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STATE-LOCAL GOVERNMENT FISCAL RELATIONS IN NIGERIA: IMPLICATIONS FOR RURAL DEVELOPMENT

By

Justina Yator Sorkaa PhD

Department of Public Administration, Rev. Fr. Moses Orshio Adasu University, Makurdi

Abstract

This paper examines the complex dynamics of state-local government fiscal relations in Nigeria and assesses their direct implications for rural development. Relying on qualitative secondary data collection methods, the paper utilizes David Easton's systems theory as its foundational framework of analysis to evaluate these institutional interactions. The findings reveal widespread intergovernmental conflicts between local governments and state authorities, specifically involving the Office of the Governor alongside various state ministries, commissions, and regulatory agencies. A critical issue identified is the systematic diversion and frequent mismanagement of statutory monthly allocations by state governors, a predatory practice facilitated through the mechanism of the State Joint Local Government Account (SJLGA). Consequently, excessive financial encroachment and arbitrary deductions by state governments leave many local councils in severe financial crises. This severe structural deficit directly impedes their administrative capacity to deliver essential public services, maintain basic infrastructure, or effectively mobilize the human and material resources required to foster meaningful rural development. Ultimately, the paper concludes that the current lopsided structure of state-local fiscal relations has significantly undermined development initiatives within rural communities, widening the rural-urban development gap. To address these systemic challenges and rescue the third tier from administrative paralysis, the study recommends the immediate constitutional abolition of the SJLGA. Furthermore, it advocates for the enforcement of the landmark 2024 Supreme Court ruling by granting full financial and political autonomy to local governments across Nigeria, ensuring statutory allocations are remitted directly to the 774 councils.

Keywords: **State, Local Government, Inter-Governmental Relation, Development, Rural Development**

INTRODUCTION

The dynamics of intergovernmental relations remain a highly contentious subject within federating systems, particularly within the contemporary Nigerian experience. Recent scholarly discourse highlights that intergovernmental relations operate as a pragmatic, fluid, and utilitarian process that is continuously evolving (Olasupo & Adejuwon, 2024). This delicate framework relies heavily on ongoing bargaining, mutual consultation, institutional negotiation, and compromise among the constituent tiers of governance to function optimally. Consequently, the structural stability and long-term survival of any federal model depend directly on the depth of collaboration and horizontal or vertical cooperation sustained across all levels of administration (Eme & Nwokwu, 2024).

An indispensable pillar of structural federalism is an equitable fiscal arrangement that delineates tax jurisdictions and clarifies functional responsibilities among the administrative tiers. This financial nexus is structurally recognized as intergovernmental fiscal relations (Olasupo & Adejuwon, 2024). A primary challenge within this domain is the balanced assignment of institutional functions and corresponding financial resources. Because Nigeria operates a three-tiered federal system, it is legally presupposed that the federal, state, and local councils must interact smoothly to ensure good governance and cohesive national development.

The institutional framework of local government councils was originally conceived to bring governance closer to the grassroots, thereby accelerating socio-economic and rural development (Eme & Nwokwu, 2024). Section 7 of the 1999 Constitution of the Federal Republic of Nigeria explicitly guarantees a system of local government run by democratically elected councils. It mandates these local authorities to actively spearhead economic planning and developmental initiatives within their respective areas. Furthermore, to empower these councils to execute the functional responsibilities detailed in the Fourth Schedule of the Constitution, the National Assembly and State Houses of Assembly are constitutionally required to provide statutory revenue allocations from the public treasury.

Despite these clear legal provisions, fiscal relations between state and local governments have emerged as a problematic bottleneck in Nigerian governance. State executives have historically maintained an overbearing grip on local government finances (Agunyai & Etembo, 2023). Although constitutional guidelines instruct state governments to remit 10 per cent of their

internally generated revenue to local councils, very few sub-national administrations have consistently honoured this obligation. This fiscal friction is compounded by structural ambiguities regarding the boundaries of state oversight, particularly concerning the management of central allocations (Agunyai & Etembo, 2023). This systemic challenge has triggered significant legal and political friction, epitomised by the landmark 2024 Supreme Court judgment that sought to enforce direct funding allocations to the 774 local government areas (Nwanne, 2025). It is within this changing institutional context that this paper evaluates state-local government fiscal relations and its direct consequences for sustainable rural development in Nigeria.

