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HOUSEHOLD ACCOUNTING AND FINANCIAL MANAGEMENT IN LAGOS STATE, NIGERIA

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Abstract

This study examined the effect of household accounting on financial management of Lagos State. The study specifically seek to evaluate the effect of household budgeting practice, household expense tracking, and household savings records on voluntary tax compliance. This study adopts a cross sectional survey design. The population of the study comprises of all households living in Alimosho and Oshodi- Isolo Local Government Areas in Lagos State. The purposive sampling technique was used to select sample population for the study. One thousand five households (1500) were judgmentally selected from both local governments. Seven hundred and fifty households each was selected from rural areas and urban centres of Alimosho and Oshodi-Isolo Local Government Areas in Lagos State. The Linear regression analysis was adopted and applied with the aid of E-View version 10.0 software, the study found that household budgeting practices have a positive and statistically significant effect on financial management of Lagos State while household savings records have a positive but statistically insignificant effect on financial management of Lagos State. The study recommends among others that since household anxiety is that "money will be wasted" causes income documentation to fail. We suggest that the Lagos State Government publish "Your Tax, Your Project" for each Local Government Area, demonstrating how certain roads, schools, and other projects were supported by internally generated revenue from taxes paid by the household.

Keywords: Household accounting; Financial management; Household budgeting practice; Voluntary tax compliance; Household savings records

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INTRODUCTION

Accounting scholars have not paid much attention to household accounting procedures; little is known about how accounting is used at home.Adopting the fundamental idea of debit credit as presented by Luca Pacioli in Bello, &Abubakar, (2023) is crucial as a starting point for household financial planning. According to Ojo, andAdeyemi, (2021), this theory enables households to record all income as a "credit" and all expenses as a "debit." By using this

method, households may keep a careful eye on the inflow and outflow of funds, determine their spending priorities, and manage cash flow to prevent excessive spending. When family income and expenses are planned, recorded, and kept up to date as a budget for reference, accounting concepts are highly applicable at home (Adeniyi & Otuye, 2021).

The process of methodically documenting, categorizing, and evaluating all income, expenses, savings, debt, and investment activities inside a family or domestic unit is known as household accounting (Mwangi, & Sichei, 2021). It includes financial goal-setting, net worth computation, cash flow monitoring, and budgeting. Household accounting is a crucial factor in determining financial discipline, purchasing habits, and wealth building, despite the fact that it is frequently seen as a private micro-level activity. As a result, some households manage household finances to make the most of their efforts to meet their needs.

In order to accomplish specific goals, financial management entails the strategic planning, organizing, directing, and regulating of financial resources. Effective financial management at the state level results in better public service delivery, sustainable debt, cautious spending, and optimal income generation. Aggregation Theory, which holds that the financial behaviour of individual households when combined shapes macroeconomic indicators like domestic savings rate, tax compliance level, credit performance, and demand for social services, is the foundation for the relationship between household accounting and state financial management (Akanbi, Adebayo, & Adeyemi, 2020). Lagos State's roughly 5 million families' financial management practices are therefore partially reflected in the state's financial management results.

Lagos State, which generated N651.2 billion in 2023 (CBN, 2023), continues to be Nigeria's largest economy and greatest IGR earner. However, the state has ongoing financial management issues, including a debt stock of N1.64 trillion as of Q1 2024, high recurring expenditures, an increase in the need for social interventions, and substantial income leakages from tax evasion and underreporting. The Lagos State Employment Trust Fund (LSETF) (2024) reports a 22% non-performing loan rate on its microcredit programs, while theLagos State Government.(2024)estimates that over 60% of self-employed citizens underreport their income.

Ironically, digital payment infrastructure is widely used in Lagos, where 89% of people are financially included. This implies that how people use and manage their financial resources is the issue rather than the availability of financial services. Less than 25% of Lagos households maintain a documented budget, and less than 15% keep track of their spending, according to an EFInA(2023). Lack of fundamental household accounting results in impulsive spending, ongoing debt, no emergency savings, and a n inability to give precise financial information for loan repayment or tax assessment.

Good household accounting procedures ought to ideally result in larger domestic savings, better financial discipline, more voluntary tax compliance, and reduced default rates on state-backed credit, all of which support state-level financial management. There seems to be a gap in reality. Fiscal policy and financial literacy initiatives in Lagos State mostly target enterprises and organizations, paying little attention to household financial behaviour. As a result, the state keeps spending a lot of money on enforcement, debt repayment, and palliative care while the informal sector's potential for income is still unrealized.

