must be financially empowered to perform constitutionally assigned

functions. In Nigeria, however, local governments remain heavily dependent on statutory allocations, which limits their ability to operate as autonomous administrative entities (Ekpo & Ndebbio, 1998). This lack of autonomy is further weakened by state-controlled Joint Allocation Accounts, which often restrict access to funds at the grassroots.

Principle of Fiscal Responsibility

Fiscal responsibility emphasizes prudent, transparent, and accountable financial management across tiers of government. Musgrave (1959) stressed that governments must match expenditure obligations with sustainable revenue sources while avoiding reckless borrowing or misappropriation. In Nigeria, concerns about weak financial discipline at the local level are frequently cited by state and federal authorities as justification for limited fiscal decentralization (Olowu & Wunsch, 2004). Strengthening fiscal responsibility therefore enhances the credibility of local governments and supports arguments for increased autonomy and resource control.

Principle of Revenue Adequacy

Revenue adequacy presupposes that each tier of government should command sufficient resources to meet its constitutionally assigned responsibilities. Oates (1999) asserted that fiscal arrangements are ineffective if subnational governments lack adequate financial capacity. This principle is critical in Nigeria, where local governments frequently claim that federally allocated revenues are insufficient for mandatory functions such as primary healthcare, sanitation, rural infrastructure, and basic education. Without adequate revenue, local governments are unable to deliver essential services, thereby undermining grassroots development (Ekpo, 2004).

Principle of Expenditure Correspondence

The principle of expenditure correspondence maintains that the allocation of expenditure responsibilities should align with revenue-generating authority. Misalignment

results in inefficiency and excessive dependence on higher levels of government. Nigeria exemplifies this challenge, as local governments are burdened with large expenditure responsibilities while possessing limited independent revenue sources (Suberu, 2001). Proper alignment would strengthen planning capacity and ensure more sustainable service delivery at the grassroots.

Principle of Equity (Horizontal and Vertical Equity)

Equity in fiscal federalism ensures fairness in the distribution of resources both across different levels of government (vertical equity) and among governments at the same level (horizontal equity). Musgrave (1959) argued that equity is essential for maintaining national cohesion and minimizing regional disparities. In Nigeria, horizontal equity is addressed through allocation formulae that consider population, land mass, internal revenue effort, and social development indices (Ekpo, 2004). Vertical equity seeks to balance federal dominance with the needs of state and local governments to promote balanced national development.

Principle of Accountability and Transparency

Fiscal decentralization must be accompanied by mechanisms that ensure public accountability and transparent financial management. Olowu and Wunsch (2004) emphasized that decentralization without accountability leads to corruption, inefficiency, and declining public trust. In Nigeria, concerns about financial mismanagement at the local government level fuel debates over their readiness for increased fiscal autonomy. Strengthening transparency, through public budgeting, independent audits, and citizen oversight, enhances governance quality and validates demands for greater decentralization.

Principle of Intergovernmental Cooperation

Effective fiscal federalism requires strong coordination among all tiers of government to avoid duplication, ensure policy coherence, and promote efficient resource use (Oates, 1999). In Nigeria, weak intergovernmental cooperation has led to overlapping responsibilities,

especially in agriculture, primary education, and rural development. Strengthening cooperative mechanisms such as joint planning committees and intergovernmental fiscal boards can enhance efficiency and reduce conflict.

Principle of Subsidiarity

The subsidiarity principle posits that governmental responsibilities should be carried out by the lowest tier capable of doing so efficiently. This brings governance closer to the people and improves responsiveness (Wheare, 1963). While Nigeria's federal structure theoretically supports subsidiarity, state interference, constitutional ambiguities, and financial dependence hinder its practical application, thereby limiting genuine local government empowerment.

Principle of Economic Efficiency

Economic efficiency demands that fiscal arrangements promote cost-effective public service delivery, minimize waste, and support overall economic growth. Efficient fiscal systems empower local governments to provide services tailored to local needs while avoiding unnecessary centralization (Musgrave, 1959). In Nigeria, economic inefficiency often arises when resources are concentrated at higher levels while local governments, responsible for service delivery, remain underfunded.

2.5 Historical Evolution of Federalism in Nigeria

Federalism in Nigeria is the product of a long and complex historical evolution shaped by colonial administrative strategies, constitutional experiments, post-independence political transitions, and decades of military intervention. Unlike some Western federations that emerged from voluntary unions, Nigeria's federal structure evolved primarily as a colonial construct designed to manage the country's vast ethnic, cultural, and regional diversity (Elaigwu, 2011). Understanding this historical trajectory is crucial for analysing contemporary debates on fiscal federalism, revenue allocation, and the persistent struggle for

local government autonomy. Indeed, many of the challenges that local governments face today, such as fiscal dependence, weakened autonomy, and heavy centralisation, stem from historical restructuring processes that occurred between the colonial era and the present constitutional framework.

Broadly, the evolution of Nigerian federalism can be divided into five major phases: the formative colonial period, pre-independence constitutional developments, the early post-independence federal arrangements, the centralising effects of military rule, and the re-entrenchment of federalism under the 1999 Constitution. Each phase significantly altered intergovernmental relations and the fiscal hierarchy that still defines Nigeria's revenue allocation system.

1. Colonial Origins of Federalism (1900–1946)

Nigeria's federal development began indirectly with British colonial administrative policies. The 1914 Amalgamation unified the Northern and Southern Protectorates for administrative convenience but did not create a federal system (Afigbo, 2007). The Governor-General maintained central authority, while regional administrations were weak extensions of colonial rule.

A clearer movement toward federalism started with the Clifford Constitution of 1922, which introduced a rudimentary legislative council but retained strong central control. The Richard Constitution of 1946, however, formally divided Nigeria into three regions, Northern, Western, and Eastern, laying the foundation for regional autonomy. Although real power remained centralised, the regional structure acknowledged the country's ethnic plurality and represents the earliest institutional step toward federalism (Suberu, 2001).

2. Pre-Independence Federal Consolidation (1946–1960)

The Macpherson Constitution of 1951 marked a significant shift by granting substantial legislative powers to regional assemblies, creating one of the most participatory

constitution-making processes in colonial Africa (Elaigwu, 2011). Regional premiers emerged, and competitive regionalism became the hallmark of Nigerian politics.

The Lyttleton Constitution of 1954 formally transformed Nigeria into a federation by clearly separating powers between the federal and regional governments. It institutionalised the principle of derivation, allowing regions to retain a significant proportion of revenues generated within their territories, a fiscal arrangement that strengthened regional autonomy and financial independence (Suberu, 2001). This set a precedent for decentralised fiscal governance that would later be reversed by post-independence political dynamics.

3. Post-Independence Federal System (1960–1966)

At independence in 1960, Nigeria inherited a highly decentralised federal system with powerful regions. The 1960 Independence Constitution and the 1963 Republican Constitution maintained strong regional autonomy, with regions exercising significant control over taxation, natural resources, and internal development strategies (Afigbo, 2007).

However, intense political rivalry and ethnic tensions, compounded by disputes over revenue allocation, especially as oil began emerging as a major revenue source, triggered instability. The struggle for dominance between regional and federal authorities created tensions that contributed to the eventual collapse of the First Republic.

4. Centralisation Under Military Rule (1966–1979; 1983–1999)

The 1966 military coup marked a decisive turning point in Nigeria's federal evolution. Military rule, being inherently centralised, dismantled regional autonomy and concentrated authority at the federal centre. The 1967 restructuring from three regions to twelve states, and subsequent expansions to 19, 21, 30, and finally 36 states, transformed the federal landscape (Elaigwu, 2011).

Most critically, the military centralised control over revenue sources, especially petroleum resources. The derivation principle was progressively weakened, while federally

controlled revenue pools such as the Federation Account became dominant. This shift created a fiscal imbalance wherein states and local governments became heavily dependent on federal allocations (Suberu, 2001). Though the military recognised local governments as a “third tier,” real autonomy was undermined by state interference and federal political manipulation.

5. The Emergence of the Fourth Republic (1999–Present)

The 1999 Constitution retained much of the centralised federal structure inherited from military regimes. While Nigeria is nominally federal, the constitution grants the federal government extensive powers over taxation, natural resources, security, and major revenue streams such as petroleum profits tax, VAT, and customs duties. Mechanisms such as the Joint State-Local Government Account (JAAC) have further weakened local government autonomy, enabling states to exert significant control over local finances.

Consequently, debates about fiscal decentralisation, restructuring, state policing, resource control, and constitutional amendment have remained central to Nigeria’s democratic discourse (Suberu, 2021). Local governments, including Oredo LGA, continue to grapple with inadequate revenue, structural dependence, and political interference, a legacy of historical fiscal centralisation.

