



Effect of Corruption on Revenue Generation System in the Local Governments in Anambra State 2015 - 2024

Fidelia Ifeyinwa Nzekwe-Chinwuko

Department of Public Administration, Chukwuemeka Odumegwu Ojukwu University Igbariam, Anambra State, Nigeria

Corresponding Author e-mail: fideliachinwuko@gmail.com

Article History:

Received: 01-11-2025

Revised: 27-11-2025

Accepted: 04-12-2025

Keywords: Corruption, Revenue Generation System, Local Government, Governance, Anambra State

Abstract: Corruption remains a critical impediment to effective revenue generation at the local government level in many developing countries, including Nigeria. This study empirically examines the effect of corruption on the revenue generation system of selected local governments in Anambra State from 2015 to 2024. A descriptive survey research design was adopted, and a sample of 400 respondents was derived from a projected population of 1,919,000 using the Taro Yamane sampling technique. Data were collected through structured questionnaires and analyzed using descriptive statistics and ordinary least squares (OLS) multiple regression with the aid of SPSS version 20. The findings reveal that corruption exerts a significant and negative influence on revenue generation performance in local governments, as evidenced by the regression result ($t = 21.837, p < 0.001$). The study further shows that corruption intensifies revenue leakages, encourages tax evasion, weakens internal control mechanisms, and hampers public service delivery. These outcomes imply that sustained fiscal instability at the grassroots level is largely driven by weak accountability and pervasive corrupt practices. The study recommends the strengthening of institutional transparency, digitalization of revenue systems, and enforcement of anti-corruption mechanisms as essential strategies for improving local government revenue performance in Anambra State.

Introduction

Local governments are established to provide governance at the grassroots level and to deliver essential public services through the efficient mobilization of both internal and external revenues. They constitute the closest tier of government to the citizens and play a strategic role in socioeconomic development. However, revenue generation systems in most developing countries, particularly in Sub-Saharan Africa, continue to perform below their optimal potential. In Nigeria, local governments persistently experience fiscal stress, revenue leakages, and weak financial autonomy, which significantly constrain their developmental mandate. One of the most persistent drivers of this underperformance is corruption, which manifests through embezzlement of public funds, diversion of internally generated revenue, bribery, falsification of financial records, weak internal controls, and inadequate enforcement mechanisms (Haddija et al., 2025).

Empirical studies consistently show that corruption undermines the fiscal capacity of local governments by reducing the volume of internally generated revenue available for development projects. Oladimeji (2023) observed that corrupt revenue officials frequently falsify receipts, under-remit collected revenue, and collude with taxpayers to misstate liabilities. Similarly, evidence from Zimbabwe indicates that corruption significantly increases tax evasion and weakens revenue performance at the local level (Kurauone et al., 2020). In contrast, studies from relatively less corrupt administrative systems present conflicting evidence. For example, Hope-Sr (2014), in a comparative study of Kenyan local governments, found that the introduction of transparent and automated revenue systems significantly improved revenue performance and reduced leakages. These contrasting findings suggest that while corruption is a dominant explanatory factor, its impact on revenue generation is not uniform across institutional conte.

Beyond direct revenue losses, corruption distorts tax structures and

erodes voluntary tax compliance. When taxpayers perceive public officials as corrupt, trust in government diminishes, and tax morale declines. Citizens become less willing to comply with tax obligations when they believe public resources are misappropriated. While accountability mechanisms have been shown to increase tax compliance and fiscal trust in several emerging economies, corruption exerts the opposite effect by weakening civic responsibility and perpetuating a cycle of poor revenue collection and deteriorating public services. This dynamic reflects the theoretical predictions of the Institutional Theory and the Principal–Agent framework, which posit that weak monitoring and information asymmetries between public officials and citizens foster opportunistic behavior.

Corruption also promotes operational inefficiency in revenue assessment and collection processes. Institutional inefficiencies arise from the manipulation of property valuation records, fabrication of tax assessments, and the creation of ghost revenue collectors. Empirical evidence from Nigeria indicates that revenue administration is often characterized by discretionary practices and weak standardization, which result in inaccurate records and unreliable fiscal forecasts (Jyoti & Akter, 2022). Similarly, Omelchuk et al. (2022) demonstrate that bribery among law enforcement agents significantly weakens regulatory compliance and contributes to substantial revenue losses among local authorities. Conversely, international evidence shows that the digitalization of revenue systems reduces human interference and enhances fiscal transparency, thereby strengthening revenue performance.

