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Revenue Generation and Budget Implementation in Southwest Nigeria: Evidence from Road Taxes and Stamp Duties

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Abstract

This study examined the effect of selected revenue and demographic factors on budget implementation in Southwest Nigeria. Specifically, it investigated the effects of Road Taxes and Levies (RTL), Stamp Duties (STD), Statutory Allocation (ALL), and Population Size (SIZ) on budget implementation. The study adopted an ex-post facto research design and relied on historical secondary data. Although the population comprised the six states in Southwest Nigeria, Lagos, Oyo, and Osun States were purposively selected based on fiscal relevance and data availability. Annual panel data covering 30 years (1996–2025) were employed for the analysis.Capital expenditure and recurrent expenditure represented measures of budget implementation, while RTL, STD, ALL, and SIZ served as explanatory variables. Data were analysed using descriptive statistics, Pearson correlation, panel unit-root and cointegration tests, and panel regression techniques. The correlation results showed positive associations among the variables. The Pedroni cointegration test also confirmed a significant long-run relationship among the variables, with the Panel v-statistic of 2.614 ($p = 0.004$) and Panel ADF-statistic of −3.974 ($p = 0.029$). The VIF results indicated no serious multicollinearity, with a mean VIF of 2.47. Road Taxes and Levies recorded positive coefficients of 0.156 ($p = 0.012$) for capital expenditure and 0.168 ($p = 0.007$) for recurrent expenditure, indicating statistically significant positive effects. Stamp Duties recorded coefficients of 0.172 ($p = 0.081$) and 0.184 ($p = 0.062$) for capital and recurrent expenditure, respectively, indicating positive but statistically insignificant effects. The study concludes that revenue mobilisation and fiscal transfers are important determinants of budget implementation in the selected Southwest Nigerian states.

Keywords: Road Taxes and Levies, Stamp Duties, Statutory Allocation, Population Size, Budget Implementation, Capital Expenditure, Recurrent Expenditure.

Introduction

The problem of ineffective budget implementation has remained a persistent fiscal concern in Nigeria, particularly at the state level where the gap between budgeted and actual expenditure outcomes continues to widen. In recent years, several Nigerian states have recorded average budget implementation rates below 70%, with some states achieving less than 60% execution of their approved budgets. This shortfall reflects a systemic inability to translate fiscal plans into tangible outcomes. According to Adeniyi (2022), actual revenue performance across many states often falls short of projections by margins ranging between 20% and 35%, thereby constraining expenditure execution. Similarly, Olaoye and Akinola (2023) observed that inconsistencies in revenue inflows and weak fiscal discipline have resulted in persistent deviations between planned and realized expenditures, undermining the credibility of the budgeting process and limiting its effectiveness as a policy tool.

The challenge is even more pronounced in the implementation of capital expenditure, which is critical for infrastructure development and long-term economic growth. Evidence indicates that while recurrent expenditure execution rates in Nigerian states often exceed 80%, capital expenditure implementation frequently lags behind, averaging between 40% and 55% over the past decade. This imbalance suggests a structural bias toward consumption-driven spending at the expense of development-oriented investments. According to Ogunleye (2021), inadequate funding and poor prioritization of capital projects have significantly reduced the impact of public investment in key sectors. In the same vein, Adebayo and Rafiu (2024) argued that the dominance of recurrent expenditure, which in some states accounts for over 65% of total spending, continues to crowd out capital projects, thereby exacerbating infrastructural deficits and limiting economic transformation.

Non-tax revenue sources such as road taxes, stamp duties, and fines and penalties remain underexploited despite their considerable revenue potential. Evidence indicates that these sources collectively contribute less than 10% to total internally generated revenue in many states, highlighting a substantial underutilisation of available fiscal instruments. Road tax compliance rates, for instance, are estimated to be below 55% in several states due to weak enforcement and manual collection systems. Stamp duties also suffer from inefficiencies, with revenue leakages estimated at between 15% and 25% annually due to poor documentation and weak oversight. According to Olatunji and Adeyemi (2022), the lack of digitised revenue collection systems has significantly constrained the capacity of states to optimise these revenue streams. Similarly, Afolabi (2023) observed that weak institutional coordination and corruption in revenue collection processes have further reduced the effectiveness of fines and penalties as a stable source of internally generated revenue, thereby limiting the fiscal space required for effective budget implementation.

In addition, issues of corruption, diversion of public funds, and non-compliance have further worsened the performance of these revenue sources. Reports from subnational fiscal reviews indicate that revenue leakages in some states may reach as high as 15% to 25%, largely due to misappropriation and unaccounted cash collections in informal systems. In many instances, collected revenues from fines and penalties are not fully remitted into government accounts, with portions allegedly diverted by revenue officials or lost through opaque collection channels. According to Adekunle (2021), weak accountability mechanisms and the absence of real-time monitoring systems have created opportunities for financial mismanagement and corruption within revenue collection agencies. In the same vein, Salami and Yusuf (2024) argued

that poor enforcement of financial regulations and widespread non-compliance by taxpayers and institutions have significantly reduced the integrity and reliability of non-tax revenue systems in many Nigerian states.

Existing studies generally show that Internally Generated Revenue (IGR) contributes positively to fiscal sustainability and budget implementation in Nigeria. However, limited attention has been given to state-specific differences among Lagos, Oyo, and Osun States. Previous studies also tend to examine individual revenue sources separately rather than assessing Road Taxes and Levies, Stamp Duties, Statutory Allocation, and Population Size within a unified framework.Moreover, many existing studies cover relatively short periods, limiting understanding of long-term fiscal trends. This study addresses these gaps by comparatively examining Lagos, Oyo, and Osun States using a 30-year panel dataset (1996–2025) to assess the relationship between selected revenue and demographic factors and capital and recurrent expenditure.

Internally Generated Revenue (IGR)

IGR is a performance-driven fiscal instrument that determines the ability of governments to meet developmental obligations. According to Olatunji (2025), IGR comprises all revenues generated internally by state governments from taxes, fees, and penalties, which serve as a key indicator of fiscal discipline and governance efficiency. He further explained that strong IGR systems are associated with improved budget credibility, higher expenditure execution rates, and better public service delivery. In the same context, Olaniyi (2021) asserted that IGR is a crucial determinant of subnational financial sustainability, as it directly influences the capacity of governments to implement approved budgets without excessive reliance on external funding sources.

The trend of Internally Generated Revenue in Southwest Nigeria reflects both progress and persistent disparities across states. Lagos State continues to dominate IGR performance, accounting for over 60% of total revenue generated in the region due to its diversified economy and advanced revenue collection systems. According to Akinwale (2023), Lagos State's strong institutional framework and digital tax administration systems have enabled it to consistently outperform other states in revenue generation. Similarly, Adetunji and Salami (2022) observed that while Lagos maintains relatively high and stable IGR growth, other states such as Oyo and Osun continue to record lower performance levels, often generating less than 30% of their total revenue internally.

