

Impact of user fees and levies on community development projects in Southwestern Nigeria: Case of Osun and Oyo States

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Abstract

Deficits in basic infrastructure have been acknowledged as one of the challenges of local communities globally and this is quite relevant in the Southwestern Nigeria. Due to shortage of government funding, infrastructural deficit has continued to limit developments in Osun and Oyo states. Hence, communities' resort to the use of user fees in addressing the funding gap. This study examines the effect of user fees on community development in these selected states. The study employs structural equation model (SEM) to analyze the research objective among 3,672 households. The result suggests that informal user fees have a negative and significant effect on the extent of community development in Osun and Oyo States, although, the willingness to pay by households has a positive effect on community development projects. The study recommends joint collaboration of local community leaders, Community Development Associations (CDA) and community members towards contribution of user fees and monitoring of same to enhance and fast-track community development projects.

Keywords: *Informal User Fees and Levies, Community Development Projects, Structural Equation Model, State Finances*

JEL Classification: *H20, H21, H72*

1. Introduction

Governments usually fund public utilities through revenues generated from taxes. The benefit principle of taxation by Adams Smith as cited by Soyode and Oyedokun (2019), states that those who benefit from public or government services should pay the cost of such services through taxation.

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The implication is that the principle allows each taxpayer to contribute to the government purse according to the benefit everyone derives from public services. According to UN-Habitat (2015), the report from the United Nations Human Settlements Programme on building inclusive, safe, resilient, and sustainable cities and communities affirmed that most developing countries find it very difficult to develop rural areas and provide the needed infrastructure due to huge debt they have acquired as well as their inability to pay off the debts they owe. In the case of Nigeria, most states, based on the amount of revenue they generate as taxes find it very difficult to pay salaries not to mention providing funds for community development programs, which could be paramount to individuals in the community (Adegbite and Ishola, 2022).

In this regard, most rural development initiatives projected in the states are communally sponsored with little or no support from the government. The act of communally supporting community development projects has prompted most residents living in these states, to pay user charges to raise funds to augment those coming from the government. According to Kundt (2017), informal taxes and levies are the most efficient forms of facilitating community projects as well as a means of sourcing funding to address problems associated with community development in the Southwestern region of Nigeria. In this regard, rural communities in the region have turned to informal user charges and special levies as a means to provide and enjoy social infrastructure without having to wait for state or local government. This is also the case in Oyo and Osun States of the Southwestern region.

According to Olken and Singhal (2011), informal user fees and levies are vital components of community development in many developing countries. Iormbagah *et al.* (2021) asserts that informal charges and levies in Southeastern Nigeria, particularly for developmental purposes, are known as "Owo-ori idagbasoke" in the southwestern region. One of the relevance of informal user fees and levies is that the revenues generated from them can be deployed to the building of schools, healthcare centers, rural electrification, bridges, and local markets (Olabisi *et al.*, 2020). Thus, this study examines the effect user fees and levies on community development projects in Osun and Oyo States. The study is significant as it evaluates the perspective of households in local communities who have contributed one form of user fees and levies towards the development of the community. The current study is structured into six sections. Section one is the introduction while section two presents some stylized facts on basic public finance circumstances in Oyo and Osun states. In section three, the literature review for the study is conducted while the research methodology for the study is indicated in section four. Section five present the data analysis while the concluding paper of the paper is section six, the conclusion and policy recommendation.

1.2. Stylized Facts on the States of Oyo and Osun

The basic public finance statistics of Oyo State between 2019 and 2023 is shown in Table 1.

Table 1: Basic Public Finance Statistics for Oyo State (2019-2023)

	Oyo State				
	2019	2020	2021	2022	2023
Domestic Debt (₦ Billion)	91.567	94.496	142.561	161.180	159.94
External Debt (US\$ Million)	100.197	83.700	85.267	72.236	63.83
Allocation to the Ministry of Local Government (₦ Million)	1.800	22.000	76.300	206.918	192.168
Statutory Allocation (₦ Billion)	60.000	50.000	55.000	50.000	44.000

Source: Annual state budget of each state (2019-2023), and annual debt from Debt Management Office (2019-2023)

Table 2. Basic Public Finance Statistics for Osun State (2019-2023)

	Osun State				
	2019	2020	2021	2022	2023
Domestic Debt (₦ Billion)	138.654	134.10	134.700	148.366	144.604
External Debt (US\$ Million)	95.492	107.440	99.979	91.779	87.24
Allocation to the Ministry of Local Government (₦ Million)	50.000	50.000	25.000	65.560	71.478
Statutory Allocation (₦ Billion)	38.500	54.78	31.943	32.250	32.469

Source: Annual state budget of each state (2019-2023), and annual debt from Debt Management Office (2019-2023)

Tables 1 and 2 reveal the nature of the debt stock for Oyo and Osun States as well as the statutory allocation and the allocation of revenue to the Ministry of Local Government. Table 1 shows that domestic debt in Oyo State grew from ₦ 91.567 billion in 2019 to ₦ 161.180 billion in 2022 but declined by 0.769% in 2023. The States' external debt declined from \$100.197 million in 2019 to \$63.83 million in 2023 while revenue allocation to the Ministry of Local Government increased from ₦ 1.80 million in 2019 to ₦ 206.918 million in 2022 but declined in 2023 to ₦ 192.168 million. The trend revealed a consistent decline in statutory allocation from ₦ 60.0 billion in 2019 to ₦ 44.0 billion in 2023.

In line with that, Osun state domestic debt increased from ₦ 138.654 billion in 2019 to ₦ 148.366 billion in 2022 but declined by 2.54% in 2023. The external debt declined from \$ 95.492 million in 2019 to \$87.24 million in 2023. Furthermore, the revenue allocation to the Ministry of Local Government increased marginally from ₦ 50.00 million in 2019 to ₦ 71.477 million in 2022, while the statutory allocation to the state declined from ₦ 38.50 billion in 2019 to ₦ 32.469 billion in 2023. Despite government's robust plan (Nwokoma *et al.*, 2022), the state's finance has shown a declining trend of revenue allocation to the Ministry of Local Government and statutory allocation to the state, and given the increasing rate of external and domestic

debt in Oyo State and Osun State, it appears there's the need for alternative means to generate revenue to fund the community development projects in the state.

