EFFECT OF INTERNALLY GENERATED REVENUE ON REVENUE GROWTH OF LAGOS STATE.

BY

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A PROJECT SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND FINANCE, MOUNTAIN TOP UNIVERSITY IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF BACHELOR OF SCIENCE (B.Sc. Hons).

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DECLARATION

I hereby declare that this project report written under the supervision of Dr. Onichabor, Pius is a product of my own research work. Information derived from various sources have been duly acknowledged in the text and a list of references provided.

King Victoria Imoh Date

(Author)

CERTIFICATION

This is to certify that this research project titled; **EFFECT OF INTERNALLY GENERATED REVENUE ON REVENUE GROWTH IN LAGOS STATE.** was carried out by **KING, VICTORIA IMOH** with matriculation number 16020101008 in partial fulfillment of requirements for the award of **BACHLOR OF SCIENCE DEGREE IN ACCOUNTING** at the Department of Accounting and Finance, College of Humanities, Management and Social Sciences, Mountain Top University, Ogun State, Nigeria.

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Dr. Omokeinde, J.O. Date

(Head of Department)

DEDICATION

I dedicate this project to God and my beloved parents Mr. & Mrs. King, who have been there for me, also I dedicate it to my dear sister Otobong King who has had my back from day one.

ACKNOWLEDGEMENTS

I give uttermost appreciation to Almighty God, and the Holy Spirit who has been with me throughout all my years in this school and without whom I would have not have gotten this far. My sincerest gratitude goes to my project supervisor Dr. Pius Onichabor who supervised this project

I wouldn't forget my beloved parents Mr. & Mrs. King for their support, love, care for been there for me.

My appreciation goes to all my friends and course mate who have been on this journey with me in this great institution Mountain Top University.

ABSTRACT

This research was carried out in order to examine the effects of internally generated revenue on revenue growth of Lagos state. Revenue generation is very necessary in the economy for the economy to grow. Revenue has so many definitions based on different business. The growth of the revenue sector depends on the internally generated revenue. The research work used the benefit theory which say that the principle of benefits claims that people should be asked to pay taxes in proportion to the benefits they earn from the government's service. Also we used endogenous growth theory and public expenditure theory.

Secondary data was used and was sources from the National Bureau of Statistics, Lagos state data budget book, and other related research works. This study used an ex-post factor research design to gather data for the period of 2004-2018. Linear regression analysis was used to test the three research hypothesis. The probability level was set up at 5% significance. The study population consist of the whole state of Lagos. Internally generated revenue does not have a significant relationship with revenue growth in Lagos state with a significance level of 0.379 ($p<0.05$). Human development index does not have a significant relationship with revenue growth in Lagos state with a significance level of 0.269 ($p<0.05$).Consumer price index does not have a significant relationship with revenue growth in Lagos state with a significance level of 0.367 ($p<0.05$). In conclusion the study concludes that there is no significant relationship between internally generated revenue and revenue growth in Lagos state. This study recommends the further research is recommended on investigation of the application of IGR on government expenditure in comparison with the IGR inflows in all the states and local governments in Nigeria.

KEY WORDS: Human development index, Consumer price index, Revenue growth

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ABBREVIATIONS

AEE	Actual Expenditure on Electricity
ANOVA	Analysis of Variance
AER	Annual Expenditure on Roads
AEW	Annual Expenditure on Water
CPI	Consumer Price Index
FGA	Federal Statutory Allocation
FGIR	Federal Government Internal Revenue
GDP	Gross Domestic Product
HDI	Human Development Index
IGR	Internally Generated Revenue
LIGR	Local Internally Generated Revenue
OLS	Ordinary Least Square Method
P-A-Y-E	Pay As You Earn
RGDP	Real Gross Domestic Product
SIGR	State Internally Generated Revenue
SLGP	State and Local Government Program
TAMA	Tax Monitoring Agents
TIGR	Total Internally Generated Revenue
VAT	Value Added Tax
VECM	Vector Error Correction Model

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CHAPTER ONE

INTRODUCTION

1.0 BACKGROUND OF THE STUDY

Revenue generation is very necessary for the economy to grow. Revenue has so many definitions based on different business. It is defined as the revenue a corporation has from its regular business operations, typically from the selling to consumers of products and services. It is often known as a periodic income estimate or estimation based on a specific standard accounting procedure or the regulations set by a government or government department, whereas describing government income as any money other than debt and investment liquidation, consisting of permits, commissions, property purchases, tax collection, penalties, etc. (pearce1986). From that, we talk about revenue generation, which we describe the generation of revenue as the cumulative amount of money earned over the period. The internal revenues created by a business dictionary are classified as money collected by a government through levies on the land, revenues, selling of products and services and transactions to domestic goods and other transactions in opposition to money from import duties and other foreign transactions. Facilities, incomes, sale of goods and services transfer of properties and other domestic transactions as opposed to monies from duties imposed on imports and other international transactions.

The taxes generated internally are income generated within the jurisdiction from state governments or federal governments. Despite being one of the smallest trades and state cities in Nigeria, Lagos is the smallest country in Nigeria's 36 States, and it boasts the largest revenue produced internally. It's the country's most populous state. It still has its sources of where it generates its revenue from example; fines, taxes, licenses, earnings, sales of government property, etc. despite the many sources of revenue available to different levels of government, the state still looks at ways to raise more revenue on infrastructure, as stated in the 1999 constitution. Lagos. It is the largest urban area of the nation, and if it were a country, would be the fifth-largest economic area in Africa. On the north and east, the state is constrained by the state of Ogun. The Atlantic Ocean shares its boundaries in the west with the Republic of Benin, 22% of its 3,577km2 are lagoons and rivers behind its south side. Total population as at 2006 census was 9,113,605 and as at 2012 estimate was 17,552,940 which ranked 2nd of 36 state According to (*Adesoji Adetunji Adengba(Mr)*). He said in his analysis that Lagos state is $3billion in the next few years, on state infrastructural growth. This was said by the ex-governor of Lagos state, after which was signed by the Lagos internal revenue service.

Revenue generation in the Nigerian state about Lagos state, because of the numerous companies and business done and Lagos state. The use of P-A-Y-E (pay as you earn) method plus other sources raises a lot of internally generated revenues. The rise in Real Gross Domestic Product (RGDP) tests economic performance. The growth in the real gross domestic product (GDP) reflects a prolonged increase in the per capita production of products and services. Over time, GDP represents an increase in the number of goods and services produced per capita by the population. The benefits of internally generated revenue add prosperity to the economy, and if there is enough revenue there will be an increase of infrastructure that will encourage investors to invest in the region because if there is enough revenue there will be good social facilities such as good water supply, a constant supply of energy to attract investors to create a business that will pay taxes in return. The key goal of economic growth is to raise the quality of life of the population as well as the cost of leaving the population. The analysis looked at the effect of internally produced revenue (IGR) on Nigeria's economic growth, in particular concerning the state of Lagos. This paper, therefore, focuses on the state internally generated revenue as part of the effort to boost development in the states. The increasing cost of running government has left various parastatals in formulating strategies to improve revenue base (*Kiabel and Nwokah..2009*) the desire to boost the revenue base of Lagos state called for the engagement of Tax Monitoring Agents (TAMA).there had been an increase in internal revenue for the participating state. Lagos state has a total revenue of N 268.22 billion as of 2015 generated which increases the countries GDP.

KEYWORDS: growth, internally generated revenue, revenue growth

1.1 STATEMENT OF THE PROBLEM

In Nigeria, so many states have been dwelling on the federal allocations, to better the lives of the people in the state. Economic growth is desirable in every nation as well as every state. A state like Lagos has achieved so many things without necessary depending on the federal allowances and this has brought an increase in the revenue growth of the state. In this research, we will find out how the internally produced revenue influenced the state's human development index, the state's revenue increase, the state's economic increase, how it contributed to the country's development, and also how the IGR influenced the state's consumer price index. Since taxes are also a part of revenue generation, a body set in a place called Tax Monitoring Agents (TAMA) is one of the strategies adopted to raise revenue based for Lagos state, nevertheless, the contending problem of tax evasion, collusion of tax officers and diversion of revenue belonging to the government is insurmountable. In the light of this revenue generation falls short of what it’s supposed to be, there is a need for the urgent measure to eradicate tax irregularities to boost revenue.

