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FISCAL FEDERALISM IN NIGERIA: THE CONFUSION AND REALITIES

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Abstract

This study evaluated fiscal federalism in Nigeria with a view to identifying the areas of problems. Survey research method was adopted. Data collected through questionnaire were analyzed using Z-test. The findings revealed that the recommendations proffered by the commissions set up by government in respect to fiscal federalism did not make much impact on the economy due to some factors like: imperfection in the 1999 constitution, furthermore there are many problems inherent in fiscal federalism which has led to duplication of government functions and waste of public fund. However, in order to ensure an efficient and sound fiscal federalism in Nigeria, it is recommended among others that the Nigerian fiscal responsibility bill, due process should be adhered to by public officers. More so efforts should be made to ensure that all tiers of government adhere to fiscal transparency, accountability and constitutional provisions on fiscal relations. It is also recommended that National Fiscal Commission is established to enhance inter-governmental understanding and cooperation in ways conducive to dialogue between federal, state and local government actors.

Keywords: Fiscal federalism, Constitutional provision, revenue allocation

Introduction

Federation implies the existence of more than one level of government in one country each with different expenditure responsibilities and taxing powers. Nigeria is a federation consisting of states and federal capital territory, federal government, 36 states and 774 local governments. Among the different levels of government, fiscal arrangement ought to be worked out properly to ensure fiscal balance in the context of macro economic development and stability.

The fiscal arrangement among the different tiers of government in a federal structure contends (Osisioma and Chukwuemeka, 2007) is often referred to as fiscal federalism; in other types of political structure it is known as inter-tier or intergovernmental fiscal relations.

The capacity of the federal, provincial and territorial governments to assume their responsibilities hinges on the balance between decentralization of revenues and decentralization of government spending. This decentralization refers to the portion of total revenue collected and

expenditures allocated to both state and local governments. The degree of decentralization argues Okoro (2006) is the extent of independent decision making by the various arms of the government in the provision of social and economic services. It connotes the degree of autonomy of state and local governments in carrying out various economic tasks.

Vincent (2002) enumerated the existence of the following fiscal arrangements before the military took over power in 1966.

- The regions were assigned the proceeds from export and excise taxes while the Federal Government received the share attributable to Lagos area.
- Marketing boards were regionalized and their respective regions retained their operational surpluses.
- Regions were empowered to fix produce prices and also impose tax on the produce of the marketing boards
- Regions were assigned the full retention of mining rents and royalties with a federal tax of 30% payable to the distributable pool account (DPA) and were later adjusted to 35% in 1957.
- Regions were allowed to administer and retain income tax on incomes not above \$700 per annum.
- The federal government collected import duties and corporate income taxes.
- The regional governments determined the relationship between the regions and the provinces.

The implications of these measures were an increase in regional revenue from 17.7% in 1945/49 to 41.6% in 1966/67 while the share of the federal government declined from 82.3% to 58.4% in the same period (Obasi, 2006). The military intervention in 1966 brought new changes as the federal constitution of 1963 was suspended. The Federal Government took over state and local government functions. Consequently, new tax measures were introduced as follows:

- * The transfer of legislation and administration of mining rent and royalties to the Federal Government.
- * Centralization of the marketing boards while all taxes, surpluses and fixing of produce prices were administered by the Federal Government.
- * Right to revenue emanating from company income tax, import, export, petroleum profits tax (PPT), excise tax and mining royalties and rents were vested in the centre
- * Introduction of uniform rates in personal income and sales taxes while the state were to administer the taxes.
- * Replacement of sales tax with value added tax (VAT) in 1994 and subsequently transferred to Federal Government for the purposes of regulation and administration while the proceeds are paid into the VAT account for distribution among the tiers of government. Subsequently, the revenue potentials of the states were eroded, and internally generated revenue between 1993 and 1999 stood at 74% of total revenue while that of the local councils between 1996 and 1999 averaged 67% of total expenditure (Ezeabasili, 2006).