Conceptual Issues

Intergovernmental Relations (IGR)

Intergovernmental relations refer to the complex web of statutory, financial, and administrative interactions that occur among the different tiers of government within a sovereign state (Adedeji, 2025). Traditionally, this concept is closely associated with federal systems, where the jurisdictional boundaries between the central government and sub-national units (such as states, regions, or provinces) are formally enshrined in a written constitution (Ndema, 2024). Under such frameworks, any structural rearrangement of powers typically requires a comprehensive constitutional amendment involving multiple levels of governance. However, contemporary scholarship indicates that the conceptualisation of IGR extends beyond a singular structural model, often categorised into distinct analytical schools of thought. For instance, while one perspective confines IGR strictly to federal structures, another argues that it manifests across both federal and unitary systems, and a broader global approach extends the concept to international governance networks (Yagboyaju & Omotayo, 2026).

This diverse conceptual landscape demonstrates that intergovernmental relations are not exclusive to any single system of government, but are present wherever governance tasks are shared. In practice, the character of IGR is heavily shaped by the ongoing negotiations between the central authority and constituent sub-national governments, with the foundational rules of engagement established by constitutional law. Rather than focusing solely on legal divisions, IGR emphasizes the patterns of collaboration, resource sharing, and policy coordination that occur both vertically and horizontally across different sectors of public administration (Oguche & Ochenehi, 2026). By analysing these institutional networks, researchers are

better able to focus on the cooperative mechanisms that foster systemic stability, rather than viewing intergovernmental friction as an insurmountable barrier to development (Ombogutsa, Goji, & Peter, 2026).

Within the framework of this study, intergovernmental relations are operationally defined as the formal and informal institutional interactions, encompassing constitutional mandates, statutory meetings, administrative circulars, and legal disputes occurring vertically between the Federal Government, State Governments, and Local Government Councils, as well as horizontally among the councils themselves. It is measured by the frequency of policy consultation, bureaucratic collaboration, and the presence or absence of jurisdictional conflicts between state executives and local government authorities.

Intergovernmental Fiscal Relations

Intergovernmental fiscal relations describe the structured mechanism through which the various tiers of government within a state relate both vertically and horizontally in the allocation, management, and sharing of national financial resources (Adedeji, 2025). This financial network fundamentally dictates how public sector expenditure responsibilities are assigned and balances those duties with the corresponding powers to raise revenue among the different spheres of administration. Consequently, the core of fiscal federalism concerns the precise division of public sector functions and financial instruments among central, sub-national, and local authorities (Aromolaran, Aliyu, & Abdul-Rasheed, 2024).

The operational nature of these fiscal relations is crucial to the political stability and systemic survival of any federal system. Historically, the most severe conflicts within intergovernmental systems do not stem from purely ideological differences, but rather center on the structural struggle to obtain adequate financial resources (Oguche & Ochenehi, 2026). When sub-national or grassroots governments are starved of the revenue necessary to discharge their essential political and constitutional responsibilities, the entire governance framework suffers. This creates a persistent tension between centralizing financial control and the constitutional imperative to empower lower-tier authorities to drive development (Bello, 2024).

For this study, intergovernmental fiscal relations is defined as the legal and administrative mechanisms governing the collection, remittance, allocation, and utilization of public revenues across the tiers of governance. In this paper, this concept specifically manifests as the statutory

processes through which central revenues are allocated via the Federation Account, the operational administration of the State Joint Local Government Account (SJLGA), the tracking of arbitrary fund deductions by state executives, and the statutory remittance of ten per cent of state internally generated revenue to municipal councils.

