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FISCAL STRUCTURE AND SOCIOECONOMIC WELLBEING OF NIGERIAN POPULACE UNDER DEMOCRATIC REGIME

Amaefule, Leonard Ifeanyi, PhD, MAMN
Department of Accountancy,
Faculty of Management Sciences,
Imo State University Owerri, Nigeria.

Nwaimo Steve Chijioke, PhD, FCA, ACTI
Department of Accountancy,
Gregory University Uturu,
Abia State, Nigeria.
drchijiokenwaimo@gmail.com

ABSTRACT: *This study analyzed the impact of fiscal structure on socioeconomic wellbeing of Nigerian populace under the democratic dispensation. The statutory revenue allocations to the three tiers of government in Nigeria were used in this study to typified fiscal structure while socioeconomic wellbeing was measured with human development index (HDI). Data collected were subjected to Vector Error Correction Mechanism and results indicated that allocations to: the federal government showed no significant impact on HDI; the state governments exhibited significant negative impact on HDI while the local governments exerted a significant positive impact on HDI. The study therefore holds that the local government system remains the most efficient level of governance in terms of bettering the wellbeing of the people. The study recommended (among others) that the huge fiscal responsibilities allocated to the federal government of Nigeria should be depleted and transferred to the government closer to the populace (the local government).*

KEYWORDS: fiscal structure, statutory allocation, socioeconomic wellbeing, human development index

INTRODUCTION

The extent of economic performance witnessed in any economy is a direct reflection of the level of investment in socio-economic facilities in the economy. Consequently, the quality of life that the citizens enjoy in any economy has direct bearing on the level of investment in basic infrastructures which is prominently facilitated by the government’s spending patterns. Nigeria operates a federal system of government where there are three distinct levels of government, each level having the constitutional powers to champion the developmental course of its immediate constituencies. The amount of resources at the disposal of each of these three liters of government, at any point in time, therefore plays significant role in securing the economic status of the entire populace.

Nigeria, until 1999 had a chequered administrative history characterized majorly with military rules and scantly with civilian regimes. However, since 1999 to date, the country has had an unbroken transition of political power; thus, it is believed that democratic regime has been enthroned in the system of governance of the nation. It has been argued by scholars that military regimes are aberration of governance (Bamgboye, 2014); therefore, the structure of Nigeria's fiscal arrangements before 1999 was mainly determined by the overbearing power of the military dictators. Hence, the scope of the study, democratic era (2000-2019).

Given that development of any economy is largely judged from the perspective of the quality of life of the populace, the tiers of government closer to the people (the state and local governments) should necessarily have enough economic power (resources) to engender high standard of living of the people and in turn, economic development of the society (Kolawole & Odubunmi, 2015; Iheanacho, 2016). This underscores the need for a fiscal arrangement that would better predispose the lower level governments in tackling the direct needs of the citizenry.

Lamidi and Fagbohun (2013) observe that poor revenue conditions of the subordinate units in Nigeria have been the bane of national development of the country. Thus, it is believed that the current fiscal arrangement of Nigeria is lopsided in favor of the federal government, at the expense of the other two tiers of government; Consequently, calls for rearrangement of the nation's fiscal structure has always dominated the nation's media space; this has also resulted to several attempts to change the revenue sharing formula among the three tiers of government by various previous governments which resulted to the inauguration of different committees, at different times, to review the sharing formula (for instance; the Phillipson Commission of 1946; the Hicks-Phillipson Commission of 1950; the Louis-Chick Commission of 1954; Raisman-Tress Commission of 1958; the Binns Commission of 1964; the Dina Commission of 1969, the Aboyade Technical Committee on Revenue Allocation of 1977; the Okigbo Commission of 1979 and Danjuma commission of 1988 which cumulated to the establishment of the Revenue Mobilization, Allocation and Fiscal Commission by 1989).

