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REVENUE DIVERSIFICATION AND FISCAL SUSTAINABILITY: EVIDENCE FROM KAIAMA LOCAL GOVERNMENT AREA, KWARA STATE, NIGERIA

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ABSTRACT
State and local governments in Nigeria over reliance on statutory allocations coming from Federal government affecting their Internally Generated Revenue (IGR) and income diversification strategies. This study examines revenue diversification strategies for Kaiama Local Government Area in Kwara State, Nigeria using case study approach. The research analysed audited financial records, budgets, state fiscal policy documents and previous studies with quantitative data evaluated through descriptive statistics. The findings show that Kaiama LG relies heavily on two revenue sources, statutory allocation and internally generated revenue (IGR), with statutory allocation accounting for over 98% of total revenue. Significant diversification potential exists across all IGR components and external funding sources. However, multiple challenges hinder effective diversification, including administrative inefficiencies, political interference, legal and regulatory constraints, socio-economic factors, technical limitations, public resistance, weak institutions, inadequate resources, and environmental and demographic barriers. To address these challenges, the study proposes the APISE Framework as a comprehensive strategic approach. The research concludes that revenue diversification is both necessary and achievable for Kaiama LG. Key recommendations include expanding IGR streams through systematic phased implementation, optimising available resources, building institutional capacity, leveraging technology for revenue collection and management, and adopting the APISE framework to guide diversification efforts. By implementing these strategies, Kaiama LG can reduce over-dependence on statutory allocations, strengthen financial sustainability, and enhance service delivery to residents.
Keywords: *Revenue, Diversification strategy, Kaiama Local Government, Kwara State, Nigeria.*

1. INTRODUCTION
Diversification is widely recognised as essential for strengthening national economies and enhancing firms' competitive advantage. Nigeria's economy has historically depended heavily on crude oil, earning it the label of a "mono-economy." Despite various government efforts to expand revenue sources, progress has been limited until recent years. The COVID-19 pandemic intensified the already growing consensus among major commodity-dependent economies that broadening the tax base is essential to building the fiscal resilience that narrow, concentrated revenue structures have consistently failed to provide (Prasad, Refass, Saidi, Salem & Shepherd, 2023). The volatility of global oil prices poses a direct threat to statutory allocations, underscoring the critical need for systematic revenue diversification across all tiers of government, particularly at the Local Government Area (LGA) level, where fiscal dependence on federally distributed oil

receipts remains most acute (Yahaya, 2026). Prevailing economic conditions make it imperative for LGAs to maximise their internal revenue generation capacity, and empirical evidence consistently demonstrates that local governments with diversified revenue streams exhibit significantly greater financial resilience and long-term fiscal sustainability than those dependent on a single revenue source (Ogbenjuwa & Akpan, 2024).

Financial sustainability challenges persist in Nigeria's local government system presenting opportunities for improvement in Kaiama Local Government Area (LGA) (Ogbenjuwa & Akpan, 2024; Adekoya, Agbetunde & Akinrinola, 2021). While the LGA possesses significant natural resources and agricultural potential, there is considerable room to enhance revenue generation to meet development objectives and statutory obligations. Currently, the LGA depends substantially on monthly statutory allocations from federal and state governments, which can be irregular (Uhunmwuangho, & Aibieyi, 2013). Internal revenue sources remain significantly underutilized, presenting critical opportunities to broaden the tax base, enhance collection efficiency, and generate the additional funding required to sustain and scale essential public expenditures (Dauda & Dauda, 2020). Infrastructure development in rural areas, including markets, electricity, and road networks, could unlock economic activities and boost revenue generation (Judijanto, 2024). Building staff capacity to identify, assess, and optimise revenue streams, coupled with the modernisation of collection methods, strengthening of record-keeping systems, and enhancement of transparency and accountability mechanisms, would significantly reduce revenue leakage, curb fiscal inefficiencies, and position LGAs for more sustainable and predictable revenue performance (Idowu, Oni & Olu-Owolabi, 2022). Updating revenue collection techniques, expanding databases on taxable businesses, and reinforcing enforcement mechanisms (Oladele, Aribaba, Ahmodu, Yusuff, & Alade, 2019) would enable the LGA to complete projects on schedule, ensure timely salary payments, improve service delivery, and effectively fulfil its constitutional responsibilities (Idowu *et al.*, 2022). Thus, the dearth of specific-context empirical facts which warrants continuous reliance on the old-fashioned methodology by the LG officers worsen LG revenue problem. To guarantee sustainable development and better service delivery to the local population, these issues call for a thorough specific-context analysis that will provide practical insights into how revenue diversification strategies can be instrumental to the Kaiama Local Government Area (KLGA).