Despite the distinctiveness of this area of informal accounting practice, Adeniyi and Ojuye (2021) point out that it is astounding how little accounting scholars, especially in Nigeria, know about household accounting procedures. Previous research has looked at Nigerian savings habits and financial literacy (Okafor & Onebunne, 2022), while other studies have looked at public financial management in Lagos State (Yusuf, 2020). Research directly relating household accounting practices to financial management outcomes at the state level, however, is scarce. The majority of research ignores the aggregative relationship, seeing household finance as a private matter and state finance as a public matter.

International research conducted in Kenya and India indicates that basic bookkeeping by households improves fiscal outcomes for state governments; however, this association has not been confirmed in the Lagos State setting. There hasn't been much empirical research done in Lagos State to determine whether changes in household accounting have a major impact on household financial resilience, loan performance on state programs, or domestically produced revenue. This study seeks to fill that gap.

The main objective of this study is to determine the effect of household accounting on financial management of Lagos State. Specifically, the study seeks to:

1. Determine the effect of household budgeting practices on voluntary tax compliance
2. Assess the effect of household expense tracking on voluntary tax compliance
3. Evaluate the effect of household savings records on voluntary tax compliance
4. Examine the effect of household income documentation on voluntary tax compliance

The study will be guided by the following null hypotheses:

H_{01}: Household budgeting practices have no significant effect on voluntary tax compliance in Lagos State.

H_{02}: Household expense tracking has no significant effect on voluntary tax compliance in Lagos State

H_{03}: Household savings records have no significant effect on voluntary tax compliance in Lagos State.

H_{04}: Household income documentation has no significant effect on voluntary tax compliance in Lagos State.

The study examines Lagos State's financial management (proxied by voluntary tax compliance) and household accounting (proxied by budgeting t practices, expense tracking, savings records, and income documentation). Households in Lagos State's Alimosho and Oshodi-Isolo Local Government Areas as well as the Lagos Internal Revenue Service were the focus of the study.

REVIEW OF RELATED LITERATURE

Conceptual Review

Household Accounting

The process of documenting, categorizing, summarizing, and interpreting all of a family's financial transactions in order to make decisions is known as household accounting. Income tracking, expenditure budgeting, savings planning, debt management, and net worth evaluation are its five main components, according to Altfest (2004). Household accounting is typically informal, uncontrolled, and tailored to individual needs, in contrast to corporate accounting. Mental accounting, paper-based accounting, and digital accounting are the three categories into which Garman &Forgue (2018) divide it. Consistency, precision, and utilization of household accounting in financial decision-making are indicators of its efficacy.

Financial Management

Financial management, which is the effective acquisition, distribution, and use of cash, is typically applied to businesses and governments (Pandey, 2015). It addresses debt management, budget execution, income mobilization, and public spending control at the state level (ICAN, 2021). The idea is expanded in this study to include a macro-level result that is impacted by micro-level activity. Therefore, the potential of Lagos State to increase IGR, lower fiscal vulnerability, lower loan default rates on public credit schemes, and lessen reliance on social transfers is operationalized as financial management.

State Financial Management and Household Accounting

It is an aggregative relationship. According to the Central Bank of Nigeria (2022), household savings add up to the national savings rate. In a similar vein, Fjeldstad&Heggstad (2012) contend that maintaining income records increases tax compliance in developing economies. Thus, there are four ways that household accounting affects state finances: 1) Tax assessment is improved by revenue channel documented income, 2) Tracked expenses by Credit Channel enhance loan repayment, 3) The Expenditure Channel reveals that savings lower the need for government palliatives. 4) Participation in state bonds is increased by Investment Channel's documented net worth.

Theoretical framework

Financial Socialization Theory

The foundation of this investigation was the financial socialization hypothesis put out by Clinton G. Gudmunson and Sharon M. Danes in their 2011 seminar paper, Family Financial Socialization: hypothesis and Political Review. According to the hypothesis, financial practices are picked up from peers, family, and organizations. Accounting-practicing households instill financial discipline in their members and foster compliance and saving culture. At scale, this culture improves overall financial management by lowering the state's costs associated with social protection and enforcement. Beyond a single budget cycle, the theory explains why state funding for home accounting instruction can have long-term multiplier effects on financial management.