3. Literature Review

The empirical review of the subject matter is segmented into two strands, starting with user charges and levies on community development, and the other on state failure in the provision of basic services. The issue regarding informal user charges in Nigeria particularly in states like Osun and Oyo, South-West regions has become a subject of debate as some scholars believe that informal user charges and levies can be deployed for the development of rural communities. The South-West region of Nigeria, similar to what obtains in other parts of the federation, is faced with challenges of infrastructural deficit which inhibits meaningful development within it. (Olken and Singhal, 2009). Hence, individuals in these rural communities usually organize themselves into groups to fill this gap in the provision of physical amenities such as road construction, bridges, rural water supply projects, gated communities and public libraries in their neighbourhoods. Given their participation in a project design and implementation, members of these communities claim ownership and thus see the project as their own and thus supervise its management and usage. Since members do not want to be linked with failure, community development associations (CDAs) are invariably successful.

Empirically, studies on user charges and levies on community development in Nigeria have continued to attract increasing attention due to their importance and impact on local communities given that Umezina (2016) established that indigenes' and community members' contributions are necessary for economic development. Locally-based tax administrative mechanisms for informal taxation can offer community members a more powerful opportunity to get involved in a more equal tax basis for community development. In the same vein, following the social contract theory, the ability of the state or local government to have better tax revenue lies on trust, accountability, transparency, and corruption-free government. The theory further confirmed that trust in government and its institutions is the citizens' belief that revenue generated from highway fees, and toll fees will be meticulously used for the well-being of the citizens and the development of the rural communities (Adekoya, Olaoye and Lawal, 2021).

In Obara and Nagih (2017), it was revealed that communities in most developing countries choose to fund public amenities to achieve social welfare development since the formal tax approach by the government has failed to provide for the community the social benefits of the tax paid by the people. Likewise, Iormbagah *et al.* (2021) assessed the effect of informal taxation on economic development, focusing on rural communities, and confirmed that

informal taxation upholds justice and tax benefit maximization as funds mobilized through informal taxation mechanisms contribute to infrastructural development in the rural community.

In a study, on Cross River State communities, Eteng and Agbor (2018) confirmed that challenges of internal revenue generation affect inclusive community development of local government areas due to tax evasion, poor accountability, corruption, and the domineering influence of the state government. Similarly, Kiow, Salleh and Kassim (2017) in their study, confirmed that accountability and transparency are key to local revenue generation to enhance community development as any form of loss of confidence by taxpayers in the government and tax system might lead to non-compliance which in turn leads to a high level of tax evasion or fraud. In the same vein, Jibao, Prochard, and Van den Boogaard (2017) in their study in Sierra Leone, affirmed that fairness, transparency, and accountability in local government tax collection help enhance the growth and development of the rural areas. Also, Obara and Nagih (2017) confirmed that communities in developing countries choose to fund public amenities through informal tax charges to achieve social welfare since the formal tax system of the government has failed to provide them with the social benefits of the tax.

Likewise, Olabisi *et al.* (2020) in their study on the effect of informal sector tax revenue on capital development in Lagos Metropolis, confirmed that tax collected from associations, petty traders, and market men and women had a significant influence on community development. In the same vein, Cordelia, Michael, and John (2018) examined the effect of internally generated revenue on economic development in Nigeria. The result of the study affirmed that internally generated revenue positively and significantly impacts economic development, that is, internally generated revenue contributes significantly to total expenditure.

Furthermore, Meagher (2018) analyzed taxing times, taxation dividends, and the informal economy in Northern Nigeria. The result of the study confirmed an inverse relationship between informal economy taxation and political voice which as a result poses a risk to enhancing taxation for community development. Furthermore, Adisa, Ayobade and Shittu (2022), in their assessment of street traders' extortion by task force officials in Lagos State, discovered that poverty, location, employment status, family pressure, and payment of remittances were significant determinants of people's willingness to bribe task force and engage in informal payments of unofficial charges and levies.

Concerning state failure in the provision of basic services, Audu (2021) confirmed that when the government disregards the benefit principle of taxation which says that citizens are entitled to social amenities from the tax

they pay, the consequences of government neglecting its responsibilities to the communities could result in civil violence, crime, internal corruption, poverty, and crumbling infrastructure. In Oyedele (2016), it was confirmed that the primary objective of any government is to provide an enabling environment for the people by ensuring that there is adequate security and infrastructure in the most vulnerable areas. However, Orekan (2019) in another study affirmed that the reason for the inability of the government to provide needed infrastructure to the communities in the southwest geographical area is that most of the government at the grassroots particularly in the local government areas have not been able to account for the total revenue collected at the local level. Our study tends to fill the noticeable gap in the literature by investigating the relevance of informal user fees and special levies in enhancing community development projects in Osun and Oyo State, Nigeria, since none could be found.

4. Research Methodology

The study employed descriptive and inferential statistics to examine the relevance of informal user fees and special levies in enhancing community development projects in Osun and Oyo states in the Southwest region of Nigeria. Samples for the study were taken from the two states. The study employed stratified and purposive non-random sampling techniques by dividing the respondents into subgroups. The study also engaged the respondents in a focus group discussion to obtain the required information regarding informal user fees and special levies. To get the required data needed for the study, four thousand five hundred and thirty-six (4,536) copies of questionnaires were distributed between the two states. A total of one thousand six hundred and thirty-one (1,631) questionnaires were distributed to Osun state, while two thousand nine hundred and five questionnaires (2,905) were distributed to Oyo state. Table 3 shows the distribution process within the investigated states.

