



## REVENUE GENERATION AND RURAL DEVELOPMENT: EVIDENCE FROM ASA LOCAL GOVERNMENT OF KWARA STATE

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<https://doi.org/10.63725/majaf.v7.i1.15>

### Abstract

Revenue generation remains pivotal to financing sustainable rural development, especially in developing nations like Nigeria where local governments face persistent infrastructural and social deficits. Despite the constitutional mandate for internally generated revenue (IGR), most local governments remain heavily dependent on federal allocations, limiting their developmental capacity. Against this backdrop, this paper assessed the impact of revenue generation on rural development in Asa Local Government, Kwara State. The study adopted a positivist paradigm and a quantitative descriptive survey design, utilized a sample of 186 respondents drawn from local government administrators, finance officers, planning officers, and community leaders. Primary data were collected through structured questionnaires. Partial Least Squares Structural Equation Modeling (PLS-SEM) was employed to test the hypothesized relationships among variables. Findings revealed that internally generated revenue which comprised taxes, levies, and user charges contributes positively to rural development ( $\beta = 0.931$ ,  $P = 0.000$ ), particularly in enhancing education, healthcare, and access to potable water, though its effect on road infrastructure remains modest. The results also showed that revenue generation is significantly constrained by low tax compliance, corruption, weak institutional capacity, and political interference, all of which negatively impact service delivery ( $\beta = -0.022$ ,  $P = 0.332$ ). The paper concludes that while IGR contributes meaningfully to rural development in Asa Local Government, its effectiveness is undermined by systemic challenges that limit its sustainability. It recommends strengthening institutional frameworks such as adoption of digital tax administration platforms to minimize leakages for revenue collection, promoting taxpayer awareness and compliance, reducing political interference, and diversifying revenue sources to ensure adequate funding for infrastructural and social development in rural communities.

**Key Words:** Local Government, Revenue Generation, Rural Development

**JEL Classification:** H71, H72, O18, R11

### 1. Introduction

Rural development has been a significant focus of Nigeria's national economic policies, with various initiatives aimed at improving the socio-economic conditions of rural communities. The National Economic Empowerment and Development Strategy (NEEDS) was introduced as a comprehensive framework to promote economic growth, poverty reduction, and rural development through infrastructural investment, agricultural support, and human capital development (NBS, 2020). Additionally, programs such as the Agricultural Transformation Agenda (ATA) and the Anchor Borrowers' Programme (ABP) have been implemented to enhance agricultural productivity, which is a key driver of rural development in Nigeria (Olawale, 2021). Furthermore, initiatives such as the Community-Based Development Programme (CBDP) have been introduced to address rural developmental needs through participatory governance and localized interventions. The kwara state government has made

attempts to improve rural infrastructure through projects such as the Rural Access and Agricultural Marketing Project (RAAMP), aimed at enhancing road connectivity and agricultural productivity (Kwara State Ministry of Finance, 2022). However, the effectiveness of such programs has been limited primarily due to inadequate funding, poor governance structures, and inefficiencies in revenue generation at the local government level. Studies such as Odoemene (2020) and Ogunleye and Ojo (2018) reveal that the majority of local governments in Nigeria rely extensively on statutory allocations from the Federation Account, with internally generated revenue (IGR) making only a marginal contribution to developmental projects (Ewetan & Urhie, 2020). This over-reliance on federal allocations constrains the capacity of local governments to initiate and sustain critical infrastructure projects independently.

Asa Local Government area in Kwara State is predominantly rural, with its economy centered on agriculture and small-scale trading faces significant challenges of poor road networks, lack of potable water, inadequate healthcare facilities, and limited access to quality education (Ogunleye, 2022). The local government relies largely on federal allocations, with internally generated revenue playing a minor role in financing developmental projects (Adeniyi, 2023). Consequently, there is a need to assess how revenue generation, particularly internally generated revenue, impacts rural development in Asa Local Government. Local governments in Nigeria derive revenue from various sources, broadly categorized into internally generated revenue and statutory allocations. Internally generated revenue includes local taxes, rates, levies, fines, licenses, market fees, motor park charges, and earnings from commercial activities. These revenue components constitute the primary financial base through which local governments finance grassroots development initiatives. When effectively mobilized and managed, such revenues provide critical funding for rural development programmes, including the provision of basic infrastructure such as feeder roads, water supply, primary healthcare facilities, schools, and environmental sanitation services. In addition, internally generated revenue enhances fiscal autonomy, reduces overdependence on statutory transfers, and enables local governments to respond more promptly to the specific developmental needs of rural communities. However, the extent to which these revenue components translate into tangible rural development outcomes depends largely on administrative efficiency, accountability, and the institutional capacity of the local government.

### ***Statement of the Problem***

Revenue generation plays a fundamental role in financing rural development, particularly at the local government level, where funds are required for critical infrastructure, healthcare, education, and other essential services. However, in many local governments in Nigeria, including Asa Local Government in Kwara State, internally generated revenue (IGR) remains alarmingly low. According to the National Bureau of Statistics (NBS, 2022), Kwara State's IGR contribution to total revenue was 4.9%, one of the lowest in the North Central region (NBS, 2022). Recent data indicate improvements in Kwara State's internally generated revenue in the years following 2022. According to the Kwara State Internal Revenue Service (KW-IRS), the state recorded a 36 per cent year-on-year growth in IGR between 2023 and 2024, reflecting enhanced revenue administration and reduced dependence on federally distributed revenue. This performance also earned Kwara State a third-place ranking in sub-national fiscal performance for 2024, and positioned it among the least dependent states on federal allocations, signaling progress in local revenue mobilization beyond earlier low contributions.

