INTERNAL REVENUE GENERATION AND THE SERVICE PERFORMANCE OF OREDO LOCAL GOVERNMENT AREA IN EDO STATE, 2020-2024.

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ABSTRACT

Revenue has been described as the backbone of every functional government. This study examines the influence of internal revenue generation (IGR) on the performance of Oredo Local Government Area. Specifically, it investigates how IGR affects service delivery, assesses the effectiveness of the council's strategies for mobilizing internally generated revenue, and ascertains the factors hindering effective IGR mobilization in the area. The paper adopted a qualitative method in which both primary and secondary sources of data collection were utilised. Resource mobilisation theory was used as its theoretical framework. The study reveals that over the last five years, Oredo Local Government Council has made significant progress in performance as IGR has been used to complement revenue from other sources. Also, the adoption of digital tools in revenue extraction has been the most effective strategy in mobilising IGR. Furthermore, the study reveals that IGR mobilisation in Oredo Local Government Area is hindered by outdated property and business registries, weak enforcement of laws, political instability, inadequate digital infrastructure, dominance of the informal sector, and over-dependence on federal allocations. The paper therefore recommends, among other things, that the digital revenue platform should be institutionalised with regular maintenance assured. Also, the council should build a stable, merit-based management team insulated from political turnover. More so, over-dependence on federal allocations should be reduced by earmarking a portion of IGR for capital projects in order to reinforce fiscal resilience.

KEYWORDS: *Effects, Internal, Local Government, Performance and Revenue.*

INTRODUCTION

Globally, local governments are central to the delivery of public goods and services. As the tier closest to the people, they perform political, social, and administrative roles that drive growth in rural and peri-urban areas. Mbeli (2018) notes that national development cannot be measured by urban modernisation alone while rural areas lag behind. In Nigeria, the 1999 Constitution assigns extensive responsibilities to local governments. These include licensing of bicycles, canoes, carts and non-mechanically propelled trucks; regulating markets, motor parks, slaughterhouses and public conveniences; and constructing and maintaining roads, drains, streetlights, parks and gardens (Mansir, 2022). They are also mandated to name streets, number houses, manage waste disposal, register births, deaths and marriages, and assess properties for rating (Fourth Schedule, 1999 Constitution). Effective performance of these functions depends on financial capacity, as adequate revenue is vital for administration (Mello and Lago-Peñas, 2011).

Nigerian local governments derive revenue from external and internal sources. However, overreliance on federal allocations has weakened their autonomy. The revenue-sharing formula favours federal and state governments, while local government allocations are paid into state-local joint accounts controlled by states. This makes service delivery dependent on transfers that are often delayed and subject to political manipulation. Given this constraint, Internal Revenue Generation (IRG) has become critical. IRG is the fiscal backbone of local governance, especially in sub-Saharan Africa where federal transfers are unreliable (Olowu, 2021). The Constitution empowers councils to collect market fees, property taxes, licences and user charges (Federal Republic of Nigeria, 1999). Yet many lack capacity to mobilise these sources, creating a gap between potential and actual collection (Adeyemi & Oluwafemi, 2022). A recent study identified Oredo LGA as a case where weak IRG has undermined service delivery (Author, 2025).

Despite its location in Benin City and diversified economy, Oredo LGA faces major fiscal challenges. The council collects less than 30% of its projected annual revenue due to weak enforcement, leakages and outdated tax records (Urhoghide, 2025; Nwankwo, 2024). This has increased dependence on volatile federal allocations, eroding fiscal autonomy and exposing budgeting to delays and political interference (Okoye & Okonkwo, 2020). The effect is visible in performance indicators. Road maintenance, health clinic functionality and school enrolment in Oredo are below the state average (Edo State Ministry of Finance, 2023). Audit reports also show a 42% variance between budgeted and actual expenditure, largely from unremitted fees and poor cash accountability (Edo State Audit Report, 2023). This implies that raising IGR alone will not improve outcomes unless collection and utilisation gaps are addressed (Urhoghide, 2025).