1.2 RESEARCH OBJECTIVE:

The key purpose of this study is to analyze the impact of internally produced income on Nigeria's economic development concerning the state of Lagos. The basic goals that follow are;

I. To ascertain the effects of the internally generated revenue on the government revenue growth in Lagos state

II. To examine the relationship between internally generated revenue on the human development index of Lagos state.

III. To examine the effects of internally generated revenue on the consumer price index of the Lagos state

1.3 RESEARCH QUESTION

A research question is a question that a research project sets out to answer. It is an essential element of both quantitative and qualitative research. Below are the research questions for this research project

- What is the effect of internally generated revenue on government revenue growth of Lagos state?
- What is the relationship between internally generated revenue on the Human development index of Lagos state?
- To what extent does the internally generated revenue affect the consumer price index of Lagos state?

1.4 RESEARCH HYPOTHESIS

H01: There is no significant relationship between internally generated revenue on government revenue growth in Lagos state.

H02: There is no significant relationship between internally generated revenue on the Human Development Index of Lagos state.

H03: There is no significant relationship between the internally generated revenue on the consumer price index of Lagos state.

1.5 SCOPE OF THE STUDY

This research project will focus on the effects of internally generated revenue on revenue growth in Lagos state. The period time chosen for this research work is from 2013-2018. The variables used in this study include human development index taxes. However, the objectives of the study can be effectively attained within the scope.

1.6 SIGNIFICANCE OF THE STUDY

From this point of view, there is a need for the state government to enhance its efficiency, but the research considers significantly the proximity of the state government to the grassroots citizens and the need to make use of considerable revenue from its numerous sources, in addition to the federal legislative allowance for development purposes. The research would help to recognize certain ways of raising income that has been overlooked over the years. It would also help the grassroots since increase income production means increased living conditions in the form of social services such as; decent highways, hospitals, parks, drinking water, rural growth. This thesis will be educational since it will be a starting point for researchers.

1.7 LIMITATIONS OF THE STUDY

Particularly in the area of data collection and time length, this study has some limitations. Among other considerations that would restrict the reach of the research are budgetary restrictions as well as the time required for the study's completion.

1.8 DEFINITIONS OF TERMS: This is some terms that will be used in this research project. There are listed below;

STATE GOVERNMENT: A state government is the government of a subdivision of a country under a territorial system of government, which shares the federal or national government with politics. A state government can have some degree of constitutional sovereignty, or be subject to the federal government's direct influence. According to *Lawal* (2000), as a constitutional subdivision of a country in the federal system, it is established by law and has significant local authority, including the ability to levy taxation or exact labor for the defined purpose.

REVENUE: In general terms, revenue is the revenue from tariffs, excise taxes, customs, or other means, appropriated for the paying of public expenditures. It is the money earned after deduction of all the costs and expenses incurred in development. It is the cumulative fund produced by the government to cover its expenditure that may be internal or external for a fiscal year. It also applies to the amount of income cash earned from the source of which costs are incurred.

GENERATION: In carrying out their mission and purpose, this is the method of sourcing revenue for the levels of government.

REVENUE GENERATION: It is the maximum amount of money generated within a given time. To measure company income, the capital is used.

INTERNALLY GENERATED REVENUE: Funds generated by a government through the levying of taxes on facilities, jobs, products and services transactions.

GROWTH: Growing the ability of an economy to manufacturing goods and services from one time to another in contrast.

ECONOMY: In terms of the production and consumption of goods and services and the availability of capital, the state of a nation or a region.

ECONOMIC GROWTH: An rise in the number of goods and services produced over some time per head of the population.

EXPENDITURE: Government spending, in the benefit of society and the economy to support other nations, applies to the costs paid by the government for its upkeep.

TAX: Tax may be defined as the government's compulsory levy on goods, services, profits and capital. It is a definite tax stream for government expenditures. How the government gets extra revenue is (udeh 2008).it. It is spent on the individual's wages and the tax on the corporation may be overt or indirect.

TAX EVASION: Tax avoidance relates to the outright defrauding of tax proceeds through criminal actions and the intentional suppression or falsification of evidence about one's actual tax responsibility. It is also the deliberate and calculated practice of avoiding reporting complete taxable profits to pay less tax. It is also a violation of tax law that the tax owed by a taxpayer is accrued beyond the minimum duration stated.

1.8.12 **TAX AVOIDANCE**: This is the act of streamlining one's financial affairs within the law to maximize the liabilities.it refers to arrangement through which a person acting the letter of law reduces his true tax liability, infringing in the process both the spirit and intention of the law (Nzotta, 2007). (kay 1980) was of the view that tax evasion takes place where the transaction details are accepted but are structured or interpreted in such a manner that the resulting tax status varies from that provided for in the applicable legislation. Within the framework of the statute, it is lawful.

HUMAN DEVELOPMENT INDEX: It is an index which measures key human development dimensions. The three main dimensions are a long and stable life-measured by life expectancy, access to education-measured by children's estimated years of schooling at school entry age and adult population's mean years of schooling and finally a good standard of living-measured by per capita gross national income adjusted for the country's price level.

CONSUMER PRICE INDEX: It is an index that calculates or analyses the weighted average of consumer goods and services basket costs, such as travel, food, medical vehicles.

CHAPTER TWO

LITERATURE REVIEW

2.0 BRIEF INTRODUCTION

This chapter discusses similar concepts and discusses the literature on the study of revenue growth produced internally. The issues discussed include taxation, economic growth, employment, living standards, including the types of income created internally, as well as related theories and empirical evidence.

2.1 CONCEPTUAL REVIEW

2.1.0 REVENUE

Different scholars have defined revenue and different perceptions in their way. Nightingale (2002), which defined revenue as a public sector governance fund needed to finance government operations, can generate these funds from non-oil sources, such as income and other types of taxation. Revenue is defined as all amounts of money received by the government from various sources.

Examples of taxes, fines, licenses, and those resulting from net refunds, borrowing revenue, investment sales, agency or private trust transactions, and intra-governmental transfers outside the government (Federal Government) (Ahmed, 2010). Revenue by Adam (2006) described the revenue as a government fund to finance its operations. These funds can be raised in the form of tax from both private and public entities, as well as from fines that defaulters incur for non-performing laws and regulations. Bathia (2001) claims that revenues sales does not include borrowing and retrieving loans from other persons, but includes tax refunds, donations, grants and fines fees, etc. In Nigeria, the source of government revenue is either the legislative allocation of revenue generated internally.

Revenue administration; the real amount of taxes levied by the government as tax policy and tax legislation gives rise to increased tax revenues. Weakness in the management of taxes leads to a lack of tax collection and an increase in internal revenue collection.