Statement of Problem

The Nigeria federalism is beset with structural imbalance. But true federalism implies that the constituent or federating units should pursue their own developmental programmes at their own pace, utilizing resources within their territory and under their control. But Nigeria's federating units continue to be on the increase resulting in greater pressure being put on available resources. Such pressure makes it impossible for any unit to get fully satisfied with regard to its

shares. Paradoxically, revenue allocation in Nigeria has witnessed a plethora of reviews as evidenced by various committees and commissions instituted in that regard (Okeke, 2004). Yet no reliable formula has been evolved to meet the citizen's yearnings and aspirations. Such experienced deficiencies have triggered off many actions among the lower tiers of government who continually complain of fiscal imbalance..Danjuma (1994) writes:

The existence of a federal system with its accompanying political units necessitates a revenue sharing arrangement to enable each unit to carry out its constitutionally assigned responsibilities. In a federalism the logic underlying the allocation of tax power (revenue sources) does not always tally with the logic underlying the assignment of constitutional responsibilities, there is always a gap between the expenditure obligations and the revenue to these levels of governance. Revenue allocation has been evolved as a mechanism for dealing with this imbalance or gap between expenditure obligations and revenue resources. For such allocation to be effective and efficient, it has to have clearly stated objectives, formula, principle and criteria.

The practice of federalism without recourse to true fiscal federalism amounts to sheer hypocrisy. The fact that the basic issues in Nigeria's fiscal federalism are still hazy has equally encumbered her progressive move towards a true nation state. During the pre independence period, a number of commissions were set up to look into the problems of Nigeria's fiscal federalism. These include: Philipson Commission (1946), Hicks-Philipson Commission (1950), Lenis-chick Commission (1954), Raisman – Tress Commission (1958).

However, notwithstanding the fact that each tried to resolve the controversy surrounding true fiscal federalism in Nigeria, the issue persisted. This culminated in the series of other post-independence commissions that were equally set up to provide the needed panacea on fiscal federalism arrangement for the country. These included: Bins Commission (1964), Interim Revenue Allocation Review Committee (1969), Obigh Commission (1979), Danjuma Commission (1988) etc. Given the scenario, when the country reverted to the democratic rule in 1999, the 1989 constitution was made operational with several attempts to address the plethora of problems associated with the country's fiscal federalism. However, during this period, there existed quite a lot of controversies surrounding the nation's fiscal practice that led to some states in the Niger Delta region taking the Federal Government to court (Olugbemi (2000).

Objectives of the Study

The broad objective of this study is to critically evaluate the working of Nigeria's fiscal federalism and identify problem areas.. The specific objectives therefore are to:

- evaluate the relationship between the federal, state and local government in the area of fiscal federalism

- evaluate the agitations/complaints by the lower tiers of government vis-à-vis the principles of of true federalism
- examine the constitutional provisions of revenue allocation and analyze its implications on the lower tiers of government
- identify the problems hindering smooth running of fiscal federalism in Nigeria.

Hypotheses

- (a) There is a relationship between the problem of revenue allocation in Nigeria and the agitation of balanced fiscal federalism.
- (b) Imperfection in the 1999 constitution of Nigeria has hampered proper fiscal federalism in Nigeria.

Methodology

Research design

The survey was used to gather data on the basis of its usability with large samples as was the case with the present study where N= 100. The study is largely interpretive because it focuses on qualitative and quantitative data.

Sample

Fifty seven respondents formed the sample for the study. The sample had diversity in terms of age, sex, social economic status, and experience among other variables.

Instrumentation

Questionnaire items were used to source data from the respondents. The items sought to which the respondents understood the problem of fiscal federalism in Nigeria as they were conceptualized in the literature review. The questionnaire was pilot tested and rated highly by raters with extensive experience in the use of the instrument for research purposes. The ease of access to the respondents by the researcher, allowed for a personal administration of the instrument which ensured hundred percent return rates thereby eliminating non-return bias. In depth interviews were conducted with the 57 respondents as a follow-up to the questionnaire in order to glean the subtle aspects that questionnaire items could not adequately elicit. Interviews focused mainly on the respondents' justifications for particular response options to questionnaire items.

Data presentation and Analysis

Responses that were relevant to the objectives and hypotheses formulated were used. The method applied in the analysis was difference in proportion, and, in testing the hypotheses formulated, Z-test was used.