Given this situation, the following questions are posed in this study: 1), does internal revenue generation influence the overall performance of Oredo Local Government area? 2), how effective is Oredo Local Government area council strategy in mobilizing internally generated revenue? 3), what are the factors hindering effective internal revenue mobilisation in Oredo Local Government Area? Against this background, the present study examines the influence of internal revenue generation on the performance of Oredo Local Government Area of Edo State. In furtherance of addressing the issues raised, the specific objectives of the study is to: examine the influence of internal revenue generation on the performance of Oredo Local Government Area, find out the effectiveness of Oredo Local Government Area council' strategy in mobilising internally generated revenue; and ascertain the factors hindering effective revenue internal revenue mobilisation in Oredo Local Government Area.

LITERATURE REVIEW

Rationalising Local Government

A local government is the tier of government whose operations are confined to a specific territorial demarcation. It functions closest to a community or geographic area such as a city, town, county, or district. Local government manages local affairs and provides services tailored to the needs of residents within its jurisdiction. It represents the interests of citizens in its constitutionally or legally defined territory, often referred to as the grassroots. The frequent use of the term "grass-root" emphasizes the closeness and nearness of local government to the people (Iyayi & Eghaghe, 2023). As a subordinate tier of public administration, local government is legally established to exercise limited authority over a defined area whether a city, town, district, or rural community and to deliver basic services to residents (Olowu, 2021). It operates under the supervision of higher levels of government (state or federal) but possesses its own elected and appointed officials, budgetary powers, and regulatory functions, enabling it to address local needs such as sanitation, primary education, road maintenance, and community development (Adeyemi & Oluwafemi, 2022).

Nigeria Local Government System: A Recap.

Nigeria operates a three-tier system of government, in which local government is the third tier. It was established to bring governance closer to the grassroots and to accelerate grassroots development (Olowu, 2021). The 1999 Constitution, as amended, recognises 774 local government areas (LGAs) and assigns them a range of functions that each local government council performs and administers within its specific territory.

Local administration, an age-long practice in Nigeria, has existed from time immemorial; its operations pre-date Western colonisation (Awofeso, 2004). The arrival of the colonial powers facilitated the amalgamation of Nigeria, an event that impacted the history of the country's local-government system and transformed traditional administration into a modern local-government structure (Fatile, 2011). In the area now called Nigeria, the various tribes that make up the different geographical zones already had some form of local administration (Agbakoba & Ogbonna, 2004). Before colonial rule there was no uniform system; each ethnic group had its own governance structures. A centralised system existed in the north, a decentralized one in the west, and an acephalous (neither centralized nor decentralized) system in the east. Decisions were made by councils of elders, age-grades, family heads, and similar bodies, ensuring that local governance was rooted in culture and tradition.

During the colonial era (1900-1960) the British introduced indirect rule, allowing existing traditional structures and rulers to administer local areas. In 1916 the Native Authority Ordinance was enacted, recognising chiefs as local administrators. This arrangement persisted until the 1950 local-government reforms, when elected councilors were introduced and the power of traditional rulers was drastically reduced. Although local councils existed, they were controlled by colonial authorities, participation by the local population was low, and councils functioned mainly as tax collectors rather than service providers.

After independence (1960-1975), each region operated its own local-government arrangements, leading to a wide range of problems: lack of uniformity, political interference by regional governments, poor funding, and weak administrative capacity. Consequently, by the mid-1970s the federal government recognised the need for major reforms.

1976 Local government Reforms and its Impact on Local Government Performance

By the mid-1970s, Nigeria's local-government system was fragmented and inconsistent. Under colonial rule and in the early post-independence period, different regions operated widely divergent forms of "local administration": The North relied on a "Native Authority" system under traditional rulers, while other regions used councils, divisional administrations, districts, and assorted arrangements. This heterogeneity produced inefficiency, weak accountability, and limited grassroots participation across much of the country. Following structural changes-states replacing the old regions, and the desire to strengthen national unity and administrative coherence, the federal military government under General Olusegun Obasanjo (continuing reforms initiated by General Murtala Mohammed) launched a nationwide local-government reform in August 1976 (Aimiton, 2025). The reform's principal objectives were to: decentralise governance and bring government closer to the people (the grassroots); rationalise and unify local administration by giving them clearly defined roles, structures, funding mechanisms; and establish a stable foundation for effective performance.