This heavy dependence on federal allocations raises concerns about the sustainability of local government development efforts. While local governments are constitutionally empowered to generate revenue through various sources such as taxes, levies, fines, and user charges (Ogunleye&Ojo, 2018), the extent to which these sources contribute to rural development in Asa Local Government remains unclear. The lack of comprehensive data on the local government's revenue generation capacity raises doubts about its ability to finance the developmental needs of its rural population such as roads, water supply, electricity, and public health facilities are essential for improving the quality of life in rural areas. In Asa Local Government, the infrastructural deficit is particularly pronounced. Reports show that over 70% of rural roads in the area are in poor condition, with only 35% of the population having access to a functional healthcare facility within a 5-kilometer radius (Ajayi&Adeyemi, 2023). If internally generated revenue remains inadequate to finance infrastructural projects, economic stagnation and poor living conditions may persist. Understanding the extent to which revenue generation influences infrastructure development is therefore crucial for designing effective fiscal policies that can enhance rural development in Asa Local Government.

Based on the above arguments, this paper seeks to achieve its objective by formulating the following null hypotheses

**H<sub>01</sub>:** Sources of revenue generation do not have a significant contribution to rural development in Asa Local Government of Kwara State.

**H<sub>02</sub>:** There is no significant relationship between revenue generation and the level of infrastructural development in Asa Local Government of Kwara State.

**H<sub>03</sub>:** Challenges faced in revenue generation do not have a significant effect on rural development in Asa Local Government of Kwara State.

## 2. Literature Review

### Conceptual Review

#### *Revenue Generation*

Revenue generation refers to the process through which government institutions mobilize financial resources to fund public services and developmental activities. At the local government level, revenue generation is particularly critical because it determines the capacity of local authorities to fulfill their constitutional responsibilities and respond to community needs. Olaoye (2008) defines revenue generation as the systematic effort by government to raise funds through taxes, levies, fees, rates, and other legally approved sources to support governance and development. In Nigeria, local government revenue is broadly classified into internally generated revenue (IGR) and external revenue, mainly statutory allocations from the Federation Account and state governments. Internally generated revenue includes tenement rates, market and motor park levies, shop and kiosk rents, business premises permits, slaughter slab fees, marriage and birth registration fees, bicycle and wheelbarrow licenses, billboard permits, and other service-related charges (Akinola, 2013; Okafor, 2012). These sources are constitutionally backed under the Fourth Schedule of the 1999 Constitution of the Federal Republic of Nigeria.

The effectiveness of revenue generation at the local government level depends not only on the availability of these sources but also on administrative efficiency, transparency, public compliance, and political will. Eze and Harrison (2012) argue that internally generated revenue is a key determinant of the quality and quantity of services provided by local governments.

However, many Nigerian local governments suffer from a narrow revenue base, weak collection mechanisms, tax evasion, and political interference, which collectively undermine revenue performance (Olaoye, 2008; Olusola, 2011). Consequently, scholars emphasize the need for diversification and strengthening of internal revenue sources to reduce overdependence on statutory allocations and enhance fiscal sustainability at the grassroots level.

### ***Rural Development***

Rural development refers to a deliberate process of improving the economic, social, and institutional conditions of people living in rural areas. It encompasses efforts aimed at reducing poverty, improving living standards, and expanding access to basic social services and economic opportunities. According to Todaro and Smith (2011), rural development involves improvements in income levels, employment opportunities, healthcare, education, housing, infrastructure, and social welfare of rural populations. Within the local government framework, rural development is often reflected in the provision and maintenance of basic infrastructure such as rural roads, potable water, electricity, primary healthcare facilities, schools, and markets. It also includes agricultural support services, skill acquisition programmes, and community development initiatives that enhance livelihoods and promote inclusive growth. Musgrave and Musgrave (1989) assert that a government's fiscal capacity directly affects its ability to provide public goods and services, implying that rural development outcomes are closely linked to the availability and effective utilization of public revenue.

In the Nigerian context, local governments are constitutionally recognized as the tier of government closest to the people and are therefore strategically positioned to drive rural development. However, inadequate funding and weak revenue generation capacity have limited their effectiveness in delivering sustainable development to rural communities. When revenue generation is insufficient or poorly managed, rural development efforts are often compromised, leading to infrastructural decay, poor service delivery, and persistent rural poverty.

### ***Revenue Generation and Rural Development***

The linkage between revenue generation and rural development is both direct and fundamental. Adequate revenue generation enhances the financial capacity of local governments to plan, implement, and sustain rural development projects. Internally generated revenue, in particular, provides flexibility and autonomy in addressing local priorities without excessive dependence on external transfers. Conversely, weak revenue generation constrains development planning and limits the provision of essential services in rural areas. Therefore, effective revenue generation is not only a fiscal issue but also a developmental imperative. Strengthening internal revenue sources, improving collection efficiency, and ensuring transparent utilization of funds are essential for translating revenue into tangible rural development outcomes. This study, therefore, conceptualizes revenue generation as a key driver of rural development and examines how the nature and performance of revenue sources influence development at the local government level.

## **Theoretical Review**

### ***Fiscal Federalism Theory***

The Fiscal Federalism Theory, originally articulated by Musgrave (1959) and later expanded by Oates (1972), provides a foundational framework for understanding the allocation of fiscal

responsibilities and resources among different tiers of government in a federal system. The theory posits that the functions of government should be decentralized in line with economic efficiency, equity, and macroeconomic stability. According to Musgrave (1959), fiscal functions such as revenue generation and public expenditure should be assigned to the level of government that can perform them most efficiently, based on information advantages and proximity to citizens.

A core assumption of fiscal federalism is that subnational governments, particularly local governments, possess superior knowledge of local preferences and developmental needs. As a result, they are better positioned to provide local public goods and services such as rural roads, primary healthcare, basic education, water supply, and sanitation (Oates, 1972). The theory further assumes that local governments should have sufficient fiscal autonomy to raise and utilize revenue within their jurisdictions, subject to national regulatory frameworks that promote equity and fiscal coordination (Bird, 2010). In the Nigerian context, fiscal federalism is highly relevant to the discourse on revenue generation and rural development. The 1999 Constitution of the Federal Republic of Nigeria assigns specific revenue powers and service delivery responsibilities to local governments.

