INTERNALLY GENERATED REVENUE AND THE REVENUE PROFILE OF SELECTED SOUTH WESTERN STATE GOVERNMENTS, IN NIGERIA

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ABSTRACT

Evidence from the literature of accounting and finance revealed that the adverse impact of declining global oil prices on the Nigerian economy is pushing state governments to adopt approaches that would increase the internally generated revenue (IGR) to enable them survive the difficult times. The study appraises the influence of internally generated revenue on the revenue profile of South Western State governments of Nigeria and how this has impacted on capital expenditure of South Western Sates of Nigeria amongst others, for the period of ten years (2006 – 2015). The research designs adopted were expo facto and descriptive research of a survey type. Three states (Osun, Ondo and Ekiti) were selected from the six southwestern states, to form the sample for the study. The purposive sampling of selected states was based on the availability of relevant data and peculiar revenue characteristics of the three states. Data were collected from secondary sources where specific variables such as State IGRs and revenue profile/total revenue and capital expenditure were extracted from the financial statements of the selected states collected from State Government's Accountant General offices for the period of ten years (2006-2015).Findings from the study showed that there was a significant difference between the major components of IGR of the sampled States except taxes. The result of the study further revealed that there was a significant positive correlation between internally generated revenue and revenue profile of Ekiti State (P-value 0.641), Osun State (P-value 0.925) and Ondo State (P-value of 0.559). The study further showed that, the IGR had no significant influence on capital expenditure of Ekiti and Ondo State with P-value of 0.158 and 0.510, respectively. However, there was a significant influence of Osun State IGR on capital expenditure with the P-value of 0.045.It is therefore recommended that the various components of IGR must be fully harnessed to defray the capital expenditure of the south western state governments to mitigate the effect of dwindling allocation from the Federation account.

KEYWORDS: IGR, Revenue Profile, Southwestern Nigeria, Capital Expenditure, Financial Statements

INTRODUCTION

Evidence from the literature of accounting and finance revealed that the adverse impact of declining global oil prices on the Nigerian economy is pushing state governments to adopt approaches that would increase the internally generated revenue (IGR) to enable them survive the difficult times. For example Bassey, (2015) reported that, the price of crude oil dropped below $79 and $65 per barrel 13 proposed by the Federal government, in the 2014 and 2015 budget respectively. Further, Nnanseh and Akpan, (2013) observed that, governments across the three tiers are experiencing fiscal crunch and that Federal revenues transferred to States had significantly reduced. Accordingly the decline in the price of oil

in recent years has led to a decrease in the funds available for sharing in the Federation Account among the three tiers of government, and this has been dwindling since the beginning of the crisis in July, 2014 as submitted by Bassey, (2015). According to Oyesola & Abdul-hamid,(2016), the situation is particularly acute in non-oil producing states, especially all the states, where internally generated revenue is low and the non-industrialized states. Such States have been in arrears of civil servants' salaries, pension, suppliers and contractors' payment for several months. The need for state and local governments to generate adequate revenue from internal sources has therefore become a matter of extreme urgency and importance.

This need underscores the eagerness on the part of Federal, State and Local governments to become aggressive and innovative in the mode of collecting revenue from existing sources, (Afuberoh, Dennis & Okoye Emmanuel, 2014). Also, Oyesola and Abdul-Hamid (2016) argue that, IGR are generated from different sources such as taxes, borrowing, fine and fees. Scholars further submitted that, State's revenue comprises receipts from taxation as well as those that are not the proceeds of taxation including realization from the sale of government properties or other interests and returns from loans and investment earning. For instance Fayemi (1991), conceive public revenue as all the means by which government acquire income such as taxes, rates, fees, fines, duties, penalties, rents, dues, proceeds and other receipt of government to which the legislature has the power of appropriation. Nnanseh and Akpan (2013), opined that, internally generated revenue are those revenues that are derived within the State from various sources, such as taxes (pay as you earn, direct assessment, capital gain taxes, etc.), and motor vehicle license among others. Akpo (2009), submit that, IGR does not develop hyper-inflation and that, it does not carry any burden of repayment and interest like domestic borrowing and loan; through tax.

Evidence from Scholars (Akindele and Obiyan, 2002 ; Ekpo and Ndebbio, 1998) have shown that, 90% of State governments in Nigeria depend solely on statutory allocations, from the Federal government to defray their expenditure. This has been described as worrisome because, the extent to which a State government can go in accomplishing its goal will largely depend on its IGR strength, because of the reduction in the price of crude oil, which has necessitated reduction in the Federal allocation. Internally Generated Revenue is seen as the last resort, when Federal allocation is inadequate in Nigeria, evidenced from literature. The State governments generate internal revenue from various sources such as, government owned corporations, rent from lease of assets, sales of assets (non-tax revenue) and taxation.