Scholars such as Aimiton (2025), Enyi (2014), SP-Team (2025), and Tyodzer and Nwobi (2025) identify these points as the key features and significance of the 1976 local-government reforms:

a. **Uniform System of Local Government Across the Nation:** The reform established a single-tier, multipurpose local government system across all states, replacing the previous patchwork of divisional, district, native-authority and other structures.
b. **Constitutional Recognition of Local Government as Third-Tier:** Local governments were formally made the "third tier of government" alongside federal and state governments with defined boundaries, functions, and autonomy in principle and practice.
c. **Guidelines for the Creation of Local Government Areas:** The reform created Local Government Areas nationally, with guidance that a LGA should generally have a population between 150,000 to 800,000 to be viable.

d. **Democratic Representation and Full-Time Local Councils:** Local councils were to be composed of elected councilors (from wards) and a chairman; the offices of Chairman and supervisory councilors were made full-time.
e. **Local Government Service Boards/Commissions:** States were mandated to establish Local Government Service Commissions/Boards to manage staffing, recruitment, promotion, discipline and to harmonize local government personnel service conditions with those at the state/federal government levels.
f. **Defined Functions and Responsibilities:** Local governments were assigned a broad range of community-level responsibilities viz-a-viz, local infrastructure, markets, sanitation, rural development, local taxation/fees, etc.
g. **Financial/Fiscal Arrangements:** Local governments were assigned a community-based responsibility viz-a-viz, local infrastructure, markets, sanitation, rural development, etc.
h. **Redefined Traditional Rulers' Role:** The old system of Native Authorities where traditional rulers held administrative/political power was abolished. Traditional rulers were removed from direct governance and a separate council of chiefs was established, granting them advisory/ceremonial role.

The 1979 Constitution incorporated into law the core elements introduced by the 1976 Reform. The functions assigned to local governments (via the Constitution's Schedule or enabling laws) included many grassroots-level responsibilities such as local infrastructural development, markets, naming/numbering of streets/houses, local utilities, sanitation, registration duties, etc. concerning finances, local government constitutional recognition meant that local governments could in principle receive statutory allocations (from federally collected revenue) as well as raise revenue locally. The 1979 Constitution gave local government system Nigeria a full legal foundation, embedding the 1976 reforms into constitutional law and thereby legitimizing local government councils, their structure, functions, and funding path. However, despite the constitutional backing, the military remained influential in council administration until 1999 when the nation returned to civilian rule.

To deepen civilian rule in Nigeria, the 1999 Constitution (as amended) was introduced and key democratic tenets were enacted across the three levels of government. As for the local government, its autonomy and governance were consolidated. Section 7(1) guarantees a democratically elected local government councils and mandated participation of the people, insisting that councils must be formed through periodic elections and not by appointments. Section 162 (5-8) provides for State Joint Local Government Account in which local governments would receive its federal allocation. While guaranteeing autonomy, the constitution albeit, places substantial control of local governments with state governments especially in election matters. Siting Section 197 (1b) of the 1999 Constitution, Eghaghe and Oyakhire (2024) noted that state government reliance on a constituted committee for the administration of local government rather than conducting elections was in this constitutional provision a legitimization of all forms of abnormalities in the local councils.

While a myriad of challenges exists owing to the position of local government as indicated by the 1999 constitution, it however brought about the restoration of democratic councils, constitutional backing for autonomy, increased political participation and local development initiatives. Thus, as it stands there is expanded grassroots democracy, political inclusion and leadership training despite the state government dominance and excessive truncating of elected councils.

Historical Overview of Oredo Local Government Area

Oredo Local Government Council is one of the eighteen local government areas of Edo State. The local government enjoined a unique position in Edo State as it is situated in the heart of Edo State and stand as the living legacy of the ancient Benin kingdom. The very name "Oredo" means "The Heart of Bini" and its administration predates the arrival of the British and was governed by the Obas with other chiefs directing and coordinating the affairs of Benin City and its surrounding villages. Oredo was subsumed into the "Native Authority" system during the colonial rule being that, the traditional rulers were used as intermediaries to execute the British policies and the collection of taxes.

