THE IMPACT OF REVENUE BASE ON LOCAL GOVERNMENTS' SOCIAL ASSETS IN CROSS RIVER STATE, NIGERIA: 1996 – 2010

TAPANG, ARZIZEH TIESIEH*
B.Sc., M.Sc.

ABSTRACT:

This study evaluated the impact of revenue base on social assets creation in selected local governments in Cross River State, Nigeria. The ex-post facto research design was used as a blueprint for collecting data. Data obtained from these local governments covering 1996 to 2010 was analyzed using the Ordinary Least Squares. The study revealed that revenue base has a significant impact on the creation of social assets. However, internally generated revenue which is a stable revenue source has been neglected due to over-dependence on statutory allocation from the federation account. Furthermore, the inability of state government to pay ten per cent (10%) of its internally generated revenue to Councils as statutorily required, coupled with fallouts of the operation of the State Local Government Joint Allocation Account (JAAC) has further impaired the capacity of Councils to create social assets. It is therefore expedient that local governments are encouraged to expand their internally generated revenue bases to aid planning and execution of social infrastructure. Legal constraints by way of the operation of the local government joint allocation account as well as failure of states to discharge their financial obligation to local governments equally need to be addressed.

Keywords: Revenue Base, Social Asset, Joint Allocation Account, Federation Account Allocation, Public Goods and Public Choice

* FACULTY OF MANAGEMENT SCIENCES, UNIVERSITY OF CALABAR, P.M.B.1115., CALABAR.

1.1 Introduction:

Prior to the enactment of the 1951, 1952, and 1955 Local Government Laws of the Eastern, Western and Northern Regional Governments, the Native Administration existed as the third level of government across the country. The Native Authorities were principally used by the British colonial administration in Nigeria, as linkages between the colonial administration and the natives. They provided the means for tax administration and the maintenance of law and order. A distinctive feature of the Native Administration was the need for the colonial administrators to gain legitimacy by using the traditional leadership apparatus that was in existence. In other words, the Native Administration was an answer to the need for Nigerians to participate in their own governance (Heussler, 1968; Hetherington, 1978).

The 1951, 1952 and 1955 Local Government Laws of the respective regions re-organized and replaced the Native Administrations with County, Municipal, and District Councils, which had descending order of superiority (CBN, 2000:23). By this time, the objective of setting up the Local Government system, in view of the aforementioned laws transcended participation and/or representation in governance to the establishment of a vehicle for grass-root development (Ezeani, 2004:78).

The performance of the local government can best be adjudged by its ability to develop and implement policies that would induce desirable changes in the economic structure of the grass-root. Such policies must induce a wide range of changes in the entire social system, tuned to diverse basic needs and desires of individuals and social groups within the system. These basic needs are satisfied by the provision of social assets and services by the local government. In order to satisfy these needs, the local government has been structured into the Departments of: Works; Health; Education; Agriculture; Social Development; and support-service Departments to provide physical infrastructure, health, education, agricultural support and extension and other sundry services.

The provision of social assets and services to the local people can not be achieved without revenue. Broadly, the revenue of the local government comprises Receipts from the Federation Account, Receipts from share of Value-Added Tax (VAT), Receipts of Allocation from State Government, Receipts from Federal/State Governments as Grants-in-Aid, and Internally Generated Revenue (IGR). Of all these sources of revenue, only Internally Generated

Revenue is within the control of the local government. In other words, it can be determined by the local government and for this reason provides the stability required for planning and execution of projects.

In order to have a theoretical framework for the study, the following null research hypotheses have been formulated:

H_0: There is no significant relationship between expenditure on social assets and the revenue base of Local Government.

H_0: Internally-Generated Revenue does not significantly contribute to total revenue.

2.0 Literature review and theoretical framework:

Early economists, notably Adam Smith, Thomas Robert Malthus, David Ricardo and John Stuart Mill believed that the self correcting mechanism of a market economy would continually guide the economy toward full output and full employment. All of them shared Smith's suspicion of government and his ardent confidence in the power of self interest represented by his famous "invisible hand", which reconciled public benefit with individual pursuit of private gain (Lekachman, 2007).

