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## ASSESSING THE FINANCIAL INDEPENDENCE OF LOCAL GOVERNMENTS IN NIGERIA: A CASE STUDY OF WUKARI LOCAL GOVERNMENT, TARABA STATE

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### Abstract

*This study investigates the financial independence of local governments in Nigeria, with specific focus on Wukari Local Government Area of Taraba State. The problem underpinning the research arises from persistent fiscal dependence of local governments on federal and state allocations, which undermines their constitutional autonomy and capacity to deliver essential services. The objectives of the study were to examine the revenue sources of Wukari Local Government, assess the extent of its financial autonomy, and evaluate the implications for grassroots development. A descriptive research design was adopted, combining both primary and secondary data. Questionnaires were administered to staff of the finance and administrative departments, while official documents and reports were also reviewed. Data were analysed using descriptive statistics and thematic analysis. The findings revealed that Wukari Local Government heavily relies on statutory allocations from the Federation Account, with internally generated revenue remaining grossly inadequate. This fiscal dependency constrains local initiatives, delays service delivery, and fosters political interference. The study concludes that financial dependence has hindered the effectiveness of local governance in Wukari. It recommends strengthening local revenue mobilisation strategies, ensuring strict implementation of constitutional provisions on local government autonomy, and promoting transparency in financial management to enhance developmental outcomes.*

**Keywords:** Financial Independence, Local Government, Wukari, Taraba State, Development

### 1. Introduction

The financial independence of local governments in Nigeria has long been a contentious issue, central to the discourse on effective grassroots governance and sustainable national development. Despite constitutional provisions recognizing local governments as the third tier of government, their autonomy, particularly financial, has been persistently undermined by systemic challenges, including state-level interference and inadequate fiscal capacity. This has resulted in widespread inefficiencies in service delivery, underdevelopment, and a disconnect between local authorities and the communities they are meant to serve. (RMAFC 2024)

In a landmark decision on July 11, 2024, the Supreme Court of Nigeria affirmed the financial autonomy of the country's 774 local government areas (LGAs), mandating that federal allocations be disbursed directly

to them, thereby bypassing state governments. This ruling was a significant step toward empowering local governments to manage their resources independently and fulfill their constitutional responsibilities. President Bola Tinubu's administration has pledged to implement this judgment as part of broader efforts to re-engineer Nigeria's political economy. (Premium Times 2024)

However, the transition to financial autonomy is fraught with challenges. Data from the National Bureau of Statistics revealed that in 2023, over 350 local government councils across 17 states and the Federal Capital Territory failed to generate or remit any revenue, highlighting deep-rooted issues in local governance and financial management. This underscores the need for capacity building and institutional reforms to ensure that LGAs can effectively manage their finances and deliver essential services (Business Nigeria 2023).

The case of Wukari Local Government in Taraba State exemplifies these challenges. Despite receiving allocations from the Federation Account, Wukari LGA has struggled with inadequate infrastructure, poor service delivery, and limited internally generated revenue. The local government's dependence on federal allocations, coupled with state-level interference, has hindered its ability to address the needs of its constituents effectively. This situation reflects a broader national trend where LGAs, despite significant allocations, estimated at ₦9.56 trillion over five years, remain underdeveloped due to systemic inefficiencies and mismanagement. (Business Day 2024)

The recent Supreme Court ruling offers an opportunity to address these issues by granting LGAs the financial autonomy necessary to plan and execute development projects tailored to their communities' needs. However, for this autonomy to translate into tangible improvements, LGAs like Wukari must develop robust financial management systems, enhance revenue generation capacities, and ensure transparency and accountability in resource utilization.

This study aims to examine the implications of financial autonomy for local governments in Nigeria, using Wukari Local Government as a case study. It will explore the challenges and opportunities associated with implementing financial independence at the local level and assess the potential impact on governance, service delivery, and community development. By focusing on Wukari LGA, the study seeks to provide insights into the practical realities of financial autonomy and contribute to the broader discourse on strengthening local governance in Nigeria.