Table 3: Distribution of Sample across Local Governments

State	2020 Population	Number of Local Governments	Number of Selected Local Government	Number of administered questionnaires	Returned Questionnaires	Response Rate
Osun	4,303,366	30	10	1,631	1,383	84.8%
Oyo	7,667,318	33	12	2,905	2,289	78.8%
Total	11,970,684	63	22	4,536	3,672	

Source: Authors' computation using data from field survey (2023)

Regarding the estimation technique, the study employed descriptive statistics to analyze the research questions while Structural Equation Modelling (SEM) was employed to empirically analyze the significance of informal user fees and special levies in enhancing community development projects in Osun and Oyo

State, Nigeria. In the SEM modelling, informal user fees (IUF) is a latent variable which is observed from the amount of dues paid (AAD) and the dues paid to the local governments (LGL) while community development (CD) is also a latent variable that is observed from the presence of development projects road construction (RIP), real estate projects (REP), improved security projects (ISP), human capital development (HDP) and environment protection projects (EPP). We then hypothesize that the informal user fees affect community development. We identified other potential factors determining the level of community development; these are the willingness to pay (WTP), community identity (CI), personality traits (PT), severity of penalty (SOP), the local levy payment system (LLP), the level of education (LE), income level (IL) and occupancy status (OS).

5. Data Analysis and Discussion of Results

5.1 Descriptive Analysis

The descriptive analysis on socio-demographic information from the respondents are conducted here. This covers issues such as gender of respondents, age of respondents, educational qualification, employment status of respondents, work experience of respondents, monthly income of respondents, and their occupancy status.

Table 4: Socio-Demographic Characteristics of Respondents

Variable	Characteristics	Percentage (%) OSUN STATE	Percentage (%) OYO STATE
Gender	Male	46.6	48.8
	Female	53.4	51.2
	Total	100.0	100.0
Age	Below 18	3.30	4.8
	18 - 29	21.40	21.1
	30 - 39	23.70	31.9
	40 – 49	21.80	28.0
	50 – 59	20.60	11.1
	60 years and Above	9.10	3.1
	Total	100.0	100.0
Educational Qualification	Primary Education	9.50	6.50
	Secondary Education	31.80	21.10
	Secondary Education	10.10	5.90
	Vocational Education	23.30	28.40
	Vocational Education	16.70	29.00
	OND/NCE Bachelor/HND	7.80	7.50
	0.50	1.20	
	0.30	0.40	

Variable	Characteristics	Percentage (%) OSUN STATE	Percentage (%) OYO STATE
	Masters	100.0	100.0
	Doctorate		
	Others		
	Total		
Employment Status of Respondents	Employed	22.80	55.10
	Self-Employed	69.20	34.10
	Unemployed	8.00	10.80
	Total	100.0	100.0
Work Experience of Respondents	Less than 5 Years	25.50 37.90	26.60 39.90
	5 - 14 Years	18.00	20.10
	15 – 24 Years	18.60	13.40
	25 Years and Above	100.0	100.0
	Total		
Monthly Income of Respondents	Below ₦30,000	28.50	26.90
	₦30,000 – ₦ 50,000	35.50 18.10	30.90 23.30
	₦50,001 – ₦ 100,000	12.90 4.00	14.10 4.20
	₦100,001 – ₦ 200,000	1.00 100.0	0.60 100.0
	₦ 200,001– ₦ 500,000		
	Above – ₦ 500,000		
	Total		
Occupancy Status of Respondents	Tenant	71.00	62.00
	Landlord	29.00	38.00
	Total	100.0	100.0

Source: Field Survey 2023

Gender distribution in Table 4, revealed that 46.6% and 48.8% of the participants are reported in the male category, while 53.4% and 51.2% of the female are reported in the female category in both Osun and Oyo State. Similarly, from the survey report, the age range between 23.70% and 31.9% of the respondents between the age range of 30 – 39 years participated more in completing the study questionnaire. Regarding educational qualification, respondents with secondary education in Osun State participated more in filling out the questionnaires, while respondents in Oyo State with Bachelor's and HND certificates participated more. Furthermore, 69.20% of the

respondents in Osun State are self-employed while 55.10% of the respondents in Oyo State are employed. Also, concerning the work experience in both states, 37.90% and 39.9% of the respondents in Osun and Oyo states have working experience between 5-14 years. On the other hand, 35.50% of the respondents in Osun earn between ₦30,000 and ₦50,000, similar to Oyo state where 30.9% of the respondents earn between ₦30,000 and ₦50,000. Regarding the occupancy status of respondents in both states, the result affirmed that most of the respondents were tenants.

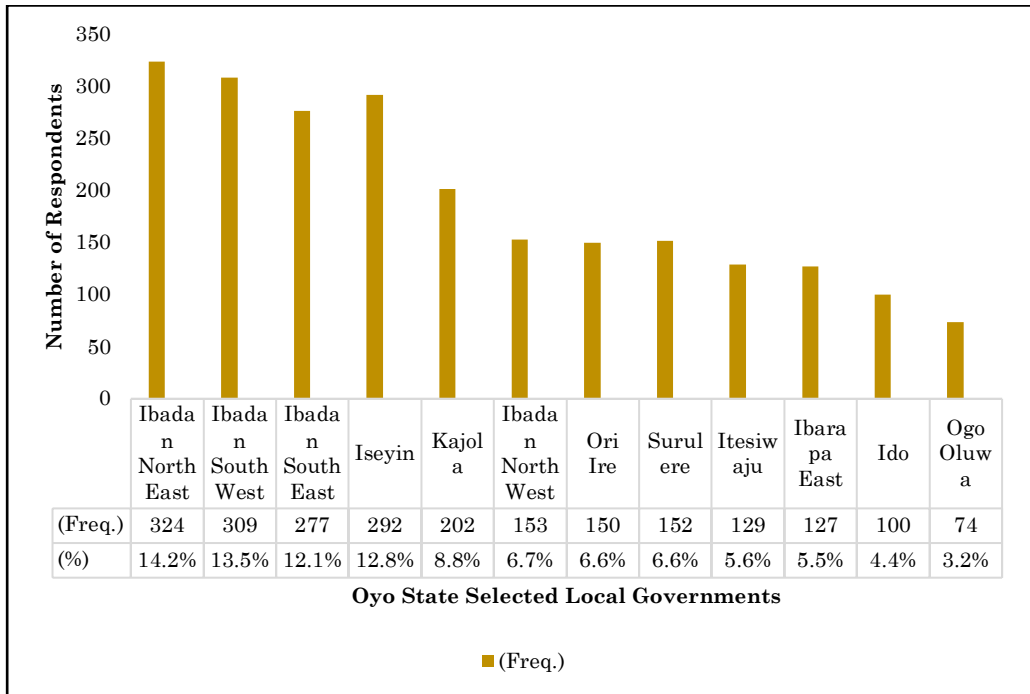


Figure 1: Distribution of respondents across local governments in Oyo State
Source: Authors' computation using data from field survey (2023)