Oredo local government council covers about 249 km with several houses and over 374,000 residents residing in the local government (2006 census). It is divided into twelve political wards linking both urban and rural communities together. When Edo State was created from the old Bendel State on August 27 1991, Benin City became its capital, oredo was formally recognized as one of its Local Government Areas. The local government is regarded as the richest local government area in Edo State due to its strategic location and multiple revenue base potentials such as: markets, commercial activities, shops, transport services, etc. also, the presence of state government institutions, major markets, financial and commercial centers, crafts, services and tourism (heritage & culture) underpins its robust internal revenue generation potential. In 2017, the leadership targeted a monthly internally generated revenue (IGR) of about two hundred and fifty million, an occasion which reflects the councils attempts to leverage its economic potential (Edo State Government). Oredo's rapid urbanization (as Benin City expanded) increased demand on infrastructure roads, markets, housing, utilities, public services. While development in the urban centers have improved, the rural-ward communities is reportedly lacking behind in basic amenities. As of the 2010s, despite its wealth potential, there were criticisms that the revenue did not always translate into proportional development as many markets, roads, water and social infrastructure in outlying communities remained poor or under-provided for.

THEORETICAL FRAMEWORK

Resource Mobilisation Theory

The theoretical framework for this study is the Resource Mobilisation Theory (RMT), originally proposed by John D. McGhee and Michael R. McGhee in 1975. RMT posits that the success of a social movement depends on the acquisition and strategic use of resources to challenge existing power structures. Unlike approaches that focus primarily on grievances, RMT emphasizes organizational skill, leadership, and the exploitation of political opportunities to effect change. The resources identified by the theory are money, people, technology, legitimacy, and networks. RMT explains how movements and organisations obtain and deploy these resources to achieve their objectives. The theory rests on several key assumptions: 1), resources are scarce and strategic and as such, management must actively seek and effectively utilize them; 2), the ability to mobilise resources is contingent on organisational capacity; 3), participants are rational actors who support a movement after weighing the costs and benefits of the resources they can contribute against the expected collective benefits; 4), external political, economic, and cultural contexts create "resource niches" that either facilitate or constrain mobilisation efforts, and 5) that resources can be converted; one type (e.g., money) can be transformed into another (e.g., volunteer labour) through organisational processes (McGhee and McGhee, 1975, Zald and McGarvey, 1979, and Olson, 1965).

The adoption of RMT in this study is justified because its assumptions are directly relevant to understanding the role of revenue in local government operations. For a local government council to generate revenue successfully, it must be strategically positioned and its internal revenue generation (IRG) mechanisms must be strengthened, taking into account citizens' rational tendency to evade payment when opportunities arise. Consequently, local-government areas with stronger resource bases are more likely to sustain themselves and improve performance.

METHODOLOGY

This paper employs qualitative method for data collection, utilizing both primary and secondary sources of data. Primary data was generated through in-depth interviews (IDIs) and focus group discussion (FGD), while secondary data was sourced from the internet, textbooks, and journals. The study population consists of both staff members and artisans in oredo local government area. For efficient collection of data, a sample size of 70 respondents was purposively selected, comprising 10 management staff from five departments

(Human Resources, Finance, Marketing, Revenue and Customer Service department), 30 oredo revenue collector and 30 artisans (Traders, hawkers, drivers etc.) which were divided into 12 groups consisting of 6 revenue collectors groups and 6 artisans' groups. The data obtained was analysed thematically using subheadings to reflect the objectives stated in the study.

ETHICAL CONSIDERATION

Respondents' identity was concealed in order to maintain ethical principle of confidentiality. Table 1 and 2 indicate the sample questions used to elicit responses from respondents and the summary of the responses.

Table 1: Face to Face conversation

Themes	Questions
Influence of internal revenue generation on the overall performance of oredo local government area	How has internal revenue generation shaped overall performance of Oredo Local Government Area since the last five years?
Effective strategy in mobilizing internal revenue generation in oredo local government area.	Can you explain the most effective strategies Oredo Local Government Area has adopted to mobilise its internal revenue? How do you ensure transparency and accountability in the collection of internally generated revenue? How does the council identify and register new taxpayers or taxable activities?
Factors hindering effective internal revenue generation in oredo local government area.	What are the main factors preventing the council from achieving its full internal-revenue-generation potential? How does residents' attitudes toward taxation influence compliance in oredo environ?

