International Journal of Innovative Social Sciences & Humanities Research 9(4):1-12, Oct.-Dec., 2021

© SEAHI PUBLICATIONS, 2021 **www.seahipaj.org** **ISSN: 2354-2926**

Fiscal Federalism: The Nigerian Experience

[1]Dordum Prince Yaakoo; [2]ThankGod Chukuemeka Ndalu;
[3]Afeez Olatunde Oladele & [4]Leyira Christian Micah

[1,3]Department of Accounting
University of Port Harcourt, Port Harcourt, Nigeria

[2]Department of Marine Economics and Finance
Nigeria Maritime University, Warri, Delta State, Nigeria

[4]Leyira Christian Micah
Professor of Accounting, Department of Accounting
University of Port Harcourt, Port Harcourt, Nigeria

ABSTRACT
Nigeria has been plagued by agitations, kidnapping, killings, accusations, counter accusations, militancy, maiming and banditry, with some concerned citizens calling for restructuring since Nigeria is a plural state with each subgroup seeking sub-optimization. This ugly trend is essentially fueled by the dissatisfaction with the current federal arrangements where revenue powers are largely resident in the national government to the detriment of the other federating units. This paper explored Nigeria's experience of fiscal federalism by specifically determining its concept, theory, principles, revenue allocation, expenditure assignment, constitutional issues and empirical literatures, among others. The data collected principally from secondary sources was analyzed using content analysis and descriptive method. The paper concluded that fiscal federalism has not been truly practiced in Nigeria since its adoption as the due fiscal autonomy and responsibilities have not been allotted to the subnational governments. The paper therefore recommended that the existing revenue powers and corresponding responsibilities of the central governmentshould be devolved in order to enhance the viability, creativity and revenue drive of other tiers of government.
Keywords: Decentralization, Autonomy, Revenue Allocation, expenditure assignment, Centralization

1.0 INTRODUCTION
Globally, no government can run without revenue and expenditure. Hence, in reaching some pre-meditated aims, most governments deliberately manipulate revenue and expenditure, which are the backbone of a fiscal management. Federalism, according to Wheare (1963), is a system of dividing powers so that general and regional administrations are each inside a sphere, coordinated, and autonomous. Federalism refers to the existence of multiple levels of government in a single country, each with its own budgetary and taxing authorities. It's a form of power and authority decentralization. It's about justice, fairness, and equality among component units, as well as between the units and the central authority. Fiscal federalism, according to Ecoma and Ecoma (2018), is concerned with the distribution of resources and tax-raising abilities among federating entities in order for them to meet their constitutional commitments. To put it another way, it's the fiscal interactions and transactions between the three levels

of government. They went on to say that true fiscal federalism can only be achieved if there is no financial subordination at any level of government. That is, under a Federation, neither the federal, state, or local governments should be reliant on one another to carry out the statutory obligations and tasks delegated to them by the federal constitution.

Budgetary federalism was defined by Herber (1979) as the division of fiscal competences among sovereign levels of government in a federation. It is a system in which more than one level of government exists in a country, each with different expenditure obligations and taxing capabilities. Okigbo, Okigbo, Okigbo, (1969). Fiscal federalism is both a structure for delegating tasks to various levels of government and the fiscal instrument required to carry out these activities. Fiscal federalism, according to Sharma (1995), is a collection of guiding principles and a guiding concept that aids in the creation of financial connections between the national and subnational levels of government. In a federal system, fiscal federalism is the method of revenue generation, allocation, and redistribution among the federating units that allows for regional budgetary autonomy.

According to Ejeh and Orokpo (2014), fiscal federalism in Nigeria has a lengthy history dating back to 1946, when the Richards constitution was enacted. They claimed that Nigeria's fiscal federalism arose from historical, economic, political, geographical, cultural, and social considerations since Nigeria is a diverse country with multi-ethnic, multi-racial, and multi-lingual groups with self-serving agendas. Nigeria's fiscal arrangement accommodates the interaction between the federal government and the federating units in addressing critical issues such as revenue allocation from natural resources, expenditure allocation, regional disparities, and national unity, according to Ewetan, Ike, and Ige (2015).

