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THE IMPACT OF STATUTORY ALLOCATION ON LOCAL GOVERNMENT PERFORMANCE: THE MEDIATING ROLE OF JOINT ACCOUNT ALLOCATION COMMITTEE IN NORTH EASTERN NIGERIA

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Abstract

The study examine the impact of Statutory Allocation on Local Government Performance: The Mediating role of Joint Account Allocation Committee in North-East Nigeria. The research design for this study is quantitative approach. Thus, survey design, one of the designs of quantitative approach was utilised in this study. Hypothetically, there is no relationship between statutory allocation and local government performance in north-eastern Nigeria. This study utilized primary source of data. A structured questionnaire was administered. The sample size is 489 and was determined by A-Priori Sample Size Calculator for structural equation model. The study discovered that there is a significant relationship between statutory allocation and local government performance in the north east geopolitical zone. The study concludes that statutory allocations have not impacted positively on local government performance in the north east, Nigeria. The study recommends that federal Government establishment of a dedicated unit in the office of the accountant general of the federation to oversee direct disbursement of statutory allocation should be maintained in the region and to ensure the judicious utilization of the funds.

Key Words: Mediation, Statutory Allocation and Local Government Performance

1. Introduction

The effectiveness of local governments is essential for improving public service delivery, socio-economic progress, and governance at the community level (Olowu & Wunsch, 2018). In Nigeria, local governments serve a crucial function in connecting the central government with the local population. Nonetheless, their efficiency is frequently hindered by insufficient funding, poor management, and a deficiency in accountability (Olowu & Wunsch, 2018; Ezeani, 2020). A major way local government obtain funding is via statutory allocations, which are allocated finances from federal and state authorities. These distributions aim to improve the ability of local authorities to fulfill their responsibilities and deliver crucial services to residents.

Statutory allocations in Nigeria originate from a revenue-sharing formula set by the National Revenue Mobilization Allocation and Fiscal Commission (NRMAFC). The distribution process has experienced several changes intended to guarantee fair resource allocation among various levels of government (Osifo, 2019). Nevertheless, in reality, multiple obstacles continue to exist. Especially in the North East area, the impact of statutory allocations is frequently compromised by underlying problems like corruption, political mediating, and management inefficiencies (Suleiman, 2021). The area has encountered considerable difficulties as a result of the Boko Haram insurgency, which has worsened problems associated with local governance and resource access (Aliyu, 2020).

To address these issues, the formation of Joint Account Allocation Committees (JAACs) is an important step in guaranteeing that funds designated for local governments are effectively managed and used (Ezeani, 2020). Joint Account Allocation Committees aim to enhance transparency and accountability in the distribution and allocation of statutory funds between local government and the state government (Abubakar & Mohammed, 2021). They promote stakeholder involvement, allowing local communities to express their opinions on the issue of resource intended for their development (Fakeye, 2019). Consequently, grasping the mediating functions of JAACs is crucial for assessing the overall effectiveness of local governments dependent on statutory funding.

2. Literature Review

The literature review covers the relationship between Statutory Allocations and Local Government Performance, Joint Account Allocation Committee and Local Government Performance below:

Relationship between Statutory Allocations and Local Government Performance: Municipal authorities are essential in executing public policies, providing services, and promoting community development (Oates, 1972). Their ability to function effectively primarily relies on on resources that are often sourced from legal allocations like grants, revenue-sharing, and transfers between governments (Yilmaz & Arat, 2020). Grasping how these distributions affect performance is essential for policy development and enduring local administration.

Moreover, Statutory Allocations offer local government's financial resources dictated by superior government tiers, aimed at addressing particular needs and ensuring fair service distribution (Baker & Thomas, 2003). Multiple studies indicate a positive relationship between sufficient legal funding and enhanced performance of local government.

Another area debate is the relationship between financial resources and service delivery. Studies show that adequate funding, including mandated distributions, improves local governments' capacity to provide vital services such as health, education, and infrastructure (World Bank, 2017). For instance, Okumu and Oyugi (2018) discovered that greater intergovernmental transfers notably enhanced infrastructure growth in Kenya counties. Similarly, in Nigeria, Adeoti (2019) found that statutory grants had a positive impact on local government revenue generation and service delivery. In other side of the story, some scholar argued that excessive reliance on allocations without fiscal autonomy may undermine local initiative and accountability (Schmidt & Vogler, 2014). It is pertinent to note that too much dependence on statutory allocations without financial independence can weaken local initiative and self-determination of the local inhabitants.

