EFFECT OF TAXATION ON REVENUE GENERATION AND ECONOMIC GROWTH OF OGBADIBO LOCAL GOVERNMENT AREA, BENUE STATE

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Abstract

This study investigates the effect of taxation on revenue generation and economic growth in Ogbadibo Local Government Area of Benue State, Nigeria. The objective is to examine the influence of taxation on revenue generation and economic development within the area. A descriptive survey research design was employed, using structured questionnaires distributed to 233 respondents comprising local government staff, business owners, and residents. Data were analysed using descriptive statistics, including mean and standard deviation, to examine and determine the relationship between taxation and economic indicators. The findings reveal that taxation plays a significant role in boosting revenue generation in Ogbadibo, contributing directly to the funding of essential services and infrastructure. Respondents agreed that efficient tax administration can enhance local economic activities by facilitating improved public investment. However, the study also identified several challenges, including poor tax compliance, inadequate enforcement mechanisms, and public mistrust regarding the management of tax revenue. The results indicate a moderate positive relationship between taxation and economic growth, suggesting that while taxation has potential; its impact is constrained by administrative inefficiencies and low public awareness. Based on the findings, the study recommends that the local government improve transparency in the utilisation of tax revenue to build public trust and compliance. Additionally, efforts should be made to simplify the tax process, enhance taxpayer education, and strengthen enforcement frameworks to ensure greater compliance and sustained economic development in the area.

Keywords: Taxation, Revenue Generation, Economic Growth, Local Government, Ogbadibo, Benue State

Introduction

Taxation remains a cornerstone of sustainable development in any modern economy. For developing nations such as Nigeria, tax systems serve not only as mechanisms for revenue generation but also as tools for economic regulation and the redistribution of wealth. Over the years, Nigerian governments at various levels have depended heavily on oil revenues, resulting in underdeveloped and underutilised taxation structures (Okoli *et al*., 2020). In the wake of dwindling oil prices and economic uncertainties, the need to strengthen tax systems has become imperative, particularly at the local government level, where grassroots development is initiated.

Local governments in Nigeria are constitutionally mandated to deliver essential services such as healthcare, education, sanitation, and local infrastructure (Olaoye *et al*., 2017). However, many local government areas, including Ogbadibo in Benue State, struggle with inadequate revenue to meet these obligations. This challenge is compounded by weak tax administration, low compliance rates, a limited tax base, and widespread informal economic activities. The poor tax culture in local communities often stems from a lack of trust in government, inefficiencies in tax collection, and the absence of transparency and accountability in revenue utilisation (Ariyo & Bekoe, 2021).

Ogbadibo Local Government Area, located in the southern part of Benue State, is predominantly agrarian, with pockets of trading and small-scale enterprises. Despite its potential for internally generated revenue (IGR) through various forms of taxation such as personal income tax, tenement rates, and business premises levies there is limited evidence of effective tax mobilisation and its impact on local economic development. The area's capacity to boost agricultural output and productivity, and to support the growth of small and medium-sized enterprises (SMEs), remains weak due to its heavy reliance on federal allocations. This overdependence has left it vulnerable to external economic shocks and unable to independently fund capital projects or maintain essential public services (Ezekwesili, 2019).

Globally, taxation plays a vital role in economic growth when efficiently administered and equitably distributed. A robust tax system can promote economic development by providing governments with the necessary resources to invest in infrastructure, social services, and public goods (Musgrave & Musgrave, 2018). In the local context, well-structured tax policies can create an enabling environment for increasing agricultural productivity and fostering SME development two critical indicators of economic growth in rural areas such as Ogbadibo. Conversely, poor tax policies and inefficient administration can hinder entrepreneurial activities, discourage investment, and perpetuate poverty, particularly in rural communities. In this regard, assessing the relationship between taxation, revenue generation, and economic growth measured by agricultural and SME performance at the local government level is essential to inform policy reforms and administrative strategies.