Several attempts have been made by scholars to underscore the need for an efficient fiscal structure in Nigeria that would enhance rural development. For instance, Lukpata (2013) argues that there is need to devolve more financial resources from the federal government to local governments because, according to him, the states and local governments are more grass root oriented and the vast majority of Nigerians live in the rural areas where basic amenities are lacking. However, Olofin, et al (2012) opine that revenue allocation remains a very sensitive issue which continues to spark off reactions from all stakeholders at all times; especially in Nigeria where ethnic plurality and language heterogeneity characterize the country's existence. In fact, several agitations bothering on resource control and the renewed call for restructuring of Nigeria's socio-political arrangements all stem from the feelings of marginalization, imbalanced and lopsided fiscal arrangement both vertically and horizontally (Osmond, Kalu & Nwosu, 2018).

But it is worrisome that despite several attempt by the Nigerian government to realign the nation's fiscal arrangement as evidenced by the several committees inaugurated in the past, the agitations and calls for restructuring has continued to occupy a prominent ground in the country's socio-political space, with its attendant threat to the nation's coexistence. Incidentally, there seem to be dearth of empirical evidence to support the agitation for restructuring of Nigeria in terms of its anticipated turnaround on the economic fortunes of the Nigerian populace, as most of such agitations are advanced in the dailies and social media. Besides, most of the arguments on restructuring seem to tilt towards political restructuring which focuses on clear separation of powers among the three tiers of government and the enthronement of federal character in the political setup of Nigeria (typified in what is known as rotational government); yet, these have been reasonably covered in the existing legal framework of the nation (the constitution).

This study therefore believes that rather than agitating for political restructuring, fiscal realignment may be the way to go. Although previous empirical evidence exists on the nexus between revenue allocation and economic growth of Nigeria but most of such studies focused on fiscal federalism and economic growth. No clear attention seems to have been paid specifically, on the interplay between the prevailing fiscal structure and the socio-economic wellbeing of the Nigerian populace, particularly since the emergence of the nation's nascent democracy in 1999. Besides, the available empirical evidences seem conflicting, such that while some scholars have found significant relationship between revenue allocation to the federal government and economic growth (for instance: Dang, 2013); others found insignificant relationship between the two variables (example: Omodero, Azubike & Ekwe, 2018); suggesting an inconclusive research on the subject matter. Thus, there is the need to further investigate the nexus between the current fiscal arrangement of Nigeria and the socio-economic wellbeing (typified in the human development index) of the populace.

This study therefore examines the impact of Nigeria's fiscal structure (evidenced by revenue allocation to each of the tier of government) on the nation's human development index for the period covering 2000 – 2019.

LITERATURE REVIEW

Conceptual Review

The key concepts of the study include fiscal structure and socioeconomic wellbeing. The proxies of the two key variables are conceptualized in the following framework:

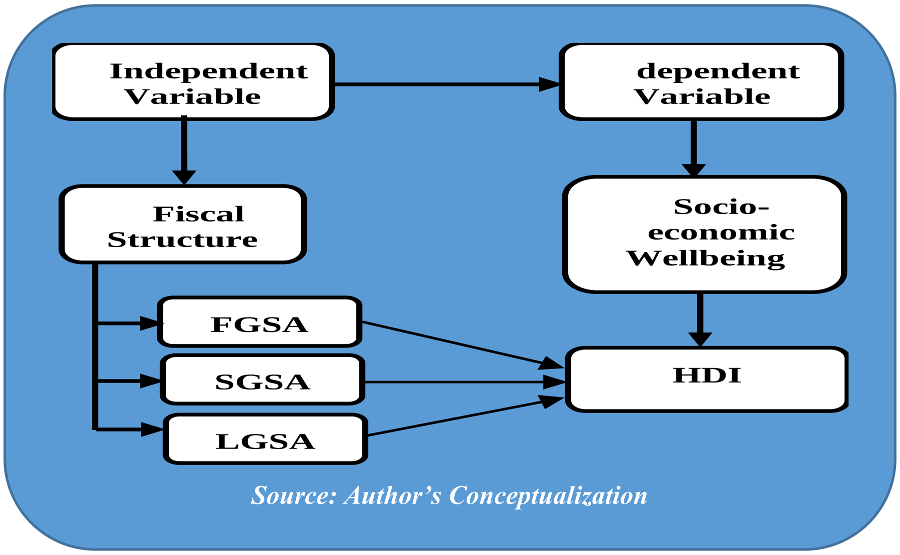

Fig. 1: *Conceptual Framework*

Key: *FGSA means Federal Government Statutory Allocation*
SGSA means State Government Statutory Allocation
LGSA means Local Government Statutory Allocation
HDI means Human Development Index