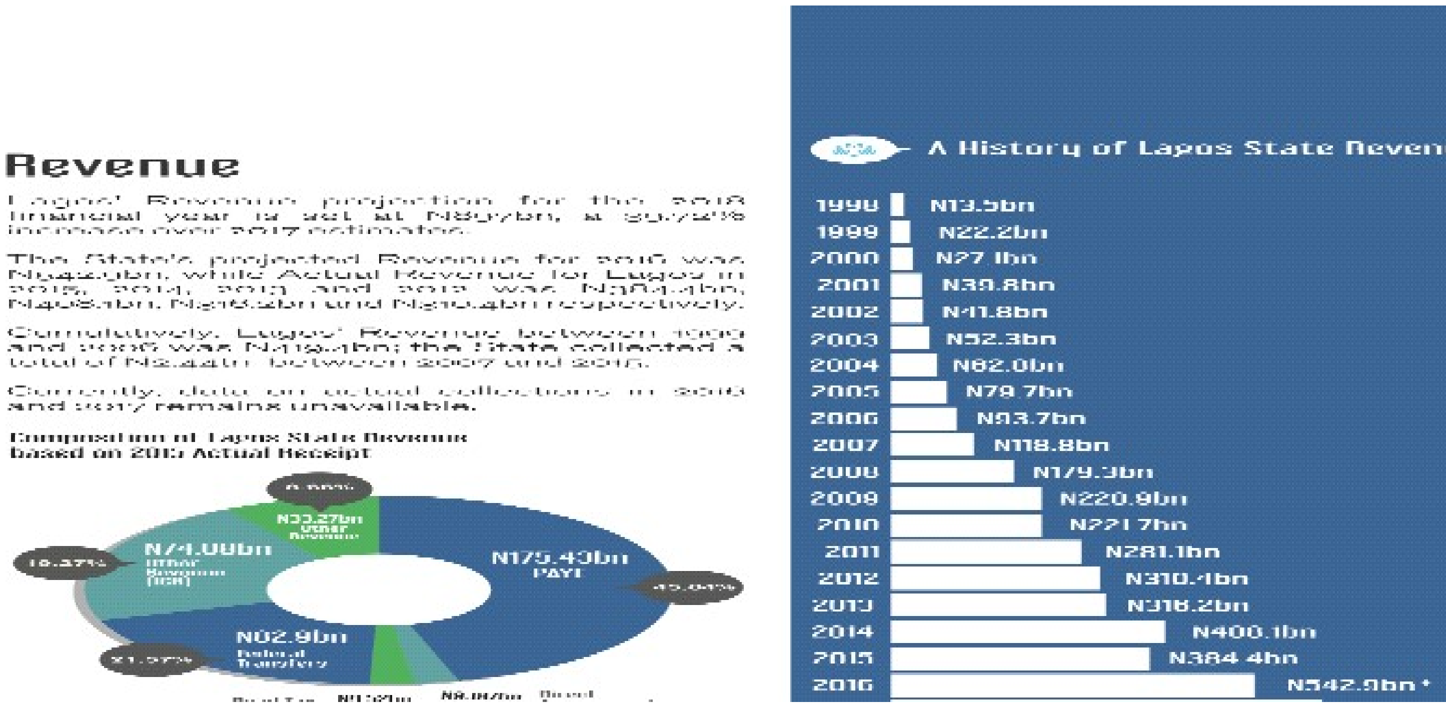

Fig 1. Source Lagos state government

The figure above shows the revenue for the state of Lagos. N897 billion, an increase of 39.72 per cent over the 2017 estimates, is set for the Lagos revenue estimate for the 2018 financial year. In 2016, the estimated State revenue was N542.9 billion, while in 2015, 2014, 2013, and 2012 the actual revenue for the State of Lagos was N384.4 billion, N408.1 billion, N316.2 billion, and N310.4 billion.

2.1.1 INTERNALLY GENERATED REVENUE

Results from different research have shown that internally generated revenue from the state government of Lagos shows that the average performance of the most fiscal management issue is not laudable. Internally Generated Revenue (IGR) is the revenue generated by state governments under their jurisdiction. The capacity of the state government to collect revenue internally is the primary criteria for the growth of the state government. Internally generated revenue consists of taxes originating from various sources within the state, such as; Pay as You Earn (P-A-Y-E), Capital Gain Tax Limit (CGT), Motor Vehicle Licenses, fines, fees, and so on. External sources are statutory contributions from the federal government account and value-added tax. IGR 's dilemma in Lagos is the need to re-assess the relationship between the government and the private sector, as most of the major companies in Lagos state are big taxes are paid by private corporations or associations, and they are the ones who often pay their employees so well that the reassessment should include the government as a party to private organizations and their income. There are so many ways of improving internal revenue, and it may affect businesses, but it will also increase people's quality of living and leave a better life. These include: enhancing the quality of revenue collection from existing sources, increasing the rate of existing taxes and broadening the revenue base by implementing a new tax in line with the tax authority, increasing financial transfers and alternative revenue sources from the centre to the state government, improved fiscal discipline, and several other forms of raising government revenue. Recently, revenue generation has been a major problem for most Nigerian states, due to the dependency on the statutory allocation from the federation account, which has been strong. It has been the highest source of revenue for the various states in Nigeria, in particular the state of Lagos, and the revenues derived from the federation account are mainly derived from the sale of crude oil, which is no longer reliable due to recent developments. However, the situation in Lagos is different, the internal revenues produced by the state of Lagos have increased significantly in recent years.

Below is the internal revenue from the last 3 years of the states that have emerged as the highest state in Lagos?

S/N	STATE	2013	2014	2015
1	ABIA	12,512,103,711.18	12,371,194,895.08	13,349,444,263.72
2	ADAMAWA	4,149,550,775.70	4,994,481,880.78	4,451,736,117.8
3	AKWAIBOM	15,398,828,428.00	15,676,502,423.00	14,791,175,253.00
4	ANAMBRA	8,731,599,912.43	10,454,312,316.18	14,793,120,188.67
5	BAUCHI	4,937,242,875.83	4,853,453,184.87	5,393,721,996.00
6	BAYELSA	10,500,936,262.88	10,958,263,688.00	8,713,516,526.24
7	BENUE	8,373,720,592.15	8,284,425,160.72	7,631,789,841.37
8	BORNO	2,132,815,258.00	2,760,773,778.99	3,530,261,222.31
9	CROSSRIVER	12,002,167,999.57	15,738,850,743.95	13,567,122,507.38
10	DELTA	50,208,229,986.91	42,819,209,025.24	40,805,656,911.96
11	EBONYI	10,427,861,231.23	11,032,472,512.00	-
12	EDO	18,899,322,710.47	17,023,595,231.62	19,117,468,369.25
13	EKITI	2,339,670,199.77	3,462,341,448.32	3,297,707,703.96

14	ENUGU	20,203,802,864.00	19,250,345,593.00	18,081,014,527.00
15	GOMBE	3,870,998,757.79	5,196,460,381.93	4,784,605,861.47
16	IMO	7,583,501,933.27	8,115,751,385.95	5,472,581,634.18
17	JIGAWA	9,755,337,731.73	6,273,310,616.35	5,081,424,105.40
18	KADUNA	10,932,071,462.59	12,782,522,514.51	11,536,729,988.59
19	KANO	17,142,211,079.94	13,661,853,935.85	13,611,853,935.85
20	KATSINA	6,852,511,585.00	6,223,037,599.00	5,791,008,741.00
21	KEBBI	3,732,343,145.11	3,834,143,641.95	3,592,406,108.30
22	KOGI	5,020,349,740.18	6,569,928,653.47	6,776,580,756.17
23	KWARA	13,838,085,972.51	12,460,517,954.55	7,178,922,182.76
24	LAGOS	236,195,308,896.71	276,163,978,675.95	268,224,782,435.23
25	NASARAWA	4,012,291,835.93	4,085,127,585.70	4,281,701,806.50
26	NIGER	4,115,777,679.30	5,737,185,035.88	5,975,149,921.86
27	OGUN	13,777,026,969.63	17,497,620,787.52	34,596,446,519.52
28	ONDO	10,498,697,469.99	11,718,741,502.49	10,098,000,000.00
29	OSUN	7,284,225,003.77	8,513,274,186.67	8,072,966,446.00
30	OYO	15,251,369,563.24	16,307,233,700.20	15,663,514,824.73
31	PLATEAU	8,486,806,640.08	8,284,425,159.92	6,937,349,802.70
32	RIVERS	87,914,415,268.80	89,112,448,347.58	82,101,298,408.43
33	SOKOTO	5,509,132,929.43	5,617,763,260.35	6,224,448,122.53
34	TARABA	3,344,006,052.45	3,799,040,873.48	4,155,053,816.15
35	YOBE	3,072,006,109.88	3,073,780,160.87	2,251,330,427.39
36	ZAMFARA	3,039,396,601.83	3,149,630,553.96	2,741,632,541.03
	TOTAL	662,045,725,237.28	707,857,998,395.88	682,673,523,814.49

Fig.2 National bureau of statistics/joint tax board/State boards of internal revenue

Above the domestic revenue generated for the States, it shows that there was an increase of N 39,968,669,779.24 in the States of Lagos between 2013 and 2014, but there was a slight decrease of N 7,939,196,240,724 later in 2015.

