



## Contemporary Issues and Prospects towards Effective Implementation of Revenue Allocation in Nigeria

IBEME PATRICIA NWAMAKA , ABIMBOYE JULIUS TAIWO, MAVIS MADU  
National Open University of Nigeria

CHINENYE MIRIAM ATUEGBU  
Glasgow Caledonian University, United Kingdom.

ARINZE YVES IBEME.  
Dalhousie University, Halifax, Nova Scotia

**Abstract.** The study examined the contemporary issues and prospects towards effective implementation of revenue allocation in Nigeria. Three research questions guided the study. The study adopted a descriptive survey research design. The population of the study comprised 288 budget Officers under the Federal Ministry of Finance. The instrument for data collection was structured questionnaire developed by the researchers: Implementation of Revenue Allocation Questionnaire (IRAQ). The instrument was face validated by three experts, two from the Department of Public Administration, National Opening University of Nigeria, Abuja Study Centre and one from the Department of Public Administration and Local Government Studies, Faculty of Social Sciences, University of Nigeria, Nsukka. The internal consistency estimates for the structured questionnaire items were established using Cronbach Alpha techniques of estimating reliability which yielded an overall reliability co-efficient of 0.84 indicated that the instrument was reliable for the study. Data were collected by three research assistants using direct delivery and retrieval technique. Mean and Standard Deviation were used to answer the research questions. The findings of the study revealed the contemporary issue of revenue allocation and identified challenges which embedded as outlining prospects for it. The findings of the study also revealed in a bid strategies to resolve the controversial issues surrounding the contentious revenue allocation in Nigeria, a high level of fiscal decentralization is require replacing the unfair revenue sharing formula currently on operations. Based on the findings, among the recommendations were that revenue formulae for revenue sharing should be guided by national interest, which should take precedence over individual or primordial attention and reactions.

**Keywords:** Contemporary issues, prospects, revenue, revenue allocation, revenue formula

### 1. Introduction

The number of resources available to the government, the intensity of economic activity, and the effectiveness of its

revenue collection system all have an impact on the amount of revenue it generates at any given time. The government's capacity to promote and maintain a high level of economic activity and the best possible combination of instruments for generating revenue is measured by the increase and stability of its revenue. Although the amount of revenue accruing to the government has increased over time, their revenue profile is still largely dependent on statutory allocations and the sharing formula, and their performance from internally generated revenue has remained sub-standard (Onyeoma, 2018).

Similar to this, Ijaiya (2009) believed that government resources would be distributed more effectively if each category of public expenditures were delegated to the level of government that most closely corresponds to the recipients of these expenditures. The three tiers of government did, however, rely heavily on their respective portions of the Federation Account prior to the implementation of Value Added Tax (VAT), which in turn was dependent on changes in the Organization of the Petroleum Exporting Countries (OPEC)-regulated global petroleum market (OPEC). The effects on public finances are significant.

As a result, the distribution of government revenue had been unstable, resulting in deficits and unsatisfactory service delivery, with expenditures for state and local governments being primarily for ongoing operations. This explains why some state governments use tax contractors and why local and state governments have implemented a variety of levies to increase revenue. In order to increase the revenue potential and level of total federally collected revenue, it is therefore made use of, with the ultimate goal of increasing revenue profits obtained to Federal, State and Local Government through statutory allocations (Onyeoma, 2018). It is noteworthy to note that the distribution of revenue in Nigeria often coincides with the encouragement of rapid economic growth and national unity. It is regrettable, however, that despite constant increases in revenue generation, the anticipated impact on economic growth in

Nigeria has not been realized. Therefore, it is necessary to empirically investigate the revenue allocation and formula used in the past and its effects on Nigeria's economic growth.

Revenue allocation is conceived as the transfer of financial resources from one tier of government to another, in the same country, under pre-determined criteria or in any agreement to which all the benefiting units have subscribed. Ikeji (2011) defined revenue allocation as a process which involves manner of distributing centrally generated revenue among levels of government as well how each level shares the allocated amount to its component parts. Sherif (2018) defined revenue allocation as a process which connotes a practice whereby one level of government turns over a portion of the revenue generated from taxation and other sources to another government level which is usually a lower level of government. Study conducted by Edet and Harrison (2021) refers revenue allocation as the practice where the centrally generated and controlled revenues are shared among federal, states and local governments as stipulated by the constitution without determining how the fund should be used. Operationally, revenue allocation is a statutory distribution of revenue from the federation account among different levels of government. Consequently, the implication is that, there are two different levels of governmental authorities in the political unit or country and there may even be more tiers of government. Another implication is that there exists an agreement acceptable to all the tiers of government as to how the sharing of revenue allocation is to be done and such agreement exists (pre-determined) even before the revenue is available to be shared. It is also the starting point for decentralization of government powers and restoration of balance among all tiers of government (Sherif, 2018).