The Concept of Fiscal Structure

The word 'fiscal' according to the Oxford Advanced Learner's Dictionary relates to government or public money. The dictionary also defines the word 'structure' as the arrangement of and relations between parts or elements of something complex. The term 'fiscal structure' in this study therefore denotes the decentralization of fiscal responsibilities of a nation to the various constituent or federating units (Coady, 2017). Fiscal structure is also referred to as fiscal federalism or fiscal decentralization; which is a fiscal system applicable to a nation where federalism is practiced. Akujuru (2015) describes federalism as a system of government where there is constitutional division of power between two or more levels of government.

The structure of the Nigerian economy is such that revenue mobilization for national economic development is generated from the various sources as prescribed by the constitution of federal republic of Nigerian and accumulated into a single national treasury referred to as "the Federation Account" (Amaefule, 2015). Section 162(1) of the 1999 constitution defines the federation account as a special account required to be maintained by the federation of Nigeria, into which shall be paid all revenues collected by the government of the federation except the proceeds from the personal income tax (PIT) of the Armed Forces of the Federation, the Nigerian Police Force, the Ministry or Department of Government charged with the responsibility of Foreign Affairs and the residents of the Federal Capital Territory (FCT) Abuja. This account is also described as a distributable pool account, the balance of which shall be distributed among the federal, state and local governments, on such terms and in such manner as may be prescribed by the government (Omodero, Ihendinihu & Dandago, 2019). It is from this accumulated fund account that distribution is made to the three tiers of government by the Federation Account Allocation Committee (FAAC) using the existing Revenue allocation formula usually on a monthly basis.

The FAAC was set up by the federation account act Cap A15, LFN 2004; to deliberate upon and allocate funds from the federation account to the three tiers of government; these deliberations and allocations take place during the monthly FAAC meetings (Amaefule, 2015). The FAAC meeting is normally divided into two sessions (the technical and plenary sections). The technical section carryout the functions which include considering the accounting returns of revenue collecting agencies, deliberating and considering the revenue available for distribution and to make recommendations to the plenary session for the adoption of the revenue to be shared to the three tiers of government. The plenary session on the other hand, carries out such function as ensuring that allocations made to the states from the treasury account are promptly and fully paid into the treasury of each component, on such bases and terms prescribed by law; and to submit annual report of its performance and activities to the national assembly (Omodero, Ihendinihu & Dandago, 2019).

The FAAC consists of Minister of States for Finance (Chairman), Accountant General of the Federation, Commissioners of Finance of the 36 states of the federation and representatives of other key revenue generating and fiscal management institutions of the government such as the Central Bank of Nigeria, Nigerian National Petroleum Corporation (NNPC), Federal Inland Revenue Service, Customs, National Pension Commission, Debt Management Office, among others. The operations of the FAAC are overseen by the Revenue Mobilization Allocation and Fiscal Commission (RMAFC). The RMAFC was established by the Decree No. 49 of 1989 to oversee revenue sharing and mobilization. RMAFC is constitutionally charged with the responsibility of ensuring that this disbursement exercise is accurate, fair and transparent (Ohiomu & Oluyemi, 2017).

The Nigeria's fiscal structure, at any point in time, is therefore typified in the statutory amount allocated to each tier of government which is referred to statutory allocation in this study.

The Concept of Socioeconomic Wellbeing

The socioeconomic wellbeing of any people is signified in their social and economic status at any point in time. According to the American Psychological Association (APA), socioeconomic status is the social standing or class of an individual or group. It is often measured as a combination of education, income and occupation. This, in other words, indicates the level of development of human elements in the given society; thus, socio-economic wellbeing of Nigeria populace could safely be measured with the Human Development Index (HDI) of the country.