Figure 1 shows the distribution of respondents across local governments in Oyo State. It indicates that Ibadan North-East has the highest response rate when compared to other local governments. Ibadan North-East, Ibadan South-West, Ibadan South East and Ibadan North West all had a response rate of 73.9%, 82.5%, 78.5%, and 75.1% respectively out of 439, 375, 353, and 204 copies of questionnaires distributed. In Iseyin, Kajola, Ori Ire, and Surulere, a response rate of 86.3%, 76.1%, 75.9%, and 81.8% respectively were recorded out of 338, 265, 198, and 186 copies of questionnaires distributed. Also, Itesiwaju, Ibarapa East, Ido, and Ogo Oluwa all had response rates of 76.5%, 81.9%, 72.6%, and 85.7% respectively out of 169, 155, 138, and 86 copies of questionnaires distributed.

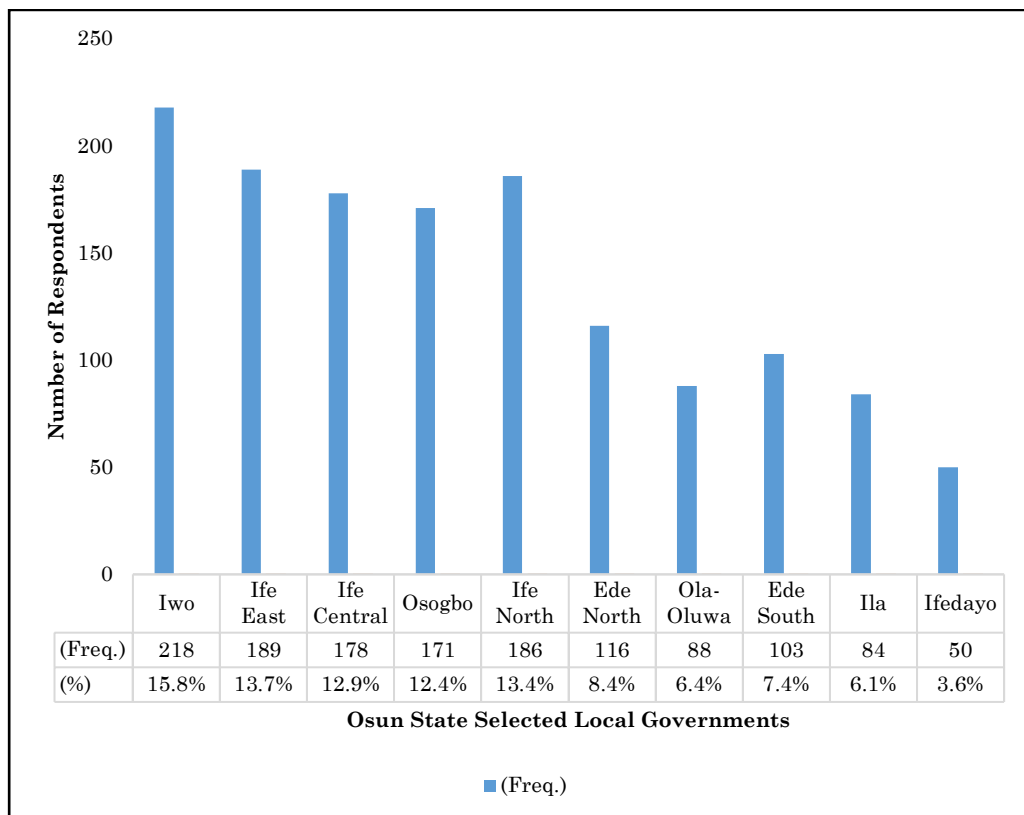


Figure 2: Distribution of respondents across local governments in Osun State

Source: Authors' computation using data from field survey (2023)

Figure 2 shows the distribution of questionnaires across local governments in Osun State. The result shows that Iwo of these, achieved a response rate of 83.3% out of the 262 copies distributed. Ife East, Ife Central, and Osogbo achieved a response rate of 73.2%, 77.8%, and 80.4% respectively out of the 258, 229, and 213 copies distributed respectively. Also, Ife North, Ede North, and Ola-Oluwa achieved a response rate of 88.7%, 100.0%, and 84.3% respectively out of 210, 116 and 104 copies of questionnaires that were distributed while Ede South, Ila, and Ifedayo achieved 99.7%, 98.9%, and 97.4% response rates out of the 103, 85, and 51 copies of questionnaires distributed respectively.