However, budgetary arrangements have remained a contentious topic in all of these since 1946. (Ekpo, 2004). Because subnational governments lack financial sovereignty in Nigeria's existing fiscal architecture, fiscal federalism is characterized by substantial vertical and horizontal intergovernmental ties that have become exceedingly contentious and volatile. As a result, there are still unresolved difficulties in this area. Nigeria is a multi-ethnic country that is best described as a federal state. The public sector's poor performance since the first half of the 1980s has brought the subject of fiscal federalism, which has remained dominant and contentious in Nigeria's democracy, to the fore (Ewetan, 2013; 2012) cited in Ewetan, Ike and Ige (2015). Elaigwu (2007) in Ewetan, Ike, and Ige (2007) in Ewetan, Ike, and Ige (2007) in Ewetan, Ike, and Ige (2007) in Ewetan, Ike, and Ige (2007) in Ewetan, Ike, and Ige (2007) in Ewetan, Ike, and Ige (2007) in Ewetan, Ike, and Ige (2007) in Ewetan, I (2015). Ewetan et al. went on to say that the current fiscal setup encourages laziness, militancy, and insecurity, as well as phony population figures, corruption, and the enrichment of a parasitic class. Fiscal federalism has been at the forefront of political debate in Nigeria since the return to civilian rule, according to Nwogwugwu and Kupoluyi (2015). The oil-producing states of the Niger delta region have been highly vociferous in their demands for reorganization of the criteria for sharing the nation's wealth that is located within their jurisdiction. The protests have erupted because the federal government receives a disproportionate share of the national wealth at the expense of the oil-producing states. According to Arowolo (2011), the dynamism and complexity of Nigeria's federalism has garnered academic examination since it has spawned so many challenges capable of jeopardizing the Nigerian state's corporate existence and continuity.

Since 1946, the methodology and ideas of revenue sharing in Nigeria have been a source of conflict. Derivation was reduced from 100 percent to 50 percent by the Philipson Commission's recommendation in 1951, the Raiseman commission set it at 50 percent in 1958, the Raiseman commission set it at 50 percent in 1960, General Gowon reduced it to 45 percent in 1970, and it was further slashed to 20 percent in 1975. The Obasajo/Yar'Adua administration raised it to 25%, Shehu Shagari reduced it to 5% in 1981, General Buhari later crashed it to 1.5 percent, General Babangida pretended to raise it to 3%, and Ken Saro Wiwa's pressure forced the government to raise it to 13%, as stipulated in Nigeria's constitution (Odiqwe & Aibieyi, 2015). Military intervention in 1966 and its decrees no 9 1971 and 51 1969 petroleum Act bestowed ownership of both solid minerals and oil to the federal government, allowing the federal government to receive 100 percent of off-shore rents and royalties. That decree 13 1970 also created an environment where the federal government could amass enough wealth to address the problem of public expenditure after the war (Ola & Offiong 1999) cited in Odigwe and Aibieyi (2015).

Internal revenue production has been discouraged by the current state of affairs. The introduction of a democratic experiment in 1999, according to Ejeh and Orokpo (2014), re-echoed the challenges of intergovernmental fiscal arrangement among the various levels of government, with the question of resource control coming to the fore. According to Silas, (2013), cited in Odigwe and Aibieyi (2015), the Supreme Court's decision created a fiscal stampede, allowing the president to introduce a new revenue allocation of 56 percent to the federal government, 24.72 percent to the states, and 20.60 percent to local governments. States' resistance to this formula caused the federal government to reduce to 52.68 percent, and states' inaction caused the federal government to reduce to 52.68 percent. Ajibola (2008) identified the following as the major challenges of fiscal federalism in Nigeria:

i. The major issue is the misalignment of revenue sources and functions among the various levels of government. The revenue allotted to the lower levels of government is insignificant in proportion to the tremendous responsibilities they are required to fulfill. This has had a significant impact on the country's infrastructure development.
ii. The operations and efficacy of fiscal federalism are harmed by frequent changes in government and military coups. This is because the constitution is frequently suspended during military intervention in favor of decrees and edicts. The ideals of fiscal federalism were harmed in this circumstances, which harmed the country's development, particularly in the state and local government sectors.
iii. Fiscal federalism in Nigeria faces issues such as declining revenue due to a drop in exports and changes in the pricing of the country's goods on the international commodity market.
iv. Economic and financial mismanagement, as evidenced by corruption and financial impropriety among government officials, has hampered progress in Nigeria, particularly if the country's leaders are unscrupulous and self-centered.
v. The distribution of federal revenue is based on political rather than economic considerations.
vi. Rapid growth in the fiscal unit has resulted in a reduction in the amount of money available to each state and municipal government in the country.

Against these backdrops, the objective of this study is to examine how true fiscal federalism can be attained within the Nigerian context.

2.0 Theoretical Framework

This study is anchored on social contract theory. This is because it underpin the objective of the study.