These disparities have significant implications for fiscal sustainability and budget implementation across the region. States with stronger IGR bases are better positioned to finance capital projects, sustain recurrent expenditures, and reduce dependence on federal allocations, while weaker states face persistent budget deficits and implementation gaps. According to Afolabi (2023), the uneven distribution of IGR capacity among states reflects structural economic differences and variations in tax administration efficiency. In agreement, Ibrahim and Lawal (2024) noted that inadequate revenue mobilization systems in less-performing states continue to constrain their fiscal autonomy, thereby affecting their ability to execute approved budgets effectively and consistently.

Road Taxes and Levies

Road Taxes and Levies constitute an important non-oil, non-tax component of Internally Generated Revenue (IGR) in Nigeria, particularly at the state level where transportation-related economic activities are highly significant. According to Akinwale (2021), Road Taxes and Levies refer to mandatory charges imposed on vehicle ownership, usage, and transportation-related services, including vehicle registration, driver's license fees, roadworthiness certificates, and haulage permits. He explained that

these charges are designed not only as revenue instruments but also as regulatory tools for managing transportation systems within states. In a similar perspective, Ogunleye and Adeyemi (2022) defined Road Taxes and Levies as fees collected by state governments from road users and transport operators to fund infrastructure maintenance and enhance public transportation regulation. They emphasized that this revenue source is essential for sustaining urban mobility and supporting infrastructure development.

Stamp Duties

Stamp Duties constitute an important but often underutilized component of Internally Generated Revenue (IGR) in Nigeria, particularly at the state level where they are linked to legal and commercial transactions. According to Akinyemi (2021), Stamp Duties refer to taxes imposed on written or electronic documents that confer legal recognition or financial obligations, such as tenancy agreements, property transactions, contracts, and financial instruments. He explained that Stamp Duties serve both fiscal and legal functions, as they validate documents while also generating revenue for government. In a similar perspective, Olowookere and Adebayo (2022) defined Stamp Duties as statutory charges levied on instruments and transactions to formalize agreements and provide legal backing, emphasizing that they represent a stable but underexploited source of revenue for state governments in Nigeria.

Budget Implementation

Budget implementation is commonly assessed using the degree of deviation between approved and actual expenditures, as well as the efficiency with which government projects are executed. According to Akinyemi and Bolarinwa (2023), budget implementation in Nigeria is often characterized by significant disparities between planned allocations and actual disbursements, with implementation rates in some states ranging between 50% and 75%. They observed that such gaps are frequently caused by revenue shortfalls, delayed fund releases, and weak institutional capacity. Similarly, Udemezue and Nwachukwu (2024) argued that poor budget implementation undermines public service delivery, as many capital projects are either delayed, partially executed, or abandoned due to inadequate funding and administrative bottlenecks.

Budget implementation is broadly divided into two major components: capital expenditure and recurrent expenditure, both of which are essential for economic development and administrative sustainability. According to Okafor (2022), capital expenditure refers to government spending on long-term infrastructure and development projects such as roads, schools, hospitals, and energy facilities, which contribute directly to economic growth. He noted that effective capital expenditure implementation is crucial for improving productivity and enhancing citizens' welfare. In contrast, recurrent expenditure, as explained by Ibrahim and Sule (2023), refers to government spending on day-to-day operations such as salaries, wages, maintenance, and administrative costs. They observed that recurrent expenditure often dominates public spending in Nigeria, accounting for over 60% of total budget allocations in many states.

The trend of budget implementation in Nigeria reveals a persistent imbalance between capital and recurrent expenditure, with recurrent spending consistently receiving higher execution rates. According to Akinyemi and Bolarinwa (2023), recurrent expenditure execution rates often exceed 80%, while capital expenditure implementation frequently falls below 55% across several states. This imbalance has been attributed to rigid cost structures, wage obligations, and revenue constraints. Similarly, Ojo and Alabi (2022) observed that delayed capital project execution is a common feature of budget implementation in Nigeria, often resulting in incomplete infrastructure projects and reduced

developmental impact. These inefficiencies highlight the challenges of translating fiscal plans into tangible economic outcomes.

Conceptual Framework

This presents the diagrammatic representation of the connectivity between the independent and dependent variables as presented in Figure 2.1 below:

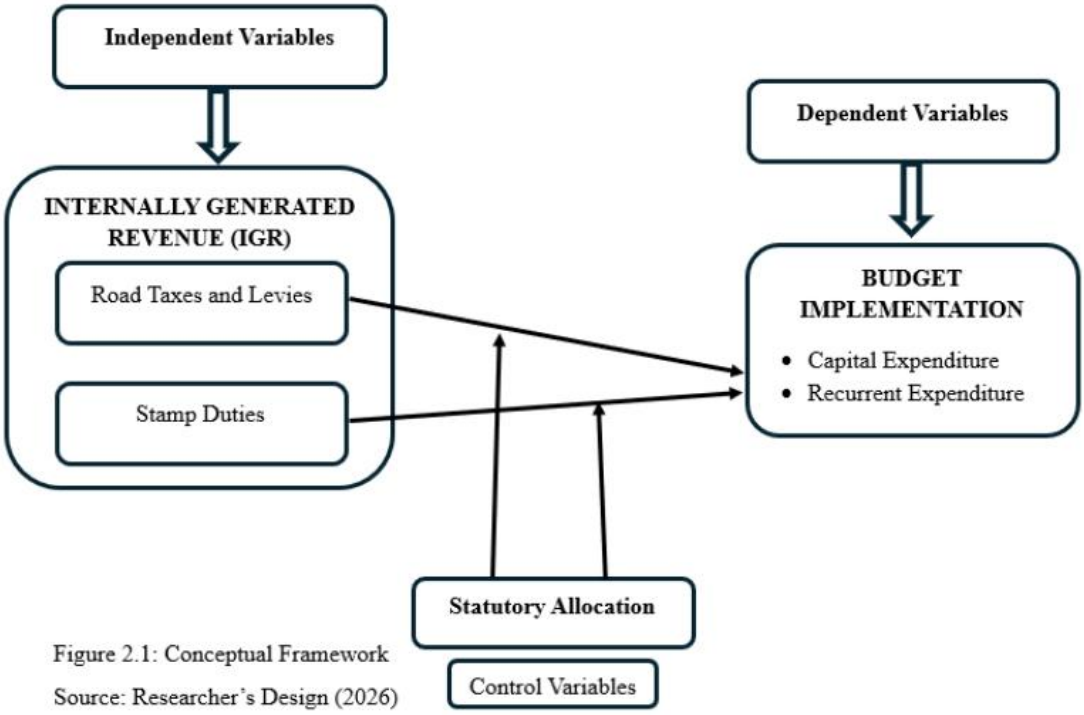


Figure 2.1: Conceptual Framework

Source: Researcher's Design (2026)

Theoretical Framework

This study is anchored on a theoretical framework that integrates two highly relevant perspectives in explaining the relationship between Internally Generated Revenue (IGR) and budget implementation in Nigerian states. The study will be underpinned with Fiscal Federalism Theory and Public Finance Management Theory. These two theories were selected because they collectively provide a strong analytical foundation for understanding how revenue generation capacity at the subnational level influences expenditure efficiency, fiscal autonomy, and the overall effectiveness of budget execution. While Fiscal Federalism Theory explains the structural allocation of revenue responsibilities among tiers of government, Public Finance Management Theory provides insight into how revenues are managed and translated into actual expenditure outcomes.