In addition to fiscal inefficiency, corruption undermines investor confidence and weakens the local revenue base. A corrupt institutional environment discourages private investment in small and medium-scale enterprises, property development, and other taxable economic activities. Evidence from Ghana reveals that weak trust in local fiscal governance discourages business expansion and reduces the taxable base of municipal

councils (Dzagah et al., 2025). In contrast, local governments with transparent financial systems and predictable regulatory environments tend to attract investment and expand their revenue capacity, consistent with findings in broader public finance literature.

The long-term developmental consequences of corruption-induced revenue failure are severe. Poor revenue mobilization constrains the ability of local governments to finance infrastructure, healthcare, education, and environmental services, thereby deepening socioeconomic hardship at the grassroots level. Obicci (2025) links persistent service delivery gaps across African local governments to entrenched corruption that systematically drains resources meant for public welfare. This creates a self-reinforcing vicious cycle in which underdevelopment breeds further corruption, weakening institutional capacity and public trust over time.

Despite extensive literature on corruption and public finance in Nigeria, empirical findings remain inconsistent across regions and institutional settings, and most available studies adopt national-level or cross-state approaches. Recent studies have documented fund diversion, weak accountability, and poor fiscal autonomy in Nigerian local governments (Ugbudu et al., 2022); however, there is a notable scarcity of state-specific empirical evidence focusing on Anambra State, particularly for the post-2015 period characterized by intensified anti-corruption reforms and digital revenue initiatives. Moreover, previous studies rarely incorporate a longitudinal perspective spanning nearly a decade to capture changing governance dynamics.

This study is distinct from existing research in three critical ways.

First, it provides a state-specific empirical investigation of Anambra State, unlike most previous studies that adopt national or multi-state aggregates. Second, it covers a ten-year period (2015–2024), offering a more robust temporal assessment of corruption and revenue performance than short-term cross-sectional studies.

Third, it integrates governance, compliance behavior, and institutional efficiency into a single analytical framework, thereby offering a more comprehensive explanation of how corruption affects local revenue systems.

Therefore, this study bridges a critical knowledge–policy gap by generating context-specific evidence that can inform the design of targeted anti-corruption strategies, fiscal governance reforms, and sustainable revenue-enhancement policies for local governments in Anambra State.

Concept of Corruption in Public Sector Governance

Corruption in the public sector refers to the abuse of entrusted public power for private gain. It manifests through bribery, embezzlement, revenue diversion, falsification of financial records, favoritism, and rent-seeking behavior. In the context of local government administration, corruption often occurs in revenue mobilization, procurement processes, licensing systems, and public expenditure management. According to Transparency International, corruption distorts public resource allocation, weakens institutional capacity, and erodes citizens' trust in government. In fiscal governance, corruption directly undermines revenue integrity by reducing actual collections, inflating administrative costs, and weakening tax compliance.

At the local government level in developing economies, corruption is further reinforced by weak oversight mechanisms, poor internal controls, low accountability structures, and excessive discretionary powers vested in revenue officials. These structural weaknesses create an enabling environment for opportunistic behavior, thereby reducing the effectiveness of internally generated revenue systems.

Concept of Local Government Revenue Generation System

Revenue generation at the local government level refers to the mobilization of financial resources required to fund administrative operations, developmental projects, and public service delivery. Sources of

local government revenue generally include internally generated revenue (IGR) such as taxes, rates, fees, licenses, fines, and externally sourced funds such as statutory allocations and grants.

An effective revenue generation system is characterized by:

- (1) transparent revenue assessment procedures,
- (2) efficient collection mechanisms,
- (3) low leakage rates,
- (4) digitalized record-keeping systems, and
- (5) strong internal audit and monitoring frameworks.

In contrast, weak revenue systems are marked by poor documentation, manual processes, high human interference, and limited enforcement of revenue laws. These weaknesses make the revenue system vulnerable to corruption, evasion, and fiscal inefficiency, especially in developing countries where institutional frameworks remain fragile.