Empirical Review

In Kenya, Mwangi & Sichei (2021) looked at 600 microfinance customers' "household bookkeeping and loan performance." The study method used was a descriptive survey. For this study, the respondents were sampled using a probabilistic sampling design. Households with cost records had 31% lower default rates, according to the findings. However, state credit programs were not included in the analysis; only private MFIs were. Lagos residents' financial literacy was examined by Okafor & Onebunne (2022). Only 23% of the 384 respondents to the poll, which used a purposive sampling strategy, kept written budgets, and those who did had savings that were 40% greater. This was not connected to state results in the study.

Lagos State's IGR performance from 2010 to 2019 was evaluated by Yusuf (2020). The study extracted her data from secondary sources using an ex post facto approach. According to the report, tax automation increased revenue by 18%, but the informal sector was still responsible for 52% of the tax shortfall. The study did not look at domestic record-keeping, although it did suggest taxpayer education.

In Tanzania, Ali, Fjeldstad, and Sjursen (2014) used survey data from 3,000 households. Convenience sampling was used in the study, and original data was collected using a standardized questionnaire. The Statistical Package for Social Sciences (SPSS) software was then used to process the data and perform descriptive, ANOVA, and Pearson correlation analyses. It was discovered that the likelihood of paying presumptive tax was 2.3 times higher for taxpayers who maintained sales records. Although it wasn't in Nigeria, this supports the link between income documentation and tax compliance. The study "personal financial management and economic development in Nigeria" was conducted by Akanbi et al. (2020). They discovered a relationship between the state savings rate and GDP using a cross-sectional poll on state-level data, but they did not break down household accounting practices.

Adeniyiand Otuye, (2021) investigate whether household accounting procedures in Ogun State, Nigeria, are significantly influenced by family characteristics such as gender, household location, and household level of education. In order to enable a comprehensive collection of trustworthy data, the study used a cross-sectional survey approach. To effectively gather primary data from the sampled population, a structured questionnaire was used. According to the study, household accounting practices are not significantly impacted by educational attainment.

Previous study evidence shows that household accounting enhances individual financial results and that state financial management is dependent on the collective behaviour of citizens. In Lagos, however, there is insufficient empirical support for this connection. Therefore, the purpose of this study is to look at how household accounting affects Lagos State's financial management.

METHODOLOGY

Research Design

This study adopts a cross sectional survey design. The descriptive design will capture the extent of household accounting practices on Lagos state financial management indicators. The choice is premised on the need to both describe current realities and establish

relationships using statistical inference. A cross-sectional approach was used, with data collected at one point in time from households and relevant state Lagos Inland Revenue Services (LIRS).

The population of the study comprises of all households living in Alimosho and Oshodi-Isolo Local Government Areas in Lagos State. The purposive sampling technique was used to select sample population for the study. This selective sampling technique was employed by researcher to conveniently focus on household that understand English language and have little knowledge about financial literacy in both the rural and urban centers of the Local government Areas.

One thousand five households (1500) were judgmentally selected from both local governments. Seven hundred and fifty households each was selected from rural areas and urban centres of Alimosho and Oshodi- Isolo Local Government Areas in Lagos State. Hence, a total of 1500 questionnaires were administered.Out of these 1500 copies of questionnaires administered, a total of 1000 were correctly filled and returned by respondents. The Linear regression analysis was adopted and applied with the aid of E-View version 10.0 software, to conduct all data analysis at 5% level of significance.

The structured questionnaire followed a 5-point likert scale format. The weight assigned to each point are; strongly agreed = 5 point, Agreed = 4 point,Not sure = 3 point,Diagree =2 point, Strongly disagreed = 1 point.

To test the validity of data instrument, draft structured questionnaires was reviewed by three specialist, namely; One Professor of Accounting, A Director of Lagos Internal Revenue Services and One Research Fellow at NnamdiAzikiwe University, Awka..Moreover, a pilot test was conducted with 50 households at Oshodi – Isolo Local Government Area, not part of main sample. Cronbach's Alpha test was used. Acceptable threshold is ≥ 0.70. Pilot result: Budgeting = 0.82, Expense tracking = 0.79, Savings records = 0.85, Income documentation = 0.81, Instrument deemed reliable.

