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INTERNALLY GENERATED REVENUE AND BUDGET IMPLEMENTATION IN LAGOS STATE NIGERIA

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Abstract

Revenue generation in Nigeria has been a topical issues. The government's interest in finding non-oil revenue streams has increased in response to the sporadic decline in crude oil prices. The focus has always been on increasing domestic income generation to reduce reliance on oil and other state-mandated statutory allocations. There is also a widespread notion that a state with substantial domestic income generation is able to meet its inhabitants' requirements for infrastructure and social services. Therefore, this study examined the effect of internally generated revenue and budget implementation in Lagos State. The research adopted *ex-post facto* research design. The population of this study was Lagos State which is also the sample size. Data for the purpose of this research work were obtained from the Lagos State Internal Revenue Service and the Lagos State Ministry of Economic Planning and Budgeting from 2007 to 2022. Data collected were analyzed using Ordinary Least Square (OLS) method and simple linear regression. The findings of the research showed that domestically produced revenue significantly and favorably affects capital, ongoing, and overall expenditures. The study's recommendations were based on its findings, which included strengthening the Lagos State Internal Revenue Service to serve as a one-stop shop for tax collection and improving other revenue streams including stamp duties, levies, and fees that the state government collects. Additionally, the Lagos State government has to make sure that the budget is implemented effectively by converting the allocated funds into material assets.

INTRODUCTION

The government is accountable for providing services to its people, including health care, education, infrastructure, security, and many other areas. The budget needs to specify the services the government will give. A budget is a financial document that shows the government's anticipated revenue and expenses for a given time frame, generally a year (George-Anokwuru & Ekpeyong, 2020).

Revenue from budget is spent on either capital or recurrent expenditure or both. State governments' revenue within their borders is known as internally generated revenue, or IGR. This money is produced by a variety of sources, including taxes, licenses, penalties and fees, earnings and sales, rent from government properties, interest from investments, and dividends from other sources (Aluthge et al 2021). Lagos State is one of the twelve (12) states created in Nigeria in 1967. Lagos State is typically keen to increase its domestic income base, but it doesn't appear to be able to take advantage of the chances that present itself. Internally produced income as well as additional federal account receipts make up Lagos State's consolidated revenue account. When internally generated revenue is low, the state is expected to allocate the majority of its federation account to servicing recurrent expenditures; conversely, when internally generated revenue is high, a larger portion of the federation account's allocation will be used for capital expenditures. Revenue generation is the primary objective of tax, it helps the government to run the administration and provide basic facilities for citizens of the country (Olaoye, et al, 2023). Government in Nigeria and by extension Lagos State as in other parts of the world exist to meet the need of the people in terms of provision of infrastructural facilities (Richard et al, 2020).

The states' ability to distribute cash has decreased due to the decline in oil earnings in recent years, which has had a negative impact on state expenditure. As a result, the requirement for Nigerian states and local governments to earn appropriate money from domestic sources has grown urgent and critical (Ocheni, 2016). The rising cost of administering government, along with declining revenue, has prompted several Nigerian state governments to develop revenue-generating techniques (Obara & Nangih, 2017).

It's a common misconception that a state with significant internally generated revenue can support its inhabitants' social and infrastructure demands. The focus has consistently been on increasing domestically produced income to reduce dependency on oil and other statutory funding for state

and local governments. Internally generated revenue (IGR) should be a main source of state revenue rather than the states waiting for external sources of finance such as allocation from the Federal Government of Nigeria (Nkanor & Udu,2016). Budget implementation for the purpose of this research was measured by capital expenditure, recurrent expenditure and total capital expenditure.

Research Objectives

The broad aim of this study was to investigate relationship between internally generated revenue and budget implementation in Lagos State Nigeria from 2007 to 2022. The specific objectives are:
(i) Investigate the effect of internally generated revenue on the capital expenditure of Lagos State
(ii) Examine the impact of internally generated revenue on the revenue expenditure of Lagos State
(iii) Ascertain the effect of internally generated revenue on the total expenditure of Lagos State

Research Questions

The following research questions were derived from the research objectives.

i. To what extent does internally generated revenue affect the capital expenditure of Lagos State?
ii. How does internally generated revenue have an effect on the recurrent expenditure of Lagos State?
iii. To what extent does a relationship exist between internally generated revenue and the total expenditure of Lagos State?