Studies on IGR impact on revenue profile of State governments have become imperative in the wake of dwindling statutory allocation and related problems. Douglas, (2010), Omotoso, (2009), and Olusola, (2011) cited in Asimiyu and Kizito (2014) opined that Internally Generated Revenue (IGR) is the revenue that, State governments generate within the areas of their jurisdiction. Literature further revealed that the most demoralizing problem undermining infrastructural development was inadequate finance caused by reduction of statutory allocation and low internally generated revenue(Adenuga and Ogechi, 2013; Nnanseh, 2013; Siyanbola et al, 2014). Corroborating this fact, Ibeogu and Ulo (2015), submitted that reduction in Federal allocation and poor revenue generation had hindered infrastructural development in Nigeria, particularly in South-Western States.

It is therefore vital to provide empirical evidence on the extent to which IGR influence revenue profile of State governments in South west, Nigeria and how this has impacted on government capital spending in the geopolitical zone.

Objectives of the Study

- Evaluate how IGR influence revenue profile of South-western States of Nigeria

- Assess the impact of IGR on capital expenditure in South-western States of Nigeria;

Research Hypotheses

Ho$_1$: There is no significant influence of IGR on revenue profile of South-western States of Nigeria;

Ho$_2$: There is no significant impact of IGR on capital expenditure in South-western States of

LITERATURE REVIEW AND CONCEPTUAL UNDERPINNING

Importance of Internally Generated Revenue (IGR)

Internally Generated Revenues are revenues generated by the State government from its internal activities. Siyanbola et al (2014) opined that, State government needs this to avoid embarrassment or disappointment from non-remittance of allocation from Federal government, as often time Federal allocation is delayed and State government cannot wait endlessly for the allocation before it can perform its statutory obligations to the citizenry. As we have said before, the internally generated revenue varies from State to State as it is influenced by the culture, politics and economic setting of the residents of the State Siyanbola et al (2014). Internally generated revenue are those revenues, that are derived within the State from various sources, such as taxes, (pay as you earn, direct assessment, capital gain taxes, etc.), and motor vehicle license, among others

Highlighting the importance of IGR to the revenue profile of State governments, Akpo (2009) submitted that IGR does not develop hyper-inflation, it is free and does not carry any burden of repayment and interest like domestic borrowing and loan; through tax, IGR serves as the nerve centre of the social contract, it makes government more responsible and more responsive to the needs of the people, it serves as a tool for economic development, it is an important consideration in the planning of savings and investment and a powerful fiscal weapon to plan and direct the economy. IGR also serves as a tool for social engineering, it goes a long way to keep the society moving, because as government gets more revenue and commission more projects, more money is put in circulation, more employment opportunities arise and more business opportunities are created which impact positively on generality of the society (Nnanseh&Akpan, 2013).

Assessing the contribution of IGR on total revenue, Siyanbola et al (2014), investigated the influence of IGR on total revenue accruing to the State governments in Ogun State, Nigeria. The study used econometric tools of OLS regression method to analyze the nexus that exists between IGR and federal allocation for ten years. It was gathered that there was a significant relationship between the dependent and independent variables. Evidently, the study was not anchored on any theory. However, this present study is anchored on fiscal federalism and structural functionalism theories. In the same vein, the relationship between actual and expected Internally Generated Revenue that this present study is trying to establish was not included in the study. According to Nzota (2007), revenue can play a vital and pivotal role in the creation of wealth and employment in the economy in the following ways:

- Stimulating growth in the economy, by increased trade and economic activities. In this regard, revenues should be used to provide basic infrastructure such as power, roads, transportation and other infrastructure that would facilitate trade and other economic activities.

- Stimulating domestic and foreign investment - where the revenue creates a competitive edge for investments in the economy, local investments would be retained in the country, while also attracting foreign investments. Increased investment would generate employment and provide wealth in the hands of individuals.

- Revenue generated can also be applied directly to important sectors of the economy to stimulate such sectors. In this regard, the sectors must be those that have potential for creating employment, developing the economy and creating wealth for the greater benefit of citizens and Government of the State.

- Revenue collected can be used to develop effective regulatory systems, strengthen financial and economic structures and address market imperfections and other distortions in the economic sector. Revenue realized from specific sectors of the economy can be channeled back to those sectors to encourage their continued growth and development.

