### ECONOMIC IMPACT OF LOCAL GOVERNMENT AUTONOMY AND FUND MANAGEMENT

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**ABSTRACT**

The objective of this study is focused on economic impact of local government autonomy and fund management. The study specifically determine if Nigeria federal statutory allocations revenue to local government is sufficient to effectively and efficiently achieve the local councils statutory functions and responsibilities to the rural people, found out whether local government area are adequately funded in the present dispensation to tackle their statutory function and responsibilities to the rural people and determine the effect of the autonomy on the local government financial base. Survey research design was adopted for the study and with the aid of convenient sampling method, the researcher selected One hundred and fifty participant who are staff of Onitsha Local Government Area Council in Anambra State as the respondent of the study. Well structured questionnaire was issued to the 147 respondent of which total of 141 responses were retrieved and validated for the study. Data was analyzed in frequencies and tables using simple percentage, mean and standard deviation. Hypothesis test was conducted using Chi-Square statistical tool. Base on findings, the study concludes that the economic impact of local government autonomy on its financial base includes that the financial autonomy of local government gives it the freedom to impose local taxation, enables her generate revenue within its assigned sources, aids her allocate its financial and material resources, helps determine and authorize its annual budget without external interference. The study among others recommends that the quest for autonomy therefore should be related to financial viability. Audit alarm should be given its proper place in the local government settings. Any acts or commissions of fraud should be exposed immediately a whistle is blown in that direction. Accounts books must be well secured and properly kept. Any attempt to print and issue fake receipts should be nipped in the bud.

****CHAPTER ONE****

****INTRODUCTION****

****1.4 BACKGROUND TO THE STUDY****

Sharnna and Sadana (2008) defined local government as a statutory authority in a specified local area, having the power to raise revenue through taxes for the performance of local services such as sanitation, education, water supply and electricity. Precisely they see local government as authority constituted by the elected representatives of local people, which enjoys autonomy from state or central control sufficient to enable it to perform its services adequately. However, Oluwa (1996), contributed that local government autonomy is the ability of local government to take some political, economic and social decisions without recourse to any of the two superstructures – state and federal governments. Nwatu and Okafor (2008), demonstrated that local government reform of 1976 brought about the creation of local government the third tier of government.

          Okafor (1994) argues that the structure of governance in Nigeria has over the years remained constant despite the several military incursions. Nwatu and Okafor (2008), also claim that reform of 1976 untied the local government system all over the country. Under the 1976 local government reform, Nigeria operates a single tier multipurpose local government system. However, Olasapo (2001), contributed that the guides for the local government reform provided that the population for all local government in Nigeria should range between a minimum of 159,600 and a maximum of 800,000, thus the two characteristics of the structure of local governments in Nigeria are uniformity and largeness of local governments area. Under the local government reform, a total of 301 local governments were created in Nigeria (Okafor, 2008).

          Okafor (2008), argues that these areas were entrenched into the 1979 constitution of Nigeria, the local area were so large that they lose touch of the people. However, Ojo (1994), claims that the federal governments increased the number of the local government in the federation to seven hundred and seventy – four (774) and democratized the appointment of their chairmen and enhance the autonomy of these local governments. In the word of Ogboazi (1998) argued that the issue of rural development like Enugu North has been creating a lot of concern in most third world countries. There has been growing recognition of the importance of rural development as an instrument in the overall development of the contemporary development world; this is because of glaring gap between the rural and urban areas in terms of infrastructure, resources distribution, human resources development and employment which has made rural development imperative. Husband and Dockery (1977), demonstrated that local government administration in Nigeria have been characterized by bazaar mentality, poor accounting systems, unavailability of reliable data required for planning, inadequate finance and poor revenue collection. The statutory allocations from the federation account because of poor management are said to be inadequate to cover financial obligations of local government councils on terms of staff salaries, social services and serving of debt but the autonomy had made the administration favorable to all Okoli and Nwabuto, (1990). Local government derives its existence power and autonomy from the fundamental law,the constitution of the land not at the whims and caprices of the federal or state governments. It has its legislation areas allocated by the constitution, it can be sue or sued to court and that makes inartificial personality corporation Nwatu and Okafor (2008).

****1.2:   STATEMENT OF THE PROBLEM****

The local government system from the early colonial days has undergone a lot of changes, most of thesechanges have occurred to correct certain deflections that emanated from the colonial masters. It is assumed that the national cake is not getting down to them while the wealth of the nation is being flatted away by some other lends of government.

The problems are:

·       Is fund made available to local government inadequately?

·      Is the local government system been able to effectively cater for the local stratum of Nigeria society through internally and externally revenue resources?

·    Is the autonomy granted to them making affective fund management a force or reality?

·       Is the staffing arrangement by the council to handle fund efficient and adequate?

****1.3:OBJECTIVES OF THE STUDY****

The objective of this study is focused on economic impact of local government autonomy and fund management. The study specific objectives includes

·To determine if Nigeria federal statutory allocations revenue to local government is sufficient to effectively and efficiently achieve the local councils statutory functions and responsibilities to the rural people.

1. ·To find out whether local government area are adequately funded in the present dispensation to tackle their statutory function and responsibilities to the rural people.
2. ·     To determine the effect of the autonomy on the local government financial base.
3. ·    To critically examine if the funds generated internally and externally are prudently managed to the benefit of their duties and obligations to the general public.
4. ·    To evaluate the adequacy of staffing out arrangement by the council to handle fund efficiently.
5. ·     To determine whether the internal or external resources of funding constitute the major sources of funding.

****1.4:RESEARCH QUESTIONS****

****Some research questions have been formulated to help this study.****

1.    What is the economic impact of local government autonomy on its financial base?

2.    What ways do local government manages their funds?

3.    What is the major source of fund to local government?

****1.5:RESEARCH HYPOTHESIS****

H₀:The autonomy does not have economic impact on the localGovernment financial base.

H₁:The autonomy of local government has economic impact on the local government financial base.

****1.6:     SIGNIFICANCE OF THE STUDY****

       Due to increasing attention being focused on the third tier of the government as a great instrument of the national development, this study becomes important. It is good to evaluate the journal so far knowing fully well that 70% of the Nigerian populace isin the rural areas where the local government administration ought to bring about grassroots developments. Good example of government efforts to carry along the grassroots people can be found in the establishment of sensitize people and createawareness which at the same time putting infrastructural like water,roadsand electricity. These efforts are meant to increase food production, marketing and encourage governance participation.

This study focuses on its importance as the management or the rural and local areas, checking rural urban migration effects, farming and social line of the rural dwellers. The study is relevant in the sense that how efficiently fund is used in the local government will become a reference material for a host of people, student, institution, government and nongovernmental agencies. ****1.7 SCOPE AND LIMITATION OF THE STUDY****

The scope of this study is restricted to Nigerian government and mobilizing local government tax revenue to adequate service delivery in Nigeria from the period of 1970 to 2007. ****1.8 OPERATIONAL DEFINITION OF TERMS****

****AUTONOMY:****It is the right of self-government the ability of one to be independent.

****ALLOCATION:****it is the amount authorized to incur expenses or obligation up to a specific purpose and within a specific period (odoli, 2004).

****CONSTITUTION: A****set of principles, fundamental and practices of government written and unwritten, which establishes the major organs of government, allocates to them or as power which defines the rights of the citizens and the relations between them and the state. Nwatu and Okafor, (2008).

COLONIAL: Connected with or belonging to a country that controls another country. Nwatu, (2008).

****ECONOMIC DEVELOPMENT:****The gradual growth of an economy, so that it becomes more advanced, stronger in the development of its wealth. Sharma,(2009).

****FINANCIAL MANAGEMENT:****This is the management activity that is concerned with the planning and controlling of the firm financial resources. Orjih, (2009).

**CHAPTER TWO**

**REVIEW OF LITERATURE**

**2.0 INTRODUCTION**

Our focus in this chapter is to critically examine relevant literature that would assist in explaining the research problem and furthermore recognize the efforts of scholars who had previously contributed immensely to similar research. The chapter intends to deepen the understanding of the study and close the perceived gaps.

**2.1 REVIEW OF CONCEPTS**

**Local Government**

The term"local government" according to Enemuo (2019) refers to a grassroots level of governance that is accountable for addressing the one-of-a-kind requirements of the population of a certain area. It is the lowest level of government, with rules and regulations that apply to a community of residents who live in a defined geographical region and have comparable social and political links. It is also the level of government with the fewest number of employees. Davies (2015) opined that Local government is a political unit of a nation that exists inside a state and is created by legislation to have substantive authority over local affairs. This includes the ability to charge taxes or compel labor for designated objectives.