Research Hypotheses

The following research hypotheses were drawn from the research objectives and research questions.

i. Internally generated revenue does not affect the capital expenditure of Lagos State.
ii. Internally generated revenue does not have an effect on the recurrent expenditure of Lagos State
iii. There is no significant relationship between internally generated revenue and the total expenditure of Lagos State.

LITERATURE REVIEW

The review of relevant literature for the subject is the main topic of this part. Both the theoretical and empirical reviews are available. While the empirical review focuses on examining the outcomes and results of other relevant empirical works in an effort to show parallels or differences, the theoretical review examined ideas that are relevant to the research.

Theoretical Review

Theory of Structural Functionalism

Structural functionalism theory also known as the functionalism theory is a variant of the systems theory developed in sociology. The theory is prominent in the work of Augustus Compte (1798-1857), Herbert Spencer (1820-1903) and Emile Durkheim (1902-1979). The theory views society as a network of interconnected structure each of which has a specific purpose and when one structure fails, the system becomes dysfunctional or disorderly (Egwuonwu et al, 2023). The theory is related to the systems theory in that it aids comparison of political systems in relation to the question of state functionality, state capacity and good governance among others. It assumes that political systems engender structures and that these structures perform functions for the survival of the system (Abdulkareem et al, 2018).

Ibeogu and Ilo (2015) provided support for the theory by stating that structural functionalism, in the context of politics and administration, can be defined as a tool of investigation that aims to explain the relationship between the parts and the whole as well as a way of explaining the fundamental function of both political administrative structures. Structural functionalism theory has been criticized on the ground that taking into account the interconnected parts that allowed local government to not exist in isolation, the notion of dysfunctionalism or disorderliness advanced by the theory, this could be used to explain the inability of local governments to maximize their internal systems (Adeyemi& Awogbade,2022). In this study, internally produced income in Lagos State, Nigeria, has been recognized as a structure developed to execute the role of revenue production for the growth of Lagos State.

Fiscal Federalism Theory

The theory was propounded by Richard Musgrave in 1959. The distribution of public funds among the several levels of government and the ways in which each tier of government uses these funds are the primary concerns of fiscal federalism. The basic assumption is that each tier of government aims at maximizing social welfare for the citizens within its jurisdiction (Olabanji, 2012). In

justification of the idea, Nnanseh and Akpan (2013) said that governments and their representatives were viewed as the guardians of the public interest, determined to promote social welfare out of altruism or the necessity of securing democracy. The theory has been criticized on the grounds that, despite the assumption that every level of government should maximize social welfare to the populace, it is difficult for any level of government to produce a perfect mapping for all public goods given the variety of local goods with different geographic patterns of consumption (Dominic et al., 2019). This theory applies to this study because it anticipates that decentralized government would focus on delivering local public goods, with targeted funds from the federal government provided where there is jurisdictional spillover related to local public goods.

The Budget Theory

The budget theory was propounded by Henry Adams. In order to control expenditures and cash flows in huge, industrial companies, budgets were initially developed in the 1920s (Adongo & Mkim, 2013). However, the advent of scientific management philosophy placed a strong focus on using comprehensive data to guide choices, which greatly advanced management accounting and budgeting techniques. (Akintoye, 2008).

According to Babatunde (2018), budgets provide an organization a focal point, help with activity coordination, and make control easier. They went on to say that the budget may be used as a check to see if the plans are being carried out and to implement corrective actions in cases where there is a deviation or shortfall. Because budgetary constraints must be authorized or rejected by parliamentarians, they may occasionally be subject to processes designed to further political objectives rather than necessarily in good faith. Budget is relevant to this study as it will be used to know if the propose revenue as stated in the budget is realized.

Empirical Review

This section contains the review of findings of past research work by various researchers on internally generated revenue which are in line with the objectives of this research work.

Internally Generated Revenue and Capital Expenditure

Adenugba and Ogechi (2013) investigated internally generated revenue on infrastructural development capital expenditure in Lagos State with the use of survey research design. The study's instruments included statistical data and questionnaires. The outcome demonstrated a strong and favorable correlation between internally produced income and the advancement of infrastructure.