Principal Agent Theory

The Principal–Agent Theory provides a strong analytical foundation for explaining corruption in revenue administration. In this framework, citizens (principals) delegate authority to public officials (agents) to manage public resources and collect revenue on their behalf. However, information asymmetry between principals and agents enables agents to pursue personal interests at the expense of public welfare when monitoring mechanisms are weak.

In the context of local government revenue generation, revenue officers act as agents responsible for assessing, collecting, and remitting public funds. When accountability mechanisms are poor and sanctions are weak, these agents are incentivized to engage in bribery, under-remittance, invoice manipulation, and collusion with taxpayers. This behavior directly reduces government revenue and distorts fiscal performance. Therefore,

the Principal–Agent theory predicts a negative relationship between corruption and revenue generation efficiency.

Institutional Theory

Institutional Theory emphasizes the role of formal rules, enforcement mechanisms, and organizational norms in shaping public sector performance. Strong institutions promote transparency, accountability, predictability, and rule compliance, while weak institutions foster opportunism and corruption.

In weak institutional environments, revenue laws are poorly enforced, internal controls are ineffective, and audit systems lack independence. As a result, corruption becomes normalized within public organizations. Applied to local government finance, Institutional Theory suggests that revenue performance is dependent not only on tax capacity but also on the strength of governance institutions overseeing assessment, collection, and enforcement. Where institutional quality is low, corruption thrives and revenue efficiency declines.

Public Choice Theory

Public Choice Theory explains corruption from an economic rationality perspective. It views public officials as self-interested individuals who seek to maximize personal benefits rather than public welfare, especially when oversight is weak and punishment is uncertain. Under this theory, corruption emerges as a rational outcome when the benefits of engaging in corrupt behavior exceed the expected costs of detection and punishment.

In local government revenue systems, public choice behavior manifests in illegal revenue diversion, bribery during tax assessments, deliberate under-valuation of properties, and selective law enforcement. These actions reduce effective revenue mobilization and distort resource allocation. Public Choice Theory therefore supports the expectation that higher levels of corruption will lead to lower revenue performance.

Theory of Fiscal Federalism

The Theory of Fiscal Federalism explains the allocation of fiscal responsibilities across tiers of government. It argues that subnational governments, including local governments, should be financially autonomous to ensure efficient public service delivery. However, fiscal autonomy must be supported by strong accountability and governance structures.

In many developing countries, local governments operate with limited fiscal autonomy and weak institutional capacity, which expose revenue systems to corruption and political interference. When corruption dominates revenue administration, fiscal decentralization fails to achieve its intended efficiency and development outcomes. Thus, corruption weakens the core assumptions of Fiscal Federalism by obstructing the optimal functioning of decentralized revenue systems.

Objective

To investigate the effect of corruption on revenue generation system in the local governments in Anambra State for the period 2015 to 2024

Research Question

What were the effects of corruption on the revenue generation system in the local governments in Anambra State for the period 2015 to 2024?

Hypothesis

- Ho1: There is no significant relationship between corruption and revenue generation in the local governments in Anambra State for the period 2015 to 2024
- Hi1: There is significant relationship between corruption and revenue generation in the local governments in Anambra State, Nigeria for the period 2015 to 2024

Research Methods

The study adopted descriptive survey research design. This method was chosen because it is designed to scientifically describe phenomena and their relationships in the actual environment. The study focused on revenue generation and performance of local governments in selected six (6) local government Areas from the three (3) senatorial zones in Anambra State for the period 2015 to 2024. For the purpose of study, the population of study is one million, nine hundred and nineteen thousand (1,919,000). The population of the study was based on population projection which assumes the same rate of growth for all local government Areas within a state, using the of the 2006 census. Area figures are computed using geospatial data.