Review of Related Literature

Revenue Allocation in Nigeria

The most important element of the Nigerian constitution is the provision of revenue sharing arrangement between the three tiers of government. Revenue sharing arrangement is at two levels. These are vertically between the tiers of government that is federal, state and local government, and horizontally between the component elements of each lower tier of government, that is among states or local governments. The revenue sharing arrangement was influenced by the federal government. These include Raisman Commission (1957), Binns Commission (1964), Dina Commission (1968), Abovade Commission (1980). In 1989 a permanent commission known as National Revenue Mobilization Allocation and Fiscal Commission (NRMFC) was set up. This history of revenue sharing started in 1957 when Raisman Commission recommended the establishment of a Distributable pool Account (DPA) where 30% of import duties, mining rents and royalties were to be paid for the purpose of sharing to the regions. This was however adjusted to 35% in 1964 (Ogo, 2007). Between 1957 and 1963, the revenue sharing formula was adjusted at various times. In 1957 the formula was 40:31:24 and 5% for the Northern, Eastern, Western and Southern Cameroon respectively. This was adjusted in 1961 to 42:32:5:25.5 for North, East and West respectively, following the withdrawal of Southern Cameroon. Further adjustment was made in 1964 after the creation of Mid Western Nigeria. The formula was 42:30:20 and 8% for the North, East, West and Mid West (Eze, 2001)

The Abovade Technical Committee on revenue was set up in 1977. The recommendation of the Committee represented a break from the past, as it recommended that all federally collected revenues, without distinction should be paid into the federation account. The proceeds of the account were to be shared among the federal government, states and for the first time local government councils in order of 60:30 and 10% respectively. It also created a special grant account (3% from the federal government share) to be administered by the federal military government for the benefit of mineral producing areas in need of rehabilitation from emergencies and disasters. In 1980, the Okigbo Commission recommended that all federally collected revenue should be paid into a federation account should be shared as follows: federal, government (53%), state governments (30%), local governments (10%) and special funds (7%) (Chukwuemeka, 2008).

The government accepted the recommendation but the Supreme Court later declared it ultra-vires. The statutory share of the federal government declined from 55% in 1980 to 50% in 1990 and 48.5% in 1993. Similarly the share of local governments increased progressively from 8% in 1980 to 15% in 1990 and 20% in 1993. The value added tax (VAT) proceeds are also shared among the three tiers of government. Initially, the Federal Government received only 20% of the VAT proceeds; to cover administrative costs of collection while states and local governments received 50 and 30% respectively. In 1996, the formula was revised to 35%, 40% and 25% to the federal, states and local governments respectively. This formula was further revised to 25%, 45% and 30% in 1996, while in 1999 the ratio changed to 15, 50, and 35% to federal, states and local governments respectively. The distribution of VAT proceeds among states and local governments is based on derivation (20%, equity (50%) and population (30%).

However, the Babangida regime introduced the deduction of first line charges in 1989 for external debt service, dedicated accounts, such as joint venture companies (JVC) cash calls, NNPC priority projects, National priority projects, and excess crude oil earnings. These charges

further increased the total revenue available to the Federal Government, hence perpetuating over centralization of resources at the centre.

The principles that have guided the sharing of resources among the three tiers of governments include derivations, needs, even development, equality of states, land mass and population. The horizontal distribution formula had remained stable since 1980, except for the increase in derivation principle for mineral revenue to 13% in 1991 (Sani, 2003).

Below are the Revenue Mobilization and Fiscal Commission sharing formula:

Table 1: Statutory Allocation: - Vertical Allocation Formula

Vertical	Percentage
Federal Government	48.5%
State Governments	24%
Local Governments	20%
Special funds	7.5%
Total	100%

Source: Okeke M and Obiora C (2010) P.207

Out of the total 7.5% special fund, 1% is allocated to the federal capital territory (FCT), mineral producing areas (Niger Delta Development Commission, NDDC) 3%, general ecological problems, 2%, derivation 1% and stabilization account 0.5%.

Table 2: Horizontal Fiscal Allocation Formula

Horizontal	Percentage
Equality of states	40%
Population	30%
Internally generated revenue	10%
Landmass and terrain	10%
Social development factor	10%
Total	100%

Source: Okeke M and Obiora C (2010) P.207

The Social Development Factor Fund of 10% is shared as follows: Territorial spread 1.5%, Rainfall 1.5%, Primary and Secondary school Enrolment 4% and Hospital Beds 3%. There exists also a clear-cut pattern for sharing accruals from values added tax (VAT). See the tables below:

Table 3: Vertical Allocation Formula for VAT

Vertical	Percentage
Federal Government	15%
State governments	50%
Local Governments	35%
Total	100%