Local Government

In its simplest form, local government is defined as the tier of administration closest to the citizenry. It is conceived as a decentralised system of public administration established to maintain law and order, provide an essential range of social amenities, and foster civic cooperation and grassroots participation aimed at improving the general living conditions of the population (Adedeji, 2025). Implicit in this conceptualisation are several core characteristics that distinguish local governments from higher tiers of administration. Specifically, a true local government entity operates strictly at the grassroots level, functions within a clearly defined geographical and boundary jurisdiction, and possesses relative autonomy or institutional independence. Furthermore, it is endowed with a range of constitutionally delineated functions and is governed by a council composed of democratically elected representatives (Ndema, 2024).

From an institutional perspective, international frameworks describe local government as a political subdivision of a nation, or within a federal structure, a state. This subdivision is constituted by law and vested with substantial control over local affairs, which includes the statutory power to impose local taxes, collect levies, or mobilise community labour for prescribed public purposes (Aromolaran et al., 2024). The governing body of such an entity is universally expected to be democratically elected or otherwise selected through transparent, localised mechanisms.

Crucially, the operational dynamics of local governance often hinge on the balance of decentralisation, which is analytically divided into deconcentration and devolution. Deconcentration involves the mere transfer of administrative workloads from central ministries to regional field offices without a transfer of authority, whereas devolution entails the actual legal transfer of political and fiscal decision-making power to autonomous local councils (Zango & Mohammed, 2025). In practice, public administration systems globally do not rely exclusively on one mechanism over the other. Instead, state systems typically feature a functional mixture

of both deconcentration and devolution. Achieving an optimal balance between these two components is essential for enhancing efficiency in public service delivery while preserving national cohesion.

Consequently, while local government systems exist across most global political landscapes, they exhibit varying degrees of constitutional status, structural organisation, and financial autonomy. Despite these variations between nations, and sometimes even within the constituent states of a single federation, the local government tier remains universally recognised as a veritable agent of socio-economic development and a primary pillar of grassroots participation in the democratic process.

In this study, local government is defined as the third tier of public administration in Nigeria, legally established under Section 7 of the 1999 Constitution and managed by democratically elected or appointed transitional councils within distinct geographical boundaries. It is empirically observed through its administrative capacity to independent control its budgetary resources, its exercise of executive initiative, and its statutory performance in executing the local functional responsibilities explicitly delineated under the Fourth Schedule of the Constitution.

Rural Development

The conceptualisation of development has evolved significantly from its historical, narrow alignment with purely economic growth indicators, such as Gross National Product (GNP). Contemporary academic discourse frames development as a broad-based, multidimensional process. This modern perspective encompasses comprehensive transformations in societal structures, popular attitudes, and institutional frameworks, alongside the acceleration of economic growth, the reduction of systemic inequality, and the eradication of absolute poverty (Aromolaran et al., 2024). Within this broader paradigm, rural development operates as a deliberate mechanism designed to help grassroots populations recognise, harness, and expand their inherent capacities. It empowers communities to organise themselves collectively to resolve shared local challenges, supporting the establishment of robust local institutions that manage assets to promote social justice and elevate the overall quality of community life. Furthermore, this developmental strategy facilitates collaborative networks between community groups and public agencies to enhance the responsiveness and quality of local governance (Yagboyaju & Omotayo, 2026).

Fundamentally, rural development is structured as a process of planned change aimed at improving the socio-economic well-being of populations residing in relatively isolated and sparsely populated areas. While traditional approaches centred primarily on the exploitation of land-intensive natural resources like agriculture and forestry, modern rural development requires an integrated framework. This comprehensive strategy links sustainable food production with the systematic provision of vital physical, social, and institutional infrastructure. Ultimately, the objective of rural development is to establish reliable healthcare delivery systems, affordable quality education, and resilient agricultural practices. In its most practical sense, it is understood as the strategic provisioning of infrastructural facilities designed to bridge the rural-urban divide and secure a dignified standard of living within grassroots villages (Yagboyaju & Omotayo, 2026).

Deriving from the above, rural development is defined in this study as the measurable improvement in the socio-economic well-being, structural liveability, and infrastructural baseline of grassroots communities situated outside major urban metropolitan centers. Within this study, it is empirically verified and measured by the physical provisioning and maintenance of vital public goods, specifically including the rehabilitation of primary school classrooms, the operational efficiency of primary healthcare centres, the accessibility of rural feeder roads, and the provision of clean water infrastructure.