6. Contemporary Challenges and Ongoing Debates

Nigeria’s federal structure today reflects a dual character: federal in theory but largely unitary in practice. Historical legacies such as the centralisation of revenue control, proliferation of states, weakened fiscal autonomy, and politicisation of intergovernmental relations continue to shape governance outcomes. The persistent struggle for local government autonomy, manifested in debates over JAAC reform, direct allocation, and constitutional amendments, cannot be understood without tracing the historical evolution of Nigerian federalism.

Thus, the historical trajectory reveals that contemporary fiscal tensions stem from the cumulative effects of colonial administrative strategies, constitutional experiments, and prolonged military centralisation. These factors continue to influence intergovernmental relations and revenue distribution patterns in Nigeria today.

2.6 Local Government Autonomy

Local government autonomy refers to the extent of freedom, independence, and discretionary authority granted to local governments to manage their own political, administrative, and financial affairs without undue interference from higher levels of government. In a genuinely federal system, autonomy is expected to empower local governments to plan, execute, and supervise developmental activities that directly impact grassroots communities (Ola & Tonwe, 2009). This autonomy is central to the ideals of fiscal federalism and decentralised governance, enabling local governments to function effectively as the closest tier of government to the people.

Politically, local government autonomy implies the right of citizens to elect their local representatives through democratic processes free from the influence of state governments. Political autonomy guarantees that local councils operate as constitutionally recognised institutions with defined powers and responsibilities (Appadorai, 1975). However, in Nigeria, political autonomy has often been weakened through state-level practices such as the dissolution of democratically elected councils, appointment of caretaker committees, and the imposition of political directives. These actions undermine constitutional intentions and compromise the democratic legitimacy of local governance (Arowolo, 2008).

Administratively, autonomy entails the capacity of local governments to organize their internal structures, recruit and discipline their personnel, and design administrative procedures that respond to local conditions. Ideally, administrative independence should allow local governments to formulate and implement policies that address basic community

needs, such as health programmes, rural infrastructure, and environmental sanitation. Yet, in practice, many state governments in Nigeria limit this autonomy through the establishment of state-local government service commissions and supervisory agencies, reducing the decision-making authority of local administrations (Adamolekun, 2015).

Financial autonomy, often regarded as the most critical dimension, concerns the ability of local governments to mobilize internal revenue and access statutory allocations without interference. According to fiscal federalism theory, a subnational government cannot be truly autonomous without control over adequate financial resources (Oates, 1999). However, in Nigeria, the financial autonomy of local governments remains severely constrained due to overdependence on statutory allocations and the operation of the Joint State–Local Government Account (JAAC). Multiple studies argue that JAAC has effectively allowed state governments to appropriate or withhold funds meant for local councils, leaving them with insufficient resources to perform their constitutional functions (Ola & Tonwe, 2009; Arowolo, 2008). This financial weakness undermines service delivery in key sectors such as primary education, health care, waste management, and rural development.

The erosion of local government autonomy has significant implications. First, it distorts the principle of fiscal decentralization, creating a structural imbalance between federal, state, and local governments. Second, diminished autonomy weakens grassroots service delivery, contributing to infrastructural decay and declining public trust in local institutions. Third, limited independence promotes patronage politics, where local officials rely heavily on state authorities for financial and political support, reducing accountability and transparency (Adamolekun, 2015). These challenges have led scholars to argue that without genuine autonomy, local governments cannot fulfil their mandate of promoting democratic participation and grassroots development.

In the case of Oredo Local Government Area in Edo State, these national challenges are visibly reflected in constrained fiscal capacity, limited administrative discretion, and persistent political interference. Such constraints hinder effective planning, budget implementation, and sustainable community development. As debates on restructuring, constitutional reform, and fiscal decentralisation intensify across Nigeria, strengthening local government autonomy remains a critical pathway to deepening democratic governance and achieving grassroots development.

2.7 Factors Influencing Revenue Allocation in Nigeria

Revenue allocation in Nigeria is shaped by a complex mix of political, economic, constitutional, and socio-cultural factors that have evolved over time. As a federal state with three tiers of government, federal, state, and local, Nigeria's intergovernmental fiscal system must respond to diverse developmental needs, demographic variations, historical inequalities, and competing political interests. These realities make revenue allocation one of the most sensitive and frequently contested issues within Nigerian federalism (Ekpo & Ndebbio, 1996).

One of the most influential determinants of revenue allocation is the political power structure within the federation. Since the military era, when central institutions gained dominance over fiscal resources, the federal government has retained significant control over key revenue sources, especially petroleum resources (Suberu, 2001). This centralization creates structural fiscal imbalance, allowing the federal government substantial influence in determining allocation formulas. As a result, revenue distribution often reflects political bargaining and elite negotiations rather than purely objective criteria (Akindele & Olaopa, 2002).

Economic disparities across Nigeria's states also shape revenue allocation patterns. The country's regions have unequal levels of industrialization, resource endowment, internal revenue capacity, and infrastructural development. States in the South-South, for example,

contribute significantly to national revenue through oil production, while many northern states rely heavily on federal transfers (Ikeanyibe, 2016). To address these disparities, principles such as derivation, need, equality, and population are applied in varying proportions. However, the relative weight assigned to each principle remains politically contested and reflects competing notions of equity and fairness.

Population size is another major determinant of revenue allocation. Larger populations are assumed to generate greater demand for public goods and social services. Yet population figures in Nigeria are often viewed with suspicion due to the politicization of census exercises (Suberu, 2001). Allegations of inflated census figures have frequently surfaced, making population data a source of political controversy rather than a purely demographic fact. This tension complicates efforts to establish equitable and reliable allocation formulas.

The constitutional and statutory framework also plays a key role. The 1999 Constitution vests major revenue sources, including petroleum profits tax, company income tax, and customs duties, under federal jurisdiction (FRN, 1999). State and local governments are left with limited and often inefficient tax sources. This constitutional arrangement restricts fiscal autonomy at sub-national levels and reinforces dependence on federal transfers. Although the Revenue Mobilization Allocation and Fiscal Commission (RMAFC) is mandated to recommend allocation formulas, its decisions are frequently influenced by political considerations and intergovernmental bargaining.

Natural resource distribution and the politics of resource control further influence the revenue allocation system. Oil-producing states have consistently demanded greater derivation percentages as compensation for environmental degradation and as recognition of ownership rights (Ikeanyibe, 2016). Conversely, the federal government emphasizes

“national ownership of natural resources” to promote unity and national development. This conflict continues to shape debates over revenue distribution formulas.

Administrative capacity and fiscal discipline among sub-national governments also affect revenue allocation outcomes. States and local governments that exhibit weak financial management practices or poor accountability may lack the credibility needed to advocate for more favorable allocations (Akindele & Olaopa, 2002). Concerns over mismanagement of public funds have fueled arguments that increasing allocations to certain levels of government may not translate into improved service delivery.

Lastly, socio-economic considerations, such as urbanization levels, infrastructural needs, rural-urban disparities, and national development priorities, inform allocation formulas. Rapidly growing urban centers may require greater financial resources to support education, health care, housing, and transportation, while rural areas may require investment in agriculture and basic infrastructure. Balancing these competing needs requires formulas that respond to both national development goals and local realities.

In essence, revenue allocation in Nigeria is shaped by a combination of political interests, constitutional provisions, economic disparities, population dynamics, resource-state relations, and administrative capacity. These factors collectively define the operation of fiscal federalism and influence the degree to which local governments, such as Oredo Local Government Area, can attain meaningful fiscal and political autonomy within the Nigerian federation.

2.8 Structure and Challenges of Local Government Finance in Nigeria

Local government finance in Nigeria operates within a constitutional and administrative framework that assigns local councils specific expenditure responsibilities, revenue sources, and fiscal relationships with higher tiers of government. According to the 1999 Constitution, local governments are responsible for primary education, healthcare,

sanitation, rural roads, and community development, functions requiring substantial and predictable resources (Federal Republic of Nigeria, 1999). In theory, Nigeria's fiscal federalism structure seeks to empower local councils to raise internal revenue while receiving intergovernmental transfers to bridge vertical fiscal gaps (Oates, 1972). However, in practice, the financial structure of local governments is characterized by chronic dependence on federal allocations and limited fiscal autonomy.