However, despite this constitutional mandate, many local governments remain fiscally weak and heavily dependent on statutory allocations from higher levels of government (Arowolo, 2011). Fiscal federalism theory suggests that such dependence undermines local governments' ability to effectively finance rural development. Conversely, when local governments are empowered to generate and manage internal revenue through taxes, levies, rates, and user charges they are more likely to implement development projects that address rural needs and priorities (Olaoye, 2008; Olusola, 2011). Thus, fiscal federalism theory provides a strong theoretical basis for examining how revenue generation capacity influences rural development outcomes at the local government level.

### ***Public Finance Theory***

Public Finance Theory, also advanced by Musgrave (1959), explains how governments mobilize revenue, allocate public expenditure, and manage fiscal resources to promote economic efficiency, equity, and development. The theory emphasizes the active role of government in correcting market failures and providing public goods that the private sector cannot efficiently supply, such as infrastructure and social services (Musgrave & Musgrave, 1989). A fundamental assumption of Public Finance Theory is that effective revenue generation is a prerequisite for meaningful public expenditure and development. The theory posits that taxation and other revenue instruments should be guided by principles of equity (ability-to-pay), efficiency, and fiscal sustainability (Boadway & Shah, 2009). It further assumes that the manner in which public revenue is spent is as important as how it is generated, as inefficient allocation and weak financial management can undermine development outcomes.

In relation to rural development, Public Finance Theory suggests that the capacity of local governments to mobilize and prudently manage revenue directly determines their ability to provide essential rural infrastructure and services. When revenues are efficiently collected and transparently allocated to high-impact sectors such as rural roads, healthcare, education, and water supply, public spending can enhance productivity, reduce inequality, and improve living standards in rural areas (Todaro & Smith, 2011). Conversely, weak revenue systems, corruption, and poor expenditure control reduce the developmental impact of public finance, even where

Usman, A. O., Ambali, A. & Alabi, A. (2026). Revenue generation and rural development: evidence from Asa local government of Kwara State. *Malete Journal of Accounting and Finance*, 7 (1), 218 – 235

revenue is available (Eze & Harrison, 2012). Both Fiscal Federalism Theory and Public Finance Theory jointly underpin this study by explaining the linkage between revenue generation and rural development at the local government level. Fiscal Federalism Theory highlights the importance of decentralization and local fiscal autonomy, while Public Finance Theory emphasizes efficient revenue mobilization and expenditure management as drivers of development. Together, these theories provide a robust analytical lens for examining how revenue sources, revenue capacity, and revenue-related challenges affect rural development outcomes in Asa Local Government, Kwara State.

### **Empirical Review**

Empirical studies on revenue generation, particularly internally generated revenue (IGR), and its relationship with rural and infrastructural development have produced mixed findings across developed, developing, and Nigerian contexts. While a substantial body of literature affirms the importance of IGR in financing development, evidence also reveals persistent challenges that limit its effectiveness, especially at the subnational and local government levels.

Recent empirical studies provide mixed evidence on the contribution of internally generated revenue (IGR) to development outcomes in Nigeria. Sokoh (2023) reported that IGR significantly improved educational infrastructure in Delta State, although its effect on health infrastructure remained weak, suggesting that sectoral priorities influence the developmental outcomes of revenue mobilisation. Similarly, Okereke and Olewe (2023) found that internally generated revenue positively affected road, water, and educational infrastructure in Enugu State, demonstrating the importance of local revenue sources in financing basic public services. Onwuegbuna and Abodunrin (2024) further established a positive relationship between revenue generation and rural development in Nigeria, emphasizing that effective revenue administration and sound policy implementation are necessary conditions for achieving meaningful developmental outcomes. Otene et al. (2024) also concluded that internally generated revenue significantly contributed to infrastructural development in Kogi State.

Recent studies equally identify revenue inadequacy and weak institutional capacity as major impediments to development. Onabe et al. (2024), while examining revenue generation models in tertiary institutions in Cross River State, highlighted the need for diversified and sustainable revenue sources to enhance service delivery and institutional development. Chinwuko (2025) reported that poor policy enforcement, inadequate awareness creation, revenue leakages, and insufficient capacity of revenue officials constrained the performance of local governments in Anambra State. Likewise, Mohapatra (2026), in a study of rural local governments, observed that strengthening own-revenue capacity is essential for improving resource allocation, service delivery, and socio-economic development in rural communities.

Evidence from outside Nigeria also provides useful insights. Mpofu (2022) showed that innovative tax instruments and digital financial systems can enhance domestic revenue mobilisation and support the achievement of sustainable development goals in African countries. Wu et al. (2023) found that the construction industry and supportive public policies contributed significantly to sustainable rural development in China, partly through increased local revenue generation and investment in public infrastructure. Furthermore, Ijatuyi et al. (2025) demonstrated that tourism and green spaces can serve as important sources of local revenue, thereby stimulating economic activities and supporting sustainable rural development.

The empirical literature reveals three important issues. First, internally generated revenue possesses substantial potential to promote rural and infrastructural development, although its impact differs across sectors and geographical locations. Second, weak revenue administration systems, limited revenue bases, corruption, and poor enforcement mechanisms continue to undermine the developmental benefits of IGR. Third, many existing studies focus primarily on infrastructure provision or aggregate economic growth, with limited attention devoted to simultaneously examining revenue sources, rural development outcomes, infrastructural development, and the challenges of revenue mobilization within a specific local government context.

Against this backdrop, the present study contributes to the literature by examining the sources of revenue generation, their contributions to rural development, the relationship between revenue generation and infrastructural development, and the challenges affecting revenue mobilization in Asa Local Government Area of Kwara State. By adopting a more integrated and context-specific approach, the study addresses identified gaps and provides deeper insights into how local revenue generation can be strengthened to support sustainable rural development.

### 3. Methodology

The paper adopts a quantitative research design using a descriptive survey approach to determine the impact of revenue generation on rural development in Asa Local Government Area. The primary data were collected through the administration of structured questionnaires, to elicit information on the sources of revenue generation, infrastructural development, challenges in revenue mobilization, and the overall impact on rural development. A sample size of 186 respondents was determined using Krejcie and Morgan (1970) out of the target population approximately consist of 360 individuals who are directly or indirectly involved in revenue generation and rural development activities within Asa Local Government. The study employs a stratified random sampling technique to select questionnaire respondents from different strata: local government staff and community leaders.