Grounded on this problem, this study aims to examine strategies for revenue diversification in the KLGA, Kwara State, Nigeria. The questions this inquiry seeks to answers are: What are the main sources of revenue in KLGA? What are the potential areas of revenue diversification in KLGA? What are the challenges hindering effective revenue diversification in KLGA? What strategic framework can be adopted for revenue diversification in KLGA?

2. LITERATURE REVIEW AND THEORY

This part reviews existing relevant literature and theory concerning revenue diversification strategies.

2.1 Concept of Revenue Diversification

In business and accounting, revenue is the total amount of income generated from the sale of goods or services before any costs or expenses are deducted (Warren, Reeve & Duchac, 2018; Stice, Stice & Skousen, 2010). According to Palepu, Healy, Wright, Bradbury and Coulton (2021), revenue

represents the total amount of money earned by an organisation from its primary operating activities before any deductions. There are several meanings of diversification in business and economics because of the intricate nature of the concept. The bulk of the meanings concentrate on the fact that it is embedded in the word diverse, which implies diversity (Gunu & Suleiman, 2020). Diversification could mean the expansion of business either through operating in multiple industries simultaneously, entering multiple geographic markets, or starting a new business in the same industry (Ketchen & Short, 2021; Barney & Hesterly, 2019). Diversification is the act or process of expanding something, the act of becoming spread, or an increase in the variety or assortment of something (Merriam-Webster, 2024).

Consequently, the concept of "revenue diversification" could also have diverse meanings. In a business or corporate context, it refers to the strategy of generating income from multiple sources or business lines rather than relying on a single source of revenue by expanding a company's product or service offerings, entering new markets, or targeting different customer segments (Gunu, Suleiman & Omolekan, 2021). In a public sector context like LGA, it is a deliberate strategy of expanding and balancing multiple revenue sources to enhance fiscal stability and reduce vulnerability to economic fluctuations (Abubakar, 2025). Basically, revenue diversification is the strategy of developing multiple income streams to reduce dependence on any single source of income and its consequences.

2.2 Local Governments in Nigeria

local governments in Nigeria exist as grassroots institutions constitutionally recognised under the 1999 Constitution, with statutory allocations from the central government channelled to them as the third tier of government, though their autonomy is significantly constrained by state government interference in their affairs, finances, and elections (Okorie *et al*. (2023), Mu'azu et al. (2017) confirm that local governments in Nigeria are mandated under the Fourth Schedule of the 1999 Constitution to carry out functions including the maintenance of primary, adult and vocational education, health services, and improvement of agriculture, among others, noting that some roles, including primary education, agriculture, and health, are performed concurrently with the State Government.

2.2.1 Sources of Revenue to Local Governments in Nigeria

There are diverse sources of revenue available to LGAs in Nigeria. These sources are classified as statutory, internally generated and external sources. According to Central Bank of Nigeria. (n.d.), statutory sources are sources of revenue that constitutionally mandate the federal government to allocate (based on a sharing formula) a certain amount of funds to LGAs in Nigeria. These are the funds that the LGAs receive monthly from the Federation Account and State Government. It is the constitutional allocation under the revenue-sharing formula and the major source of revenue for most LGAs in Nigeria. The source has the strength of predictability and regularity, constitutional backing/legal protection, and substantial volume (Ugoh, KA & Ukpere, 2022; Adegboyega, 2025). Its weaknesses are dependency Syndrome, frequent delays in disbursement, political interference by state government, and volatility of revenue (Ugoh *et al.*, 2022).