Lawal (2020) describes local government as the level of government that is "vested with some authorities to exercise control over the affairs of people in its jurisdiction." Local government is the tier of government that is closest to the people. Local government is defined as "a political subdivision of national or regional government that performs functions and derives power from the national or regional government, but has some discretion in making decisions and a measure of taxing power," according to the 1976 edition of the International Encyclopedia of the Social Sciences. In the Local Government Reforms Handbook published in 1976, the following definitions of local government may be found: At the municipal level, government is performed by representative councils that have been constituted by law to exercise certain functions within clearly delineated boundaries. These powers should give the council substantial control over local affairs, as well as the staff, institutional, and financial power to initiate and direct the provision of services, as well as the power to determine and implement projects, in order to complement the activities of the state and federal government in their respective areas, and to ensure, and through the devolution of functions to these councils, as well as through the active participation of the people and their traditional institutions, that local institutions are able to fulfill their responsibilities in a manner that is consistent with local values andand responses to local needs and conditions are maximized.

**Historical Background Of Local Government System In Nigeria**

The study of the development of local government as a tier of government in Nigeria will not be meaningful, if it is not preceded by an examination of the philosophical consideration underlying the local government system (Alex, 1987). The structure, composition and functions of local government are influenced by the political beliefs of those who have the authority and responsibility for determining the main features of the local government system. This relationship between values or political beliefs and structure for the distribution of powers in society has been argued by Stanley Hoffmann (1959:113) as he wrote: any preference for a certain scheme of area division of powers presupposes a decision on the ends for which power is to be exercised – a decision on the values power should serve and on the ways in which these values will be served.

Regardless of nomenclature, local government is a creation of British colonial rule in Nigeria. It has overtime experienced change in name, structure and composition; Between 1930s and 1940s, for instance, local government was known as chief-in-council and chief-and-council, where traditional rulers were given pride of place in the scheme of things. In the 1950s, election was introduced according to the British model in the western and eastern parts of the country with some measure of autonomy in personnel, financial and general administration (Nwabueze, 1982). It was on this premise that the rising tide of progress, growth and development experienced in the local governments in these areas was based. During this period, heterogeneity was the hallmark of local government as there was no uniformity in the system and the level of development was also remarkably different. The introduction of 1976 reforms by military administration of General Obasanjo brought about uniformity in the administrative structure of the system. The reforms introduced a multi-purpose single tier local government system (Ajayi, 2000).

The reforms also introduced population criterion under which a local government could be created. Consequently, a population of within 150,000 to 800,000 was considered feasible for a local government. This was done to avoid the creation of non-viable local council and for easy accessibility. There was provision for elective positions having the chairman as executive head of local government with supervisory councilors constituting the cabinet. This was complemented by the bureaucrats and professionals, such as Doctors, Engineers etc who were charged with the responsibility of implementing policies (1976 Guidelines). In 1991, a major landmark reform was introduced as the system had legislative arm. In addition, the Babangida administration increased the number of local government from 301 in 1976 to 453 in 1989 and 589 in 1991, the Abacha regime also increased the number to 774 local councils that we have today and the administrative structure also underwent some changes (Ajayi, 2000). In summary, it can be said that no public institution in Nigeria has been so subjected to frequent reforms than local government.

**Overview of Local Government Administration in Nigeria**

The 1999 Constitution has amendment process by National Assembly vexing issue of local government financial autonomy to the attention of Nigeria’s political arena. Reforms of local government administration have been emerged since independence . The first and second military interventions of 1966 and 1976 respectively, and the subsequent restructuring of the country from four regions to twelve states, has witnessed several other restructurings, which have culminated into 36 states and 774 local governments. The states and local governments differ markedly in size, resources and ethnic compositions (Akpan&Ekaneu, 2013). However, these marked differences did not stop the military from introducing a unified local government system in 1976, and officially declaring localgovernment as the third tier of government with specific functions and responsibilities. The decree that declared local government as the third tier of government was included in the 1979 constitution and 1999 constitution. The local government reforms initiated from 1986 to 1992Babangida military administration which is the most remarkable of all the reforms of local government we ever had. The reforms were remarkable for repositioning local government administration in Nigeria. The reform signified and amplified the issue of local government financial autonomy by ensuring that local government got their financial allocation directly from the federation account. The reform also abrogated the Ministry of Local Government and introduced the legislative and executive arms of government to the local government system in Nigeria. The reform went ahead to tacitly freed the local governments financially from the apron string of the state governments. Unfortunately, rather than maintaining the gains of the military administration, successive administrations after the regime further emasculated both the administrative and financial autonomies of the local government. This is one consequence of political instability. Consequently, just like the local governments were seriously abused financially and administratively.

**Role Of Local Government**

Abia (2016) stated that Local government is the most important level of government for generating momentum for long-term national growth. The easiest way to explain their existence is to use Maddick's strong case in favor of local governments playing a beneficial role. Money, zeal, and, most importantly, local initiative must be allocated to enable local governments and residents to engage in the execution of local planning activities under the best possible conditions in order to achieve social change and general economic growth. As a result of such assertions, the idea of "development from below"—as opposed to the earlier, centralist concept of "development from above"—was created. Other role expected of the local government includes:

**Provision of Services**

The local government is the most economical provider for several services. Personal services fall under this category and include things like looking after the ill, old, disabled, and orphans in the neighborhood. John Stuart Mill (1983) referenced in Adedire (2018) believed that local government made such a significant contribution to this area that it would have been necessary to create it if it didn't already exist. L.J. Sharpe's (2010) mentioned by Benson & Isa (2020) concise argument that Local Government's function as an effective provider of specific types of services is progressively emerging as the most significant rationale for its current existence lends more support to this perspective. He contends that there are some services that local governments are far more equipped to providing than other governmental levels. Regarding the function or delivery of services by local governments, Dalhatu (2016) explained that two points must be stated. The reason these services are considered social is that they contribute to better the lives of those who live in the community, which enhances and improves communal life as a whole. The erroneous notion that effective service delivery and public engagement are at odds with one another is the second argument that has to be made. Since the latter calls for smaller-sized local governments units, it is typically maintained that the former demands larger-sized local government units. This may help to explain why the majority of local government structural changes also featured the establishment of sizable local government units, a situation that generally restricted local governments' authority. Sweden, Britain, Nigeria, and the former Yugoslavia are among the countries with typical manifestations of this phenomena.

**Promotion of Political Integration and National Unity**

Ekpe (2017) averred that because it allows for widespread political engagement, local government offers a means of fostering national unity. Additionally, it teaches citizens how to exercise political leadership. It is often believed that local governments may be used to impose basic cultures and values in order to achieve political unity. It is considered that Napoleon's proposal, which drew inspiration from both Roman Empire and military traditions, was the main driver behind the establishment of the French departments. Either by military invasion or the enactment of socialist government, this philosophy was introduced to Europe. Therefore, it was not unexpected that African colonial administrators who were European colonial administrators and their descendants treated the issue similarly. Eminue (2006) rferenced in Ibok and Tom (2015) stated that although this is not a foolproof way to prevent disintegration, it is thought to be a very effective alternative. This reality is attested to by the feral system's comparatively high performance in modern societies and by the long-standing traditions of local autonomy in many unitary nations. The promotion of improved efficiency in the delivery of services is another crucial function of local government in this area. Local government simply divides the majority of governmental labor into digestible chunks, which allows it to use local resources, knowledge, and skill to manage and administer local affairs.

**Promotion of Grassroot Freedom**

People have unique chances to voice their grievances with local government over the caliber of the services it delivers and the behavior of council officials. Decentralization through devolution tends to bridge these numerous gaps between the local public officials and the population. Jinadu (2018) pointed that central governments throughout the world are growing more and more remote in both geographical, psychological, and even social dimensions. Once more, local administrations require some level of autonomy in order to carry out the duties that have been delegated to them. It should be highlighted that no one is arguing for Local Governments to have complete freedom, as there cannot be a state inside another state. It is necessary to grant local governments the independence they need to carry out the duties set forth in the constitution. On the other hand, many centralists have argued against granting local governments the freedom of action since they are prone to corruption, inefficiency, and numerous unethical acts. In opposition to this view, some proponents of local government in Britain have asserted that: Where such allegations are made, and rightfully so, they are made because of local government's very prominence. Even regular judgments are not shielded from public review by an official secret Act. The agendas of committees of local authorities are often available to the public and would horrify central politicians or civil workers. Since the system is transparent, it offers remedies for flaws that are discovered. Recent study by Ogo (2017) has disproved the argument made by opponents of local autonomy. The prevalence of corruption has been found to be greater at the national than the local level, proving that it affects all tiers of government worldwide. The warning is that local administrators and politicians shouldn't overstate local autonomy to the point that they see the level of government as an independent state.