Similar research on domestically produced revenue and local government performance in Rivers State from 2006 to 2013 was conducted by Ironkwe and Ndah (2016). The study's empirical findings demonstrated that, throughout the study period, tax money had a slight but favorable impact on road maintenance and construction.

Oladejo and Alade (2017) conducted a second analysis on the income profile of a few South Western State governments in Nigeria between 2006 and 2015, focusing on domestically produced revenue. The research's empirical findings showed that Osun State's internally produced revenue had a favorable and substantial impact on the state's capital expenditures over the study period. In the study by Obisanya et al. (2020), internally generated revenue and public expenditure in Nigerian local government were found to move in the same direction, but public expenditure moves more quickly than internally generated revenue. The study used secondary data from 1993 to 2017 and employed second generation theory.

Omodero et al. (2018) looked at the impact of locally produced revenue on Nigeria's economic growth. The research utilized time series data spanning from 1981 to 2016. The study found that, throughout the study period, domestically produced income had a favorable and substantial influence on the Real Gross Domestic Product. In contrast to the aforementioned findings, Owusu (2015) conducted a research to evaluate the role that domestically produced funds had in the growth of Ghana's metropolitan assemblies. The study found that the growth of metropolitan assemblies in Ghana was negatively impacted by locally produced revenue.

Internally Generated Revenue and Recurrent Expenditure

Siyanbola et al (2014) in a study on internally generated revenue on total revenue accruing to state governments in Nigeria from 2007 to 2012 adopted the econometric tool of Ordinary Least Square (OLS) regression method to analyze the data. The study found that revenue is mostly expended on recurrent expenditure which has to do with the payment of salary. Hassan and Ajayi (2015) reviewed the revenue and expenditure pattern of Osun State government from 1997 to 2006. The quarterly and annual progress of the Osun State ministry of Finance and Economic Development were also used for the study. They used simple percentage method in analyzing the data gathered. Pie charts were also used to illustrate the findings of the study. From the findings, it was revealed that internally generated revenue was grossly inadequate. It was also discovered that 70% of the total revenue was expended on the recurrent expenditure while only 30% was allocated for capital expenditure. This shows that a large sum of the revenue obtaining was mostly used for recurrent

expenditure.

In their study, Ocheni et al. (2017) used an ex-post facto research approach from 2002 to 2014 to examine Kogi State's domestically produced revenue, real value-added tax distribution, and recurrent spending over the study period. The model was estimated using Ordinary Least Squares (OLS) regression, and the null hypotheses proposed were tested. The study's findings revealed that while value added tax makes a positive and considerable contribution to recurrent spending in Kogi State, domestically produced revenue does not.

Ladejobi et al. (2019) employed the Vector Error Correction Model (VECM) to assess the influence of domestically produced revenue on revenue generation, total spending, and fiscal deficit in Nigerian states. The study's findings found that domestically produced revenue by Nigerian states had a weak influence on revenue production, with a peak contribution of only 17%. Its proportion to overall expenditure was equally tiny, with a high value of about 9%.

Internally Generated Revenue and Total Expenditure

Abiola and Ehigiamusoe (2014) investigated the growth rate of state governments' internal revenue in Nigeria from 1999 to 2011. Using a descriptive method, the article looked at IGR's potential to finance state government spending. The study indicated that the growth rate of domestically produced revenue by state governments in Nigeria was 20.1%, which is extremely low. State governments' recurring and capital expenditures are outpacing their domestic revenue. It was also shown that internally produced money was insufficient to fund state governments' capital and recurring expenditures. There is a clear link between the growth rate of IGR and spending.

Mohammed et al. (2015) investigated the link between capital and recurring expenditures and internal income generation in Adamawa State local governments. The study's population consists of all twenty-one (21) local governments in Adamawa State, with data derived from audited financial statements spanning the years 2003 to 2012. The data were analyzed using pooled regression. The study's findings revealed a substantial link between government spending and internal revenue. Capital and recurring investment on agriculture and natural resources, road, rural electrification, and market growth have a substantial impact on the domestically produced revenue of Adamawa state local governments.