Empirical Review

The relationship between state-local government fiscal relations and rural development has generated significant empirical interest in recent Nigerian scholarship. This section reviews contemporary studies that investigate how the structural architecture of intergovernmental finance particularly the operation of the State Joint Local Government Account (SJLGA) shapes development outcomes and service delivery at the grassroots level.

In an empirical assessment of local governance in Akwa Ibom State, Okon-Akpan, Okon, and Itina (2025) examined the institutional consequences of sub-national fiscal dynamics on service delivery. The study highlighted that prior to recent legal shifts, the practical operation of the SJLGA functioned as a vehicle for systemic fund diversion and arbitrary deductions by state executives. This fiscal encroachment directly resulted in poor public service delivery, leaving rural

communities severely deprived of basic public goods such as rural feeder roads, clean water supply, and stable grid electricity. The researchers emphasized that when state governments treat the third tier as a mere administrative appendage rather than a distinct tier of governance, the structural capacity of local councils to execute developmental projects is effectively paralyzed.

Similarly, an empirical study conducted by Nwaoburu and Egobueze (2025) explored the explicit link between financial autonomy and rural development through the theoretical lens of fiscal federalism. Their findings indicated that local financial independence is an absolute prerequisite for stimulating local economic activity, boosting infrastructural investment, and improving governance responsiveness. However, their data also exposed significant challenges that must be addressed alongside fiscal liberation. The researchers discovered that while direct funding is crucial, the ultimate success of decentralized development remains heavily dependent on strengthening internal control mechanisms, building administrative capacity, and curbing localized corruption within the municipal councils.

Ojiako and Raphael (2025) investigated the effect of local government financial autonomy on sustainable rural development in Aguata Local Government Area of Anambra State. Using a survey research design, the study found that financial autonomy improves rural infrastructure, healthcare delivery, education, water supply, and agricultural development. The study also revealed that state government interference, corruption, and poor internally generated revenue hinder effective grassroots development.

The operational reality within northern Nigeria aligns closely with these findings. In a localized empirical analysis examining the structural constraints of local administration, inquiries into local government service delivery observed a substantial deficit in grassroots infrastructure directly linked to the historical lack of fiscal autonomy (Majekodunmi, 2012). This systemic challenge demonstrates that excessive state-level interference, facilitated through lopsided institutional arrangements, frequently strips municipal officials of their executive initiative. Consequently, local councils have often been rendered incapable of formulating or funding targeted development initiatives such as deteriorating public school buildings, poor market facilities, and a complete lack of functional primary healthcare centres that are genuinely responsive to the unique socio-

economic priorities of their rural constituents (Majekodunmi, 2012).

Furthermore, recent empirical data from southeastern Nigeria corroborate the existence of a severe infrastructure deficit driven by distorted fiscal relations. An empirical evaluation focused on the development of rural areas within Aboh Mbaise Local Government Area of Imo State confirmed that local councils possess immense potential to enhance rural road maintenance, stabilize power infrastructure, and optimize primary healthcare delivery when they successfully harness and retain their revenue spaces (Ozims, 2026).

Ani, Abba, and Ojiako (2023) empirically examined how human capital development affects service delivery in selected local governments in Ebonyi State. The objective of the study was to assess human capital development and local government service delivery at the grassroots. Data for this study were elicited from both primary and secondary sources. The study found that inadequate staff training and weak administrative capacity negatively affect grassroots development and local governance performance.

However, wider empirical assessments across the state reveal that the ongoing structural struggles surrounding fiscal control create a persistent gap between the local government's theoretical mandate and its practical performance (Unegbu, 2012). While the landmark 2024 Supreme Court judgment legally sought to enforce direct funding to the 774 local councils to rectify this imbalance, current empirical observations indicate that sub-national administrative bottlenecks and resistance continue to hinder the full realization of this fiscal autonomy on sustainable rural development. Taken together, these empirical studies underscore that while direct funding lays the foundational groundwork for decentralized governance, achieving meaningful rural transformation requires a sustained combination of total financial independence, rigorous anti-corruption oversight, and institutional capacity-building.

