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Revenue Mobilization, Institutional Quality and Financial Accountability among Local Government Councils in Southwest Nigeria

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ABSTRACT

Public sector financial accountability is vital for effective governance since it is known to promote economic growth and development, facilitate efficient service delivery and enhance long-term financial and economic stability and sustainability. Achieving it, however, poses a serious concern particularly within the framework of local governance systems. Despite the availability of many revenue sources due to constitutional provisions and monthly allocations from the federation, local governments in Nigeria still face significant challenges in mobilizing and managing revenue effectively. It is in this regard that the study explores how revenue mobilization practices affect financial accountability in Southwest Nigeria local governments while considering the role of institutional quality. Mixed method research was adopted. A sample size of 320 respondents was derived from a population of 1, 896, made up of directors in the local governments and officers on grade level 10 and above in the Office of the Auditor General for Local Governments using stratified sampling technique. Descriptive analysis of data (mean scores; standard deviations) were displayed in tables while further analysis was done with the Partial Least Squire Structural Equation Modeling (PLS-SEM). Qualitative data were analyzed thematically. The study found that regulatory compliance and efficient revenue collection significantly improve financial accountability ($\beta = 0.201$, $t = 5.29$, $p < 0.001$; $\beta = 0.312$, $t = 6.93$, $p < 0.001$). However, increased government allocations alone do not ($\beta = -0.098$, $t = -2.97$, $p = 0.003$). Institutional quality equally enhances the positive impact of compliance with revenue rules and efficient collection strategy on financial accountability but does not resolve issues related to increased government allocations. However, qualitative findings highlight major obstacles such as fragmented tax systems, low public trust, corruption, political interference and poor digitalization of revenue collection. The study concludes that revenue mobilization generally affects financial accountability and also that strengthening oversight institutions, enforcing revenue generation mechanisms and ensuring regulatory compliance are key drivers of financial accountability. It recommends building public trust through transparent reporting, automating revenue collections and curbing corruption as measures to boost revenue and enhance financial accountability and grassroots development.

Key Words: Financial Accountability, Revenue Mobilization, Institutional Quality, Local Government, Nigeria

BACKGROUND TO THE STUDY

Accountability is crucial for government performance worldwide and its absence can result in failure due to the erosion of public support. Achieving financial accountability in governance, particularly in a developing economy like Nigeria, is challenging due to inefficient financial management practices and weak institutions that has lead to underdevelopment (Orie, 2023). Local governments globally are mandated to deliver essential services and foster grassroots development since it is the tier of government that is closest to the people

(OECD, 2022). Effective revenue mobilization is fundamental for these governments to fulfill their mandates (IMF, 2022). However, despite the availability of revenue sources, many local governments in Nigeria still face significant challenges in mobilizing and managing revenue effectively (Fjeldstad & Moore, 2021). Local governments in Southwest Nigeria play a critical role in grassroots development through the provision of public infrastructure and the emancipation of the people. However, the effectiveness of revenue mobilization in enhancing financial accountability remains inconsistent. This has led to poor financial accountability that is undermining public trust and service delivery. This study therefore investigates the intervening role of institutional quality in enhancing the link between revenue mobilization and financial accountability in Southwest Nigeria local governments. The basis for this is the fact that where governmental institutions are strong, revenue will be mobilized and utilized in a transparent and efficient manner and this will enhance accountability and grassroots development.

Statement of the Problem

Achieving financial accountability in the management of public resources could pose a serious challenge in developing countries such as Nigeria due to systemic inefficiencies that undermine the integrity of public sector financial management. These challenges are pronounced where local government revenue mobilization strategies are heavily dependent on federally allocated revenues. The constitution of the Federal Republic of Nigeria contains adequate provisions with regard to how local governments can generate revenue internally to fund grassroots development. Where the local governments do not have in place adequate and functional internal revenue generation mechanisms or where the available revenue generation ability remains grossly underdeveloped and poorly implemented, they will not be able to avail themselves with the benefits of this constitutional provisions.