Social Contract Theory

The social contract theory of Thomas Hobbes is the foundation of this research (1588-1679). Man in his natural form is evil, wicked, greedy, obstinate, egoistic, harsh, untruthful, and detrimental to his fellow human, according to Ibanichuka, Nwaiwu, and Dordum (2016). Men must agree to live together, relinquish the right they previously enjoyed in the state of nature, construct a social contract to which this right will be submitted, and appoint or elect a sovereign enforcement mechanism to enforce the contract as a way out of this unbearable life in the state of nature. According to Rankin, Stanton, McGowan, Ferlauto, and Tilling (2012), the term "social contract" refers not only to the interaction of government, law, property rights, and the economy, but also to society's implicit and explicit expectations of business and government. In other words, because they are granted permission to operate by society, they must be accountable to it. The social contract can be revoked, according to Rankin et al (2012), if accountability cannot be legitimized by performance or communication. This study is supported by the social contract theory, which assumes that the right granted to the government requires that the shared resources be distributed evenly to the contributing parties. Fiscal federalism is based on this principle.

3.0 Conceptual Review

Concept of Fiscal Federalism

Federalism produces fiscal federalism as a result. Federalism is a political idea in which government power is divided across national and subnational administrations, resulting in a federation (Arowolo 2011, Akindele and Olaopa, 2002). Federalism is a political concept in which authority is shared across national, state, and local administrations, resulting in what is commonly referred to as a federation (Arowolo, 2011, Akindele and Olaopa, 2002). "It is a political theory that is divergent in thought, variegated in ecology, and dynamic in practice," writes Arowolo (2011). According to Vincent (2001), federalism indicates that each tier of government is coordinated and independent within its specified sphere of responsibility, and that each tier of government should have proper taxing rights to exploit its separate sources of revenue. Fiscal federalism requires that each level of government have sufficient resources to carry out its tasks without requiring financial aid from the other (Wheare, 1963).

If state authorities, for example, discover that the services assigned to them are too costly for them to provide, and they turn to the federal government for grants and subsidies to help them, they are no longer coordinating with the federal government, but rather subject to it. Financial subordination, no matter how skillfully the legal structures are preserved, effectively ends federalism. As a result, both state and federal authorities in a federation must be given the constitutional authority to have access to and control their own sufficient financial resources. Each must have the ability to tax and borrow for the self-financing of its own services. Fiscal decentralization and financial autonomy are required for any federation to survive. Rather than concentrating decision-making at the center, fiscal decentralization involves delegating it to lower levels of government. As a result, each level of government should be allowed to make decisions and allocate resources in its own jurisdiction based on its own priorities. Furthermore, federating units should be allowed to act autonomously on subjects that fall under their jurisdiction (Ewetan, 2011). Understanding which functions and tools are best centralized and which are best placed in the area of decentralized levels of government is fundamental to fiscal federalism (Oates, 1999).

Budgetary federalism is a general normative framework for allocating functions to different levels of government and establishing appropriate fiscal tools to carry out these responsibilities (Arowolo, 2011). Fiscal decentralization is the practice of adopting a set of guiding ideas or concepts to help design financial interactions between the national and subnational levels of government (Sharma, 2005). The allocation of public sector tasks and finances among different levels of government is referred to as fiscal federalism (Ozo-Eson, 2005). Fiscal interactions between the central and lower levels of government are the hallmarks of fiscal federalism. The fiscal relationships between and among the federation's constituents are explained in terms of three main theories: the theory of fiscal relation, which concerns the functions expected to be performed by each level of government in the fiscal allocation; the theory of interjurisdictional cooperation, which refers to areas of shared responsibility by the national, state, and local governments; and the theory of interjurisdictional cooperation, which refers to areas of shared responsibility by the national, state, and local governments (Tella, 1999). In this instance, each jurisdiction (state, region, or zone) will deliver services whose benefits will accrue to persons inside its borders, and as a result, it should only use financing sources that will internalize costs.

Objectives of Fiscal Federalism

According to Sewell et al (1994) in Odigwe and Aibieyi (2015), the objective of fiscal units in a federation includes:

1). To guarantee that sub-national expenditure obligations and financial resources (including transfers from the central government) are in sync, so that the sub-national government can carry out the activities that have been delegated to it.

2) To raise the level of government by including incentives for them to generate their own revenue.

3) To ensure that the central government's macroeconomic management policies are not jeopardized.

4) To provide sub-national governments spending discretion in relevant areas in order to promote public spending efficiency and sub-national officials' accountability to their people in the provision of sub-national services.
5) To include intergovernmental transfers that are straightforward to administer, transparent, and based on objective, stable, and non-negotiable standards.
6) To minimize cost and economize on scarce criteria.
7) To provide equalization payments to local governments to compensate for inequalities in fiscal capability, so that poorer levels of government can provide adequate key services.
8) To incorporate mechanism to support public infrastructural development and proper funding.
9) To support a consistent government role which is market-oriented.
10) To agree with a rational distribution goals that is consistent.