**Promotion of Economic Development from below**

From below, local governments can support socioeconomic growth. Unlike the "top-down" development strategy, Okeibe (2015) stated that local government has a way of promoting development from below. This strategy "gives priority to rural development, enhances a more effective use of land and labor, encourages a search for endogenously-derived technology, and inculcates collective action in solving many of the problems confronting... agriculture." Kelemen (2015) explaned that The knowledge that local institutions played a significant role in the modernization of agricultural systems in today's industrialized nations of Europe, North America, and Japan, as well as in socialist nations like Poland and the former Yugoslavia, demonstrates a second way in which local government could be involved in the process of economic development. Thirdly, it is well recognized that local governments have played and still play important roles in the process of economic growth in many capitalist and socialist nations. For instance, in 1970, the average amount spent by local governments in the member nations of the European Economic Community (EEC) was greater than one-fourth of the total amount spent by the central government. The argument that has been made time and time again for the potential development contributions of indigenous people and their institutions provides a final means by which local government may support economic development in Third World nations. However, because central governments have not given locally constituted organizations the chance to succeed, their potential has generally remained untapped. Therefore, it should come as no surprise that Uphoff and Esman (1984) referenced in Fatile and Adejuwon (2019) persuasively argued that local organizations are required, if not a sufficient condition for fast growth that stresses increase in the productivity and welfare of the majority of rural people.

**Enhancement of Grassroots Democracy**

For a very long time, local government has been seen as the democracies' proving ground. So in a way, the desire to advance popular democracy is frequently associated with the establishment of local government. Even if such statements have not gone uncontested, it is often seen as the main duty of municipal government in Euro-American literature. The fact that local government provides opportunities for public engagement is the first thing to take into account in connection to this role. When he said: "The power of free people lie in the local community," De-Tocqueville effectively justified the function of local government in this context. Local organizations are to Liberty what elementary schools are to science: they make it accessible to the public, educate people about its peaceful enjoyment, and train them in its usage. A country may elect a free government without local institutions, but it lacks the spirit of liberty. Passing interests, money, or accidental circumstances may give it the appearance of independence on the outside, but the tyrannical impulses that have been pushed to the center of the social body will eventually come to the surface. At this level of governance, encouraging public engagement is encouraged, yet it serves more than one purpose. Beyond the chance for public engagement, it helps local officials get political training and cultivate democratic attitudes and ideals.

**PROBLEMS OF LOCAL GOVERNMENT**

According to Lawal (2020), local government has faced several obstacles that have hampered its ability to operate optimally, among which are the following:

**inadequate executive capacity**

There is a lack of CEOs in the neighborhood government. Their departments and units lack the skilled workers and technicians required for the efficient administration of these community planning initiatives.

**Insufficient Coordination**

To properly carry out their goals for community development, these many ministries in the local governments must collaborate. In order to accomplish the general objectives of the organization, coordination is concerned with bringing together competing abilities, energies, interests, and aims of distinct groups.

**Political instability and the syndrome of caretaker administration:**

The management of the local government is always changing. There is no continuity as a result of these changes, which cause programs to alter from one administration to another. The most troubling issue is that the military administration and the current civilian administration consistently appointed caretaker management committees in defiance of the constitution's provision for elected local governance. These individuals believe that their only obligation is to the government that chose them, not to the general populace.

**Insufficient funding**

Lack of funding for these programs and initiatives is the local government's most significant and widespread issue. The issue of insufficient funding is caused by a number of issues, including the fact that independent sources of income do not provide sufficient funds and that the majority of local governments rely on their portion of the Federation Account, which is stolen by state governments. Additionally, the state government did not pay the local government the required 10% of the state's total yearly revenue, as required by law.

**Not Being Motivated**

Despite the fact that local governments lack sufficient workers, both in terms of quantity and quality, they also lack the necessary motivation to carry out their duties in a respectable manner. Their pay is frequently pitiful, and they frequently miss deadlines for receiving allowances. They don't receive enough retraining and training. Their promotions are inconsistent. Even when staff members receive promotions after years of inactivity, "notional impact" rather than arrears are attracted to their promotions.

**Ineffective Execution**

Ineffective project execution is one of the issues local government is now dealing with. Their project execution is similar to that of the federal and state governments, which are properly planned out but badly carried out.

Financial management in Local Governmnt

Local governments in Nigeria have enormous responsibilities to perform. These include the mobilization of local resources, promoting social and economic improvement and development as well as national integration. In addition, they are expected to carry out regional policies with respect to agriculture and selected industries, thereby helping to ameliorate unemployment (Obinna, 1988). Ojo (2009) added that local governments at work also revolve round revenue generation, budgeting, development planning, provision of services and community mobilization.

Ojo (2009) posits that the funds of local government councils are managed by the key officers of respective councils. Financial management has to do with the efficient use of funds. It is a method of showing and ascertaining the financial position of government or business over a period of time. According to him financial management can be perceived to consist of a cycle of activities as shown in Figure 1 below. The aim of this cycle of activities is to ensure that resources are allocated and monitored in such a manner that they have the greatest beneficial impact on the overall service objectives (Lawson, 1999 cited in Ojo 2009: 39).

1. Ojo (2009) maintains that in order to perform finance functions efficiently, the financial managers of the local government have to:

1. Set the financial objectives of the local government.

1. Prepare plans of action and select policies for achieving the objective.
2. Develop financial plans and incorporate these into the overall plans of the local government.
3. Check the achievement of the objectives and evaluate deviations from the plan.
4. Establish causes for deviations.
5. Take corrective action and/or redesign policy or revise the objectives to start a new cycle

**Techniques and tools for achieving efficient management of local government finance**

A number of approaches for efficient finance management are available, however the approach to be adopted is dependent on a number of factors such as the peculiar nature of the project, its environment, purpose and the public if is meant to serve (Nwankwo, 2004) according to Ojo this is because it a “wrong” or “unpopular” approach is adapted for a particular project, it can mar the project completely. The different approaches that can be adapted for efficient financial management at the local government level include the following:

**The use of the budget**

A budget (from old French bougette, purse) is a financial plan and a list of all planned revenues and expenses. It is a plan for saving, borrowing and spending. The public budget generally reflects the policy of the government toward the economy. It is a forecast of government revenues and expenditures for the ensuing fiscal year, which may or may not correspond with the calendar year. It is the key instrument for the expression and execution of government economic policy. Public budgets have wide implications for the national economy. Through budgets governments exercise their allocative, stabilization and distributive functions. They are therefore political as well as economic documents and are product s of the political processes by which competing interests in any nation achieve agreement. According to Aronson and Schwartz (1981), the extent of the budget amounts and the operating programmes on which they are based is the dividing line between the private and public sectors. They argue that the budget stipulates which goods and services are to be supplied to the public by the authorities and which are to be supplied by the private sector. The decision on who is to supply what? and, who is to receive what? should be a reflection of the community’s values, preferences, and priorities. Therefore the budget is a political document through which money is appropriated according to value judgements, and the budget process is a political process that takes place within a political arena (Gildenhuys, 1997). Local government is one of these political arenas. Thornhill (1984) summarizes the most important features of a public budget as follows: • The budget, after its approval by the legislative authority, is enforceable. • The results of most of the objectives to be realized by the budget are quantifiable. • The budget brings together a variety of considerations. • As the objectives of action taken by public institutions differ widely from those of private organizations, the processes for determining the content of a public budget are therefore unique. • Authorities do not always adapt their expenditures to fit their available revenues. Therefore, one may agree that a public budget is an instrument at the disposal of the legislative authority, which enables it guide the economic, social, political and other activities of a community in a certain direction in order to realize predetermined goals and objectives, the result of which are not always quantifiable. It contains all the measures needed to subordinate the executive authority to the legislature as the representatives of the tax payers and voters.

At the local government level, the council chairman is ultimately responsible for budget preparation with inputs from the supervisory councillors and local bodies and agencies. It is then approved by the local legislature. In addition, the State Governor’s office gives the prepared budget final approval after thorough scrutiny. Ojo has observed that getting final approval often is not easy as it is characterised by too much scrutiny and delayed sanctions by state government functionaries. In most cases political party exigencies overtakes economic considerations. In fact, State’s Governors often midwife such budgets, simply because they have joint accounts with the local governments. However, upon approval, the budget is returned to the local government council through the department of local government.