Decisively, every constitution in a federal system contains pre-determined rules for the collection, custody and disposal of revenues as well spell out to each level of government, the sources from which it can lawfully derive independent revenue (Ubok-Udom & Ndiyo 2004). For instance, where revenues are to be collected before shared is normal for such collection to be undertaken at the highest tier of government that is coordinating the activities of the component units in order to generate confidence among the units. Hence, where revenue is shared before it is collected, that is where sources of revenue are allocated to each tier of government, the understanding is that each tier will keep within the limits of the resources allocated and not to seek directly or indirectly to collect revenues from sources not allocated to it (Imeh, 2004). Therefore, the constitution at times contains and often includes an agreement on how to allocate revenue and revenue sources to each unit but not the size of revenue. Moreso, once the conditions of sharing have been determined, it is in the interest of all tiers to work to increase the size of revenue because what each unit gets depends on the size of revenue available to be shared (Edet & Harrison, 2021).

Importantly, there are statutory provisions for revenue sharing and powers to generate revenue through specific sources. For instance, the 1979 and 1999 constitutions of

the Federal Republic of Nigeria, established the type of fiscal relationships that would exist among the various levels of government. For example, section 149(2) of the 1979 Constitution or section 162(3) of the 1999 Constitution stipulates that any amount standing to the credit of the Federation Account shall be distributed among the federation, state governments and the local government councils in each state on such terms and in such manner as may be prescribed by the National Assembly (Edet & Harrison, 2021). Similarly, the 1999 Constitution also provided for states-local government financial relationship under section 162 sub-sections. This section states the amount standing to the credit of the local government councils of a state on such terms and in such manner as may be prescribed by the House of Assembly of a state. Apart from the constitutional provisions of external revenue to local government, Model Financial Memoranda for Local Government (1991) and section 45 of Decree 19 No 36 of 1998 and the 1999 Constitution as contained in the fourth schedule provide for internal sources of revenue generation by Nigerian local governments. Despite all these constitutional provisions, other tiers of governments almost perpetually depend in part and sometimes very heavily upon transfers from federal governments to finance the services for which they are responsible (Omelle, 2004). This is due to the fact that in most countries whether formally federal or not, there is clearly vertical competition between levels of government for revenue and perhaps because as a rule local government have access only to those revenue sources that higher levels of government do not want for themselves.

Under section 149 of the outdated 1979 Constitution, provision is made for the creation of "Federation Account" from which allocations of revenue are made to the three tiers of government. The 1999 constitution makes a similar provision in section 162 (Law, 2020). But whereas the 1979 constitution left it for the National Assembly to determine the principles to be employed in allocating revenue to each tier and to state or local government councils, the 1999 constitution went further to provide the principles which the government should consider thus leaving it to the National Assembly to determine only the weights which should be attached to each principle (Law, 2020). In the 1979 constitution both the principles and weight were to be determined by the National Assembly. The president, upon receiving advice from the Revenue Mobilization Allocation and Fiscal Commission, shall place before the National Assembly proposals for revenue allocation from the federation account and in determining the formula, the National Assembly shall therefore, take into account the allocation principles especially those of population, equality of states, internal revenue generation, land mass, terrain as well as population density.