The HDI of a people, among other things, is a measure that expresses a long and healthy life and access to knowledge (Amaefule, 2019). The Human Development Report (2013) asserted that a long and healthy life is measured by life expectancy and access to knowledge; which is measured by: (i) mean years of schooling for the adult population, which is the average number of years of education received in a life-time by people aged 25 years and older; and (ii) expected years of schooling for children of school-entrance age, which is the total number of years of schooling a child of school-entrance age can expect to receive if prevailing patterns of age-specific enrolment rates stay the same throughout the child's life.

Theoretical Framework

The study is centrally hinged on fiscal federalism theory as propounded by Musgrave (1959). Musgrave, a German-born American economist holds that in federalist state, the central government should give the lower tiers of government more funds for them to function effectively. Musgrave's argued that the central government or federal government has the capability and should solve economic issues confronting the federating units by allocating more resources to them or by giving them the constitutional power to be able to generate resources in their respective units or within the larger whole in order for them to be responsive to their local development challenges. Musgrave's theory of equitable and fair share of national wealth among the tiers of government and advancing more fund to the lower units of government is based on the fact that the lower units (local government, then state government before the central government) are closer to the people and should be better disposed to drive economic growth in the economy.

Ewetan (2012) while supporting the postulations of Musgrave's theory believes that if the federal government provides a conducive environment for fiscal federalism to thrive, the federating States would be in a better position to meet the development needs of its peoples. Hence, Arrow (1971) in Bamgboye (2018) argues that Musgrave postulations defined the pattern of fiscal relations and responsibilities among the tiers of government under a federal entity that if religiously adopted in any federal state would support even economic growth and development in general and citizen's per capita income in particular. It is however disturbing that Nigeria is purportedly practicing federalism system of government (having three ties of government) but in practice, negates this theory of fiscal federalism as propounded by Musgrave through the government's lopsided revenue sharing formula which allocates more than half of the total nationally collected revenue to the federal or central government against the postulations of Musgrave's theory.

It is against this backdrop that this study adopted the Musgrave's fiscal federalism theory as its theoretical underpin as it believes that this theory reveals the nexus between Nigeria's fiscal arrangement and the people's socioeconomic wellbeing which is the focal point of this study.

Empirical Review

Some existing empirical studies conducted by scholars around the subject matter of this study were reviewed in the course of the study and are reported as follows:

Owolabi (2011) studied on the nexus between fiscal federalism and economic growth process in Nigeria. Ordinary least square regression was employed by the author in analyzing the data collected for the study. The study found that the share of local and federal government from the federation account contributes to the economic growth process of Nigeria while the share of state government from the Federation on account does not perform as expected.

Dang (2013) on his part, examined the impact of revenue allocation on economic development in Nigeria. Error correction model (ECM) and Pairwise Granger Causality test were used in analyzing the times series data collected for the period 1993 to 2012. The study found that revenue allocations to federal and local governments have significant positive causal relationship with economic development in Nigeria while revenue allocation to states has significant negative relationship with economic growth. The study further found evidence of joint significant effect of revenue allocation to the various tiers of government on economic growth of Nigeria.

Olowolaju, Ajibola, Ishola and Falayi (2014) analyzed the effects of statutory allocation on the economic performance of Ekiti State. The authors collected data from secondary sources of actual Federal allocations overtime and Gross Domestic Products with the internally generated revenue (IGR). The study adopted a regression analysis model to test the effects of both the statutory allocation and IGR on the economic development (GDP) of the State, to confirm which of two sources of revenue, is the real driver of the economy. Findings from the analysis showed that Statutory Allocation (SA) exerts a positive correlation with Gross Domestic Product.