Table 4: horizontal Allocation Formula for VAT

Horizontal	Percentage
Equality of states	50%
Population	30%
Derivation	20%
Total	100%

Source: Okeke M, and Obiora C (2010) P. 207

Review of Revenue Distribution in Nigeria

The oil revenue constitutes the major source of government revenue and largely determines the amount of revenue to be shared among the three tiers of government. For instance, the oil revenue accounted for 81.9%, 79.35, 70/0% and 76.5% respectively, of total federally collected revenue in 1991, 1994, 1998 and 2001 (Ezeabasili, 2006). Between 1961 and 1989 all federally collected revenue that were paid into the federation account rose from N6.781.4 million in 1978 to N267,703.0million in 1988. However, with the introduction of first line charges in 1989, the amount paid into the federation account dropped to an average of 65.5% between 1989 and 1999 (CBN 2002).

An analysis of the revenue distribution between the three tiers of government showed that the federal government has consistently received the largest figure. For instance the federal government share of the federation account rose from N27.788.8 million in 1991 to N233,258.3, N530,657.6 and N660,644.9 million in 1999, 2001 and 2002 respectively representing 60.9, 50.4 and 56.1% of the shared revenue. The share of states and local government's finances also rose during the period. The share of state governments rose from N103,657.million in 1999 to N251, 570.3 and N388,294.7 million in 2000 and 2002 respectively in current terms (Ezeabasili, 2006). These represented 29.0 and 33.3% of the shared revenue. The same trend was noticeable in the share of local governments from the federation account.

However, the reverse is the case in the sharing of VAT revenue. The state governments usually received the highest figure followed by the local governments while the least amount went to the federal government. For instance, the state governments share of VAT rose from N23,750.5 million in 1999 to N44,912.9 and N52,632 million in 2001 and 2002 representing 57.9 and 60.6 percent, respectively. The Federal Government on the other hand, received N7,121.6, N13358.9 and N15479.7 million in 1999, 2001 and 2002 respectively (Sani, 2003).

Table 5 – Total Federally collected revenue (1990-2013) (in million)

Year	Total Revenue	Oil Revenue	Non-oil revenue	% of oil revenue from the total revenue	% of Non oil revenue from the total revenue
1990	1329.5	8564.4	4726.1	64.4	35.6
1991	11433.7	7814.9	3618.8	68.3	31.7
1992	105087.7	7253	3255.7	69.0	31.0
1993	11252.3	8269.2	2984.1	73.5	26.5
1994	15050.4	10923.7	4126.7	72.6	27.4
1995	1595.8	8107.3	4488.5	64.4	35.6
1996	25380.6	19027	6353.6	75.0	25.0
1997	27596.7	19831.7	7765	71.9	28.1
1998	53870.4	39130.5	14739.9	72.6	27.4
1999	98102.4	71887.1	26215.3	73.3	26.7
2000	100991.6	8288.4	18325.2	81.9	18.1
2001	1909453.2	164078.1	26375.1	86.2	13.8
2002	192769.4	162102.4	30667	83.1	15.9
2003	201910.8	324547.6	41718.4	79.3	20.7
2004	459987.3	408783	135439.7	70.6	29.4
2005	523597	416811.1	114814	78.1	21.9
2006	591151	324311.2	174339.9	70.5	29.5
2007	475040.4	724422.5	150729.2	68.3	31.7
2008	949187.2	1591675.8	224768.4	76.3	23.7
2009	1906159.7	1591675.8	314483.9	83.5	16.5
2010	2231532.9	1707562.8	523970.1	76.5	23.5
2011	1731800	1230800	501000	71.1	28.9
2012	2575110	2074300	500800	80.6	19.4
2013	3901400	3354800	546600	86.0	14.0

Source: Central Bank of Nigeria Statistical Bulletin – Various issues

Table 6 – Statutory Allocation from Federation to the tiers of government (1996-2011)

Year	Fed govt	States	Local Govt.	Total Alloc.	FGN share (%)	States share (%)	LG share (%)
1999	27788.8	19742.2	15720.0	47531.0	58.5	41.5	-
1998	38240.0	24497.3	18316.4	78457.3	48.7	31.2	20.0
1999	51707.7	27060.6	17321.3	97774.7	53.0	28.3	18.7
2000	53661.0	29006.8	17875.5	99989.1	53.7	29.0	17.3