Akintola, Omosebi, Adefala, Olurin and Alu (2024) opine that Internally Generated Revenue (IGR) is income from sources other than statutory sources which include taxes (shops and kiosk rates, tenement rates, on and off liquor licence fees, marriage and naming ceremony fees, right of

occupancy fees, advertisement and billboard taxes, etc.), user charges (services fees, permits fees, market fees, motor park levies, public convenience fees, burial ground fees, marriage registration fees, parking fees, etc.), fines and penalties (court fines and fees, sanitation fines, traffic violation penalties, etc.), and investment earnings (sales incomes, earnings from shares and bonds etc.). The strengths of IGR include financial independence, immediate access to funds and direct control, sustainable development, and community engagement (Idowu, Oni & Olu-Owolabi, 2022). Its' weaknesses include collection challenges such as poor collection mechanisms, high collection costs, and limited technological adoption, limited revenue base, administrative constraints such as inadequate skilled personnel, poor record keeping, and corruption and leakages; and public resistance and low compliance rates due to inadequate public education and poor public trust (Motshwene, 2024; Idowu, *et al.*, 2022). Despite the low contribution of this source to LGA revenue due to these weaknesses, IGR offers significant potential for local government revenue diversification. With substantial reforms and capacity building, IGR is capable of ensuring the financial autonomy of LGAs in Nigeria.

Ugoh, *et al.* (2022) opine that external sources of revenue are sources that are neither from statutory sources nor IGR. They include grants from Non-Governmental Organisations (NGOs), individuals, agencies, private institutions, etc., loans (where permitted by state government), development partner assistance, special grants and ecological funds. This source can provide significant additional funds to LGAs beyond what the LGA generates internally, enabling the implementation of projects and programmes that are otherwise unaffordable. Grants and loans can be earmarked for specific developmental projects such as infrastructure development, healthcare, or education initiatives, which can improve the quality of life for residents. It is also an economic stimulus, creating jobs and boosting local economic activities. However, this source of funds is scarce and there is high competition for it, making it inaccessible by most LGA.

2.1.3 Significant of Revenue Diversification Strategy in Local Government Area

Revenue diversification strategy involves LGAs expanding their income sources across various operations including sales, services, rents, investments, grants, royalties, advertisements, taxes, and fines, rather than relying predominantly on a single revenue stream (Adegboyega, 2025). This approach is essential given the challenges facing statutory allocations, the primary revenue source for LGAs, including unpredictability, irregularity, disbursement interruptions, political interference through joint accounts, and revenue instability (Antoro & Thaha, 2024). Revenue diversification offers multiple benefits: enhanced financial stability by reducing dependence on federal allocations, particularly during economic downturns such as crude oil price crashes; increased innovation through exploration of new revenue models; reduced revenue volatility leading to improved service delivery; and greater organizational resilience enabling LGAs to anticipate, prepare for, and recover from disruptions while maintaining performance (Shepherd, 2018). Additional advantages include effective long-term planning, budget stability, consistent project implementation, sustained economic development, increased investment capacity, reduced borrowing needs, prompt salary payments, enhanced operational efficiency, stronger autonomy, decreased dependency, improved accountability, and higher community satisfaction with public services.

2.2. Empirical Review of Literature

Hyera, Kadigi and Ndyetabula (2025) examined the impact of revenue enhancement plans (REPs) on revenue collection performance in three Tanzanian local government authorities using a mixed-methods approach with 400 respondents and multivariate ordered Probit analysis. The study found that reducing revenue leakage and improving forecasting accuracy significantly enhance revenue collection performance, recommending the adoption of digital solutions, investment in forecasting tools, and strengthened compliance mechanisms to optimise revenue generation and improve financial sustainability. Antoro and Thaha (2024) used the SOAR (Strengths, Opportunities, Aspirations, Results) approach to analyse the factors that influence local tax revenue in Boyolali Regency, Central Java. With qualitative methods with a post-positivism paradigm, triangulation was carried out based on the results of interviews, observations, and documentation. The study found that Boyolali Regency has not fully met the criteria or standards in the formulation of strategies to increase tax revenue according to the SOAR framework. Aneta, Lakoro, Aneta, Akib and Podungge (2024) analysed the optimisation of asset management consisting of the process of planning, implementing, and supervising regional property. Using a qualitative approach with a phenomenological orientation and interactive models analysis of data, the result shows that the strategy to increase revenue involves a series of innovation-oriented actions including comprehensive asset audit, development of an asset management plan, utilisation of software technology, data-driven asset management, promotion and marketing of assets, and improved policies and regulations.