METHODOLOGY

To investigate the impact of state-local government fiscal relations on rural development in Nigeria, this study relies on a qualitative research design utilizing secondary source materials as the primary mechanism for data collection. The secondary data were systematically gathered from an array of authenticated documents, including peer-reviewed journal articles, textbook chapters,

and relevant legal texts such as the 1999 Constitution of the Federal Republic of Nigeria. These collected materials were subjected to qualitative content analysis, which facilitates a systematic, thematic review of structural patterns and institutional contradictions within the state-local fiscal architecture.

Theoretical Framework

This paper adopts systems theory as its analytical framework. While the conceptual origins of systems theory trace back to the biological sciences during the 19th century, Ludwig von Bertalanffy is widely credited with formalising general systems theory as an independent field of study. In political science, however, the approach owes its origin to David Easton, who pioneered the analysis of political structures through a systemic lens in his seminal 1953 work, *The Political System*.

From an Eastonian perspective, a political system constitutes a web of interactions within a society through which authoritative allocations of values are made and implemented as binding policies. Public policy is thus understood as a political system's response to demands arising from its surrounding environment. The political system encompasses identifiable, interrelated institutions and political processes that translate these societal inputs into binding decisions (Olasupo & Adejuwon, 2024). This operational environment consists of all external phenomena, including social, economic, and biological settings. Analytically, this framework allows researchers to separate the political system from other societal components while examining their mutual dependencies (Eme & Nwokwu, 2024).

The core operational assumptions of systems theory can be synthesised into several key principles:

i. Isomorphism: Similar underlying concepts, principles, and models exist across different scientific fields, even though they evolved independently.
ii. Wholeness and Interdependence: A system is a sum of interacting parts that form a unified whole, and it is this continuous interaction that gives individual components meaning.
iii. The Conversion Process: Inputs from the external environment are fed into the political system, pass through an internal conversion process, and are subsequently emitted back into the environment as outputs, such as decisions or official actions.
iv. Typology of Inputs: Inputs are divided into "demands" (expressions of desire regarding how values should be

allocated) and "supports" (expressions of willingness to accept those allocations and the processes that generated them). Certain inputs can also emerge from within the political authorities themselves, often conceptualised as "withinputs".

v. The Feedback Loop: Outputs produce changes in the environment, known as outcomes, which subsequently loop back to influence the political system as new inputs, ensuring a continuous cycle.

Despite its widespread application, Easton's political systems analysis has faced scholarly criticism. The utility of systems theory in examining public policy is sometimes constrained by its highly general and abstract nature. Crucially, it provides limited insight into the internal procedures, negotiations, and power dynamics by which decisions are crafted within the "black box" of the political system. Consequently, critics often characterise systems theory as being confined to rigid input-output studies (Nwanne, 2025). Nonetheless, the approach remains highly valuable for organizing inquiries into policy formulation, and it successfully draws attention to the structural links between political institutions and their wider environments.

This framework is highly suitable for this study. Within the Nigerian federation, the local government functions as a distinct subsystem that is intrinsically dependent on both the federal and state governments, which together comprise the entire macro-system. The survival and efficiency of the local government subsystem depend heavily on balanced, cooperative interactions with these higher tiers of administration. Administrative organisations do not operate in a vacuum; they exist within an environment featuring both internal dimensions, such as formal structures and control mechanisms, and external dimensions, such as fiscal regulations. Both environments profoundly dictate the administrative capacity of the local tier to drive sustainable rural development (Agunyai & Etembo, 2023).

State-Local Government Fiscal Relations in Nigeria: Confusions and Contradictions

The legal framework governing local government administration within the 1999 Constitution of the Federal Republic of Nigeria has introduced significant structural confusion and institutional contradictions. While Sections 7 and 8 explicitly recognize and guarantee the status of local government as the third tier of the federal structure, the accompanying provisions simultaneously

grant sub-national state governments the statutory power to dominate these grassroots administrations. Specifically, Section 7, read in conjunction with Section 8, mandates that a system of democratically elected local government councils is constitutionally guaranteed, yet it charges state governments with enacting legislation to determine their creation, structure, composition, finance, and functions. The operational implication of this paradox is that local councils are structurally paralyzed; they cannot autonomously execute the functional responsibilities assigned to them under the Fourth Schedule of the Constitution until the respective State House of Assembly passes enabling legislation (Nwanne, 2025).