Omodero et al. (2018) explored how locally produced revenue affects economic growth in Nigeria. The study used an ex-post facto research approach, including time series data covering the period

1981 to 2016. The data was analyzed using multi-regression and the t-test for hypotheses. The study found that internally produced revenue has a favorable and considerable impact on real gross domestic product (RGDP). Ibrahim and Ozioma (2019) evaluated the influence of domestically produced revenue on total spending in Gombe State, Nigeria, from 2008 to 2018, using secondary data obtained from the office of the Accountant General of Gombe. The data was analyzed using ordinary least squares (OLS) regression. The study's findings demonstrated that internally produced money had a favorable and substantial effect on Gombe State's overall capital spending.

METHODOLOGY

Ex-post facto research design was adopted because the study used secondary data.

The population of this research work is Lagos State as the research made use of the capital recurrent and total expenditure, as well as the internally generated revenue of Lagos State. This research work is for sixteen (16) years from 2007 to 2022.

A study of revenue generation account of state government was chosen based on the availability of data ranging from 2007 to 2022. The attributes considered enable us to compute the relationship between independent variables in this research. The result gotten was used to take effect of the whole population.

Data for the project work were obtained from the following secondary sources

The Lagos State Internal Revenue Service: The Lagos State Internal Revenue Service is where the data for the internally generated revenue were collected from.

The Lagos State Ministry of Economic Planning and Budgeting: The Lagos State Ministry of Economic Planning and Budgeting is where the budgeted and actual figures of capital, recurrent and total expenditure were collected from.

To ensure that a valid and reliable conclusion is reached, regarding this research work which is based on internally generated revenue and budget implementation, a secondary data collection instrument were used to extract the data. This is the annually published reports from the Lagos State Internal Revenue Service and the Lagos State Ministry of Economic Planning and Budgeting from 2007 to 2022.

The data used for this study was obtained from the Lagos State Ministry of Economic Planning and Budgeting and the Lagos State Internal Revenue Service. The reliability of the data is as a result of the activities of both the internal and external auditors who have audited the financial statements of Lagos State and have expressed their opinions on the financial statements. The

reliability will also be based on the truthfulness of the publishers of the secondary data that is been used.

For the purpose of this research, the data collected from the research instrument were collated and analyzed using inferential and descriptive statistics. The Ordinary Least Squares method was adopted for the purpose of this study. Excel software was utilized to convert the variables into a format suitable for analysis. E-views 9 was used to conduct the regression. For the descriptive statistics, data collected were presented in tables by the researcher to make it easier to understand by users of the work. For the inferential statistics, the simple linear regression method was used to study the relationship between the variables and also to determine the extent of the relationship between the independent and the dependent variables.

The data on the values of the variables for the purpose of this research interest were presented systematically with the aid of tables. The essence is to show values of the variables in an easy form over the study period. The table contained the actual and budgeted internally generated revenue as well as the actual and budgeted capital, recurrent and total expenditures.

Model Specification

The model specification is based on the functional relationship:

$Y = f(X)$

Where:

Y = Dependent variable

X = Independent variable

X = Internally Generated Revenue (IGR)

Y = Budget Implementation (BI)

$X = x_1$

x_1 = internally generated revenue (IGR)

$Y = y_1, y_2, y_3$

y_1 = recurrent expenditure (RECEXP)

y_2 = capital expenditure (CAPEXP)

y_3 = total expenditure (TOTEXP), y_3 = (RECEXP + CAPEXP)

RECEXP = f(IGR) ----------(i)

CAPEXP = f(IGR)----------(ii)

TOTAXP = f(IGR) ---------- (iii)

BI = f(IGR)

From the equations above budget implementation was represented by recurrent expenditure, capital expenditure and total expenditure and is said to be dependent on internally generated revenue.

Regression Model

RECEXP = α0 + α1IGR + μ1t

CAPEXP = α0 + α1IGR + μ1t

TOTEXP = α0 + α1IGR + μ1t

Therefore,

BI = α0 + α1IGR + μ1t

Where, α0 = intercept of the regression

α1 = coefficient of the regression

μ1t = error term representing other variables not included in the model

Model Evaluation

In the initial stage of evaluating the estimated models, the estimates were discussed alongside probability to determine the effect of internally generated revenue (IGR) on recurrent expenditure (RECEXP), capital expenditure (CAPEXP) and total expenditure (TOTEXP). After the coefficient was evaluated to determine the impact of internally generated revenue (IGR) on recurrent expenditure (RECEXP), capital expenditure (CAPEXP) and total expenditure (TOTEXP).