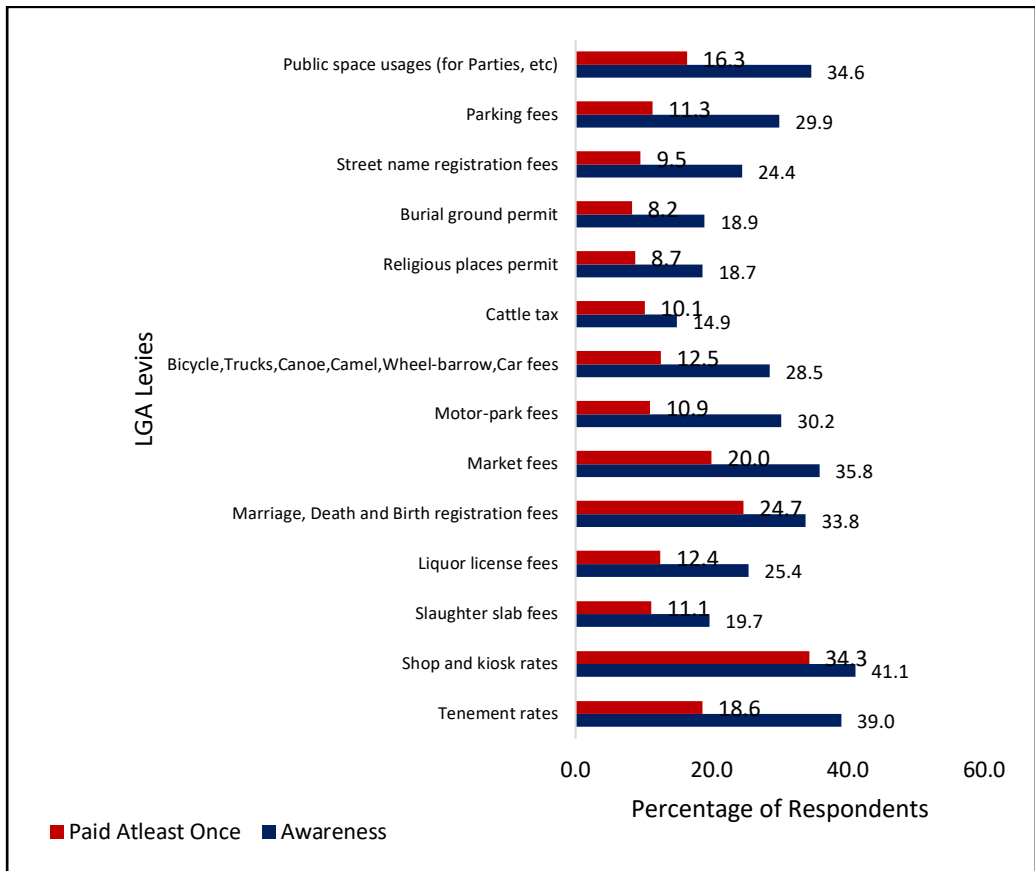


Figure 3: Respondent's awareness of the type of levies paid to local government officials in Osun State

Source: Authors' computation using data from field survey (2023)

Figure 3 shows the respondents' awareness of the types of levies paid to local government officials in Osun State. Here, fourteen types of levies paid to the local government officials according to the constitution were presented. This is to solicit their awareness of these levies and identify the largest proportion they have ever paid at least once in the past 5 years. From the data collected, the most common type of levies in Osun State is the shop and kiosk rates with 41.1% of the respondents indicating that they are aware of it. Also, 34.3% of them have paid the levy, at least once. None of the other fees recorded up to 40% awareness rate in the state and less than half of the respondents who are aware of the fees affirmed that they have paid at least once.

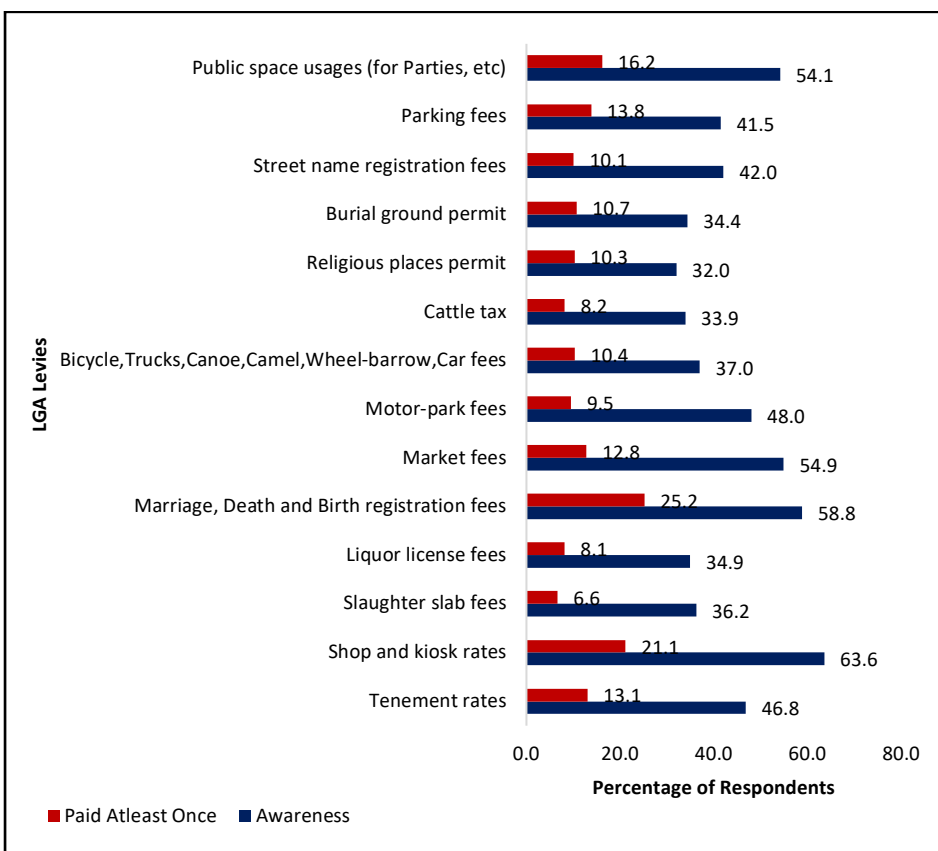
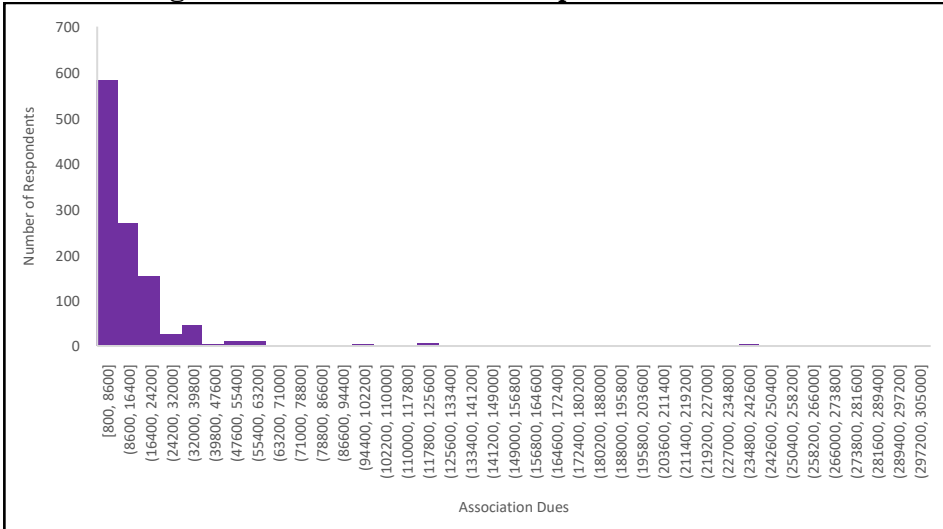