Table 1: The Six {6} Selected Local Governments And Their Respective Population

S/N	Name of Local Government	Headquarters	Population
1	Awka North	Achalla	159,900
2	Idemili North	Ogidi	614,200
3	Aguata	Aguata	527,200
4	Nnewi North	Nnewi	221,500
5	Anambra Easto	Otuocho	216,800
6	Onitsha North	Onitsha	179,400
		Total	1,919,000

Source: Data Processed, 2025

To ensure that the most important and relevant attributes of the population of this study are represented in the group, Taro Yamani formula was used to draw up the appropriate sample size by the researcher. As was laid down by Taro Yamani, the formula for determining sample size can be presented below:

$$n = \frac{N}{1 + N(e)^2} = n = \frac{1,919,000}{1 + 1,919,001(0.05)^2} = 400 .$$

Where n = Sample size

N = Population Figure

e = Error Margin (0.05)

1 = Constant figure

The purposive sampling technique was used to select respondents to whom the questionnaire were administered. The researcher conducted the study in the six selected local government area in Anambra State. Two local governments were chosen from each of the three senatorial zones of Anambra State. And Questionnaires were administered to all the selected local government areas that constitute the sample size. Bowley's proportional allocation formula was used to determine number of questionnaires to be allocated to the selected local government Areas and to reflect the population size of each of the autonomous quarters. The formula used is given below:

$$n_h = nN_h/N$$

Where n = total sample size.

N_h = No. of items in each stratum in the population.

N = population size

Table 2: Selected Local Governments and population size

Local Govt Areas	Population	Sample Size
Awka North Local Govt Areas	159,900	$159,900 / 1,919,000 \times 400 = 33$
Idemili North Local Govt Areas	614200	$614200 / 1,919,000 \times 400 = 128$
Aguata Local Govt Areas	527200	$527200 / 1,919,000 \times 400 = 111$

Nnewi North Local Govt Areas	221500	$221500/1,919,000 \times 400 = 46$
Anambra East Local Govt Areas	216800	$216800/1,919,000 \times 400 = 45$
Onitsha North Local Govt Area	179,400	$195500/1,919,000 \times 400 = 37$
		Total: 400

Source: Data Processed, 2025

The primary source of data collection tool used was guided questionnaires designed to solicit relevant data directly from the respondents in the six (6) local government areas of study. Secondary sources of data were also used. These include Library materials, textbooks and journals. Many other existing publications also formed the bulk of the secondary data collected by the researcher. The instrument used in the study was a structured questionnaire. A cover letter was attached to the questionnaire to introduce the researcher and provide respondents with information on the study. The questionnaires contain two sections: A. and B. Section A sought the demographic features of the respondents like sex and age bracket. While Section B contained closed-ended questions that have been structured to address the respective research objectives. The items were placed on 5-point scale of Very Low Extent (VLE), Low Extent (LE), Moderate Extent (ME), High Extent (HE) and Very High Extent (VHE). The range of scores for the items was 5, 4, 3, 2 and 1 respectively. The structured questions were used so as to minimize response variability.

The researcher used a combination of Face Validity and Content Validity. The face and content of the validity were ensured by giving out copies of questionnaire to a Consultant statisticians and the supervisors of this research work. They reviewed the questionnaire items to ensure clarity of words, contents coverage, relevance and effectiveness in measuring the problem under study. The reliability of the instrument was determined using test-retest technique so as to assess the extent of reliance of research instrument in obtaining the same results. This was done by administering

the research instrument to few randomly selected persons in the selected local government Areas in Anambra State. Their responses were collected and analyzed. A repeat of same exercise was carried out some weeks apart, and their responses were relatively similar to the initial response. Thus, confirming the reliability of the instrument.

The data generated through the questionnaires were collated and analyzed using descriptive and inferential statistical tools. Data relating to Part 1 of the instrument were analyzed using frequency counts and percentages, while part 2 were analyzed to answer the research questions and test the hypotheses. The multiple regression technique was used. The technique for analyses is the Ordinary Least Square technique. The analyses were processed with the help of Statistical Package for Social Sciences (SPSS) version 20 for windows. The interpretation was based on coefficient of regression and the t-statistics. At 5% level of significance, reject null hypotheses for tests with probability estimates lower or equal to 5% (0.05) and conclude that they are statistically significant. Otherwise, we accept the null hypothesis, when probability estimates are above 0.05, and conclude that there is no overall statistical significance.

Results

Table 3: Analysis of corruption and revenue generation system in Anambra State.