The study employed Partial Least Squares Structural Equation Modeling (PLS-SEM) as the primary data estimation technique. PLS-SEM is a robust multivariate statistical method that facilitates the analysis of complex relationships among both observed and latent variables. It is particularly suitable for this study due to its effectiveness in exploratory research and its capacity to handle small to medium sample sizes, non-normal data distributions, and intricate models involving multiple constructs and indicators. The justification for the use of PLS-SEM lies in its ability to simultaneously estimate both the measurement model and the structural model. The measurement model assesses the reliability and validity of the constructs, while the structural model evaluates the hypothesized relationships among latent variables.

**Table 1 Sample Distribution**

S/N	Designation	Population	Sample
1	Local Government Administrator	97	$97/360 \times 186 = 50$
2	Finance Officer	129	$129/360 \times 186 = 67$
3	Plannng, Research and Statistics	14	$14/360 \times 186 = 7$
4	Community Leaders:		
a.	Daudus	3	$3/360 \times 186 = 2$
b.	Alanguas	45	$45/360 \times 186 = 23$
c.	Mogajis	72	$72/360 \times 186 = 37$

<b>Total</b>	360	186
Author's Computation, 2026		

#### 4. Results and Discussion

The data collected through the copies of questionnaire administered to the sampled respondents obtained were subjected to statistical analyses and presented in a table using Partial Least Square Structural Equation Model (PLS-SEM). The descriptive statistical analyses was done using SmartPLS-4 version 4.0.8.3.

**Table 2: Descriptive Statistics Results on Revenue Generation, Challenges and Infrastructural Development in Asa Local Government, Kwara State**

Name	Description Shortened	Mean	Median	Min	Max	Standard Deviation	Excess kurtosis	Skewness
A1	Taxes contribute meaningfully to development	4.099	4.000	2.000	5.000	0.711	1.988	-1.022
A2	Rates/levies improve public services	4.172	4.000	2.000	5.000	0.712	1.677	-0.962
A3	Fees/licenses support local projects	4.130	4.000	2.000	5.000	0.728	1.783	-1.023
A4	LG manages revenue effectively	4.130	4.000	2.000	5.000	0.756	1.744	-1.097
A5	Local revenue > Federal allocation	4.109	4.000	2.000	5.000	0.745	1.346	-0.941
B1	Local revenue improved roads	3.708	4.000	2.000	5.000	0.636	2.098	-1.740
B2	Revenue improved education	3.771	4.000	2.000	4.000	0.568	4.344	-2.383
B3	Revenue improved health facilities	3.880	4.000	2.000	5.000	0.715	1.201	-0.851
B4	Revenue provides clean water	3.896	4.000	2.000	5.000	0.620	2.996	-1.246
B5	Revenue links to infrastructure	3.979	4.000	2.000	5.000	0.790	0.961	-0.920
C1	Poor compliance reduces revenue	4.281	4.000	2.000	5.000	0.514	2.332	-0.198
C2	Corruption affects development	4.276	4.000	2.000	5.000	0.522	2.200	-0.236
C3	Lack of training limits efficiency	4.245	4.000	2.000	5.000	0.610	0.828	-0.469
C4	Political interference hampers revenue	4.307	4.000	2.000	5.000	0.544	1.741	-0.358
C5	Revenue challenges affect services	4.344	4.000	2.000	5.000	0.556	0.403	-0.274

<b>D1</b>	Road infrastructure supports dev.	3.807	4.000	2.000	5.000	0.612	3.460	-1.790
<b>D2</b>	Educational infrastructure improved	4.115	4.000	2.000	5.000	0.748	1.823	-1.093
<b>D3</b>	Healthcare facilities meet needs	3.938	4.000	2.000	5.000	0.592	3.057	-1.047
<b>D4</b>	Clean water access improved	4.104	4.000	2.000	5.000	0.750	1.738	-1.071
<b>D5</b>	Electricity/public utilities enhanced	4.151	4.000	2.000	5.000	0.766	1.656	-1.107

Source: Author’s computation (2026) using SmartPLS-4

Table 2 presents the descriptive statistics of responses on revenue generation, challenges, and infrastructural development in Asa Local Government. The analysis is based on the measures of central tendency (mean, median), dispersion (standard deviation), and distributional properties (skewness and kurtosis).

***Revenue Generation and Its Contributions to Rural Development (A1-A5)***

The findings show that respondents generally agreed that taxes contribute meaningfully to development (A1, Mean = 4.10, SD = 0.71), rates and levies improve public services (A2, Mean = 4.17, SD = 0.71), and fees/licenses support local projects (A3, Mean = 4.13, SD = 0.73). Similarly, local government was perceived as effective in managing revenue (A4, Mean = 4.13, SD = 0.76). However, respondents expressed relatively lower agreement with the statement that local revenue contributes more significantly to rural development than federal allocations (A5, Mean = 4.11, SD = 0.75). The negative skewness values (-0.94 to -1.10) suggest that responses are slightly concentrated toward the higher end of the scale. However, the values fall within the acceptable range for normal distribution, indicating no serious deviation from normality (Hair et al., 2019). Positive excess kurtosis values further show that the distribution of responses is peaked, implying consensus among respondents.

***Revenue Generation and Infrastructural Development (B1-B5):***

Responses on infrastructural development indicate moderate agreement with relatively varied perceptions across the indicators. Respondents reported that local revenue has moderately contributed to improvements in road networks (B1: Mean = 3.71, SD = 0.64), educational infrastructure (B2: Mean = 3.77, SD = 0.57), health facilities (B3: Mean = 3.88, SD = 0.72), and access to clean water (B4: Mean = 3.90, SD = 0.62). A slightly higher level of agreement was observed regarding the existence of a link between revenue collected and infrastructure provision (B5: Mean = 3.98, SD = 0.79). The negative skewness values (-0.85 to -2.38) suggest that responses were generally skewed toward the higher end of the scale, indicating a tendency toward agreement. Although some items exhibit relatively high kurtosis values particularly educational infrastructure (B2 = 4.34) and access to clean water (B4 = 2.99) these values indicate a concentration of responses around the mean rather than extreme dispersion, suggesting reasonable consensus among respondents. Overall, the distributional properties do not indicate severe departures from normality and are acceptable for subsequent multivariate analysis.