- Redistribution of income, whereby revenue realized from high income earners is used to provide public infrastructure and utilities to the lowest income earners. Revenue may also be used to create a social security net for short and long terms relief to indigent members of society and other classes of persons who may require such intervention by the Government. (National Tax Policy)

Sources of Internally Generated Revenue of States Governments

According to Douglas, (2010), Omotoso, (2009), and Olusola, (2011) cited in Asimiyu and Kizito (2014), the various sources of internal revenue of the State government and their challenges are explained in the table below:

Table 1

S/N	Revenue Sources	Description	Challenges
1	Taxes	These are compulsory levies imposed by the state government on individuals, institutions, corporate bodies, expenditures, etc, for which no direct benefits are received. Taxes/Levies Collectible by State Governments includes: Personal income tax: Pay-As-You-Earn (PAYE); Withholding tax (individuals only); Capital gains tax; Stamp duties (instruments executed by individuals); Pools betting, lotteries, gaming and casino taxes; Road taxes, etc. These constitute major sources of internal revenue to state governments.	Mismanagement of Tax Collected. Lack of public awareness. Human Resource problem. Bribery and corruption. Non-remittance of income collected. Lack of public awareness
2	Charges and fees	These are imposed on goods and services provided by the State government and they include tuition at state-owned colleges and universities, tolls and transportation charges, hospital charges, parks and recreation fees, solid waste charges, and other fees for the use of government services.	Bribery and Corruption. Non-remittance of income collected. Lack of accountability.
3	License	These include money State governments charge individual for obtaining various types of licenses such as vehicle licenses and other certificates. Licenses have to be obtained to operate hotels, pool- betting, Casinos, etc.	Poor internal control measures. Lack of accountability.

Table 1: Contd…			
4	Earnings and Sales	These include the incomes or profits that state governments derive from their investments or business ventures such as State owned hotels, transport business, production outfits, etc. They also include incomes government derive from the sale of government property such as land, houses, vehicles, equipment, etc.	Poor internal control measures. Lack of accountability. Bribery and Corruption. Non-remittance of income collected. Inadequate facilities
5	Rent on Government Property	Most State governments also derive significant amount of revenue from rent paid by people who hire government property such as houses, land, etc.	Poor internal control measures. Lack of accountability. Bribery and Corruption. Inadequate facilities
6	Interest and Dividends	State governments also get revenue from interests on capital that they lend out to individuals, institutions or Local Governments. They also receive dividends on state-owned shares and stocks.	Bribery and corruption Non-remittance of income collected
7	Fines	These include money imposed on law offenders/breakers in the state. Fines are paid in courts and they form part of Government Revenue.	Bribery and Corruption. Non-remittance of income collected
8	Miscellaneous	Apart from the sources of revenue mentioned above, State Governments also get revenue from other means. These include agriculture, tourism, transportation, etc.	Porous sources. Poor internal control measures.

Source: Douglas, (2010), Omotoso, (2009), cited in Asimiyu and Kizito (2014)

Relevance of IGR to Government Expenditure

An expenditure that results in the acquisition of permanent asset that is used for the purpose of earning revenue is regarded as capital expenditure (Nnanseh & Akpan, 2015). The general view according to Olaoye, (2008) is that, government expenditure notably on social and economic infrastructure can be growth enhancing, although the financing of such expenditure to provide essential infrastructural facilities including transport, electricity, telecommunication, water and sanitation, waste disposal, education and health can be growth retarding (Olaoye, 2008). According to Arogundade and Olaoye (2016), government expenditure involves all the expenses, that the public sector incurs for its maintenance for the benefit of the economy. They submitted increase in government expenditure, on socio-economic activities and infrastructural development is an impetus for economic growth in any country.

It is the responsibility of the government to render services to its citizen. Such services include provision of security, infrastructural facilities, health care services, education, among others etc. For government to provide these services creditably, it needs adequate resource allocation, revenue management, expenditure management budget and budgetary control, internal and external audit and other components of Public Sector Financial Management that will assist to achieve greater efficiency (Nnanseh & Akpan, 2015).

Ibeogu and Ulo (2015), explored how IGR contribute to sustainable community development in Abakaliki Local government, Ebonyi State. The research work was directed to improve the sources and utilization of IGR, for sustainable community development. Relying on structural functionalism theory it was gathered that sources of internal revenue to the Local government were not fully tapped, while the available funds were not judiciously utilized in line with the provision of the constitution. Literature agreed that revenue serve as sources where the various form of government expenditure are finance and that both revenue and expenditure are the two ways to analyze government budgets.

METHODOLOGY

The study adopted descriptive survey design and ex post facto research design. Three states (Osun, Ondo and Ekiti) were selected from the six southwestern states, to form the sample for the study. The purposive sampling of selected states was based on the availability of relevant data and peculiar revenue characteristics of the three states. Besides, Oyo and Ogun states were at close boundary with Lagos state, which has been described of exemplary IGR strength and as such were excluded from the analysis. Data were collected from secondary sources, where specific variables such as State IGRs and revenue profile/total revenue and capital expenditure were extracted from the financial statements of the selected states, collected from State Government's Accountant General offices, for the period of ten years (2006-2015).