Smith's conviction together with J. S. Mill's argument that "only through the principle of competition has political economy any pretension to the character of science", shaped the contribution of later economists like Alfred Marshal to the development of the First Welfare Theorem which states that "a properly working competitive economy generates a Pareto efficient allocation of resources (i.e. optimal welfare situation) without any government intervention" (Rosen, 2002:38). According to Bailey (2002:24), three conditions must be met for a Pareto efficient allocation of resources to be achieved, namely:

a) Efficiency in production;
b) Efficiency in consumption; and
c) Total efficiency (i.e. MRS = MRT)

- Marginal Rate of Substitution (MRS) is the rate at which an individual is willing to exchange private good for a public good.

- Marginal Rate of Transformation (MRT) is the quantity of private good which society will have to give up to produce a unit of public good.

Public goods are by nature non-rival and non-excludable. That is, consumption by one person does not prevent others from consuming as well, even as those who do not pay cannot be excluded from doing so, for instance, national defence. Merit goods are those for which an individual undervalues the personal benefits from its consumption, for example, inadequate provision for old age because it is too far in the future. Externalities are social costs and benefits which extend beyond the purchaser's costs and benefits and are thus external to market prices, for example social cost of cigarette smoking (Rosen, 2002:45-48).

2.1 Theory of public goods:

Paul Samuelson is widely credited as the first economist to develop the theory of public goods and externalities. In his work, "The Pure Theory of Public Expenditure", he defined a public good or collective good as "…(goods) which all enjoy in common in the sense that each individual consumption of such a good leads to no subtractions from any other individual's consumption of that good…". This property has become known as non-rivalry (Holcombe,1997).

Public goods are defined in terms of their economic rather than their administrative, physical, normative or financing characteristics. According to Bailey (2002:30), Samuelson identified two key characteristics of public goods, namely, non-excludability and non-rivalry. Other characteristics are non-rejectability, indivisibility and inexhaustibility (Agiobenebo, 1999).

The market mechanism fails to make consumers reveal their preferences for a public good due to its non-excludability and non-rivalry. Hence, the demand curve of a public good is not known. Because the consumer knows he cannot be excluded from consuming a public good, he has no incentive to pay for it. Expecting such consumer to pay would be inconsistent with the assumption that he seeks to maximize his welfare. In fact, such consumer would apply the income that could have been used to pay for such public good in the consumption of more private goods and therefore arrive at a better level of welfare (Bailey, 2002:31).

3.0 Methodology:

The ex post facto research design was employed in collecting and analyzing data for the purpose of drawing inferences. The choice of this design was predicated on the fact that the study involved an observation of the variables over the years with a view to evaluating them (Asika, 1991). Three local governments comprising one from each of the three senatorial districts were selected to make the sample representative of the eighteen Local Governments in Cross River State, Nigeria. The local governments are: Akpabuyo, (Southern District), Ikom (Central District) and Obudu (Northern District).

Data on components of revenue base, together with the cost of social assets in the six (6) local governments were collected from Annual Financial Reports as published by the State Auditor General for Local Governments over a period of fifteen years (1996 – 2010). The Ordinary Least Squares (OLS) method of regression analysis was applied to determine the nature and extent of the relationship between the variables.

3.1 Model specification:

The first set of equations relates Social Assets with Revenue Base as follows:

(i) Social Assets (SA) = f (revenue base)

(ii) Social Assets = f (Federation Account Allocation, State Allocation, Grants, Internally Generated Revenue)

More formally,

$$SA = a_0 + a_1RB_t + U_{1t} \ldots \quad \ldots \quad \ldots \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \text{(1a)}$$

Also, in an attempt to determine the individual influence of the components of local government Revenue Base on Social Assets creation, the following model was formulated:

$$SA_t = b_0 + b_1FAAR_t + b_2STA_t + b_3G_t + b_4IGR_t + U_{2t} \quad \ldots\ldots\ldots\ldots\ldots\ldots \text{(1b)}$$

Where: SA_t = Social Assets for year t

b_1FAAR_t = Federation Accounts Allocation Receipts for year t

STA_t = State Allocation

G_t = Grants for year t

IGR_t = Internally Generated Revenue for year t

RB_t = Total Revenues for year t

U_i are stochastic error terms which absorb other influences not captured by the model.

bo = constant parameter of RB,

b_1, b_2, b_3, b_4, are constant parameters of FAAR, STA, G and IGR respectively.