Need for Fiscal Federalism in Nigeria

According to Ecoma and Ecoma (2018), in a federal system where 90 percent of federally collected revenue is derived from a single region/state, and the method of sharing revenue between the central government and the component units does not adequately compensate the region/state from which the bulk of the resources is derived, such a contraption is bound to generate feelings of marginalization. In essence, this study is not concerned with the issues surrounding traditional fiscal transfers between the central government and component units; rather, it is concerned with the mode of resource transfer from the federal government to component units in the context of Nigerian fiscal federalism theory and practice. The necessity for fiscal federalism in Nigeria, according to Ecoma and Ecoma (2018), can be summarized as follows:

1) Fiscal federalism gives room for centralization and decentralization of collective choices in a country
2) It also gives room for regional variation in the provision of public goods and services
3) It ensures optimal production of goods and services which are national in their benefits.3) Fiscal federalism ensures efficient administration of a large country in terms of size and population.
4) It guarantees efficient redistribution of income in order to achieve balanced growth and development.
5) Among states and local governments. Fiscal federalism promotes economic growth through policy measures that assist backward states and all.
6) Developmental roadblocks. The provision of goods and services that benefit the entire country ensures efficient resource use and large-scale production economies.
7) In Nigeria, the necessity for fiscal federalism stems from the necessity to minimize the federal government's surplus load in the provision of social amenities. To ensure that sub-national expenditure obligations and financial resources are in sync, allowing sub-national governments to carry out their activities successfully and efficiently.
8) To increase the autonomy of sub-national governments by incorporating incentives for them to mobilize revenues of their own.

Principles of Fiscal Federalism

According to Agiobenebo (1999), a number of principles have evolved to shape and guide intergovernmental fiscal relations practiceand these include:

1) The Diversity Principle: One rationale for the federal system's acceptance is its ability to maintain unity in the face of enormous diversity. To adequately accommodate the supply of national, regional (state), and local commodities, the fiscal system must allow for variety and diversity.

2) The Equivalence Principle: The geographical incidence of certain public goods varies. As a result, allocation efficiency necessitates the equalization of interjurisdictional variations in locational benefits through a combination of taxes and public goods and services.
3) The Principle of Centralized Stabilization: This principle mandates the use of fiscal instruments at the national level to achieve macro policy objectives (stabilization, growth, etc.).
4) Spillover Effects Correction: Fiscal federalism's efficiency necessitates the system's correction of interjurisdictional externalities. Because benefit areas for many public goods and services are open entities, spillover effects or interjurisdictional externalities related to externalities (both benefits and harms) experienced by people of other geopolitical units. This condition is designed to prevent what is known as the "central city exploitation thesis" in the literature on fiscal decentralization, as well as the use of economies of scale and the rationale for intergovernmental grants.
5) Minimum Provision of Important Public Goods and Services: According to this principle, fiscal federalism must ensure that all individuals, regardless of where they live, get a minimum level of certain essential public goods and services.
6) Fiscal Equalization Principle: Where there is a significant regional imbalance in resource endowment and corresponding differences in fiscal capacity of subnational governments, some fiscal equalization among the federating units of government is required to ensure a minimum level of public goods and services.
7) The Efficiency Principle: This principle has two aspects in a two-step hierarchy. To begin with, it necessitates that the collection of fiscal federalism criteria, taken as a whole, achieve efficiency in resource distribution in the Paretian sense. Second, the collective rules of intergovernmental fiscal relations must ensure that each level of government optimizes internal revenue receipts with the least amount of tax effort and the least amount of distortion.
8) The Principle of Derivation: This principles requires that the components units of a federation be able to control some of their preferences in their own way with their own resources
9) The Principle of Locational Neutrality: Interregional fiscal variations influence the locational decisions of both individuals and businesses. Given the natural variations in resource endowment, tax capacity, and effort, some degree of locational interference appears to be an unavoidable consequence of fiscal federalism. As a result, policy aims to reduce the distortions caused by such meddling.
10) The Principle of Centralized Redistribution: The redistribution function of fiscal policy should be centralized at the federal level through progressive taxation and expenditure programs. This principle is mutually consistent with the locational neutrality concept. In other words, if the redistribution function is decentralized, locational judgments may be distorted. These principles are incompatible with one another. As a result, they are difficult to follow at the same time. Some of them are incompatible, necessitating trade-offs. The ideal of diversity, for example, may clash with that of locational neutrality, resulting in socioeconomic costs. Also, because of the negative effects of the former on labor mobility and productivity, the principle of equalization of fiscal status, in an attempt to establish horizontal equity, may conflict with the efficiency criterion (Ewetan, Ike & Ige, 2015).