Compared to the monthly averages of the last three years, the state government of Lagos has an average monthly internal revenue (IGR) of 34 billion naira's in 2018. In the first quarter results, the state of Lagos has achieved an average monthly IGR of 34 billion in 2018 compared to the monthly averages of N22 billion in 2015, N24 billion in 2016, and N30 billion in 2017. The Commissioner said that their goal was to lift the state IGR to N 50 billion by 2019. He also said that the government had received a total revenue of N327 million, comprising N197 million and N130 million, received in 2017 and the first quarter of 2018, respectively, after the Lagos state joined the state oil production league. Her IGR amounted to N302.4 billion at the end of 2016, from the amount of 276.6 billion in 2015. The previous government financial report indicates that IGR contributed N219.2 billion and N227.12 billion respectively in 2013 and 2014. Between 2007 and 2017, the Lagos IGR amounted to N2.38 trillion. Between 2010 and 2016, the state of Lagos, an average of 64.8 per cent of IGR came from PAYE.

2.1.2 TAXATION: The act of imposing a compulsory sum of money on individuals and companies by the government or its agencies to finance government spending. It is also a compulsory tax payable to the government by an economic unit without any corresponding right to receive a valid and definite quid pro quo from the government Bhati,(2008). The unique aspect of a tax is that it is both obligatory and statutory. Till date, traditionally and still essential to the government as a major source of revenue. Generally speaking, the benefits obtained by paying do not equate to the amount received. The tax base and the tax rate are two components of the tax base. The tax base is the legal description of the item on which the tax is payable by reference. The tax rate shall be the amount of the basic tax collected in the form of a tax. The rate of the tax is determined as the ratio of taxes paid and the different values of the tax base.

2.1.2.0 Taxation Principles:

CONVENIENCE: As the tax is paid by the employer on a monthly or annual basis until the employee receives his or her wages, the time and manner of payment of the tax should be fair.

EQUALITY: The theory of equality requires that the higher the income of an individual, the higher the tax to be paid, i.e. the tax burden must be felt equally.

CERTAINTY: Taxpayers should be fully informed about taxes and be able to assess their tax fees with confidence. If there is assurance, it is not easy for people to stop paying taxes or escape it.

TAX AVOIDANCE: Relation is made to the attempts by the taxpayer to stop paying tax by finding a legitimate loophole in the tax. That is, the rule of law is not explicitly defined.

TAX EVASION: This is an unlawful attempt not to pay: by not reporting any of one's earnings, for example.

2.1.2.1 THE TAX FORMS

Two key forms of taxation exist; direct and indirect taxes.

DIRECT TAXES: Taxes are explicitly levied on the profits of private individuals and corporate bodies. Taxes are also levied directly on persons or corporate entities on which the taxes are levied. This includes personal income tax, capital gain tax, and petroleum profit tax.

INDIRECT TAXES: Indirect tax is a form of tax that carries a burden borne, in whole or in part, by the person on whom it is levied. It is a tax that is mainly imposed on the selling or purchase of goods and services. It may be special, in which case a fixed sum is charged on the product per unit. For example, export duties, excise duties, value-added tax, etc.

The state of Lagos officially reports that the government collects 12 taxes and levies, namely: personal income tax, withholding tax (only from individuals), capital gain tax (only from individuals), and stamp duty on instruments carried out by individuals. The state also collects tax on betting and pool lotteries; gaming and casino taxes; road taxes; duty on the construction of business premises registration fees, name of street registration in the state capital, and right of occupancy of property owned by the state government in the urban areas of the state. Gross personal income tax receipt by Lagos on individual income earned in 2016 was N190.66bn, accounted for approximately 63.3% of the gross IGR that year.

2.1.2.2 SIGNIFICANCE OF TAX ON REVENUE GENERATION:

To raise revenue to meet rising public expenditure.

2.1.3ECONOMIC GROWTH: This is the growth over time in the inflation-adjusted retail value of the economy's goods and services. Conventionally, the rate of growth in the actual gross domestic product (RGDP) is calculated. This is the geometric average GDP growth trend over the period between the first year and the previous year. This rate of growth is the average GDP trend across the century, which excludes GDP variations around this trend. Increased economic growth due to more productive use of inputs (increased labor, physical capital, energy, or material productivity) is known as intensive growth. GDP development is triggered only by the rise in the number of inputs available for use (increased population, new territory).

<u>2.2 THEORETICAL REVIEW</u>

<u>2.2.1 THE BENEFIT THEORY</u>: The first theory has to do with the theory of benefits: This theory is the modernization of the theory of cost of service that states that the cost of service theory borne by the government in delivering such services to individuals must be met collectively by the individuals who are the actual recipients of the service *Jhingan,(2009).* Today, the profit principle argues that people should be asked to pay taxes in the relation of the income they obtain from the programs of the government. The theory suggests that taxpayers and governments have an exchange arrangement. Governments offer such benefits to taxpayers by the provision of social goods, which taxpayers pay in the form of taxes for the use of those goods. This principle has been made inapplicable by the inability to quantify the benefits obtained by and by the citizen from the services rendered by the state *Ahuja,(2012).*

<u>2.2.2 PUBLIC EXPENDITURE THEORY</u>: Wagner & Buchanan's (1978) theory of public spending maintains that there is a practical relationship between an economy's production and government operations. According to him, when there is a rise in public spending, the government sector rises faster than the economy. While Peacock and Wiseman (1979) show that public spending does not increase in a smooth and ongoing way, but a fashion-like phase. Sometimes, certain social or other disruptions have created the need to raise public spending that cannot be compensated by current public revenue. The theory of public goods also offers a basis for the government's fiscal role, including allocation, allocation, and stabilization. These are also the pivots of revenue generated internally at every government level.

<u>2.2.3ENDOGENOUS GROWTH THEORY</u>: The theory of endogenous growth promoted by Romer (1994) holds that economic growth depends on human capital investment, innovation, and information management. Government policies that could improve economic growth in a country are also backed by the theory. These policies include all steps taken by governments to facilitate the exploitation of IGR possibilities within the jurisdiction of any state or local government in a country. IGR origins and opportunities in states and local governments are not homogeneous, but the government at the core provides states with opportunities.

The right of using all tools available within the framework of the country's law and constitution.

2.3 EMPIRICAL REVIEW

This is the portion of the analysis that explores what other individuals have done in connection with the study or research.

The effect of revenue-generating sources on economic development in Nigeria has been investigated Okwori & Sule, (2016). The study emphasized that the government should take deliberate measures to boost revenue generation and that effective mechanisms for proper resource utilization should be established. The research concluded that to increase revenue generation, the government should concentrate on the tax system by formulating policies that ensure remittance to the government and that borrowing should be the last resort for the government.

The effect of Internally Generated Revenue on Economic Growth in Nigeria has been investigated by Omolero, Ekwe, and Ihedinihu (2018). The thesis followed the analysis method of Ex-post Facto. As an independent variable, the analysis used TIGR, FGIR, SIGR and LIGR, and RGDP as a dependent variable. For the analysis, Multi Regression and T-Test were used. The results showed that TIGR, SIGR, and LIGR had a clear and marginal positive effect on RGDP, while FGIR had a positive and important effect on RGDP. It was therefore concluded that the positive influence of IGR is not out of place, but lacks physical evidence.

Morlu C.N and Nkoro (2012). Examined the effect of tax revenue on Nigeria's economic development from 1980 to 2007. For the study, secondary data were used and the data were analyzed using the least square three-stage technique estimation. The results suggest that tax revenue increases economic growth through the construction of infrastructure. The study also showed that tax does not have an independent impact on growth through the development of infrastructure and foreign direct investment, but allows the development of infrastructure and foreign direct investment to respond positively to production increases.

The Internally Generated Revenue (IGR) growth rate of state governments in Nigeria was examined by Asimiyu & Kizito (2014) from 1999 to 2011. The research also analyzed the range between the IGR growth rate in urban and rural states and IGR's ability to face state government approach findings, showing that IGR's growth rate was very low and that IGR's growth rate is higher in rural states than in urban states. It also showed that the growth rate of recurring and cumulative expenses of the state government was longer than the IGR growth rate. It has also been found that urban states' IGRs fund a higher proportion of their recurring and cumulative expenses than IGRs and capital expenditures.

According to Ojo and Owojori (1998), the causes of low internally produced revenue are the lack of adequate resources such as vehicles and workers for mobilizing IGR at the local government level, the potential sources of IGR are not adequately tapped at each local government, and the potential tax, rate and fee payers are not willing to pay due to prejudices and other personal reasons.