Adekoya and Ifayemi (2023) examined the effect of Signage and Advertisement Revenue (SAR) on IGR of LG in Lagos State, Nigeria. The study employed an exploratory research design, secondary data extracted from the Auditor's General Report 2015-2021, and regression analysis. The study revealed that SAR positively affects total IGR. Thus, revenue automation and building citizens' trust via quality service provision are critical for enhanced revenue generation. Syamsuri and Arifin (2022) analysed the management strategy of increasing revenue potential to improve the performance of the local government of Takalar Regency, South Sulawesi Province. Using a descriptive approach and Klassen Typology analysis where sectors are grouped by the growth and contribution of the sectors to the total Gross Regional Domestic Product (GRDP) from 2016 to 2020. The result indicates that the management strategies used by different sectors are intensification, partnership, improvement of human resources or education, innovation, and extensification or expansion.

Coker, Eteng, Agishi and Adie (2015) postulated the capacity of local government councils in Nigeria to sustainably expand their internally generated revenue (IGR) inhibited by the kind of strategies adopted and by some critical challenges facing them. The study adopts a conscious survey of relevant literature on the subject matter. The data generated are systematically analysed to verify the validity of the assumptions. The study maintains that internally generated revenue augments the federally allocated funds and many factors hinder the expansion of internally generated revenue of LGAs in Nigeria. Shepherd (2018) conducted a qualitative-exploratory study examining how Leon's (2001) four pillars of financial sustainability, strategic financial planning, income diversification, sound financial administration and management, and own income generation, can bolster local government financial sustainability in South Africa. Using a desk-based, conceptual methodology, the authors analysed Leon's framework against existing legislative instruments such as the MFMA and the National Development Plan. Their findings

revealed that South African municipalities rely excessively on central government grants, lack diversified revenue streams, and are weakened by political interference and skills deficits. They concluded that adopting Leon's four pillars offers a viable model for improving municipal fiscal resilience. However, the study lacks primary data input and fail to account for structural inequalities across South Africa's heterogeneous municipal landscape.

2.3. Theoretical Framework

There are some theories that provide a strong foundation for explaining revenue diversification strategies in LGA. These theories include Modern Portfolio Theory (MPT), Fiscal Federalism Theory (FFT), Resource Dependence Theory (RDT), and Public Choice Theory (PCT) among others. However, this inquiry is anchored on the RDT which fundamental assertion simply states that the key to organizational survival is the ability to acquire and maintain resources from diverse sources (Pfeffer & Salancik, 2015). This fact is supported by open system perspectives (Katz & Kahn, 2015) which argue that acquiring and maintaining adequate resources requires an organisation to interact with individuals and groups that control resources. The theory implies that risk management spreads financial risks, reduces vulnerability, and enhances stability. It emphasises autonomy enhancement that reduces external dependence, increased decision-making power, better resource control and decisions, and efficiency gains. Additionally, stakeholder benefits such as better response to local needs, improved accountability, and enhanced public trust is also highlighted by the theory.

3. METHODOLOGY

This section explains methods used in conducting the study.

3.1 Area of Study

Kaiama LGA, one of Nigeria's 774 LGAs, was created in 1989 and is located in northern Kwara State, bordered by Niger State, Oyo State, Moro LGA, and Baruten LGA. The name "Kaiama" derives from "Kamma," meaning "rest," and the area has historical roots in the old Borgu Empire with ties to Nikki in Benin Republic, having served as an administrative centre during British colonial rule. Predominantly inhabited by the Bokobaru people alongside Yoruba, Hausa, and Fulani communities, Kaiama is an agricultural hub producing yam, cassava, guinea corn, soybean, groundnut, and maize, with livestock farming and local commerce as key economic activities. The LGA is distinguished by its forest reserves, mineral deposits, Emirate-based traditional leadership, weekly markets, cultural festivals including the Gani Festival, and strategic location near Nigeria's border with Benin Republic.

3.2 Research Design and Data Collection Methods

This study adopted quantitative approach using expo facto and descriptive research design. This is because the secondary source of data was collected from Kaiama Local Government of Niger State, Nigeria

The study utilised audited financial records and budgets of Kaiama Local Government from 2023 to 2025 to extract revenue sources available to the local government. The quantitative data were analysed using descriptive statistics as it provides a systematic means of summarizing and presenting numerical data on KLGA's revenue patterns, trends, and performance indicators,

enabling objective assessment of the current state of revenue diversification and facilitating evidence-based comparisons across different revenue sources and time periods.