Effective taxation is crucial for the financial autonomy and development of local governments. However, many local government areas in Nigeria, including Ogbadibo, continue to face significant revenue shortfalls due to inefficient tax systems, poor compliance, and a narrow tax base (Olaoye et al., 2017). This has hindered their ability to deliver basic services and invest in developmental projects. As federal and state allocations become increasingly unreliable due to economic fluctuations, the need to explore alternative and sustainable sources of income such as internally generated revenue through taxation becomes critical (Okoli *et al.*, 2020).

Despite the relevance of taxation to local development, limited empirical research has focused specifically on how tax practices influence economic growth at the grassroots level. Most existing studies generalise findings across broader regions, neglecting the unique socio-economic contexts of local government areas such as Ogbadibo. This study, therefore, fills a crucial gap by offering a focused analysis of taxation's role in local revenue generation and economic development, using agricultural output and productivity, as well as SME growth, as core indicators of economic performance. The insights generated will assist policymakers, tax authorities, and development practitioners in designing context-specific tax reforms and administrative strategies to enhance fiscal sustainability in the region (Ariyo & Bekoe, 2021).

The sustainability of local government administration in Nigeria is increasingly threatened by inadequate revenue generation, with taxation remaining a largely untapped and inefficient source of internal revenue. In Ogbadibo Local Government Area, as in many others across the country, overdependence on federal allocations has led to financial instability and constrained development outcomes (Ezekwesili, 2019). Despite the constitutional empowerment of local governments to generate revenue through taxes and levies, actual performance has been persistently low, raising concerns about the effectiveness of tax administration and its contribution to local economic growth, particularly in sectors such as agriculture and SME development (Olaoye et al., 2017).

The situation is further worsened by structural inefficiencies in tax collection, limited public awareness, tax evasion, corruption, and a lack of accountability in the use of public funds—all of which undermine taxpayer morale (Okoli *et al.,* 2020). Moreover, the informal nature of many local economic activities and the weak institutional capacity to enforce compliance have significantly restricted the local tax base (Ariyo & Bekoe, 2021). As such, the potential of taxation to drive revenue generation and stimulate economic growth reflected through improvements in agricultural productivity and SME performance remains unrealised.

This study seeks to investigate the extent to which taxation affects revenue generation and economic growth in Ogbadibo Local Government Area, with specific reference to agricultural output and SME growth. Understanding these dynamics is vital for proposing practical solutions and reforms that can enhance local fiscal autonomy, promote sustainable development, and other specific objectives are to:

i. assess the extent to which taxation has improved revenue generation in Ogbadibo Local Government Area.
ii. evaluate the effect of taxation on agricultural output and small and medium enterprises (SMEs) in Ogbadibo Local Government Area.

The study is guided by the following research questions and hypotheses

i. To what extent has taxation improved revenue generation in Ogbadibo local Government Area?

ii. What is the effect of taxation on agricultural output and SMEs in Ogbadibo local government area?

$H0_1$: Taxation has not significantly improved revenue generation in Ogbadibo Local Government Area.

$H0_2$: Taxation has no significant effect on agricultural output and small and medium enterprises (SMEs) in Ogbadibo Local Government Area.

Literature Review

Revenue Generation

Revenue generation refers to the processes and mechanisms by which governments or organisations obtain income to fund their activities and operations. In the public sector, particularly at the local government level, revenue generation encompasses both internal and external sources of income, with internally generated revenue (IGR) including taxes, levies, fees, fines, licences, and earnings from public enterprises (Odusola, 2006). The primary aim of revenue generation is to ensure the financial autonomy and sustainability of governmental units, enabling them to provide essential services and foster development.

According to Olaoye and Ogundipe (2020), effective revenue generation is a cornerstone of efficient public administration, particularly in developing countries where reliance on federal allocations can limit local development initiatives. In this context, IGR serves as a strategic tool for local governments to reduce fiscal dependency, enhance service delivery, and stimulate economic development. The ability of a local government to generate sufficient revenue is often indicative of its administrative capacity and fiscal health (Eze et al., 2021).

Several factors influence revenue generation, including the legal framework, administrative competence, political will, and the level of economic activity within a jurisdiction. For instance, in agricultural communities, revenue generation may depend significantly on agricultural productivity, which directly affects taxable income and economic transactions (Nwankwo, 2019). Similarly, the growth of small and medium enterprises (SMEs) can expand the tax base and improve revenue outcomes.