According to the National Bureau of Statistics (2024), the internally generated revenue by all states and local governments in Nigeria accounted for only 0.77% of the national GDP in 2023. This alarming statistics may not be unconnected with a systemic inability of states and local governments in Nigeria to mobilize resources locally, due to overdependence on federally allocated revenue, ineffective revenue collection strategies, lack of proper oversight from institutions charged with the responsibility, poor incentives for compliance with rules and public mistrust fueled by perceived or actual corruption. Where issues like these manifest, accountability will not be achieved and the consequences will be evident in the deteriorating state of public infrastructure in many local government areas. Since previous research efforts have not paid much attention to investigating these issues and the intervening role of institutional quality between revenue mobilization strategies of local governments and the achievement of financial accountability, this study, therefore, fills the gap in the literature.

Research Questions and research hypotheses

In line with the identified problems that are hindering the achievement of financial accountability in local governments, the following research questions are formulated to guide the study.

i. What effect does compliance with revenue rules have on financial accountability of local governments in Southwest Nigeria?

ii. How does revenue collection enforcement strategies and efficiency affect financial accountability of local governments in Southwest Nigeria?

iii. What effect does government allocation adequacy have on financial accountability of local governments in Southwest Nigeria?

iv. What is the intervening effect of institutional quality on the relationship between revenue mobilization and financial accountability among local governments in Southwest Nigeria?

Based on the foregoing research questions, the hypotheses, which have been formulated in the null form for the study, are stated as follows:

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Ho_1 compliance with revenue rules does not significantly affect the achievement of financial accountability in Southwest Nigeria local governments

Ho_2 revenue collection enforcement strategies and efficiency do not significantly affect the achievement of financial accountability in Southwest Nigeria local governments

Ho_3 government allocation adequacy has no significant effect on the achievement of financial accountability in Southwest Nigeria local governments financial

Ho_4 Institutional quality does not significantly intervene in promoting proper financial management practices that enhances the achievement of effective financial accountability in Southwest Nigeria local governments.

Justification for the Study

The study examines how financial management practices, particularly revenue mobilization mechanism, impact financial accountability in Southwest Nigeria local governments, with a unique focus on the intervening role of institutional quality. The study is justified since it addresses existing weaknesses in revenue generation strategies of local governments which include, but is not limited to, overdependence on federal allocations, non-compliance with revenue regulations and poor internally generated revenue machinery that is laced with corrupt practices. The study also seeks to determine how institutional quality can intervene by strengthening revenue mobilization machinery so that financial accountability can be enhanced.

The study offers actionable recommendations for practitioners on how local governments can reduce their dependence on federally allocated revenue, suggests strategies on how to improve internally generated revenue collection efficiency and guides policymakers in formulating effective policies that will aid compliance with revenue regulations. Additionally, the study will provide empirical data to bridge knowledge gaps and aid future research on revenue generation mechanisms, institutional quality and financial accountability in local governments, Southwest Nigeria.

Scope of the Study

Concepts used in this study are revenue mobilization measured by compliance with revenue rules, revenue collection enforcement strategies and government allocation adequacy while financial accountability was proxied by financial reporting quality and level of financial transparency. There is a need to examine the effect of revenue mobilization on financial accountability in the Southwest region of Nigeria due to the fact that financial accountability is a critical concept in public sector governance around the world and it is centered around demanding from public sector officials in leadership positions how they have managed resources in their care. This process of holding to account is especially important in the context of local governments in Southwest Nigeria due to the urgent need to develop the local government areas so that the people living therein can have improvement in their living standards. Geographically, the study is limited to Southwest region of Nigeria and the primary unit of analysis is the selected local government areas (LGAs) and Local Council Development Areas (LCDAs) within the Southwest region.

Conceptual Review

Revenue Mobilization

Revenue mobilization is very important to the survival of organizations including governments at all levels, and it is in this regard that Emeh, Etea & Elechi (2023) define revenue mobilization as the process and ways through which governments at all levels raise money to finance its operations. Afukonyo (2023) equally refer to it as the process through which the government or any other organization generates income to be used in the conduct of its business and financing activities included in its budget.

Revenue mobilization by local governments, which can be sourced internally (i.e. Internally Generated Revenue - IGR) or externally (revenue from government subvention, loans, grants and many others) needs to be adequate so as to enable them deliver public services and fulfill their mandates to the citizens. In this regard, local governments' internal revenue mobilization practices need to be efficient. Smoke (2013) believes that achieving this require enforcement mechanism that ensures compliance with laws and regulations guiding sources of revenue so as to minimize evasion, non-compliance by the citizens or loss of revenue through corruption because there is a need to secure these revenue sources needed for developmental purposes.