**Rational approach**

The rational approach is usually applied where effective and efficient allocation of resources is needed. This approach is generally known as “The Modern Financial Resources Allocation and Control Model” within the financial management circle. The rational approach encompasses the following steps: o Determination of available resources; o Determination of objectives for which the resources will be allocated; o Determination of the alternative courses of action for the achievement of objectives; o 1999 Constitution of the Federal Republic of Nigeria. Government Printers Press, Abuja o Evaluation of the alternative courses of action for the achievement of objective(s); o Establishment of decision criteria; o Allocation of resources; o Establishment of control measures and feedback mechanism necessary or required for performance evaluation; o Adjustment of future plans and objective for purposes of future allocation.

**Incremental approach**

The incremental approach to financial management involves introduction of gradual changes or adjustment in the allocation and control of financial resources of an organization in order to achieve the desired objectives. Once a system of financial management and control are adopted, only minor or gradual changes or adjustments are required in order to put the system into perfect working condition (Nwankwo, 2004). Incremental approach takes as its starting the current year’s budget and arrives at next year’s budget by a series of adjustment to this. The adjustment process is sometimes referred to as rolling forward an existing budget. Incremental method has some advantages. It is a relatively straight forward process; only marginal changes to the existing budget needs to be understood and agreed, thereby minimizing the amount of time that needs be spent on budget preparation. Again, it is less expensive and not only easy to operate but it allows some degree of flexibility and discretion in the use of management of funds.

**Zero-Based budgeting (ZBB)**

This approach involves preparing a comprehensive budget anew, that is from a zero base. The interesting feature of the zero-based budget is that each year an organization should begin its budgetary process with a clean slate. In order words, ZBB prepares something “fresh”. It starts from zero or from scratch. The construction of a new budget for each service from the basic principles is referred to zerobased budgeting. This approach has the effect of focusing attention on such issues as waste, unnecessary performance, leasing versus purchasing of equipment and so on. In zero-based budgeting, individual cost centre mangers are asked to estimate the cost of providing various levels of services, which are then passed up through the organizational hierarchy. At each level in the hierarchy, managers are asked to decide upon the order of the decision packages as a way of ensuring that spending is linked to priorities (Rose & Lawton, 1999). One of the major strengths of ZBB is that there is a specific link between budget and activity. The budget process involves specifying objectives and considering cost-effective methods of achieving these objectives. In this way, ZBB eliminate waste, extravagancy, mismanagement of finance of a local government. Nevertheless, its drawback as a finance management tool is that it is time demanding; it takes lots of time to construct a budget from zero each year

**Planning-Programming and Budgeting System (PPBS)**

This approach has three main features, namely: planning, programming and budgeting. It places emphasis upon a programmatic approach to both planning and budgeting. PPBS is an approach to budgeting which is intended to provide a system that relates expenditure at each stage of the budget to the purposes of that expenditures. According to Ojo (2009) application of this approach as a finance management tool allows for weighing the alternatives, analysing the cost and benefits of any project or programme before the commitment of financial resources to the project. It is a rewarding approach in that it looks beyond the immediate future as well as focuses on the long-term effects of activities. It negative aspect, include high cost involved in information gathering which is not usually readily available , and it is time consuming. **Audit alarm**

Alarm audit is a precautionary method of alerting the appropriate authority or the public about illegal financial transactions or misappropriations that may lead to loss of funds or revenue meant for a project. Audit alarm can be raised by a member of the executive or the general public. This is usually done at any time an irregularity is noticed in the management of funds meant for public use. Whenever audit alarm is raised, it usually attracts full-scale audit-exercise to ascertain the magnitude of the fraud or irregularity. This method serves as a warning to those entrusted with the responsibility of the finances. The regular audit method complements the good efforts of audit alarm. Audit is more or less a practice which may be called a technique for ensuring a more effective internal check on financial management. There should be a regular and independent examination of the books of the accounts by appointed qualified auditors to ensure that the statement of account as recorded represents a true and fair-view of all the transactions during the period under investigation. Indeed, regular auditing of councils accounst would ensure sanity, prudence and probity in the use and management of finances.

**However,** one of the major defects of the pre-1976 local government system in Nigeria was the whittling down of their powers by the state governments that continued to encroach upon what would have normally been the exclusive preserve of local governments. Others were lack of adequate funds, in-appropriate institutions, inadequate staffing arrangement and excessive politicking, which together made the emergence of a virile local government impossible.

**Local Government Autonomy**

Autonomy in generic term implies freedom, independent, free from external and remote control. In the context of Local Government in Nigeria, there is a great deal of confusion and misinterpretation as to what the term ‘autonomy’ connotes. This is because, government reforms that is intended to preserve or extend Local Government autonomy ends up short of their objectives because the full meaning of the term ‘autonomy’ has not been fully explained (Odunfa, 1991). The focus of this chapter is to examine the concept of local government autonomy, the problems associated thereof and the implication of these problems of primary educations. In the view of polemical interpretations, the term Local Government autonomy is perceived as local self government or grassroots democracy. This grassroots democracy is primarily aimed at giving the vast majority of the people the fullest opportunity to participate in determining their own destiny. But it is obvious that we cannot have complete autonomy or complete local self-government within sovereign states. If Local Governments were completely autonomous they would be sovereign states.

Within a federal system of government, Nwabueze (1983) defines autonomy to mean that “each government enjoys a separate existence and independence from the control of the other governments”. It is an autonomy which requires not just the legal and physical existence of an apparatus of government like a legislative assembly, Governor, Local Government departments, etc. But that each government must exist not as an appendage of another government but as autonomous entity in the sense of being able to exercise its own will in the conduct of its affairs free from direction of another government. Nwabueze, therefore, concluded that autonomy would only be meaningful in a situation whereby each level of government is not constitutionally bound to accept dictation or directive from another.

In the view of the defunct Centre for Democratic Studies, Local Government autonomy refers to “the relative discretion which Local Governments enjoy in regulating their own affairs”. That is, the extent to which Local Government are free from the control of the State and Federal Governments in the management of local affairs. In his contribution on the literature of autonomy, Davey (1991) opines that “Local autonomy is primarily concerned with the question of responsibilities, resources and discretion conferred on the local authorities. As such discretion and responsibility are at the core of Local Government”. It presumes that Local Government must possess the power to take decisions independent of external control within the limits laid down by the law. It must garner efficient resources particularly of finance to meet their responsibilities. Put differently, local autonomy is the freedom of independence in clearly defined issue, areas, as well as separate legal identity from other levels of government. In the light of the above, the 1976 Local Government Reforms emerged by introducing a unified system, autonomy, and officially declaring Local Government as the third tier of government with specific functions. The decree that declared Local Government as the third tier of government was included in the 1979 constitution (and much later the 1999 constitution), and can be found in the fourth schedule of the 1999 constitution. Hence, several Local Government reforms have been initiated by successive governments to ensure that they are achieved (Olowu, 1984). It should be noted that, the debate on Local Government autonomy focuses on what powers and functions the central or state government should grant to the local units within the political system (Clark, 1984). Pertinent is the, earlier stated, 1976 Local Government Reforms which gave us not only the definition of Local Government, but also the basic rudiments of Local Government autonomy.

Unfortunately, rather than build on the gains of the administration, successive administrations after the Babangida regime further emasculated both the administrative and financial autonomies of the Local Government. Consequently, just like the Local Governments were seriously abused financially and administratively during the military era before and after the Babangida administration, Local Governments have suffered similar fate, from 1999 when the country returned to civil governance to date (Felix & Okonette, 2013).These abnormalities were subtly addressed by the 1999 Constitution in a phony manner. Section 162, Subsection (6) of 1999 constitution states that "each state shall maintain a special account to be called "State Joint Local Government Account" into which shall be paid such allocations to the Local Government councils of the State from the Federation Account and from the Government of the State." It went further under the same Section 162, Subsection (7) that "each state shall pay to the Local Governments in its area of jurisdiction such proportion of its revenue on such terms and in such manner as may be prescribed by the National Assembly." (Federal Republic Constitution, 1999). While Section 7 of the 1999 Constitution empowers the state legislature to make laws for the administrative operation of Local Government areas. However, these provisions have become the ammunition used by some state governors to incapacitate Local Governments within their states. It was rightly corroborated that the failure of Local Government in area of service delivery is the role of the state governors in the affairs of Local Government (Adeyemi, 2013). It is doubtful if proposed amendment to section 7 and 162 of the 1999 Constitution will succeed, since it requires 2/3 majority votes of members of the National Assembly and 1/3 majority votes of members of the 36 Houses of Assembly (state legislatures) in the country.