Consequently, the historical trajectory of Nigerian governance has been marred by persistent intergovernmental conflicts between state executives and local authorities. This friction frequently involves the Office of the Governor working through various state ministries, commissions, and regulatory agencies to undermine local governance. Rather than operating as autonomous chief executives of a distinct tier of government, local government chairmen are routinely treated as administrative subordinates to state governors. This lopsided power dynamic is most evident in the systematic diversion and mismanagement of statutory monthly allocations from the Federation Account, a practice carried out by state executives through the mechanism of the State Joint Local Government Account (SJLGA).

The SJLGA system was originally introduced in 1979 following the landmark 1976 nationwide local government reforms. However, the system quickly developed severe structural anomalies, as state governments engaged in unauthorized deductions and the outright diversion of funds meant for grassroots development. Due to these persistent abuses and the refusal of sub-national administrations to comply with statutory fiscal regulations, the military administration of General Ibrahim Babangida abolished the SJLGA system in 1989, opting for direct allocations to local councils (Olasupo & Adejuwon, 2024). This direct funding model was short-lived; following widespread complaints of administrative instability and localized corruption, the SJLGA mechanism was re-introduced under Section 162(6) of the 1999 Constitution upon the return to democratic rule.

Constitutionally, the SJLGA is defined as a special repository maintained by each state government into which all allocations from the Federation Account, alongside a statutory ten per cent contribution from the

state's internally generated revenue, must be paid for the benefit of the local government councils (Agunyai & Etembo, 2023). While the account was theoretically designed to act as an integrative mechanism for fiscal federalism, its practical operation has produced the opposite result. The vast majority of state governments have utilized the account to enforce arbitrary deductions and redirect local funds toward state-level projects or alternative political interests. This systemic encroachment has starved local councils of the liquidity needed to provide essential public services, effectively stripping them of their financial autonomy (Eme & Nwokwu, 2024).

Accordingly, the fiscal relationship between states and local governments in Nigeria is accurately characterized as a master-servant dynamic rather than a collaborative partnership in governance. Funds legally earmarked for the socio-economic transformation of rural areas are routinely siphoned or redirected to fund urban-centric state projects. This aggressive sub-national exploitation became strikingly clear during historical debates regarding the direct remittance of primary education funds, where state governments vigorously resisted federal efforts to bypass the joint account to ensure the direct payment of primary school teachers (Agunyai & Etembo, 2023).

This continuous state interference in local government finances is ultimately rooted in constitutional ambiguities. For instance, Section 162(5) dictates that any amount standing to the credit of local government councils in the Federation Account shall be allocated directly to the states for the benefit of their local councils, using modalities prescribed by the State House of Assembly. This provision, combined with the state's power to dictate local structural arrangements, confirms that local governments have historically lacked the independent authority to manage their own fiscal affairs. This lopsided fiscal arrangement reinforces the reality that the distribution of financial powers within a federal structure directly determines the actual political weight and administrative capacity that any tier of government can exert (Nwanne, 2025).

State-Local Government Fiscal Relations: Implications for Rural Development in Nigeria

The architectural design of the 1999 Constitution of the Federal Republic of Nigeria divides public service functions and administrative powers among the three tiers of government in a manner that makes it impossible for any single tier to independently

deliver complete socio-economic development. Consequently, institutional cooperation and fiscal synergy have become vital prerequisites for effective governance and regional development. The foundational rationale behind the constitutional creation of local governments is to establish a responsive administrative mechanism capable of addressing the unique, localized needs of grassroots populations. Because rural communities face distinct infrastructural and socio-economic challenges that higher levels of government cannot easily see or manage, the local tier is theoretically positioned as the primary catalyst for rural transformation (Eme & Nwokwu, 2024).