From the perspective of Fiscal Federalism Theory, the financial autonomy of subnational governments is central to effective budget implementation. The theory posits that decentralization of revenue and expenditure responsibilities enhances efficiency in public service delivery because state governments are closer to the people and better able to respond to local needs. In this context, Internally Generated Revenue becomes a critical fiscal instrument that determines the extent to which states can independently finance their budgets without excessive reliance on statutory allocations. According to Oates (1972), decentralization improves allocative efficiency when subnational governments have

adequate control over revenue sources, thereby strengthening their capacity to implement development-oriented budgets.

Complementing this structural perspective, Public Finance Management Theory provides a process-oriented explanation of how revenue translates into expenditure outcomes. The theory emphasizes that effective budget implementation depends on transparency, accountability, and efficient allocation of public resources. It assumes that governments must ensure that revenues, whether internally generated or externally received, are properly managed through credible budgeting, expenditure control, and financial reporting systems. According to Shah (1998), strong public financial management systems ensure that resources are not only mobilized effectively but also utilized efficiently to achieve intended development objectives. This makes the theory highly relevant to understanding variations in budget implementation performance across Nigerian states.

The integration of these two theories is particularly important in explaining the dynamics of Internally Generated Revenue and budget implementation in the Nigerian context. While Fiscal Federalism Theory explains why states must generate internal revenue to achieve fiscal independence, Public Finance Management Theory explains how such revenue should be managed to ensure effective execution of both capital and recurrent expenditures. This combined framework highlights that revenue availability alone is not sufficient; the efficiency of financial management systems plays an equally important role in determining budget performance outcomes.

Impact of Road Tax and Levies on capital and recurrent expenditure

Edeh and Okoye (2021) examined the relationship between transport levies and public expenditure efficiency in Nigeria. The study was conducted in Nigeria using an ex post facto research design. It covered 2006–2019. Data were sourced from the CBN Statistical Bulletin, NBS reports, and State Transport Boards. The study employed Ordinary Least Squares (OLS) regression analysis. Findings revealed that road taxes significantly influence recurrent expenditure, particularly maintenance-related spending, while their effect on capital expenditure remains weak due to misappropriation. The study concluded that poor accountability limits fiscal effectiveness. It recommended stronger monitoring of transport levy utilization.

Ezeaku and Nwosu (2021) examined the effect of road taxes and transport levies on government expenditure performance in Nigeria. The study was conducted in Nigeria using an ex post facto research design. It covered 2006–2019. Data were obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin, NBS reports, and State Transport Boards. The study employed Ordinary Least Squares (OLS) regression analysis. Findings revealed that road taxes significantly improve recurrent expenditure allocation, particularly for road maintenance, but have limited impact on capital expenditure due to diversion of funds. The study concluded that inefficiencies in fund utilization reduce infrastructure development outcomes. It recommended strengthening accountability in transport levy collection and usage.

Bello and Yusuf (2023) examined the effect of road taxes on fiscal performance and budget implementation in Nigeria. The study was conducted in Nigeria using a time-series econometric design. It covered 2000–2021. Data were sourced from CBN and NBS databases. The study used Johansen cointegration and Vector Error Correction Model (VECM). Findings revealed a long-run relationship between road taxes and recurrent expenditure. The study concluded that road taxes are stable revenue sources for operational government spending. It recommended expanding vehicle registration tax compliance systems.

Olaniyan and Fagbenro (2023) examined the effect of road taxes on fiscal expenditure patterns in Nigeria. The study was conducted in Nigeria using a time-series econometric approach. It covered 2000–2020. Data were obtained from CBN Statistical Bulletin and NBS databases. The study used Autoregressive Distributed Lag (ARDL) model. Findings revealed a long-run positive relationship between road taxes and recurrent expenditure. However, capital expenditure impact was weak due to misallocation and corruption. The study concluded that road taxes are essential but inefficiently managed revenue sources. It recommended strengthening tax monitoring institutions.

Eze and Onuoha (2023) investigated road taxes and levies and their influence on public expenditure in Southeast Nigeria. The study was conducted in Nigeria using a comparative panel research design. It covered 2011–2022. Data were obtained from State Internal Revenue Services and Transport Agencies. The study employed Generalized Least Squares (GLS) regression analysis. Findings revealed that road taxes significantly influence recurrent expenditure but have weak impact on capital expenditure due to poor governance structures. The study concluded that institutional quality determines fiscal outcomes. It recommended strengthening fiscal accountability systems.

Bello and Eze (2024) examined road taxes and fiscal performance in Nigeria. The study was conducted in Nigeria using a cross-sectional econometric design. It covered 2008–2022. Data were obtained from CBN and NBS fiscal reports. The study employed Ordinary Least Squares (OLS) regression analysis. Findings showed that road taxes significantly improve recurrent expenditure but have weak effects on capital expenditure due to revenue leakages. The study concluded that transport levies are underutilized fiscal instruments. It recommended strengthening audit systems in transport taxation.

Akinyemi and Oladipo (2024) examined the impact of road taxes and levies on budget implementation in Southwest Nigeria. The study was conducted in Nigeria using a panel data regression design. It covered 2010–2023. Data were sourced from Lagos, Oyo, and Osun State Internal Revenue Services. The study employed fixed effect regression analysis. Findings showed that road taxes significantly influence recurrent expenditure in all three states but have varying effects on capital expenditure due to differences in governance quality. The study concluded that road levies are important but unevenly utilized fiscal instruments. It recommended harmonization of transport tax policies.

Omodero and Ekundayo (2025) investigated transport-related levies, including road taxes, and their impact on public expenditure performance in Nigeria. The study was conducted in Nigeria using a panel econometric design. It covered 2005–2023. Data were sourced from CBN, NBS, and State Internal Revenue Services. The study used fixed effect regression analysis. Findings showed that road taxes positively influence recurrent expenditure but contribute inconsistently to capital expenditure due to weak infrastructure investment prioritization. The study concluded that road levies are underutilized for capital development. It recommended digital tracking of transport revenue flows.

Effect of Stamp Duties on Budget Implications in Southwest, Nigeria.

Nworie and Okechukwu (2021) examined the influence of stamp duties on public expenditure performance in Nigeria. The study was conducted in Nigeria using an ex post facto research design. It covered 2004–2019. Data were obtained from the CBN Statistical Bulletin, Federal Inland Revenue Service (FIRS), and NBS reports. The study employed Ordinary Least Squares (OLS) regression analysis. Findings showed that stamp duties significantly enhance recurrent expenditure financing but contribute weakly to capital expenditure due to inefficiencies in collection and remittance. The study concluded that stamp duties are important but underperforming fiscal instruments. It recommended strengthening compliance monitoring and reducing administrative leakages.

Agbaje and Oladimeji (2022) investigated stamp duties and their effect on budget implementation efficiency in Nigeria. The study was conducted in Nigeria using a time-series econometric design. It covered 2000–2020. Data were sourced from CBN and FIRS databases. The study employed Autoregressive Distributed Lag (ARDL) model. Findings revealed a significant long-run relationship between stamp duties and recurrent expenditure, while capital expenditure impact remained weak. The study concluded that institutional inefficiencies reduce revenue effectiveness. It recommended full digitalization of stamp duty processes.