The measures on Local Government make it impossible for Local Government to operate independent of both federal and state governments. The policies include the institution of Ministry of Local Government (but abolished in Babaginda’s reform of 1986-1992), Local Government Service Commission, Caretaker Committee and appointment of a Sole Administrator to oversee the activities of Local Government. Others include Office of the Special Adviser to the Governor on Local Government and Community Affairs, the Senate and House of Representative Committees on Local Government matters, the State Houses of Assembly Committee on Local Government matters (Federal Republic Constitution: 1999).

**State Government interference in Local Government Administration**

The degree of interference on the activities of Local Government remains alarming. The governors are fond of taking over their financial allocation, taxes, counterpart funding and refuse to conduct Local Government elections, instead ruling Local Governments with appointed administrators, most of whom are party loyalist, friends and relations, thereby turning the entire process of Local Government into an ineffective institution (Ukonga, 2012). There have been instances where state governors unconstitutionally dissolve the entire elected council officers without proper recourse and due process (Eboh and Diejomaoh, 2010). As soon as a new governor comes into office, one of the first actions is to dissolve the existing local councils, whether elected or caretaker (Abutudu, 2011).

This is pertinent to the case of River State which started on July 21, 2015. Immediately the Governor, Ezebunwo Nyesome Wike, assumed office, he dissolved 22 out of the 23 Local Government councils in the state based on the verdict obtained from Justice Lambo Akanbi of the Federal High Court, Port Harcourt (The Leadership, 2016). Thereafter, the governor has been changing Local Government caretaker committees like a chameleon institution. For example, 17 Local Government caretaker committees that were inaugurated by Governor Nyesom Wike on May 9, 2016 were dissolved by himself on September 1, 2016. Subsequently, 20 new Local Government caretaker chairmen that were appointed by the state governor were screened by the Rivers Assembly on October 6, 2016 (Vanguard Newspaper, 2016).

In many cases, caretaker-ship is perpetuated through promises of elections which are invariably postponed. This has been the case in Lagos, Oyo, Benue, and others (Premium, 2016; Daily, 2016; Queen, 2016). The outright denial of democratically elected local councils through caretaker committees demonstrates the increasing authoritarian holds of the councils by state governors. As such, most state governors never bothered to conduct Local Government elections. For instance, as at 2009, Anambra state had not held any local council elections since the return to civil rule in 1999 until January 11, 2014 when the first Local Government elections, under the fourth republic, was conducted (Daily, 2014; Nkwocha, 2009). The high level of interference by state governors on Local Government affairs was also expressed by Khaleel quoted in Adeyemi (2013) when he observed thus: *There is no state of the federation of Nigeria where one form of illegality or the other is not committed with funds of Local Government, through over deduction of primary school teacher’s salary, spurious state/Local Government joint account project, sponsoring of elections, taking over the statutory functions of Local Government and handling them over to cronies and consultants, non-payments of pensioners and non-utilization of training fund despite the mandatory deduction of stipulated percentages for these purposes… nine states out of the 36 states of the federation have elected representatives running the affairs of their Local Governments. This is central to the whole problem because it is by planting stooges called caretaker committee, who neither have the mandate of the people nor the moral strength to resist the excruciating control of the state government that perpetuates the rot.*

This undue interference has incapacitated Local Government from effective functioning and alienated grassroots people from enjoying social service delivery expected of Local Governments in Nigeria (Agba, Akwara, & Idu, 2013). Consequently, Local Governments now functions mostly as extension of state governments (Eboh & Diejomaoh, 2010; Ajibulu, 2012). The inherent consequence of this problem, according to Adeyemi (2013) is that Local Government has to wait for the next directives from state government before embarking on any developmental project. This has made Local Government an object of control and directives of a higher level of government.

The import of the above is that there are different dimensions of interference by state governors on Local Government administration in Nigeria. The first is the fiscal interference by the state governors. This problem stems from the fact that the Nigerian constitution does not totally grant financial autonomy to the Local Government. The second dimension is the political interference. The constitution does not provide adequately for the political autonomy of the Local Governments in Nigeria. For instance, it does not provide specifically for the constitution of the Local Government council to be solely through democratic elections, for the specific tenure of the Local Government political office holders, for the Local Governments to derive their full existence directly from the constitution of the Federal Republic and for the specific powers and functions of the Local Government (Azelama, 2008; Ezeani, 2012; Chukwuemeka et al., 2014).

Local government autonomy has also to do with finance. The constitution empowers the state governments to scrutinize and approve local government budgets and expenditures through the state Houses of Assembly. Many state governments have exploited this constitutional provision to exercise arbitrary and undue control over local government finances through the establishment of the state- local government joint account, which has been a thorny issue in the state-local government relations. Through this arrangement, many state governments have starved the local governments of statutory grants thereby denying the local governments of funds to render essential services, which could impact on the lives of the people at the grassroots. Besides, apart from arbitrary deductions from local government allocations through the Joint Account, some state governments compelled local governments to embark on ridiculous projects that have no direct bearing on the local communities under the pretext of ensuring uniformity in development (Asaju, 2010). It has been difficult to practice an enduring autonomy in the local government system. This is in spite of the various institutional structures put in place since the 1976 local government reforms to concretize autonomy in the local government administration such as human capacity building through the designation of some universities for local government manpower training; increase in the local government share of the federation account from 10 to 20%; abolition of state ministries of local government; etc. The obstacles are constitutional provisions, political instability, financial problems, etc. The continuous overbearing role exercised by states over local government affairs posses serious threat to the autonomy of local governments. This can be seen within the realm of various contradictory rules, instructions, supervisory powers passed down to the local governments, some of which are outside the constitutional jurisdiction of the local governments (Odoh, 2010).

### ECONOMIC IMPACT OF LOCAL GOVERNMENT AUTONOMY AND FUND MANAGEMENT

Finance is very important in the running of organizations or governments. Local governments have a number of functions to carry out. As such, its finances need to be efficiently managed and judiciously utilized Financial management is about efficiency in financial matters. It is about effective use of available financial resources. It is about financial alertness. Efficient financial management is necessary for the successful execution of projects and delivery of quality services at the local level. Efficiency in financial management in any organization is always achieved through organizational determination to pursue excellent performance. It entails self-discipline on the part of top, middle, and low level managers in the organization. In this article, we have tried to define what is meant by local government. We also discussed the role of local government and threw more light on the meaning of financial management. Thereafter we discussed the various financial management methods, tools, and techniques such as: the use of the budget, rational approach, incremental approach, zero-based budgeting amongst others. However, the efforts of local governments’ executives to attain some financial autonomy in running their councils are being disturbed by the intervention of state governments in local functions. In some cases, revenues meant for local governments have even been taken over by state governments. It follows that as much as possible, the federal government should reduce or eliminate areas of conflict between local and state governments.

Local government autonomy especially financial independence will go a long way in bringing development to the grassroots. This would in turn reduce the suffering and underdevelopment being experienced by the local populace, which forms the larger segment of the Nigerian society. The living conditions in most rural areas in Nigeria are barely tolerable by any standard. This has resulted in the increasing influx of the rural population into the cosmopolitan city centres thereby over-straining and out-stretching the available social services in the cities. The people at the grassroots must be involved in the national drive towards sustainable growth and development of the country. This is predicated on the degree of autonomy enjoyed by the local governments to play their statutory role as veritable agents of grassroots development. Local governments must be strengthened, autonomous and made accountable to the people rather than the stifling control the states have on them. There must be a symbiotic relationship between the state and local governments to promote mutual interdependence and engender development of the grassroots and by extension national development. Most often, local governments are deliberately rendered impotent in discharging their primary responsibilities and portrayed as inefficient, corrupt and unnecessary tier of government. They are made scapegoats for the lapses that are even more pronounced in other levels of government such as corruption, in-efficiency, and lack of visionary leadership. Concerted efforts should be made to reconcile participation of people in their own administration with the need for an efficient delivery of basic services at the grassroots level. With the autonomy of local government, its objective expectations and goal-values would be effectively realized. The centrality of local government as an agent of grassroots development implied that any future reforms of the system must focus on the enhancement of the service delivery capacity of the institution anchored on meaningful autonomy

**2.2 THEORETICAL FRAMEWORK**

There are two theories that have helped us to have a vivid understanding of IGR and Local Government. These are System theory and Power theory

**System Theory by David Easton**

David Easton is credited with this theory. According to him, an entity as a structure is a set of elements or units that communicate with their surroundings by importing inputs and exporting outputs. It is possible for a device to be closed or open. Closed systems do not communicate with their surroundings, although transparent systems do. . Easton stresses further that demands are made from the environment on the system in form of inputs, for example, demands of the citizens for the maintenance of law and order and provision of infrastructural facilities. These demands are then processed into outputs, which are authoritative decisions within the governmental administration. The feedback corrects the actions of the administrative system. This is necessary for equilibrium(\*Wheare 1963).