4. RESULTS AND DISCUSSIONS

This aspect present and analyse data collected for hypotheses testing and decision making.

4.1 Main Sources of Revenue in Kaiama Local Government Area

KLGA utilises only two sources of revenue (statutory and IGR sources) from the three sources discussed in the literature reviewed (statutory source and IGR). The statutory source for KLGA include statutory allocation, value-added tax, and 10% state revenue. The IGR sources are from licenses, fees, fines, sales, rent on government buildings, rent on land and other properties, investment, interest earned, reimbursement, and general earnings as indicated in Table 1. The Table shows that KLGA deeply relies on statutory sources which consistently account for over 98% of total revenue across three years. This indicates extreme limited financial autonomy and high dependency on government allocations.

Table 1: Three Years Revenue Generation Summary of Kaiama Local Government

No	Source	2023 Generated	%	2024 Generated	%	2025 Proposed	%
1	Statutory Allocation	1,415,586,583.24	**35.78**	666,960,422.52	**13.67**	867,048,550.00	**13.69**
2	Value Added Tax	1,068,074,710.52	**27.00**	2,118,849,166.16	**43.44**	2,754,503,920.00	**43.50**
3	10% State Revenue	119,425,092.26	**3.02**	168,564,556.87	**3.46**	219,133,930.00	**3.46**
4	Other Capital Receipts	1,319,053,906.39	**33.34**	1,855,894,421.99	**38.05**	2,412,662,760.00	**38.10**
A	Statutory Sources	3,922,140,292.41	**99.14**	4,810,268,567.54	**98.62**	6,253,349,160.00	**98.75**
B	IGR sources	33,985,068.00	**0.86**	67,192,098.45	**1.38**	79,032,100.00	**1.25**
C	External Sources	0	**0**	0	**0**	0	**0**
	Total	3,956,125,360.41	**100**	4,877,460,665.99	**100**	6,332,381,260.00	**100**

Source: Kaiama LG Budget (2025)

Although there is a dramatic decline in Statutory Allocation from 35.78% (2023) to 13.69% (2025) and a substantial increase in VAT contribution from 27% (2023) to 43.5% (2025). This represents a fundamental change in revenue composition toward consumption-based taxation which the federal government is implementing. The result indicates limited IGR which remains critically low at just 0.86%-1.38% of total revenue across the three years. While there was a slight improvement from 2023 to 2024, the projected decline to 1.25% in 2025 suggests stagnation in internal revenue development. The result indicates the absence of external financing in KLGA, indicating a complete lack of external sources (loans, aid, grants) across all the periods and suggests either conservative financial management or limited access to credit markets. This means KLGA depends on only two sources of revenue (statutory and IGR) with statutory contributing above 98%.

The implication is that there is overwhelming dependency on statutory sources of revenue which creates significant vulnerability to policy changes or economic downturns at higher government levels. There is minimal capacity for autonomous financial decision-making with less than 1.5%

of revenue self-generated. It also means that there is extremely low IGR suggesting limited economic activity within KLGA. This further means that without improved internal revenue generation, sustainable development will remain a mirage for KLGA. These findings suggest an urgent need for comprehensive fiscal reform focused on boosting IGR capacity while maintaining prudent management of statutory allocations. Thus, there is a critical need to develop robust IGR streams to reduce external dependencies, explore responsible external financing options to support capital investments, and strategic investment in revenue-generating infrastructure.

Table 2: Revenue Generation of KLGA from IGR Components for three years.

IGR Sources	2023	%	2024	%	2025 (Proposed)	%
Levy (tax)	1,773,010.00	**5.22**	3,788,508.31.00	**5.64**	4,927,970.00	**6.24**
Licenses	1,901,600.00	**5.60**	1,800,000.00	**2.68**	1,740,000.00	**2.20**
Fees	5,250,700.00	**15.45**	13,165,000.00	**19.59**	16,000,000.00	**20.24**
Fines	0	**0.00**	0	**0.00**	0	**0.00**
Sales	23,629,589.00	**69.53**	39,870,591.69	**59.34**	43,300,000.00	**54.79**
Earning	7,900.00	**0.02**	3,500,000.00	**5.21**	3,000,000.00	**3.80**
Government building Rent	1,051,000.00	**3.09**	3,500,000.00	**5.21**	3,000,000.00	**3.80**
Rent on land and others	157,699.00	**0.46**	1,588,508.31	**2.36**	2,800,000.00	**3.54**
Reimbursement	213,570.00	**0.63**	3,767,998.45	**5.61**	4,264,130.00	**5.39**
Total	33,985,068.00	**100**	67,192,098.45	**100**	79,032,100.00	**100**