There is lack of accountability at the local government level in Nigeria since the bulk of revenue accruing to the local governments are not earned revenue; rather, they are transfers from the federal government (Afukonyo, 2023). In this regard, there is need for strict institutional oversight over local government revenue mobilization efforts so as to ensure that it is stable and predictable and give room for proper budgeting and resources allocation while costs associated with revenue collection need to be minimized in order to guarantee sustainable revenue base.

Institutional Quality

Institutions are conceptualized as the rules, policies and organizational frameworks governing societal affairs (North, 1990), with institutional quality referring to the strength and effectiveness of these governing structures, especially in public sector activities (World Bank, 2023). Acemoglu and Robinson (2012) define it as the efficacy and integrity of institutions overseeing government financial management. According to the World Bank (2023), institutional quality is shaped by legal and regulatory frameworks including the efficiency of agencies implementing the policies of governments (IMF, 2022). With regard to local government financial management, Adekoya (2023) defines "institution quality" as the efficacy, efficiency, accountability and transparency of organizations monitoring financial activities. Rose-Ackerman (1999) suggests that institutional quality can either strengthen or weaken accountability by influencing anti-corruption measures; while the OECD (2022) emphasizes that oversight institutions must possess integrity and capacity to foster accountability

Financial Accountability

Financial accountability, as defined by the World Bank (2003), is the obligation of public resource custodians to report on their management and use. Omolaye (2015) extends this to local governments, emphasizing the need for stewards to account for resource usage to ensure objectives were met, not violated or manipulated. Igboke and Raj (2023) further assert that public officials demonstrate accountability by providing vital information on public finances, encompassing fund raising and utilization, procured goods/services, and the efficiency and efficacy of achieving public administration goals.

Theoretical Framework

This study is anchored on Institutional and Agency theories**.** Institutional theory emphasizes the role of formal structures and norms in shaping organizational behavior and decision-making processes (Otieno, Ombuki & Odongo, 2022), while agency theory focuses on mechanisms to control self-interest of managers and ensure accountability (Kulick, 2005). Local government administrators need to comply with rules and regulations guiding revenue mobilization in their council areas since adherence to rules, laws and regulations establish their legitimacy as institutions saddled with grassroots development are critical (Scott, 2014). Additionally, agents (local government administrators) have more information regarding the mobilization and utilization of local government funds than the principal (citizens) and due to self interest of these administrators and managers, inefficiency in the mobilization, allocation and utilization of funds will occur if their activities are not checkmated. Therefore, accountability mechanisms are required to checkmate or minimize the impact of the principal-agent conflict. On the basis of these, institutional and agency theories are deemed relevant to underpin the study.

Empirical Review

Empirical studies have revealed the enhancement of financial accountability through revenue generation automation, compliance with regulations and fiscal transfer. For instance, studies by Sechero and Otinga (2020) and Emeh, Etea and Elechi (2023) found that revenue generation automation and revenue regulation compliance enhance financial accountability. Also, according to Zhang (2013), fiscal transfers have a highly stimulatory effect on county spending and local revenue-raising activities in Chinese local governments. Findings by Masaki (2018) also show that inter-governmental transfers enhance local revenue generation efforts in Tanzania.

However, studies by Oduola, Sawaneh, Ogunbela and Babarinde (2019); Abdulkarim and Adeiza (2019); Nwokike, Ananti and Ebelechukwu (2021); Hamad, Hamad and Mohammed (2023), Mwiinde and Mazhambe (2024) showed shifting of sources of revenue from local councils to national government, administrative inefficiencies, misappropriation of funds; inefficient tax collection machinery; corruption and lack of enforcement of revenue laws as hindrances to revenue collection enhancement in the local councils. In the same vein, studies by Ani (2022), Yaru (2022) and Krah and Mertens (2023), equally found corruption and lack of financial accountability as being associated with dwindling internally generated revenue in local governments.

Literature search has revealed a noticeable gap in empirical studies specifically confirming the intervening role of institutional quality on the effectiveness of revenue mobilization practices in enhancing financial accountability in the public sector. Although study of Pîrvuț and Ciuhureanu (2020) discovered that poor institutional frameworks are responsible for low tax collection efficiency in Romania while Kadir and Sanni (2024) found institutional quality to significantly moderates the relationship between digital accounting practices and accountability in Nigeria MDAs, empirical studies on how institutional quality intervenes in the relationship between revenue mobilization and the achievement of financial accountability in local governments is scarce or non-existent. As a result, there is a need to carry out this study to fill the gap created in the literature.