A system‟s theory is a conceptual framework and methodology for understanding the operation of a system where there are two or several actors that are essentially components of the whole as opined by Solomon (2015). Systems theory is therefore defined as a series of statements about the relationship among independent variables in which changes in one variable is accompanied or followed by changes in other variables. In a functional democracy, the application of the system theory cannot be over emphasized. This is because it addresses the issues of interdependence, dependence and interactions of variables. This theory is relevant to the study because each level of government must interact with other levels of government for policy making and other matters affecting the state. The component units are complementary rather than competitive.

**Power theory**

Power is a relative term. Hickson et al. (1971) characterize power as the determination of one social unit's behavior by another. According to Kaplan (1964), it has three dimensions: weight or volume, distance or ranges over behavior and domain, and the number of people or collectivities whose behavior is calculated. According to the power principle, each unit of government is responsible for promoting the interests of its citizens against the opposition of other units in IGR. The whole issue of federalism is linked to the issue of power distribution (Fatile, 2019).

Kelemen (2015) in his Regulatory Federalism in “Fused” Power and “Fragmented“ Power Federations has considered power as an important tool in intergovernmental relations. Kelemen (2015) argues that in parliamentary federations, especially those of the executive-dominant Westminster type, the combination of a fusion of executive-legislative powers at both levels of the federal system and an upper legislative chamber with weak unit representation at the national level tends to produce a decentralized pattern of centre-state relations in most IGR policy areas. In a presidential federation like Nigeria where power is sharply divided among competing structures both horizontally and vertically, the federation tends to produce a more centralized pattern of IGR policy making and regulation, which Kelemen describes as “non discretionary regulatory federalism”. Kelemen classifies Canada and Australia as an ideal-type of a “fused” or “concentrated” power federation in its IGR policy-making; while countries like US and Nigeria are classified as ideal-type of a “fragmented” power federation because of the numerous veto groups in its governmental decision-making process. Kelemen‟s analysis of fragmented power is relevant to Nigeria IGR because a group or level of government tends to use its constitutional power to veto some bills in order to produce desired results. This is apparent between federal government and Lagos state government when the former declared as null and void the creation of additional local development councils by the latter during Obasanjo regime. This view is also supported by Fatile, et al (2109) when he argues that the relationship between power theory and intergovernmental relations in Nigeria is apparent. It is visible in the interaction among the tier of government which is often marred with conflict and disagreement as a result of domination of one level of government over the other. This study adopts power theory because a particular level of government tends to exert its influence on other levels of government in order to achieve its aims.

**2.3 Review of Empirical studies**

Udoka (2021) examined **i**mplication of Local Government Autonomy on Rural Development in Ebonyi State” A study of Ebonyi Local Government Area” was aimed at ascertaining the extent to which state interference in the management of local government revenue constituted the bane to rural development in Ebonyi State, examining the extent to which poor financial management practice in the local government hinders rural development in Ebonyi Local Government Area among others. “Fiscal Federation Theory” by Kenneth Arrow in the 1954 was adopted. Survey research design was adopted to study a population of 532 which was reduced to a sample size of 228 using Taro Yameni’s formula. Simple random sampling technique and stratified sampling technique were used. Data for this study were gathered from primary and secondary sources. Questionnaire instrument for data collection was used. For the purpose of analyzing data collected from the field survey, frequency distribution tables and simple percentage techniques were applied while in testing the hypotheses that guided the study, the chi-square(X2) statistical tool was used. This study revealed that State interference in the management of local government revenue has constituted the bane of rural development in Ebonyi State; the financial autonomy of the local governments is being severely interfered with by the state governments principally through the instrumentality of the State Joint Local Government Account. State governments make local government appendages of the state through State Joint Local Government Account (SJLGA) mechanism, among others. The implication being that if the menace persists in the local government system rural development in Ebonyi Local Government Area will be jeopardized; hence, this study recommends that State interference in the management of local government revenue menace should be tackled to enhance effective and efficient service delivery in the rural setting, Local government council management should orient its staffers for proper financial management to enhance rural development in Ebonyi local government area among other.

Benson and Isa (2020) examined The Implications of Intergovernmental Fiscal Relations on the Financial Autonomy of Local Governments in Admawa State, Nigeria. The paper sought to evoke information on the effect of State – Local Government Joint Account on the financial autonomy of Local Government Councils in Adamawa State. Data for the study were obtained from both Primary and secondary sources. The study found that the State-Local Government Joint Account operations hinder effective service delivery in Adamawa State. The Fund appropriated to Local Government Councils in Adamawa State from the Federation Account was mismanaged by the State Government, through several means which includes illegal deductions, diversion and undue engagement of Local Governments into partnership projects. The study recommended that, in order to free Local Governments from such exploitation of the Joint Account system, the constitution has to be reviewed to enable Local Governments access their allocation directly from the Federation account.

Chukwuemeka (2016) investigated inter-governmental relations and the performance of Local Government in Nigeria: diagnosing the elephantine problems. The study adopted survey design, specifically descriptive research was adopted. Data was collected using questionnaire, focus group discussion. Secondary data was generated from government records and Central Bank of Nigeria. The findings revealed among others things that intergovernmental relation has to an extent helped to reduce tension among the three tiers of government in Nigeria. Also the imperfection of 1999 constitution has hampered fiscal relation in the three tiers of government in Nigeria. The study recommended among other things that effort should be made to ensure that all tiers of government should adhere to fiscal transparency, accountability and constitutional provisions on fiscal relations.

**CHAPTER THREE**

**RESEARCH METHODOLOGY**

**3.1 INTRODUCTION**

In this chapter, we described the research procedure for this study. A research methodology is a research process adopted or employed to systematically and scientifically present the results of a study to the research audience viz. a vis, the study beneficiaries.

**3.2 RESEARCH DESIGN**

Research designs are perceived to be an overall strategy adopted by the researcher whereby different components of the study are integrated in a logical manner to effectively address a research problem. In this study, the researcher employed the survey research design. This is due to the nature of the study whereby the opinion and views of people are sampled. According to Singleton & Straits, (2009), Survey research can use quantitative research strategies (e.g., using questionnaires with numerically rated items), qualitative research strategies (e.g., using open-ended questions), or both strategies (i.e., mixed methods). As it is often used to describe and explore human behaviour, surveys are therefore frequently used in social and psychological research.

**3.3 POPULATION OF THE STUDY**

According to Udoyen (2019), a study population is a group of elements or individuals as the case may be, who share similar characteristics. These similar features can include location, gender, age, sex or specific interest. The emphasis on study population is that it constitute of individuals or elements that are homogeneous in description.

The objective of this study is focused on economic impact of local government autonomy and fund management using Onitsha Local Government Area in Anambra State as case study. Thus teachers in selected secondary schools in Onitsha Local Government Area in Anambra State forms the population of the study.

**3.4 SAMPLE SIZE DETERMINATION**

A study sample is simply a systematic selected part of a population that infers its result on the population. In essence, it is that part of a whole that represents the whole and its members share characteristics in like similitude (Udoyen, 2019). In this study, the researcher adopted the convenient sampling method to determine the sample size.

**3.5 SAMPLE SIZE SELECTION TECHNIQUE AND PROCEDURE**

According to Nwana (2005), sampling techniques are procedures adopted to systematically select the chosen sample in a specified away under controls.

In this study, the researcher adopted the convenient sampling method to determine the sample size. According to Torty (2021), a sample of convenience is the terminology used to describe a sample in which elements have been selected from the target population on the basis of their accessibility or convenience to the researcher. Out of all the entire population the researcher conveniently selected one hundred and fifty (150) participant as the sample size for this study.

**3.6 RESEARCH INSTRUMENT AND ADMINISTRATION**

The research instrument used in this study is the questionnaire. A survey containing series of questions were administered to the enrolled participants. The questionnaire was divided into two sections, the first section inquired about the responses demographic or personal data while the second sections were in line with the study objectives, aimed at providing answers to the research questions. Participants were required to respond by placing a tick at the appropriate column. The questionnaire was personally administered by the researcher.