2002	325144.0	38677.4	17586.5	381696.9	85.2	10.1	4.7
2003	81056.0	41626.4	20443.3	140268.9	57.8	29.7	12.5
2004	101000.0	50902.5	30600.9	172345.8	58.6	29.5	11.9
2005	124572.9	66067.1	36746.9	221240.9	56.3	29.9	13.8
2006	218874.5	103657.3	115053.9	359278.7	60.9	28.9	10.2
2007	502294.4	251570.3	118095.7	868918.6	57.8	29.0	13.2
2008	530657.6	404094.0	333900	1052847.3	50.4	38.4	11.2
2009	359000	398800	346900	1692800	50.7	23.6	19.7
2010	917100	419800	448900	1821000	50.4	23.1	19.0
2011	1147900	582200	458000	2438900	47.1	23.9	18.4

Source: Central Bank of Nigeria Statistical Bulletin – various issues

Table 7 – Share of VAT Revenue to the tiers of government (2002-2012)

Years	Fed Govt.	States	Local Govt.	Total Alloc.	FGN Share (%)	States share (%)	LG share (%)
2002	1452.2	5026.0	-	6478.2	22.4	77.6	0.0
2003	7437.8	6340.3	3558.1	17336.2	42.9	36.6	20.5
2004	10746.0	11290.0	3306.9	25342.9	42.4	44.5	13.0
2005	12238.7	13905.3	7586.1	33730.1	36.3	41.2	22.5
2006	9113.8	16206.8	10170.8	35791	26.3	45.3	28.4
2007	7121.6	23750.5	13903.9	44776.0	15.9	53.0	31.1
2008	8255.4	30643.6	12357.3	51256.5	16.1	59.8	24.1
2009	13358.9	44912.9	19320.1	77591.9	17.2	57.9	24.9
2010	15479.7	52632.0	18727.2	86838.9	17.8	60.6	21.6
2011	20000.0	65887.6	39648.4	125536.0	15.9	52.5	31.6
2012	23800.0	96195.6	45648.4	165644.0	14.4	58.1	27.5

Source: Central Bank of Nigeria statistical Bulletin – various issues

Assessment of Fiscal Assignment in 1999 Constitution

The devolution of power in any federal arrangement derives from the vertical division of resources base and expenditure obligations. In most cases, the allocation of functions is dictated by the rule that the federal government should handle responsibilities whose spillover effects are national in character. While the states and local authorities perform those functions whose benefits are local.

In a federal system of government, the functions and responsibilities of each tier of government are specified in the constitution. The exclusive legislative list consists of items on which only the central government could legislate. A concurrent list contains items on which

both the state and the federal could legislate. However, in case of discrepancy, the power of the central government supersedes on these items. Other residual items not stated are left for the local councils to legislate.

The second schedule, section 4 of the 1999 constitution addresses the division of powers between the federal and state governments and the local councils as well as the taxing power and revenue sharing. Under these provisions, functions assigned to the states are residual powers explicitly not assigned to the federal government (Sani, 2003).

Table 8 Assignment of responsibilities in the 1999 constitution

<u>Federal Government</u>	<u>State Government</u>	<u>Local Government</u>
Defense and National sec.	Higher Education	Sewage disposal
Police	Secondary Education	Environmental sanitation
Foreign Affairs	Primary Education	Maintenance of Fed. earth roads
Inter-state roads	Maintenance of standards	Primary education
Mineral exploration	Urban and rural waters	Payment of salaries
International Roads	Transportation	Market stalls
Railways	Housing	Craft and small scale ind.
Airports	Health	
Aviation Facilities	Lighter industries	
Power supply	Agriculture	
Communication	Tourism and Town Planning	
Management of Territorial Waters		
Higher education		
Secondary Education		
Tertiary education		
Agriculture		
Commerce and Tourism		

Source: Ezeabasili in Sanni, G.K. (2003) Emerging Fiscal Issues in *Bullion* 27(3) 9-10

The pattern of responsibilities by the constitution has raised some fundamental issues, which are:

- Functions with high rate of returns such as power supply, port management are assigned to the federal government while functions that are of social assistance with low economic rate of return are assigned to the states and local governments.
- There is no defined role between the federal, state and local government clearly stating responsibility in respect of many conflicting functions such as education and health.