In addition to these provisions section 162 (2) of 1999 constitution even provides that at least 13% revenue should be allocated on derivation principle that is to say that the weight attached to the principle of derivation is at least 13% thus trying to assuage oil producing states that have been complaining about the allocation of 1.5% from derivation before now (Law, 2020).. It should be noted that this provision is not in respect of oil mineral alone but it applies

to all other minerals and natural resources which contribute directly to the federation account. Also, it is provided that the principle of derivation shall be constantly reflected in any approved formula as being not less than thirteen percent of the revenue accruing to the Federation Account directly from any natural resources. The principles upon which revenue is to be distributed to the three tiers of government in Nigeria and among states and local government areas as provided by the 1999 constitution include derivation, population, equality of states, internal revenue generation, land mass, terrain and population density. Therefore, the constitution does not, however, compel the National Assembly to use the above principles only but merely says that whatever principles are prescribed by the National Assembly should include these ones (FRN, 1999).. Hence, it would be unlawful for vertical allocation to be made to any beneficiary other than the federal, states and local governments although provision must be made for derivation. There is nothing in the 1999 constitution which forbids the National Assembly from allocating funds for these and other National needs through appropriate Acts of the Assembly provided such provision are not made directly from the federation account.

However, the present vertical allocation sharing formula is as follows: Federal Government - 52.68%; State Government - 26.72% and Local Government - 20.60% (Elekwa and Eme, 2011). It is pertinent at this point to note that derivation is not based on the total amount in the federation account but on that part of it which is derived from mineral resources—example crude oil. It is presumed that the derivation allocation is set aside before vertical allocation as indicated above is made. Interestingly, there are allocations that are mandatory by the constitution. Such allocations are judiciable. That is to say that they are enforceable in law if the president or any other authority fails to make them ((Elekwa and Eme, 2011). When the Obasanjo administration, for example, failed to release the allocation for Lagos State Government as required by the constitution, the Lagos State Government went to the Supreme Court to demand for it. The Supreme Court ordered the release of the funds. There are however, some allocations which the president can make to states which are not enforceable in law. To such, is discretionary allocation; they are made often from the contingency fund in time of natural disasters at the discretion of the president who determines the nature and size of the transfer, if he decides not to do transfer, the beneficiary cannot compel him to do so. Furthermore, section 164 (1) of the 1999 constitution empowers the president to make grants to state government under terms approved by the National Assembly and such grants are discretionary and not mandatory.

The 1999 Constitution as posited by Omelle (2004) noted that there is a refurbishment of the 1979 Constitution, modelled after the American Presidential System without the required political will to address the geo-political structure of the Nigerian federation, as did Canada, Australia and the United States of America. Omelle (2004) further opined that the above three federations, there is hardly any federating component (state) or region as helplessly dependent financially on the centre as we have it

in Nigeria. In the United States, for instance, some states pay higher wages on their workers than some federal staff doing similar jobs. In Canada, the region of Quebec is almost independent of the federal treasury, owing to its resourcefulness and Canada's formula of revenue allocation. Before the 1979 constitution it was common for government to institute ad-hoc fiscal commissions to study and advise them whenever the need arose to alter the fiscal arrangements in the country. At least nine of such ad-hoc commissions had been established besides other extant laws (Omelle, 2004).

The ad-hoc commissions and other provisions made in an attempt to arrive at acceptable revenue allocation formulae as Arowolo (2011) opines are: Philipson Commission (1946): This commission recommended the use of derivation and even development as criteria for distribution of revenue. By derivation, the commission means each unit of government would receive from the central purse the same portion it has; Hicks-Philipson Commission (1951): This commission recommended need, derivation, independent revenue or fiscal autonomy and national interests as the criteria for revenue sharing; Chicks Commission (1953): The commission recommended derivation; Raisman Commission (1957): It recommended need, balanced development and minimum responsibility. Percentage division of 0% to the north, 31% to the east, 24% to the west and 5% to Southern Cameroon; The Binns Commission (1965): This commission rejected the principles of need and derivation. In its place, it proposed regional financial comparability and percentage division of 42% to the north, 30% to the east, 20% to the west and 8% to the mid-west; Dina Commission (1969): It recommended national minimum standards, balanced development in the allocation of the states' joint account and basic need; Aboyade Technical Committee (1977): It recommended a national minimum standard for national integration (22%), equality of access to development opportunities (25%), absorptive capacity (20%), fiscal efficiency (15%) and independent revenue effort (18%).

Other criteria are: 57% to Federal Government, 30% to State Governments, 10% to Local Governments and 3% to a special fund; Okigbo Committee (1980): It recommended percentages on principles: Population (4%), equality (4%), social development (15%) and internal revenue effort (5%). Percentages for governments: Federal (53%), States (30%), Local Governments (10%), Special Fund (7%) and Danjuma Commission (1988) recommended percentages: Federal (50%), States (30%) Local Governments (15%), Special Fund (5%). Other laws and decrees on revenue allocation include Decree 15 of 1967, Decree 13 of 1970, Decree 9 of 1971, Decree 6 of 1975, Decree 7 of 1975 and others, just to mentioned but few (Uwat & Umoh, 2004).