**3.7 METHOD OF DATA COLLECTION**

Two methods of data collection which are primary source and secondary source were used to collect data. The primary sources was the use of questionnaires, while the secondary sources include textbooks, internet, journals, published and unpublished articles and government publications.

**3.8 METHOD OF DATA ANALYSIS**

The responses from the field survey will be analyzed using simple percentage, mean and standard deviation which provided answers to the research questions. In analyzing data collected, mean score will be used to achieve this. The four points rating scale will be given values as follows:

SA = Strongly Agree 4

A = Agree 3

D = Disagree 2

SD = Strongly Disagree 1

**Decision Rule:**

To ascertain the decision rule; this formula was used

|  |
| --- |
| 4+3+2+1 =10  **= 2.5**  4 4 |

Any score that was 2.5 and above was accepted, while any score that was below 2.5 was rejected. Therefore, 2.5 was the cut-off mean score for decision taken. Hypotheses was tested using Chi-Square statistical package for social sciences (SPSS).

**3.9 VALIDITY OF THE STUDY**

Validity referred here is the degree or extent to which an instrument actually measures what is intended to measure. An instrument is valid to the extent that is tailored to achieve the research objectives. The researcher constructed the questionnaire for the study and submitted to the project supervisor who used his intellectual knowledge to critically, analytically and logically examine the instruments relevance of the contents and statements and then made the instrument valid for the study.

**3.10 RELIABILITY OF THE STUDY**

The reliability of the research instrument was determined. The Pearson Correlation Coefficient was used to determine the reliability of the instrument. A co-efficient value of 0.68 indicated that the research instrument was relatively reliable. According to (Taber, 2017) the range of a reasonable reliability is between 0.67 and 0.87.

**3.11 ETHICAL CONSIDERATION**

The study was approved by the Project Committee of the Department. Informed consent was obtained from all study participants before they were enrolled in the study. Permission was sought from the relevant authorities to carry out the study. Date to visit the place of study for questionnaire distribution was put in place in advance.

**CHAPTER FOUR**

**DATA PRESENTATION AND ANALYSIS**

**4.0 INTRODUCTION**

This chapter presents the analysis of data derived through the questionnaire and key informant interview administered on the respondents in the study area. The analysis and interpretation were derived from the findings of the study. The data analysis depicts the simple frequency and percentage of the respondents as well as interpretation of the information gathered. A total of one hundred and fifty (150) questionnaires were administered to respondents of which only one hundred and forty-one (146) were returned and one hundred and forty-one (141) validated. This was due to irregular, incomplete and inappropriate responses to some questionnaire. For this study a total of 141 was validated for the analysis.

**4.1 DATA PRESENTATION**

**Table 4.1 Administration of Instrument**

|  |  |  |
| --- | --- | --- |
| **Instrument** | **Frequency** | **Percentage** |
| Number Issued | 150 | 100% |
| Number Retrieved | 146 | 97.3% |
| Number Validate | 141 | 94% |
| **Total Used for the Study** | **141** | **94%** |

**Source: Field Survey, 2023**

**Table 4.2: Demographic profile of the respondents**

|  |  |  |
| --- | --- | --- |
| **Demographic information** | **Frequency** | **percent** |
| **Gender**  Male |  |  |
| 72 | 51.1% |
| Female | 69 | 48.9% |
| **Age** |  |  |
| 25-30 | 33 | 23.4% |
| 31-35 | 56 | 39.7% |
| 36-40 | 35 | 24.8% |
| 41+ | 17 | 12.1% |
| **Marital Status** |  |  |
| Single | 64 | 45.3% |
| Married | 73 | 51.7% |
| Separated/Widowed | 04 | 3% |
| **Qualification** |  |  |
| NCE/OND | 38 | 26.9% |
| HND/B.Sc | 90 | 63.8% |
| M.Sc/ P.hd | 13 | 9.2% |

**Source: Field Survey, 2023**

4.2 **DATA ANALYSIS**

Question 1: What is the economic impact of local government autonomy on its financial base?

**Table 4.3: Respondent on** t**he the economic impact of local government autonomy on its financial base**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **S/N** | **ITEM STATEMENT** | **SA**  **4** | **A 3** | **D**  **2** | **SD**  **1** | **X** | **S.D** | **DECISION** |
| 1 | The financial autonomy of local government gives it the freedom to impose local taxation, | 97 | 23 | 12 | 09 | 2.7 | 3.5 | Accepted |
| 2 | Enables her generate revenue within its assigned sources | 88 | 43 | 24 | 06 | 2.6 | 3.4 | Accepted |
| 3 | Aids her allocate its financial and material resources | 86 | 15 | 26 | 14 | 2.50 | 3.2 | Accepted |
| 4 | Helps determine and authorize its annual budget without external interference | 100 | 31 | 07 | 03 | 2.80 | 3.6 | Accepted |

**Source: Field Survey, 2023**

From the responses derived as described in the table on tthe economic impact of local government autonomy on its financial base, the table shows that all the items (item1-item4) with mean score of 2.7, 2.6, 2.50, 2.80, 2.81 and 2.7 were all accepted respectively. This is proven as the respective items (item1-item6) had mean scores of 2.50 and above.

**Question 2:** What ways do local government manages their funds?

**Table 4.4: Respondent on the ways do local government manages their funds**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **S/N** | **ITEM STATEMENT** | **SA**  **4** | **A 3** | **D**  **2** | **SD**  **1** | **X** | **S.D** | **DECISION** |
| 1 | The Use of Budget | 85 | 21 | 24 | 10 | 2.7 | 3.5 | Accepted |
| 2 | Determination of available resources; | 68 | 43 | 24 | 06 | 2.5 | 3.4 | Accepted |
| 3 | Evaluation of the alternative courses of action for the achievement of objective(s | 76 | 25 | 16 | 24 | 2.61 | 3.2 | Accepted |
| 4 | Allocation of resources; | 90 | 30 | 15 | 06 | 2.84 | 3.6 | Accepted |
| 5 | Establishment of control measure and feedback mechanism necessary or required performance evaluation; | 93 | 32 | 06 | 10 | 2.6 | 3.6 | Accepted |

**Source: Field Survey, 2023**

From the responses derived as described in the table above on ways do local government manages their funds, the table shows that all the items (item1-item5) with mean score of 2.7, 2.5, 2.61, 2.84 and 2.6 were accepted respectively. This is proven as the respective items (item1-item 5) had mean scores above 2.50. This shows how that all the options are local government manages their funds.

Question 3: What is the major source of fund to local government?

**Table 4.6: Respondent on the major source of fund to local government?**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **S/N** | **ITEM STATEMENT** | **SA**  **4** | **A 3** | **D**  **2** | **SD**  **1** | **X** | **S.D** | **DECISION** |
| 1 | Income taxes, property taxes, sales taxes, | 85 | 21 | 24 | 10 | 2.7 | 3.5 | Accepted |
| 2 | intergovernmental transfers and grants, | 68 | 43 | 24 | 06 | 2.5 | 3.4 | Accepted |
| 3 | fees for government services, | 76 | 25 | 16 | 24 | 2.61 | 3.2 | Accepted |
| 4 | fines imposed by local ordinances for violations, | 90 | 30 | 15 | 06 | 2.84 | 3.6 | Accepted |
| 5 | the sale of goods and services like market tickets, public utilities, hospital fees etc | 93 | 32 | 06 | 10 | 2.6 | 3.6 | Accepted |

**Source: Field Survey, 2023**

From the responses derived as described in the table above on ithe major source of fund to local government, the table shows that all the items (item1-item5) with mean score of 2.7, 2.5, 2.61, 2.84 and 2.6 were accepted respectively. This is proven as the respective items (item1-item 5) had mean scores above 2.50.

**4.3 TEST OF HYPOTHESES**

H₀:The autonomy does not have economic impact on the localGovernment financial base.

H₁:The autonomy of local government has economic impact on the local government financial base.

**Table 4.7:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Options** | **Fo** | **Fe** | **Fo - Fe** | **(Fo - Fe)2** | **(Fo˗-Fe)2/Fe** |
| Yes | 73 | 47 | 26 | 676 | 14.4 |
| No | 37 | 47 | -10 | 100 | 2.1 |
| Undecided | 31 | 47 | -16 | 208 | 4.4 |
| **Total** | **141** | **141** |  |  | **20.9** |

**Source: Extract from Contingency Table**

Degree of freedom = (r-1) (c-1)

(3-1) (2-1)

(2) (1)

= 2

At 0.05 significant level and at a calculated degree of freedom, the critical table value is 5.991.