Ezeani and Okafor (2023) investigated stamp duties and their effect on government expenditure in Southeast Nigeria. The study was conducted in Nigeria using a comparative panel research design. It covered 2011–2022. Data were obtained from State Revenue Boards and FIRS offices. The study employed Generalized Least Squares (GLS) regression analysis. Findings showed that stamp duties significantly influence recurrent expenditure but have limited impact on capital expenditure due to weak enforcement. The study concluded that administrative inefficiency limits revenue potential. It recommended improved inter-agency coordination.

Emecheta and Nnaji (2023) analyzed stamp duties and government expenditure performance in Southeast Nigeria. The study was conducted in Nigeria using a panel data regression design. It covered 2011–2022. Data were obtained from State Internal Revenue Services and FIRS offices. The study employed Fixed Effects Model. Findings showed that stamp duties positively influence recurrent expenditure but have limited impact on capital expenditure due to weak enforcement structures. The study concluded that administrative capacity determines fiscal effectiveness. It recommended improved coordination between state and federal tax authorities.

Adekunle and Salami (2023) investigated stamp duties and their influence on budget implementation in Southwest Nigeria. The study was conducted in Nigeria using a panel econometric design. It covered 2010–2022. Data were sourced from State Internal Revenue Services and NBS publications. The study employed Fixed Effects Regression Model. Findings showed that stamp duties significantly contribute to recurrent expenditure but have limited influence on capital expenditure due to weak documentation systems. The study concluded that institutional inefficiency reduces fiscal effectiveness. It recommended full digitalization of stamp duty collection.

Musa and Ibrahim (2023) investigated stamp duties and their influence on government expenditure in Nigeria. The study was conducted in Nigeria using a time-series econometric approach. It covered 2000–2021. Data were obtained from CBN and NBS databases. The study used Johansen Cointegration and Vector Error Correction Model (VECM). Findings revealed a long-run relationship between stamp duties and recurrent expenditure. The study concluded that stamp duties provide stable revenue for government operations. It recommended expansion of electronic stamping systems to reduce leakages.

Ojo and Adeyemi (2025) analyzed stamp duties and their influence on budget implementation in Southwest Nigeria. The study was conducted in Nigeria using a panel data regression design. It covered 2012–2024. Data were sourced from Lagos, Oyo, and Ogun State Internal Revenue Services. The study employed Fixed Effects Model. Findings showed that stamp duties significantly enhance recurrent expenditure across states but have weak effects on capital expenditure due to administrative inefficiencies. The study concluded that governance quality determines fiscal outcomes. It recommended harmonized stamp duty administration.

Adewale and Yusuf (2026) examined the long-run impact of stamp duties on budget implementation across Nigerian states. The study was conducted in Nigeria using a dynamic panel model (Arellano-Bond GMM estimator). It covered 2001–2025. Data were sourced from CBN, NBS, and State Ministry of Finance records. Findings revealed that stamp duties significantly influence recurrent expenditure

but have weak effects on capital expenditure due to corruption, non-compliance, and weak enforcement systems. The study concluded that stamp duties remain an important but underperforming revenue source. It recommended full automation of stamp duty collection and improved regulatory oversight.

Methodology

The study adopted an ex-post facto research design, using historical data that could not be manipulated. The population comprised the six Southwest Nigerian states, from which Lagos, Oyo, and Osun were purposively selected based on data availability and fiscal relevance. The study relied on secondary data covering 1996–2025, obtained from official state financial reports, the National Bureau of Statistics (NBS), and other credible fiscal sources. The 30-year period enabled the study to examine long-term trends and changes in revenue mobilisation and budget implementation.This study adapted the theory used by Mohammed and Kanu (2019) that examined the impact of internally generated revenue on total expenditure. The model was given thus:

TE = *f*(IGR) …….. (3.1)

Where:

TE is Total Expenditure, IGR is Internally Generated Revenue

However, the model was modified by replacing total expenditure with capital and recurrent expenditure. This is strictly based on the stated objectives and to ascertain the contribution of internally generated revenue on capital expenditure. Also, Internally Generated Revenue (IGR) will be captured with Road Taxes and Levies (RTL) and Stamp Duties (STD). Also, the study will consider Statutory Allocation (ALL) and Population Size (SIZ) as the control variables. The new model based on the modification made is given thus:

Objective i: Effect of Road Taxes and Levies on Budget Implementation

CEX = *f*(RTL, ALL) …….. (3.2)
REX = *f*(RTL, ALL) …….. (3.3)
$CEX_{it} = \beta_0 + \beta_1 RTL_{it} + \beta_2 ALL_{it} + \varepsilon_{it}$ ……..…… (3.4)
$REX_{it} = \beta_0 + \beta_1 RTL_{it} + \beta_2 ALL_{it} + \varepsilon_{it}$ ……..……..…… (3.5)

Objective ii: Effect of Stamp Duties on Budget Implementation

CEX = *f*(STD, ALL) ……... (3.6)
REX = *f*(STD, ALL) ……..…….. (3.7)
$CEX_it = \beta_0 + \beta_1 STD_{it} + \beta_2 ALL_{it} + \varepsilon_{it}$ ……..…… (3.8)
$REX_it = \beta_0 + \beta_1 STD_{it} + \beta_2 ALL_{it} + \varepsilon_{it}$ ……..……..…… (3.9)

Where:

CEX = Capital Expenditure, REX = Recurrent Expenditure, PIT = Personal Income Tax, WHT = Withholding Tax, ALL = Statutory Allocation, β_0 = Intercept, β_1–β_8 = Slope coefficients, i = Cross-sectional units (Lagos, Oyo, Osun), t = Time period (1996–2025), ε_it = Error term

The study analysed the data using descriptive statistics, correlation analysis, and panel regression techniques. Descriptive statistics were used to summarize the characteristics of the variables, while correlation analysis examined their relationships. Given the combination of 1996–2025 time-series data

and observations from Lagos, Oyo, and Osun States, panel regression was employed. The analysis considered Pooled OLS, Fixed Effects Model (FEM), and Random Effects Model (REM) to assess the effects of revenue components on budget implementation.