Expenditure Assignment in Nigeria

All of the constitutions of the Federal Republic of Nigeria, according to Adeleke (2011), assigned functions to each level of government. The federal and regional governments' tasks were divided into two categories by the Federal Constitution of 1963. That is, the federal and concurrent legislative list is exclusive. The local government was recognized implicitly as part of the regional governments in the 1963 constitution. The federal constitutions of 1979, 1989, and 1999 defined the roles of each level of government. According to Adeleke (2011), these functions are as follows:

(i) Exclusive list: This is a list of functions that are only to be undertaken by the federal government. External affairs, legal tender currency issue, police, defense accounting of the federal government, and so on are among these functions.

(ii) Concurrent legislative list: This includes actions that must be taken by both the federal and state/regional governments. Census, higher education, industrial development, jails, National Parks and Antiquities, and so forth are examples of these.

(iii) Local Government Functions: The fourth schedule of the federal constitutions of 1979, 1989, and 1999 lists the functions and tasks of local government. The provision of public goods, cemeteries, garbage disposal, public convenience, naming of roads, streets, and house numbers, licensing, regulation, and control of the sale of liquor, rate collection, radio and television license, and so on are the key functions of local governments.

However, under the military administration, the functions of each tier of government are not clearly defined. The function of each level of government depends on the Head of State and Commander-in-chief of the Armed forces.

Development in Nigeria's Fiscal Federalism

The system of transfers or grants by which the federal government divides its revenues with state and municipal governments is known as fiscal federalism. This is referred to as revenue allocation in general. As Nigeria transitioned from a unitary to a federal administration, the form of government grew increasingly decentralized, and fiscal arrangements changed (Ekpo, 2004).

The component units, the Protectorate of Northern Nigeria, the Protectorate of Southern Nigeria, and the Colony of Lagos, each had complete fiscal independence prior to the amalgamation of Nigeria in 1914. A unified fiscal system had previously been in existence prior to the merger, and a centralized budgeting system had been implemented in 1926. However with the adoption of regionalism in 1946, a decentralized fiscal structure was evolved. Before the introduction of a republican constitution in 1963, the fiscal arrangements were influenced by political and constitutional factors. Several commissions were created to renew existing fiscal arrangements and make appropriate recommendations According to Arowo (2011), revenue commissions and allocation formula in Nigeria from 1946-88 is a unique one in because it is characterized by constant struggle, clamour for change and, very recently, violence in the form of agitation for resource control in the Niger-Delta region. It is fiscal centralism instead of fiscal federalism. Calls and exhortations by lower tiers of government for a more decentralized fiscal arrangement have continued to fall on deaf ears. The issue has, over the years, engaged the attention of various commissions and committees. They include according to Arowolo (2011):

1. Phillipson 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.
2. Hicks-Phillipson Commission (1951): This commission recommended need, derivation, independent revenue or fiscal autonomy and national interests as the criteria for revenue sharing.
3. Chicks Commission (1953): The commission recommended derivation.
4. Raisman Commission (1957): It recommended need, balanced development and minimum responsibility. Percentage division of 40% to the north, 31% to the east, 24% to the west and 5% to Southern Cameroon.
5. The Binns Commission (1964): 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.
6. Dina Commission (1969): It recommended national minimum standards, balanced development in the allocation of the states joint account and basic need.
7. 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

8. 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%).
9. Danjuma Commission (1988): It recommended percentages: Federal (50%, States (30%), Local Governments (15%), and special Fund (5%). Other laws and decrees on revenue allocation: Decree 15 of 1967 , Decree 13 of 1970 ,Decree 9 of 1971 , Decree 6 of 1975 , Decree 7 of 1975 (Oyeneye, et al, 1988).

The 1999 Constitution of the Federal Republic of Nigeria

The Revenue Mobilization, Allocation, and Fiscal Commission is established as a permanent body under the Third Schedule, Part 1 of the 1999 Constitution. Section 162(2) of the 1999 Constitution improves on section 149(2) of the 1979 Constitution, which left sole responsibility for the allocation of public monies from the distributable pool on the National Assembly, which was already overburdened. The Revenue Mobilization and Fiscal Commission was established by the 1999 Constitution, allowing the body to devote its full attention to the complex subject of revenue allocation in the country: The President, upon receiving advice from the Revenue Mobilization, Allocation, and Fiscal Commission, shall present to the National Assembly proposals for revenue allocation from the Federation Account, and the National Assembly, in determining the formula, shall take into consideration the allocation principles, particularly those of population, equality, of states, internal revenue, and population provided, however, that the principles of derivation are always reflected in any approved formula as not less than thirteen percent of revenue accruing to the Federation Account directly from any national resources. " In addition, Section 162 (3) states: Any amount standing to the credit of the Federation Account shall be distributed among the Federal and 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. Subsections (5), (6), (7) and (8) of Section 162 of the 1909 Constitution make financial provision for the local government councils. Section 162 (6) provides that: Each State shall maintain a special account to be called "State Joint Local Government Account' into which shall be paid all allocations to the local government councils of the states from the Federation Account and from the Government of the State (7) Each State shall pay to local government in its area of jurisdiction such proportion of its total revenue on such terms and in such manner as may be prescribed by the National Assembly (8) The amount standing to the credit of local government councils of such a state shall be distributed among the local government councils of that state on such terms and in such manner as any be prescribed by the House of Assembly.