The parameters were expected to have the following signs:

$a_1 > 0$: the higher the Revenue Base, the higher would Social Assets creation be.

$b_1, b_2, b_3, b_4 > 0$.

The expected signs of the parameters are positive. This indicates that an increase in any of the components of Revenue Base would lead to increase in Social Assets creation. This is, of course, our a priori expectation in the study. The estimates of the parameters were obtained using the ordinary least square (OLS) method of regression analysis.

The second equation relates Revenue Base (RB) with Internally Generated Revenue. This was formulated in order to determine the extent to which expansion or contraction (i.e. contribution) of the Internally Generated Revenue (IGR) base could influence Total Revenue Base (RB) and is given as:

Revenue Base (RB) = f (Internally – Generated Revenue)

More formally, the functional relationship is stated as:

$$RB_t = B_0 + B_1 IGR_t + U_{3t} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad (2)$$

Where:

RB_t = Total Revenue Base for year t

IGR_t = Internally Generated Revenue for year t

B_1 = parameter of IGR, and

U_t = stochastic error term

The parameter is expected to have the following sign: $B_1 > 0$: the higher the Internally Generated Revenue; the higher the Revenue Base. The expected sign of the parameter of IGR is positive. An increase in IGR is expected to lead to an increase in RB

Social Assets is the dependent variable in equation 1 and 2, while Revenue Base is the dependent variable in equations 3. Similarly, equation 1 has Revenue Base as independent variable, while Federation Accounts Allocation Receipts, Value-Added Tax, State Allocation, Grants and Internally Generated Revenue are independent variables in equation 2. Equation 3 has Internally Generated Revenue as independent variable.

4.0 Data presentation:

Table 1: Revenue Base and Social Assets of Obudu LGA for 1996-2010

YEAR	FEDERATION ACCOUNT RECEIPTS (FAAR)	VALUED ADDED TAX (VAT)	STATE ALLOCATION (STA)	GRANT (G)	INTERNALLY GENERATED REVENUE (IGR)	TOTAL REVENUE (TR)	SOCIAL ASSETS (SA)
1996	53,751,934.21	7,981,352.03	-	3,551,225.69	2,542,495.56	67,827,007.49	10,627,167.50
1997	61,181,231.01	8,024,589.38	-	5,891,269.55	1,532,267.88	73,115,378.56	5,310,183.50
1998	73,545,013.07	8,854,356.99	-	-	1,895,665.33	79,313,871.15	25,864,929.66
1999	86,050,298.01	8,935,321.56	-	6,528,392.09	2,354,466.89	82,952,635.89	26,719,173.75
2000	172,446,674.22	9,020,931.02	124,840,27	22,377,073.96	2,477,774.95	97,260,479.15	43,624,527.80
2001	279,003,342.09	18,767,397.08	983,582.64	-	2,853,146.17	164,258,480.43	74,755,116.53
2002	398,458,021.03	20,831,592.92	-	-	3,004,281.53	309,683,589.30	140,349,625.78
2003	472,025,074.92	22,952,632.55	-	33,891,236.58	3,409,100.40	415,691,795.70	170,246,650.01
2004	499,090,335.80	23,664,356.33	-	36,177,268.73	3,771,338.37	533,178,943.69	220,483,903.53
2005	538,488,174.90	53,327,475.74	-	189,462,496.89	5,529,731.07	808,900,704.22	126,804,280.91
2006	604,653,730.47	59,762,017.13	4,297,263.73	116,651,373.34	5,395,690.00	856,778,557.00	203,783,489.90
2007	614,644,480.44	68,409,986.90	8,041,692.00	58,630,378.23	3,989,180.00	910,075,292.83	325,659,622.32
2008	766,547,606.74	104,485,265.99	4,815,357.52	183,182,423.02	2,929,369.00	1,140,523,540.32	312,306,759.09
2009	887,332,967.17	138,736,606.03	18,283,917.75	100,050,747.06	10,052,072.48	1,748,539,568.18	230,769,177.79
2010	613,405,988.54	156,876,351.62	16,002,625.11	105,008,442.65	12,552,235.56	1,152,921,806.22	180,275,302.10