Decision Rule

Significant: Probability (t-stats) <0.05 levels of significance accept H1 and reject H0

Insignificant: Probability (t-stats) >0.05 levels of significance accept H0 and reject H1

Since the non-acceptance or acceptance of H0 operates in mutual exclusive process, then the non-acceptance of H0 implies the acceptance of H1, otherwise is also true.

A Priori Expectation

The expectation of the researchers for this research work includes that:

Internally generated revenue would positively affect capital expenditure of Lagos State.

Internally generated revenue would have a positive effect on the recurrent expenditure of Lagos State.

Internally generated revenue would have a positive effect on the total expenditure of Lagos State.

In conclusion, it is expected that the coefficient of the variable internally generated revenue should have a positive significant effect on budget implementation.

RESULTS AND DISCUSSION

This section discusses the presentation and interpretation of data collected in tables to improve effective testing of the presented hypotheses. The study results were presented and examined in the following sequence;

a. Descriptive Analysis
b. Test of each hypothesis using the regression model
c. Discussion of findings

Table1: Budgeted and Actual Revenue and Expenditure in Lagos State From 2007 to 2022

Year	BIGR	AIGR	BREXP	AREXP	BCEXP	ACEXP	BTEXP	ATEXP
2007	22727	17046	41773	19868	16450	12336	58223	32204
2008	29255	15141	32141	35808	16774	9366	48915	45174
2009	29368	22056	36312	34635	21923	7550	58235	42185
2010	35503	23916	39697	35606	22956	9771	62653	45377
2011	50892	50892	53092	48792	24315	11868	77407	60660
2012	60200	40793	65503	59374	47226	19201	112729	78575
2013	115284	60604	146752	67378	108484	42047	255236	109425
2014	141687	102157	146752	129495	256649	84860	403401	214355
2015	170432	134092	146752	125581	256649	161021	403401	286602
2016	231963	168763	159464	116296	245536	178414	405000	294710
2017	234027	183795	178015	156148	233556	173109	411571	329257
2018	262620	197328	198182	183845	252593	163208	450775	347053
2019	289676	218459	233620	207366	258321	232098	491941	439464
2020	299078	239024	214729	199378	292376	230367	507105	429745
2021	327206	267700	241865	230650	247825	177662	489690	408312
2022	342714	274946	241977	223003	247713	127674	489690	350677

Source: Lagos State Ministry of Economic Planning and Budgeting

Where:

BIGR = Budgeted Internally Generated Revenue

AIGR = Actual Internally Generated Revenue

BREXP = Budgeted Recurrent Expenditure

AREXP = Actual Recurrent Expenditure

BCEXP = Budgeted Capital Expenditure

ACEXP = Actual Capital Expenditure

BTEXP = Budgeted Total Expenditure

ATEXP = Actual Total Expenditure

Descriptive Analysis

This section of the research presented an overview of the data set and attempted to characterize the data's primary aspects. The study sought to evaluate the link between locally produced revenue and budget execution in Lagos State. The descriptions of the data series are based on mean, maximum, minimum, standard deviations, skewness, Jarque-Bera and Kurtosis of the actual and budgeted figures of the internally generated revenue, capital expenditure, recurrent expenditure and total expenditure of Lagos State. The summary of pooled series of Actual Internally Generated Revenue (AIGR), Actual Capital Expenditure (ACEXP), Actual Recurrent Expenditure (AREXP), Actual Total Expenditure (ATEXP) and Budgeted Internally Generated Revenue (BIGR), Budgeted Capital Expenditure (BCEXP), Budgeted Recurrent Expenditure (BREXP), Budgeted Total Expenditure (BTEXP) are shown in table 4.1 below.

Table 2: Descriptive Statistics

	ACEXP	**AIGR**	**AREXP**	**ATEXP**	**BCEXP**	**BIGR**	**BREXP**	**BTEXP**
Mean	102534.5	126044.5	117076.4	219610.9	159334.1	165164.5	136039.1	295373.3
Median	106267.0	118124.5	120938.5	250478.5	239546.0	156059.5	146752.0	403401.0
Maximum	232098.0	274946.0	230650.0	439464.0	292376.0	342714.0	241977.0	507105.0
Minimum	7550.000	15141.00	19868.00	32204.00	16450.00	22727.00	32141.00	48915.00
Std. Dev.	85954.90	95583.03	75368.99	156712.4	114111.5	118623.8	79756.55	190061.6
Skewness	0.126527	0.222495	0.179675	0.036939	-0.302848	0.118132	-0.087663	-0.299228
Kurtosis	1.420711	1.526629	1.518276	1.363279	1.216860	1.455064	1.496236	1.300101
Jarque-Bera	1.705460	1.579224	1.549758	1.789542	2.364305	1.628433	1.528031	2.165205
Probability	0.426250	0.454021	0.460759	0.408701	0.306618	0.442986	0.465792	0.338713
Observations	16	16	16	16	16	16	16	16