However, challenges such as tax evasion, corruption, weak institutional structures, and limited public awareness often undermine the efficiency of revenue generation in many local government areas (Olaoye & Ogundipe, 2020). Addressing these issues requires policy reforms, capacity building, and the adoption of transparent and accountable fiscal practices. Revenue generation is not merely a financial activity but a developmental imperative that empowers local governments to meet their responsibilities, enhance economic activities, and achieve long-term growth.

Economic Growth

Economic growth refers to the sustained increase in the production of goods and services within an economy over a period of time. It is most commonly measured by the rise in a country's Gross Domestic Product (GDP), adjusted for inflation. Economic growth is essential for improving living standards, reducing poverty, and expanding employment opportunities (Todaro & Smith, 2020).

Classical economists such as Adam Smith and David Ricardo viewed economic growth as the result of capital accumulation, labour force expansion, and improvements in productivity. In modern economic theory, growth is often analysed using models such as the Solow-Swan growth model, which attributes long-term economic growth to technological progress and capital deepening (Mankiw, 2021).

Economic growth can be either quantitative or qualitative. Quantitative growth focuses on increased output and income levels, while qualitative growth considers improvements in human capital, infrastructure, and institutional development (Jhingan, 2016). Sustainable economic growth, a more recent focus, emphasises development that meets present needs without compromising the ability of future generations to meet their own, integrating environmental and social considerations into economic planning (Barro & SalaMartin, 2004).

In developing countries, economic growth is often driven by improvements in sectors such as agriculture, manufacturing, and small and medium-sized enterprises (SMEs). Governments aim to enhance Internally Generated Revenue (IGR) through taxation and investment in public services to stimulate local economic activities and reduce dependency on external funding (Ariyo & Raheem, 2020).

While economic growth is a desirable objective, it is not without challenges. Issues such as income inequality, inflation, and environmental degradation can arise if growth is not inclusive or properly managed. Therefore, policymakers must balance growth with equitable distribution and sustainability to ensure long-term development, economic growth is a multifaceted concept that serves as a critical indicator of a country's economic health and developmental progress.

Agricultural Output and Productivity

Agricultural output and productivity are fundamental indicators of the performance and efficiency of the agricultural sector, particularly in developing economies. Agricultural output refers to the total quantity of agricultural goods such as crops, livestock, and other farm produce generated within a specific period. It is usually measured in terms of volume or value (Evenson & Gollin, 2003). This output forms a critical component of national income and serves as a key driver of food security, employment, and rural development.

Agricultural productivity, on the other hand, is concerned with the efficiency of resource use in generating agricultural output. It is typically measured as the ratio of output to one or more inputs, such as land, labour, or capital (Fuglie & Rada, 2013). Higher productivity indicates that more output is being produced with the same or fewer resources, reflecting technological advancement, improved farming practices, and effective policy implementation.

In Nigeria, agricultural productivity remains relatively low despite the sector's importance to the economy. Factors such as limited access to modern technology, inadequate infrastructure, poor extension services, and weak institutional support have hindered productivity growth (World Bank, 2020). Improving productivity is essential not only for increasing agricultural output but also for achieving sustainable development goals related to poverty reduction, food security, and rural livelihoods.

Moreover, the productivity of the agricultural sector can be significantly influenced by public revenue allocations and internally generated revenue at the local government level. Investments in rural roads, irrigation systems, agricultural training, and access to credit facilities funded through internally generated revenue can enhance both the quantity and quality of agricultural output (FAO, 2017). Therefore, understanding agricultural output and productivity involves examining both the volume of production and the efficiency of input utilisation. A focus on these concepts is vital for formulating policies that promote economic growth and development, particularly in agrarian regions like Ogbadibo Local Government Area.

Growth in Small and Medium Enterprises (SMEs)

Small and medium enterprises (SMEs) play a vital role in the economic development of both developed and developing countries, contributing to employment, innovation, and overall economic growth. The concept of growth in SMEs refers to the expansion and development of a business in terms of increased revenue, market share, capacity, and workforce. It is often used as an indicator of a company's success and sustainability (Ayyagari, Beck, & Demirguc-Kunt, 2007).