Upon all the attempts to generate an acceptable formula for the sharing of revenue both vertically and horizontally in the country, the issue of revenue allocation is still shrouded in controversy. The frequency of changes in revenue allocation formula indicates that the search for appropriate and acceptable revenue allocation model is a continuous process (Nyong, 2004) and the change is continuous. Despite the

fact that many commissions had been set in the past to fashion out a formula that will be acceptable to all levels of government, not much has been achieved. This winding up was affirmed by Arugu (2012) who maintained that revenue allocation exercise has been one of the most contentious and controversial issues in the nation's political life. The report argued that though many attempts had been made to devise an acceptable formula for the component units of the country, each of the attempts is more remembered for the controversies generated than the issues settled (Chibuikwe & Ogonnaya, 2004).

Nevertheless, the report was further confirmed by Ewetan (2012) who opined that revenue allocation is one of the most controversial issues Nigeria's fiscal federalism as there is no generally acceptable formula for both vertical and horizontal distribution of revenue. The contentions anchored on power that federal government wields on revenue allocation issue that tends to make other tiers of government its subordinate. Hence, the formula only crippled the revenue generation capacity of each state, as state rely completely on the monthly allocation from the federation account. This is because the federal government takes the lion share of centrally collected revenue based on the current formula and other retained revenue, leaving state and local governments with small shares compared to their assigned functions (Ewetan, 2012). Interestingly, there are many good reasons why revenue is shared in a federal polity especially in a federation as big and diverse as Nigeria for instance have justified revenue transfers from federal to local levels of governments on political, economic and social grounds (Diejomaoh and Eboh, 2012). The fiscal underlying justifications for revenue allocation in Nigeria according to Iniodu and Archibong (2004) include efficiency, equity principles and steady economy. Other fiscal justification for revenue allocation according to Baoyun, Anwar and Grant (2008), include to promotes development of the society; it creates a sense of belonging; it ultimately promote a spirit of oneness; it equally promote political innovations; it encourages more efficient politics as citizens have more influence; and it lowers administrative costs irrespective of its numerous challenges.

Some federating units are easily satisfied with what they received thereby ignoring the necessity to tap additional internal revenue sources (Edet and Harrison, 2021). This is already becoming a challenge in Nigeria. Federation allocation which should be supplement to internally generated revenue for federating units has become the main source of funding for many states and local governments. Hence, study by Edet and Harrison (2021) slow pace of development nationwide due to inadequate funding while many sources of revenue remain untapped. Additionally, other challenges of revenue allocation in Nigeria as suggested by Sylvester and Sunday (2019) include: political instability, low capacity of the revenue administration, inability to implement the tax system effectively, lack of collection skill and knowledge of the tax collectors contribute to the challenges of revenue maximization and generation of new revenue sources, redundant population, mass poverty, mass illiteracy, mass unemployment and limited absorptive capacities for the

teeming population of unemployed youths. Hence, this in turn hinders revenue generation efforts and account for fiscal disequilibrium among the federating units and lower per capital income that distort attempts at even development.