The Constitution further provides for a four-year review of the revenue allocation formula to remove distortions and imbalances in the system. Parts I and II of the Second Schedule of the Constitution contain the legislative powers of the Federal and State governments. The Exclusive Legislative List contains 68 items, whereas the Concurrent Legislative List contains 30 items. The Fourth Schedule of the 1999 Constitution contains the functions of the Local Government Councils, which in a way spelt out their legislative powers. Sections 4 (7) and 7 (1) (6) (b) of the 1999 Constitution give the State Houses of Assembly powers to make laws, including provisions for statutory allocation of public revenue to local government councils in the states. From the foregoing, it is clear that Nigeria fiscal federalism is still metamorphosing and evolving.

Empirical Review

Maximus (2015) 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.

Ohiomu and Oluyemi (2017), analyzed fiscal federalism and economic growth nexus in Nigeria to synthesize the extent to which revenue allocation formula has affected the path of economic growth and sustainable national development. The work uses the methodology of Error correction model (ECM) in conjunction with diagnostic tests of variables using Augmented Dickey–Fuller unit root tests and Johansen Co-integration tests for robust policy recommendations. Using the Gross Domestic Product (GDP) as the dependent variable and Revenue allocation to the three levels of government, inflation and lending interest rate as the independent variables, the results from the study show that revenue allocations and the other variables have significant relationship with economic growth in Nigeria. The study recommends among others that there should be accountability and transparency in the federating units to achieve national goals and objectives. Local governments should be given adequate funds to enable them carry out their expenditure responsibilities to accelerate grass root development in the economy.

Ayokhai and Peter (2016), examined the impact of fiscal federalism and the struggles of ethnic minority groups in the Niger Delta on the trajectories of the national question in Nigeria. The study used content analysis. It found a positive relationship between the changes in the fiscal structure and the aggravation of ethnic minorities' struggles. It concluded that the interplay of these variables leads to the degeneration of the national question and recommended, therefore, the revision of the fiscal structure on which the Nigerian federal system currently anchors as a panacea for resolving the national question. Fiscal Federalism and Resource Control in Nigeria.

Nwogwugwu and Kupoluyi (2015) examined the genesis of fiscal centralization and decentralization. It also explored the various arguments for and against the two positions; the politics that underscore these positions as well as the various suggestions proffered to resolve the quagmire. They found that while the framework for resolving the contentious issues have been laid, no meaningful attempt has been made by the federal government to effect change in the status quo. There has not been any constitutional amendment to the operations of Nigeria's federalism with the federal government seeing it as a non-negotiable area. The agitations for resource control will continue as long as the federal government does not allow for sufficient economic empowerment to guarantee auto-centric development in the component units. The federal government should take urgent steps to ensure true fiscal federalism in the country.

Arowolo (2011) inquired into the causes of dissatisfaction and violent agitation arising from fiscal federalism and the adopted allocation formula. In achieving this, the paper adopted both descriptive and analytical methods by relying on secondary sources for data gathering. It also adopted primary sources by interviewing the key figures involved in the process of allocation of resources. However, the paper the concluded that the centralism and the age-long hegemony of federal government as well as the protracted period of interregnum rule of the military are some of the factors that contribute to the constant conflicts associated.

Robinson and Udeorah (2018) ascertained fiscal federalism in Nigeria, and the implication to the economy of states. Federalism, fiscal federalism and inter-governmental relations were defined in the conceptual framework, while basic theories of fiscal federalism were reviewed. The empirical issues/opinions of experts on fiscal federalism concluded the literature review. The paper reviewed the evolution of fiscal federalism in Nigeria; Sir S. Philipson headed the first fiscal commission preparatory to the 1954 federal constitution. Other commissions/instruments of fiscal federalism include, the Hicks-Philipson, Louis Chick, Jeremy Raisman and R.C. Tress, the Bin, Decree 15 of 1967, the Dina Commission, the Aboyade committee, Pius Okigbo, T.Y. Danjuma Commission and the Constitution of the Federal Republic of Nigeria, 1999. The paper discovered that the Nigerian fiscal imbalance was to a large extent masterminded by the military governments. That the states in Nigeria are structurally constrained to perform their constitutional responsibilities because of appropriation of greater quantity of the national resources to the purview of the government at the centre.