The lopsidedness in the fiscal assignments resulted in intense agitation for fiscal decentralization and resource control that subsequently led to the controversy on on-shore/off shore dichotomy.

Supreme Court judgment on revenue allocation

The major highlights of the Supreme Court of Nigeria judgment on revenue allocation as contained in SC/28/2001 of 5th April, 2002 are as follows:

(a) The deduction of the first line charge, from the Federation Account for debt servicing before payment of the 13% revenue on derivation to the oil producing states is unconstitutional and void.

(b) The under listed economic policy and or practices of the Federal government are unconstitutional being in conflict with the 1999 constitution:

- Exclusion of natural gas as constituent of derivation for the purposes of the provision to section 162(2) of the 1999 constitution
- Non-payment of the share of proceeds from capital gains and stamp duties.
- Funding of the judiciary as a first line charge.
- Servicing external debts via first line charge on the federation account.
- Funding of joint venture contracts and Nigeria National Petroleum Corporation (NNPC) priority projects as first line charge from the federation account.
- Unilaterally allocating one percent of the revenue accruing to the federation accounts to the Federal Capital Territory (FCT) (Sanni 2003, Ezeabasili, 2006).

Matters arising from the Court judgment

The implications of the judgment on Nigeria Fiscal Federalism are multifarious: They include:

- The share of revenue to the states and local councils will be enhanced due to the stoppage of deductions of first-line charges while the share of revenue to the federal government will reduce.
- The extension of derivation principle to process from natural gas will also increase the share of revenue going into the coffers of oil producing states. It is illegal for the federal

Government to deduct from statutory allocation of the local councils, the provision for the maintenance of the primary education, which was usually the major cause of “zero allocation” to some councils.

- The judgment restored the operation of joint account by states and local governments but this is likely to be confronted with many problems. First the release of the share of allocations to local governments by their state governments would be based on political patronage. Second, the operation of the joint account may be used as a weapon for political vendetta against recalcitrant local government chairmen. Also, there is a likelihood of fund diversion and undue interference in the running of local councils by their parent states, local councils would technically cease to be “autonomous” since they will rely more on the state governments for everything they need. The operation of joint account will perpetuate mismanagement and corruption since federal control has been removed. The resultant effect of all these is that development, which is the basic reason for creating local councils, would be a mirage. The chairmen are likely to be accountable to the state governors rather than the electorates who elected them (Sanni, 2003).

Presentation and Analysis of Data

The aim of the analysis is to test for significant difference between the proportions of responses P_1 and P_2 . Because the sample size was large and the parameter, assumed to be normally distributed, the test concerning that parameter is carried out using the Z-test. It is used in testing the hypotheses $H_0: P_1 = P_2$ (i.e. $P=0.5$) as $H_1: P_1 > 0.5$. This is obviously a one-tailed test.

$$Z = \frac{P_1 - P_2}{\sqrt{\frac{Pq}{n}}}$$

Where

P_1 = the proportion of the population that say ‘yes’

P_2 = the proportions of the population that say ‘No’

q = $1 - P$

P = 0.5

n = sample size

Test of Hypotheses

H₀: There is no relationship between the problem of revenue allocation in Nigeria and the agitation for balanced fiscal federalism.

H₁: There is a relationship between the problem of revenue allocation in Nigeria and the agitation for balanced fiscal federalism.

Table 1: Balanced fiscal federalism could only be achieved in Nigeria if federal government adjust the sharing formula to favour the lower tiers of government.

	Yes	No	Total
No of respondents	39	18	57
Proportion	0.68(P_1)	0.32(P_2)	1.00

$$\sqrt{\frac{0.68 - 0.32}{(0.5)(0.5) \cdot \frac{1}{57}}} = 5.4$$

Using the normal distribution table at $\alpha = 0.05$, the tabulated Z – value is 1.645, hence one-tailed test for equality of the two proportion (i.e. H_0) is rejected in favour of H_1 . Conclusion therefore, is that P_1 is significantly greater than P_2 .

Decision – Since the value of Z – calculated is greater than the value of Z – tabulated, the H_0 is rejected.

Conclusion: P_1 is significantly greater than P_2 which means that there is no relationship between problem of revenue allocation in Nigeria and agitation for balanced fiscal federalism in Nigeria.