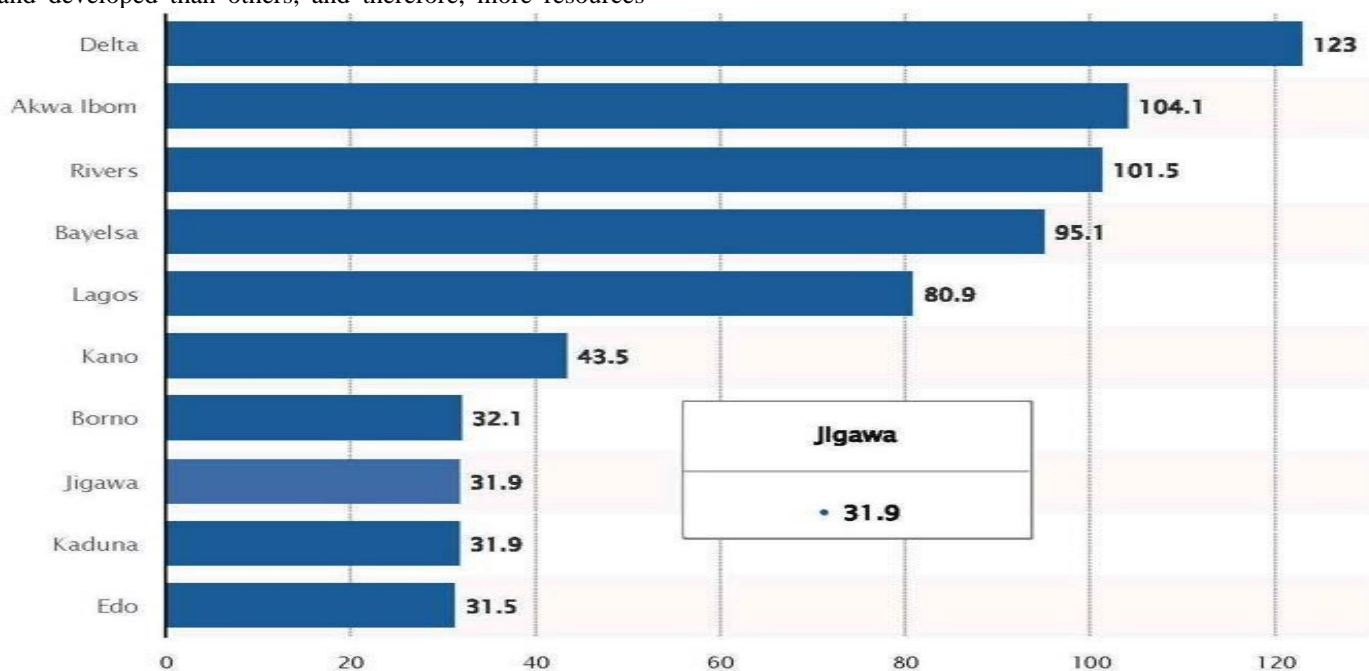
Other challenges of revenue allocation in Nigeria according to Inekwe (2005) include: lack of solid diversified revenue generating base, dependence on mono-cultural economy dominated by crude oil production, inability to deliver the needed dividend of democracy on the Federal government, ethnicity issue based on the level of development, and unequal revenue generation capacity. Population census is a key factor in development planning. Similarly, Omelle (2004) argues that one of the contemporary issues towards revenue allocation in Nigeria is the inadequate attention to the development of executive capacity, especially at the state and local government levels. This has to do with the quality of human resources available to the states and local government for their activities, poor management of financial resources and poor political commitment. Supporting this fact, Oladele (2015) has noted that even where unviable states exist, the fact that monies meant for the development of states are stolen by political representatives and a few collaborators in the bureaucracy further reduces the impact of the allocated revenues.

Study conducted by Edet and Harrison (2021) posited that for a nation to achieve a sustainable economy or revenue allocation requires potentialities, such as discovery of new oil wells, and the availability of raw materials for iron and steel production in the oil industry to fertilizer, liquefied gas and aluminium production, provides new horizon for hope for greater productivity in the future. According to Edet and Harrison (2021), other strategies for implementing revenue allocation effectively in Nigeria include diversifying production to increase revenue allocation and increase country's income, regularly assessing revenue-earning capacities and the fiscal efficiency of the federation's constituent parts, and using the population index as a criterion for revenue allocation with a focus on social recovery. It has been also argued and rightly established by Onayemi and Ishola (2009) that export trade is an engine of growth, being that it enhances revenue allocation and employment generation through the development of export oriented industries, increases foreign exchange earnings and improves balance of payment position of a given economy. Study conducted by Iyola (2008) opined that sustainable increase in income per capita is better achieved under export promotion policy. According to Akpakpan (2004), the exploitation of resources by which revenue is generated leads to the depletion of economic potentials of environment, and unless adequate provisions are made for appropriate compensations some sections of the society may be condemned to deplorable living conditions in the future. This therefore calls for adequate weight for the derivation principle.