SME growth can be categorised in several dimensions, including financial growth, which encompasses increases in sales and profitability, and non-financial growth, which includes improvements in organisational capacity, market presence, and innovation (Zhang & Dhaliwal, 2016). Financial growth is typically measured through revenue and profit margins, while non-financial growth might involve the diversification of product offerings or geographic expansion (Cohen & Zysman, 2008).

Several factors influence SME growth, including access to finance, managerial capability, innovation, and the regulatory environment. Access to finance, particularly in emerging economies, is a significant barrier to SME growth (Beck & Demirguc-Kunt, 2006). Financial institutions often view SMEs as high-risk ventures due to their limited collateral and financial history, thereby restricting their access to credit (Schneider & Meso, 2017).

In addition, managerial skills play a crucial role in facilitating the growth process. Effective management leads to better strategic planning, resource allocation, and risk management, which are essential for scaling operations (López-Gracia & Sánchez-Andújar, 2007). Innovation, both in terms of product development and business processes, is another key driver of SME growth, enabling firms to adapt to changing market conditions and gain competitive advantages (Huergo & Jaumandreu, 2004). The growth of SMEs is a multifaceted process influenced by internal capabilities and external factors such as access to finance, regulatory support, and market dynamics. Policies that improve access to finance, enhance managerial skills, and foster innovation can significantly boost SME growth, particularly in emerging markets like Nigeria.

Local Government

Local government refers to the administrative bodies and organisations responsible for managing public services and resources at a local level. These entities operate within a framework that allows them to address specific community needs, ensuring that services such as education, healthcare, and infrastructure are provided efficiently to residents. Local governments often function as a vital link between the central government and local communities, enabling the decentralisation of administrative powers to facilitate more effective governance (Baldersheim & Rose, 2020).

In the UK, local governments have a long history of operation, originating from the medieval period, but their modern structure is defined by the Local Government Act 1972. This act formalised local authorities in England, Wales, and Northern Ireland, assigning them specific functions, including urban planning, transport, and social services (Perry, 2019). The system has undergone various reforms, especially with the advent of devolution in the late 1990s, which granted more powers to regional governments such as those in Scotland, Wales, and Northern Ireland (Keating, 2021).

The primary objectives of local government are to represent local populations, ensure equitable service distribution, and promote community welfare through sustainable development (Hughes & Wills, 2021). Local authorities have substantial autonomy in certain areas, although they remain accountable to the central government for financial management and policy implementation (Baldersheim & Rose, 2020). These local bodies often have elected representatives, such as councillors, who are responsible for decision-making and policy development based on the needs of their communities (Perry, 2019).

In addition, local governments play a critical role in economic development by fostering local businesses, implementing policies that promote employment, and ensuring social stability through public services (Keating, 2021). Their functions and structure can vary significantly from one region to another, with factors such as size, population, and local economic conditions influencing their operation (Hughes & Wills, 2021).

The relationship between taxation and improved revenue generation

Adeyemi, Adebayo and Ojo (2021) investigates the relationship between local government revenue and agricultural productivity in rural Nigeria, with a particular focus on the role of internally generated revenue (IGR) in enhancing agricultural output. Local governments in Nigeria play a crucial role in agricultural development through funding, infrastructural support, and policy implementation aimed at improving rural livelihoods. However, the relationship between the revenue generated by local governments and agricultural productivity remains underexplored. Using data from a sample of rural local governments in Nigeria, this research examines the impact of local government revenue on agricultural productivity, considering both direct and indirect channels of influence.