However, the practical reality of the Nigerian local government system reveals a stark contrast to this theoretical model. Local governments across the federation routinely exhibit severe operational shortcomings, particularly regarding resource utilization and infrastructural execution. While critics often attribute this to localized administrative incompetence, contemporary political economy analyses demonstrate that this structural paralysis is directly caused by the overbearing financial control exerted by state governments (Agunyai & Etembo, 2023). By aggressively seizing local government revenue sources and dominating the allocation of funds, sub-national state actors have triggered severe financial crises across many local councils. This systematic starvation of funds leaves local authorities structurally incapacitated, making them completely unable to tackle the challenges of basic service delivery. Essential tasks such as maintaining rural feeder roads, providing clean primary water supplies, and managing basic healthcare facilities are left completely unfulfilled. Furthermore, this fiscal deprivation prevents local councils from mobilizing the vital human and material resources required 323 ustainn meaningful, community-led rural development (Olasupo & Adejuwon, 2024).

This excessive control and persistent executive interference have created a widespread crisis of governance, effectively paralyzing the day-to-day administration of local councils. This financial strangulation leaves grassroots authorities heavily deprived of the statutory funds needed to build the foundational infrastructure required to drive rural development (Nwanne, 2025). Because the management of the State Joint Local Government Account (SJLGA) remains heavily skewed in favor of state executives, the most lucrative and reliable financial resources are routinely withheld from local administrations. This structural deficit strips

local chairs of their executive initiative and shifts their focus from long-term community development to a basic struggle for administrative survival.

Over the decades, the Nigerian local government system has faced a compounding series of developmental, economic, and institutional challenges. Various centralizing policies and sub-national political maneuvers have progressively weakened local councils, leaving them poorly equipped to discharge their constitutional mandates (Eme & Nwokwu, 2024). Instead of acting as an engine of rural growth, the local government tier has been reduced to an administrative extension of the state government's executive branch. By using their supervisory powers to interfere in local budgeting, project award cycles, and internal revenue collection, state governments frequently mismanage or redirect local government funds toward urban-centric projects that do not benefit rural areas. Ultimately, this structural distortion of fiscal federalism deepens rural poverty, widens the development gap between urban and rural sectors, and severely undermines the democratic legitimacy of the local government system as an agent of grassroots transformation (Agunyai & Etembo, 2023).

Conclusion

Local government is vital to the sustainable development of rural areas across Nigeria. As the constitutionally recognized third tier of the federal structure, its primary institutional purpose is to serve as a responsive framework for effective public service delivery at the grassroots, ultimately driving overall national development. Enhancing the fiscal capacity of these local councils is therefore essential to stimulating rural development and reducing regional disparities. However, local governments in Nigeria have consistently performed poorly in providing essential social amenities due to a severe lack of institutional autonomy. Rather than functioning as a distinct, self-governing tier of public administration, the local government has been reduced to a political and administrative appendage of the state government. The practical operation of the State Joint Local Government Account (SJLGA) has effectively placed local government councils in financial bondage. If grassroots governance is to be revitalized, local councils must be liberated from the overbearing control of state authorities. The ongoing management of joint accounts by state executives has systematically starved the third tier of its statutory funds, frustrating the development of rural areas and deepening grassroots poverty.

Recommendations

In light of these findings, the following recommendations are offered to eliminate excessive state interference in local government finance and stimulate meaningful rural development:

i. Foster Collaborative Partnerships: For sustainable development to occur at the grassroots, state governments must shift their approach and recognize local governments as equal partners in progress. Both tiers must work collaboratively to enhance rural development by providing the essential services needed to elevate the standard of living for the rural populace.

ii. Grant Complete Autonomy: There is an urgent need to grant full political and financial autonomy to all local governments in Nigeria. To secure this autonomy, statutory allocations from the Federation Account should be remitted directly into the independent bank accounts of the respective local councils, completely bypassing sub-national executive control.

iii. Abolish the SJLGA: The State Joint Local Government Account system should be completely abolished through targeted constitutional reform. Removing this intermediary fiscal mechanism will prevent arbitrary deductions, eliminate the diversion of resources, and ensure that grassroots revenues are utilized strictly for the socio-economic transformation of rural communities.

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