In their study titled fiscal federalism in Nigeria: implication for growth, Ojide and Ogbodo (2015) examined growth evidence of federal government allocation share, state governments' allocation share, and state governments' internally generated revenue in Nigeria. The authors utilized aggregate annual data obtained from the Central Bank of Nigeria annual Statistical Bulletin for a period of 1970 to 2009. Econometric approach with multiple regression was employed as the statistical tool used in analysis of the data collected. Results of the analysis show that allocations to the federal government, allocations to the state governments and state governments' internally generated revenue significantly impact growth on aggregate note. However, on a specific note, while allocations to the federal government and state governments' internally generated revenue impact positively on growth; allocations to the state governments showed negative impact on growth measured with real gross domestic product.

Ohiomu and Oluyemi (2017) in their study on fiscal federalism and economic growth nexus: empirical evidence from Nigeria, synthesized the extent to which revenue allocation formula has affected the path of economic growth and sustainable national development. The authors adopted the error correction model (ECM) in analyzing the time series data collected for the study. The results from the study show that revenue allocations to the federal government has positive but insignificant effect on the nation's GDP; revenue allocation to states has positive and significant effect while allocation to the local governments has negative and insignificant effect on the GDP. The study however found a joint significant effect of revenue allocation on economic growth of Nigeria.

Amah and Omodero (2017) carried out a relational analysis of the effect of federation accounts and federal government retained revenue on the Nigerian economic growth, covering periods between 1981 - 2015. The study employed multiple regression in the analysis of data and t-test in testing the formulated hypotheses. The result of the study's analysis revealed that federation account and federally internally generated has a strong positive relationship and impact on gross domestic product among the other proxies for the dependent variable.

Omodero, et al (2018) examined the extent to which revenue allocation enhances economic development using time series data obtained from CBN Statistical Bulletin, which covered a period from 1981 to 2016. The study employed Ordinary Least Squares technique for data analysis and the findings revealed that revenue allocation to state government and Niger Delta States derivation have significant negative impact on per capita income; revenue allocation to local government has significant positive impact on per capita income while revenue allocation to federal government has insignificant negative impact on per capital income.

Omodero, et al (2019) evaluated the impacts of federation account allocated funds to the three tiers of government on economic growth both before and after return of democracy in Nigeria. The study employed ordinary least square (OLS) regression to analysis the data collected for periods covering 1989-1998 (pre-democratic restoration period) and 2007-2016 (post-democratic period). The study provided empirical evidence that utilization of federation account allocated funds to the state and local governments does not have significant positive impact on economic growth in the country, both before and after reinstatement of democracy while allocation to federal government exerted significant positive influence on growth only after democracy restoration but insignificant negative impact on growth prior to return of democracy.

METHODOLOGY

This study employed quasi-experimental research design. Quasi experiment design takes a number of measures, such that the relationship between the dependent and independent variables over a given period of time can be measured. This explanation is in tandem with the main thrust of this study which is to examine the impact of fiscal structure on the socioeconomic wellbeing of Nigerian populace. Data for the study's independent variables (namely; government's statutory allocations to federal, state and local governments) and dependent variables (namely; socio-economic wellbeing measured with human development index) for periods of 2000 – 2019 were sourced from the Central Bank of Nigeria (CBN) statistical bulletin, world bank reports and index mundi. Data collected were subjected to stationarity test using Augmented Dickey Fuller (ADF) unit root test to ascertain their stationarity. Given that none of the data series showed evidence of stationarity at level but all became stationary after first difference, cointegration test using Johansen cointegration analysis was employed to confirm any long-run relationship among the dependent and independent variables; after which the Vector Error Correction Mechanism (VECM) was employed in analyzing the models formulated to achieve the objective of the study.