Source: Annual financial report of local government councils produced by the office of the auditor general for local governments, 2011

TABLE 2: Revenue Base and Social Assets of Ikom LGA for 1996-2010

YEAR	FEDERATION ACCOUNT RECEIPTS (FAAR)	VALUED ADDED TAX (VAT)	STATE ALLOCATION (STA)	GRANT (G)	INTERNALLY GENERATED REVENUE (IGR)	TOTAL REVENUE (TR)	SOCIAL ASSETS (SA)
1996	69,571,236.02	9,001,652.22	-	3,551,225.69	5,443,014.59	87,567,128.52	20,229,806.40
1997	74,584,750.33	9,824,560.45	-	5,891,269.55	7,986,467.67	98,287,048.00	8,674,841.96
1998	82,202,613.57	10,354,356.99	-	-	9,895,225.23	102,452,195.89	22,564,390.34
1999	99,452,298.61	10,935,321.56	-	6,528,392.09	10,311,477.80	127,227,490.16	37,919,273.05
2000	183,656,865.31	20,136,931.02	124,840.27	22,377,073.96	11,499,275.95	237,974,986.50	52,825,528.99
2001	292,273,699.40	24,747,388.08	983,582.64	-	12,853,000.10	330,857,670.20	80,950,776.44
2002	404,855,921.33	29,871,542.92	-	-	13,804,239.59	448,531,703.84	154,478,655.55
2003	485,925,974.20	30,922,602.55	-	33,891,236.58	14,409,122.46	565,148,935.89	193,421,889.71
2004	527,836,885.93	34,604,399.63	-	36,177,268.73	1 4,001,307.50	612,619,861.89	267,321,563.04
2005	596,647,225.64	63,683,238.74	-	169,919,850.11	4,802,350.00	861,431,762.77	200,506,241.86
2006	639,533,841.00	71,411,758.69	4,297,233.73	86,360,531.80	7,887,871.00	882,960,585.93	220,505,630.92
2007	614,973,745.15	81,577,983.23	8,041,692.00	90,274,571.39	5,276,481.00	965,644,192.88	374,740,138.20
2008	807,441,475.00	123,924,331.47	4,815,357.13	72,192,808.48	18,021,466.36	1,167,577,238.58	328,001,686.50
2009	940,812,884.70	145,486,683.11	18,283,917.76	62,363,785.15	15,709,652.72	1,814,825,235.77	310,375,007.79
2010	687,208,334.82	161,406,732.94	16,002,623.14	45,861,625.65	24,507,607.30	1,332,290,494.43	68,655,438.64

Source: Annual financial report of local government councils produced by the office of the auditor general for local governments, 2011

Table 3: Revenue Base and Social Assets of Akpabuyo LGA for 1996-2010

YEAR	FEDERATION ACCOUNT RECEIPTS (FAAR)	VALUED ADDED TAX (VAT)	STATE ALLOCATION (STA)	GRANT (G)	INTERNALLY GENERATED REVENUE (IGR)	TOTAL REVENUE (TR)	SOCIAL ASSETS (SA)
1996	58,281,847.59	5,990,165.22	-	3,551,225.69	789,015.33	68,612,253.83	11,895,803.64
1997	59,444,612.76	6,982,456.04	-	-	753,520.09	67,180,588.89	11,967,100.93
1998	65,122,326.47	7,103,543.56	-	5,891,269.55	942,318.99	79,059,458.57	13,225,643.90
1999	79,655,499.08	7,910,935.56	-	6,528,392.09	1,127,989.48	95,222,816.21	18,379,192.73