Source: Kaiama LG Budget (2025)

Table 2 shows the revenue generation of KLGA from IGR components for three years. The result indicates that the major IGR components utilised by KLGA are only levies (taxes), licenses, sales of assets and materials, earnings from services, rents, and reimbursement. It shows levies contribution grew from 5.22% to 5.64% and 6.24% (projected). This indicates an effort to grow income from levies (taxes) over the three years. However, further investigation reveals that income from taxes is from community development, poll tax (levy), and/or council rate. Other forms of taxes like personal income taxes, community development levies, environmental levies, property taxes, parking fees, etc. are not utilised, indicating potential revenue diversification options.

Furthermore, license revenue dropped significantly from 5.60% to 2.20% of IGR, representing not just a proportional decline but an absolute decrease in revenue. Besides, very few streams of this component are being utilised including citizenship rate, hackney permits, hiring services, building permits, and liquor licenses. Unexploited licence revenue streams include goldsmith/gold dealer licence, telecom masts licence, radio and TV licence, small craft licence, voluntary organisations licence, bake houses licence, bicycle and motorbike licence, brickmaking licence, gun licence, cattle dealer licence, dried fish and meat licence, pet licence, fishing licence, hunting licence, animal health certificates, slaughter slab licence, borehole drilling licence, trade permit licence, mining licence among numerous others. This presents potential area for revenue diversification.

More so, the result shows that the fee component of IGR shows consistent growth in both years (15.45% to 20.24%). This indicates expanding service delivery or improved fee collection mechanisms. The fee streams utilised (but not optimally) are tender fees, association fees, birth and death registration fees, tenement fees, business fees, timber and forest fees, land application fees, motor park fees, and cattle loading fees. Fees like trade union fees, contract registration fees,

marriage fees, attestation fees, court summons fees, billboard advert fees, burial fees, change of ownership fees, agriculture fees, and inspection fees, among many others are still open for exploitation. This provides a massive area for revenue diversification.

Additionally, the result disclosed that the fines component has been completely untapped over the years, representing a potential avenue for revenue expansion. Fines can be introduced for violating environmental sanitation, market, traffic, building code, noise and pollution, street trading, food safety, construction, waste management, business registration, public disturbance, etc. to enforce law and order as well as generate revenue. Also, the result shows that sales represent the largest IGR component (54-70%) of all IGR components and its proportion has steadily decreased from 69.53% to 54.79%. This suggests a deliberate strategy to diversify IGR sources through investment. However, further investigation shows that farm produce and drug sales are the only two streams being utilised. Besides the fact that these two are extremely under-exploited, many other products, including industrial goods and agriculture inputs can be procured and sold. Many government-abandoned properties can also be put off for sale to enhance the revenue generation of the LGA.

Further still, there is a dramatic increase in earnings IGR component from negligible 0.02% to 3.80% from the use of KLGA vehicles and medical services. Consultancy services, laboratory services, hire of plant and equipment, use of LG buildings/halls, tolls of facilities, tourism, culture and arts centres, and other commercial activities are areas of potential revenue diversification. Also, the combined property revenues (both types of rent) increased from 3.55% to 7.34% from land rent, shops, and allocation of land premiums. This also presents a feasible area for revenue generation expansion with appropriate investments. Although investment in assets, particularly landed properties requires a huge amount of capital, KLGA can partner the private individuals or institutions to expand this significant revenue stream. Moreover, these results show a substantial growth in reimbursement from 0.63% to 5.39%. This established the LGA's ability to recover unspent funds which cannot be directly classified as the source of revenue. However, recovered funds can boost the LGA revenue and its capacity to undertake impacting projects.