Methodological gap was also established in the literature reviewed, whereby researchers like Castillo and Gabriel (2020) and Hallunovi (2022) and several others, rely solely on single-method quantitative approaches (i. e. primarily surveys using questionnaires). A limited number of studies, such as Ejang et al. (2022), have adopted a mixed-methods approach. This particular study filled this gap by employing a mixed-methods design for both data collection and analysis. Also, since over-reliance on quantitative data has been criticized by Boyd, Santos and Shen, 2012, qualitative data from interviews can be crucial for explaining and interpreting quantitative results (Boyd et al., 2012; Johl, Bruce & Binks, 2012).

Research Design, Population and Sample Size

Research Design

The philosophical position adopted in this study is the pragmatic world view that is routed in ensuring that the researcher uses all available methods to address the research problem with the aim of developing new knowledge (Creswell, 2013). The pragmatic research paradigm that was employed in this study made use of the mixed method approach by combining both quantitative and qualitative methods to provide a comprehensive understanding of how revenue mobilization and institutional quality interact to influence financial accountability in local governments, Southwest Nigeria. The quantitative component examines the relationships between the variables using survey, while the qualitative component offer deeper insights into the mechanisms at play through interviews.

Source and Methods of Data Collection

Data for the study was collected by using primary method of data collection. The research instrument used for collecting quantitative data was the structured questionnaire while semi-structured interview was used for collecting qualitative data.

Both quantitative and qualitative data were collected. The Krejcie and Morgan (1970) sample size determination table was used to determine the sample size of 320 respondents based on a population of 1,896 for quantitative data while for qualitative data, a sample of 18 respondents and one financial management expert was used.

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Model Specification

To achieve the purpose of this study, model used by Mong'are and Atheru (2023) was adopted and modified. Based on the modification, the model for the study is stated as follows;

FAC = f(RCR, ESE, GAA) …………………………………………………………………..(3.1)

In this model, Revenue Mobilization was proxy by indicators that include Compliance with Regulations, Collection Enforcement Strategies and Efficiency as well as Federal and State Governments' Allocation Adequacy. The model is hereby re-stated in equation form as follows:

FAC = $\beta_0 + \beta_1$RCR+ β_2ESE+ β_3GAA + ε. …………………………………………………(3.2)

The intervening effect of Institutional Quality on Revenue Mobilization and Financial Accountability was tested with the following model:

FAC = $\beta_0 + \beta_1 RM_i + (RM_i{}^{*}IQ_i) + \varepsilon_i$……………………………………….……………(3.3)

Where:

FAC = Financial Accountability

RCR = Compliance with Regulations

ESE = Collection Enforcement Strategies and Efficiency

GAA = Federal and State Governments' Allocation Adequacy

RMi = Revenue Mobilization for Local Government i

IQi = Institutional Quality for Local Government i.

$\beta_1, \beta_2, \beta_3$ = Parameters to be Estimated

ε. = Error Term

Method of Data Analysis and Estimation Techniques

Both descriptive and inferential statistical analytical methods were employed for the analysis of quantitative data collected. Preliminary diagnostic tests of normality, linearity and multi-collinearity were also carried out on the data. The inferential statistics employed for analyzing quantitative data is the Partial Least Square-Structural Equation Model (PLS-SEM). The qualitative data collected was analyzed by using thematic-NVIVO analytical method.

Demographic Profile of the Respondents

Demographic data from 320 respondents in financial and institutional roles within Southwest Nigerian local governments revealed a predominantly male workforce (62.3%). The participants were highly educated, with over 91% possessing at least a university degree (47.1% graduate, 44.8% postgraduate). Professionally, the respondents displayed diverse and relevant backgrounds, including members of the Institute of Chartered Accountants of Nigeria (ICAN) (31.8%), Association of National Accountants of Nigeria (ANAN) (27.6%), and Chartered Institute of Taxation of Nigeria (CITN) (20.1%). A significant portion (42.9%) held senior or middle-level officer positions, indicating their active involvement in decision-making and operational functions, aligning with the study's focus. The duration of service further enriched the data, showcasing a well-balanced mix of early-career and seasoned professionals, with more half having more than 10 years of experience, ensuring informed perspectives.