Figure 4: Respondent's awareness of the type of levies paid to local government officials in Oyo State

Source: Authors' computation using data from field survey (2023)

Figure 4 shows the respondents' awareness of the type of levies paid to local government officials in Oyo state. Here, fourteen types of levies paid to local government officials were presented; this is to identify the largest proportion they have ever been paid at least in the past 5 years. It indicates the most common type of levies in the State such as shop and kiosk rates where 63.6% of the respondents indicate their awareness. Only 21.1% claimed to have paid the levy at least once. Other types of levies include marriage, death, and birth registration fees (58.8%); market fees (54.9%); public usage for parties (54.1%); motor-park fees (48%); street name registration fees (42%); parking fees (41.5%) and others which are less than 40%. Only few of the respondents who are aware of the fees have paid at least once, the fees in the last 5 years.

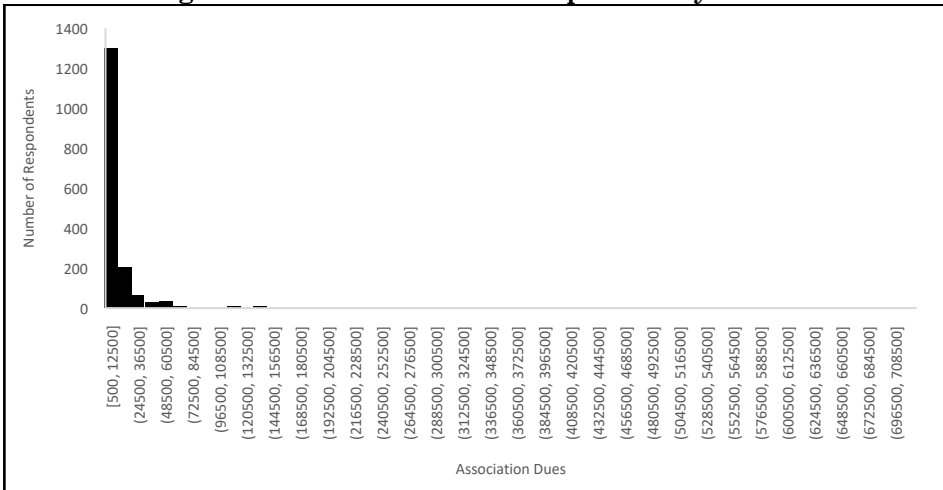
Figure 5: Distribution of dues paid in Osun State



Source: Authors' computation using data from field survey (2023)

Figure 5 shows the distribution of dues paid in Osun State. It indicates that most of the respondents paid a lower share of the association dues. There are more respondents who pay between ₦1000 and ₦39,800 annually as informal user fees in the state.

Figure 6: Distribution of dues paid in Oyo State



Source: Authors' computation using data from field survey (2023)

Figure indicates the distribution of dues paid in Oyo State. It indicates that most of the respondents paid a lower share of the association dues. There are more respondents who pay between N1000 and N60,500 annually as informal user fees in the state.

Table 5: Descriptive statistics on the average annual community dues

Statistic	Osun	Oyo
Mean	14,453.64	16,700.95
Median	8,400.000	8,400.000
Maximum	300,000.0	720,000.0
Minimum	800.00	500.00
Std. Dev.	23236.16	39,892.28
Skewness	6.53	9.41
Kurtosis	60.22	118.64
Jarque-Bera	162,183.2	961,504.0
Probability	0.000	0.000
Observations	1130	1681

Source: Authors' computation using data from field survey (2023)

Table 5 shows the descriptive statistics of the average annual community dues in both Osun and Oyo states. The table indicates that the average annual community dues paid by people in Osun State is ₦14,453.64, while in Oyo State it is ₦16,700.95. The maximum annual dues people paid in Osun State is ₦ 300,000, while for Oyo State, it is ₦ 720,000.

The Structural Equation Model (SEM) result

Table 6 below shows the results of the structural equation model (SEM) indicating the SEM coefficients between the structural parameters and covariances for the nexus between community development and informal charges and levies in Osun state.

The results indicate that there is a negative and significant effect of informal user fees on the extent of community development projects in the State. It further shows that the increase in informal levies and user charges do not significantly improve the extent of community development in the State. Thus, informal taxes are not viable options for improving the development of the communities. In addition, the results indicate that there is a positive impact of the willingness to pay for community development projects on the extent of community development.

Table 6: SEM coefficients between structural parameters (Latent, exogenous factors) and covariances for community development-informal user fees nexus in Osun