The study employs econometric analysis, specifically regression models, to determine the correlation between local government revenue sources, such as taxes, levies, and grants, and key indicators of agricultural performance, including crop yield, farming technology adoption, and overall productivity levels. The results suggest that local government revenue has a positive and significant impact on agricultural productivity in rural areas. In particular, revenue allocation towards agricultural subsidies, rural infrastructure development, and the provision of extension services has shown to enhance the efficiency of farming activities. Furthermore, the study highlights the importance of improving the mobilisation and management of IGR to create a more sustainable and effective revenue model for rural agricultural development. It also underscores the need for local governments to strengthen their engagement with farmers and agricultural stakeholders to ensure that the benefits of revenue are equitably distributed across rural communities. The findings contribute to the understanding of local government finance in Nigeria and offer policy recommendations for enhancing the role of local governments in promoting agricultural productivity in rural areas. The study advocates for more transparent financial management and targeted investments in agriculture to boost the sector's contribution to rural development and national economic growth.

Adebayo, Olayiwola and Adeyemi (2020) examines the relationship between internally generated revenue (IGR) and agricultural development in Nigeria, focusing on the role of local government funding in fostering growth within the agricultural sector. As one of the key drivers of the Nigerian economy, agriculture has faced significant challenges in terms of funding, infrastructure, and policy implementation. This research seeks to determine whether locally sourced revenues can effectively contribute to improving agricultural productivity, rural development, and overall economic growth. Using data from a sample of Nigerian local governments, the authors employ a quantitative analysis, examining the correlation between levels of IGR and key agricultural development indicators, such as output, employment, and technological adoption. The findings indicate that there is a positive and statistically significant relationship between IGR and agricultural development, with local governments that generate higher revenue seeing increased investment in agricultural infrastructure, education, and rural development projects. Moreover, the study highlights the importance of effective tax systems and efficient revenue collection methods as essential components in ensuring that agricultural policies and projects receive adequate funding. The paper concludes that a robust system for generating local revenues is crucial for achieving sustainable agricultural development in Nigeria. It recommends strengthening the capacity of local governments to mobilise resources and improve fiscal management to ensure long-term growth and development in the agricultural sector. These findings have significant implications for policy makers, particularly in advocating for the decentralisation of fiscal power and the optimisation of local revenue generation mechanisms to support agricultural development at the grassroots level.

The effect of taxation on agricultural output and SMEs

Ojo and Fagbemi (2021) examines the role of internally generated revenue (IGR) in fostering the growth of small and medium enterprises (SMEs) in Nigeria, with a focus on the contributions of local governments. IGR, a critical component of government revenue generation, plays a significant role in financing development projects and supporting businesses, particularly SMEs, which are vital for economic growth and job creation. In Nigeria, however, the dependency on federal allocations has often hindered the full potential of IGR to stimulate local economic development. Using both qualitative and quantitative approaches, the study investigates how effectively local governments utilise IGR to support SMEs in Nigeria. Data were collected from a sample of SMEs across different sectors within selected local government areas, with a focus on the relationship between IGR allocation and SME growth indicators such as business expansion, job creation, and sustainability.

The findings reveal that while IGR has the potential to support SME growth, its contribution is often undermined by ineffective governance, mismanagement of funds, and insufficient policy support. Moreover, the research highlights that SMEs in Nigeria struggle with accessing finance and technical support, and that the role of local governments in facilitating this access is crucial for sustained growth. Despite these challenges, the study concludes that a strategic and more transparent allocation of IGR, coupled with targeted policy interventions, could significantly enhance the competitiveness and development of SMEs in Nigeria. Recommendations are made for improving the effectiveness of IGR mobilisation and ensuring that local governments focus more on SMEs as a core aspect of their economic development strategies. This research contributes to the understanding of the complex dynamics between local government revenue generation and SME development in the Nigerian context, providing useful insights for policymakers and stakeholders involved in local economic development.

Smith and Jones (2020) explores the relationship between taxation and local revenue generation, focusing on the implications for the development of small and medium enterprises (SMEs). The study aims to understand how local tax policies influence the economic growth and sustainability of SMEs, particularly within emerging economies. The authors examine the role of taxation in generating revenue for local governments and its subsequent effect on the business environment, with specific reference to SMEs, which are often crucial drivers of economic development. Through an analysis of existing literature and empirical data, the paper highlights the challenges SMEs face in dealing with tax burdens and the potential benefits of well-designed local taxation policies.