### ***Challenges Affecting Revenue Generation and Rural Development (C1–C5):***

Responses on challenges to revenue generation indicate a high level of agreement across all indicators. Respondents agreed that poor tax compliance reduces available revenue (C1: Mean = 4.28, SD = 0.51), corruption adversely affects development outcomes (C2: Mean = 4.28, SD = 0.52), inadequate training limits administrative efficiency (C3: Mean = 4.25, SD = 0.61), and political interference hampers effective revenue collection (C4: Mean = 4.31, SD = 0.54). In addition, respondents agreed that challenges in revenue generation have a direct effect on service delivery (C5: Mean = 4.34, SD = 0.56). The relatively low standard deviation values (all below 0.61) indicate limited dispersion of responses, suggesting a high degree of consistency among respondents. The slight negative skewness observed across the items indicates a tendency toward agreement, while kurtosis values suggest moderately peaked distributions, reflecting clustering of responses around the mean. Overall, the distributional characteristics support the conclusion that respondents consistently perceive revenue generation challenges as significant constraints on service delivery and rural development.

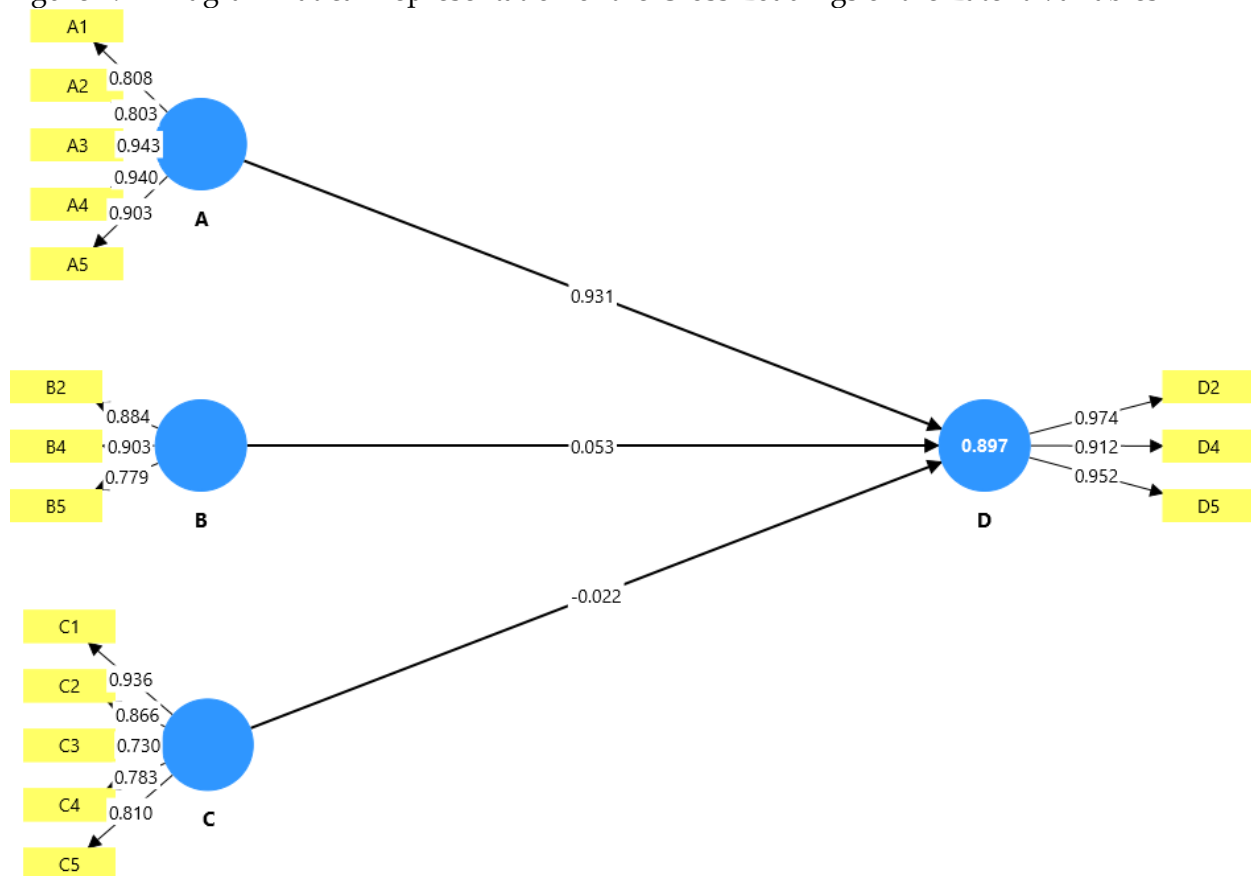
### ***Infrastructural Development (D1–D5):***

The descriptive results indicate a generally positive, though moderate, assessment of infrastructural development within the study area. Road infrastructure received the lowest rating among the indicators (D1: Mean = 3.81, SD = 0.61), suggesting relatively weaker perceived improvement. In contrast, higher levels of agreement were observed for educational infrastructure (D2: Mean = 4.12, SD = 0.75), healthcare facilities (D3: Mean = 3.94, SD = 0.59), access to clean water (D4: Mean = 4.10, SD = 0.75), and electricity and public utilities (D5: Mean = 4.15, SD = 0.77). The standard deviation values indicate moderate dispersion of responses, reflecting some variation in perceptions across respondents. The negative skewness values (-1.07 to -1.79) suggest that responses were generally tilted towards agreement, while kurtosis values ranging from 1.66 to 3.46 indicate moderately peaked distributions, implying that responses were concentrated around the mean rather than widely dispersed. The descriptive evidence shows strong consensus regarding the severity of revenue generation challenges (C1–C5), while perceptions of infrastructural development outcomes (B1–B5 and D1–D5) reflect moderate agreement. In particular, road and educational infrastructure were perceived to have benefited less from revenue generation compared to other sectors. The consistently negative skewness across all items confirms that the majority of respondents acknowledge the positive role of local revenue generation in supporting rural development, although infrastructural outcomes appear uneven and constrained by identified challenges.