Another area of debate this literature review reflect is the determinants of effective utilization of statutory allocations. That is what are factors influencing the efficient utilization of statutory allocations? Although legal allocations are crucial, their effect on performance relies on efficient and effective usage.

Research highlights element like institutional capability, good governance and openness.

Sufficient capacity allows local governments to effectively plan, manage, and execute projects. Study by Khalid (2020) revealed that capacity shortfalls can undermine the advantages of allocations, resulting in misallocation and waste. In terms of responsibility and openness (accountability and transparency), enhanced transparency and accountability systems are associated with improved use of allocated resources, leading to better performance results (Haque & Raza, 2021). A deficiency in accountability, however, can lead to the misallocation of funds, compromising the quality of service delivery (Ofori & Lartey, 2019)

Another current debate of statutory allocation and performance is on the difficulties (challenges) and Objections (criticisms) in the effective utilization of statutory allocations. Even with the beneficial connection between statutory allocation and performance, various obstacles impede the efficient utilization of statutory allocations including Disbursement Delays; Corruption and Mismanagement; Discrepancies between Funds and Requirements. For instance, delays reduce prompt service delivery (Edeh & Eze, 2012). I agreed with this assertion because prompt payment of Bauch State University Staff Salary proved to be ineffective sometimes if there is delay the disbursement of 5% of local governments' contribution to state projects. Subsequently, lack of effective supervision may result in the misuse of funds by local government chairmen (Adi & Olatawura, 2017). Lastly, allocation formulas occasionally do not sufficiently represent local needs (Khan & Shah, 2015).

Practical evidence from various nations mentioned in some empirical studies indicates that statutory allocations are essential yet inadequate for ensuring performance enhancements without effective management. For instance, in South Africa, local governments that efficiently utilized their assigned resources demonstrated improved service results (Hassan & Okafor, 2019). On the other hand, in Ghana, inadequate use of transfers was associated with slight enhancements in local service provision (Amoah et al, 2021) In summary, research consistently shows that statutory distributions are an essential element affecting the performance of local governments. Yet, the degree of their influence relies on efficient administration, organizational capability, and transparency measures.

Joint Account Allocation Committee (JAACs)

The management and financial oversight of local governments in Nigeria have long been a topic of vigorous discussion and transformation. The creation of the State/Local Government Joint Account Allocation Committee (JAAC) is a crucial institutional setup aimed at managing the fair allocation of federal and state funds to local governments. This review examines the roots, framework, roles, difficulties and consequences of the JAACs within the context of Nigerian fiscal federalism.

The Joint Account Allocation Committee is primarily based on the constitutional statutory provisions of Nigeria. The 1999 constitution of Nigeria, especially section 162, emphasizes the tenets of revenue distribution and fiscal federalism, while granting considerable autonomy to states and local governments (Ojo, 2007). The 1976 Local Government Reforms and later amendments formalized the involvement of state and local government officials in revenue distribution processes by creating JAACs (Akinboade & Kiyondo, 2017). These committees act as venues where representatives from federal, state, and local governments discuss and settle on revenue sharing agreements.

Joint Account Allocation Committees (JAACs) are usually made up of the finance commissioners from the state, chairpersons from local governments, and members from the federal Inland Revenue service (FIRS). Their main roles include determining the percentage share of local governments based on the distribution of revenue allocations (Adebisi, 2014).

They oversee the transfer of funds and make sure that the established distribution principles are followed, which typically depend on factors like population size, land area, and revenue generation (Opeoluwa & Omorogbe, 2015).

Regardless of its intended aim, the JAAC encounters multiple Obstacles that impede its efficiency. Wide spread corruption and political meddling frequently result in conflicts regarding revenue distribution and the misuse of funds (Ezeagu, 2018). Moreover, the absence of transparency and accountability systems in certain committees worsen financial leakages at the local government level (Gordon & Chinyere, 2019). Furthermore, differencies in the income produced by local authorities add to disparities, making it challenging to achieve fair distribution (Ojo, 2020).

The success of the JAAC significantly influences the achievement of fiscal federalism goals in Nigeria. A well-function JAAC can enhance financial independence, responsibility, and fair allocation of resources, thereby encouraging community growth (Ojo, 2007). On the other hand, ineffective committees sustain resource imbalances and reduce the ability of local governments to provide public services (Ezeagu, 2018). Researchers content that modifying the JAAC structure by reinforcing legal frameworks and increasing transparency may enhance revenue management and outcomes in local governance (Gordon & Chinyere, 2019).