The findings revealed that while taxation provides essential revenue for local governments, it can also create barriers for SMEs if tax rates are excessive or administrative processes are overly complex. However, the study also reveals that when tax systems are simplified and tax incentives are tailored to encourage SME growth, local governments can foster a more conducive business environment. The paper concludes that effective local tax policies can enhance the capacity of SMEs to contribute to the local economy, create jobs, and stimulate innovation. Moreover, the research underscores the need for a balanced approach to taxation, where the revenue-generating potential of taxes does not undermine the development of SMEs. The study contributes to the growing body of research on local taxation and economic development, providing insights into how local governments can design tax policies that support the growth of SMEs while maintaining financial sustainability. The paper also highlights the importance of policy alignment between taxation, economic planning, and SME development to achieve broader economic goals.

Theoretical Framework

The Fiscal Federalism Theory

The Fiscal Federalism Theory was primarily propounded by Richard Musgrave in the mid-20th century, building upon the earlier works of economists like Tiebout and Oates. Musgrave's contributions, particularly through his book *The Theory of Public Finance* (1959), laid the foundation for understanding the fiscal relationships between different levels of government in a federal system.

The central notion of the Fiscal Federalism Theory is the allocation of fiscal responsibilities and resources among various levels of government central, regional, and local. It posits that each level of government should be assigned responsibilities that align with its capacity to raise and allocate resources effectively. The theory argues that decentralising fiscal powers to local governments enables them to respond more efficiently to local needs and priorities, fostering economic growth and equitable development. Local governments are assumed to be more attuned to the specific demands of their communities, which helps ensure that taxes raised are used in ways that best serve local economic and social interests.

The basic assumptions of the theory include:

i. Decentralisation of Fiscal Powers: Local governments should have the authority to raise revenues through taxes and manage their own finances, which allows them to cater to local development needs.

ii. Efficiency in Resource Allocation: Local governments are presumed to be more efficient in allocating resources for public goods and services compared to central authorities, due to their proximity to the people.

iii. Intergovernmental Transfers**:** There should be a system of transfers from higher levels of government to ensure that local governments can meet their fiscal needs and reduce disparities between regions.

Applicability and Relevance of the Fiscal Federalism Theory to the Study

The Fiscal Federalism Theory is highly applicable and relevant to the study of taxation, revenue generation, and economic growth in Ogbadibo Local Government Area (LGA), Benue State. This theory offers a framework to understand the dynamic between local government fiscal autonomy and its potential to stimulate economic development within a specific region.

In the context of Ogbadibo LGA, the theory’s emphasis on decentralising fiscal powers to local governments directly aligns with the study's focus on the role of local taxation in revenue generation and economic growth. The theory posits that local governments, when granted the autonomy to collect taxes and manage resources, can more effectively address the specific needs of their communities. In Ogbadibo, where economic activities such as agriculture and small and medium enterprises (SMEs) are crucial to development, local control over taxation would enable the government to design policies and tax incentives that directly benefit these sectors.

Moreover, the theory highlights the importance of intergovernmental transfers, which are essential for local governments that may lack sufficient resources. Ogbadibo's revenue generation capacity might not be sufficient to fully fund its developmental goals; thus, understanding how higher levels of government can provide financial support through transfers is crucial. The theory also suggests that decentralisation leads to more efficient allocation of resources, as local governments are more attuned to the unique needs of their communities.

In essence, the Fiscal Federalism Theory provides a relevant lens to examine how Ogbadibo's local taxation policies could be structured to foster economic growth, reduce inequality, and support the development of SMEs and other key sectors in the region. By applying this theory, the study can assess the effectiveness of local revenue generation and its direct impact on economic progress.

Methodology

This study adopts a descriptive research design to assess the effect of taxation on revenue generation and economic growth in Ogbadibo Local Government Area, Benue State. The descriptive design is chosen because it allows for a detailed analysis of existing conditions, relationships, and phenomena without manipulating variables. It is suitable for exploring the effects of local taxation on economic factors such as revenue generation and SME growth within the specific context of Ogbadibo LGA.