Importantly, derivation principle is naturally superior to all other principles, as all other known principles are derived from the primacy of deprivation. In the first republic, for instance, using the principle of derivation, each region had

the constitutional right to export certain goods from its area for the purpose of embarking on regional development projects. Produce boards were established and thrived mainly at regional levels, thereby enhancing the fiscal capacity of each region for rapid economic and social development (Omelle, 2004). Other principles of revenue allocation according to Ohiomu and Oluyemi (2018) include: principle of need, principle of national interest and principle of independent revenues. According to the authors, the principle of need advocated that states are not equally endowed with resources, some states are more populated and developed than others, and therefore, more resources

should be given to the less developed states to bridge the gap in development; the principle of National Interest: The principle is based on the importance attached to developing all states to increase progress and sense of belonging. Other strategies for implementation of revenue allocation in Nigeria according to Hailu (2022) is through the promotion of national unity by sharing the revenue in the federation account equally among states, promoting diversification in capital invested in locally produced commodities, and to encourage local and state governments to increase their investment in modern agriculture.



**Fig. 1: States with highest Federation Accounts Allocation Committee Revenues in Nigeria 2022**

However, this formula was to strike a balance between equity, and needs of national economic growth leading to stability; and the principle of Independent Revenues: This principle advocates that states can introduce or charge revenue yielding taxes within the state as long as it is a stable source of revenue but must conform to the principles of taxation within the economy and take into consideration national interest (Ohiomu & Oluyemi, 2018). According to an interview conducted by Nigeria Vanguard, Ujah (2021) holds the perception that perhaps the federal government has agreed to receive less federation revenue, with a proposal to collect 50%, down from the current 52.68%. Therefore, Boss Mustapha, who spoke on behalf of the federal government at the town hall organized on the New Revenue Formula, the allocations to state governments ought to be investigated downward by 25.62%, while the allocation to local governments should therefore be raised to 23.73%, and the allocation for derivation ought to remain at 13%. The current vertical revenue allocation formula is therefore as follows: Federal Government 52.68%; State Governments 26.72%; Local Governments 20.60%; and Derivation Formula 13% (Ujah, 2021). However, below diagram is an evidence of leading states in Federation Accounts Allocation Committee allocations in Nigeria

between January – June, 2022 (Sasu, 2022).

However, study conducted by Ekpo (2004) posited that, crude oil production has been by far the most important economic activity in the Nigerian economy since the early 1970s. Its impact is not limited to its contributing approximately 90% of Nigeria’s total foreign exchange earnings but also to the fact that the national budgets are predicated on the expected annual production and price of crude oil. Therefore, if not the impact of crude oil impacts on all other sectors of the economy through the aggregate demand it generates, thus making the revenue from the oil sector the primary engine for national economic growth and development, the nation economy would have been affected through series of challenges such as lack of solid diversified revenue generating base, dependence on mono-cultural economy dominated by crude oil production, and inability to deliver the needed dividend of democracy on the Federal government among others. Hence, the study appraised the contemporary issues and prospects towards effective implementation of revenue allocation in Nigeria.

**1.1 Purpose of the Study**

The general purpose of the study was to appraise the contemporary issues and prospects towards effective

implementation of revenue allocation in Nigeria. Specifically, the study sought to:

- examine the fiscal underlying justifications for revenue allocation in Nigeria.
- examine the contemporary issues that hinder effective implementation of revenue allocation in Nigeria?
- determine the strategies for effective implementation of revenue allocation in Nigeria?

## 1.2 Research Questions

The following research questions guided the study:

- What are the fiscal underlying justifications for revenue allocation in Nigeria?
- What are the contemporary issues that hinder effective implementation of revenue allocation in Nigeria?
- What are the strategies for effective implementation of revenue allocation in Nigeria?

## 2. Research Methodology

The study adopted a descriptive survey research design. The population of the study comprised 288 Budget Officers under the Federal Ministry of Finance. The instrument for data collection was a structured questionnaire developed by the researchers: Implementation of Revenue Allocation Questionnaire (IRAQ). The instrument was validated by three experts, two from the Department of Public Administration, National Open University of Nigeria and one from the Department of Public Administration and Local Government Studies, University of Nigeria, Nsukka. The internal consistency estimates for the structured questionnaire items were established using Cronbach Alpha techniques of estimating reliability which yielded an overall reliability co-efficient of 0.84 which indicated that the instrument was reliable for the study. Data were collected by two research assistants using direct delivery and retrieval technique. The research questions were answered using mean and standard deviation. The scales use for the questionnaire was Strongly Agree (SA), Agree (A), Disagree (D) and Strongly Disagree with the values of 4, 3, 2 and 1 respectively. The arithmetic mean of the scale of the items is 2.50, which means any item with a weighted mean value of 2.50 and above was considered acceptable, while any weighted mean of less than 2.50 was considered rejected or not accepted.