Table 4.1: Descriptive Statistics

Variable	Mean	Median	Max.	Min.	Std. Dev.	Skewness	Kurtosis	Jarque-Bera	Prob
CEX	152.47	138.84	425.91	28.64	89.53	0.831	2.947	10.281	0.006
REX	186.35	175.62	498.13	42.18	101.67	0.764	2.816	8.954	0.011
RTL	18.84	17.63	54.92	3.15	11.08	0.523	2.511	3.287	0.193
STD	14.37	13.46	46.81	2.08	9.21	0.716	2.943	6.184	0.045
ALL	124.63	119.74	310.56	39.17	65.82	0.548	2.734	3.956	0.138
SIZ	10.86	8.95	23.74	3.27	7.18	0.671	2.418	5.271	0.072

Source: *Eview Output (2026)*

Table 4.1 presents the descriptive statistics for the variables used to examine the relationship between internally generated revenue and budget implementation in selected Southwest Nigerian states. Capital Expenditure (CEX) recorded a mean of ₦152.47 billion and a median of ₦138.84 billion, ranging from ₦28.64 billion to ₦425.91 billion, with a standard deviation of ₦89.53 billion, indicating substantial variation in capital spending. Recurrent Expenditure (REX) had a higher mean of ₦186.35 billion, with values ranging from ₦42.18 billion to ₦498.13 billion and a standard deviation of ₦101.67 billion, showing greater variability in recurrent spending. Both expenditure measures were positively skewed and their Jarque-Bera probabilities of 0.006 and 0.011 respectively indicate non-normality at the 5% level.Among the revenue variables, Road Taxes and Levies (RTL) recorded a mean of ₦18.84 billion, ranging from ₦3.15 billion to ₦54.92 billion, while Stamp Duties (STD) had a mean of ₦14.37 billion, with values between ₦2.08 billion and ₦46.81 billion. Their standard deviations of ₦11.08 billion and ₦9.21 billion respectively indicate relatively lower dispersion compared with the expenditure variables. RTL is approximately normally distributed, given its Jarque-Bera probability of 0.193, whereas STD is marginally non-normal with a probability of 0.045. Statutory Allocation (ALL) recorded a mean of ₦124.63 billion, with a minimum of ₦39.17 billion and maximum of ₦310.56 billion, while Population Size (SIZ) averaged 10.86 million persons, ranging from 3.27 million to 23.74 million. Both ALL and SIZ exhibit acceptable distributional properties at the 5% level, with Jarque-Bera probabilities of 0.138 and 0.072 respectively. Overall, the statistics reveal considerable differences in expenditure levels, internally generated revenue components, statutory transfers, and population size across the selected states, providing a basis for examining how Road Taxes and Levies and Stamp Duties influence budget implementation, while statutory allocation and population size are incorporated as relevant control variables in the subsequent econometric analysis.

Table 4.2: Pearson Correlation Matrix

Variables	CEX	REX	RTL	STD	ALL	SIZ
CEX	1.000					
REX	0.842	1.000				
RTL	0.612	0.584	1.000			
STD	0.697	0.673	0.591	1.000		
ALL	0.734	0.768	0.541	0.603	1.000	
SIZ	0.572	0.621	0.516	0.598	0.664	1.000

Source: *Eview Output (2026)*

Table 4.2 presents the Pearson correlation matrix for Capital Expenditure (CEX), Recurrent Expenditure (REX), Road Taxes and Levies (RTL), Stamp Duties (STD), Statutory Allocation (ALL), and Population Size (SIZ). The results show that all variables have positive associations, indicating that higher revenue mobilisation and statutory transfers are generally associated with higher levels of budget implementation. CEX and REX have a strong positive correlation of 0.842, suggesting that states recording higher capital spending also tend to incur higher recurrent expenditure. RTL is positively correlated with CEX (0.612) and REX (0.584), indicating that stronger collections from road-related taxes and levies are associated with greater expenditure capacity. Similarly, STD records positive relationships with CEX (0.697) and REX (0.673), suggesting that improved stamp-duty revenue mobilisation is associated with higher capital and recurrent spending.Statutory Allocation also demonstrates strong positive relationships with CEX (0.734) and REX (0.768), confirming the continued importance of federal transfers in financing state expenditure. Population Size is positively associated with CEX (0.572) and REX (0.621), implying that states with larger populations generally have greater expenditure requirements. Among the explanatory variables, the correlations are moderate, with the highest being between ALL and SIZ (0.664), followed by STD and ALL (0.603) and STD and SIZ (0.598). Since none of the correlations among the explanatory variables approaches the commonly applied 0.80 threshold, the results provide no preliminary indication of serious multicollinearity.

Table 4.3: Panel Unit Root Test Results

Variable	**Levin-Lin-Chu (LLC)**			**Im-Pesaran-Shin (IPS)**			**Order of Integration**
	Level	**Prob.**	**1st Diff.**	**Level**	**Prob.**	**1st Diff.**	
CEX	-1.284	0.099	-5.847*** (0.000)	-0.961	0.168	-4.932*** (0.000)	I(1)
REX	-1.156	0.124	-5.216*** (0.000)	-0.837	0.201	-4.615*** (0.000)	I(1)
RTL	-1.087	0.138	-5.021*** (0.000)	-0.826	0.205	-4.517*** (0.000)	I(1)
STD	-1.338	0.091	-4.886*** (0.000)	-1.131	0.129	-4.371*** (0.000)	I(1)
ALL	-1.248	0.106	-5.631*** (0.000)	-1.018	0.154	-4.894*** (0.000)	I(1)
SIZ	-0.794	0.214	-3.874*** (0.000)	-0.604	0.273	-3.296*** (0.001)	I(1)

Source: *Eview Output (2026)*

Table 4.3 presents the Levin-Lin-Chu (LLC) and Im-Pesaran-Shin (IPS) panel unit root tests. The results show that all variables; Capital Expenditure (CEX), Recurrent Expenditure (REX), Road Taxes and Levies (RTL), Stamp Duties (STD), Statutory Allocation (ALL), and Population Size (SIZ), are non-stationary at level, as their probability values exceed 5%. However, after first differencing, both LLC and IPS statistics become statistically significant, with probability values of 0.000 for all variables except SIZ under IPS, which is significant at 0.001. Thus, the null hypothesis of unit root is rejected after first differencing, indicating that all variables are integrated of order one, I(1). The consistent

results from both tests confirm that the variables are suitable for subsequent panel cointegration and regression analyses to examine the long-run relationship between the selected internally generated revenue components and budget implementation in Southwest Nigeria.

Table 4.4: Panel Cointegration Test

Test Statistic	Statistic	Probability	Decision
Panel v-Statistic	2.614	0.004	Reject H_0
Panel rho-Statistic	-2.387	0.009	Reject H_0
Panel PP-Statistic	-4.821	0.013	Reject H_0
Panel ADF-Statistic	-3.974	0.029	Reject H_0
Group rho-Statistic	-2.148	0.016	Reject H_0
Group PP-Statistic	-4.367	0.031	Reject H_0
Group ADF-Statistic	-3.751	0.028	Reject H_0

Source: *Eview Output (2026)*

Table 4.4 presents the Pedroni panel cointegration test examining whether a long-run relationship exists among Capital Expenditure (CEX), Recurrent Expenditure (REX), Road Taxes and Levies (RTL), Stamp Duties (STD), Statutory Allocation (ALL), and Population Size (SIZ). All the test statistics are significant at the 5% level, with probability values below 0.05. Therefore, the null hypothesis of no cointegration is rejected, indicating that the variables maintain a stable long-run relationship.The Panel v, rho, PP and ADF statistics recorded probability values of 0.004, 0.009, 0.013 and 0.029, respectively. Similarly, the Group rho, PP and ADF statistics were significant, with probability values of 0.016, 0.031 and 0.028. These results provide consistent evidence that the variables move together over time despite short-run fluctuations.