2000	153,006,765.22	14,201,369.33	124,840.27	22,377,073.96	1,268,053.54	190,979,102.30	45,528,255.28
2001	232,563,009.00	16,247,473.88	983,582.64	-	2,517,286.65	252,311,352.20	52,809,507.76
2002	307,357,125.09	19,298,715.42	-	-	2,893,990.62	329,049,831.13	78,154,478.65
2003	402,875,004.29	20,309,226.02	-	33,891,236.58	3,006,426.14	460,081,892.93	128,193,421.88
2004	452,783,688.59	33,346,043.99	-	36,177,268.73	4,483,116.47	526,790,117.70	167,267,321.34
2005	554,001,855.67	56,246,368.10	-	24,063,034.07	1,703,910.00	636,015,167.84	117,564,494.80
2006	611,691,997.42	63,045,612.14	4,297,263.73	27,796,287.19	2,770,254.37	754,601,384.85	181,240,069.47
2007	611,105,598.06	75,121,539.96	8,041,692.00	55,434,591.14	935,320.00	850,638,741.16	426,894,098.49
2008	774,253,066.08	110,930,163.76	4,176,864.37	52,583,514.98	1,399,090.00	1,043,342,699.19	451,730,132.02
2009	1,002,953,918.17	164,936,060.11	18,283,917.76	86,827,941.48	12,567,247.79	1,885,569,085.31	251,162,928.45
2010	1042,152,428.95	178,554,321.98	16,002,625.11	85,098,515.46	12,393,990.62	1053,180,741.55	366,302,998.90

Source: Annual financial report of local government councils produced by the office of the auditor general for local governments, 2011

4.2 Data analysis:

In this section, twelve analytical measurements are presented, two for each of the six Local Governments to explore the relationship between Social Assets and Revenue Base and between the latter and Internally Generated Revenue.

Appendix IA shows the regression results of the relationship between components of Revenue Base and Social Assets of Obudu LGC for the period 1996 to 2010. The t – values of 7.104, 3.879 and 4.432 when compared to the tabulated value t(10, 0.05) 2.23, show that

Federation Accounts Receipts (FAAR), Grants (G) and Internally Generated Revenue (IGR) are statistically significant at better than 5% level. They have a positive relationship with Social Assets in consonance with apriori expectations. The results show that all things being equal, ₦1000.00 increase in Federation Accounts Receipts, Grants and Internally Generated Revenue will respectively result to about ₦80.31, N20.19 and N84.29 increase in Social Asset Expenditure. Also, the coefficient of determination (R^2), shows that about 63% of the variation in Social Asset expenditure is explained by the explanatory variables. The F – statistics which test the statistical significance of the adjusted R^2 of 59% is also significant at better than 5% level, implying the model fits the data well.

Appendix IB shows multiple regression result of the relationship between Internally Generated Revue and Revenue Base of Obudu LGC for the period 1996 to 2010. The t-value of 7.848 shows that, Internally Generated Revenue is statistically significant at better than 5% level. It has a positive relationship with Revenue Base in agreement with apriori expectations. The results show that all things being equal, ₦1.00 increase in Internally Generated Revenue per year will result to about ₦2.79 increase in revenue base. Also, the coefficient of determination (R^2) shows that about 56% of the variation in Revenue Base is explained by the explanatory variable, in this case, Internally Generated Revenue. The F – statistics which test the statistical significance of the R^2 is also significant at better than 5% level. The adjusted R^2 indicates a good fit with a value of 51%.

Appendix IIA shows the regression result of the relationship between components of Revenue Base and Social Assets of Ikom LGC for the period 1996 to 2010. The t - values of 9.008, 4.8128 and 7.3421 of Federation Accounts Receipts, Grants and Internally Generated Revenue show that the variables are statistically significant at better than 5% level. They have a positive relationship with Social Assets in line with apriori expectations. The results show that all things being equal, ₦1.00 increase in Federation Accounts Receipts, Grants and Internally Generated Revenue will respectively result to about N1.07, N0.47 and N0.89 increase in Social Assets expenditure. The coefficient of determination (R^2) shows that about 66% of the variation in Social Asset expenditure is explained by the explanatory variables. The F – statistics which test the statistical significance of the R^2 is also significant at better than 5% level. The adjusted R^2 indicates a good fit with a value of 56%.