Source: E-Views 9.0

Table 2 shows the descriptive statistics for all the variables of the analysis.

The mean gives the average value of the series (ACEXP, AIGR, AREXP, ATEXP, BCEXP, BIGR, BREXP and BTEXP). The average of the actual internally generated revenue (AIGR) is 126044.5 which is less than the average of the budgeted internally generated revenue (BIGR) of 165164.5. This therefore shows that all actual expenditures are lower than the budgeted expenditures. Actual capital expenditure (ACEXP) is 102534.5 which is lower than budgeted capital expenditure (BCEXP) of 159334.1. Actual recurrent expenditure (AREXP) is 117076.4 which is lower than budgeted recurrent expenditure (BREXP) of 136039.1. Actual total expenditure (ATEXP) is 219610.9 which is lower than budgeted total expenditure (BTEXP) which is 295373.3. In all, actual results recorded are less than the budgeted.

Maximum values of the variables (ACEXP, AIGR, AREXP, ATEXP, BCEXP, BIGR, BREXP and BTEXP) are 232098.0, 274946.0, 230650.0, 439464.0, 292376.0, 342714.0, 241977.0 and 507105.0. While the minimum values of the variables are 7550.000, 15141.00, 19868.00, 32204.00, 16450.00, 22727.00, 32141.00 and 48915.00. The considerable disparity between the series' minimum and maximum values indicates that the variable's trends have varied significantly across the time period under examination. The standard deviation in the above table shows the dispersion or spread of the series (ACEXP, AIGR, AREXP, ATEXP, BCEXP, BIGR, BREXP and BTEXP) which are 85954.90, 95583.03, 75368.99, 156712.4, 114111.5, 118623.8, 79756.55 and 190061.6. Thus, the higher the value, the higher the deviation of the series from the mean; and vice versa. Also, the result based on the statistical distribution of the series shows that the BREXP, BCEXP and BTEXP are negatively skewed while ACEXP, AREXP, ATEXP, AIGR and BIGR are positively skewed. All the variables used in this analysis are platykurtic in nature since their values for kurtosis 1.420711, 1.526629, 1.518276, 1.363279, 1.216860, 1.455064, 1.496236, 1.300101 are less than 3. The Jarque-Bera statistics is used to check whether the sample data have a normal distribution. The result shows that the variables are normally distributed because they are greater than the 5% significance.

Test of Hypotheses

Test of Hypothesis 1 (H_{01})

Research Objective 1: To investigate the impact of internally generated revenue on the capital expenditure of Lagos State.

Research Question 1: To what extent does internally generated revenue affect the capital expenditure of Lagos State?

Research Hypothesis 1

H0: Internally generated revenue does not affect the capital expenditure of Lagos State.

H1: Internally generated revenue affects the capital expenditure of Lagos State

Tables 3: Hypothesis (H01)

Variable	**Model 1**			
	Coefficient	**Std. Error**	**T-stat**	**Prob.**
C	691.7952	16498.03	0.041932	0.9671
AIGR	0.807990	0.105505	7.658327	0.0000
R^2	0.807295			
Adj. R^2	0.793531			
F-Statistic	58.64998			
Prob. (F-Stat	0.000002			
Observation	16			

Source: E-Views 9.0

CAPEXP = f(IGR)

CAPEXP = $\alpha 0 + \alpha 1 IGR + \mu 1t$

CAPEXP = 691.7952 + 0.807990

The results of the regression estimates of the model indicate that internally generated revenue has a positive effect on capital expenditure. This is indicated by the sign of its coefficient 0.807990.