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Descriptive Statistics

Financial Accountability

The respondents' views on financial accountability are shown in Table 4.1 based on the questions from FAC-1 to FAC-8.

Table 4.1 Descriptive Statistics for Financial Accountability

Item	N	Minimum	Maximum	Mean	Std. Dev.
FAC-1	320	1	5	2.85	0.92
FAC-2	320	1	5	3.12	0.87
FAC-3	320	1	5	2.67	0.95
FAC-4	320	1	5	2.91	0.89
FAC-5	320	1	5	2.43	1.01
FAC-6	320	1	5	2.35	0.98
FAC-7	320	1	5	2.58	0.93
FAC-8	320	1	5	2.21	1.04

Source: Author's Computation, 2025

Table 4.1 details descriptive statistics for the eight financial accountability items (FAC-1 to FAC-8), rated on a 1 to 5 scale, revealing varied perceptions among respondents in Southwest Nigeria. All items utilized the full response scale, with FAC-2 exhibiting the highest mean score of 3.12 (standard deviation: 0.87), indicating strong agreement and consistency. FAC-4 (mean: 2.91) and FAC-1 (mean: 2.85) also showed favorable perceptions. Conversely, FAC-8 had the lowest mean score of 2.21 and the highest standard deviation of 1.04, reflecting lower agreement and dispersed opinions. FAC-5 (mean: 2.43) and FAC-6 (mean: 2.35) also indicated weaker perceptions. Most items had mean scores below 3.00, suggesting moderate to low perceptions of financial accountability, with standard deviations ranging from 0.87 to 1.04, implying moderate response spread and highlighting potential implementation gaps in local governments.

Revenue Mobilization

The respondents' views on Revenue Mobilization are shown in Table 4.2 based on the questions from RM-1_1 to RM-3_3. The mean score for Revenue Mobilization ranges from 2.63 to 4.12, with standard deviations of 0.93 and 1.22, respectively.

Table 4.2 Descriptive Statistics for Revenue Mobilization

Item	N	Minimum	Maximum	Mean	Std. Dev.
RM-1_1	320	1	5	3.42	1.12
RM-1_2	320	1	5	3.15	1.08
RM-1_3	320	1	5	3.28	1.05

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RM-2_1	320	1	5	2.87	1.14
RM-2_2	320	1	5	2.95	1.07
RM-2_3	320	1	5	2.63	1.22
RM-3_1	320	1	5	3.76	1.05
RM-3_2	320	1	5	4.12	0.93
RM-3_3	320	1	5	3.89	0.98

Source: Author's Computation, 2025

Table 4.2 presents the descriptive statistics for nine items (RM-1_1 to RM-3_3) related to revenue mobilization, measured on a five-point Likert scale. All items share a minimum score of 1 and a maximum of 5, indicating that respondents utilized the full range of options to express varying levels of agreement or perception. Among these items, RM-3_2 had the highest mean score of 4.12 with a relatively low standard deviation of 0.93, suggesting that respondents strongly agreed with this item and their responses were fairly consistent. This was followed closely by RM-3_3 and RM-3_1, with mean scores of 3.89 and 3.76 respectively, indicating that the third set of revenue mobilization items received the highest approval ratings overall. In contrast, RM-2_3 recorded the lowest mean score of 2.63 and the highest standard deviation of 1.22, implying that respondents had less favorable perceptions of this particular item and there was a wide variability in their responses. Similarly, RM-2_1 and RM-2_2 also had lower mean scores of 2.87 and 2.95 respectively, which reflect weaker levels of agreement on these aspects of revenue mobilization.

Items under the first group RM-1_1, RM-1_2, and RM-1_3 recorded moderate mean scores of 3.42, 3.15, and 3.28 respectively, showing a fairly balanced perception with moderate variability as seen in their standard deviations, which range between 1.05 and 1.12. The results reveal that respondents had more favorable views of items in the third category (RM-3), suggesting confidence in modern or efficient revenue mobilization strategies, while perceptions of the second group (RM-2) were relatively lower, pointing to potential challenges or inefficiencies. The standard deviations, which range from 0.93 to 1.22, indicate that while some items had relatively uniform agreement, others reflected broader disparities in respondent experiences or opinions across local governments.