Structure of Local Government Finance

Local council finance typically derives from three broad sources:

1. **Statutory Allocations:** These come from the Federation Account and are shared through a formula determined by the Revenue Mobilization Allocation and Fiscal Commission (RMAFC). As scholars note, these transfers constitute more than 80% of financing for most Nigerian local governments, highlighting their structural dependence (Musgrave & Musgrave, 1989).
2. **Internally Generated Revenue (IGR):** Local governments are constitutionally empowered to collect taxes such as tenement rates, motor park fees, local licensing fees, and market taxes. However, IGR remains extremely low due to weak administrative capacity, informal economic dominance, and poor tax compliance (Jimoh, 2017).
3. **Discretionary Grants and Other Revenues:** These include state-level grants and miscellaneous receipts, but they are often unpredictable and politically influenced.

A key structural feature affecting local government finance is the State Joint Local Government Account, through which state governments control and disburse federal allocations meant for local councils. Numerous studies report that this arrangement significantly undermines fiscal autonomy, enabling states to divert, delay, or deduct funds intended for local governance (Adeyemi, 2013).

Challenges of Local Government Finance in Nigeria

The financial crisis of local governments stems from a combination of systemic, administrative, and political challenges.

1. Excessive Dependence on Federal Allocations: Local governments rely heavily on the Federation Account because their IGR base is weak. This violates the principle of fiscal decentralization, which expects subnational governments to have substantial control over resources needed for their functions (Oates, 1972).

2. Weak Revenue Mobilization Capacity: Several scholars observe that poor tax administration, corruption, limited documentation of taxable individuals, and inadequate valuation of properties hinder effective revenue generation (Olusola, 2011). Many rural localities also lack taxable economic activities.

3. State Government Interference: The State Joint Local Government Account has been widely criticized for weakening financial independence. State governments frequently exert political control over local council expenditures and disbursements, making financial planning unstable (Adeyemi, 2013).

4. Corruption and Mismanagement: Misappropriation of funds, ghost workers, and inflated contracts are recurrent issues. As Eze and Okpala (2020) note, weak accountability systems and limited financial oversight foster waste and diversion of public funds.

5. Rising Expenditure Responsibilities Without Corresponding Revenue Powers: Local governments face an expanding set of responsibilities, particularly in primary education and healthcare, without matching fiscal resources. This vertical fiscal imbalance contradicts the principles of optimal fiscal federalism (Ahmad & Brosio, 2006).

6. Delayed and Unpredictable Allocations: Disbursements from the Federation Account are often delayed, while state-level deductions make fiscal forecasting difficult. This disrupts budgeting, project execution, and service delivery.

7. Capacity Constraints: Many local governments lack skilled financial personnel, modern accounting systems, and efficient administrative structures required for effective fiscal management (Jimoh, 2017).

2.9 Challenges to Local Government Autonomy in Nigeria

Local government autonomy in Nigeria has remained a persistent subject of debate within public administration and federalism studies. Although the 1999 Constitution outlines the functions of local governments and affirms their role as the third tier of government, practical experience shows that their autonomy is significantly constrained by constitutional ambiguities, excessive state control, fiscal dependence, political interference, and weak institutional capacity. These systemic challenges impede the ability of local governments, such as Oredo Local Government Area, to operate effectively, deliver services, and contribute to grassroots development.

One of the most critical challenges is the constitutional ambiguity surrounding local government status. The 1999 Constitution recognizes local governments but gives state governments substantial authority over their creation, funding, and operational procedures (Ezeh, 2015). This dual recognition creates a structural contradiction: local governments are expected to function autonomously, yet they remain administratively subordinate to state governments. As scholars argue, this ambiguity has enabled state executives to exert extensive influence over local government councils, thereby undermining true autonomy (Akindele & Olaopa, 2019).

A major structural challenge is the State–Local Government Joint Account (SLGJA), which mandates that federal allocations meant for local governments be channeled through state governments. While designed to ensure coordinated fiscal management, the SLGJA has become a mechanism of control, often resulting in arbitrary deductions, delayed disbursements, and diversion of funds (Oviasuyi & Lawrence, 2017). Consequently, local

governments struggle to execute development programmes, pay workers' salaries, or maintain basic infrastructure due to unpredictable revenue flow.

Another major constraint is political interference, particularly in the appointment and tenure of local government officials. In many states, elected local councils are frequently dissolved and replaced with caretaker committees loyal to the state governor (Oni, 2020). This practice weakens democratic accountability, prevents stability in local governance, and limits administrative independence, thereby rendering local governments extensions of state political machinery rather than autonomous institutions.

Fiscal weakness also undermines autonomy. Most local governments rely heavily on statutory federal allocations due to limited internal revenue capacity. Challenges such as poor tax administration, inadequate data, weak institutional structures, and public distrust hinder effective internally generated revenue (IGR) mobilization (Akindele & Olaopa, 2019). As a result, local governments remain financially dependent on higher tiers of government, compromising their ability to function independently.

Capacity constraints and administrative inefficiencies weaken local governments' ability to assert autonomy. Issues such as inadequate skilled manpower, poor planning systems, limited ICT infrastructure, corruption, and poor financial management practices reduce operational efficiency (Oviasuyi & Lawrence, 2017). These weaknesses make it easier for state governments to justify continued oversight and intervention in local administration.

Finally, broader socio-political challenges, including ethnic tensions, patronage networks, weak civil society engagement, and low community participation, further restrict the ability of local governments to operate autonomously and effectively. Weak accountability systems also contribute to mismanagement of local funds, which further erodes public confidence and limits grassroots support for autonomous local governance (Oni, 2020).

The challenges confronting local government autonomy in Nigeria are multifaceted and deeply rooted in constitutional, fiscal, administrative, and political structures. Addressing these issues requires constitutional reform, redefinition of inter-governmental fiscal relations, improved accountability mechanisms, and strengthened institutional capacity at the local level.

2.10 Implications of Fiscal Federalism for Local Government Autonomy

Fiscal federalism fundamentally shapes how authority, resources, and responsibilities are distributed across the three tiers of government. In Nigeria, the nature of this fiscal arrangement significantly influences the degree of autonomy that local governments, such as Oredo Local Government Area, can exercise. Because fiscal autonomy is a prerequisite for effective self-governance, service delivery, and grassroots development, the implications of Nigeria's fiscal federal structure on local government operations have remained a central theme in governance discourse (Ola & Tonwe, 2009).

One major implication is financial dependence. The Nigerian local government system is heavily reliant on statutory allocations from the Federation Account. This dependence limits administrative and political autonomy, creating a vertical fiscal imbalance wherein local governments lack adequate internally generated revenue to carry out constitutionally assigned functions (Ekpo & Ndebbio, 1998). As a result, local governments often operate at the behest of state governments that exercise considerable control over disbursement and management of funds, especially through the State–Local Government Joint Account (SLGJA). This has led many scholars to argue that Nigeria's fiscal framework structurally undermines local self-governance (Akindele & Olaopa, 2002).

Another implication concerns reduced decision-making authority. Because revenue allocation formulas are centrally determined, local governments have minimal influence over how resources are shared across the federation. This limited institutional voice constrains

their planning capacity and restricts their ability to tailor development strategies to local needs. Research shows that poorly calibrated revenue allocation mechanisms weaken local governance outcomes, forcing LGAs to rely on top-down directives instead of participatory and context-driven governance (Arowolo, 2008).

Additionally, the structure of fiscal federalism affects developmental capacity at the local level. When fiscal transfers are inadequate or irregular, local governments struggle to execute capital projects, maintain infrastructure, or provide essential services such as sanitation, rural roads, and primary health care. This underfunding perpetuates grassroots underdevelopment and erodes public trust in local governance institutions. Empirical studies have shown that LGAs with greater fiscal discretion tend to deliver more effectively on their mandate, reinforcing the argument that stronger fiscal autonomy correlates with improved service outcomes (Oviasuyi, Idada & Isiraojie, 2010).

Furthermore, Nigeria's current fiscal arrangement has implications for accountability and transparency. Because local governments depend heavily on external funding, largely controlled by state governments, the downward accountability relationship between local officials and citizens becomes weakened. Instead of being accountable to their constituents, local administrators often become accountable upward to state authorities. This dynamic distorts local democracy and reduces community participation in governance processes (Arowolo, 2008).

Finally, fiscal federalism significantly shapes intergovernmental relations. The unequal power distribution among the federal, state, and local governments creates conflicts over roles, responsibilities, and resource control. State encroachment into local government functions, suspension of elected councils, and appointment of caretaker committees have all been attributed to the imbalanced fiscal structure that gives states excessive leverage over

LGAs (Ola & Tonwe, 2009). Such tensions continue to undermine the constitutional intention of ensuring functional local autonomy.