The functional form of model for this study is:

FinMa = f(HhsBud, HhsExT, HhsSa, HhsInd) eq1

The statistical models: for hypotheses

FinMa=$\beta 0+\beta 1$HhsBud+εteq.2

FinMa=$\beta 0+ \beta 1$HhsExT +εt eq3

FinMat=$\beta 0+\beta 1$HhsSa, +εt eq.4

FinMat=$\beta 0+\beta 1$HhsInd, +εt eq.5

Where:

$\beta 1 > 0$; $r2 > 0$

$\beta 1$ is a measure of the effect of family attributes on household accounting.

FinMa= financial management

HhsBud, = household budgeting practices

HhsExT,=household expense tracking

HhsSa= household savings records

,HhsInd = household income documentation

εt = *error term*

$\beta 0$ = *regression coefficient*

Measurement of variables

Structured questions envisaged focused mainly on Voluntary tax compliance by household to measure financial management which is the dependent variable for this study. For the independent variables, structured questions that focused on family spending discipline was used to measure household budgeting practices, household expense tracking were measure questions linked to household cash flow statement; while household savings records was measured by questions linked to build family emergency funds and questions about written down income received within the household was used to measure household income documentation.

RESULTS AND DISCUSSION

Panel Least Square regression technique was used to estimate the test results from which hypotheses testing was done. The result of the Panel Regression is shown in **Table 1** below.

Table 1: Panel Least **Regression for Hypotheses Testing**

Dependent Variable: FINMA

Method: Panel Least Squares

Date: 04/16/26 Time: 14:53

Sample: 2015 2024

Periods included: 10

Cross-sections included: 100

Total panel (balanced) observations: 1000

Variable	Coefficient	Std. Error	t-Statistic	Prob.
HHSBUD	1.029730	0.001399	736.1179	0.0200
HHSEXT	1.000015	2.88E-05	34726.33	0.0000
HHSSA	0.020388	0.013970	1.459428	0.1448
HHSIND	0.020048	0.014769	1.357415	0.1750
C	0.097847	0.013234	7.393343	0.0000

R-squared	0.796299	Mean dependent var	-9.845250
Adjusted R-squared	0.619949	S.D. dependent var	278.3617
S.E. of regression	0.252119	Akaike info criterion	0.087160
Sum squared resid	63.24641	Schwarz criterion	0.111699
Log likelihood	-38.58009	Hannan-Quinn criter.	0.096487
F-statistic	3.04E+08	Durbin-Watson stat	2.097081
Prob(F-statistic)	0.010000		

Source: Author's Computations using E-views, 10

From Table1 above, the regression model shows that household budgeting practices, household expense tracking, household savings records and household income documentation collectively have a strong and significant effect on financial management of Lagos State, explaining 61.9% of its variation after adjusting for model complexity. The absence of autocorrelation (DW = 2.097) confirms the reliability of the estimates. This suggests that quantifiable gains in state-level revenue mobilization, , and fiscal resilience will result from improvements in household-level financial record-keeping.

Hypothesis One

H_0: Household budgeting practices have no significant effect on voluntary tax compliance in Lagos State.

H_1: Household budgeting practices have significant effect on voluntary tax compliance in Lagos State.

From Table 1 above, the result shows that household budgeting practices have a positive and statistically significant effect on financial management of Lagos State ($\beta = 1.029$, $p = 0.02 < 0.05$). This suggests that, ceteris paribus, a unit increase in household budgeting techniques will result in a 1.029 unit improvement in Lagos State's financial management. As a result, the null hypothesis that household budgeting methods have no discernible impact on Lagos State's financial management is rejected. According to this research, households' enhanced tax compliance,

Hypothesis Two

H_0: Household expense tracking has no significant effect on voluntary tax compliance in Lagos State

H_1: Household expense tracking has significant effect on voluntary tax compliance in Lagos State

Table 1 shows the regression result reveals that household expenses tracking has a positive and highly significant effect on financial management of Lagos State ($\beta = 1.000$, $p = 0.00 < 0.01$). This suggests that a unit improvement in home expense tracking techniques will result in a commensurate unit improvement in the state's financial management outcomes. The null hypothesis is thus disproved. According to the findings, households that regularly keep track

of their daily expenses are better able to limit their spending, cut down on waste, and increase their liquidity for tax responsibilities. All of these factors add up to higher IGR and lower NPL rates for Lagos State.

