Analysis of Internally Generated Revenue and its Implications on Fiscal Viability of State Governments in Nigeria

Asimiyu G. Abiola
National Institute for Legislative Studies
Nigeria

UyiKizitoEhigiamusoe
National Institute for Legislative Studies
Nigeria

ehiuyikizexcel@yahoo.com

Abstract: State governments in Nigeria are financed by funds from statutory allocations from the federal government and Internally Generated Revenue (IGR) from each state. But most state governments depend on the federal government due to the poor level of internally generated revenue in their states. Therefore, the paper examines the growth rate of state governments’ internally generated revenue in Nigeria between 1999 and 2011. The main objective of this paper is to examine the relationship between internally generated revenue and state governments’ expenditures. It also seeks to compare the growth rate of internally generated revenue in urban and rural states. The paper adopts analytical and descriptive approaches to examine the relationship between internally generated revenue and government expenditures. The results of the paper revealed a direct relationship between the growth rates of internally generated revenue and capital expenditures. On the overall, the growth rate of state governments IGR was 20.1 per cent, compared to 30.0 per cent and 34.2 per cent for recurrent and total expenditures, respectively. Although, the growth rate of IGR is higher in rural states than in urban states but the growth rates in expenditures are higher than the growth rate of IGR. It was further discovered that the internally generated revenue of urban states financed a greater proportion of their recurrent and total expenditures than the IGR of rural states. The paper therefore recommended that more revenue should be given to rural states to finance capital projects to enable them grow their internally generated revenue, so as to promote economic development.

Keywords: Internally Generated Revenue (IGR), Expenditures, Urban states, rural states, Federation Account.