### ***Measurement Model Assessment***

The measurement model was evaluated to establish construct reliability and validity. Reliability was assessed using Cronbach's Alpha, rho<sub>A</sub>, Composite Reliability (CR), and C statistics, all of which exceeded the recommended thresholds of 0.70 and 0.50, indicating satisfactory internal consistency. The measurement model assessment was conducted to confirm that the indicators accurately measured their respective constructs. All constructs were specified as reflective measurement models, implying that each construct explains its indicators. Indicator loadings were examined, and values above 0.50 confirmed that the constructs explained more than half of the indicators' variance, thereby demonstrating acceptable reliability and validity. Cross-loadings further supported the adequacy of the measurement model.

Figure 1: Diagrammatical Representation of the Cross Loadings of the Latent Variables



Source: Output from SmartPLS-4, 2026

Figure 1 shows that all measurement items across the constructs recorded factor loadings above the recommended threshold, indicating strong indicator reliability. Constructs A, B, C, and D demonstrated adequate measurement through their respective indicators. The structural results reveal that Revenue Generation significantly and positively predicts Infrastructural Development, while Revenue Generation and Infrastructural Development exhibits a weak positive relationship, and Challenges Affecting Revenue Generation and Rural Development shows a very weak negative relationship with Infrastructural Development. Items with factor loadings below 0.50 were excluded to enhance construct reliability, and detailed cross-loadings are reported in Table 3.

Table 3 Cross Loadings of Latent Variables Results

	A	B	C	D
A1	0.808	0.096	-0.267	0.769
A2	0.803	0.154	-0.288	0.740
A3	0.943	0.058	-0.388	0.882
A4	0.940	0.135	-0.446	0.961
A5	0.903	0.020	-0.382	0.791
B2	0.063	0.884	-0.199	0.099
B4	0.131	0.903	-0.077	0.177
B5	0.038	0.779	-0.120	0.079

<b>C1</b>	-0.358	-0.186	0.936	-0.366
<b>C2</b>	-0.322	-0.055	0.866	-0.333
<b>C3</b>	-0.349	-0.142	0.730	-0.318
<b>C4</b>	-0.334	-0.063	0.783	-0.319
<b>C5</b>	-0.321	-0.119	0.810	-0.348
<b>D2</b>	0.951	0.139	-0.437	0.974
<b>D4</b>	0.828	0.132	-0.362	0.912
<b>D5</b>	0.899	0.166	-0.356	0.952

Source: Author’s computation (2025) from SmartPLS-4 output.

Table 3 presents the factor loadings and cross-loadings of the exogenous and endogenous constructs used to validate the measurement model. The results indicate that most measurement items met the PLS-SEM minimum acceptance threshold of 0.50, while indicators that failed to satisfy this criterion were excluded during hypothesis testing to enhance model reliability. All retained indicators loaded strongly on their respective constructs and exhibited weak cross-loadings on other constructs, indicating adequate indicator reliability and discriminant validity. Specifically, all indicators of Construct A recorded high factor loadings, while Constructs B, C, and D were also adequately measured by their respective indicators, with all loadings exceeding the recommended threshold. These results confirm that each indicator loaded highest on its intended latent variable, supporting discriminant validity as recommended by Hair et al. (2017).

Convergent validity was assessed using the Average Variance Extracted (AVE), and all constructs achieved AVE values above the minimum benchmark of 0.50, indicating sufficient variance explanation and internal consistency. Discriminant validity was further confirmed through cross-loading analysis and the Fornell–Larcker criterion, as the square root of AVE for each construct exceeded the inter-construct correlations.

**Table 4: Construct Reliability and Validity Analysis**

	<b>Cronbach's alpha</b>	<b>Composite reliability (rho_a)</b>	<b>Composite reliability (rho_c)</b>	<b>Average variance extracted (AVE)</b>
<b>A</b>	0.927	0.937	0.946	0.778
<b>B</b>	0.837	1.002	0.892	0.735
<b>C</b>	0.883	0.887	0.915	0.685
<b>D</b>	0.941	0.948	0.963	0.896

Source: Authors’ computation (2025) using SmartPLS-4

The reliability and convergent validity of the constructs were evaluated using Cronbach’s alpha, composite reliability ( $\rho_a$  and  $\rho_c$ ), and the Average Variance Extracted (AVE). The results indicate that all constructs exceeded the recommended thresholds of 0.70 for reliability and 0.50 for AVE, confirming satisfactory internal consistency and convergent validity. Specifically, Constructs A, C, and D demonstrated strong reliability, while Construct B also showed adequate reliability despite a slightly elevated  $\rho_a$  value, which is acceptable in PLS-SEM estimation. All constructs achieved AVE values well above the minimum benchmark, indicating that a substantial proportion of variance in the indicators was explained by their respective constructs. The findings confirm that all constructs meet the minimum criteria for internal consistency and convergent validity, thereby providing strong evidence of a reliable

and robust measurement model. This supports the suitability of the constructs for subsequent structural model analysis.

### Evaluation of Indicator’s Collinearity

Collinearity among formative indicators was assessed using Variance Inflation Factor (VIF) values in line with PLS-SEM guidelines. Both inner and outer VIFs were examined, with values required to be below the threshold of 5 to avoid collinearity issues. The results, as presented in Table 5, indicate that the indicators do not suffer from problematic collinearity.