Source: Fieldwork, 2025

Table 2: Summary of Findings

Theme	Summary of Key Respondents' views
Influence of internal revenue generation on the overall performance of oredo local government area	Over the last five years the council has had issues putting its internal revenue into a reliable funding stream. While there has been relative growth in the revenue mobilisation, but concerning performance, its impact is minimal as it is used to complement monthly allocations.
Effective strategy in mobilizing internal revenue generation in oredo local government area.	The adoption of digital tool in revenue mobilisation has been the most effective strategy. When the former governor introduced it, the council key in and there was a remarkable outcome to some extent. Different means like technology, clear procedures, and community oversight were explored to ensure transparency and accountability. Identification and registering of new taxpayers and taxable activities follows various process including: field outreach, digital tools, and community verification.
Factors hindering effective internal revenue generation in oredo local government area.	The council have numerous factors affecting its internally generated revenue most of which are internal. Examples are: political instability, weak enforcement strategy, outdated business registry, over reliance on federal allocation etc.

Source: Fieldwork, 2025

DISCUSSIONS

Effects of Internal Revenue Generation on Local Government Performance

Internal Revenue Generation (IGR) refers to funds that are derived from within the same system, either by the federal, state or local governments from their respective jurisdiction (Abiola and Ehigiamusoe, 2014). In the context of local government, it means the revenue that is generated by the local council itself apart from transfers from external sources. According to Adesanya and Ifayemi (2023), Local government IGR can be classified into two groups which are: tax revenue and non-tax revenue sources. The tax revenues are compulsory payment imposed on income, profit or property. The non-tax revenues are those imposed on usages, permit, and licences. IGR for a local government, is derived from various sources such as taxes, licences, fees, levies, rates, permits, fines, and stallages. At the local government, these revenues are classified into five heads which are: taxes and rates; local licences; fines and rates; earning from commercial undertakings and rent on local government properties; miscellaneous revenue, interest and dividend.

Accordingly, revenue remains a critical driver of local-government performance hence it determines the extent to which local government councils can performs their statutory obligations. IGR is generally regarded as a pivotal determinant of local-government performance because it reduces fiscal dependence on volatile federal allocations and creates a direct link between service delivery and the tax-paying constituency (Okonkwo & Onyekwelu, 2022). When local government councils mobilise their own internal resources they can exercise greater discretion over budgeting, which can translate into faster implementation of capital projects and improved maintenance of existing infrastructure (Adeyemi, 2021). According to the respondents interviewed,

> *"Oredo local government council over the last five years has made a significant progress in terms of performance and service delivery as the council's IGR has been used to complement other revenue sources. Despite the council's meager share of tax field and inability to maintain a continuous flowing stream of IGR, it has contributed a reasonable percentage to the council's commitment to infrastructural development, personnel training, school maintenance etc."*

Empirical studies from Nigeria's Open LGA platform indicated a positive correlation ($r = 0.68$) between the proportion of IGR in total revenue and the composite performance index of councils, suggesting that a 10 % increase in local government IGR increased performance index by roughly 3-4 percent (NBS, 2023). According to Eze and Okafor (2020), Oluwafemi (2020), and Adeyemi (2021), there are three ways in which local government IRG can affect the council's performance and they are:

a. **Financial Autonomy:** This enables local government councils to prioritize local needs without waiting for federal disbursements, shortening procurement cycles and reducing project delays.
b. **Strengthened Accountability Mechanisms:** When revenue is internally sourced; citizens are more likely to demand transparency, which curtails leakages and improves expenditure efficiency.
c. **Investment in Revenue-Generating Assets:** Such as municipal markets, transportation terminals and commercial parks which creates a virtuous cycle. The infrastructure attracts economic activity, expands the tax base, and further boosts IGR, which can be reinvested in social services.