Hypothesis Three

H_0: Household savings records have no significant effect on voluntary tax compliance in Lagos State.

H_1: Household savings records have significant effect on voluntary tax compliance in Lagos State.

Table 1 shows that the regression result shows that household savings records have a positive but statistically insignificant effect on financial management of Lagos State ($\beta = 0.020$, $p = 0.144 > 0.05$). This suggests that maintaining savings records does not result in quantifiable improvements in the state's financial management performance. As a result, the null hypothesis is accepted. According to the findings, households may record savings, but these monies are frequently stored outside of the official financial system or are not used for taxable economic activities, which limits their contribution to state fiscal health and internally produced revenue.

Hypothesis Four

H_o: Household income documentation has no significant effect on voluntary tax compliance in Lagos State.

H_1: Household income documentation has significant effect on voluntary tax compliance in Lagos State.

Table 1 shows that the regression result shows that household s income documentation have a positive but statistically insignificant effect on financial management of Lagos State ($\beta = 0.020$, $p = 0.175 > 0.05$). This suggests that there is no discernible improvement in the state's financial management as a result of families recording their sources of income. As a result, the alternative hypothesis which states that household income documentation significantly affects voluntary tax compliance in Lagos State was supported and the null hypothesis was rejected.

DISCUSSION OF FINDINGS

The outcome of hypothesis One shows that household budgeting practices have a positive and significant effect on voluntary tax compliance. Better financial discipline is demonstrated by households that create and follow budgets, and this improves state-level loan repayment and tax compliance. This result aligns with the findings of Akanbi, Adebayo, and Adeyemi (2020) and Mwangi and Sichei (2021), who discovered that household budgeting strategies significantly impact voluntary tax compliance.

Analysis of hypothesis two shows that household expense tracking has a positive and highly significant effect on voluntary tax compliance. Internal generated revenue and credit performance are improved when daily expenses are consistently recorded because it lowers leakages, increases liquidity, and frees funds for statutory duties. This result is in line with the findings of Okafor and Onebunne (2022) and Ojo and Adeyemi (2021), who discovered that tracking household expenses significantly influences voluntary tax compliance.

The outcome of analysis on hypothesis three shows that household savings records have a positive but statistically insignificant effect on voluntary tax compliance..Although families may record their savings, their contribution to the state's fiscal capacity is limited because these money are primarily maintained in unofficial channels and do not enter the formal financial system. This result is in line with research by Yusuf (2020), Mwangi and Sichei (2021), and Okafor and Onebunne (2022) that found no discernible relationship between household savings records and voluntary tax compliance.

Hypothesis Four reveals that household Income documentation has a positive but statistically insignificant effect on financial management of Lagos State. Particularly in Lagos State's sizable informal sector, recording income does not always result in voluntary tax payment. The findings align with those of Lusardi and Mitchell (2014), Ali, Fjeldstad, and Sjursen (2014), and Akanbi, Adebayo, and Adeyemi (2020), who found no discernible impact of household income documentation on voluntary tax compliance.

CONCLUSSION AND RECOMMENDATIONS

The study examined how Lagos State's financial management, as measured by voluntary tax compliance, was impacted by four aspects of household accounting budgeting practices: tracking expenses, keeping savings records, and documenting income. In conclusion, Lagos State's financial management results will improve nearly one to one if household budgeting and cost monitoring techniques are improved. Policies that focus on income documentation and savings without tackling informality, trust deficiencies, and tax complexity, however, will have very little effect. Converting home financial discipline into formal economic involvement is consequently essential to the state's fiscal sustainability.

In light of these results, it was suggested that households maintain basic budgeting and daily spending tracking as household policies, as these practices have a substantial impact on Lagos State's financial management. The results indicate that these two practices are the only ones that are significant for both personal and state finances. Savings records and income documentation were irrelevant as they don't correspond to paying taxes. In order to encourage formalized household accounting and implement Tax-for-Service incentives, we advise the government to revamp its tax policy.

Households' anxiety that "money will be wasted" causes income documentation to fail. We suggest that the Lagos State Government publish "Your Tax, Your Project" for each Local Government Area, demonstrating how certain roads, schools, and other projects were supported by internally generated revenue from taxes paid by the household.

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