**Table 5: Collinearity Statistics (VIF Values)**

Construct	Indicator	VIF
A	A1	1.023
B	B1	1.135
C	C1	1.212
D	D1	1.189

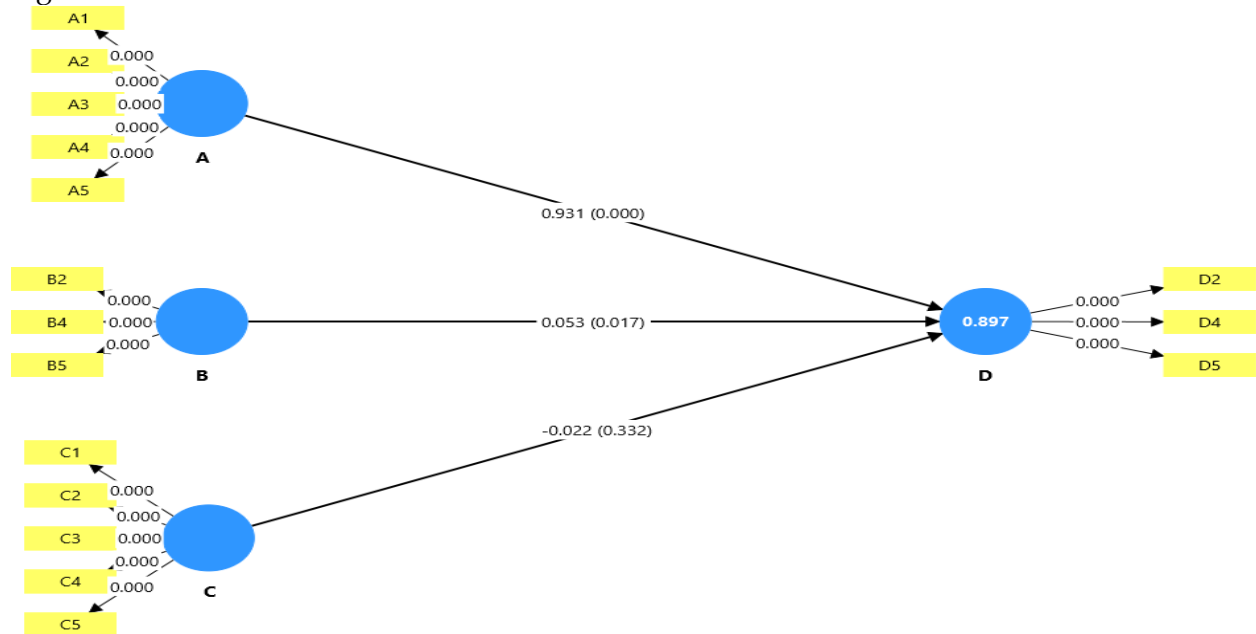
Source: Author’s computation using SmartPLS-4 (2025)

The collinearity test (Table 5) assessed whether formative items measured distinct constructs. Using the VIF threshold of 5, results showed no multicollinearity, with values for constructs A, B, C, and D ranging from 1.023 to 1.212. This confirms the absence of multicollinearity and supports the validity of the formative constructs.

### Assessment of Structural Model

The structural model was assessed using PLS-SEM with bootstrapping (5,000 resamples). Results showed that the model had sufficient explanatory power ( $R^2 > 0.10$ ) and satisfactory predictive relevance ( $Q^2$ ). Several hypothesized paths were statistically significant, supporting the proposed theoretical relationships, while some were not, indicating areas for further investigation. Effect sizes ( $f^2$ ) ranged from small to large across the examined paths.

Figure 2: Assessment of Structural Model



**Table 6: Analysis of Significance of Path Coefficient**

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values
A -> D	0.931	0.930	0.013	70.052	0.000
B -> D	0.053	0.053	0.022	2.381	0.017
C -> D	-0.022	-0.022	0.022	0.970	0.332

**Source:** Authors' computation (2025) using SmartPLS-4

Table 6 presents the path coefficients of the model and their corresponding significance levels. The results indicate that: Revenue Generation and Its Contributions to Rural Development has a strong and statistically significant positive effect on Infrastructural Development ( $\beta = 0.931$ ,  $T = 70.052$ ,  $p < 0.001$ ). Similarly, Revenue Generation and Infrastructural Development demonstrates a weak but statistically significant positive relationship with Infrastructural Development ( $\beta = 0.053$ ,  $T = 2.381$ ,  $p = 0.017$ ). Conversely, Challenges Affecting Revenue Generation and Rural Development exhibits a negative and statistically insignificant effect on Infrastructural Development ( $\beta = -0.022$ ,  $T = 0.970$ ,  $p = 0.332$ ). Therefore, the hypotheses involving Revenue Generation and Its Contributions to Rural Development and Revenue Generation and Infrastructural Development in relation to Infrastructural Development were supported, while the hypothesis linking Challenges Affecting Revenue Generation and Rural Development to Infrastructural Development was not supported. This implies that revenue generation efforts play meaningful roles in influencing infrastructural development in Asa Local Government, whereas revenue generation challenges as highlighted in the study hinders infrastructural development.

### Discussion of Findings:

#### *Contributions of revenue generation to rural development in Asa Local Government.*

The findings revealed that revenue generation has a strong and statistically significant positive effect on rural development in Asa Local Government ( $\beta = 0.931$ ,  $T = 70.052$ ,  $p < 0.001$ ). This indicates that internally generated revenue (IGR) from taxes, rates, levies, and licenses serves as a major driver of development outcomes such as improved education, healthcare, water provision, and community projects. In other words, the greater the revenue generated by the local government, the higher the capacity to improve the socio-economic well-being of rural dwellers.

From a theoretical standpoint, this outcome strongly resonates with Public Finance Theory, which emphasizes that public revenue is the backbone of financing public goods and services that private markets are either unwilling or unable to provide efficiently. In Asa Local Government, mobilization of IGR ensures that rural communities benefit directly from improved service delivery and social amenities. This supports Musgrave & Musgrave's (1989) position that public finance plays a critical allocation, stabilization, and distribution function in ensuring equitable development.