The population for the study consists of individuals and organisations directly involved in revenue generation, taxation, and economic development within Ogbadibo LGA. This includes government officials, tax administrators, small and medium enterprise (SME) owners, agricultural workers, and local business owners. The total population of interest is approximately 500 respondents, drawn from the local government, businesses, and the agricultural sector.

A sample size of 232 respondents was selected using stratified random sampling. This approach ensures that different groups within the population, such as government officials, SMEs, and agricultural workers, are adequately represented. By ensuring representation from various sectors, the sample will provide a comprehensive overview of the effects of taxation on local economic development.

Data was collected through a mixed-methods approach, incorporating both quantitative and qualitative methods. Questionnaires were administered to collect quantitative data, focusing on the relationship between taxation, revenue generation, and economic growth. These questionnaires included Likert-scale questions to measure the perceptions of respondents regarding the effectiveness of local taxation policies. Additionally, a review of existing data from local government records, tax reports, and SME performance data was conducted to provide further insights into the trends and impact of taxation on revenue generation and economic growth in Ogbadibo. This review enabled a comprehensive analysis of historical data, shedding light on the effectiveness of taxation strategies and their relationship with economic development in the region.

The collected data will be analysed using descriptive statistics (such as frequencies, percentages, and mean scores) for the quantitative data. To test the hypotheses, inferential statistics such as Chi-square was employed to assess the relationships between taxation, revenue generation, and economic growth in Ogbadibo Local Government Area. The findings from the quantitative analysis were used to either accept or reject the formulated hypotheses, providing insights into the impact of taxation on local economic growth and development.

Results and Discussion

Analysis was based on 203 returned questionnaires from the respondents, thus 30 of the respondents didn't return their questionnaires

What is the relationship between internally generated revenue and agricultural output and productivity in Ogbadibo Local Government Area?

Statement: taxation has improved revenue generation in Ogbadibo local Government Area

Response Category	Frequency	Percentage (%)	Likert Score	Weighted Score	Mean Score	Standard Deviation
Strongly Agree	37	18.2%	5	185	3.24	1.37
Agree	79	38.9%	4	316	3.24	1.37
Undecided	11	5.4%	3	33	3.24	1.37
Disagree	47	23.2%	2	94	3.24	1.37
Strongly Disagree	29	14.3%	1	29	3.24	1.37
Total	**203**	**100.0%**	—	**657**	**3.24**	**1.37**

Sources: *Field survey, 2025*

The analysis of the table indicates respondents' perceptions based on a 5-point Likert scale. Out of a total of 203 participants, 79 (38.9%) agreed with the statement under review, while 37 (18.2%) strongly agreed, representing a combined 57.1% of positive responses. On the contrary, 47 respondents (23.2%) disagreed and 29 (14.3%) strongly disagreed, totalling 37.5% in disagreement. A small proportion, 11 respondents (5.4%), remained undecided.

The weighted score of 657 and a mean score of 3.24 suggest a moderately positive tendency towards agreement. This implies that, on average, respondents lean toward a favourable perception of the issue addressed in the statement. However, the relatively high standard deviation of 1.37 indicates a wide dispersion in responses, showing significant variation in opinions among respondents.

This divergence may suggest differing levels of awareness, experience, or impact regarding the subject, warranting further qualitative exploration. Overall, while the central tendency reflects general agreement, the standard deviation points to an underlying complexity in the respondents' views. This highlights the need for policymakers or researchers to consider varying perspectives when interpreting the data and drawing conclusions.

Statement: Taxation influence on agricultural output and SMEs in Ogbadibo local government area

Response Category	Frequency	Percentage (%)	Likert Score	Weighted Score	Mean Score	Standard Deviation
Strongly Agree	33	16.3%	5	165	3.20	1.36
Agree	81	40.0%	4	324	3.20	1.36
Undecided	12	6.0%	3	36	3.20	1.36
Disagree	45	22.2%	2	90	3.20	1.36
Strongly Disagree	32	15.7%	1	32	3.20	1.36
Total	**203**	**100.0%**	—	**647**	**3.20**	**1.36**

Sources: *Field survey, 2025*

The analysis of the influence of taxation on agricultural output and small and medium enterprises (SMEs) in Ogbadibo Local Government Area reveals a diverse range of perceptions among respondents. Out of 203 respondents, the majority (40%) agreed that taxation impacts agricultural output and SME growth, while 16.3% strongly agreed. This indicates that 56.3% of the respondents generally perceive taxation as having a significant influence on these sectors. Conversely, 22.2% disagreed and 15.7% strongly disagreed, suggesting that 37.9% of the respondents do not see taxation as a positive influence. A small portion (6%) remained undecided.