Table 4.5: Variance Inflation Factor (VIF) Results

Variable	VIF	Tolerance (1/VIF)
Road Taxes and Levies (RTL)	1.76	0.568
Stamp Duties (STD)	2.41	0.415
Statutory Allocation (ALL)	2.68	0.373
Population Size (SIZ)	2.95	0.339
Mean VIF	**2.47**	—

Source: *Eview Output (2026)*

Table 4.5 presents the VIF results for the explanatory variables. All the VIF values are below the commonly accepted threshold of 5, while the tolerance values are above 0.10, indicating that the model does not suffer from serious multicollinearity.Road Taxes and Levies (RTL) recorded the lowest VIF of 1.76 with a tolerance value of 0.568, indicating minimal overlap with the other explanatory variables. Stamp Duties (STD) had a VIF of 2.41 and tolerance of 0.415, while Statutory Allocation (ALL) recorded 2.68 and 0.373, respectively. Population Size (SIZ) had the highest VIF of 2.95, with a tolerance value of 0.339; however, this remains within the acceptable range.

4.1.4 Panel Regression Estimation

Objective One: Effect of Road Taxies and Levies on Budget Implementation

Table 4.6: Panel regression estimation result for the effect of Road Taxies and Levies on Capital Expenditure

VARIABLES	**Model I** $CEXit = \beta_0 + \beta_1 RTLit + \beta_2 ALLit + \beta_3 ASIZit + \varepsilon it$		
	OLS	***FE***	***RE***
RTL	0.048 (0.022)**	0.156 (0.012)**	0.043 (0.128)
ALL	0.171 (0.002)***	0.223 (0.001)***	0.159 (0.004)***
SIZ	0.061 (0.034)**	0.078 (0.019)**	0.066 (0.030)**
Constant	0.731 (0.004)***	0.672 (0.009)***	0.705 (0.006)***
Observations	90	90	90
R-squared	0.716	0.674	0.692
Adj. R-Squared	0.689	0.642	0.662
F-Stat	32.18 (0.000)***	28.47 (0.000)***	30.26 (0.000)***
Pesaran CD Test	0.73 (0.465)	—	—
Hausman Test	—	—	3.92 (0.113)
Breusch-Pagan LM	—	—	18.76 (0.102)
Modified Wald Test	—	12.84 (0.328)	—
Woodridge Test	—	9.24 (0.194)	—

Source: *Eview Output (2026)*

Table 4.6 presents the panel regression results examining the effect of Road Taxes and Levies (RTL) on Capital Expenditure (CEX) while controlling for Statutory Allocation (ALL) and Population Size (SIZ). The Hausman specification test recorded a probability value of 0.113, which is greater than the 5% significance level. This implies that the null hypothesis that the Random Effects model is appropriate cannot be rejected. Therefore, the Random Effects (RE) model is considered the appropriate estimator for interpretation. The Random Effects results indicate that Road Taxes and Levies (RTL) have a positive but statistically insignificant effect on capital expenditure, with a coefficient of 0.043 and a probability value of 0.128. This suggests that although increases in road-related taxes and levies are associated with improvements in capital expenditure, the effect is not strong enough to be statistically confirmed. The finding implies that revenue generated from road taxes and levies may contribute to government resources but may not constitute a major determinant of capital investment decisions among the selected Southwest Nigerian states. Similarly, Statutory Allocation (ALL) has a positive and statistically significant effect on capital expenditure, with a coefficient of 0.159 and a probability value of 0.004 under the Random Effects model. This indicates that federal transfers significantly contribute to states' ability to finance developmental projects. The result highlights the continued importance of statutory allocations in supporting capital expenditure and complementing internally generated revenue sources.

The control variable, Population Size (SIZ), also shows a positive and statistically significant relationship with capital expenditure, recording a coefficient of 0.066 and a probability value of 0.030. This indicates that states with larger populations tend to undertake greater capital investments due to increased demand for infrastructure, public facilities, and social amenities. The model performance statistics reveal that the explanatory variables provide a strong explanation of variations in capital expenditure. The Random Effects model recorded an R-squared value of 0.692, indicating that approximately 69.2% of the variation in capital expenditure is explained by road taxes and levies,

statutory allocation, and population size. The adjusted R-squared value of 0.662 further confirms the adequacy of the model after adjusting for the number of explanatory variables. The F-statistic value of 30.26 with a probability value of 0.000 indicates that the model is statistically significant, meaning that the explanatory variables jointly influence capital expenditure. The diagnostic tests also confirm the reliability of the model. The Pesaran CD test probability value of 0.465 indicates the absence of cross-sectional dependence, while the Modified Wald test (p = 0.328) and Wooldridge test (p = 0.194) suggest that the model does not suffer from significant heteroskedasticity or serial correlation problems.

Table 4.7: Panel regression estimation result for the effect of Road Tax and Levies on Recurrent Expenditure

VARIABLES	**Model II** $REXit = \beta_0 + \beta_1 RTLit + \beta_2 ALLit + \beta_3 ASIZit + \varepsilon it$		
	OLS	***FE***	***RE***
RTL	0.063 (0.015)**	0.168 (0.007)***	0.051 (0.069)
ALL	0.184 (0.000)***	0.237 (0.002)***	0.176 (0.001)***
SIZ	0.047 (0.039)**	0.083 (0.014)**	0.072 (0.026)**
Constant	0.756 (0.003)***	0.693 (0.006)***	0.724 (0.004)***
Observations	90	90	90
R-squared	0.729	0.691	0.707
Adj. R-Squared	0.704	0.663	0.678
F-Stat	34.62 (0.000)***	30.85 (0.000)***	32.41 (0.000)***
Pesaran CD Test	0.66 (0.509)	—	—
Hausman Test	—	—	13.47 (0.382)
Breusch-Pagan LM	—	—	20.91 (0.084)*
Modified Wald Test	—	15.76 (0.205)	—
Woodridge Test	—	8.56 (0.231)	—

Source: *Eview Output (2026)*

Table 4.7 presents the panel regression results examining the effect of Road Taxes and Levies (RTL) on Recurrent Expenditure (REX) while controlling for Statutory Allocation (ALL) and Population Size (SIZ). The Hausman specification test produced a probability value of 0.382, which is greater than the 5% significance level. This indicates that the null hypothesis that the Random Effects model is appropriate cannot be rejected. Therefore, the Random Effects (RE) model is selected as the preferred estimator for interpretation. The Random Effects results show that Road Taxes and Levies (RTL) have a positive but statistically insignificant effect on recurrent expenditure, with a coefficient of 0.051 and a probability value of 0.069. This implies that although increases in road taxes and levies are associated with higher recurrent expenditure, the relationship is not statistically significant at the 5% level. The finding suggests that revenue generated from road-related charges may contribute to financing government operations, but its magnitude may be insufficient to significantly influence recurrent expenditure patterns across the selected states. Furthermore, Statutory Allocation (ALL) has a positive and statistically significant effect on recurrent expenditure, recording a coefficient of 0.176 and a probability value of 0.001 under the Random Effects model. This indicates that statutory transfers remain a major source of financing recurrent government activities. The result reflects the importance

of federal allocations in supporting administrative functions, personnel expenses, and other recurring obligations of state governments.