Omoigui-Okauru (2012) is of the view that if the correct conditions are set for them, all states of the federation can thrive on tax revenue. This will be a sharp contrast to the current system in which virtually all state administrations rely on monthly statutory allocations from the Federal Government for the implementation of their scheduled capital and recurring expenditures. She claimed that it was against this backdrop that in the various states of the federation, new changes to the tax laws specifically specified what could be recognized as tax. She further argued that in areas of internally produced income, states are often considered weak because most of them do not have detailed data on who should pay tax or the main economic activities that can produce tax revenue, stressing that this has often affected the revenue flow from sources created internally. If the government can classify who are taxpayers and what are higher taxes on their companies would be generated.

In his study "Boosting Internally Generated Revenue in Ogun State," Olusola (2011) found that the state's IGR yield was low. The author further identified the following as some of the inherent factors responsible for IGR's low yield: porous sources, negligence, problems with human resources, non-remittance of collected revenue, poor internal control measures, lack of accountability, etc. He, therefore proposed that substantial sources of revenue should be restructured and re-engineered by improved public knowledge, preservation of specific data, and analytical collection methods. The message from the above literature review is that the output of IGR state governments in Nigeria is weak, and internal revenue must be stimulated. Revenues from internal sources, both from urban and rural countries, are incapable of meeting their continuously growing capital and recurring investment. At present, the focus is on urban and rural states' IGR growth rates and whether IGR states can fund their recurrent expenses. In this respect, this research aims to add to awareness.

Ekankumo and Braye (2011) studied how internal revenue can be stimulated by state governments in Nigeria. They concluded that reliance on taxation, as the main source of internal revenue, could not be the way out of increasing revenue to meet the state governments' continuously increasing capital and ongoing expenditures. The inability to use taxes as the main source of internal income was discovered, but the entrepreneurial alternative was revisited as the only viable means of economic growth, eradicating poverty, and enhancing the battle against unemployment. Therefore, the authors suggested the need for human capital growth in the fields of entrepreneurship, a systemic process of sensitization through proactive training and retraining of government officials and agricultural production to increase internal revenue in the States.

Omodero, Ekwe, and Ihendinihu, (2018) made an empirical attempt to determine the impact of the adoption of the traditional multi-regression and t-test statistical tools to determine the acceptance or rejection of the test hypotheses if internal revenue was produced on economic development in Nigeria. The study followed an ex-post-facto research methodology that does not manipulate the independent variables used in the model with pre-existing characteristics. The independent variables modelled were the Independent Variable of the Federal Government (FIGR), the Independent Variable of the State Government (SIGR), and the Independent Variable of the Local Government (LGIR), while the Actual Gross Domestic Product (RGDP) was included in the model for economic growth. The timeframe for the research analysis was between 1981 and 2016, and the statistical data were collected from the Statistical Bulletin of the Central Bank of Nigeria. The empirical result revealed that all three variables are independent; FGIR, SGIR, and LGIR are significantly positive determinants of economic development in Nigeria. The limitation of this study, however, stems from its use of simple statistical tools that are prone to the many statistical errors.

Adejoh, Ekeyi, and Mary (2019) also assessed the effect of the Internally Generated Revenue (IGR) on the profitability of the state government's fiscal behavior in Nigeria, concentrating on the period from 1986 to 2018. The research carried out this test using the Johansen counteraction test, as all the variables listed in the model were stationary in the same order, the presence of a significant long-term relationship between the variables was obtained a 5 per cent significance level based on both trace and max Eigenvalues tests. The Vector Error Correction Model (VECM) was the regression analysis method preferred for the analysis, which helped assess the short-run effect of internally generated revenue on the government's fiscal behavior. Revelations were based on the empirical findings that the IGR of the States in Nigeria had a low effect on revenue generation with a 17 per cent contribution as its highest value. The result of the analysis was that the IGR states were negligible. Insignificantly impact government revenue and expenditure

An ex post facto study was conducted by Nnanseh and Akpan (2013) to assess the relationship between internal produced revenue (IGR) and infrastructural growth in Akwa Ibom State. To test the study's hypotheses, a simple regression analysis approach was adopted and discoveries were that IGR contributed significantly and positively to infrastructural growth such as electricity, water, and road supply. In all cases, the study specified three different models with the annual internal revenue produced as the explanatory variable, while the annual expenditure on water (AEW), the annual expenditure on electricity (AEE), and the annual expenditure on roads (AER) were adopted as the dependent variable in each of the models specified.

During 2008-2018, Ibrahim and Ozioma (2018) used time-series data. The research was performed using a basic Ordinary Least Square method to investigate the effects of Gombe State-Nigeria’s internal revenue generation on total expenditure. The revelations have been that over the period studied using the conventional OLS approach, there is a significant relationship between expenditure and generated revenue in Gombe State. The study concluded that IGR had a positive effect on overall expenditure and that the effect was considered to be positive as the test's p-value was statistically less than 5 per cent. In the study, however, there were no diagnostic tests. It can therefore not be assumed that the analysis does not have autocorrelation and multicollinearity issues.

Andrew (2019) made empirical efforts to determine the effect of internally generated revenue on infrastructure growth in the state of Lagos using secondary data from the State and Local Government Programmed (SLGP) Consultants' Report 320 from the planning and budgeting website of Chinedu Eze and Lagos State Ministry for the years 1996 to 2015. The Pearson correlation analysis and regression analysis were used to evaluate the relationship between the revenue generated internally and the growth of infrastructure using SPSS. In general, the outcome showed that, given the F-statistics result of 14,354 and 0.00 P-value, there is a substantial positive relationship between internally produced revenue and infrastructural growth in Lagos state. The results of this study revealed that taxes, which are a component of income generated internally, do not have a major effect on the growth of Lagos State's infrastructure. While permits, fines, and fees have had a major effect on these variables, Lagos State's Infrastructural Growth

To pick respondents from the Lagos State Inland Revenue Office, Adenugba and Ogechi (2013) have used the purposeful sampling approach and survey study design. Questionnaires and statistical data were the instruments used in the research, while inferential and descriptive statistics were used for statistical analysis. In the case of descriptive statistics, simple percentages were used, while Spearman's rank was adopted for inferential statistical purposes. The outcome showed that over the period studied, there is a direct relationship between IGR and infrastructural development. However, the results of the study indicate that revenue management agencies need to be reviewed to generate more revenue in the region.

For the period 2001 to 2013, Adi, Magaji, and Eche (2015) concentrated on the problems and prospects related to internal revenue generation in Taraba State, Nigeria. To gather primary data from one hundred respondents, the paper employed both structured and unstructured questionnaires. Easy percentages were used to evaluate the data in the descriptive study and the results were that 68 per cent of the respondent supported the view that taxes are the key source of revenue.

The goal of Afuberoh and Okoye (2014) was to determine the impact of taxation on the generation of revenue in Nigeria. The investigator also followed primary data sources to achieve the objective of the analysis. Regression analysis, computed with the aid of SPSS version 17.0.0, was used to evaluate the study hypotheses. Among other items, the analysis found that taxation makes a significant contribution to the generation of revenue and that taxation makes a significant contribution to gross domestic product (GDP).

GAPS IN LITERATURE

- **METHODOLOGICAL GAP:** Researches so far we have studied and looked into researchers use mostly primary data. But this research will use secondary data.
- **LOCATION GAP:** Some of the research work used Asia and European countries for the basis of their work, while some research work used Africa for their basis, very rare used Nigeria as a location for their research, this research work will use Africa specifically Nigeria as their basis. We will see whether the research work correlates with that of others from Asian and European countries.

CHAPTER THREE

METHODOLOGY

3.1 INTRODUCTION

In this chapter, the procedures and techniques used in this research will be answered. It discusses the research design, sources of data, data collection instrument and data analysis techniques. This statement of this study is coined out on the relationship and contribution between internally generated revenue and revenue growth of Lagos state how it affects the human development and cost of living of the people living in the state. This study will use secondary data, the sources will be gotten from the website of Lagos state government, Lagos state Inland Revenue service, also previous research works related to this topic will be referred to including articles online, books online journals for this research.

3.2 RESEARCH DESIGN

The study will adopt an *ex-post facto* research design which provides an empirical solution to research problems by using already existing data. The data selected for this research were selected from secondary data as stated above. This research design adopts the research design that was employed by *(Dang, 2017)* in their research. In his research, the Quantitative method will be used to obtain data from the sources stated in section 3.3 of this chapter on Lagos state government internally generated revenue on economic development and economic growth from 2004-2018. In this study, a descriptive analysis will be used to analyze data, that is quantitative statistics data will be described to address the problem of the study.