Preliminary Tests

Normality Test

This test is typically used to determine whether the data collected for the study is normally distributed; thus, in this regard, the researcher used Skewness and Kurtosis statistics. As shown in table 4.3, all Skewness and Kurtosis values for each research variable are within Kline's (1998) recommended range of -3 to +3. The scores on each variable are assumed to be normally distributed in many parametric statistics (in example, follow the shape of the normal curve). This investigation's findings as shown in Table 4.3 show that results are fairly normally distributed.

Table 4.3 Test of Normality

Construct	**N**	**Skewness**	**Std. Error**	**Kurtosis**	**Std. Error**
Revenue Mobilization (RM)	320	0.89	0.139	1.12	0.277
Financial Accountability (FA)	320	-0.21	0.139	-0.32	0.277

Source: Author's Computation, 2025

The skewness of revenue mobilization was 0.89 which suggests that the data for the construct was positively skewed, meaning that the majority of the responses were concentrated towards the lower end of the response scale. As for kurtosis, the value displayed is positive (1.12), suggesting moderately peaked distribution.

Test of Multicollinearity

Table 4.4 showed that correlation assessment for multicollinearity and indicates low collinearity among the variables.

Table 4.4 Correlation among the Variables

Variable	RM	FA
RM	1	
Sig.	-	
N	308	
FA	.603**	1
Sig.	.000	-
N	308	308

Source: Author's Computation, 2025

Assessment of the Measurement Model

The study ensured the reliability and validity of its measurement model by confirming that the item indicators' outer loadings were above the recommended 0.708 (Hair et al., 2016). Composite Reliability (CR), a more suitable measure for PLS-SEM than Cronbach's Alpha (Hair et al., 2016), was satisfactory for the constructs, with values exceeding 0.7. Convergent validity was established through Average Variance Extracted (AVE) values, all of which surpassed the 0.5 threshold, indicating that the latent variables explain over half of their indicator's variance (Hair et al., 2017). Following a satisfactory measurement model, the structural model was assessed based on five key criteria (Hair et al., 2019). Crucially, collinearity was not an issue for the constructs since the Variance Inflation Factors (VIF) was below the 3.3 threshold (Hair et al., 2019), as shown in Table 4.5.

Table 4.5 Summary of the Construct Loadings, Convergent Validity and Reliability

Construct	Item	Factor Loading	(CR)	(AVE)
Financial Accountability	FAC-1	0.82	0.941	0.624
	FAC-2	0.79		
	FAC-3	0.85		
	FAC-4	0.88		
	FAC-5	0.76		
	FAC-6	0.83		
	FAC-7	0.91		

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	FAC-8	0.72*		
Revenue Mobilization	RM-1_1	0.83	0.908	0.618
	RM-1_2	0.79		
	RM-1_3	0.85		
	RM-2_1	0.87	0.924	0.671
	RM-2_2	0.91		
	RM-2_3	0.82		
	RM-3_1	0.76*	0.882	0.553
	RM-3_2	0.88		
	RM-3_3	0.74*		

Source: Author’s Computation, 2025

Structural Model

Path Coefficients Result

Table 4.6 Moderated Regression Analyses (Revenue Mobilization → Financial Accountability with IQ Intervention)

Predictor	B	SE	t-value	p-value	95% CI Lower	95% CI Upper
Direct Effects						
RCR	0.201	0.038	5.29	<0.001***	0.127	0.275
ESE	0.312	0.045	6.93	<0.001***	0.224	0.400
GAA	-0.098	0.033	-2.97	0.003**	-0.163	-0.033
IQ	0.265	0.036	7.36	<0.001***	0.194	0.336
Interaction Terms						
RCR × IQ	0.132	0.031	4.26	<0.001***	0.071	0.193
ESE × IQ	0.087	0.037	2.35	0.019*	0.014	0.160
GAA × IQ	-0.042	0.028	-1.50	0.134	-0.097	0.013
Model Summary						
R^2	0.572					
Adjusted R^2	0.559					
F-statistic	44.18***					