Appendix IIB shows the regression result of the relationship between Internally Generated Revenue and Revenue Base of Ikom LGC for the period 1996 to 2010. The t - result of 13.5104 when compared to the tabulated value t(13,0.05) 2.18, shows Internally Generated Revenue is strongly significant. It has a positive relationship with Revenue Base. This is in line with apriori expectations. The results show that all things being equal, ₦1.00 increase in Internally Generated Revenue will result to approximately N2.96 increase in Revenue Base. Looking at the coefficient of determination (R^2), the results show that approximately 49% of the variation in Revenue Base is explained by the explanatory variable. The F – statistics which test the statistical significance of the R^2 is also significant at better than 5% level. The adjusted R^2 indicates a fair fit with a value of approximately 46%.

Appendix IIIA shows the regression results of the relationship between components of Revenue Base and Social Assets of Akpabuyo LGC for the period 1996 to 2010. . The t – values of 7.1857, 4.2911, and 5.6219 respectively show that the variables are statistically significant at better than 5%. They all have a positive relationship with Social Assets in line with apriori expectations. The results show that all things being equal, ₦1.00 increase in Federation Accounts Receipts, Grants and Internally Generated Revenue will result in approximately ₦1.86, N0.47 and N0.54 increase in Social Assets Expenditure. Equally, the coefficient of determination (R^2), shows that about 85% of the variation Social Assets is explained by the explanatory variables. The F – statistics which test the statistical significance of the adjusted R^2 is also significant at better than 5% level.

Finally, appendix IIIB shows multiple regression results of the relationship between Internally Generated Revenue and Revenue Base of Akpabuyo LGC for the period 1996 to 2010. The t - value of 8.2910 implies that IGR is statistically significant. It has a positive relationship with Revenue Base in line with apriori expectations. The results show that all things being equal, a thousand naira (₦1,000.00) increase in IGR per year will result to about one thousand and ninety three naira, fifty one kobo (₦1093.51) increase in Revenue Base. Also, the coefficient of determination (R^2), shows that 47% of the variation in Revenue Base is explained by the explanatory variable. The F – statistics which test the statistical significance of the R^2 is also significant at better than 5% level. The adjusted R^2 indicates a fair fit with a value of 45%.

4.4 Discussion of findings:

A formidable revenue base has been identified to be essential to the creation of social assets in the local government. Equally, internally generated revenue (IGR) has been demonstrated to provide stability to the revenue base of local government. However, due to over dependence on statutory allocation from the federation account and other problems, Councils have not been able to live up to constitutional responsibility in providing social assets.

First, the operation of the State Local Government Joint Allocation Account (JAAC) has provided an avenue for State Governments to siphon local government funds in the guise of executing joint projects. This trend has steadily shrunk local government finances sequel to over dependence on external sources of revenue. It is projected that if this trend subsists, local government would be reduced to a mere administrative office in no distant future.

Secondly, the refusal of state government to comply with the constitutional provision that 10% of State internally generated revenue be remitted to Councils further impoverishes their revenue bases. This, of course, leaves meaningful impact on the capability of Councils to create social assets.

Thirdly, the inability of Councils to perform to expectations is hinged on the disproportionate composition of overhead/recurrent expenditure in total spending. This disproportionate allocation is explained by management consideration of selfish interests and other factors, above the genuine drive to perform the constitutional responsibility of the local government.

Furthermore, though the regulatory framework for the management of funds in the local government is adequate, it is not properly implemented to achieve desired performance. For instance, budgeting and budgetary control, which is the corner stone of financial management, has been relegated to a mere ritual. Funds are expended based on availability and without recourse to budgetary provisions. Equally, actual results are not compared with the budget with a view to controlling deviations. This is rather done about a year after by the Auditor for Local Governments, a situation that demonstrates lack of capacity and competence of local government employees to carry out this important task that is supposed to control operations.