Overall, while the IGR sources show healthy diversification and growth (97.7% growth from 2023-2024), in the broader context, it remains a tiny fraction (1.25%-1.38%) of total revenue and this indicates that despite improvements, structural financial independence remains elusive. Thus, it reveals an evolving revenue strategy with a relatively small contribution to the total revenue of KLGA. This indicates the unquestionable need for a revenue diversification strategy beyond sales-dependent revenue and other critical areas. Interestingly, KLGA revenue diversification has great potential in the expansion and optimisation in fee-based systems, sales of products and services, licenses, taxes, fees, fines, property and asset monetisation, and external grants and loans. Thus, KLGA can expand its IGR via expanding tax/charge base activities and maximising collections, effective and efficient tax/charge collection, asset monetisation, service-based revenue streams, investment and financial management, investment and financial management, technology and innovation, and economic development initiatives.

The comprehensive strategies for local government revenue enhancement can be achieved through several key approaches. Expanding the tax base involving implementing previously unexploited taxes and charges such as shop rates, tenement rates, liquor licence fees, ceremony fees,

advertisement taxes, and various user charges like permits, parking, and public convenience fees are germane. Efficient tax collection requiring improving taxpayer registration, enhancing compliance through education and outreach, implementing audit and enforcement systems, utilising data analytics to detect anomalies, streamlining regulations, and adopting electronic filing and mobile payment systems is critical. Asset monetisation offers additional revenue expansion avenue through leasing underutilized properties, developing commercial land, establishing public-private partnerships for infrastructure, implementing paid parking, selling non-essential assets, and renting community facilities. More than that, service-based revenue streams can be enhanced through consulting services, subscription models, training programmes, maintenance services, optimised user fees, special service districts, impact fees for development, premium service tiers, and properly aligned permit and licensing fees to boost revenue generation in the LGA.

Furthermore, effective investment and financial management is crucial, including developing diversified investment portfolios, implementing cash management strategies, creating reserve and endowment funds, issuing municipal bonds, and maintaining proper budgeting and cash flow management. Moreover, technology and innovation provide modern revenue opportunities through digital payment systems, e-government services with associated fees, data monetisation strategies that respect privacy, and smart city solutions such as renewable energy integration, telemedicine platforms, citizen engagement apps, online education platforms, and smart surveillance systems. Finally, economic development initiatives round out the strategy through business improvement districts, tax increment financing, tourism promotion programmes, start-up incubators, special event hosting, agricultural support via farm-to-table programmes and rural development, and promoting environmentally sustainable practices. These integrated approaches enable local governments to diversify revenue sources, improve collection efficiency, and create sustainable financial foundations for growth and service delivery. These results are similar to the findings of Coker, Eteng, Agishi and Adie (2015) who maintains that internally generated revenue augments the federally allocated funds and many factors hinder the expansion of internally generated revenue of LGAs in Nigeria.

4.2 Challenges of Effective Revenue Diversification in Kaiama LGA

Revenue diversification in local government areas faces numerous interconnected challenges that require careful management to ensure success. Administrative challenges including lack of skilled personnel, inadequate record-keeping systems, poor internal controls, and insufficient technology is a big issue. This can be addressed through capacity-building programmes, staff training, standardised financial management systems, effective planning, accountability mechanisms, strong leadership, anti-corruption measures, and technology integration. Also political interference remains significant as LGAs lack autonomy, with state governments controlling leadership and activities, manipulating revenue sources, and creating unstable political environments. The solutions include lobbying for financial autonomy, advocating for protective legislation, leveraging existing freedoms, and establishing independent electoral processes. In addition, legal and regulatory constraints stemming from unclear frameworks, constitutional limitations, overlapping jurisdictions, and weak enforcement mechanisms remains a big challenge. This requires constitutional reforms to clarify taxation powers, eliminate jurisdictional conflicts, strengthen legal frameworks, and establish robust compliance enforcement. Additional socio-economic challenges such as poor economic bases in rural areas, low income levels, high poverty and unemployment rates, inflation, weak tax payment culture, and limited economic activities

impeded LG revenue generation capacity. This can be mitigated through community-based development programmes, financial literacy campaigns, microcredit schemes, public-private partnerships, and flexible tax structures aligned with local economic realities.