Despite constitutional recognition as the third tier of government, local governments in Nigeria, including Wukari Local Government in Taraba State, continue to struggle with a lack of financial independence. This has significantly hindered their ability to deliver basic public services and promote grassroots development. The constitutional provision in Section 162(6) of the 1999 Constitution of the Federal Republic of Nigeria (as amended) mandates a State Joint Local Government Account (SJLGA), which has often served as a tool for state governments to exert control over local government funds (Ogunna, 2019).

As a result, local governments are largely dependent on state disbursements and are unable to make autonomous financial decisions or plan effectively. Wukari Local Government exemplifies this systemic challenge. Although it receives federal allocations, it lacks full control over these resources due to state interference and poor fiscal management structures (Ibrahim & Salihu, 2021). This has led to delays in salary payments, stalled development projects, and inadequate public services such as healthcare, education, and infrastructure.

The 2023 National Bureau of Statistics report revealed that more than half of local governments in Nigeria, including those in Taraba State, generated minimal or no internally generated revenue (NBS, 2023). This points to weak fiscal capacity and poor administrative systems, further compounding the issue of financial dependence.

Additionally, corruption, lack of transparency, and insufficient technical capacity within local government institutions aggravate the situation (Adeyemi, 2019). Without financial independence, local governments cannot effectively implement local development plans or respond swiftly to the needs of their constituents. This financial bottleneck also limits community participation and weakens the democratic essence of local governance (Abubakar, 2023).

The July 2024 Supreme Court ruling that mandated direct allocation of federal funds to LGAs was a critical judicial intervention aimed at promoting financial autonomy (Supreme Court of Nigeria, 2024). However, without mechanisms for enforcement, accountability, and institutional capacity-building, financial independence may remain a theoretical aspiration rather than a practical reality.

Therefore, this study seeks to investigate the extent to which Wukari Local Government has achieved financial independence, the structural challenges it faces, and the implications of financial dependence for local governance and development. This is crucial for informing policy reforms that can empower LGAs to function as truly autonomous entities within Nigeria's federal structure (Uba, 2023; World Bank, 2022).

## 2. Literature Review

### 2.1 Conceptual Definitions

#### Concept of Financial Independence

Financial independence, particularly in the context of public administration and governance, refers to the ability of a governmental entity, such as a local government, to generate and manage sufficient financial resources without excessive reliance on higher tiers of government. Several scholars have conceptualized financial independence with emphasis on autonomy, revenue generation, and fiscal control.

According to Ola and Tonwe (2005), financial independence implies the ability of a government unit to control its own financial resources and determine how these resources are to be allocated and spent without undue interference from external authorities. This definition emphasizes the autonomy and discretion required for effective fiscal management at the local level.

Ekpo and Ndebbio (1998) defined financial independence as the extent to which local government can meet its expenditure responsibilities from its internally generated revenue sources. This definition underscores the importance of revenue generation capabilities in determining the degree of independence a local government enjoys.

Arowolo (2011) views financial independence as a critical component of local government autonomy, stating that without adequate control over financial resources, local governments become mere administrative arms of state or federal authorities. He argues that fiscal autonomy is indispensable for the performance of statutory functions and delivery of public goods and services.

Similarly, Oates (1972), in his theory of fiscal federalism, posits that sub-national governments should have sufficient financial resources and autonomy to provide public services according to local preferences. He suggests that financial independence enhances responsiveness, accountability, and efficiency in governance at the grassroots level.

Oguwu (2019) expands the concept by emphasizing the capacity of local governments to plan, budget, implement, and evaluate development programs based on locally sourced revenues, thereby promoting sustainable development and democratic accountability.

In essence, financial independence is not merely about funding, but also about institutional capacity, legal authority, and administrative freedom to utilize resources effectively. The lack of financial independence often results in inefficiency, delays in service delivery, and overdependence on statutory allocations from the federal or state governments.

#### Local Government

Local government refers to the third tier of government, established to bring governance closer to the grassroots, enabling effective and efficient service delivery at the community level. Various scholars have conceptualized local government from administrative, political, and functional perspectives.

According to Appadorai (1975), local government is that level of government which is administered through representatives of the people at the grassroots level. He emphasizes that local governments are established to enable the local populace to participate in governance and decision-making processes that directly affect their lives.