Model Specifications

For the first objective, the model specification employed follows Olusola (2011) with little modification to suit the purpose of this research work. Hence, the model for this research work is specified thus:

$$TOTREV = f(IGR, STAREV, VALADD, EXCRUD) \tag{1}$$

Model Estimation Technique

The equation specified in equation 3.2 is estimated by multiple regression analysis of Ordinary Linear Regression (OLS). The regression equation of the model was stated as follows:

$$TOTREV = \beta_0 + \beta_1 IGR + \beta_2 STAREV + \beta_3 VALADD + \beta_3 EXCRUD \; U_t \tag{2}$$

Where:

$TOTREV$ = Total revenue

IGR = Internally Generated revenue

$STAREV$ = Statutory revenue

$VALADD$ = Value added tax

$EXCRUD$ = Excess crude oil

β_0 = Intercept

β_1 and $\beta 3$ = Coefficient of the Independent variable

U_t = Captures other variable not included in the model and it takes care of other factors that cannot be observed or computed due to lack of data.

For the second objective, the model specification used by Nnanseh & Akpan (2013) in their study is considered suitable.

$$CAPEXP = f(IGR) \tag{3}$$

$$CAPEXP = f(\alpha_0 + \alpha_1 IGR + U_t \tag{4}$$

Where,

CAPEXP = Capital expenditure

IGR = Internally Generated Revenue

RESULTS AND DISCUSSIONS

Trend of Internally Generated Revenue of Osun State, Ekiti State and Ondo State (2006-2015)

Figure 1 revealed the trend of internally generated revenue of Osun State, Ekiti State and Ondo State over the period of 10 years covering from 2006 to 2015. Summary of the trend indicated that Internally Generated Revenue of Osun State, Ekiti State and Ondo State trended upward from 2006 to 2015. Categorically, Internally Generated Revenue of Osun State trended upward above Ekiti State and Ondo State. This implies that, over the period of ten years covering from 2006 to 2015, Osun State Government generates more internal revenue than Ekiti State and Ondo State. In the same vein, it was gathered that, Ondo State generated more internal revenue than Ekiti State. This connotes that, out of the three States under review, Osun State and Ondo State generate more IGR than Ekiti State as could be observed from the figure.
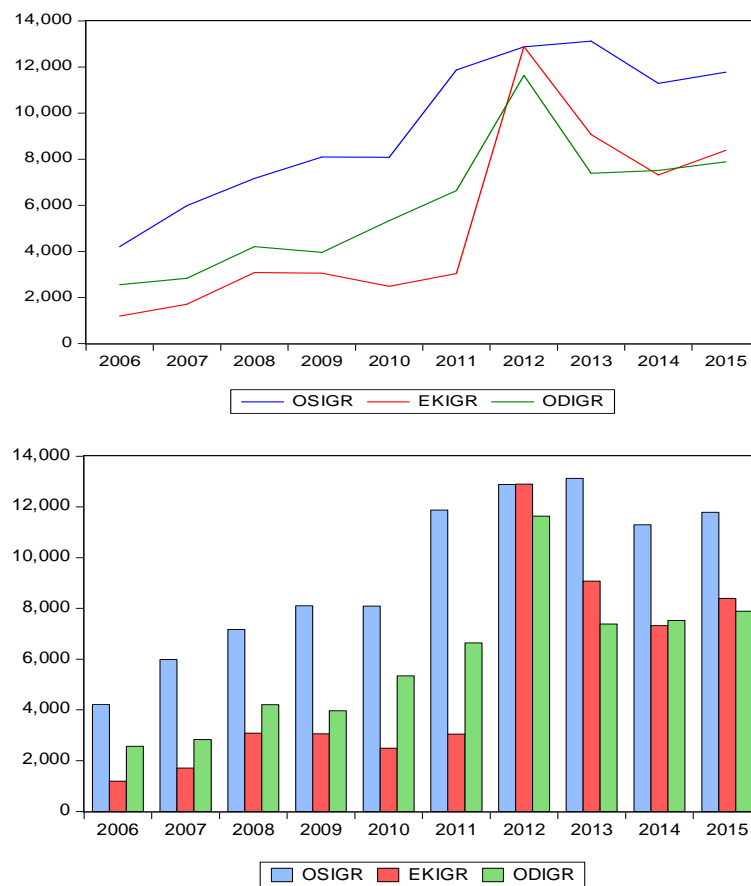
Figure 1: Trend of Internally Generated Revenue of Osun State,