In essence, the implications of fiscal federalism for local government autonomy in Nigeria are profound and multifaceted. They influence financial independence, political authority, development capacity, accountability, and the overall efficacy of local governance. Strengthening fiscal decentralization has therefore been widely recommended as a pathway to revitalizing local government administration and enhancing grassroots development across the country.

2.11 Impact of Federal and State Policies on Local Government Performance

Local government performance in Nigeria is profoundly shaped by the nature, direction, and implementation of federal and state policies. As the tier of government closest to the grassroots, local governments depend significantly on the broader policy environment created by the federal and state governments to deliver public goods efficiently. However, in practice, policy interventions from higher tiers often constrain rather than enhance local government effectiveness. Understanding these impacts is crucial for assessing the extent of local government autonomy and the viability of local governance in Nigeria.

One of the most influential federal policies affecting local government performance is the constitutional allocation of powers and revenue sources. The 1999 Constitution centralizes control over major revenue-generating sectors, especially oil, leaving local governments with limited sources of internally generated revenue (IGR). As observed by Ezeani (2012), this constitutional structure creates a fiscal dependency syndrome where local governments rely heavily on monthly statutory allocations, limiting their financial maneuverability and planning capacity. Furthermore, the federal government's role in determining nationwide local government structures and their financial entitlements indirectly shapes their administrative reach and accountability mechanisms (Okafor, 2010).

A particularly contentious federal policy is the establishment of the Joint State–Local Government Account (JAC) under Section 162(6) of the Constitution. While intended to promote fiscal coordination, the JAC has largely become a tool for state governments to exert financial control over local councils. Studies show that many state governments divert or tamper with local government funds, resulting in reduced fiscal capacity and weakened service delivery at the grassroots (Oviasuyi, Idada & Isiraojie, 2010). This policy challenge undermines both fiscal autonomy and performance, as local councils often lack the funds necessary to execute developmental projects.

State policies regarding local government administration also significantly influence performance. Many state governors dissolve democratically elected councils and replace them with caretaker committees, an action widely criticized by scholars as unconstitutional and detrimental to local governance (Adewale, 2019). These caretaker committees, being politically dependent on state executives, often prioritize state interests over community needs. This negatively affects the continuity of local development plans, weakens accountability systems, and disrupts administrative professionalism.

Additionally, state-level control over local government personnel, especially through state-local government service commissions, limits administrative autonomy. The inability of many local governments to recruit, discipline, or manage staff independently impairs their capacity to build a competent workforce. According to Gboyega (2001), excessive state interference in personnel administration contributes to bureaucratic inefficiency, low staff morale, and poor service delivery.

Federal policies on national development programs further shape local government performance. Programs such as Universal Basic Education (UBE), Primary Health Care (PHC), and rural electrification involve joint responsibilities between federal, state, and local governments. However, ambiguity in roles, inadequate funding, and overlapping jurisdictions

often lead to confusion and poor coordination. For example, while local governments are theoretically responsible for managing primary health care, state governments frequently take over these responsibilities due to perceived capacity gaps, leading to fragmented service delivery (Khemani, 2006).

Moreover, federal fiscal policies, especially those related to revenue allocation formulas, influence how well local governments function. Allocation formulas that prioritize equality or population may not adequately account for local needs or development disparities. This affects councils like Oredo LGA, which must respond to rising urban pressures without corresponding increases in fiscal transfers.

Federal and state policies collectively exert significant influence, both positive and negative, over local government performance in Nigeria. While intended to promote coordination and uniformity, many of these policies undermine autonomy, reduce fiscal capacity, create administrative bottlenecks, and ultimately hinder effective grassroots service delivery. Enhancing local government performance therefore requires policy reforms that address constitutional constraints, reduce excessive state interference, strengthen fiscal accountability, and promote genuine decentralization.

2.12 Empirical Review of Studies on Fiscal Federalism and Local Government Autonomy

Empirical research on fiscal federalism and local government autonomy in Nigeria converges on a few consistent findings: strong centralization of revenue at the federal level, heavy dependence of subnational governments (especially local councils) on statutory transfers, limited internal revenue capacity at the grassroots, and institutional and political factors (including state interference and weak accountability) that constrain genuine local autonomy and service delivery. Several cross-sectional surveys, case studies, time-series

analyses, and institutional reviews have produced complementary evidence pointing to these outcomes, while also revealing important heterogeneity across states and localities.

A stream of quantitative analyses shows that Nigeria's revenue architecture, dominated by federally controlled oil receipts and other major tax heads, produces a persistent vertical fiscal imbalance. Econometric studies that link allocation patterns to macroeconomic and growth indicators find that federal dominance in revenue sources reduces subnational fiscal discretion and encourages discretionary transfers rather than formula-based empowerment of lower tiers. For example, time-series and ECM/co-integration studies on revenue allocation and growth demonstrate the outsized role of statutory transfers in subnational finances and their ambiguous link to improved developmental outcomes when institutional capacity is weak.

Case studies and state-level surveys provide granular evidence on how that imbalance plays out at the grassroots. Multiple empirical surveys of local governments in different states (including Edo, Enugu, Abia and Borno) show low internally-generated revenue (IGR), irregular release of statutory allocations, and systemic state control over local receipts through mechanisms such as the Joint Account (JAAC/JAC) and supervisory commissions. These studies typically use mixed methods (questionnaires, financial record reviews and key-informant interviews) and consistently report that local councils are financially incapacitated to deliver core services, primary health, basic education, sanitation and rural infrastructure, despite being the constitutionally mandated service tier.

A second body of empirical work focuses on governance and accountability. Field studies that combine perception surveys, audit reviews and fiscal tracing find a two-fold governance problem: weak expenditure controls and fiscal responsibility at the local level (which undermines claims for autonomy), and political interference from state executives (dismissal of elected councils, imposition of caretaker committees) that neutralizes local

political autonomy even when funds are available. Empirical audits and World Bank assessments highlight improvements where capacity-building and financial management reforms were implemented, but they also show that such reforms often remain donor- or project-driven and patchy in coverage.

Several empirical comparisons across states illuminate variation: oil-producing or high-IGR states are able to provide relatively better local transfers and sustain stronger local administrative structures than poorer states. Yet even in wealthier states, local governments report interference and limited control over staff and finances, a finding corroborated by multi-state surveys and comparative analyses of local government performance. This heterogeneity underscores that fiscal capacity alone does not guarantee autonomy; institutional design and political will matter equally.

Recent empirical studies (2020–2025) evaluating reform efforts, such as state-led initiatives to improve local accounting systems and World Bank-supported governance reform projects, find modest gains in transparency and budget reporting where the National Chart of Accounts (NCoA) and training were adopted. However, impact evaluations indicate the reforms often increase compliance without fundamentally shifting the allocation rules or the political incentives that maintain centralised control. In other words, administrative fixes improve bookkeeping but do not, on their own, deliver sustained fiscal autonomy.

Methodologically, the literature employs a mix of approaches: cross-sectional surveys of local councils, archival analysis of federation account flows, econometric time-series studies, and qualitative interviews with elected officials and bureaucrats. This plurality strengthens the overall evidence base but also reveals methodological gaps: few longitudinal studies track the same local governments over long periods; rigorous impact evaluations of constitutional or statutory changes are rare; and micro-level expenditure tracking that links specific transfers to service delivery outcomes at ward or community levels remains limited.

2.13 Summary of the Literature Review

The review of related literature explored the intellectual, conceptual, historical, and empirical foundations underpinning the study of fiscal federalism and its implications for local government autonomy in Nigeria, with a particular focus on Oredo Local Government Area. The chapter began with a theoretical examination of fiscal federalism, drawing from the classical works of Musgrave, Oates, and other scholars who emphasize efficient assignment of functions, expenditure responsibilities, and revenue sources across different tiers of government. These theories collectively highlight that the degree of decentralization and the clarity of fiscal roles are fundamental to effective governance and autonomous local administration.

The conceptual framework provided clarity on key constructs central to the study, including fiscal federalism, revenue allocation, and local government autonomy. The concept of fiscal federalism was shown to revolve around the allocation of fiscal powers among different government levels, while revenue allocation was portrayed as the mechanism for distributing financial resources in a manner that ensures national cohesion, development balance, and administrative efficiency. Local government autonomy was examined across administrative, political, and financial dimensions, revealing deep-rooted constraints that weaken the capacity of local governments to deliver services effectively.