The following regression model is formulated in this study in its explicit form to capture the variables of the study:

$$HDI = F(FGSA, SGSA, LGSA) \quad \text{- - - -} \quad 1$$

Where: HDI stands for Human Development Index
FGSA stands for Federal Government's Statutory Allocation
SGSA stands for State Governments' Statutory Allocation
LGSA stands for Local Governments' Statutory Allocation

To bring the various variables to a common base, the data were logged using natural logarithm. Expressing equation (1) in econometric form and recognizing the logging of the data, we have the following operational model:

$$LnHDI = \lambda_0 + \lambda_1 LnRAFG + \lambda_2 LnRASG + \lambda_3 LnRALG + E \quad \text{- - - -} \quad 2$$

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Where: λ_0 represents the intercept of the regression line
λ_1, λ_2, λ_3 represents the coefficients of the three independent variable proxies
E represents the error term or the stochastic variable of the regression model

RESULTS/FINDINGS

The result of Augmented Dickey Fuller (ADF) unit root test conducted on each of the data series are presented in appendix I. The result reveals that all the data series for both the dependent and independent variables became stationary after the first order differencing. This gives indication of possible cointegration among the variables in the long run. Consequently, the cointegration results in appendix II show that both the trace statics and Maximum Eigen statistics reveal the presence of four cointegration equations each. This gives indication of the possibility of both short run and long run relationships between the independent variables (fiscal allocations) and the dependent variables (human development index).

To establish the nature of the long run relationships in the model, the Vector Error Correction Mechanism (VECM) results presented in Appendix III show the short-run adjustment relationship between the fiscal structure indices and the socio-economic wellbeing index (HDI). The coefficient of the error correction terms of the model has negative signs with the value of -0.1348; lying between -1 and 0. This implies that the error term of the model is rightly assigned and the model is correctly specified. The results show about 13% adjustment speed to long run equilibrium in a year. The result also signified that the short-run adjustment to long-run equilibrium is statistically significant with the t-value of -2.40728. The rule of thumb states that if t-value is less than or equal to 2 in absolute terms, it signifies that the short-run adjustment to long-run equilibrium is not significant while t-value that is greater than 2 in absolute terms suggests a significant speed in short-run adjustment to long-run. Therefore, this study affirms that Nigeria's fiscal structure (typified in the revenue allocations to federal, state and local governments) has significant equilibrium relationship with human development index.

To further confirm the long-run and short-run effects of Nigeria fiscal arrangement on socio-economic wellbeing of the populace, Least Squares (Gauss-Newton / Marquardt steps) tests was conducted for long-run and short-run equilibrium tests. From the result Gauss Newton Statistics as captured in appendix IV, the long-run equilibrium result is confirmed in the coefficient and probability value of C1. The rule of thumb requires the value of the coefficient of C1 (the speed of adjustment) to be negative and statistically significant for it to retain its economic relevance and interpretation. The result satisfies this requirement with the coefficient value of -0.1349 and P-value of approximately 0.03. This indicates that the departure from long-run equilibrium is corrected in each period at an approximate rate of 13%; and the P-value of 0.03 implies that the explanatory variables (fiscal structure indices) in the specification granger causes the dependent variables (socioeconomic wellbeing measured with HDI) in the long-run. The adjusted R^2 of approximately 86% indicates a jointly strong long-run influence of fiscal structure proxies on the socioeconomic wellbeing index (HDI); this is corroborated by the joint significance result of F-statistic (prob.) of 0.00 which is significant. The Durbin-Watson (DW) statistic of about 1.7 (which is approximately 2) indicates that the series in the model is free from autocorrelation and therefore validates decisions and inferences from the result of the analysis.

Appendix IV also reveals the short-run individual relationship between each of the indices of fiscal structure and the human development index. The coefficients of FGSA C(3), SGSA C(4) and LGSA C(5) are 0.01, -0.10 and 0.13 respectively with their corresponding P-values of 0.86, 0.01 and 0.00. From this result, it is evident that the federal government's statutory (FGSA) has no significant impact on the socioeconomic wellbeing of the Nigerian populace. On the other hand, the state governments' statutory allocation (SGSA) has significant negative impact on the socioeconomic wellbeing of the people while the local governments' statutory allocation (LGSA) exerts significant positive impact on socioeconomic wellbeing of the Nigerian populace.