3.3 SOURCES OF DATA

This study will be based on the use of secondary time series data for fifteen years covering 2004-2018. The predictor variables which were the human development index (HDI) and Consumer Price Index (CPI), Internally Generated Revenue (IGR.), accruing to the state's government. The data will be tabulated and statistically analyzed using regression analysis with the aid of statistical package for social sciences.

3.4 POPULATION

The population to be used in this research work will be that of Lagos state.

3.5 SAMPLE DESIGN

This research study will use Lagos state as our case study and our sample because it is the state with the highest internally generated revenue according to the data presented in the national bureau of statistics in 2015. The period of years which is from 2004-2018 was chosen as a sample database to conduct this research. This research study examines the welfare of the people, infrastructural development, the cost of living of the people incurred by the Lagos state government and internal revenues generated by Lagos within 15 years.

3.6 DATA ANALYSIS TECHNIQUES

The data gathered for this research was from Lagos state data budget book. Government revenue increases its revenue growth by internally generated revenue such as (taxes, licenses fines and fees). This research data will be analyzed with the use of linear regression statistics which is suitable for assessing relationships among variables. It will adopt the model used by Dang 2017. It was modified by him to capture all the three independent variables where internally generated revenue is the independent variable as X and revenue growth as Y which is the dependent variable. The statistical model is given below;

Thus RG=*f*(IGR), where IGR represents internally generated revenue and it's the independent variable.

RG=*f* (IGR+HDI+CPI).

Thus the models are:

Model 1

$RG=B_0+B_1\ IGR_{jt}+e_{jt}$

Where;

RG=Revenue Growth

B_o is a constant

B_1 is a coefficient of the regression model

e is the error term(disturbance term)

j is cross-section item

t is time

Model 2 specification

$RG=B_0+B_1HDI_{jt}+e_{jt}$

Where;

RG=Revenue Growth

B_0=is a constant

B_2 is a coefficient of a regression model

e is the error term(disturbance term)

j is cross-section item

t is time

Model 3 specification

$RG=B_0+B_3CPI_{jt}+e_{jt}$

Where;

RG=Revenue Growth

B_0 is a constant

B_3 is a coefficient of the regression model

e is the error term(disturbance term)

j is cross-section item

t is time

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION OF FINDINGS

This chapter presents the analyses and findings of the study as set out in the research methodology. The study findings were presented to examine the effect of internally generated revenue on revenue growth of Lagos state. During this study, data was gathered from the National Bureau of Statistics, Lagos state data budget book, and other related research works. Other sections of the data analysis were done in congruence with the research objectives.

4.1. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1.1 DESCRIPTIVE ANALYSIS

Table 4.1: DESCRIPTIVE ANALYSIS

	Minimum	Maximum	Mean	Std. Deviation
Revenue Growth	-.21	.51	.1767	.18333
Internally Generated Revenue	33.90	382.18	197.6847	107.74122
Human Development Index	.46	.53	.4993	.02520
Consumer Price Index	56.74	261.58	132.8260	62.73675

Source: Researcher's Analysis, 2020

From Table 4.1 above, the maximum values, minimum values, the mean (average), and standard deviation were shown. The results expressed in Table 4.1 helps to provide some insight into the nature of the variables used in this study. First, it can be observed that in 15 years (2004-2018), revenue growth is reported to have a mean value of 0.1767 and standard deviation of 0.18333 with minimum and maximum values of -0.21 and 0.51 respectively. Similarly, the table also shows that on the average during the period covered by this study, the value of internally generated revenue was ₦197.6847 Billion, the maximum value stood at ₦382.18 Billion while the minimum value stood at ₦33.90 Billion, thus showing a large difference between the minimum and maximum values of the internally generated revenue. This shows that the internally generated revenue has grown in size over the period under consideration in the state.

Furthermore, the table also shows that on the average during the period under study that value for Human Development Index was 0.4993, the maximum value stood at 0.53 while the minimum value stood at 0.46. Also, the table shows that on the average during the period under study consumer price index is reported to have a value of 132.8260, the maximum value stood at 261.58 while the minimum value stood at 56.74, thus showing a large difference between the minimum and maximum values of a consumer price index. This shows that the consumer price index has grown in size over the period under consideration in the state.

4.2. TEST OF HYPOTHESES AND DISCUSSION

4.2.1 TEST OF HYPOTHESIS ONE

H_0: There is no significant relationship between internally generated and revenue growth in Lagos state.

H_1: There is a significant relationship between internally generated and revenue growth in Lagos State.

Table 4.2: LINEAR REGRESSION ANALYSIS BETWEEN INTERNALLY GENERATED REVENUE AND GOVERNMENT REVENUE GROWTH IN LAGOS STATE

TABLE 4.2.1: MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. An error of the Estimate
1	.245[a]	.060	-.012	.18445

a. Predictors: (Constant), Internally Generated Revenue

Source: Researcher's Analysis, 2020

Table 4.2.1 above shows that internally generated revenue and revenue growth has a moderate correlation (coefficient R) of 0.245 indicating that there is a positive relationship between the two variables while the increasing degree in internally generated revenue will increase revenue growth by 24.5%. Analysis in table 4.2.1 also shows that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R square equals 0.060, that is, internally generated revenue explains 6% of an observed change in revenue growth.

Table 4.2.2: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.028	1	.028	.830	.379[b]
	Residual	.442	13	.034		
	Total	.471	14			

a. Dependent Variable: Revenue Growth

b. Predictors: (Constant), Internally Generated Revenue

Source: Researcher's Analysis, 2020

The Analysis of Variance (ANOVA) was used to check how well the model fits the data. Moreover, the change statistics shows that the research model and variables are not fit ($p>0.05$). The ANOVA results showed that at 0.379 level of significance, there existed enough evidence to conclude that internally generated revenue was not useful for predicting revenue growth in Lagos State. From the results, it can be concluded that there is no linear relationship between the dependent variable and the independent variable. It also shows that the F-value which is the mean square model divided by the mean square residual yielded 0.830.

Table 4.2.3. Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.259	.102		2.534	.025
	Internally Generated Revenue	.000	.000	-.245	-.911	.379

a. Dependent Variable: Revenue Growth

Model 1 for (H_01) is stated as $RG=B_0+B_1\, IGR_{jt}+e_{jt} = 0.259 - 0.245\, IGR + 0.102$

From the regression result, model 1 shows that internally generated revenue has a significance level of 0.379 ($p>0.05$). This finding hence accepts the null hypothesis H_0 that there is no significant relationship between internally generated revenue and revenue growth in Lagos state and rejects the alternate hypothesis H_1 that there is a significant relationship between internally generated revenue and revenue growth in Lagos state.

4.2.2 TEST OF HYPOTHESIS TWO

H_0: There is no significant relationship between the human development index and revenue growth In Lagos state.

H_1: There is a significant relationship between the human development index and revenue growth In Lagos state.

Table 4.3: LINEAR REGRESSION ANALYSIS BETWEEN HUMAN DEVELOPMENT INDEX AND GOVERNMENT REVENUE GROWTH IN LAGOS STATE.

TABLE 4.3.1: MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. The error of the Estimate
1	.305[a]	.093	.023	.18118

a. Predictors: (Constant), Human Development Index

Source: Researcher's Analysis, 2020

Table 4.3.1 above shows that human development index and revenue growth has a moderate correlation (coefficient R) of 0.305 indicating that there is a positive relationship between the two variables while the increasing degree in human development index will increase revenue growth by 30.5%. Analysis in table 4.3.1 also shows that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R square equals 0.09, that is, human development index explains 9% of an observed change in revenue growth.

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Table 4.3.2: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.044	1	.044	1.334	.269[b]
	Residual	.427	13	.033		
	Total	.471	14			

a. Dependent Variable: Revenue Growth

b. Predictors: (Constant), Human Development Index

Source: Researcher's Analysis, 2020

The Analysis of Variance (ANOVA) was used to check how well the model fits the data. Moreover, the change statistics shows that the research model and variables are not fit ($p>0.05$). The ANOVA results showed that at 0.269 level of significance, there existed enough evidence to conclude that the human development index was not useful for predicting revenue growth in Lagos State. From the results, it can be concluded that there is no linear relationship between the dependent variable and the independent variable. It also shows that the F-value which is the mean square model divided by the mean square residual yielded 1.334.