Ewetan, Ike and Ige (2015) examines such issues as principles of fiscal federalism, decentralization and assignment of revenue from natural resources, decentralization and corruption, decentralization, regional disparities and national unity.The study found that the practice of fiscal federalism has been contentious in Nigeria due to overbearing influence of the federal government, unevenly distribution of endowment of natural resources, the sharing of which often puts considerable strains on national unity, and also tends to generate rivalries between the constituent units of the Nigerian state. The paper concludes that if the country can establish the institutions that will make decentralization work with a reasonable degree of efficiency, then decentralization can be a good policy.

Odigwe and Aibieyi (2015) explored fiscal Federalism and development in Nigeria. They found that the pattern of fiscal federalism the military imposed on the nation has no regard for the source of production and revenue generation. This is so through the power bestowed upon the federal government by the constitution which gave the federal government power over taxation and payment collection, the same constitution also vested the power of ownership of natural resources in any part of the country on the central government, and this has gone a long way to balkanized revenue generation effort and made development Epileptic and subjecting states as agents to the federal government. They concluded that the 1963 Republican constitution, 1979 constitution, 1989 constitution and 1999 constitution made it possible in Nigeria, and conflict are still "brewing.

Ejeh and Orokpo (2014) investigated fiscal federalism in Nigeria: an analysis of issues and challenges.They posited that the federal government however has occupied a very strong position vis-à-vis the State and Local government since the 1970's in Nigeria. This is because most of the power (financial and legislative) relating to economic development has been explicitly centralized at the federal level. It is the position of the paper that a high level of fiscal decentralization is required in Nigeria because of the unfair revenue sharing formula and the need to resolve the controversial issues surrounding the contentious fiscal federalism in Nigeria. Apart from recommending a substantial review of the fiscal system, it draws attention to the political imperatives of a constitutional modification of the fiscal arrangement and adequate compensation for those who produce the 'commonwealth' among others.

Ecoma and Ecoma (2018) evaluated fiscal federalism and good governance in Nigeria since Independence. Since it is fundamentally true that the challenges of fiscal federalism are enormous in Nigeria, the paper attempted to look into the importance of fiscal federalism for good governance in Nigeria. The study noticed that the principle of fiscal autonomy and fiscal integrity are paramount aspects of the survival and continued existence of a truly federating system of government. The paper also revealed that the contending issues and challenges of fiscal federalism could be in form of a mismatch between revenue sources and functions of the various tiers of government. The paper concluded by arguing that there is the prospect of a stable federation if anchored on arrangements rooted in equity, fairness and justice. They recommended that the distribution of revenue should encourage each State and Local Government to improve internal revenue generation, as well as the devolution of fiscal power and responsibilities to component units.

5.0 CONCLUSION

Because Nigeria is multi-ethnic, multi-racial, multi-lingual, and has a high level of religious sentiments, the paper was able to summarize fiscal federalism and Nigeria's experience with the awareness that fiscal federalism has caused a lot of disputes and controversies. The core thesis of this study is that true fiscal federalism can be achieved when income and spending decentralizations are based on equality, justice, and fairness, particularly with reference to the derivation principle.

6.0 POLICY RECOMMENDATIONS

Arising from the challenges of fiscal federalism, the following are the alternatives for remediation:

i. True fiscal federalism where revenue powers will be share equitably among the federating units or tiers of governments. This will make the subnational government to be vibrant.
ii. The current expenditure framework of government that resides most responsibilities in the central government should be reviewed, so that some of these responsibilities will be given to the state and local government.
iii. True fiscal federalism should be practiced in order to protect Nigeria with a lot of diversities from tyranny and dispersing powers.
iv. There should be amendment and reformation of our various tax laws in order to give more tax powers to other tiers of governments and enhance the non-oil revenue.
v. There should be constitutional amendments to address the aspect of ownership of natural resources that is resident in the central government.
vi. There is need to ensure that the distribution of the revenue encourage each state and local government to improve internal revenue generation, not to constantly and wholly depending on the fund coming from the federation account.

REFERENCES

Ajibola, R. (2008) *Public Finance: Principles and practice. Lagos*: AVL Publishing.

Akindele, S.T. & Olaopa, K. (2002). Fiscal federalism and local government finance in Nigeria: an examination of revenue, rights and fiscal jurisdiction", in Omotoso, F. (Ed.), *Contemporary issues in public administration*, Bolabay Publications, Lagos, pp. 46-64.

Amnuwo, K. (1998) (Ed*). Federalism and Political Restructuring in Nigeria.* Ibadan: Spectrum Books Limited

Anyanwu, J. C (1999). Fiscal Relations among the various Tiers of Government in Nigeria In: Fiscal Federalism and Nigeria's Economic Development, Ibadan Nigeria. *The Nigerian Economic Society*, 119-124.