Ekiti State and Ondo State (2006-2015)

Trend of Total Revenue of Osun State, Ekiti State and Ondo State (2006-2015)

Figure 2 displayed the trend of total revenue of Osun State, Ondo State and Ekiti State over the period of 10 years spanning from 2006 to 2015. Overview of the trends showed that the total revenue of the three States rose mildly from 2006 to 2011 however, Ondo State rose above Ekiti and Osun State. Starting from 2011 to 2015, Osun State total revenue

rose above Ondo and Ekiti State. It is worthy of note that the trend of the total revenue of the three States was a cyclical one.
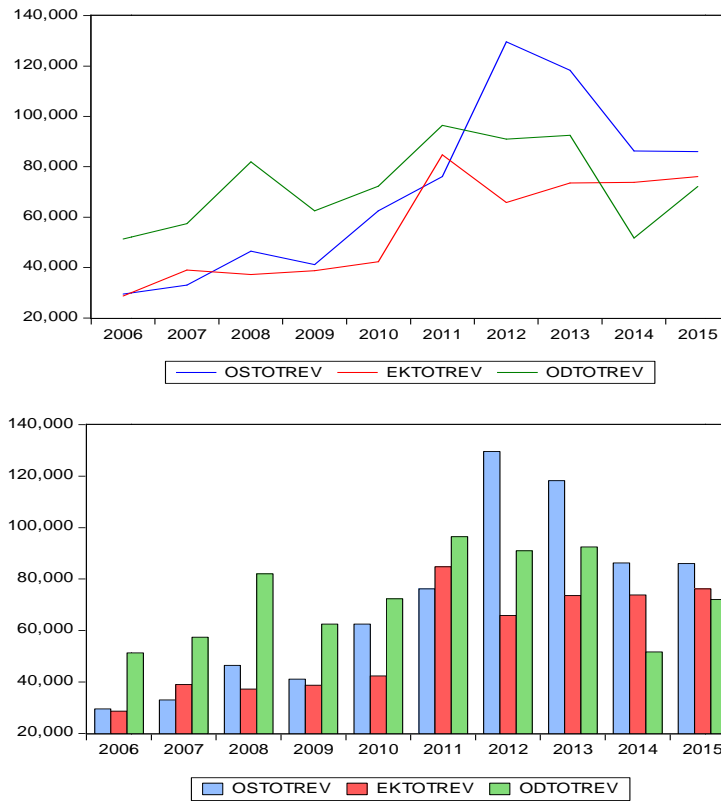

Figure 2: Trend of Total Revenue of Osun State,

Ekiti State and Ondo State (2006-2015)

Trend of Government investment of Ekiti, Osun and Ondo State

Figure 3 below revealed the trend analysis of government investment for the three States and clearly Ekiti State was below Osun and Ondo State. While Ekiti State maintained a parallel trend from 2006 to 2015, Osun and Ondo State trended upward from 2006 to 2007 and 2009, respectively, when Osun State declined sharply in 2008 before it rose cyclically to 2015. In the same vein, Ondo State declined in 2010, when there was a cyclical trend to 2014 before it fell sharply in 2015.
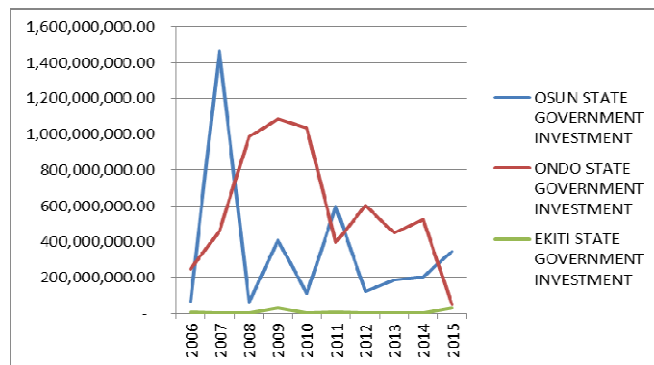