Hypothesis 2

H_0 : Imperfection in the 1999 constitution of Nigeria has not hampered proper fiscal federalism in Nigeria

H_1 : Imperfection in the 1999 constitution of Nigeria has hampered proper fiscal federalism in Nigeria

Table 2:

	Strongly agree	Agree	Disagree	Not sure	Total
No of respondents	28	19	7	2	58
Proportion	0.5	0.33	0.13	0.04	1.00

Since there are four responses, the natural thing is to assume, under H_0 that the proportion of responses are equal, hence assumption is that $P = 0.25$.

$P_1 = 0.5$, $P_2 = 0.33$, $P_3 = 0.13$ and $P_4 = 0.04$ and compare them each with the population proportion of $P = 0.25$.

For ‘Strongly agree’

H_0 : the proportion of P_1 is 0.25 (i.e. $P_1 = p$)

H_1 : P is not equal to 0.25 (i.e. $P_1 \neq P$)

Test statistics Z , since sample size is large (i.e. $n > 30$)

So
$$\frac{P_1 - P}{\sqrt{\frac{P(1-P)}{n}}} = \frac{0.5 - 0.25}{\sqrt{\frac{(0.25)(0.75)}{56}}} = 4.32$$

For $\alpha = 0.05$, for a two-tailed test, Z from the normal distribution table is 1.96.

Decision: - Since the calculated Z (4.32) is greater than the tabulated Z (1.96), H_0 is rejected. Conclusion therefore is $P_1 \neq P$ hence, sufficient evidence abound that the proportion of respondents who strongly agree is significantly greater than 0.25.

There is also need to test 'Agree' responses for significant difference from $P_1 = 0.05$

The procedure is to carry on as before'

$$Z = \frac{0.5 - 0.251}{\sqrt{\frac{(0.25)(0.75)}{56}}} = 1.38$$

For $\alpha = 0.05$, the tabulated Z = value is 1.96. Since Z = - calculated is 1.38 which is less than 1.96m H_0 is accepted. Conclusion is that the proportion who agree to the opinion is not significantly higher than 0.25.

For 'disagrees' an 'Not sure' opinions, it can be seen that the figures are very small. Considering the result from 0.33 figures an inference can be made that the outcome of the 'disagree' and 'not sure' opinions will not be significantly higher than 0.25. And this will amount to testing the obvious.

Conclusion: Since the imperfection in the 1999 constitution in 1999 constitution of Nigeria has hampered proper fiscal federalism in Nigeria, the constitution requires urgent amendment.

Summary of Findings

The following findings were made:

- (a) Fiscal federalism has helped to reduce inter-governmental tension in Nigeria
- (b) Fiscal federalism has led to the duplication of governmental functions and waste of public funds in Nigeria
- © Imperfection in the 1999 constitution has hampered proper fiscal federalism in Nigeria.
- (d) It was also revealed that vertical and horizontal fiscal federalism issues remain the centre-piece of inter-governmental fiscal relations in Nigeria and in fact, a vertical source of the national question.

Recommendations

In the light of the findings, we recommend as follows:

- (a) The Nigerian fiscal responsibility bill, due process should be adhered to by public officers. More so, effort should be made to ensure that all tiers of government adhere to fiscal transparency, accountability and constitutional provisions on fiscal relations.
- (b) Federal government should ensure that all the stakeholders are represented in fiscal federalism that would be permanent.

© Efforts should be made to ensure a radical review of the functions of each level of government in the constitution. Such review should take cognizance of the respective capabilities of each level of government to perform services assigned to that most effectively and efficiently.

(d) Local government should be given some degree of financial autonomy through the restructuring of the taxation powers.

(e) Expenditure discretion should be given to the sub-national government in appropriate areas of public spending and improve the accountability of sub-national officials to their constituents and the provision of sub-national services.

(f) It is very necessary that National Fiscal Commission is established to enhance inter-governmental understanding and cooperation in ways conducive to dialogue between federal, state and local government actors.

Conclusion

It could be difficult to attain efficient and dynamic tiers of government system without ensuring that functions assigned to the tiers of government are properly aligned with tax raising powers or fiscal jurisdiction.

Research carried out by Uzoma (2004) has proved that while the assignment of expenditure responsibilities among tiers of government appears to accord with the conventional wisdom on such, as well as with the patterns in majority of federal arrangements around the world. Thus more decentralized governance especially in terms of increase in local government and increased transfer of revenues to lower tiers of government would stimulate economic activities and growth.

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