3. Results

**Research Question One:** What are the fiscal justifications for revenue allocation in Nigeria?

**Table 1:** Mean and Standard Deviation of Responses on the fiscal justifications for revenue allocation in Nigeria

S/N	Fiscal Justifications for Revenue Allocation	Mean	SD	Decision
1	To promote development of the society	2.66	0.10	A
2	To create a sense of belonging	2.89	0.08	A
3	To promote a spirit of oneness	2.93	0.07	A
4	To promote political innovations	2.75	0.09	A
5	To encourage more efficient politics as citizens have more influence	2.53	0.11	A
6	To lower administrative costs	2.61	0.11	A
7	To promote administrative efficiency	3.00	0.06	A
8	To promote steady economy	2.82	0.08	A
<b>Grand Mean Scores and SD</b>		<b>2.77</b>	<b>0.09</b>	<b>A</b>

Data in Table one confirmed the mean rating and standard of responses on the fiscal justifications for revenue allocation in Nigeria. The listed items met the standard mean value of 2.50 and above which indicates acceptance according to decision rule. Respondents reacted positively to the statements with the grand mean score of ( $x=2.77$ ) and standard deviation of ( $SD = 0.09$ ) relatively.

**Research Question One:** What are the contemporary issues that hinder effective implementation of revenue allocation in Nigeria?

**Table 2:** Mean and Standard Deviation of Responses on the contemporary issues that hinder effective implementation of revenue allocation in Nigeria

S/N	Contemporary issues that hinder effective Implementation of Revenue Allocation	Mean	SD	Decision
9	Inadequate attention to the development of executive capacity	2.66	0.10	A
10	Inability to implement the tax system effectively	2.65	0.10	A
11	Lack of collection skill of the tax collectors	2.57	0.11	A
12	Lack of knowledge of the tax collectors	2.55	0.11	A
13	Low capacity of the revenue administration	2.61	0.11	A
14	Lack of solid diversified revenue generating base	2.87	0.08	A
15	Dependence on mono-cultural economy dominated by crude oil production	2.97	0.06	A
16	Inability to deliver the needed dividend of democracy on the Federal government	2.76	0.09	A
17	Ethnicity issue based on the level of development	2.64	0.10	A
18	Unequal revenue generation capacity	2.69	0.10	A
19	Poor management of financial resources	2.50	0.11	A
<b>Grand Mean Scores and SD</b>		<b>2.68</b>	<b>0.10</b>	<b>A</b>

Data in Table 2 show the mean score and standard deviation of respondents on the contemporary issues that hinder effective implementation of revenue allocation in Nigeria. From the table, listed items range above the criterion mean value of 2.50 which indicate acceptance by respondents as the contemporary issues that hinder effective implementation of revenue allocation in Nigeria with the grand mean score of ( $x = 2.68$ ) and ( $SD = 0.10$ ) standard deviation respectively.

**Research Question Two:** What are the strategies for effective implementation of revenue allocation in Nigeria?

**Table 3:** Mean and Standard Deviation of Responses on the strategies for effective implementation of revenue allocation in Nigeria

S/N	Strategies for Effective Implementation of Revenue Allocation	Mean	SD	Decision
20	Engage in diverse manufacturing to increase revenue allocation	3.11	0.03	A
21	Expansion of export-oriented industries improves revenue allocation.	3.09	0.04	A
22	Export-oriented industries help a country's balance of payments	3.10	0.04	A
23	Encourage giving the principle of derivation appropriate strength	3.13	0.03	A
24	Provision of resources to less developed states in order to integrate the development gap	2.67	0.10	A
25	Equal revenue allocation in the federation account promotes national unity.	2.87	0.08	A
26	Promote diversification in capital invested in locally produced commodities	2.98	0.06	A
27	Encourage local and state governments to increase investment in modern agriculture	2.77	0.09	A
<b>Grand Mean Scores and SD</b>		<b>2.97</b>	<b>0.06</b>	<b>A</b>

Table 3 above shows the mean ratings and responses on the strategies for effective implementation of revenue allocation in Nigeria. Item 20 – 27 reached the standard mean score of 2.50 and above. Item statements were accepted by respondents base on the grand mean score and standard deviation of ( $\bar{x} = 2.97$ ) and ( $SD = 0.06$ ) correspondingly.