Arowolo, D (2011). Fiscal Federalism in Nigeria: Theory and Dimensions. *Afro Asian Journal of Social Sciences, 2*(2.2), 1-21.

Ayokai, F.E.F & Peter, N.W. (2011). Fiscal federalism, ethnic minorities and national question in Nigeria: Revisiting the case of the Niger Delta people. *African Research Review*, 10(3), 2070-0083.

Bird, R. M. (2009). *Taxation in Latin America: Reflections on sustainability and the balance between efficiency and equity.* Working paper (0306), Rotam School of Management, University of Toronto, 26 June.

Dunmoye, A. (2002). Resource control: Which way forward*? Newsletter of the Social Science Academy of Nigeria*, 5(1), 44-46.

Ecoma, E.S. & Ecoma, C.S. (2011). Fiscal federalism and good governance in Nigeria since independence. *American Research Journals*, 4(1), 2378-7031.

Ejeh, A.W. & Orokpo, E.E. (2014). Fiscal federalism in Nigeria: An analysis of issues and challenges. *International Journal of Peace and Conflict Studies.* 2(1), 2354-1598.

Ekpo, A. (2004). Intergovernmental Fiscal Relations: The Nigerian Experience. Paper Presented at the 10th Year Anniversary of the Financial and Fiscal Commission of South Africa, Cape Town, 1012, August

Ekpo, A. H. (1994) Fiscal Federalism: Nigeria Post-independence Experience. *World Development, Quarterly Journal of Administration*, 22(8), 17-28.

Ewetan, O. O. (2011). *Fiscal Federalism and Macroeconomic Performance in Nigeria*. Unpublished PhD Thesis, Covenant University, Ota, Ogun State, Nigeria.

Ewetan, O.O., Ike, D.N & Ige, C.S. (2015). An examination of relevant issues in Nigeria's fiscal federalism. *Journal of Research in Humanities and Social Studies*. 2(3), 2394-6296.

Litvack, J. I. & C. I. Wallich (1993). Intergovernmental finance: Critical to Russia's transformation? *Finance and Development*, 3(2), 6-9.

Ma, J. (1995). Macroeconomic management and intergovernmental relations in China, *working Papers* (1408), The World Bank, 14 April.

Maximus, E. (2015). Fiscal federalism in Nigeria: The confusion and realities. *NG-Journal of Social Developments*, 5(1), 0189-5958.

Musgrave, R. A. (1959). *The Theory of Public Finance*. New York: McGraw-Hill

Musgrave, R. A. Musgrave, P. B. (1989*). Public finance in theory and practice, international Edition.* Singapore: McGraw-Hill Book Coy.

Nwogwugwu, N.D. & Kupoluyi, A. K. (2015). Fiscal federalism and resource control. *IOSR Journal of Economics and Finance,* 6(4), 2324-5933.

Oates, W.E (1999). An essay on fiscal federalism*. Journal of Economic Literature, JSTOR, 37* (3), 1120-49.

Oates, W.E. (2006). The theory and practice of fiscal decentralization", in William, A.F. (Ed.), *The Tiebout model a fifty*. Lincoln Institute of Land Policy, Cambridge M.A, 1-32.

Ohiomu, .S & Oluyemi, S. A (2017).Fiscal federalism and economic growth nexus: Empirical Evidence from Nigeria*. International Journal of Economics, commerce and management*. 5(2), 2348-0386.

Olalokun, A. (1979). Nigerian Federal Finances, issues and choices. In: Readings in Federalism

Oso-Eson, (2005). *Fiscal Federalism: Theory, issues and perspectives.* Daily Independent.

Robinson, M. O. & Udeorah, S.A.F. (2018). Fiscal federalism in Nigeria: Implication to the economy of states. *International of Research and Innovation in Social Sciences, 11*(11), 2454-6186.

Sharma, C. K. (2005), The Federal approach to fiscal decentralization: Conceptual contours for Policy Makers. *Lyola Journal of Social Sciences*, 19(2), 169-88.

Tella, S.A. (1999). Promoting states economic independence through financial market Cooperation", in Fiscal Federalism and Nigeria's Economic Development 1999 proceedings of the Nigerian Economic Society. *Nigerian Economic Society*, 171-18

Vincent, O.O. (2001), Fiscal Federalism: The Nigerian Experience, Fourth Public Lecture. The Nigerian Economic Society. Ibadan.

Weingast, B.R. (1995). The economic role of political institutions: Market preserving federalism and economic development, *Journal of Law Economic Organizations*, 11, 1-31.

Weingast, B.R. (1997). The political foundations of democracy and the rule of the law, *American Political Science Review*, 91, 245-263

Wheare, K.C. (1963*), Federal Government,* 4th edition, Oxford University Press, New York, NY