The State/Local Government Joint Account Allocation Committee continues to be an essential body in Nigeria’s revenue distribution system. Though its structure is based on constitutional provisions and reforms, ongoing issues like corruption, insufficient transparency, and political meddling weaken its effectiveness. Going forward, interventions in policy that focus on enhancing the legal and institutional capabilities of the JAAC are crucial for fostering fiscal discipline, transparency and for resource allocation within local government.

Local Government Performance

Municipal authorities are essential in providing services, executing policies, and promoting community growth. Assessing their performance is crucial for maintaining accountability, enhancing service delivery, and reaching sustainable development objectives (OECD, 2017). Throughout the years, various frameworks and models have been created to evaluate local government performance, including factors like efficiency, effectiveness, transparency, and citizen satisfaction.

Traditional methods for assessing local government performance encompass structural and input-output models and service outputs (Reiney & Bozeman, 2000). Newer methods highlight results, public views, and collaborative governance. Models for measuring local government performance varies. A commonly used framework is the Balance Scorecard, which includes financial, customer, internal process, and learning and growth viewpoints (Kaplan & Norton, 1992). When applied to local governments, this model highlights the significance of a comprehensive perspective on performance.

Likewise, the local government performance measurement framework (LGPF) supports the incorporation of various metrics like service quality, financial management, and community involvement (OECD, 2016). These models encourage clear and responsible governance by measuring different aspects of performance. However, factors influencing local government performance according to empirical studies includes leadership effectiveness, organizational capability, political climate, and stakeholder involvement greatly affect performance (Andrew & Boyne, 2010). Strong institutional capacity and effective leadership are crucial for executing reforms and upholding service standards (Moynihan, 2008). Assessing performance of municipal authorities and public organization in general is faced with many challenges such as data deficiencies, differing metrics among regions, and personal state holder views (Lapp et al, 2015). Additionally, reconciling efficiency with fairness continues to be an ongoing challenge in evaluating local government performance. Concerning the synergy between performance on policy and service delivery, Research indicates that the link between performance measurement and incentives along with accountability mechanisms can enhance service delivery (Hood et al, 2000). On the other hand, more emphasis on quantifiable metrics might overlook wider community requirements (Verweij & Van der Meer, 2018).