DISCUSSION OF FINDINGS

The results of the analysis of the study are further discussed as follows:

i. The statutory allocation to the first tier of government in Nigeria (the federal government) since the enthronement of democracy in the country has not shown any statistical evidence of significant impact on the socioeconomic wellbeing of the nation's populace. This finding agrees with Ohiomu and Oluyemi (2017) to the extent of their findings that revenue allocation to the federal government is associated with insignificant effect on the gross domestic product of Nigeria. The finding however disagrees with Owolabi (2011); Dang (2013); Amah and Omodero (2017); whose findings indicated that the share of federal government from the federation account contributes to the economic growth process of Nigeria.
ii. The statutory allocation to the second tier of government (the state government) within the period under review gives indication of a significant negative impact on the socioeconomic wellbeing of the Nigerian populace in the short-run. This finding is in total agreement with Omodero, et al (2018) whose study found that allocation to state government significantly and negatively affects economic development measured with per capita income. The finding is also in alliance with Ohiomu and Oluyemi (2017) to the extent of their findings that revenue allocation to states exerts significant effect on GDP but does not agree with the authors to the extent that the significant effect on GDP is positive. The finding of the study also agrees with Dang (2013) to the extent of his finding that revenue allocation to states has negative relationship with economic growth. The current finding however disagrees with Olowolaju, et al (2014) who found that statutory allocation to state governments (Ekiti State in particular) exerts a positive correlation with Gross Domestic Product. There is also disagreement of the finding with Omodero, et al (2019) who found that utilization of federation account allocated funds to the state government does not have significant impact on economic growth in the country, both before and after reinstatement of democracy.
iii. Findings from the analysis with respect to the third independent variable indicates that the statutory allocation to the local government (the third-tier government) since the democratic regime in Nigeria has significantly and positively impacted on the socioeconomic wellbeing (HDI) of the Nigerian populace. This finding agrees to the finding of Owolabi (2011) which asserts that the share of local and federal government from the federation account contributes to the economic growth process of Nigeria. Conversely, this finding disagrees with Ohiomu and Oluyemi (2017) who found that allocation to the local governments has no significant effect on the GDP; and Omodero, et al (2019) who found empirical evidence that utilization

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of federation account allocated funds to local governments does not have significant impact on economic growth in the country, both before and after reinstatement of democracy.

iv. The Nigeria's fiscal structure indices in this study jointly impact on the socioeconomic wellbeing of the people in the long run. This is in agreement with Ohiomu and Oluyemi (2017) who found that a long run joint significant effect of revenue allocation exists on economic growth of Nigeria.

Implication of Findings to Research and Practice

i. Research on the nexus between Nigeria's fiscal structure, fiscal arrangement or revenue allocation and economic performance or wellbeing of Nigeria still remain inconclusive as the current study has further confirmed that studies around the subject matter can only produce mixed findings such that while some authors find significant impact of the various proxies (components) of statutory allocation on economic performance, some others find no significant impact.
ii. The current fiscal arrangement of Nigeria does not support optimal economic performance of Nigerian economy and stiffens the citizens socio-economic welfare.

CONCLUSION AND POLICY RECOMMENDATIONS

The first tier of government in Nigeria (the federal government) which has been taken credit of the bulky portion of the distributable revenue of the federation has not justified the efficient utilization of the huge allocation at her disposal. The second tier of government (the state government) has not affected the lives of the populace positively given the seemingly meager resources at her disposal. The local government remains the most relevant level of government to the Nigerian populace. Its activities fuel the economic wellbeing of the people. The result has refuted the call in some quarters for the scraping of the local government system. Therefore, the Nigeria revenue sharing formula since the return to democracy in 1999 is not efficient; hence, the snail pace of development and poor standard of living of the Nigerian populace cannot be unconnected with this.

Sequel to the foregoing, the study advances the following recommendations:

i. The call for restructuring should be rightly specified and focused on fiscal restructuring rather than political restructuring in terms of creation of more states, rotational presidency, among others.
ii. Fiscal allocation to the federal government of Nigeria should be reduced and given to the government closer to the populace (the local government).
iii. The national assembly should review the current legal framework guiding revenue allocation in Nigeria to provide for more share of revenue from the federation account to the state and local governments.