Interpretation of Result

The coefficient of the independent variable internally generated revenue is positive. This shows that there is a positive relationship between the internally generated revenue and the capital expenditure. That is, when internally generated revenue increases, capital expenditure increases. The overall coefficient of determination of R^2 which is the explanatory power of the model is 0.807295. This implies that within the context of the model internally generated revenue is responsible for 80% variations in capital expenditure while the remaining 20% is explained by other factors that can impact on the dependent variable.

The adjusted R^2 of 0.793531 shows that having removed the influence of a number of included explanatory variables, the model is still a good fit and the dependent variable is explained 79.3%. With the p-value = 0.000 of the t-statistics of 7.658327 associated with the coefficient of AIGR which is less than the 5% level of significance, 0.000 < 0.05 the empirical evidence is that internally generated revenue has a significant impact on capital expenditure. Therefore, the null hypothesis is rejected while the alternative hypothesis is accepted. Which means that internally generated revenue has positive effect on capital expenditure in Lagos State.

Decision: Accept Alternate

H_1: Internally generated revenue affects the capital expenditure of Lagos State

Test of Hypothesis 2 (H_{02})

Research Objective 2: To investigate the impact of internally generated revenue on the recurrent expenditure of Lagos State.

Research Question 2: How does internally generated revenue have an effect on the recurrent expenditure of Lagos State?

Research Hypothesis 2:

H0: Internally generated revenue does not have an effect on the recurrent expenditure of Lagos State.

Tables 4: Hypothesis (H02)

Variable	**Model 1**			
	Coefficient	**Std. Error**	**T-stat**	**Prob.**
C	19524.75	6306.121	3.096158	0.0079
AIGR	0.773946	0.040328	19.19149	0.0000
R^2	0.963381			
Adj. R^2	0.960765			
F-Statistic	368.3132			
Prob. (F-Stat	0.000000			
Observation	16			

Source: E-Views 9.0

RECEXP = f(IGR)

RECEXP = $\alpha 0 + \alpha 1 IGR + \mu 1t$

RECEXP = 19524.75 + 0.773946

The results of the regression estimates of the model indicate that internally generated revenue has a positive impact on recurrent expenditure. This is indicated by the sign of its coefficients 0.773946.

Interpretation of Result

The coefficient of the independent variable is positive which shows that there is a positive relationship between internally generated revenue and recurrent expenditure. That interprets as when internally generated revenue increases recurrent expenditure increases likewise. The overall coefficient of the model which is explained in R^2 is 0.963381. This implies that within the context of this model internally generated revenue is responsible for 96.3% variations in recurrent expenditure while remaining 3.7% is explained by other factors that can impact on the dependent

variable.

The adjusted R^2 of 0.960765 shows that having removed the influence of a number of included explanatory variables, the model is still a good fit and the dependent variable is explained by 96%. With the p-value = 0.000 of the t-statistics of 19.19149 associated with the coefficient of AIGR which is less than the 5% level of significance, 0.000 < 0.05 the empirical evidence is that internally generated revenue has a significant impact on recurrent expenditure. Therefore, the null hypothesis is rejected while the alternative hypothesis is accepted.

Decision: Accept Alternate

H_1: Internally generated revenue has an effect on the recurrent expenditure of Lagos State.

Test of Hypothesis 3 (H_{03})

Research Objective 3: To ascertain the effect of internally generated revenue on the total expenditure of Lagos State.

Research Question 3: To what extent does a relationship exist between internally generated revenue and the total expenditure of Lagos State?

Research Hypothesis 3

$H_{0:}$ There is no significant relationship between internally generated revenue and the total expenditure of Lagos State.

H_1: There is a significant relationship between internally generated revenue and the total expenditure of Lagos State.

Tables 5: Hypothesis (H03)

Variable	**Model 1**			
	Coefficient	**Std. Error**	**T-stat**	**Prob.**
C	20216.54	18003.47	1.122925	0.2804
AIGR	1.581936	0.115132	13.74019	0.0000
R^2	0.930964			
Adj. R^2	0.926033			
F-Statistic	188.7929			
Prob. (F-Stat)	0.000000			
Observation	16			

Source: E-Views 9.0

TOTEXP = f(IGR)

TOTEXP = $\alpha 0 + \alpha 1 IGR + \mu 1t$

TOTEXP = 20216.54 + 1.581936

The results of the regression estimates of the model indicate that internally generated revenue has a positive impact on total expenditure. This is indicated by the sign of its coefficients 1.581936.