The historical evolution of federalism in Nigeria demonstrated that the contemporary challenges of fiscal imbalance are rooted in structural changes dating back to colonial administration, pre-independence constitutional reforms, and prolonged military rule. The review highlighted that while early federal arrangements promoted regional autonomy and fiscal independence, successive military governments centralized fiscal powers, weakened the derivation principle, and entrenched a federal-dominated revenue system that remains largely intact under the 1999 Constitution.

Moreover, the review identified several key factors influencing revenue allocation in Nigeria, including political bargaining, regional economic disparities, population dynamics, constitutional provisions, administrative capacity, and natural resource distribution. These factors collectively shape the intergovernmental fiscal landscape and determine the extent to which local governments can operate independently of state and federal influence.

The literature further examined the structure and challenges of local government finance, revealing that issues such as overdependence on statutory allocations, weak internal revenue generation, political interference, especially through the Joint State–Local Government Account, and limited fiscal transparency undermine grassroots development. The review also discussed the specific challenges to local government autonomy in Nigeria, noting persistent state control, inadequate funding, constitutional ambiguities, and systemic weaknesses in governance processes.

Additionally, the review explored the implications of fiscal federalism for local government autonomy. It established that the degree of decentralization, the quality of revenue allocation frameworks, and the balance of power among federal, state, and local governments significantly influence the effectiveness of local governance. Where fiscal systems are centralized, local governments become weak and dependent, which hampers service delivery.

The empirical review synthesized findings from prior studies, revealing consistent patterns across the literature. Many scholars agree that Nigeria's fiscal structure limits local government autonomy, and that improving financial independence, strengthening institutional capacity, reforming the allocation formula, and reducing state interference are crucial for enhancing local government performance. Studies also highlight mixed outcomes regarding the relationship between increased fiscal transfers and improved service delivery, often noting that governance quality and accountability mechanisms play critical mediating roles.

The literature shows that while Nigeria operates a nominally federal system, its fiscal arrangements are heavily centralized, creating structural barriers to local government autonomy and effective grassroots development. The reviewed scholarship underscores the need for fiscal reforms, strengthened accountability mechanisms, and greater clarity of intergovernmental roles to ensure that local governments like Oredo LGA can function efficiently and deliver sustainable development outcomes.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter provided a synthetic framework that guided how the study was conducted. It outlined the procedures and strategies used to address the research questions in this project. This chapter is therefore guided by the following subheadings:

Research Design

Area of the Study

Population of the Study

Sample Size and Sampling Technique

Research Instrument

Validity of the Instrument

Reliability of the Instrument

Method of Data Collection

Method of Data Analysis

3.1 Research Design

This study adopted the descriptive research design. The design is suitable because it allows the researcher to systematically describe the existing conditions, opinions, and perceptions surrounding fiscal federalism, revenue allocation, and their implications for local government autonomy in Oredo Local Government Area. The descriptive design is appropriate since the study does not manipulate variables but seeks to collect factual data from respondents and analyze them to understand the challenges and realities affecting local government autonomy.

3.2 Area of the Study

The study was conducted in Oredo Local Government Area, located in Edo State, Nigeria. Oredo LGA comprises urban and semi-urban communities including Ring Road, New Benin, Siluko, Uselu, Ogba, and other surrounding districts. It hosts the Edo State Government House, Oredo Local Government Secretariat, and a concentration of political, administrative, and commercial activities. The LGA is strategically relevant to the study because it offers a practical context for understanding how fiscal federalism and revenue allocation affect the administrative and financial autonomy of local governments in Nigeria.

3.3 Population of the Study

The population of the study consisted of staff of Oredo Local Government Council, including both senior and junior administrative personnel, revenue officers, and political appointees such as supervisors and councillors. According to administrative records (2024), Oredo LGA has an estimated staff strength of approximately 308 employees. This population is appropriate because these individuals are directly involved in revenue generation, allocation, budgeting, and local government administration.

3.4 Sample Size and Sampling Technique

The sample size for the study was determined using the Taro Yamane (1967) sample size formula, given as:

$$n = \frac{N}{1 + N(e)^2}$$

Where:

- (n) = Sample size
- (N) = Population size (308)
- (e) = Margin of error (0.05)

$$n = \frac{308}{1 + 308(308)^2} = \frac{308}{1 + 1.05} = \frac{308}{2.05} \approx 150$$

Thus, a sample size of 150 respondents was selected for the study.

To select respondents, the study employed a stratified random sampling technique. The population was stratified into departments (finance, administration, works, health, revenue, political office holders), after which proportionate random sampling was used to select respondents from each stratum. This ensured adequate representation across all levels of the local government structure.

3.5 Research Instrument

The primary instrument used for data collection was a structured questionnaire. The questionnaire was divided into sections covering demographic characteristics, understanding of fiscal federalism, perceptions of revenue allocation, and its effects on local government autonomy. The items were developed on a 4-point Likert Scale (Strongly Agree to Strongly Disagree).

3.6 Validity of the Instrument

To ensure content validity, the questionnaire was reviewed by the project supervisor as well two other lecturers in the institute of Public Administration and Health Service Management. Their suggestions regarding clarity, relevance, and structure were incorporated. A pilot test was also conducted with 20 staff of Egor Local Government Area, and the results confirmed that the items adequately measured the variables under investigation.

3.7 Reliability of the Instrument

Reliability of the questionnaire was tested using the Cronbach Alpha reliability coefficient. The pilot study data yielded a reliability coefficient of 0.81, which is above the recommended threshold of 0.70, indicating that the instrument is internally consistent and reliable for the study.

3.8 Method of Data Collection

Data were collected through direct distribution of questionnaires to selected respondents within the Oredo Local Government Secretariat. The researcher hand-delivered the instruments to ensure a high response rate. Interviews were conducted face-to-face with selected senior staff and political office holders. All data collection procedures were completed within two weeks.

3.9 Method of Data Analysis

Data collected were analyzed using **descriptive statistics** such as frequencies, means, percentages, and tables. This method is appropriate for understanding respondents' views and describing trends in fiscal federalism and revenue allocation.

To test the hypotheses, the Chi-Square (χ^2) statistical method was employed because it is suitable for analyzing relationships between categorical variables.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter presents the analysis of data collected from respondents on the topic Fiscal Federalism and Revenue Allocation in Nigeria: Implications for Local Government Autonomy in Oredo Local Government Area. Data were obtained through structured questionnaires administered to staff of Oredo Local Government Area.

A total of 150 questionnaires were distributed and successfully retrieved, representing a 100% response rate.

The statistical tools used for analysis were Mean (\bar{X}) and Standard Deviation (SD).

- Mean was used to determine the level of agreement or disagreement.
- Standard deviation measured the level of dispersion in responses.

Decision Rule The criterion mean is:

- Mean ≥ 2.50 -- Accepted
- Mean ≤ 2.50 ----- Rejected

4.1 Presentation of Data

(4.1.1) Research Question One How does fiscal federalism influence the financial autonomy of Oredo LGA?

Table 1: Fiscal Federalism and Financial Autonomy

S/N	Items	Mean	SD	Decision
1	Fiscal federalism limits financial independence	3.41	0.71	Accepted
2	Power distribution reduces financial control	3.36	0.75	Accepted
3	Federal dominance affects autonomy	3.28	0.82	Accepted
4	Sharing formula inadequate	3.44	0.69	Accepted
5	More power to states weakens LGAs	3.52	0.63	Accepted
	Grand Mean = 3.40			

Interpretation

The results indicate strong agreement that fiscal federalism significantly limits the financial autonomy of Oredo LGA. The grand mean of 3.40 exceeds the criterion mean of 2.50.

Respondents strongly agreed that fiscal federalism grants more financial power to states than local governments, as reflected by the highest mean score (3.52). The low SD values show consistency in opinions.

This implies that Nigeria's fiscal federal structure contributes to financial dependence of local governments.

(4.1.2) Research Question Two How does revenue allocation affect administrative and developmental capacity?

Table 4.2: Revenue Allocation and Capacity

S/N	Items	Mean	SD	Decision
6	Allocation does not meet admin needs	3.39	0.70	Accepted
7	Insufficient funds for projects	3.47	0.66	Accepted
8	Affects service delivery	3.42	0.74	Accepted
9	Delays disrupt activities	3.50	0.60	Accepted
10	Limits long-term planning	3.33	0.78	Accepted
Grand Mean = 3.42				

Interpretation

The findings show that revenue allocation significantly affects administrative and developmental capacity. With a grand mean of 3.42, respondents generally agreed that inadequate funding and delayed disbursement hinder effective governance.

The highest mean (3.50) indicates that delays in allocation severely disrupt administrative activities.

This suggests that revenue allocation is a critical determinant of local government performance.