Future Research

Further studies should be undertaking by future researchers in the following area:

i. Fiscal decentralization and economic development of Nigeria.
ii. Nigeria's fiscal structure and economic performance: A Pre-post evaluation of the democratic regime.
iii. Statutory Allocation Versus Internally Generated Revenue: Implications on Nigeria's Infrastructural Development.

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APPENDIXES

Appendix I: Result of ADF Unit Root Test

Variable	ADF Test Statistic	Test Critical Value @ 1%	Test Critical Value @ 5%	P-value	Order of Integration
LnHDI	-8.786477	-3.857386	-3.040391	0.0000	I(1) / Stationary
LnFGSA	-4.453918	-3.857386	-3.040391	0.0030	I(1) / Stationary
LnSGSA	-4.661530	-3.857386	-3.040391	0.0020	I(1) / Stationary
LnSGSA	-3.757925	-3.857386	-3.040391	0.0122	I(1) / Stationary

Source: *Deductions from E-View11 Statistical Result, 2020*

Appendix IV: Result of Johansen Cointegration Analysis for Model

Date: 07/31/20 Time: 18:14
Sample (adjusted): 2003 2019
Included observations: 17 after adjustments
Trend assumption: Linear deterministic trend
Series: LNHDI LNFGSA LNSGSA
LNLGSA
Lags interval (in first differences): 1 to 2

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.998570	170.8535	47.85613	0.0000
At most 1 *	0.900036	59.49941	29.79707	0.0000
At most 2 *	0.613418	20.34943	15.49471	0.0086
At most 3 *	0.218558	4.192447	3.841465	0.0406

Trace test indicates 4 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.998570	111.3540	27.58434	0.0000
At most 1 *	0.900036	39.14999	21.13162	0.0001
At most 2 *	0.613418	16.15698	14.26460	0.0248
At most 3 *	0.218558	4.192447	3.841465	0.0406

Max-eigenvalue test indicates 4 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

Source: *Deductions from E-View11 Statistical Result, 2020*

Appendix III: Vector error Correction Model (VECM) Result

Error Correction:	D(LNHDI)	D(LNFGSA)	D(LNSGSA)	D(LNLGSA)
CointEq1	**-0.134856**	0.126793	0.947152	1.513670
	(0.05602)	(0.48763)	(0.84545)	(0.64723)
	[-2.40728]	[0.26002]	[1.12029]	[2.33869]

Source: *E-View (Version 11) Statistical Result, 2020.*

Appendix IV: Short-Run & Long Run Equilibrium Test using Gauss-Newton / Marquardt steps

Dependent Variable: D(LNHDI)
Method: Least Squares (Gauss-Newton / Marquardt steps)
Date: 07/31/20 Time: 19:32
Sample (adjusted): 2002 2019
Included observations: 18 after adjustments
D(LNHDI) = C(1)*(LNHDI(-1) + 0.127729982439*LNFGSA(-1) + 0.214806685633*LNSGSA(-1) - 0.489815267568*LNLGSA(-1) + 1.32606886236) + C(2)*D(LNHDI(-1)) + C(3)*D(LNFGSA(-1)) + C(4)

*D(LNSGSA(-1)) + C(5)*D(LNLGSA(-1)) + C(6)

	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	-0.134856	0.056020	-2.407283	0.0331
C(2)	-0.662694	0.112507	-5.890268	0.0001
C(3)	0.008124	0.043595	0.186352	0.8553
C(4)	-0.101044	0.032743	-3.085994	0.0094
C(5)	0.133890	0.034674	3.861360	0.0023
C(6)	0.011129	0.005515	2.017971	0.0665

R-squared	0.859618	Mean dependent var	0.008287
Adjusted R-squared	0.801126	S.D. dependent var	0.044103
S.E. of regression	0.019668	Akaike info criterion	-4.758467
Sum squared resid	0.004642	Schwarz criterion	-4.461677
Log likelihood	48.82621	Hannan-Quinn criter.	-4.717544
F-statistic	14.69624	Durbin-Watson stat	1.650787
Prob(F-statistic)	0.000093		

Source: *E-View (Version 11) Statistical Result, 2020.*