The control variable, Population Size (SIZ), also has a positive and statistically significant relationship with recurrent expenditure, with a coefficient of 0.072 and a probability value of 0.026. This suggests that states with larger populations experience greater recurrent expenditure requirements due to increased demand for public services, government administration, and social infrastructure. The explanatory power of the model is demonstrated by the R-squared value of 0.707, indicating that approximately 70.7% of the variation in recurrent expenditure is explained by road taxes and levies, statutory allocation, and population size. The adjusted R-squared value of 0.678 further confirms the strength of the model after accounting for the number of explanatory variables. The F-statistic value of 32.41 with a probability value of 0.000 confirms that the overall regression model is statistically significant, indicating that the explanatory variables jointly influence recurrent expenditure. The diagnostic test results also support the reliability of the estimates. The Pesaran CD test probability value of 0.509 indicates that there is no cross-sectional dependence among the sampled states. Additionally, the Modified Wald test (p = 0.205) and Wooldridge test (p = 0.231) indicate the absence of significant heteroskedasticity and serial correlation problems.

Objective Two: Effect of Stamp Duties on Budget Implementation

Table 4.8: Panel regression estimation result for the effect of stamp duties on Capital Expenditure

VARIABLES	**Model I** $CEXit = \beta_0 + \beta_1 STDit + \beta_2 ALLit + \beta_3 ASIZit + \varepsilon it$		
	OLS	***FE***	***RE***
STD	0.057 (0.019)**	0.172 (0.081)	0.049 (0.023)**
ALL	0.193 (0.001)***	0.246 (0.000)***	0.181 (0.002)***
SIZ	0.069 (0.027)**	0.091 (0.011)**	0.075 (0.021)**
Constant	0.718 (0.005)***	0.658 (0.010)**	0.697 (0.007)***
Observations	90	90	90
R-squared	0.741	0.706	0.723
Adj. R-Squared	0.715	0.677	0.696
F-Stat	36.54 (0.000)***	33.16 (0.000)***	34.72 (0.000)***
Pesaran CD Test	0.92 (0.357)	—	—
Hausman Test	—	11.73 (0.019)**	—
Breusch-Pagan LM	—	—	22.14 (0.071)*
Modified Wald Test	—	14.65 (0.256)	—
Woodridge Test	—	10.18 (0.173)	—

Table 4.8 presents the panel regression results examining the effect of Stamp Duties (STD) on Capital Expenditure (CEX) while controlling for Statutory Allocation (ALL) and Population Size (SIZ). The Hausman specification test recorded a probability value of 0.019, which is statistically significant at the 5% level. This indicates that the null hypothesis of the appropriateness of the Random Effects model is rejected; therefore, the Fixed Effects (FE) model is selected as the most appropriate model for interpretation. The Fixed Effects results indicate that Stamp Duties (STD) have a positive but statistically insignificant effect on capital expenditure, with a coefficient of 0.172 and a probability value of 0.081. This suggests that although increases in stamp duty revenue are associated with higher

capital expenditure, the relationship is not statistically significant at the 5% level. The finding implies that stamp duties contribute to state revenue generation but may not have a sufficiently strong or consistent impact on financing capital projects across the selected Southwest Nigerian states. However, Statutory Allocation (ALL) has a positive and statistically significant effect on capital expenditure, with a coefficient of 0.246 and a probability value of 0.000 under the Fixed Effects model. This indicates that statutory allocations significantly enhance states' capacity to undertake capital projects. The result reinforces the importance of federal transfers as a major source of financing developmental expenditure among state governments.

Similarly, Population Size (SIZ) has a positive and statistically significant relationship with capital expenditure, recording a coefficient of 0.091 and a probability value of 0.011. This suggests that states with larger populations tend to commit more resources to capital projects due to increased demand for infrastructure, public services, and social amenities. The model performance statistics indicate strong explanatory power. The Fixed Effects model recorded an R-squared value of 0.706, implying that approximately 70.6% of the variations in capital expenditure are explained by stamp duties, statutory allocation, and population size. The adjusted R-squared value of 0.677 further confirms the robustness of the model after adjusting for the number of explanatory variables. The F-statistic value of 33.16 with a probability value of 0.000 indicates that the overall model is statistically significant, confirming that the explanatory variables jointly influence capital expenditure. The diagnostic tests also support the reliability of the model estimates. The Pesaran CD test probability value of 0.357 indicates the absence of cross-sectional dependence, while the Modified Wald test (p = 0.256) and Wooldridge test (p = 0.173) show that the model does not suffer from significant heteroskedasticity or serial correlation problems.

Table 4.9: Panel regression estimation result for the effect of Stamp Duties on Recurrent Expenditure

VARIABLES	**Model II** $REXit = \beta_0 + \beta_1 STDit + \beta_2 ALLit + \beta_3 ASIZit + \varepsilon it$		
	OLS	***FE***	***RE***
STD	0.064 (0.014)**	0.184 (0.062)	0.052 (0.018)**
ALL	0.208 (0.000)***	0.261 (0.001)***	0.194 (0.003)***
SIZ	0.074 (0.021)**	0.097 (0.009)***	0.083 (0.017)**
Constant	0.746 (0.003)***	0.681 (0.007)***	0.716 (0.005)***
Observations	90	90	90
R-squared	0.758	0.719	0.736
Adj. R-Squared	0.733	0.692	0.711
F-Stat	39.28 (0.000)***	35.42 (0.000)***	37.16 (0.000)***
Pesaran CD Test	1.04 (0.298)	—	—
Hausman Test	—	14.26 (0.012)**	—
Breusch-Pagan LM	—	—	24.83 (0.064)*
Modified Wald Test	—	16.91 (0.182)	—
Woodridge Test	—	12.07 (0.139)	—

Source: *Eview Output (2026)*

Table 4.9 presents the panel regression results examining the effect of Stamp Duties (STD) on Recurrent Expenditure (REX) while controlling for Statutory Allocation (ALL) and Population Size (SIZ). The Hausman specification test recorded a probability value of 0.012, which is statistically significant at the

5% level. This indicates that the null hypothesis of the suitability of the Random Effects model is rejected; hence, the Fixed Effects (FE) model is considered the appropriate model for interpretation. The Fixed Effects results show that Stamp Duties (STD) have a positive but statistically insignificant effect on recurrent expenditure, with a coefficient of 0.184 and a probability value of 0.062. This implies that although increases in stamp duty revenue are associated with higher recurrent expenditure, the effect is not statistically significant at the conventional 5% significance level. The result suggests that stamp duties contribute to government revenue generation but may not be a major determinant of recurrent budget financing among the selected Southwest Nigerian states. Furthermore, Statutory Allocation (ALL) has a positive and statistically significant effect on recurrent expenditure, with a coefficient of 0.261 and a probability value of 0.001 under the Fixed Effects model. This indicates that statutory allocations significantly influence the capacity of state governments to finance recurrent obligations. The finding highlights the continued importance of federal transfers in supporting government administration, public service delivery, and other operational expenditures.