Table 4.3.3: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.285	.960		1.337	.204

Human Development Index	-2.219	1.921	-.305	-1.155	.269

a. Dependent Variable: Revenue Growth

Model 2 for (H_02) is stated as $RG=B_0+B_1\ HDI+e_{jt}$ = 1.285 – 0.305 HDI + 0.960

From the regression result, model 2 shows that human development index has a significant level of 0.269 ($p>0.05$). This finding hence accepts the null hypothesis H_0 that there is no significant relationship between human development index and revenue growth in Lagos state and rejects the alternate hypothesis H_1 that there is a significant relationship between human development index and revenue growth in Lagos state.

4.2.3 TEST OF HYPOTHESIS THREE

H_0: There is no significant relationship between the consumer price index and revenue growth in Lagos state.

H_1: There is a significant relationship between the consumer price index and revenue growth in Lagos state.

Table 4.4: LINEAR REGRESSION ANALYSIS BETWEEN CONSUMER PRICE INDEX AND GOVERNMENT REVENUE GROWTH IN LAGOS STATE.

TABLE 4.4.1: MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. An error of the Estimate
1	.251[a]	.063	-.009	.18415

a. Predictors: (Constant), Consumer Price Index

Source: Researcher's Analysis, 2020

Table 4.4.1 above shows that consumer price index and revenue growth has a moderate correlation (coefficient R) of 0.251 indicating that there is a positive relationship between the two variables while the increasing degree in consumer price index will increase revenue growth by 25.1%. Analysis in table 4.4.1 also shows that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R square equals 0.06, that is, consumer price index explains 6% of an observed change in revenue growth.

Table 4.4.2: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.030	1	.030	.875	.367[b]
	Residual	.441	13	.034		
	Total	.471	14			

a. Dependent Variable: Revenue Growth

b. Predictors: (Constant), Consumer Price Index

Source: Researcher's Analysis, 2020

The Analysis of Variance (ANOVA) was used to check how well the model fits the data. Moreover, the change statistics shows that the research model and variables are not fit (p>0.05). The ANOVA results showed that at 0.367 level of significance, there existed enough evidence to conclude that consumer price index was not useful for predicting revenue growth in Lagos State. From the results, it can be concluded that there is no linear relationship between the dependent variable and the independent variable. It also shows that the F-value which is the mean square model divided by the mean square residual yielded 0.875.

Table 4.4.2: coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

1	(Constant)	.274	.115		2.393	.032
	Consumer Price Index	-.001	.001	-.251	-.935	.367

a. Dependent Variable: Revenue Growth

Model 3 for ($H_0$3) is stated as $RG=B_0+B_1\,CPI+e_{jt} = 0.274 - 0.251\,HDI + 0.115$

From the regression result, model 3 shows that internally generated revenue has a significance level of 0.367 ($p>0.05$). This finding hence accepts the null hypothesis H_0 that there is no significant relationship between the consumer price index and revenue growth in Lagos state and rejects the alternate hypothesis H_1 that there is a significant relationship between the consumer price index and revenue growth in Lagos state.

4.3 DISCUSSION OF FINDINGS

This study investigated the effect of internally generated revenue on revenue growth of Lagos state. The data generated were subjected to both descriptive and inferential statistics. The descriptive statistics revealed the individual characteristics of the variables used in this study while the inferential statistics tested the hypotheses using the simple linear regression analysis.

The test of hypothesis one was to ascertain whether a significant relationship exists between internally generated revenue and revenue growth in Lagos state. The findings reveal that internally generated revenue does not have a significant relationship with revenue growth in Nigeria with a significance level of 0.379 ($p>0.05$). Therefore, the null hypothesis H_0 is accepted and the alternate hypothesis H_1 is rejected. This result is consistent with the work of Ironkwe and Ndah (2016); effect internally generated revenue (IGR) on the performance of local governments in Rivers State Nigeria. They found out locally generated revenue cannot adequately enhance economic development. Olaoye and Adedeji (2017) also agreed to this result. They specifically examined the effect of Internally Generated Revenue (IGR), Federal Statutory Allocation (FGA) and Value Added Tax (VAT) on the States' economic growth. They established that state internally generated revenue has no significant relationship with economic growth. However, this result contradicts the findings of Yulindra, (2012), and Nnanseh & Akpan, (2013). They proved that internally generated revenue significantly and positively impact economic development.

The test of hypothesis two was to examine whether a significant relationship exists between the human development index and revenue growth in Lagos state. The findings reveal that the human development index does not have a significant relationship with revenue growth in Nigeria with a significance level of 0.269 ($p>0.05$). Therefore, the null hypothesis H_0 is accepted and the alternate hypothesis H_1 is rejected. This finding is compatible with the results of Klodiana and Anita, (2013). They concluded that economic growth is a necessary but inadequate condition for achieving human development in a country. The critical role, in the development process, playing institutions that influence the design and implementation of policies and creating equal opportunities. However, Ranis, et., al (2000) disagrees with these results. They explained that human development is considered as "the goal of human activity and economic growth, at the same time, is a strategic instrument in advancing it". So there is a dual relationship between causality and human development and economic growth.

The test of hypothesis three was to examine whether a significant relationship exists between the consumer price index and revenue growth in Lagos state. The findings reveal that the consumer price index does not have a significant relationship with revenue growth in Nigeria with a significance level of 0.367 ($p>0.05$). Therefore, the null hypothesis H_0 is accepted and the alternate hypothesis H_1 is rejected. This study is compatible with the work of Seth (2015) in his work "An Assessment on Relationship between inflation and Economic Growth of Tanzania". The study indicated that there was no significant relationship between consumer price index/inflation and economic growth. Marbuah, (2010) also agreed to these findings. He investigated the relationship between inflation/consumer price index and economic growth to ascertain whether a significant threshold effect existed in the case of Ghana over the period 1955-2009. He, therefore, recommended that inflation targets should be kept below 10% for beyond 10% threshold, inflation can be detrimental to Ghana's growth prospects.

However, a summary of the models from the three hypotheses and their results are shown in Table 4.5 below:

Table 4.5: SUMMARY OF MODELS AND HYPOTHESES RESULTS

S/N	**Models**	**Hypothesis Results** **(0.05 significance level)**
1	0.259 – 0.245 IGR + 0.102	$p=0.379$: $H_0 1$ is accepted

2	1.285 – 0.305 HDI + 0.960	p=0.269: $H_0$1 is accepted
3	0.274 – 0.251 HDI + 0.115	p=0.367: $H_0$1 is accepted

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 INTRODUCTION

In this section of the study, the researcher provides a summary of the findings derived from the study, the conclusion of the study, the recommendation for the study and suggestion for further studies.

5.1 SUMMARY OF THE STUDY

Revenue generation is very necessary for the economy to grow. Revenue has so many definitions based on different business. It is defined as the revenue a corporation has from its regular business operations, typically from the selling to consumers of products and services. The generation of revenue is often known as the total amount of money received for the duration of a given time. A serious problem has been the failure of states and local governments in the state of Lagos to raise adequate revenue to deal with their budget obligations. In formulating policies to increase the tax base, the rising expense of operating the government has left separate parastatals (Kiabel and Nwokah, 2009).

Therefore, this study was set up to investigate the impact of internally produced revenue on revenue growth in the state of Lagos. The results of this analysis were explored in-depth and the study's goals were related to the research's current findings. The secondary source of data was obtained from the National Bureau of Statistics, Lagos state data budget book, and other related research works. This study used an *ex-post facto* research design to gather data from 2004 through 2018.

In this analysis, the basic theoretical structure is the profit theory, the theory of public spending and the theory of endogenous development. The benefit principle argues that concerning the income they obtain from programs offered by the government; people should be asked to pay taxes. The theory assumes there is an exchange relationship between taxpayers and governments. The theory of public expenditure by Wagner & Buchanan (1978) maintains that there is a functional relationship between the growth of an economy and government activities. According to him, government sector grows faster than the economy when there is an increase in public expenditure. Endogenous growth theory propounded by Romer (1994) holds that economic growth depends on investment in human capital, innovation and knowledge management. The theory also supports government policies that could boost economic growth in a nation.