Source: Author’s Computation, 2025

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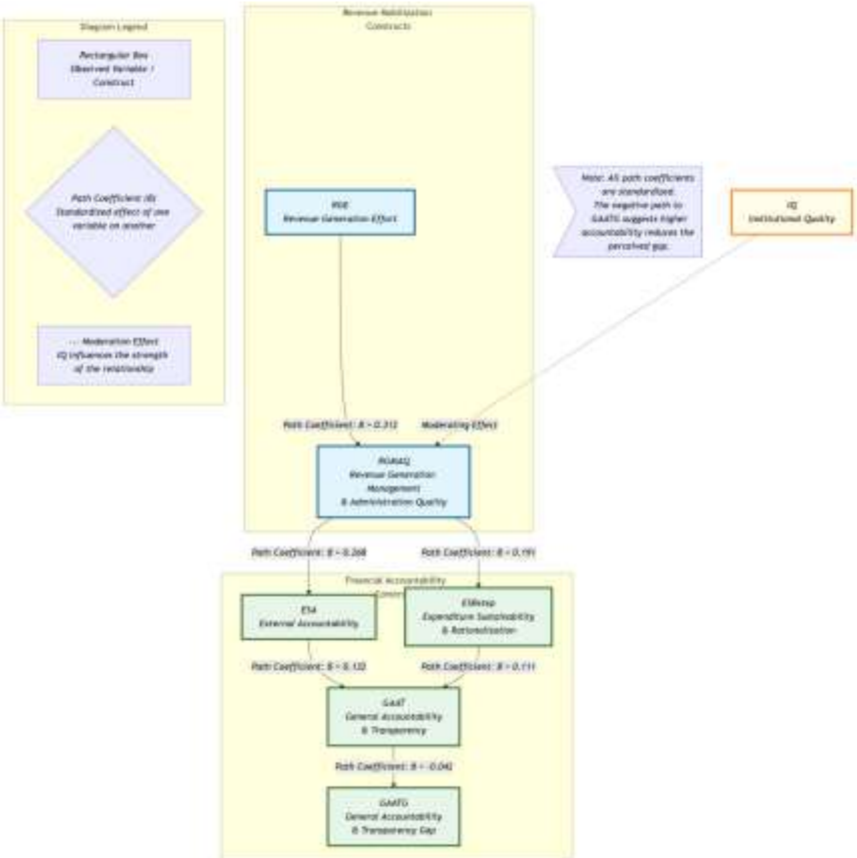
The results of Table 4.6, which presents the moderated regression analysis of Revenue Mobilization (RM) on Financial Accountability (FA) with Institutional Quality (IQ) as an intervening variable, reveal several important insights. To begin with, the overall model shows a strong explanatory power, with an R^2 of 0.572 and an adjusted R^2 of 0.559, indicating that approximately 56% of the variance in financial accountability is jointly explained by the direct effects of revenue mobilization components, institutional quality, and their interactions. Furthermore, the F-statistic of 44.18 is statistically significant at $p < 0.001$, confirming the model's robustness and overall significance.

Among the direct effects, Regulatory Compliance with Revenue Rules (RCR) positively and significantly predicts financial accountability ($\beta = 0.201$, $t = 5.29$, $p < 0.001$), suggesting that stronger enforcement of revenue rules contributes meaningfully to financial discipline. Similarly, Collection Enforcement Strategies and Efficiency (ESE) also shows a highly significant and positive influence ($\beta = 0.312$, $t = 6.93$, $p < 0.001$), reinforcing the role of operational efficiency in boosting accountability outcomes. However, Government Allocation Adequacy (GAA) yields a negative and statistically significant effect on financial accountability ($\beta = -0.098$, $t = -2.97$, $p = 0.003$), implying that increased allocations alone do not translate to greater accountability and may, in fact, reduce fiscal discipline if not matched with institutional control and performance targets. Institutional quality itself exerts a strong and positive direct effect on financial accountability ($\beta = 0.265$, $t = 7.36$, $p < 0.001$), further confirming its vital role in ensuring transparency, ethical conduct, and fiscal responsibility within the local government system.

Turning to the interaction effects, the results show that Institutional Quality significantly intervenes in the relationship between RCR and FA ($\beta = 0.132$, $t = 4.26$, $p < 0.001$) and between ESE and FA ($\beta = 0.087$, $t = 2.35$, $p = 0.019$). These findings suggest that improvements in institutional quality strengthen the effects of both compliance enforcement and collection efficiency on accountability. However, the interaction term between GAA and IQ is not statistically significant ($\beta = -0.042$, $t = -1.50$, $p = 0.134$), which means that institutional quality does not significantly alter the negative effect of government allocation adequacy on accountability.