The above is in addition to the growing trend of self aggrandizement among administrators at various levels of local government administration. This trend has manifested in illicit activities by various actors in local government administration, with attendant negative effects on overall performance. It is pertinent to note that a lot more needs to be done in developing the Internally Generated Revenue base of local government. At present, property taxes form the bulk of local government IGR. Others are yet to be developed and exploited.

5.0 Conclusion/Recommendations:

The prime purpose of local governance revolves around grass root development. Grass root development is exemplified by the creation of Social Assets to better the lives of the people at the grass root. However, this duty has often been neglected due to inadequate revenue base. The Internally Generated Revenue base, which is adjudged to the relatively stable, has been neglected with emphasis on statutory allocation from the Federation Account. This over dependence on external revenue sources, which are outside the control of local government, further impacts negatively on Social Asset creation. Furthermore, the inability of state government to contribute the required 10% of internally generated revenue to councils, as well as the fall outs of the State Local Government Joint Account contribute to poor performance of local government. Performance in terms of social asset creation has been further inhibited due to the emphasis placed on overhead expenditure over social asset creation. A corollary to this is that even where funds are available, the decision to invest in social assets is often thwarted by other considerations. Such considerations may range from political situation to self aggrandizement.

In the bid to ameliorate the dearth of social assets in the local government, urgent steps must be taken to broaden the revenue base, particularly, internally generated revenue. It is only when this stable source of revenue is developed and exploited that social asset creation can be guaranteed. Reliance on external revenue sources can only inhibit planning and execution of social projects.

To ameliorate the dearth of social assets in the local government owing to poor/unstable revenue base, the following recommendations were made.

(a) Amendment of the constitution to abolish the state local government Joint Allocation Account (JAAC) to secure Council funds from State Government interference;

(b) Direction of attention to developing and exploiting the internal revenue base of local government, in view of its controllability and stability

(c) There is the need for the State Governments to adhere to the constitutional provision to the effect that they remit 10% of State internally generated revenue to Councils. This would further boost the revenue base of councils.

(d) Budgeting and budgetary control must be imbibed by local government to ensure efficient management of resources and guarantee high level performance

(e) Strengthening of regulatory framework governing management of local government funds, with a view to ensuring sincere implementation. In this regard, zero tolerance must be given to corruption.

(f) Capacity building through workshops and seminars to equip local government functionaries and personnel with tools for developing and exploiting internal revenue base. Such activities should also inculcate better work ethics and bring about accountability and transparency in local government administration.

(g) Local government must devise better means of resource allocation to accord capital projects desired attention.

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APPENDIX IA

Regression results of the relationship between Social Assets and Revenue Base for Obudu LGC

Dependent Variable: SOCIAL ASSET

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-24274394.3	283610.9	4.175524	0.0440
FAAR	0.80314	0.019572	7.103577	0.0007
G	0.201931	16.49933	3.879428	0.0774
STA	0.194289	0.631164	0.906532	0.0032
IGR	0.842897	0.089526	4.43297	0.0507
R-squared	0.628474	Mean dependent var		137205.4
Adjusted R-squared	0.589471	S.D. dependent var		114719.6
S.E. of regression	85888.81	Akaike info criterion		25.69698
Sum squared resid	1.25E+11	Schwarz criterion		25.84634
Log likelihood	-253.9698	F-statistic		18.448276
Durbin-Watson stat	1.017076	Prob(F-statistic)		0.002835

Method: Least Squares

Sample (adjusted): 1996– 2010

Included observations: 15 after adjusting endpoints

APPENDIX IB

Regression results of the relationship between Internally Generated Revenue and Revenue Base of Obudu LGC.