Furthermore, linear regression analysis was used to test the three research hypothesis. The probability level was set up at 5% significance. The main findings of this study can be summarized as below;

1. Internally generated revenue does not have a significant relationship with revenue growth in Lagos state with a significance level of 0.379 ($p<0.05$).
2. Human development index does not have a significant relationship with revenue growth in Lagos state with a significance level of 0.269 ($p<0.05$).
3. Consumer price index does not have a significant relationship with revenue growth in Lagos state with a significance level of 0.367 ($p<0.05$).

5.2 CONCLUSION

Using data obtained from the National Bureau of Statistics, the impact of internally generated income on revenue development in the state of Lagos from 2004 to 2018 was examined.

The study concludes that there is no substantial relationship in Lagos state between revenue produced internally and revenue growth. The study concludes, in particular, that internally produced income in the state of Lagos has no substantial association with revenue growth. The analysis also concludes that in Lagos state, the human development index has no substantial association with revenue growth. The study also concludes that in Lagos state, the consumer price index has no substantial association with revenue growth.

5.3 RECOMMENDATION

Sequel to the findings of this research, the following recommendations are made which will be useful to stakeholders;

1. The government should set targets of achievable projects from IGR which must be vigorously pursued.
2. Further research is recommended on the investigation of the application of IGR on government expenditure in comparison with the IGR inflows in all the states and local governments in Nigeria.

3. Government officials with corruption history should not be allowed to continue to handle responsibilities rather; people with outstanding integrity should be allowed to occupy government positions that are sensitive and could help achieve economic development objectives.
4. Basic amenities should be adequately provided with both at the federal and local level in other for the citizens to see the payment of taxes and other levies as a civic responsibility.
5. This study recommends the Nigerian government to diversify the economy and stop concentrating on oil and gas.

5.4 AREA FOR FURTHER STUDIES

REVENUE COLLECTION PROCESS: Further studies needs to be done here in other to improve their monthly generated revenue internally. This will include an examination of revenue collection procedures and how Lagos state government can improve revenue collection, especially from the informal sector.

UTILISATION OF INTERNALLY GENERATED REVENUE: This is an important area for further studies in other to find out how government utilizes internally generated revenue. The area to be looked into should include; disbursement process, the amount spent on the project, and its authorization.

ADMINISTRATION OF INTERNALLY GENERATED REVENUE: This is required because it determines the amount of revenue generated in Lagos state. The focus of this study should include; analysis of the number of people that pay tax into the purse of Lagos state government, the efficiency in Tax administration process should be improved in other for government to raise sufficient revenue.

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APPENDICES

Appendix 1

YEAR	RG	IGR	HDI	CPI
2004	0.20	33.90	0.46	56.74
2005	0.27	40.60	0.47	66.87
2006	0.18	61.70	0.47	72.37
2007	0.27	83.00	0.48	76.27
2008	0.51	156.09	0.49	85.1
2009	0.23	177.88	0.49	95.77
2010	0.00	185.89	0.48	108.93
2011	0.27	202.76	0.49	120.72
2012	0.10	219.20	0.50	135.48
2013	0.02	241.29	0.52	146.99
2014	0.29	276.16	0.52	158.8
2015	(0.06)	268.22	0.53	173.12
2016	(0.21)	302.43	0.53	200.3
2017	0.40	333.97	0.53	233.35
2018	0.18	382.18	0.53	261.58

Source: Nigerian Bureau of Statistics

Appendix 2

S/N	AUTHOR	YEAR	TOPIC	FINDINGS	GAP
1	Okwori& sule	2016	Effect of revenue generating sources on economic development in Nigeria	The study emphasized that the government should take deliberate measures to boost revenue generations. In this manner the government should	There is a geography gap in this research. It was carried out in Europe and it's based on the whole Nigeria

				concentrate on formulating tax policies.	
2	Omolero, Ekwe& Ihedinihu	2018	The effect of internally generated revenue on economic growth in Nigeria	It analyze IGR using TIGR, FGIR, SIGR and LIGR as a dependent variable. It concluded that FGIR had a positive and important effect on RGDP, which has a positive influence on IGR	There is a presence of methodological gap. The researcher used only secondary data, while gathering his information for their research work
3	Morlu C.N &Nkoro	2012	The effects of tax revenue on Nigeria's economic development from 1980-2007	The study shows that tax does not have an independent impact on growth through the development of infrastructure and foreign direct investment, but allows the development of infrastructure and foreign direct investment to respond positively to production increase.	There is a presence of geographical gap in this study. The study used Nigeria but was based in an Asian country.
4	Asimiyu& Kizito	2014	Analysis of internally generated	It analyze the range between the IGR	The research work was carried out in

			revenue growth rate of state governments in Nigeria from 1999-2011.	growth rate in urban and rural states and IGR's ability to face state governments approach findings, showing that IGR's growth rate was very low and that IGR's growth rate is higher in rural areas than in urban areas	Nigeria. It has a methodological gap which made use of primary data. It compares the revenue gotten from urban and rural areas.
5	Olusola	2011	Boosting internally generated revenue of local governments in Ogun state, Nigeria	The author further identified the following as some of the inherent factors responsible for IGR's low yield; porous sources, negligence, problems with human resources, non-remittance of collected revenue, poor internal control measures, lack of accountability.	There is a presence of both geographical and methodological gap in this research work. In the geographical its based in an European country while in the methodological gap he made use of primary data.
6	Adejoh, Ekeyi and Mary	2019	Effect of internally generated revenue on	Revelations were based on the empirical findings that	This research carried out this using the Johansen

			the profitability of state government's fiscal behavior in Nigeria.	the IGR of the states in Nigeria had a low effect on revenue generation with a 17 percent contribution as its highest value.	counteraction test, as all the variables listed were present and the long term relationship between the variables was obtained a 5% significance level the Vector Error Correction Model was the regression analysis method preferred for the analysis.
7	Nnanseh & Akpan	2013	To analyze the relationship between internally generated revenue on the infrastructural growth in Akwa Ibom State.	The study specified three different models with the annual internal revenue produced as the explanatory variable , while the annual expenditure on water, the annual expenditure on electricity and annual expenditure on roads were adopted as the dependent variable in each of the models specified	There is a presence of geographical gap in this research.

8	Ibrahim and Ozioma	2018	Impact of internally generated revenue on total expenditure of Gombe State.	There is significant relationship between expenditure and generated revenue in Gombe state. The study concluded that IGR had a positive effect on overall expenditure and the effect was considered to be positive as the test p-value was statistically less than 5 per cent.	The research work does not have autocorrelation and multicollinearity issues.
9	Andrew	2019	Impact of internally generated revenue on infrastructure growth in Lagos state.	There is a substantial positive relationship between internally generated revenue and infrastructural growth in Lagos state. It also shows that taxes are the component of income generated internally.	The research work used both Pearson correlation analysis and regression analysis. The research work was based in Nigeria.
10	Adenugba& Ogechi	2013	Effect of internally generated revenue on infrastructural development.	There is a direct relationship between internally generated	There is a presence of methodological gap in this research work. The research

			A case study of Lagos state revenue.	revenue and infrastructural development. It also indicate that the revenue management agencies need to be reviewed to generate more revenue in the region.	used questionnaires and statistical data that is sampling approach and survey study design.
11	Adi, Magagi and Eche	2015	Problems and prospects of internal revenue generation in Taraba state.	A percentage of the gathered data and the descriptive study of the results shows that taxes are the key source of revenue.	There is a presence of methodological gap. The research work made use of primary data of both structured and unstructured questionnaires.
12	Afuberoh & Okoye	2014	Impact of taxation on the revenue generation in Nigeria	The analysis found out that taxation makes a significant contribution to the generation of revenue. Also makes a significant contribution to gross domestic product (GDP).	There is a presence of methodological gap in this research work. The research made use of primary data and used regression analysis with SPSS.
13	Ojo & Owojori	1998	Effect of low internally generated revenue at the local government.	The analysis found out that at the local level the potential sources of the IGR are not adequately	There is a presence of methodological gap in this research. The research made use of primary data.

				tapped at each local government.	