Furthermore, Eze and Okafor (2020) noted that IGR impacted on staff motivation as there were regular salary payments because the council's ability to meet monthly payroll obligations improved after IGR surpassed 35 % of total revenue, a situation that led to reduction in staff absenteeism from an average of 7 % to 3 % rate.

Local Government Internal Revenue Mobilisation Strategy

Local Government Internal Revenue Mobilisation Strategy (LGIRMS) refers to the systematic approach used by councils to expand and extract tax field, improve collection efficiency, and ensure that revenue generated is sufficient to fund basic services and improve performance (Adeyemi, 2021). Respondents who explain the effectiveness of oredo local government council strategy in mobilizing IGR identify different arrays of strategy viz-a-viz, the adoption of digital tools and others. According to the majority of the respondents,

> *"The adoption of digital tool in revenue mobilisation has been the most effective strategy in mobilizing IGR. When the former governor introduced it at the state level, the council saw it as a viable way of extracting taxes from its service seekers and property users. Since its adoption, the system has proven to be a veritable asset that can be utilise by any organisation."*

According to Oluwafemi (2022), there are basically for pillars adopted in Oredo Local Government Area, as its tax exploratory strategy and they are: accurate property and business registration through GIS mapping, digital payment platforms, community-based oversight and continuous capacity-building for revenue staff. Another respondent explains further that:

> *"Technology, clear procedures, and community oversight were explored to ensure transparency and accountability. In terms of identification and registering of new taxpayers and taxable activities, the respondent averred that various process including: field outreach, digital tools, and community verification were engaged.*"

With regards to tax mobilisation strategy, other scholars have identified the following:

a. **GIS-Based Property Mapping & Digital Tax Registers:** The council deployed a GIS-enabled property registry in 2021, giving a single, up-to-date view of taxable assets across the area. This reduced under-assessment by an estimated 18 % and lifted property-tax yields by roughly 20 % in the first two years (Adeyemi, 2021).
b. **USSD-Enabled TIN Registration & E-Payment Platforms:** Following the Edo State IRS model, Oredo introduced a simple USSD code (*123#) for on-the-spot Tax Identification Number (TIN) registration and mobile-wallet payments of rates, market fees and licences. This cut registration time from days to minutes and boosted on-time payments (Oluwafemi, 2022).
c. **Decentralised Registration Centres in Every Ward:** Mini-revenue offices were set up in each ward, staffed by locally trained officers. Having the service physically close to residents reduced the "distance barrier" and raised compliance, especially among small and petty traders (NBS, 2023).
d. **Partnerships with the NFIU and Capacity-Building Programmes:** An MoU with the Nigerian Financial Intelligence Unit provided the council a better tool to detect tax evasion. In addition, with the regular training on the new Tax Act (2025) for revenue staff, enforcement was improved while provision of incentives (health-benefit vouchers, education subsidies) encouraged voluntary compliance (Eze & Okafor, 2020).

Factors Hindering Effective Local Government Internal Revenue Generation Mobilisation

Effective internal revenue mobilisation has been a major challenge in many local government areas in Nigeria. The underlisted points underpin the reasons for this menace.

Outdated Property and Business Registries

Outdated property and business registries system pervade many local governments in Nigeria. A situation that has eroded local government council ability to fully mobilise it accrues revenue and have left large portions of taxable assets in the jurisdiction unrecorded. A 2021 field audit showed that only about 58 % of residential properties and 62 % of commercial premises were captured in the council's GIS-based ledger (Adeyemi, 2021). Without an accurate inventory, demand notices cannot be issued and collection rates will remain low. Respondents noted that:

> *"Conducting periodic field survey has been lagging behind in the local government and updating registries becomes difficult when field surveys are not carried out always. The implication of this is users of the council's property cannot be captured for taxation. In inference, integrating mobile-based updates, and linking registration to license renewal are essential steps towards creating a more accurate and productive revenue database."*

This gap distorts the tax base, prevents the issuance of accurate demand notices, and inflates the cost of compliance for those who that have paid (Oluwafemi, 2022). According to the National Bureau of Statistics

(NBS 2023), the consequences of clinging to outdated records are: the assured losses of potential revenue meant for the council due to taxing unregistered units using flat rate, under valued rate, or complete escape from assessment. Also, the absence of reliable data hinders planning and service delivery, as the council cannot effectively allocate resources to areas that are really in need of them (Eze & Okafor, 2020).