Interpretation of Result

The coefficient of the independent variable internally generated revenue is positive. This shows that there is a positive relationship between internally generated revenue and the total expenditure. That is when internally generated revenue increases, total expenditure increases. The overall coefficient of determination of R^2 which is the explanatory power of the model is 0.930964. This implies that within the context of this model internally generated revenue is responsible for 93% variations in total expenditure while the remaining 7% is explained by other factors that can impact on the dependent variable.

The adjusted R^2 of 0.926033 shows that having removed the influence of a number of included explanatory variables, the model is still a good fit and the dependent variable is explained by 92.6%.

With the p-value = 0.000 of the t-statistic of 13.74019 associated with the coefficient of AIGR which is less than the 5% level of significance, 0.000 < 0.05 the empirical evidence is that internally generated revenue has a significant impact on total expenditure. Therefore, the null hypothesis is rejected while the alternative hypothesis is accepted.

Decision: Accept Alternate

H_1: There is a significant relationship between internally generated revenue and the total expenditure of Lagos State.

Discussion of Findings

From the findings of this research, the data analyzed makes it evident that internally generated revenue has a positive effect on budget implementation in Lagos States and it is significant within the period under study (2007-2022). With the results from the regression of this research, it shows that the internally generated revenue has a positive effect on the capital expenditure, recurrent expenditure and total expenditure of Lagos State which were the variables used to measure budget implementation.

The results of this study are consistent with those of Adenugba and Ogechi (2013), who looked at the connection between the growth of infrastructure and domestically produced income. They

came to the conclusion that internal income generation and infrastructure development—that is, capital expenditure—have a favorable relationship. Additionally, they found that income creation encourages infrastructural development and that Lagos State's infrastructure development is a result of sufficient revenue created. This study is also consistent with the findings of Nnanseh and Akpan (2013) who discovered that internally generated revenue has contributed significantly and positively to infrastructural development.

Similarly, the findings of this research are in agreement with the works of Hassan and Ajayi (2015) and Siyanbola et al (2014) who both concluded that generated revenue is mostly expended on recurrent expenditure.

Additionally, the results of this study concur with those of Mohammed et al (2015). The study discovered a strong correlation between internal income generation and government spending. They came to the conclusion that internal income generation is highly influenced by capital and ongoing expenses. Also, this research is consistent with the findings of Abiola and Ehigiamusoe (2014). They discovered that a direct relationship exists between expenditures and internally generated revenue. As recurrent and capital expenditures increase, state government internally generated revenue also increases.

All of these findings serve to corroborate previous findings on the effect of internally generated revenue on budget implementation using capital expenditure, recurrent expenditure and total expenditure as proxies.

CONCLUSION

This study examined three objectives, which were to investigate the effect of internally generated revenue on capital expenditure of Lagos State, to investigate the impact of internally generated revenue on recurrent expenditure and to ascertain the effect of internally generated revenue on total expenditure. This research demonstrated the impact of internally generated revenue on both capital and recurrent expenditures in Lagos State. It also demonstrated a statistically significant correlation between internally generated revenue and the state's total expenditures.

The study probed internally generated revenue as a way of improving budget implementation. The research made use of secondary data and it showed that there was a positive and significant relationship between internally generated revenue and budget implementation using capital expenditure, recurrent expenditure and total expenditure as proxies. The study concluded that

internally generated revenue has positive effect on budget implementation in Lagos State.

Considering the already tested and proven proposition that internally generated revenue can be the solution to budget implementation, the following recommendations are made:

1. The government should strengthen its revenue generation strategy
2. Encouraging employees to provide their best service can lead to increased revenue collection. Training workers to improve their expertise should be one of these motivators. It is ardently desired that when the aforementioned recommendations are completely executed, the state government would increase its domestically produced revenue.
3. It is also advised that important income streams, such as taxes, licenses, fines and fees, grants, financial aid, and loans, be rebuilt and reengineered through public awareness, precise data collecting, and a methodical approach. If efforts are made to enhance collection and generation performance, the Lagos State government has the potential to become one of the most efficient and revenue-generating governments. Proper accountability and transparency should be used while incurring both capital and recurring spending in Lagos State.

Conflicts of Interest

The authors have disclosed no conflicts of interest.

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