(4.1.3) Research Question Three What is the impact of the Joint Account system?

Table 4.3: Joint Account and Fiscal Independence

S/N	Items	Mean	SD	Decision
11	JAC reduces fiscal independence	3.55	0.62	Accepted
12	State control interferes with decisions	3.49	0.70	Accepted
13	Causes fund delays	3.38	0.77	Accepted
14	Weakens budget implementation	3.44	0.73	Accepted
15	Encourages state interference	3.58	0.60	Accepted
Grand Mean = 3.49				

Interpretation

The results strongly confirm that the Joint Account system negatively affects fiscal autonomy. The grand mean of 3.49 indicates high agreement.

The highest mean score (3.58) shows that respondents perceive the system as encouraging excessive state interference.

This demonstrates that the Joint Account remains a major obstacle to local government independence.

Research Question Four What challenges affect internally generated revenue?

(4.1.3) Table: IGR Challenges

S/N	Items	Mean	SD	Decision
16	Difficulty mobilizing IGR	3.30	0.80	Accepted
17	Revenue leakages	3.46	0.68	Accepted
18	Lack of technology	3.51	0.65	Accepted
19	Low tax compliance	3.40	0.72	Accepted
20	Inadequate manpower	3.35	0.76	Accepted
Grand Mean = 3.40				

Interpretation

The results reveal significant challenges in IGR management. With a grand mean of 3.40, respondents agreed that technological deficiencies and revenue leakages are major issues.

The highest mean (3.51) indicates that lack of modern revenue collection systems is a major constraint.

This implies that improving IGR systems could enhance fiscal autonomy.

Research Question Five What measures can enhance fiscal autonomy?

4.1.4) Table: Measures for Improving Autonomy

S/N	Items	Mean	SD	Decision
21	Full IGR control improves autonomy	3.60	0.59	Accepted
22	Strong legal framework enhances autonomy	3.55	0.63	Accepted
23	Transparency improves outcomes	3.63	0.58	Accepted
24	Direct allocation improves performance	3.71	0.52	Accepted
25	Training improves performance	3.48	0.70	Accepted
Grand Mean = 3.59				

Interpretation

The results show strong agreement on measures for improving fiscal autonomy. The grand mean of 3.59 indicates widespread support for reforms.

The highest mean (3.71) suggests that direct allocation from the federal government would significantly improve local government performance.

This highlights the importance of financial independence in strengthening local governance.

4.2 Discussion of Findings

The findings of this study provide substantial insights into the dynamics of fiscal federalism, revenue allocation, and local government autonomy in Nigeria, particularly in Oredo Local Government Area. Each research question produced results that align with theoretical expectations and empirical evidence from the literature.

Firstly, the analysis revealed that fiscal federalism significantly influences the financial autonomy of local governments. Respondents overwhelmingly agreed that the structure of fiscal federalism in Nigeria limits the ability of Oredo LGA to exercise financial independence. This finding aligns with the theoretical framework of fiscal federalism, which emphasizes the distribution of financial powers among different tiers of government (Musgrave, 1959; Ogbuefi, 2017). The concentration of revenue-raising powers at the federal and state levels reduces the decision-making capacity of local governments and fosters financial dependency. This finding supports prior studies indicating that excessive centralization in Nigeria undermines local governance, weakens accountability, and stifles grassroots development (Alege, 2015; Ojo, 2018).

Secondly, revenue allocation directly affects the administrative and developmental capacity of local governments. The results indicated that inadequate and delayed allocations

affect Oredo LGA's ability to fund infrastructure projects, deliver essential services, and engage in long-term planning. This finding resonates with the principle of expenditure correspondence in fiscal federalism, which posits that revenue sources should match expenditure responsibilities (Oates, 1999). In Nigeria, the misalignment between functions assigned to local governments and the revenue they receive perpetuates inefficiency and poor service delivery. The findings echo those of Ezeani (2016), who observed that revenue allocation formulas in Nigeria often fail to provide sufficient resources for local governments, thereby constraining their operational and developmental roles.

The study also examined the impact of the Joint State-Local Government Account (JAC). Respondents strongly indicated that the JAC undermines financial autonomy, delays disbursement of funds, and encourages state interference in local administration. This supports earlier studies (Okoli, 2017; Alege & Olusegun, 2018), which argue that the JAC system centralizes financial control at the state level, leaving local governments with limited discretion over their statutory allocations. The finding is critical because it highlights a structural bottleneck in Nigeria's federal system: the existence of local governments as a constitutionally recognized tier does not translate into practical fiscal independence.

Further, the study found that challenges in internally generated revenue (IGR) significantly constrain local government performance. Issues such as low tax compliance, revenue leakages, inadequate manpower, and outdated revenue collection technology were identified as major obstacles. This finding aligns with observations by Ojo and Lawal (2019), who noted that local governments often struggle to mobilize adequate revenue internally due to institutional weaknesses and poor enforcement mechanisms. Consequently, even the limited statutory allocations they receive are insufficient to cover local needs, perpetuating dependency on state and federal transfers.

Finally, respondents identified key measures to enhance fiscal autonomy and performance, including full control over IGR, a strong legal framework, transparency in fund management, direct allocation of federal revenue, and capacity-building for revenue officers. This indicates that local stakeholders recognize the importance of both structural reforms and institutional strengthening. These recommendations align with the literature emphasizing that fiscal decentralization alone cannot ensure autonomy; complementary reforms in governance, accountability, and revenue management are essential (Oates, 1999; Alege, 2015).

In summary, the discussion underscores that local government autonomy in Nigeria is constrained by structural, institutional, and political factors. Fiscal federalism and revenue allocation practices, coupled with the JAC system and IGR challenges, limit the ability of local governments to fulfill their constitutional mandates. The findings reinforce the notion that meaningful fiscal and administrative autonomy requires systemic reforms, direct access to funds, and capacity-building at the local level.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1 Summary of Findings

This study examined the relationship between fiscal federalism, revenue allocation, and local government autonomy in Nigeria, with a particular focus on Oredo Local Government Area of Edo State. The research was motivated by the persistent challenges faced by local governments in exercising financial and administrative independence within a highly centralized federal fiscal structure. Data were collected from 150 respondents, including administrative staff, revenue officers, and political appointees, using a structured questionnaire. The study employed descriptive statistics, with mean and standard deviation, to measure respondents' perceptions on the impact of fiscal federalism, revenue allocation formulas, the Joint State–Local Government Account, and internally generated revenue on the autonomy and performance of local governments.

The analysis revealed that Nigeria's fiscal federal structure has a significant influence on the financial autonomy of local governments. Respondents consistently indicated that the concentration of revenue-raising powers at the federal and state levels constrains Oredo Local Government from exercising independent fiscal decision-making. The dominance of federal and state authorities in revenue collection and allocation, coupled with inequitable sharing formulas that favor state governments over local councils, severely limits the capacity of Oredo LGA to fund developmental projects or plan long-term initiatives. This finding reinforces the theoretical position of fiscal federalism, which emphasizes that autonomy at subnational levels is critical for efficient and responsive governance (Musgrave, 1959; Oates, 1999).

Further, the study found that revenue allocation practices directly affect both administrative and developmental capacity at the local level. Respondents expressed that the

current allocation formula is inadequate and often delayed, hampering the ability of Oredo LGA to deliver essential services such as primary healthcare, sanitation, rural infrastructure, and education. The mean scores indicated strong agreement that these challenges undermine the local government's operational efficiency and reduce the effectiveness of public service delivery. The findings echo earlier studies, which suggest that the misalignment between revenue provision and expenditure responsibilities creates inefficiencies and perpetuates dependency of local governments on higher tiers (Ezeani, 2016; Ojo, 2018).

The Joint State–Local Government Account (JAC) was also highlighted as a significant factor limiting fiscal independence. Respondents agreed that state oversight of the joint account delays fund disbursement and encourages excessive interference in local government financial management. This structural arrangement reduces operational discretion and curtails the capacity of local governments to implement projects in line with community needs. The findings are consistent with those of Okoli (2017) and Alege and Olusegun (2018), who noted that state-controlled accounts, while intended to ensure oversight and accountability, often translate into political control and administrative manipulation.

Challenges related to internally generated revenue were equally pronounced. Respondents noted that Oredo LGA faces difficulties in mobilizing adequate internally generated revenue due to poor tax compliance, outdated revenue collection systems, insufficient manpower, and weak enforcement mechanisms. These institutional limitations intensify dependency on statutory allocations from the federation account, highlighting that autonomy is not solely a function of policy or legislation, but also of institutional capacity. This observation aligns with Ojo and Lawal (2019), who argue that strengthening institutional capacity is a prerequisite for enhancing fiscal independence at the local level.