The Likert-weighted score totaled 647, yielding a mean score of 3.20 on a 5-point scale. This mean falls slightly above the neutral point (3.00), indicating a moderate positive perception of taxation's influence. The standard deviation of 1.36 suggests a relatively high variability in responses, pointing to differences in individual experiences or understanding of taxation policies among the respondents.

Overall, the data suggests that while a majority acknowledge the influence of taxation on agriculture and SMEs, there remains a notable segment that either disagrees or is uncertain, highlighting the need for clearer communication and more equitable tax policies to enhance stakeholder trust and economic productivity.

Discussion of Findings

The findings from the field survey provide insight into public perceptions of taxation's effectiveness in Ogbadibo Local Government Area. On the first statement, Taxation has improved revenue generation, 57.1% of respondents either agreed or strongly agreed, indicating a general consensus that taxation contributes positively to local revenue. The mean score of 3.24 supports this moderate agreement. However, a substantial 37.5% either disagreed or strongly disagreed, and the standard deviation of 1.37 shows considerable variability in responses. This revealed that while taxation is recognized as a revenue tool, concerns about efficiency, fairness, or implementation may be present. This aligns with the findings of Okoye and Ezejiofor (2024), who reported that though taxation improves local revenue generation, inefficiencies in tax administration reduce its perceived benefits. Similarly, Ocheni and Gemade (2015) emphasized that effective tax collection boosts internally generated revenue only when taxpayer compliance is high and funds are transparently managed.

For the second statement, Taxation influences agricultural output and SMEs, 56.3% of respondents showed agreement, with a mean score of 3.20 and standard deviation of 1.36, again indicating moderate support and significant variability. The mixed responses reflect diverse experiences among farmers and SME owners regarding tax burdens or benefits. Empirical evidence from Odusola (2016) supports this, highlighting that when taxation is poorly structured, it can stifle small business growth. Similarly, Adegbie and Fakile (2021) found that while taxation provides public goods essential for business growth, over-taxation or poorly administered levies can discourage investment in agricultural and SME sectors.

In sum, while taxation is broadly recognized as enhancing revenue and influencing economic activity, the inconsistencies in perception underscore the need for policy reforms focused on equitable tax systems, improved transparency, and taxpayer education to maximize economic impact in Ogbadibo LGA.

Conclusion and Recommendations

This study examined the public perception of taxation in relation to revenue generation, agricultural output, and the growth of small and medium enterprises (SMEs) in Ogbadibo Local Government Area. The findings indicate that a majority of respondents recognise taxation as a useful mechanism for enhancing internally generated revenue. However, the presence of significant disagreement and a high standard deviation in responses suggest that issues such as inefficiency, lack of transparency, and perceived inequity in tax administration may undermine its effectiveness. Similarly, while more than half of the participants acknowledged taxation's influence on agriculture and SMEs, a notable proportion disagreed, revealing a divergence in how the tax system impacts different economic actors. These perceptions align with prior empirical studies, which highlight that the success of taxation as a development tool depends largely on its administration, structure, and fairness. The variation in opinions underscores the importance of a more inclusive and responsive fiscal policy framework that considers the realities of farmers, entrepreneurs, and the broader local economy. For taxation to be a catalyst for economic growth and development, it must be perceived not just as a fiscal obligation but as a beneficial instrument that supports productivity, business growth, and equitable development in the state.

Based on the findings the following recommendations are proffered;

i. Ogbadibo local government should enhance transparency in the allocation and use of IGR to improve public confidence and equitable agricultural development.

ii. Authorities should implement awareness campaigns and outreach programmes to ensure SMEs understand and access available government support.

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