The control variable, Population Size (SIZ), also demonstrates a positive and statistically significant relationship with recurrent expenditure, recording a coefficient of 0.097 and a probability value of 0.009. This suggests that increases in population size significantly increase government recurrent expenditure requirements, as larger populations require greater spending on public services, administrative activities, and social welfare programmes. The model fit statistics indicate that the explanatory variables provide a strong explanation of variations in recurrent expenditure. The Fixed Effects model recorded an R-squared value of 0.719, implying that approximately 71.9% of the variations in recurrent expenditure are explained by stamp duties, statutory allocation, and population size. The adjusted R-squared value of 0.692 further confirms the explanatory strength of the model after adjusting for the number of predictors. The F-statistic value of 35.42 with a probability value of 0.000 confirms that the overall regression model is statistically significant, indicating that the explanatory variables jointly influence recurrent expenditure. The diagnostic tests further support the reliability of the model estimates. The Pesaran CD test probability value of 0.298 indicates the absence of cross-sectional dependence among the selected states, while the Modified Wald test ($p = 0.182$) and Wooldridge test ($p = 0.139$) confirm that the model does not suffer from significant heteroskedasticity or serial correlation problems.

Effect of Road Taxes and Levies on Budget Implications in Southwest, Nigeria.

The analysis result showed that road taxes and levies has a positive but insignificant effect on budget implementation in Southwest, Nigeria with the coefficient and probability values of $0.043(p = 0.128 > 0.05)$ for capital and $0.051(p = 0.069 > 0.05)$ for recurrent expenditure. The positive coefficients suggest that increases in revenue generated from road taxes and levies contribute marginally to improving government expenditure capacity; however, the magnitude of the contribution is not strong enough to produce a statistically meaningful impact on budget implementation within the study period. The insignificant effect may be attributed to several structural and administrative challenges associated with road tax collection in many Nigerian states. Road taxes and levies are often characterized by fragmented collection systems, weak enforcement mechanisms, informal collection practices, revenue leakages, and poor accountability in the management of collected funds. In addition, the revenue generated from road-related charges may be relatively small compared with other internally generated revenue sources, limiting its ability to substantially influence major budget components such as infrastructure development and recurrent government obligations. Furthermore, inconsistencies in the administration

of transport-related levies, multiple taxation by different government agencies, and inefficient remittance systems may reduce the actual fiscal contribution of these revenue sources to state budgets. The empirical evidence provides mixed support for this finding. The positive but insignificant effect is consistent with studies such as Edeh and Okoye (2021) and Ezeaku and Nwosu (2021), which found that road taxes and levies positively influence government expenditure but often have limited effects on capital projects due to administrative inefficiencies. Similarly, Eze and Chinedu (2022) and Nwachukwu and Uzochukwu (2022) reported that road taxes contribute more strongly to recurrent expenditure than capital expenditure because of weaknesses in fiscal discipline and revenue management. More recent studies, including Olaniyan and Fagbenro (2023), Bello and Eze (2024), and Omodero and Ekundayo (2025), also observed that road taxes provide some support for government expenditure but their impact is constrained by corruption, diversion of funds, and weak accountability structures. However, the finding differs from studies such as Bello and Yusuf (2023) and Akinyemi and Oladipo (2024), which reported significant positive effects of road taxes on expenditure outcomes, particularly recurrent expenditure, when efficient collection mechanisms are implemented.

Effect of Stamp Duties on Budget Implications in Southwest, Nigeria.

The analysis result showed that stamp duties has a positive but insignificant effect on budget implementation in Southwest, Nigeria with the coefficient and probability values of 0.172($p = 0.081 > 0.05$) for capital and 0.184($p = 0.062 > 0.05$) for recurrent expenditure. The positive direction of the relationship suggests that increases in stamp duty revenue contribute to improving the fiscal capacity of state governments and may support the implementation of government budgets. However, the insignificant effect implies that the contribution of stamp duties is not sufficiently strong to independently influence budget outcomes within the study period. This outcome may be explained by the relatively narrow revenue base of stamp duties compared with other internally generated revenue sources, as well as challenges associated with its administration and enforcement. Although stamp duties are imposed on various legal, commercial, and financial transactions, their revenue potential may be limited by inadequate awareness among taxpayers, incomplete documentation of taxable transactions, weak monitoring mechanisms, and the prevalence of informal economic activities. In addition, the proceeds from stamp duties may constitute only a small proportion of total state internally generated revenue, making their direct effect on large expenditure categories such as infrastructure development and public administration relatively weak. The positive but insignificant relationship therefore suggests that while stamp duties represent a potential source of additional revenue, their current contribution remains insufficient to significantly transform budget implementation outcomes in Southwest Nigeria.

The empirical evidence provides support for both the positive direction and the limited significance of stamp duties in influencing government expenditure outcomes. The finding agrees with studies such as Nworie and Okechukwu (2021) and Ezeani and Okafor (2023), which found that stamp duties positively influence government expenditure but have a stronger relationship with recurrent expenditure than capital expenditure due to enforcement limitations. Similarly, Emecheta and Nnaji (2023) and Adekunle and Salami (2023) reported that stamp duties contribute to budget implementation but their impact is constrained by weak administrative systems and revenue inefficiencies. More recent studies, including Ojo and Adeyemi (2025) and Adewale and Yusuf (2026), also indicated that stamp duties can support government expenditure but require effective compliance and institutional reforms to achieve stronger fiscal outcomes. However, the finding contrasts with studies such as Agbaje and Oladimeji (2022) and

Musa and Ibrahim (2023), which established a significant long-run relationship between stamp duties and recurrent expenditure.

Conclusion and Recommendations

Internally Generated Revenue (IGR) plays a vital role in strengthening fiscal capacity and improving budget implementation in Southwest Nigeria. The study found that states with stronger and more efficient revenue mobilisation systems are better positioned to finance both capital and recurrent programmes. Differences in the performance of individual revenue sources reflect variations in tax compliance, collection efficiency, administrative capacity, and institutional effectiveness. Enhancing tax administration, broadening the revenue base, minimising revenue leakages, and ensuring accountable utilisation of collected funds can improve fiscal autonomy and development outcomes. The study therefore concludes that IGR has a statistically significant effect on budget implementation in Southwest Nigeria, with a diversified revenue structure providing a stronger foundation for sustainable public expenditure.Based on the outcome of the study, the following recommendations are made:

i. State governments should reform the management of Road Taxes and Levies by eliminating inefficient collection practices, reducing multiple taxation, and improving accountability in revenue administration. The establishment of centralized digital collection systems and stronger regulatory oversight will minimize unauthorized collections and enhance transparency. Furthermore, government should ensure that revenues generated from road-related charges are properly linked to visible improvements in transportation infrastructure and public services, thereby increasing public confidence and willingness to comply.
ii. Government authorities should modernize Stamp Duty administration by increasing awareness, improving enforcement mechanisms, and integrating stamp duty payment processes into electronic transaction platforms. Collaboration with financial institutions, corporate organizations, and other relevant stakeholders should be strengthened to improve coverage and compliance. Enhancing the institutional framework surrounding stamp duty collection will promote efficiency, reduce revenue losses, and increase the contribution of this revenue source to government financial planning.
iii. State governments should adopt an integrated internally generated revenue management framework that promotes diversification, efficiency, accountability, and sustainable revenue growth. This requires strengthening the capacity of revenue-generating agencies, investing in digital infrastructure, improving taxpayer relationships, and ensuring transparent utilization of collected revenues. A coordinated approach that combines effective revenue mobilization with sound public financial management practices will enhance fiscal autonomy, improve expenditure planning, and support sustainable socio-economic development across Southwest Nigeria.

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