SN	Question Items	Very Low	Low	Moderate	High	Very High	Remark
1	Corruption mitigates job creation opportunities and lower quality of life of local populace	59 (18.8%)	107 (34.2%)	86 (27.5%)	35 (11.2%)	26 (8.3%)	High extent

2	Corruption brings about revenue loss and inefficiency among LGAs	160 (51.1%)	71 (22.7%)	30 (9.6%)	936 (11.5%)	16 (8.1%)	High extent
3	Brings about poor management of public enterprises	27 (8.6%)	130 (41.5%)	63 (20.1%)	80 (25.6%)	13 (6.2%)	Moderate extent
4	Increase incentives for revenue payers to evade revenue payments	26 (8.3%)	44 (14.1%)	64 (20.4%)	154 (49.2%)	25 (8.0%)	High extent
5	Compromises the overall performance profile of the LGAs	54 (17.3%)	33 (10.5%)	61 (19.5%)	142 (45.4%)	23 (7.3%)	Moderate extent
	Cumulative % Average Response	104.1/5 20.82%	123.0/5 24.60%	97.1/5 19.42%	142.9/5 28.58%	32.9/5 6.58%	

Source: Data Processed, 2025

Table 3 is the baseline information on the status of corruption and revenue generation system in local governments of Anambra State. The five question items numbering 16 to 20 were used for the analysis. The results showed high extent of corruption effects on loss of revenue, lack job creation opportunities, low quality of life and inefficiency among local governments in Anambra state; Poor management of public enterprises

and corruption scored moderate extent; while corruption as incentives for revenue evasion by the revenue payers scored high extent; whereas corruption effects on the overall performance profile of local governments in Anambra state was on moderate extent. The summarized analyses showed that 45.4% of the respondents said that there is high level of corruption effects on revenue generation system and performance of local governments in Anambra State, while 19.42% and 35.16% said high and moderate levels, respectively. This means that revenue generation and performance of local governments in Anambra State is on the low due to corruption, and thus not satisfactory.

Hypothesis:

Ho_i: There is no significant correlation between corruption and revenue generation system in local governments in Anambra State

H_{ii}: There is significant correlation between corruption and revenue generation system of local governments in Anambra State

The test of null hypothesis four from the t-test result (21.837; $p < 0.00$) depicted a p-value less than 0.05 level of significance. Thus, the study rejects the null hypothesis four that "There is no significant correlation between corruption and revenue generation system in Anambra State". It therefore concludes that corruption had a negative and significant (coef = 0.123, $T = 21.837$; $p = 0.000$) influence on revenue generation system of local governments in Anambra State.

Discussion

The result revealed that corruption had a negative and significant (coef = 0.123, $t = 21.837$; $p = 0.000$) influence on the revenue generation system in the local governments of Anambra State. Corruption associated with revenue generation cannot be viewed in isolation, as it is an integral part of the broader issue of governance and public management. The quality of revenue system of any tier of government is a critical factor for its developmental performance. Thus, this study revealed that revenue

structure is highly responsive to level of performance of local governments. The quality of performance as a whole is also relevant in this context. The study also revealed that the presence of revenue evasion and corruption of revenue officers constitute serious phenomenon that can significantly reduce revenue generated by the local governments.

Conclusion

The research aimed to unearth the role of corruption in redefining local-government revenue systems in the State of Anambra between 2015 and 2024. The results showed that in all the chosen areas of local government, corruption always undermined fiscal performance, be it by sacrificing revenue, by increasing wastefulness, or by weakening compliance among citizens. This results to reduction in employment, poorer service delivery and an observable reduction in general standard of life- all signs of a system of governance going into unaccountability. Although industry segments like administration of government companies experienced moderate worries, the general trend is heavily biased towards an extremely strong, negative impact. The statistical analysis proved that there was a significant negative correlation between corruption and revenue performance. In short, the more corruption was entrenched, the weaker the revenue systems became. Local governments will not be able to attain sustainable development or financial stability without directly addressing the issue of corruption. The improvement of internal controls, increasing transparency and regaining the civic trust are not quick solutions, and yet they are necessary to restore the functionality and the integrity of the revenue system in Anambra.

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