Weak Enforcement and Low Compliance Culture

While weak enforcement refers to the inadequate or inconsistent application of rules, penalties, and monitoring mechanisms low compliance means minimal response to a course. *"Weakness in enforcement of rules usually breeds inability to detect violations and imposed sanctions on violators. This often result in individuals or entities deliberately refusing to pay tax, a situation that consistently undermines the effectiveness of the regulatory framework."*

According to Adeyemi (2011), weak enforcement and a low compliance culture constitute a major obstacle to effective internal-revenue mobilisation in many local government areas, including Oredo Local Government Area. According to him, when penalties for non-payment are minimal and monitoring mechanisms weak, taxpayers perceive little risk in evading obligations. This perception is strengthened by an ongoing belief that tax payments are have not translated to visible performance in the local government area. A community surveys conducted by oredo local government council and the NBS, indicated that only about 34 % of respondents reposed confidence on the council ability to use internally generated revenue (IGR) effectively, 47 % believed the council was "not transparent" about how IGR is used while others (19%) were indifference believing that public funds usually ends in the pocket of individuals. This factor correlates strongly with lower compliance rates as respondents views public officers as unaccountable. Moreover, the absence of systematic audits and the irregular application of sanctions create an environment where non-compliance becomes the norm rather than the exception (Oredo LGA, 2022, NBS, 2023 and Eze and Okafor, 2020).

Political Instability

Political instability has to do with the constant interruption of a political system. A situation in which a political system experiences frequent disruption such as abrupt changes in government, coups, civil unrest, or policy reversals. In Nigeria, the advent of political instability in local government operations is a norm as the state government could dissolve elected council and thereby constitute a committee to oversee the affairs of the council. According to Eghaghe and Oyakhire (2024) this challenges stern from the constitutional subjugation of local government council to the will and dictate of the state government. Furthermore, Okonkwo (2022), noted that the constant interference in local government affairs undermine continuity and predictability of local governance as this intrusion surely erodes institutional credibility, hampers long-term planning, and can reduce public confidence in the council's ability to perform optimally and enforce regulations.

Adeyemi (2021) averred that between 2019 and 2023, oredo local government had four chairmen and three revenue departmental heads. As of now, (December, 2025) the chairman of the council was appointed by the state governor after dissolving all the elected council in the eighteen local government areas in Edo State (Egbejule, 2024). Political instability has been a pervasive challenge undermining the effectiveness of local government systems in Nigeria especially in internal-revenue mobilisation matters. *"Frequent changes in elected officials, abrupt policy reversals, and occasional civil unrest as has been the case in Oredo local government area were councils have experience rapid turnover since 2019",* initiatives to broaden tax base and modernise collection platforms are often abandoned before they can yield any realistic results (Eze & Okafor, 2020). Thus, political instability not only hinders administrative continuity but also weakens and erodes the social contract between local authorities and taxpayers and thereby limiting the revenue potential required for sustainable grassroots development.

Inadequate Digital Infrastructure

Inadequate digital infrastructure has become a critical bottleneck for local government performance across Nigeria, especially in the context of revenue mobilisation at the local level. Outdated hardware, unreliable internet connectivity, and fragmented software systems prevent councils from capturing accurate data, processing transactions efficiently, and sharing information with citizens (Adeyemi, 2021). Without a reliable digital facility, even a well-designed policies dies at the implementation stage, and thereby leaving taxpayers frustrated (Oluwafemi, 2022).

The consequences of this challenge is evident in delayed billing cycles, missed revenue opportunities, and limited e-governance services that could otherwise streamline interactions between residents and local authorities (Eze & Okafor, 2020). Moreover, the lack of integrated platforms retards coordination among departments, making it difficult to track assets, monitor compliance, and develop a reliable report for decision-making (National Bureau of Statistics, 2023). Addressing these shortcomings is essential not only for improving internally generated revenue but also for fostering transparent, citizen-centric governance at the grassroots level. inadequate digital infrastructure limits the reach of the USSD-based registration and payment system. In rural wards, network coverage is intermittent, forcing willing taxpayers to travel to urban centers to pay obligations, which raises the cost of compliance (Oluwafemi, 2022).