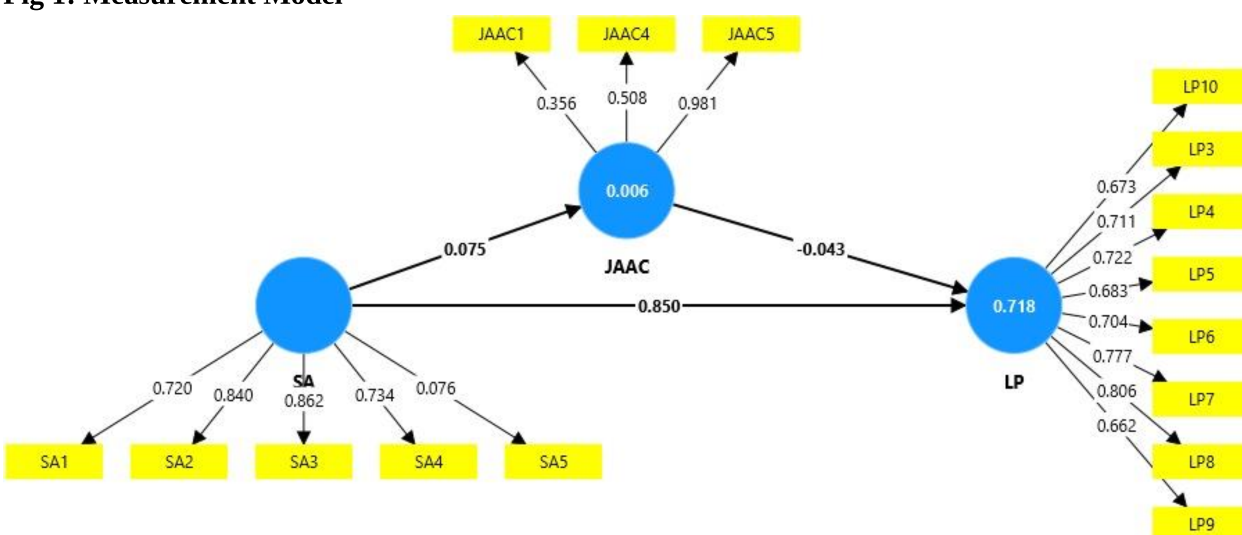
3. Methodology

This study is quantitative and used survey design and specifically a cross sectional study where data were collected at one point in time from six states of the north eastern Nigeria. The study employed primary source of data in which a structured questionnaire was administered. The sample size is 489 and was determine by A-Priori Sample Size Calculator for structural equation model. The sampling methods used was stratified sampling to divide each state in to three clusters (North, Central and South Senatorial Districts). Simple Random Sampling was employed for the selection of individual respondents. The methods of data analysis for the study are SPSS and PLS-SEM, while SPSS was used for primary data entry, PLS-SEM for primary data analysis.

4. Results and Discussion

This study was conducted to establish the *impact of Statutory Allocation on Local Government Performance: The Mediating role of* Joint Account Allocation Committee *in North-Eastern* Nigeria. Several outcomes were found in the course of this study with the help of data analysis.

Fig 1: Measurement Model



Source: Field Survey, 2026

Table 1: Significance Effects of Direct (Path Coefficient)

Constructs	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values	Decision
SA -> LP	0.906	0.905	0.050	17.968	0.000	Supported

Source: Extracted from Smart PLS-SEM 4 output, 2026

Relationship between statutory allocation and Local Government Performance

The first objective of this study states that to examine the influence of statutory allocation on local government performance in the north-eastern Nigeria. Based on this, the study hypothesized that there is a significant relationship between statutory allocations on local government performance. The p-values indicate the level of statistical significance of the results. Therefore, a p-value less than 0.05 (indicated by 0.000) is generally considered statistically significant, that there is more than a 5% chance that the expected results are obtained. The hypothesis (H_1): states "There is a significant relationship between statutory allocation and local government performance in the north-eastern Nigeria". The results of standardized regression weights from Table 1.8 suggested a significant relationship between statutory allocation and local government performance ($\beta = 0.906$, $t = 17.968$, $p = 0.000$). In other words, the regression weight for statutory allocation in the prediction of local government performance is significantly different from zero at the p-value of 0.000. Based on the results, it can be concluded that statutory allocation has positive relationship with local government performance. Based on the results, it can be concluded that statutory allocation has positive but a significant relationship with local government performance is hereby ACCEPTED.

Mediating Role of the Joint Account Allocation Committee on the Relationship between Statutory Allocation and Local Government Performance

Table 2: Mediating Variable

Constructs	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values	Decision
						Supported
SA-> JAAC -> LP	0.043	0.000	0.004	5.115	0.010	

Source: Extracted from Smart PLS4 output, 2026.

$Ho_{2:}$ presumed the mediating role of joint account allocation committee on the relationship between sta tutory allocation and local government performance but the results ($\beta = 0.043$, $t = 5.115$, $p = 0.010$) also suggests that there is a positive mediating role in relationship between statutory allocation and local government performance. The p-value of 0.010 shows that the results are highly statistically insignificant. In essence joint account allocation committee has mediating effect on the relationship between statutory allocation and local government performance. Based on the results, it can be concluded that joint account allocation committee have positive but a significant mediating roles in the relationship between statutory allocation and local government performance and is hereby accepted.

Based on the above, the study made the following findings:

i. There is a strong positive co-relationship between Statutory Allocation (SA) and Local Government Performance (LGP) in the north east, Nigeria

ii. Joint Account Allocation Committees have positive but a significant mediating roles in the relationship between statutory allocations and local government performance

iii. The palpable organizational, employees and financial poor performances of local governments councils in the North East, Nigeria is associated with the activities of the JAAC.

iv. It was discovered that, instead of the JAAC to pump financial resources to facilitate grass-root development, they serve as drain pipe for diverting local government funds to support state government projects.

v. Statutory Allocation has not impacted positively to Local Government Organizational, Employee and

Financial Performance in the north-eastern geopolitical zone of Nigeria.

5.1. Recommendations:

The study made the following significant recommendations:

i. Federal Government of Nigeria establishment of a dedicated unit in the office of the accountant general of the federation to oversee direct disbursement of statutory allocation should be maintained in the region.

ii. By extension, a ministry or department for monitoring the grass root development should be established at the central government level to check mate the excesses of the state governments in the north east and Nigeria at large.

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