Furthermore, technical challenges involving inadequate data management, incomplete taxpayer records, manual collection systems, limited automation, and poor monitoring mechanisms crippled LG capacity. This necessitates robust database management with regular updates, digital collection systems with automated tracking, real-time performance dashboards, comprehensive taxpayer registration, and standardised documentation protocols. Moreover, public resistance due to low tax compliance, poor trust, limited awareness, and high opposition is killing the efficacy of revenue generation. This requires building transparency, engaging communities in decision-making, implementing gradual changes with visible benefits, and partnering with trusted local entities to demonstrate connections between revenue generation and service improvements. Finally, resource constraints limiting funding for technology integration, staff mobilization, training, and motivation is a major challenge. This can be overcome through phased implementation starting with low-cost high-impact initiatives, private sector partnerships, resource sharing with other LGAs, accessing external grants and technical assistance, adopting affordable technology solutions, optimising existing resources, and building internal capacity through cross-training and peer learning programmes.

4.3 Recommended Strategic Framework for Revenue Diversification in Kaiama LGA

The implementation of revenue diversification in local government areas requires a systematic and progressive approach rather than radical or sudden changes. This study develops the APISE Framework, a comprehensive methodology for transitioning from archaic to modern revenue generation approaches through five interconnected phases. The first phase involves assessing the current situation by evaluating strengths, weaknesses, opportunities, and threats of the LG revenue system, including revenue sources, potential new streams, officer capabilities, and legal requirements. This analysis identifies critical gaps in revenue management such as untapped revenue streams, inefficient collection systems, poor enforcement mechanisms, outdated valuation methods, and inadequate financial planning; gaps in operational efficiency including manual processes, limited technology use, poor data management, inadequate staff skills, and weak internal controls; and gaps in strategic planning like short-term focus, limited risk management, poor performance monitoring, weak stakeholder engagement, and inadequate resource allocation. Building public trust through transparent communication, gradual implementation, awareness campaigns, and community engagement is essential to increase compliance, reduce tax evasion, and address public concerns.

The second phase focuses on strategic planning by setting short-term, medium-term, and long-term revenue diversification objectives and outlining implementation pathways. Short-term objectives include revenue enhancement measures, collection efficiency improvements, technology upgrades, staff capacity building, and process automation, while medium-term goals encompass revenue diversification strategies, performance management systems, stakeholder engagement frameworks, risk management protocols, and resource optimisation plans. Long-term goals target sustainable revenue models, innovation and modernisation, strategic partnerships, institutional strengthening, and policy reforms, supported by financial models, projections, resource assessments, timelines, risk evaluations, and stakeholder engagement plans. The third

phase executes the developed plan by defining scope, establishing project teams, securing resources, launching pilot programmes for selected initiatives, developing necessary systems and processes, acquiring technologies, training staff, establishing monitoring frameworks, engaging communities, addressing resistance, and tracking progress. The fourth phase scales and optimizes by increasing efficiency and effectiveness through process standardisation for consistency and scalability, technology integration for automation, team expansion, infrastructure development, and partnerships to access new markets and resources. This also includes evaluating pilot results, expanding successful initiatives, eliminating unnecessary activities, adjusting strategies based on feedback, implementing additional revenue streams, optimising resource allocation, developing sustainability plans, reducing administrative risks through phased implementation and expert involvement, and establishing compliance monitoring systems with clear documentation. The final phase evaluates the entire strategy by comparing actual results with projections, identifying deviations, and making necessary improvements or modifications to ensure the strategy remains responsive to environmental dynamics, recognising that no plan is perfect and conditions are constantly changing.

5. CONCLUSION AND RECOMMENDATIONS

Based on the findings, the study concludes that KLGA has a serious problem with fiscal sustainability because of its excessive reliance on statutory allocations and startlingly low IGR as well as undiversified income structure. It also concludes that there are surmountable complex obstacles to revenue diversification and that rather than drastic adjustments, sustainable income diversification calls for a methodical transformation strategy. KLGA can move from its current outdated revenue methodology to a modern and diversified approach with the help of the proposed APISE Framework.

The study recommended that KLGA should urgently address its over-reliance on statutory allocations by implementing a multi-pronged financial diversification strategy that includes: aggressively expanding internally generated revenue, exploring viable external financing options, capitalizing on the federal government's shift toward VAT-based allocations, and creating medium-term financial independence goals. It is also recommended that KLGA should expand its revenue through the establishment of prudent investment and financial management systems, implement robust tax systems that fully utilised all revenue streams and ensures seamless collection and management. The LGA can avoid/address numerous challenges by adopting context-specific solutions as highlighted in challenges session. Furthermore, KLGA should implement a comprehensive, multi-strategy revenue diversification framework, the APISE Framework, as a structured roadmap for systematic revenue diversification transition.

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