William Robson (1954) defines local government as a system of government operating in a defined area by locally elected representatives who are responsible for providing public services under legal authority. This definition highlights the democratic and legal framework within which local governments function.

Odoh and Eme (2014) describe local government as a government established by law to exercise specific powers within defined geographical boundaries, with autonomy to perform functions such as basic social services and local administration. Their definition underscores the legal basis and functional responsibilities of local governments.

In the Nigerian context, Adeyemo (2005) defines local government as a political subdivision of a state, constituted by law, with substantial control over local affairs, including the power to impose taxes and undertake local projects and services. He notes that financial and administrative autonomy are key to the success of local governance.

Gboyega (1987) asserts that local government is a mechanism for political education and participation at the grassroots, fostering national integration and development. This view positions local government not only as an administrative tool but also as a vital institution for democratic development and nation-building.

Furthermore, Nwabueze (1983) argues that local governments exist to provide opportunities for local people to manage their own affairs and determine their own development priorities, thus reinforcing the idea of self-governance and local accountability.

Collectively, these scholarly views converge on the notion that local government is a legally established institution designed to facilitate political participation, local administration, and socio-economic development within a defined territory. It serves as the closest governmental interface with the people and is essential for deepening democracy and delivering basic public services.

### 3. Methodology

This study adopts a descriptive survey research design to investigate the financial independence of local governments, focusing on Wukari Local Government in Taraba State. The design is appropriate as it enables the researcher to gather detailed, quantifiable data on the financial structure, revenue generation, and expenditure patterns from relevant stakeholders. The target population consists of residents, local

government staff, revenue officers, and key community stakeholders in Wukari Local Government Area, estimated at 20,000 individuals. The sample size is determined using the Taro Yamane formula (1967):

$$n = \frac{N}{1 + N(e^2)}$$

Where:  $n$  = sample size,  $N$  (population size = 20,000,  $e$  = level of precision (margin of error), assumed to be 5% (0.05) and 1 is constant. By substituting the values, the sample size is 400

Primary data will be collected using structured questionnaires and interviews with local government officials, revenue officers, and selected community members.

Collected data will be analysed using Descriptive statistics to present general patterns, determine the relationship between financial. Statistical analysis will be conducted using SPSS.

This methodology ensures reliability, validity, and applicability of findings to the broader context of local government autonomy in Nigeria.

### 4. Results and Discussion

Data presentation and analysis focus on assessing the Financial independence of wukari Local governments, Taraba state. This section uses tables, charts, and statistical tools to highlight revenue sources, expenditure patterns, and the impact of financial autonomy on local governance and service delivery.

#### The level of financial independence of Wukari Local government in relation to statutory responsibilities

Question: To what extent does Wukari Local Government generate its own internal revenue?

Variable	Frequency	Percentage
Very High	20	5
Moderate	30	7.5
Low	100	25

Very low	250	62.5
<b>Total</b>	400	100

Source: Field Work 2025

#### The level of financial Independence of Wukari local government in relation to statutory responsibilities

Question: How effectively does Wukari Local Government utilize its financial resources to fulfil its statutory responsibilities?

**Table 2**

Variable	Frequency	percentage
Very Effectively	140	35
Fairly Effectively	160	40
Ineffectively	80	20
Very Ineffectively	20	5
<b>Total</b>	400	100

Source: Field work 2025

#### Factors limiting the financial autonomy of Wukari local government

Question: what are the major factors limiting the financial autonomy of Wukari Local Government?

**Table 3**

Variable	Frequency	Percentage
Overdependence on federal allocations	50	12.5
Poor revenue generation strategies	60	15
Political interference from state authorities	190	47.5
Lack of financial management capacity	100	25
<b>Total</b>	400	100

Source: Field Work 2025

#### Factors improving the financial autonomy of Wukari local government

Question: Which of the following would best improve the financial autonomy of Wukari Local Government?