Structural relationship							
Dependent	Explanatory	Coefficient	Std. Err.	Z-stat	Prob.	Confidence Interval	
IUF	AAD	0.074***	0.019	3.940	0.000	0.037	0.111
	LGL	0.046	0.043	1.070	0.283	-0.038	0.131
CD	IUF	-0.134***	0.029	-4.610	0.000	-0.191	-0.077
	WTP	0.005	0.019	0.270	0.784	-0.032	0.042
	CI	-0.022	.	.	.	.	.
	PT	0.018	0.017	1.070	0.286	-0.015	0.051
	LE	0.049***	0.014	3.550	0.000	0.022	0.077
	IL	0.013	0.018	0.730	0.465	-0.022	0.048
	OS	-0.029	0.043	-0.660	0.508	-0.113	0.056
	LLP	0.860	.	.	.	.	.
WTP	IUF	0.099	0.086	1.150	0.250	-0.070	0.268
	CI	1.070***	0.058	18.520	0.000	0.957	1.184
	PT	-0.018	0.020	-0.870	0.385	-0.057	0.022
	OS	0.061	0.049	1.230	0.217	-0.036	0.157
	LLP	-0.025	.	.	.	.	.
CI	PT	0.379***	0.023	16.560	0.000	0.334	0.424
	OS	-0.243***	0.056	-4.340	0.000	-0.353	-0.133
SOP	LLP	0.054	.	.	.	.	.
Covariances							
cov(e.WTP,e.SOP)	↔	0.124*	0.075	1.650	0.099	-0.023	0.271
cov(AAD,PT)	↔	0.651***	0.129	5.040	0.000	0.398	0.905
cov(AAD,LE)	↔	0.413***	0.155	2.660	0.008	0.108	0.717
cov(AAD,IL)	↔	0.950***	0.125	7.570	0.000	0.704	1.195
cov(AAD,OS)	↔	-0.020	0.048	-0.410	0.679	-0.115	0.075
cov(PT,LE)	↔	0.194***	0.057	3.410	0.001	0.082	0.306
cov(PT,IL)	↔	-0.001	0.045	-0.030	0.977	-0.089	0.087
cov(PT,OS)	↔	-0.028	0.018	-1.550	0.121	-0.062	0.007
cov(LE,IL)	↔	0.697***	0.057	12.130	0.000	0.584	0.809
cov(LE,OS)	↔	0.103***	0.022	4.740	0.000	0.060	0.145
cov(IL,OS)	↔	0.177***	0.018	10.030	0.000	0.143	0.212

Note: ***, **, and * implies statistically significant at 1%, 5%, and 10% respectively

Source: Authors' computation using data from field survey (2023)

The result suggests however that the amount paid does not reflect significantly on development of the community probably suggestive that the amount paid has not been efficiently utilized towards the development of the

community. This could be a disincentive to participation in the community development process, which could be the reason why the effect of the levies on community development is not significant.

This result shows that attributes of members of the community such as personality traits, higher level of education, higher income level, and a flexible payment system are positive predictors of community development. The results, however, do not show a positive effect of occupancy status on community development. The implication of this is that the proportion of residents who are tenants significantly contributes more to community development than the landlords themselves. Also having a flexible payment system of the levy and being lenient towards the defaulters significantly improves community development. On the willingness to pay of the levies, determinants such as community identity, occupancy status and having a more conscientious personality are positive predictors. The result also reveals that there is a positive bi-directional relationship between the willingness to pay and the severity of the payment. A positive bi-directional relationship is established respectively between personality traits and the level of education, the level of education and income level, and income level and occupancy status. A negative bi-directional relationship however is established between the annual dues and occupancy status, personality traits and income level as well as with the occupancy status.

The model fitting index for Osun State in Table 7 indicates that the comparative fit index (CFI) value of 1 indicates a perfect fit between the hypothesized model and the observed data in line with Bentler (1990). The model fits the data extremely well, with no discrepancies between the predicted relationships in the model and the actual relationships observed in the data. The Tucker-Lewis Index of 1 also shows that the model fits the data extremely well (Tucker and Lewis, 1973). RMSEA of 0.001 indicates an excellent fit between the proposed structural equation model (SEM) and the observed data. RMSEA measures the discrepancy between the implied model and the observed covariance matrix per degree of freedom, with lower values indicating better fit. In this case, a value of 0.001 suggests that the model fits the data extremely well, with very little error between the model's predicted relationships and the actual relationships observed in the data (Steiger, 1990). The SRMR of 0.232 suggests a weak good fit between the proposed structural equation model (SEM) and the observed data. While there is no universally agreed-upon cutoff for what constitutes a good SRMR value, values below 0.08 are often considered indicative of an acceptable fit. However, this can vary depending on the complexity of the model and other factors (Hu and Bentler, 1998).

Table 7: Osun Model Fitting Index

Fitting Index		Value	Evaluation Standard
Baseline Comparison	Comparative Fitting Index (CFI)	1.000	>0.9, the closer to 1 the better
	Tucker-Lewis Index (TLI)	1.000	>0.9, the closer to 1 the better
Absolute Fitting Index	Root Mean Square Error of Approximation (RMSEA)	0.001	<0.08, the smaller the better
	Standardized Root Mean Squared Residual (SRMR)	0.232	<0.08, the smaller the better
Log Likelihood		-72,330.83	
Number of Observations		1,383	

Source: Authors' computation using data from field survey (2023)

Subsequently, we appraise the effect of informal user fees on community development projects in Oyo State. The structural equation model was used to understand how informal taxes determine community development and also how other structural variables (latent and observable) such as community identity, the willingness to pay, personality traits, income level, level of educational attainment of the respondents and the payment system determines the extent of community development of the community. The structural equation model results are shown in Table 8 below.

Table 8: SEM coefficients between structural parameters (Latent, exogenous factors) and covariances for community development-informal user fees nexus in Oyo

Structural relationship							
Dependent	Explanatory	Coefficient	Std. Err.	Z-stat	Prob.	Confidence Interval	
IUF	AAD	0.004	0.005	0.770	0.439	-0.006	0.014
	LGL	-0.368***	0.062	-5.940	0.000	-0.489	0.247
CD	IUF	-0.060***	0.018	-3.300	0.001	-0.095	0.024
	WTP	0.190***	0.051	3.700	0.000	0.090	0.291
	CI	-0.022	0.036	-0.620	0.536	-0.093	0.048
	PT	-0.022	0.017	-1.310	0.191	-0.056	0.011
	LE	0.031***	0.007	4.440	0.000	0.017	0.044
	IL	-0.029***	0.009	-3.290	0.001	-0.046	0.012
	OS	0.010	0.021	0.480	0.628	-0.031	0.051