**Findings**

The calculated X2 = 20.9 and is greater than the table value of X2 at 0.05 significant level which is 5.991.

**Decision**

Since the X2 calculated value is greater than the critical table value that is 20.9 is greater than 5.991, the Null hypothesis is rejected and the alternative hypothesis is accepted which states that the autonomy of local government has economic impact on the local government financial base.

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**CHAPTER FIVE**

**SUMMARY, CONCLUSION AND RECOMMENDATION**

**5.1 SUMMARY**

The objective of this study is focused on economic impact of local government autonomy and fund management. The study specifically determine if Nigeria federal statutory allocations revenue to local government is sufficient to effectively and efficiently achieve the local councils statutory functions and responsibilities to the rural people, found out whether local government area are adequately funded in the present dispensation to tackle their statutory function and responsibilities to the rural people and determine the effect of the autonomy on the local government financial base.

### Survey research design was adopted for the study and with the aid of convenient sampling method, the researcher selected One hundred and fifty participant who are staff of Onitsha Local Government Area Council in Anambra State as the respondent of the study. Well structured questionnaire was issued to the 147 respondent of which total of 141 responses were retrieved and validated for the study. Data was analyzed in frequencies and tables using simple percentage, mean and standard deviation. Hypothesis test was conducted using Chi-Square statistical tool.

**5.2 CONCLUSION**

The creation of Local Government anywhere in the world stems from the need to facilitate developments at the grassroots. This attests to the fact that Local Government exist primarily for the provision of public services that will make life worth living for the local residents. Local Government is the focus of government efforts at promoting development. To effectively develop, the people’s efforts must be adequately mobilized. A Purposeful combination of local (peoples) efforts and energies with that of government with the objective of improving socioeconomic conditions and encouraging political participation are key factors in rural development. However, local governments are faced with such challenges like inadequate finance, corruption, poor implementation of projects, lack of competent manpower, high level of illiteracy, lack of due consultation and non-involvement of local dwellers in policy decisions and hijack of local government allocation by the state government. Whereby fiscal power is not decentralized but centralized and there is no fiscal autonomy enjoyed by local governments, the pattern of inter-governmental relations in Nigeria is not in tune with true federalism. The lacks of administrative independence and fiscal autonomy by local governments have made them handicapped in effective service delivery hence has hindered rural development.

Base on the result of the study, it can be concluded that:

* Local government manages their funds the the use of budget, determination of available resources; evaluation of the alternative courses of action for the achievement of objective(s, allocation of resources and establishment of control measure and feedback mechanism necessary or required performance evaluation.
* Major sources for local governments fund comes from income taxes, property taxes, sales taxes, intergovernmental transfers and grants, fees for government services, fines imposed by local ordinances for violations, and the sale of goods and services like public utilities, hospital fees etc.
* The study concludes that the economic impact of local government autonomy on its financial base includes that the financial autonomy of local government gives it the freedom to impose local taxation, enables her generate revenue within its assigned sources, aids her allocate its financial and material resources, helps determine and authorize its annual budget without external interference.

**5.3 RECOMMENDATION**

From the findings of the study, the following recommendations are made:

* The quest for autonomy therefore should be related to financial viability. However, local government financial autonomy should not be seen as making local government a sovereign entity, or the chairmen a local government, thus comparing himself with state governors. But local government financial autonomy should be enjoyed by the citizens at the grassroots.
* The constitutional status of local government as contained in Section 7 must be clearly spelt out. This will allow local government to perform the functions for which it was set up. Bye laws can be used to regulate the affairs of the local government. Also, the issue of joint-state-local government account should be modified in order to allow proper monitoring of the activities of local government.
* The concept of true federalism should be revisited and practicalized not just in papers. A true federalism is a system of government whereby each level of government is independent of another but interact with another in a co-ordinate form. Most importantly, fiscal federalism. The state should stop tampering with local government fund. The state should also remit 10% of internally generated revenue to the local government purse. The state should allow the principle of federalism to be implemented at the local government level. The relationship between the state and local governments should not be that of superior and sub-ordinate but that of co-operative governance.
* Credible Elections should be conducted at the local government level whereby the governing body should be accountable to the rural citizens. The method of using ‘Transition Committee Chairmen, Caretaker Committee and Sole Administrators’ to run the affairs of local governments do not allow for Local government Autonomy. Overall elections should be conducted on the same date and the specified tenure as stated by the constitution should be served. Strong democratic structures in the local governments will improve the inter-governmental relations in Ebonyi State.
* Proper implementation of the Rule of Law. The rule of law must prevail. The law should be supreme to all levels of government.Moreover, the judiciary should be made to be independent as undue interference in the local government affairs by the state or federal government should be properly addressed. This will allow for good inter-governmental relations and the performance of local governments will improve. There should be proper checks and balances between the two levels of government between the two levels of government (state and local governments). Clear-cut definitions of functions, duties and responsibilities between the state and the local governments.
* Qualified accounting personnel should be appointed into local government councils. The politics of clientelism and prebendalism should be discouraged. Staff should be appointed on the basis of knowledge and experience (merit). Also, hard work and achievements in taking the local government to higher level of performance should be adequately compensated.
* Audit alarm should be given its proper place in the local government settings. Any acts or commissions of fraud should be exposed immediately a whistle is blown in that direction. Anticorruption and other related offences agencies must be kept abreast of such development. Periodic internal and external audit programmes should be carried out in order to ascertain the state of finances in the local government through a budget year.
* Accounts books must be well secured and properly kept. Any attempt to print and issue fake receipts should be nipped in the bud. Any local government official in any attempt to short-change the council by declaring incomplete account should be arrested and summarily dealt with in accordance to the law.
* All sources of internally generated revenue should be properly identified, and sound methods of revenue collection, guided by financial regulation and General Orders should be handled by local government pensionable staff. A situation where ‘touts’ are recruited by political “god-fathers” to man their “Cash Points” and where these tout remit very inconsequential revenues to the local authorities must be stopped. The local government council we are aware have honest and well trained and pensionable revenue personnel. Such staff should be used productively, as they have something at stake in the sustainability of the councils.
* Finally the budgetary process must be strictly followed and efforts should made to faithfully implement the provisions of the budgets.

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**QUESTIONNAIRE**

**PLEASE TICK [√] YOUR MOST PREFERRED CHOICE AND AVOID TICKING TWICE ON A QUESTION**

**SECTION A**

**PERSONAL INFORMATION**

**Gender**

Male [ ] Female [ ]

**Age**

25-30 [ ]

31-35 [ ]

36-40 [ ]

41+ [ ]

47 and above[ ]

**Marital Status**

Single Parent [ ]

Married [ ]

Widowed/ Separated [ ]

**Qualification**

NCE [ ]

HND [ ]

B.SC [ ]

M.Sc [ ]

**SECTION B**

Question 1: What is the economic impact of local government autonomy on its financial base?

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **S/N** | **ITEM STATEMENT** | **SA** | **A** | **D** | **SD** |
| 1 | The financial autonomy of local government gives it the freedom to impose local taxation, |  |  |  |  |
| 2 | Enables her generate revenue within its assigned sources |  |  |  |  |
| 3 | Aids her allocate its financial and material resources |  |  |  |  |
| 4 | Helps determine and authorize its annual budget without external interference |  |  |  |  |

**Question 2:** What ways do local government manages their funds?

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **S/N** | **ITEM STATEMENT** | **SA** | **A** | **D** | **SD** |
| 1 | The Use of Budget |  |  |  |  |
| 2 | Determination of available resources; |  |  |  |  |
| 3 | Evaluation of the alternative courses of action for the achievement of objective(s |  |  |  |  |
| 4 | Allocation of resources; |  |  |  |  |
| 5 | Establishment of control measure and feedback mechanism necessary or required performance evaluation; |  |  |  |  |

Question 3: What is the major source of fund to local government?

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **S/N** | **ITEM STATEMENT** | **SA** | **A** | **D** | **SD** |
| 1 | Income taxes, property taxes, sales taxes, |  |  |  |  |
| 2 | intergovernmental transfers and grants, |  |  |  |  |
| 3 | fees for government services, |  |  |  |  |
| 4 | fines imposed by local ordinances for violations, |  |  |  |  |
| 5 | the sale of goods and services like market tickets, public utilities, hospital fees etc |  |  |  |  |