Figure 3: Trend of Government Investment of Ekiti, Osun and Ondo State

The Pearson correlations in Table 2 indicate that, the variables used are highly correlated with each other. It was acknowledged that there was a positive significant correlation between total revenue and IGR (r = 0.641**), a significant relationship was affirmed between total revenue and statutory allocation (r = 0.798**); furthermore, a substantial association exists between total revenue and value added tax (r = 0.875**), the result confirmed a negative insignificant relationship between total revenue and excess crude oil ((r = −0.368), in Ekiti State. The result implies that, total revenue moves in the same direction with internal generated revenue (IGR), statutory allocation and value added tax with the exception of excess crude oil that moves in opposite direction in Ekiti State. Equally, it was revealed that, there was a positive significant positive relationship between IGR, statutory revenue and value added tax except excess crude oil that has an insignificant negative relationship with IGR. This implies that, IGR moves in the same direction with statutory revenue and value added tax except with excess crude oil that moves in opposite direction. The correlations among the total revenue measures are quite reasonable. Furthermore, the correlation between total revenue scores and value added tax was observed to be the highest, for the revenue profile in Ekiti State.In the same vein, there exist a significant positive relationship between statutory allocations and value added tax but negative insignificant correlation with excess crude oil. Moreover, there exists an adverse link between value added tax and excess crude oil. Therefore, value added tax and excess crude oil move in inconsequential direction in Ekiti State.

In addition, the study affirmed a positive, but insignificant relationship between total revenue and IGR (r = 0.559), there exist an insignificant relationship between total revenue and statutory revenue(r = 0.291), total revenue and value added tax confirmed an insignificant link (r = 0.480); while the association between total revenue and excess crude in Ondo State was insignificant (r = 0.506). The result connotes that, total revenue moves in the opposite direction with IGR, statutory revenue, value added tax and excess crude oil in Ondo State. Equally, it was revealed that, there is a significant positive relationship between IGR, statutory revenue and value added tax except excess crude oil that has a negative relationship between IGR in Ondo State. Hence, IGR was consistency with statutory revenue and value added tax, except excess crude oil that moves in opposite direction. In the same vein, there exists a positive significant relationship between statutory allocation and value added tax and a negative correlation with excess crude oil. Moreover, there exists a negative correlation between value added tax and excess crude oil. The study concludes that value added tax and excess crude oil move in opposite direction in Ondo State.

Moreso, the study established that there was a strong positive significant relationship between total revenue and IGR(r = 0.925**), also a strong positive association between total revenue and statutory revenue was affirmed (r = 0.913**), a strong positive link exists between total revenue and value added tax (r = 0.824**); but a negative insignificant exist between total revenue and excess crude oil in Osun State. The result shows that, total revenue moves in the same direction with IGR, statutory revenue and value added tax except excess crude oil that moves in opposite direction. Equally, it was affirmed that there is a positive significant relationship between IGR, statutory revenue and value added tax except excess crude oil that has a significant negative relationship between IGR in Osun State. The Pearson correlations among the total revenue measures are fairly high. Also, the correlation between total revenue scores and internally generated revenue was witnessed to be the highest for the revenue profile in Osun State. This implies that, IGR moves in the same direction with statutory revenue and value added tax except excess crude oil, that moves in opposite direction. In the same vein, there exists a significant positive relationship between statutory allocation and value added tax and a negative correlation with excess crude oil.

Moreover, there exists a negative correlation between value added tax and excess crude oil. Therefore, value added tax and excess crude oil move in opposite direction in Osun State.

Table 2: Correlation Analysis

		TOTREV	IGR	STAREV	VALADD	EXCESS
Ekiti State	TOTREV	1				
	IGR	**0.641***	1			
	STAREV	**0.798****	**0.708***	1		
	VALADD	0.875**	0.784**	0.879**	1	
	EXCRED	-0.368	-0.734*	-0.415	-0.491	1
Ondo State	TOTREV	1				
	IGR	**0.559**	1			
	STAREV	**0.291**	**0.657***	1		
	VALADD	0.480	0.851**	0.783**	1	
	EXCRED	0.506	-0.506	-0.553	-0.299	1
Osun State	TOTREV	1				
	IGR	**0.925****	1			
	STAREV	**0.913****	**0.869****	1		
	VALADD	0.824**	0.928**	0.821**	1	
	EXCRED	-0.420	-0.253	-0.400	-0.384	1

Source: Author's Computation, (2017)

Multiple Regression Analysis of IGR and Total Revenue of Ekiti State

Estimation result presented in Table 3, reported coefficient estimate of -0.486, 0.330, 9.059 and 0.218 alongside probability value of 0.846, 0.779, 0.156 and 0.197 for IGR, statutory allocation, value added tax and excess crude oil respectively. The result showed that, there is no significant influence of IGR, statutory allocation, value added tax and excess crude oil on the total revenue of Ekiti State. In addition, the result indicated that, one percent increase in IGR, statutory allocation, value added tax and excess crude oil would breed 0.486 decreases, 0.330 increases, 9.059 increase and 0.218 increase in total revenue, respectively. R-square value stood at 0.775, which imply that, about 77.5 percent of the systematic variation in the total revenue of Ekiti state, over the period 2006-2015, which is explained by the collection of IGR, statutory allocation, value added tax and excess crude oil. Overview of the reported F-statistics of 4.316 and the corresponding probability value 0.70 revealed that, there is no enough evidence to reject the null hypothesis that the model is correctly specified. Therefore, IGR has no significant influence on total revenue of Ekiti State, during this period of investigation.