Figure 4.1 Structural Path Model: Revenue Mobilization



Source: Author's Computation, 2025

The structural path model in Figure 4.1 provides a detailed visual interpretation of the moderated regression analysis linking Revenue Mobilization (RM) to Financial Accountability (FA), with Institutional Quality (IQ) acting as both a direct predictor and a moderator. It also confirms that institutional quality is a crucial enabler of financial accountability both directly and indirectly. While compliance and enforcement positively impact accountability and are further amplified by strong institutions, government allocation alone is insufficient and potentially counterproductive if not accompanied by accountability mechanisms. Thus, institutional reforms and governance strengthening are essential to optimize revenue mobilization strategies in promoting financial accountability in local governments.

DISCUSSIONS AND IMPLICATIONS OF FINDINGS

Findings of the study indicate that while regulatory compliance and efficient collection strategies significantly boost financial accountability, increased government allocations alone do not. Specifically, stronger enforcement of revenue rules and efficient collection practices were found to positively predict financial accountability. However, a negative correlation was observed between the adequacy of government allocations and financial accountability, suggesting that simply providing more funds does not automatically lead to greater accountability. Prior literature in support of these findings includes Sechero and Otinga (2020) and Emeh, Etea and Elechi (2023) who found that revenue generation automation and revenue regulation compliance enhance financial accountability. Studies with results contrary to these findings include Abdulkarim and Adeiza (2019) that found inefficiency in tax administration machinery and Pîrvuț and Ciuhureanu (2020) who found that efficiency of tax collection in Romania is low. Nwokike, Ananti and Ebelechukwu (2021) and Yaru (2022) reported similar findings.

The study also revealed the crucial role of institutional quality, which strengthens the positive effects of regulatory compliance and collection efficiency on accountability. This implies that well-functioning institutions amplify the impact of good revenue practices. However, institutional quality does not mitigate the negative effect of increased government allocations on accountability.

Qualitative findings further highlighted issues like fragmented tax systems, low public trust, corruption, political interference and poor digitalization of revenue as hindrances to effective revenue performance and accountability. These findings are supported by Chitenderu, Ncwadi and Mishi (2020); and Emeh, Etea and Elechi (2023) who found lack of accountability in revenue mobilization arising from administrative inefficiencies, inefficient tax collection machinery, corruption and lack of enforcement of revenue laws. In addition, these findings are consistent with Agency and Institutional theories, which emphasize the importance of transparency and adherence to rules to address information asymmetry and ensure legitimacy in local government financial management. These findings imply that aggressive revenue collection through adherence to rules is essential in achieving financial accountability in local governments. This may warrant institution of reforms in the area. Also, the fact that findings emphasis strict rules enforcement, strengthening of regulatory compliance, digitalization and automation of revenue sources and reducing excessive dependency on federal allocations imply that these areas of revenue mobilization are critical and should be improved. The findings are also supported by agency theory, meaning that a reduction in information asymmetry is possible through mandatory disclosure of revenue information, effective citizens' oversight and building of revenue generation machinery that is robust, transparent and technologically driven.

SUMMARY AND CONCLUSION

This study provides significant insights into the interplay between revenue mobilization and financial accountability in Southwest Nigeria local governments, and the extent to which institutional quality can intervene in the relationship. All variables associated with the study were conceptualized. At the same time, the study employed the mixed method (quantitative and qualitative) approach to provide evidence that formed the basis of the findings of the study. Findings of the study indicate that enforcement of revenue rules and efficient collection practices positively and significantly predict financial accountability, although government allocations do not. The study also revealed the crucial intervening role of institutional quality, which strengthens the positive effects of regulatory compliance and collection efficiency on accountability with the exception of allocations from the federal or state governments.

Recommendations

Based on the findings of the study that internal revenue generation mechanism is fragmented due to lack of public trust, corruption and political interference, it is hereby recommended that local governments should build public trust in their affairs through transparent reporting and technology-driven revenue generation platforms. There is also the need for the local government authorities to automate and streamline revenue collection processes so as to minimize leakages. All loopholes that can be exploited to perpetuate corruption in the system should be blocked.

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