**Table 4**

Variable	Frequency	percentage
Strengthening internal revenue generation systems	50	12.5
Ensuring legal and political reforms	190	47.5
Capacity building for financial officers	30	7.5
Reducing state government control over local finances	130	32.5
<b>Total</b>	400	100

Source: Field Work 2025

### 4.1 Discussion of Results

Based on the data presented, the findings on the financial independence of Wukari Local Government can be analyzed across four key areas: internal revenue generation, financial resource utilization, limiting factors, and potential improvements.

The findings on the financial independence of Wukari Local Government revealed a critical reliance on external funding sources and systemic limitations to autonomy. According to Table 1, 87.5% of respondents rated the internal revenue generation capacity of Wukari Local Government as either *low* (25%) or *very low* (62.5%), while only 12.5% perceived it as *moderate* or *very high*. This suggests that the local government lacks a robust internal financial base and is highly dependent on allocations from the federal or state

government. This aligns with the broader national trend where most Nigerian local governments struggle with internal revenue generation (Ola & Tonwe, 2009).

Despite this weak revenue base, Table 2 indicates a relatively positive perception of how Wukari utilizes its limited financial resources. A combined 75% of respondents rated the local government's performance as either *very effective* (35%) or *fairly effective* (40%) in fulfilling its statutory responsibilities. This implies some level of fiscal discipline and administrative effectiveness, despite revenue constraints, a phenomenon also observed by Eboh and Diejomaoh (2010) in their study on local governance in Nigeria.

Table 3 identifies the key constraints to financial autonomy. The most significant factor is political interference from state authorities (47.5%), followed by lack of financial management capacity (25%) and poor revenue generation strategies (15%). These findings highlight how political and institutional weaknesses severely hamper local government autonomy, a common issue in Nigeria's federal structure where state governments exert considerable control over local finances (Okafor, 2010).

In Table 4, the preferred solutions to improve financial autonomy reflect the identified challenges. Legal and political reforms were the most cited option (47.5%), suggesting that respondents believe structural changes are needed to reduce state-level interference and empower local governance. Reducing state government control (32.5%) and strengthening internal revenue generation systems (12.5%) were also emphasized, aligning with scholars' calls for decentralization and fiscal reform at the grassroots level (Agba et al., 2013).

Wukari Local Government exhibits limited financial independence due to external control and weak internal capacity. While resource utilization is relatively effective, true financial autonomy will require comprehensive reforms and capacity development initiatives to enhance local revenue generation and reduce political interference.

## 5. Conclusion and Recommendations

The case of Wukari Local Government underscores the broader challenges confronting local governments in Nigeria in achieving financial independence. The overwhelming majority of respondents in the 2025 field survey rated the council's internal revenue generation capacity as very low, highlighting a troubling dependence on federal allocations. Despite this, the local government is perceived to manage its limited financial resources relatively effectively in fulfilling its statutory duties. This suggests a degree of administrative efficiency but also reveals the limitations imposed by structural and political factors.

The study identifies political interference from state authorities as the most significant barrier to financial autonomy, followed by poor revenue generation strategies and inadequate financial management capacity. These findings reflect systemic issues in Nigeria's intergovernmental fiscal structure, where state governments often limit the financial discretion of local councils. Respondents strongly support legal and political reforms, including reducing state control and enhancing internal revenue systems, as pathways to achieving true financial autonomy.

For Wukari and local governments across Nigeria to function effectively and deliver grassroots development, there is an urgent need for decentralization reforms, capacity building, and strategic financial planning. Without these interventions, local governments will remain financially incapacitated and unable to drive sustainable development within their jurisdictions.

Based on the findings of this study, the followings recommendations were made

**i.** Wukari Local Government should prioritize the development and implementation of robust internal revenue generation strategies. This includes expanding the local tax base, improving collection mechanisms, digitizing revenue processes, and enforcing compliance with existing tax laws. The local government should also explore new revenue streams such as property rates, market levies, business permits, and public-private partnerships. Enhanced internal revenue will reduce dependence on federal allocations and provide

greater financial flexibility to fulfil statutory responsibilities effectively.

ii. Wukari Local Government should advocate for the direct allocation of federal funds without state-level

mediation, and the establishment of independent audit systems to promote accountability. Additionally, building the capacity of local government financial personnel through continuous training will enhance financial management and autonomy.

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