Table 3: Multiple Regression Analysis of IGR and Total Revenue of Ekiti State,
Dependent Variable: Total Revenue

Variable	Coefficient	Std Error	t-statistics	Prob.
C	1.216	1.872	0.065	0.951
IGR	-0.486	2.370	-0.205	0.846
STAREV	0.330	1.115	0.296	0.779
VALADD	9.059	5.420	1.671	0.156
EXCRUD	0.218	1.981	0.110	0.917

NB: R-Squared   =   0.775

Adjusted R-Square   =   0.596

F-statistic = 4.316

Prob (F-statistic) = 0.70

Multiple Regression Analysis of IGR and Total Revenue of Ondo State

Estimation result presented in Table 4 reported coefficient estimate of 1.435, 0.713, 1.191, and 1.618 alongside probability value of 0.591, 0.271, 0.766 and 0.02 for IGR, statutory allocation, value added tax and excess crude oil respectively. The result showed that IGR, statutory allocation and value added tax have no significant influence on the total revenue of Ekiti State except excess crude oil. This implies that, there is a significant influence of excess crude oil on the total revenue of Ekiti State. The result also indicated that, one percent increase in IGR, statutory allocation, value added tax and excess crude oil would breed 1.435, 0.713, 1.191, and 1.618 increases in total revenue, respectively. R^2 value indicates the portion of the variance of the IGR variables, which is explained by total revenue. In accordance with Cohen (1988), an $R^2 = 2$ percent is categorised as having a small effect, $R^2 = 13$ percent is categorised as medium effect, and $R^2 = 26$ percent can be categorised as large effect. Hence, R-square value stood at 0.783 and this imply that about 78.3 percent of the variation in the total revenue of Ondo State, over the period 2006-2015 was explained by the collection of IGR, statutory allocation, value added tax and excess crude oil. Therefore, F-statistics of 4.502 and the corresponding probability value 0.605 affirmed that there is no enough evidence to reject the null hypothesis that the model is correctly specified.

Table 4: Multiple Regression Analysis of IGR and Total Revenue of Ondo State.
Dependent Variable: Total Revenue

Variable	Coefficient	Std Error	t-statistics	Prob.
C	1.408	1.618	0.870	0.424
IGR	1.435	2.500	0.574	0.591
STAREV	0.713	0.576	1.237	0.271
VALADD	1.191	3.788	0.314	0.766
EXCRUD	1.618	0.501	3.230	0.023

NB: R-Squared = 0.783

Adjusted R-Square = 0. 609

F-statistic = 4.502

Prob (F-statistic) = 0.065

Multiple Regression Analysis of IGR and Total Revenue of Osun State

Estimation result presented in Table 5 reported coefficient estimate of 11.950, 1.318, -8320 and -2.171 alongside probability value of 0.029, 0.221, 0.145 and 0.138 for IGR, statutory allocation, value added tax and excess crude oil respectively. The result showed that statutory allocation, value added tax and excess crude oil have no significant influence on the total revenue of Ekiti State, except excess crude IGR. This implies that, there is a significant influence of IGR on the total revenue of Ekiti State. The result also indicated that, one percent increase in IGR, statutory allocation, value added tax and excess crude oil would breed 11.950 increases, 1.318 increases, 8.320 decrease and 2.171 decrease in total revenue, respectively. R-square value of 0.948 shows that about 94.8 percent of the variation in the total revenue of Osun State over the period 2006-2015 can be explained, by the collection of IGR, statutory allocation, value added tax and excess crude oil.Moreso, F-statistics of 22.879 and the corresponding probability value 0.002 acknowledged that, there is enough

evidence to reject the null hypothesis, that the model is correctly specified.

Table5: Multiple Regression Analysis of IGR and Total Revenue of Osun State
Dependent Variable: Total Revenue

Variable	Coefficient	Std Error	t-statistics	Prob.
C	-1.785	1.610	-1.109	.318
IGR	11.950	3.934	3.038	0.029
STAREV	1.318	0.942	1.400	0.221
VALADD	-8.320	4.865	-1.710	0.148
EXCRUD	-2.171	1.229	-1.767	0.138

NB: R-Squared   =   0.948

Adjusted R-Square   =   0.907

F-statistic   =   22.879

Prob (F-statistic)   =   0.002

Simple Regression Analysis of Capital Expenditure and IGR of Ekiti State

In Table 6, R-Square (R^2) is the percentage of changes in the dependent variable (capital expenditure), which can be predicted from the independent variable (IGR). R^2 revealed that, IGR explained about 23.3 percent of the systematic variation of capital expenditure. The overall fitness of the model, as shown in the F statistics of 2.425 with a probability of 0.158 was statistically insignificant, as it was greater than the standard critical p-value of 0.05 (5 percent). This simply implies that, the test is statistically insignificant and the model cannot be used for further inference. Therefore, the null hypothesis was supported. The result affirmed that, there is no significant impact of IGR on capital expenditure in Ekiti State, in the year 2006 to 2015.