Furthermore, the result aligns with Fiscal Federalism Theory (Oates, 1972), which advocates for fiscal autonomy and decentralization, enabling subnational governments to mobilize resources according to local needs. Asa Local Government's ability to generate and allocate revenue for local projects reflects this principle, ensuring that governance is closer to the people and responsive to grassroots development demands. By effectively utilizing IGR, Asa LGA

demonstrates the essence of fiscal federalism empowering local governments to act as engines of rural development. Empirically, this result is consistent with prior studies. Ibrahim (2020), Patrick (2018), and Uyanah et al. (2021) confirmed that IGR significantly enhances rural development in Nigeria. Similarly, Ginanjar and Kassim (2019) found that strengthening local revenue capacity improves service delivery at the community level. These findings collectively underscore the idea that improving revenue generation mechanisms at the local government tier is indispensable for sustainable rural transformation.

#### ***Extent to which revenue generation contributes to infrastructural development in Asa Local Government.***

The analysis showed that revenue generation has a weak but statistically significant positive effect on infrastructural development ( $\beta = 0.053$ ,  $T = 2.381$ ,  $p = 0.017$ ). While the relationship is positive, the relatively small coefficient suggests that local revenue contributes modestly to infrastructure such as roads, schools, healthcare facilities, water supply, and electricity provision. This can be explained by the capital-intensive nature of infrastructure projects, which often exceed the fiscal capacity of local government revenue bases. In the lens of Public Finance Theory, this outcome illustrates the mismatch between local government revenue capacity and expenditure needs. Musgrave (1959) argued that infrastructure development typically requires substantial financial resources that go beyond what local governments can generate from taxes and levies. Therefore, although IGR contributes positively, the adequacy of infrastructural development in Asa Local Government still heavily relies on federal allocations and intergovernmental transfers.

This finding also connects to Fiscal Federalism Theory, which stresses that decentralization should not only transfer responsibilities to local governments but must also be matched with adequate fiscal empowerment. Where local governments are inadequately funded, infrastructural outcomes may remain limited despite efficient use of available resources. Asa Local Government's modest contribution to infrastructure reflects this imbalance, where local fiscal autonomy exists in theory but is constrained in practice by structural revenue limitations. Empirical evidence supports this outcome. Ibrahim (2020) and Ginanjar & Kassim (2019) found that while IGR positively contributes to infrastructure, its scope is limited due to low tax compliance and narrow revenue bases. Patrick (2018) also emphasized that infrastructural projects in Nigerian LGAs often depend more on statutory allocations from higher levels of government, with IGR serving as a supplementary resource.

#### ***Challenges affecting revenue generation and rural development in Asa Local Government.***

The study revealed that challenges such as poor tax compliance, corruption among revenue collectors, inadequate training of revenue staff, and political interference exhibited a negative but statistically insignificant effect on rural development ( $\beta = -0.022$ ,  $T = 0.970$ ,  $p = 0.332$ ). Although the effect was statistically insignificant, the negative direction highlights that these challenges constrain the capacity of Asa Local Government to generate adequate revenue and sustain rural development outcomes. From a theoretical perspective, Public Finance Theory emphasizes accountability, transparency, and efficiency in the mobilization and allocation of public revenue. Weak compliance and corruption erode the revenue base, while inadequate training and political interference reduce efficiency and accountability in public finance management. These issues undermine the distributive and allocative functions of government finance, thereby limiting its developmental impact. Similarly, Fiscal Federalism

Theory underscores that fiscal decentralization is effective only when subnational governments possess strong institutional capacity to mobilize and manage resources. Institutional weaknesses such as corruption and political interference prevent local governments from fully realizing the benefits of fiscal federalism, thereby hindering rural development.

Empirical studies corroborate these findings. Patrick (2018), Uyanah et al. (2021), and Ibrahim (2020) identified poor compliance, corruption, and weak administrative capacity as major barriers to effective revenue generation in Nigerian LGAs. Ginanjar & Kassim (2019) further highlighted that insufficient staff training and political interference undermine the efficiency of local government revenue systems. Although insignificant in the present model, these factors are critical in shaping the long-term sustainability of local revenue and development. Taken together, the findings confirm the dual relevance of Fiscal Federalism Theory and Public Finance Theory in understanding the relationship between revenue generation and rural development. On one hand, Fiscal Federalism Theory emphasizes the importance of fiscal autonomy, empowering local governments like Asa to mobilize and deploy resources in line with local needs. On the other hand, Public Finance Theory highlights the critical role of efficiency, transparency, and adequate financing in ensuring that revenue translates into tangible development outcomes.

## 5. Conclusion and Recommendations

This study provides significant insights into the relationship between revenue generation and rural development in Asa Local Government, Kwara State, Nigeria. Based on the findings, the study concludes that internally generated revenue (IGR) plays a critical role in driving grassroots development outcomes. Specifically, local revenues from taxes, rates, and levies strongly and positively influence rural development, underscoring their importance in financing education, healthcare, community services, and other developmental needs. The study further concludes that while revenue generation contributes positively to infrastructural development, the effect is relatively weak compared to its influence on broader rural development. This finding suggests that the fiscal capacity of local revenues remains insufficient to finance large-scale infrastructure projects such as roads, electricity, and water supply, which often require substantial intergovernmental transfers.

In addition, the study concludes that challenges such as tax non-compliance, corruption among revenue officials, inadequate training of staff, and political interference undermine the effectiveness of revenue generation. Although these challenges did not show a statistically significant effect in the model, their negative direction signals their practical importance in weakening fiscal performance. This finding emphasizes the need for stronger institutional capacity and governance reforms to maximize the developmental impact of local government revenues.

The following recommendations are proffered in line with the findings:

- i. The study recommends that Asa Local Government should strengthen its Internally Generated Revenue (IGR) system through improved tax administration, revenue base expansion, and reduction of leakages, while ensuring transparent allocation of funds to priority sectors such as education, health, and community welfare.
- ii. Given the modest contribution of revenue to infrastructural development, a mixed-financing approach combining IGR with federal and state allocations and public-

- private partnerships is advised to support capital-intensive projects, alongside efficient planning and monitoring.
- iii. Although revenue-related challenges were found to have an insignificant effect, governance reforms remain necessary, including digital revenue collection, regular audits, capacity-building for revenue officers, reduced political interference, and sustained community sensitization to enhance tax compliance and accountability.

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