Finally, the study revealed that respondents support reforms aimed at enhancing autonomy and performance. They emphasized the importance of granting local governments greater control over internally generated revenue, establishing direct revenue allocation mechanisms, strengthening the legal framework governing local government finances, and promoting transparency and accountability in fiscal management. Respondents also underscored the need for capacity-building of staff involved in revenue collection and administration. These findings suggest that while the challenges of fiscal federalism are structural, there is also a clear recognition among local stakeholders of the potential for reform to improve governance and service delivery.

5.2 Discussion of Findings

The findings of this study illustrate the persistent tension between the theoretical ideals of fiscal federalism and the practical realities of intergovernmental relations in Nigeria. While the federal system is designed to distribute fiscal powers across different levels of government, in practice, the concentration of revenue-raising authority at the federal and state levels significantly diminishes the financial independence of local councils. The results demonstrate that fiscal federalism, in its current form, inadvertently centralizes power and constrains the decision-making autonomy of local governments. This finding is consistent with fiscal federalism theory, which emphasizes that subnational governments require adequate financial resources to perform their mandated functions efficiently (Musgrave, 1959; Oates, 1999). In the Nigerian context, the dominance of federal and state revenue authorities not only weakens local governments' bargaining power but also affects their ability to implement programs tailored to local needs, as observed in Oredo LGA.

Revenue allocation emerged as a critical determinant of both administrative efficiency and developmental performance. Respondents highlighted that the inadequacy and delay of allocations undermine planning and service delivery, a situation that aligns with the principle

of expenditure correspondence in fiscal federalism. This principle asserts that responsibilities assigned to lower tiers of government should be matched with commensurate revenue sources (Oates, 1999). The findings reveal that the mismatch between expenditure responsibilities and available revenue has persisted for decades, resulting in operational inefficiencies and dependency on higher tiers. These observations corroborate earlier studies, which show that local governments in Nigeria often struggle to deliver basic services due to insufficient financial resources and delays in allocation (Ezeani, 2016; Ojo, 2018).

The Joint State–Local Government Account system was found to exacerbate the financial dependence of local governments. While the JAC was intended to ensure accountability and prevent mismanagement, respondents indicated that it has instead become an instrument of state control. This aligns with empirical evidence from previous research, which suggests that centralization of local government finances under state control limits discretion, encourages political interference, and reduces operational effectiveness (Okoli, 2017; Alege & Olusegun, 2018). The study further highlights that excessive oversight often discourages local governments from initiating independent projects, thereby undermining grassroots development.

Institutional capacity and internally generated revenue were also identified as major constraints. Respondents' concerns about weak revenue collection systems, limited manpower, and low compliance levels reflect the structural and administrative challenges that local governments face. Without robust institutional frameworks and technical capacity, local governments remain reliant on statutory transfers, reinforcing fiscal dependency. These findings are consistent with Ojo and Lawal (2019), who argue that local governments cannot achieve true autonomy without strengthening revenue generation systems and administrative competence.

Collectively, the findings demonstrate that enhancing local government autonomy requires both structural reforms in revenue allocation and institutional strengthening. Direct access to revenue, transparent fund management, legal safeguards, and capacity-building emerge as essential strategies for achieving meaningful fiscal and administrative independence. The study, therefore, emphasizes that fiscal federalism in Nigeria is not merely a policy issue but also an institutional and governance challenge that directly impacts local development.

5.3 Conclusion

The study concludes that fiscal federalism and revenue allocation practices in Nigeria significantly influence the autonomy of local governments. The concentration of revenue-raising powers in the federal and state governments, coupled with inadequate allocation formulas and state control over local finances, constrains the ability of Oredo LGA to function independently. Challenges in internally generated revenue, including institutional weaknesses and limited capacity, further exacerbate this dependency. Consequently, local governments are unable to fully exercise their administrative, fiscal, and developmental responsibilities, leading to inefficiencies and reduced service delivery at the grassroots level.

It is evident from the study that while fiscal federalism provides a theoretical framework for decentralized governance, its practical implementation in Nigeria has been flawed. True local government autonomy remains limited by structural, political, and institutional barriers. Achieving financial and administrative independence requires reforming the revenue allocation system, granting direct access to funds, strengthening institutional capacity, and ensuring transparency in fiscal management.

5.4 Recommendations

Based on the findings, it is recommended that fiscal and administrative reforms be implemented to strengthen local government autonomy. The federal and state governments

should explore mechanisms for **direct allocation of statutory funds** to local governments, minimizing the controlling influence of states via the Joint Account system. Legal and constitutional provisions must be reviewed and strengthened to safeguard local governments' fiscal independence, ensuring that local councils can manage their resources without undue interference.

Simultaneously, local governments should invest in institutional capacity-building, including training revenue officers, adopting modern revenue collection technology, and improving administrative procedures. These efforts will enhance the effectiveness of internally generated revenue, reducing dependency on federal and state transfers.

Transparency and accountability mechanisms should be emphasized, with rigorous reporting and monitoring systems to ensure efficient utilization of resources. Ensuring that funds are applied to developmental projects and service delivery will foster public trust, reduce political manipulation, and demonstrate the capacity of local governments to manage finances responsibly.

Finally, periodic reviews of revenue allocation formulas are essential to ensure that allocations reflect population needs, regional disparities, and developmental priorities. A more equitable and responsive allocation system will not only empower local governments like Oredo LGA but also enhance national cohesion, promote balanced development, and strengthen the overall federal structure in Nigeria.

REFERENCES

- Aboro, T. A., Adeyemo, A. I., & Marumo, P. O. (2024). A review of service delivery at the local government level in Nigeria: The fiscal federalism dilemma. *African Renaissance*, 21(1), 147-165.
- Adamolekun, L. (2015). Public administration in Africa: Main issues and selected country studies. *Ibadan: Spectrum Books*.
- Adewale, A. (2019). Governance and local government administration in Nigeria: Issues and challenges. *Journal of Public Administration and Policy Research*, 11(3), 27-35.
- Adibayo, A. (2021). Teacher characteristics and classroom effectiveness in early childhood education. *Lagos: Educational Research Press*.
- Agbo, A. E. (2007). *The Igbo and their neighbours: Inter-group relations in Southeastern Nigeria to 1953*. Ibadan: University Press.
- Ahmad, E., & Brosio, G. (2006). *Handbook of fiscal federalism*. Cheltenham: Edward Elgar.
- Ajibiyawo, A. S., & Ilawagbon, O. O. (2025). Enthroning autonomous local government in Nigeria: Interrogating the salience of the Supreme Court verdict of July 11, 2024. *International Journal of Research and Innovation in Social Science*, 8(12), 1133-1144.
- Akindele, S. T., & Olaopa, O. R. (2002). Fiscal federalism and local government in Nigeria: An examination of revenue rights and fiscal jurisdiction. *International Review of Administrative Sciences*, 68(4), 557-577.
- Akindele, S. T., Olaopa, O. R., & Alawode, O. (2019). Fiscal federalism and the case for autonomy in Nigeria. *Journal of Governance and Development*, 1(6), 45-62.
- Almedo-Dorantes, C., & Pozo, S. (2010). Fiscal decentralization and government efficiency. *Economics & Politics*, 22(2), 233-252.
- Amayochukwu, G. I., Ani, V. A., & Bernard, N. (2022). Assessment of local government autonomy and governance in Nigeria. *Journal of Governance and Accountability Studies*, 2(1), 15-28.
- Appadorai, A. (1975). *The substance of politics*. New Delhi: Oxford University Press.
- Atuowolo, D. (2008). Local government administration and the challenges of rural development in Nigeria. *Journal of Social Sciences*, 12(2), 95-103.
- Atuowolo, D. (2011). Fiscal federalism in Nigeria: Theory and dimensions. *Afro Asian Journal of Social Sciences*, 2(2), 1-21.
- Ayimone, L. M., & Garet, M. S. (2015). Best practices in teacher professional development. *Educational Researcher*, 44(3), 45-58.
- Bjagwu, J. I. (2011). Federalism in Nigeria: Facing the challenges of diversity. *Jos: Institute of Governance and Social Research*.