	LLP	-0.122***	0.039	-3.090	0.002	-0.199	0.044
WTP	IUF	0.126***	0.030	4.160	0.000	0.066	0.185
	CI	0.566***	0.038	15.040	0.000	0.493	0.640
	PT	0.083**	0.036	2.320	0.020	0.013	0.152
	OS	0.099**	0.042	2.370	0.018	0.017	0.181
	LLP	0.830***	0.103	8.050	0.000	0.628	1.032
CI	PT	0.185***	0.026	7.170	0.000	0.135	0.236
	OS	0.034	0.036	0.960	0.339	-0.036	0.104
SOP	LLP	1.598***	0.188	8.510	0.000	1.230	1.966
Covariances							
cov(e.WTP,e.SOP)	↔	-0.291***	0.079	-3.680	0.000	-0.445	0.136
cov(AAD,PT)	↔	0.100	0.071	1.410	0.160	-0.039	0.239
cov(AAD,LE)	↔	-0.070	0.132	-0.530	0.599	-0.329	0.190
cov(AAD,IL)	↔	0.569***	0.107	5.340	0.000	0.360	0.778
cov(AAD,OS)	↔	0.185***	0.047	3.910	0.000	0.092	0.278
cov(PT,LE)	↔	0.063**	0.027	2.330	0.020	0.010	0.115
cov(PT,IL)	↔	0.047**	0.021	2.170	0.030	0.004	0.089
cov(PT,OS)	↔	-0.002	0.010	-0.250	0.803	-0.021	0.016
cov(LE,IL)	↔	0.584***	0.042	13.950	0.000	0.502	0.666
cov(LE,OS)	↔	0.051***	0.018	2.840	0.005	0.016	0.086
cov(IL,OS)	↔	0.158***	0.015	10.780	0.000	0.129	0.186

Note: ***, **, and * implies statistically significant at 1%, 5%, and 10% respectively

Source: Authors' computation using data from field survey (2023)

From table 8, the result shows that there is a negative and significant effect of levies and user charges on community development projects. The result shows that there's no direct causality between increase in the levies and user fees and in the implementation of community development projects. The result also shows that an increase in willingness to pay for informal taxes has a positive effect on community development, although the actual levies paid do not increase community development projects.

From the result in the table, variables such as community identity, personality traits, income level, and the local levies payment system appear to have a negative effect on on community development in Oyo State. However, residents who have conscientious personality traits appear more inclined to contribute to the development of the community. Furthermore, the result shows that a higher income level does not significantly contribute to community development; thus, high-income earners living in a community do

not appear to contribute from their income significantly, as expected, towards the development of the community. The result shows also that high level of educational attainment enhances the pace of community development. The result further shows that a high proportion of landlords within the community is an enabler for enhanced community development while a flexible payment system significantly enhances community development.

The result shows that a flexible payment system increases the willingness of the residents to pay for community development projects. There is also a bi-directional positive relationship between the annual dues and personality traits, income level, and occupancy status. However, a negative bi-directional relationship exists between the annual dues and the level of education, this is also the same between the occupancy status and the personality traits. A positive bi-directional relationship exists between personality traits level of education and income level. As well as between income level and occupancy status and level of education.

Tale 9: Oyo Model Fitting Index

Fitting Index		Value	Evaluation Standard
Baseline Comparison	Comparative Fitting Index (CFI)	1.000	>0.9, the closer to 1 the better
	Tucker-Lewis Index (TLI)	1.000	>0.9, the closer to 1 the better
Absolute Fitting Index	Root Mean Square Error of Approximation (RMSEA)	0.001	<0.08, the smaller the better
	Standardized Root Mean Squared Residual (SRMR)	0.084	<0.08, the smaller the better
Log Likelihood		-114956.43	
Number of Observations		2,289	

Source: Authors' computation using data from field survey (2023)

The model fitting index for Oyo State shows that the comparative fit index (CFI) value of 1 indicates a perfect fit between the hypothesized model and the observed data in line with Bentler (1990). Thus, the model fits the data extremely well, with no discrepancies between the predicted relationships in the model and the actual relationships observed in the data. The Tucker-Lewis Index of 1 also shows that the model fits the data extremely well (Tucker and Lewis, 1973). An RMSEA of 0.001 indicates an excellent fit between the proposed structural equation model (SEM) and the observed data. RMSEA measures the discrepancy between the implied model and the observed covariance matrix per degree of freedom, with lower values

indicating better fit. In this case, a value of 0.001 suggests that the model fits the data extremely well, with very little error between the model's predicted and actual relationships observed (Steiger, 1990). The SRMR of 0.084 suggests a reasonably good fit between the proposed structural equation model (SEM) and the observed data. While there is no universally agreed-upon cutoff for what constitutes a good SRMR value, values below 0.08 are often considered indicative of acceptable fit. However, this can vary depending on the complexity of the model and other factors (Hu and Bentler, 1998).

6. Conclusion

The study which evaluated the impact of user fees and levies on community development in Osun and Oyo states of southwestern Nigeria adopted a descriptive, analytical and empirical approach in the methodology. The findings indicate that user fees and levies do not have a significant effect on the extent of community development in Osun State, implying that there could be incidences of pilferage in the management of the resources. This implies that the increase in the informal levies and user charges did not significantly improve the extent of community development in the State, However, willingness to pay has a positive effect on community development projects, meaning that an increase in willingness to pay by the people exerts a positive influence on community development projects but the amount paid have not significantly enhanced community projects. The result further affirmed that extraversion personality traits, higher level of education, higher income level, and a flexible payment system are positive predictors of community development.

Regarding Oyo State, the structural equation model results confirmed that informal taxes such as levies, user charges, and association dues exert a negative and significant effect on community development projects. The result further affirms that an increase in the informal user fees results in a decline in the implementation of community development projects. This infers the likelihood of mismanagement of resources hence indicating, as it stands presently, informal taxes are not effective drivers of community development. Furthermore, the result shows that an increase in the willingness to pay for informal taxes increases the extent of community development, although the actual levies paid do not increase community development projects. In both Osun and Oyo States the results show that informal taxes have a negative and significant on community development projects although, the willingness to pay has a positive impact in both states, on community development projects. This calls for better management of resources at the local level to enhance community development. Based on the findings, Community Development Associations (CDA) should strengthen their management structures such that sufficient value is derived from the enforcement of levies and user charges of its members.

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Declaration of Conflicting Interest

The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

Ethical Considerations

Prior to data collection, the questionnaires and interview guide were approved by the institutional review board of the University of Lagos. Respondents gave written consent for review and signature before starting interviews and administration of the questionnaire.

Data Availability Statement

The datasets generated during and/or analyzed during the current study are available from the corresponding author on reasonable request.

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