Informal Sector Dominance

Informal sector dominance is a defining feature of many Nigerian economies, viz-a-viz, the local-government where a large share of economic activity is done outside formal registration and regulation (Adeyemi, 2021). In Edo State, for instance, traders, transport operators, and small-scale manufacturers often conduct their business without obtaining licences, tax identification numbers, and formal accounting systems. The prevalence of informal operations not only narrows the tax net but also creates an uneven playing field in which compliant businesses struggle to compete with untaxed counterparts (Eze & Okafor, 2020).

Accordingly, one of the respondents noted that *"most of the buses working within the ring-road, and Oba market axis, apart from the designated central park are either owned by authorities in the local government council or paid royalties to them on regular basis to be granted such privilege"*. A patronistic largesse that implies a system of reciprocal, informal obligations rather than formal and merit-based arrangements and undermines the council's legal framework as those granted such permit are by no means taxed due to their affiliation with these elites. informal sector dominance thus indicates a substantial share of economic activity occurs outside formal channels. Market traders operating without licences, and the council lacking the manpower to conduct regular inspections (Oredo Local Government Area, 2022).

Over Dependency on Federal Allocations

Over-reliance on federal allocations has been a defining fiscal challenge in Nigerian states and local governments. A situation in which sub-national entities depend heavily on monthly transfers from the center and as a result, are unwilling and lack the ability to develop their own revenue bases. This dependency has continued to weakens social contract, as local residents perceive taxes as optional believing that services are largely funded from the federal pool rather than local contributions (Oluwafemi, 2022). Consequently, the persistent "hand-out" model hampers sustainable development, limits policy autonomy, and perpetuates a cycle of fiscal imbalance that is difficult to break. Budgetary reliance on federal allocations creates a "soft budget" mentality, reducing the incentive to aggressively pursue IGR. When a large portion of the budget is contingent on guarantees from higher levels of government, the urgency to improve local revenue mobilisation diminishes (NBS, 2023).

CONCLUSION

The analysis of Oredo Local Government Area reveals a clear link between effective internal revenue generation (IGR) and improved administrative performance. When the council successfully broadened its tax base, streamlined collection processes, and leveraged digital tools, it not only raised revenue but also enhanced transparency, boosted staff capacity, and accelerated service delivery.

RECOMMENDATIONS

The study thus recognizes the effect of internal revenue generation on the performance of oredo local government area in Edo State and therefore recommends the following:

a. That digital revenue platform should be institutionalised and regular maintenance assured.
b. The council should build a stable, merit-based management team insulated from political turnover.
c. The local government council should launch a targeted outreach programmes aimed at formalizing informal-sector participants so as to expand the tax net.
d. Over dependence on federal allocations should be reduce by earmarking a portion of IGR for capital projects, thereby reinforcing fiscal resilience.

LIMITATION OF THE STUDY

The study adopted only a qualitative approach using IDIs and FGDs. While this provides rich in-depth and insights, it limits the ability to generalise findings across the entire Oredo LGA population of over 374,000. The absence of quantitative data means the magnitude of issues like revenue leakages, compliance rates, and impact on service delivery cannot be statistically measured. Another limitation is that the study is limited to Oredo LGA, an urban and relatively affluent LGA. Findings may not be applicable to rural or less commercially viable LGAs in Edo State and Nigeria where revenue potential and challenges differ.

SUGGESTION FOR FURTHER STUDY

Future studies should combine qualitative and quantitative methods. A survey of a larger, randomly selected sample of residents and taxpayers, coupled with analysis of audited financial statements, will help quantify the relationship between IGR and performance indicators like road maintenance, health and education outcomes. Also, a comparative study of Oredo LGA with a rural LGA and another urban LGA in Edo State would reveal how location, economic base, and political dynamics affect IGR mobilisation and performance. This will help in developing context-specific policy models.

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