Dependent Variable: REVENUE BASE

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	24818911.12	72723.65	0.620303	0.5433
IGR	2.84859	0.018314	7.848777	0.0820
R-squared	0.557202	Mean dependent var		282823.8
Adjusted R-squared	0.505108	S.D. dependent var		291751.7
S.E. of regression	205243.1	Akaike info criterion		27.43926
Sum squared resid	7.16E+11	Schwarz criterion		27.58862
Log likelihood	-271.3926	F-statistic		10.69611
Durbin-Watson stat	1.810180	Prob(F-statistic)		0.000983

Method: Least Squares

Sample (adjusted): 1996– 2010

Included observations: 15 after adjusting endpoints

APPENDIX IIA

Regression results of the relationship between components of Revenue Base and Social Assets of Ikom LGC.

Dependent Variable: SOCIAL ASSETS

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-30137362.5	28425.26	1.060232	0.3039
FAAR	1.073883	8.654321	9.008101	0.0608
G	0.472388	5.225201	4.812828	0.0876
STA	0.078459	0.432176	1.934987	0.0896
IGR	0.890655	9.654329	7.342178	0.0997
R-squared	0.659105	Mean dependent var		111015.4
Adjusted R-squared	0.561353	S.D. dependent var		91204.24
S.E. of regression	67555.65	Akaike info criterion		25.21677
Sum squared resid	7.76E+10	Schwarz criterion		25.36613
Log likelihood	-249.1677	F-statistic		18.81531
Durbin-Watson stat	1.137312	Prob(F-statistic)		0.236307

Method: Least Squares

Sample (adjusted): 1996– 2010

Included observations: 15 after adjusting endpoints

APPENDIX IIB

Regression results of the relationship between Internally Generated Revenue and Revenue Base of Ikom LGC.

Dependent Variable: REVENUE BASE

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	25149815.22	54851.31	0.938873	0.3609
IGR	2.959207	0.070998	13.51041	0.0000
R-squared	0.488193	Mean dependent var		379234.8
Adjusted R-squared	0.462098	S.D. dependent var		541746.5
S.E. of regression	130360.0	Akaike info criterion		26.53147
Sum squared resid	2.89E+11	Schwarz criterion		26.68083
Log likelihood	-262.3147	F-statistic		15.5693
Durbin-Watson stat	1.371029	Prob(F-statistic)		0.05000

Method: Least Squares

Sample (adjusted): 1996– 2010

Included observations: 15 after adjusting endpoints

.APPENDIX IIIA

Regression results of the relationship between Revenue Base components and Social Assets of AKPABUYO LGC.

Dependent Variable: SOCIAL ASSETS

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-28289963	238106.1	0.286805	0.7777
FAAR	1.859824	0.716720	7.185714	0.2520
G	0.469567	8.483613	4.291098	0.7745
STA	0.087432	0.897564	0.564327	0.0821
IGR	0.543129	5.872907	5.621989	0.4532
R-squared	0.851686	Mean dependent var		466715.2
Adjusted R-squared	0.875413	S.D. dependent var		658175.6
S.E. of regression	560256.5	Akaike info criterion		29.44766
Sum squared resid	5.34E+12	Schwarz criterion		29.59702
Log likelihood	-291.4766	F-statistic		14.610925
Durbin-Watson stat	2.344651	Prob(F-statistic)		0.025129

Method: Least Squares

Sample (adjusted): 1996– 2010

Included observations: 15 after adjusting endpoints

APPENDIX IIIB

Regression results of the relationship between Internally Generated Revenue and Revenue Base of AKPABUYO LGC.

Dependent Variable: REVENUE BASE

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	24264624	43816.36	0.553780	0.5869
IGR	1.093513	0.131891	8.291036	0.0000
R-squared	0.467380	Mean dependent var		350404.1
Adjusted R-squared	0.445190	S.D. dependent var		425133.7
S.E. of regression	103098.6	Akaike info criterion		26.06224
Sum squared resid	1.81E+11	Schwarz criterion		26.21160
Log likelihood	-257.6224	F-statistic		15.03603
Durbin-Watson stat	1.145805	Prob(F-statistic)		0.070000

Method: Least Squares

Sample (adjusted): 1996– 2010

Included observations: 15 after adjusting endpoints