**4. Discussion on the Findings**

The findings of the study revealed the fiscal justification for revenue in Nigeria to include: to promotes development of the society; to create a sense of belonging; to promote a spirit of oneness; and to equally promote political innovations among others. The findings is in agreement with the findings of Baoyun, Anwar and Grant (2008) who posited fiscal justification for revenue allocation in Nigeria such as to promotes development of the society; it creates a sense of belonging; it ultimately promote a spirit of oneness; it equally promote political innovations; it encourages more efficient politics as citizens have more influence; and it lowers administrative costs. The findings of the study is in line with Iniodu and Archibong (2004) who asserts that the fiscal underlying justifications for revenue allocation in Nigeria to include efficiency, equity

principles and steady economy.

The findings of the study revealed the contemporary issues that hinder effective implementation of revenue allocation in Nigeria which include: political instability, low capacity of the revenue administration, inability to implement the tax system effectively, lack of collection skill and knowledge of the tax collectors contribute to the challenges of revenue maximization and generation of new revenue sources, redundant population, mass poverty, mass illiteracy, mass unemployment, limited absorptive capacities for the teeming population of unemployed youths, lack of solid diversified revenue generating base, dependence on mono-cultural economy dominated by crude oil production, and inability to deliver the needed dividend of democracy on the Federal government among others. The findings of the study in consonance with the findings of Sylvester and Sunday (2019) who posited that the federation allocation which should be supplement to internally generated revenue for federating units has become the main source of funding for many states and local governments, hence, the result is slow rapidity towards the development nationwide due to inadequate funding while many sources of revenue remain untapped. The findings of the study is

similar with the findings of Omelle (2004) who argued that one of the major issues towards revenue allocation in Nigeria is the inadequate attention to the development of executive capacity, especially at the state and local government levels.

The findings of the study the strategies for effective implementation of revenue allocation in Nigeria such: Engage in diverse manufacturing to increase revenue allocation, expansion of export- oriented industries improves revenue allocation, export-oriented industries help a country's balance of payments, encourage giving the principle of derivation appropriate strength, provision of resources to lessdeveloped states in order to integrate the development gap, equal revenue allocation in the federation account promotes national unity, to promote diversification in capital invested in locally produced commodities, and to encourage local and state governments to increase their investment in modern agriculture. The findings of the study is in consonance with the findings of Hailu (2022) who posited strategies for implementation of revenue allocation in Nigeria can be achieve through the promotion of national unity by sharing the revenue in the federation account equally among states, promoting diversification in capital invested in locally produced commodities, and to encourage local and state governments to increase their investment in modern agriculture.

## 5. Conclusion

The institutional and socio-political factors that shaped Nigeria's economic policy, including small revenue base, as well as the nature, content, and character of the country's fiscal regime are primarily to blame for the teething issues that crippled the country's fiscal arrangements. Federal, state, and local governments all compete for a piece of the national dessert. In order to satisfy stakeholder interests in receiving an equitable and fair share of revenue allocation from the general pool account, military proclamations and the repeated establishment of commissions with the intention of revenue sharing were both designed. Importantly, the study concluded that Nigeria would experience economic and social progress only if revenue sharing is most beneficial and used efficiently and successfully for investment.

## 6. Recommendations

Based on the findings of the study, the following recommendations were made:

- Operations of the multinational corporations

should be better regulated in terms of wage control to remove wide disparities, mineral exploration and accountability, and encouragement of diversified investments in new products manufactured locally.

- State and Local government should be made revenue bearing sources rather than mere expenditure units. Therefore, states and local governments should invest more in pilot industries and modern agriculture.
- Matrix parameters for revenue allocation should give more attention to revenue derivation, fiscal efficiency and governmental responsibilities based on investment in pilot and medium scale industries that can widen revenue regeneration capacity.
- Revenue Mobilization, Allocation and Fiscal Commission should endeavour to come up with a credible review exercise by mapping out programmes that would guarantee full involvement and participation of all stake holders.
- Government at all level should engage in systematic diversification from oil and be proactive in the development projects in terms of infrastructure, education and health.
- Revenue formulae for revenue sharing should be guided by national interest, which should take precedence over individual or primordial attention and reactions.

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