Table 6: Simple Regression Analysis of Capital Expenditure and IGR of Ekiti State
Dependent variable: Capital Expenditure

Model	coefficients	Std Error	R	R^2	F	Prob
Constant	1.072	3.939	0.482	0.233	2.425	0.158
IGR	0.956	0.614				

Simple Regression Analysis of Capital Expenditure and IGR of Ondo State

The constant coefficient of 3.025 indicated the value of capital expenditure, when IGR did not command any value. In the same vein, -0.557 coefficient of IGR connotes a negative relationship. Furthermore, it was found that the probability value of the impact of IGR on capital expenditure was 0.510. Hence, the null hypothesis was accepted as the probability value was greater than the critical value of 0.05. Overview of the reported F-statistics of 0.475 revealed enough evidence to reject the null hypothesis. Moreover, it was gathered that IGR was only responsible for 5.6 percent change in capital expenditure in Ondo State, for the period of 2006-2015.

Table 7: Simple Regression Analysis of Capital Expenditure and IGR of Ondo State
Dependent variable: Capital Expenditure

Model	Coefficients	Std Error	R	R^2	F	Prob
Constant	3.025	5.297	0.237	0.056	0.475	0.510
IGR	-0.557	0.808				

Simple Regression Analysis of Capital Expenditure and IGR of Osun State

Table 8 shows coefficient estimate of 1.695 alongside probability values of 0.045. This connotes that, capital expenditure increase by 1.695 following one percent increase in IGR. In the same vein, the null hypothesis was not supported and the alternative was supported. The rejection of the null hypothesis was affirmed in the F-statistics that stood at 5.666. Hence, the result showed that IGR exert significant positive impact on capital expenditure in Osun State. R-square value (0.415) implies that about 41.5 percent of the systematic difference in capital expenditure of Osun state for the period 2006-2015 can be explained by IGR.

Table 8: Simple Regression Analysis of Capital Expenditure and IGR of Osun State
Dependent variable: Capital Expenditure

Model	Coefficients	Std Error	R	R^2	F	Prob
Constant	1.695	1.893	0.644	0.415	5.666	0.045
IGR	4.548	1.911				

From the above findings, there was no significant impact of IGR on Capital expenditure in Ekiti and Ondo State. The argument that ensues from this discovery was that IGR has not contributed significantly, to the capital expenditure of Ekiti and Ondo State. This is at variance with the submission of Adenugba and Ogechi (2013) that, there was a positive influence of IGR on infrastructural development in Lagos State. Therefore, this result underscores that, when the influences of statutory allocation, value added tax and excess crude oil are held constant, IGR will contribute maximally to the total revenue. The discovery made in this study was in line with the findings of Nnanseh and Akpan(2013), who established that, there was a significant relationship between IGR and provision of electricity, road and water in AkwaIbom State. Equally, the finding was in accordance with the studies carried out by Siyanbola, Dada and Olusola (2014) and Olumide and Adeola (2015). The outcome of these findings was that, IGR goes a long way in the composition of revenue profile of Osun State, but reverse is the case for Ondo and Ekiti State, at 5 percent significant level.

CONCLUSIONS

This study has been able to recognize that taxes, grants, licenses, fines and fees, interest, earnings and sales, rent on property, government investment and dividends were the major sources of IGR and exerted significant influence on the total revenue of both states. Further, the IGR of Osun State contributed maximally to the total revenue, while that of Ondo and Ekiti State contributed minimally to the total revenue. Therefore, the result underscores that, when all other sources of revenue to Osun State government are held constant, IGR would significantly influence capital expenditure. However, in Ondo and Ekiti State, when all other sources of revenue are held constant, IGR would not significantly influence capital expenditure.

RECOMMENDATIONS

In line with the findings of this study, the following recommendations could be found helpful:

- State governments to come up with new innovations on how to improve IGR base.

- The State government of the three states should strongly explore other sources of IGR to boost their revenue profile.

- Government need to renew drive on the economic activities of the State by improving the public and infrastructural sectors to support business structures, citizens and the low income earners. This will help in the reduction of tax evasion and avoidance.

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