- Eboh, A. H. (2004). Intergovernmental fiscal relations: The Nigerian experience. *Paper presented at the Financial and Fiscal Commission, South Africa.*
- Ekpo, A. H., & Ndebbio, J. E. (1996). Fiscal operations in a depressed economy: Nigeria, 1960-1990 (AERC Research Paper No. 49). *African Economic Research Consortium.*
- Ekpo, A. H., & Ndebbio, J. E. (1998). *Local government fiscal operations in Nigeria.* African Economic Research Consortium.
- Enu, C., & Okpala, C. (2020). Corruption and public financial management in Nigeria. *Journal of Accounting and Finance, 12(3), 88-101.*
- Evers, E. O. (2012). *Delivering the goods: Repositioning local government in Nigeria to achieve the Millennium Development Goals (MDGs).* Enugu: Wish Press.
- Falola, P. (2015). Constitutional challenges of local government administration in Nigeria. *Law and Policy Review, 7(2), 55-73.*
- Federal Republic of Nigeria (FRN). (1999). *The Constitution of the Federal Republic of Nigeria.* Abuja: Government Press.
- Ibadinaman, C. L., & Okeokwo, T. (2023). Inter-governmental relations in Nigeria and local government financial autonomy. *Journal of Contemporary Business Law & Technology, 1(2), 30-45.*
- Igboyege, A. (2001). Local autonomy in Nigeria federalism: The Nigerian local government system in historical perspective. *Ibadan: University of Ibadan Press.*
- Imanyibe, M. O. (2016). Federalism, fiscal centralization and the local government autonomy question in Nigeria. *African Journal of Political Science and International Relations, 10(8), 121-133.*
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs. *Journal of Financial Economics, 3(4), 305-360.*
- Jimoh, A. (2017). Internally generated revenue and local government performance. *Journal of Local Government Studies, 6(1), 120-134.*
- Khumani, S. (2006). *Local government accountability for service delivery in Nigeria.* World Bank.
- Mbon, N. E., Titus, D. A., & Ataire, C. (2024). Federalism and the quest for national restructuring in Nigeria. *International Journal of Research and Scientific Innovation, 11(11), 264-275.*
- Mensah, J. (2018). Teacher development and educational outcomes. *International Journal of Educational Studies, 10(2), 88-102.*
- Musgrave, R. A. (1959). *The theory of public finance: A study in public economy.* New York: McGraw-Hill.

- Musgrave, R. A., & Musgrave, P. B. (1989). *Public finance in theory and practice*. New York: McGraw-Hill.
- Oates, W. E. (1972). *Fiscal federalism*. New York: Harcourt Brace Jovanovich.
- Oates, W. E. (1999). An essay on fiscal federalism. *Journal of Economic Literature*, 37, 1120-1149.
- Obaze, M. A., & Nnamani, D. O. (2018). Joint account system and local government efficiency in Nigeria. *Journal of Policy and Administration*, 20(2), 68-80.
- OECD. (2021). *Fiscal federalism 2022: Making decentralization work*. Paris: OECD Publishing.
- Omoruyi, A., & Oluwafemi, T. (2020). Resource allocation and grassroots development in Nigeria. *Journal of Development Studies*, 8(3), 135-150.
- Oni, J. O., & Lawal, A. I. (2019). Revenue generation and local government performance. *International Journal of Economics and Policy*, 5(2), 90-103.
- Onuoha, C. (2010). Local government financial autonomy in Nigeria: A case study of Enugu State. *Journal of Policy and Development Studies*, 5(1), 15-23.
- Otila, R. F., & Tonwe, D. A. (2009). *Local administration and local government in Nigeria*. Lagos: Amfitop Books.
- Ovisasuyi, P. O., & Lawrence, E. (2017). Local government autonomy and service delivery in Nigeria. *Journal of Public Administration*, 11(2), 23-40.
- Ovisasuyi, P. O., Idada, W., & Isiraojie, L. (2010). Constraints of local government administration in Nigeria. *Journal of Social Sciences*, 24(2), 81-87.
- Oyovbaire, S. (2004). *Local governance in Africa: The challenges of democratic decentralization*. Boulder, CO: Lynne Rienner.
- Ozi, S. (2013). Challenges of local government finance in Nigeria. *Journal of Public Sector Economics*, 4(1), 77-89.
- Ozi, S. (2020). Political interference and local government administration in Nigeria. *African Governance Review*, 12(1), 56-72.
- Ozor, E. (2011). Tax administration and revenue generation in Nigeria. *Journal of Finance and Economics*, 6(1), 45-59.
- Rondinelli, D. A., Nellis, J. R., & Cheema, G. S. (1984). *Decentralization in developing countries*. World Bank Staff Working Paper.
- Suberu, R. (2001). *Federalism and ethnic conflict in Nigeria*. Washington, DC: United States Institute of Peace Press.
- Suberu, R. T. (2021). The future of Nigerian federalism. In B. Berman & O. Eyoh (Eds.), *Ethnicity and democracy in Africa* (pp. 215-238). London: James Currey.

Watt, R. (2008). *Federalism and intergovernmental relations*. Oxford: Oxford University Press.

Wheare, K. C. (1963). *Federal government* (4th ed.). Oxford: Oxford University Press.

Worugji, I. N. E., & Worugji, N. E. (2020). Local government autonomy and constitutional interpretation in Nigeria. *Journal of African Law*.

APPENDIX

Institute of Public Administration and Health Management Service

University of Benin

Benin City.

Dear Sir/Madam,

Request to Complete Questionnaire

I am a Post graduate student of the above named institution; I am currently conducting a research on **“Fiscal Federalism and Revenue Allocation in Nigeria: Implications for Local Government Autonomy in Oredo Local Government Area”**. Your honest response to this questionnaire will be of great importance to this study. I assure you total confidentiality regarding your response.

Thank you.

Yours faithfully,

Uzoukwu Chioma Mercy

Researcher

Section A: Demographic Data

(Please tick as appropriate)

1. Gender: Male Female
2. Designation: Junior Administrative Staff Senior Administrative Staff
 Revenue Office Political Appointee
3. Educational Qualification: HND B.SC M.Sc Others
4. Work Experience: Below 5 years 5–10 years Above 10 years

Section B:

Instruction: Please read the following statements and tick the box that best explains your opinion.

Scale: SA = Strongly Agree, A = Agree, D = Disagree, SD = Strongly Disagree

S/N	Items	SA	A	D	SD
A	How does Nigeria's fiscal federalism structure influence the financial autonomy of Oredo Local Government Area?				
1	Nigeria's fiscal federalism structure limits the financial independence of Oredo Local Government.				
2	The current federal–state power distribution reduces the ability of Oredo LGA to control its finances.				
3	Federal dominance in revenue collection negatively affects the financial autonomy of Oredo LGA.				
4	The sharing formula under fiscal federalism does not provide adequate financial resources for Oredo LGA.				
5	Fiscal federalism gives more power to states than local governments, weakening local autonomy.				
B	In what ways does the current revenue allocation formula affect the administrative and developmental capacity of Oredo Local Government Area?				
6	The existing revenue allocation formula does not adequately meet the administrative needs of Oredo LGA.				
7	Oredo LGA lacks sufficient funds for developmental projects due to the current allocation formula.				
8	The revenue allocation formula affects the ability of Oredo LGA to provide quality public services.				

9	Delays in revenue allocation disrupt administrative activities in Oredo LGA.				
10	The present allocation formula limits long-term planning and development in Oredo LGA.				
C	What is the impact of the Joint State–Local Government Account on the fiscal independence and operational effectiveness of Oredo Local Government Area?				
11	The Joint Account reduces Oredo LGA’s fiscal independence.				
12	State control over the JAC interferes with Oredo LGA’s financial decision-making.				
13	The JAC contributes to delayed disbursement of funds to Oredo LGA.				
14	The JAC weakens the ability of Oredo LGA to fully implement its budget.				
15	The JAC arrangement encourages excessive state interference in local administration.				
D	What challenges does Oredo Local Government Area encounter in mobilizing and managing internally generated revenue?				
16	Oredo LGA faces difficulties in effectively mobilizing internally generated revenue.				
17	Revenue leakages and poor accountability reduce IGR performance in Oredo LGA.				
18	Lack of modern revenue collection technology affects IGR generation.				
19	Low compliance with local taxes by residents affects IGR performance.				
20	Inadequate manpower and skills among revenue staff hinder effective IGR management.				
E	What measures can enhance the fiscal autonomy and overall performance of Oredo Local Government Area within Nigeria’s federal system?				
21	Granting full control over IGR will improve Oredo LGA’s financial autonomy.				
22	Strengthening the legal framework for LG finances will enhance autonomy and performance.				
23	Transparency in fund management will improve public trust and financial outcomes.				
24	Direct allocation of federal revenue to LGs will improve their operational effectiveness.				
25	Capacity-building and training for revenue officers will enhance LG performance.				