Federal Government Statutory Fund Allocation to States in Nigeria, West Africa: Any Reasonable Story to Tell?

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Abstract

One of the characteristics of Nigeria's federal system of government is its revenue allocation system wherein the federal government allocates funds to each State of the federation based on certain predetermined percentages. This statutory allocation has been the major stream of income for most States in Nigeria for many years while Internally Generated Revenue by the States has been significantly low. As a result, this paper seeks to analyse the effects of statutory allocation on the economic performance of a States, using one of the well endowed States, Ekiti as a case study. In order to achieve this, we collected data from secondary sources of actual Federal allocations overtime and Gross Domestic Products with the Internally generated revenue (IGR). We then 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 the read driver of the economy. Our findings showed that the variables Statutory Allocation (SA) and Internally Generated Revenue (IGR) were jointly having a positive correlation with Gross Domestic Product. However, despite the huge natural endowment of Ekiti State, only Statutory Allocation had a significant positive effect on Gross Domestic Product while the contribution of IGR is insignificant. Considering the dwindling federal allocations and the controversial allocation measures, it is therefore recommended (among others) that the States should widen its net for the Internally Generated Revenue to achieve meaningful economic development in the very near future.

Introduction

In most human societies, whether developing or developed, Government plays certain roles in economic development. Usually, Government is responsible for the provision of public goods and services largely due to the inherent characteristics (of public goods and services) and indeed as a result of market failure.

Oates (1994) posited that Private Markets cannot earn sufficient revenues from selling the public good to induce them to produce the socially optimal level of the public good. This explains why Private Markets are not interested in provision of public goods that are not profitable.

Eboh (1999) opined that market failure arises from the divergence between private and social costs or benefits and leads to inefficient resource allocation as well as development outcomes that may not be socially optimal.

Provision of public goods and services such as construction of accessible roads, construction of bridges, building of public schools, health care centres etc require huge resources (revenues).

Worlu and Nkoro (2012) submit that the infrastructural developments demand a lot of resources and funding. Similarly, Adesoji and Chike (2013) maintain that the need for state and local government to generate adequate revenue from internal sources has become a matter of extreme urgency and importance. Taxation has been found to be a veritable tool of revenue mobilization, although there are some challenges in the revenue drive. According to Akintoye and Tashie (2013) the world over, taxes is one major source of government revenue, however, not every national government have been able to effectively exploit this great opportunity of revenue generation. Akintoye and Tashie (2013) further assert that ineffective revenue generation can be attributed to a number reasons including the system of taxation; tax legislation; tax administration and policy issues; over reliance on other sources of revenue (such as foreign aid and grants); corrupt practices in the system – especially as it relates to the system of tax collection and behaviour of citizens towards tax payment; and ease of tax payment.

The ability of the different tiers of government in a country to mobilize revenue depends on the adopted political arrangement. Political arrangement determines who gets what. Nigeria as a nation practices federalism. Historically, Nigeria became a federal state with the advent of Richards Constitution in 1946. According to Oates (1972), Federalism is defined as the amalgam of sub-units of national sovereign governments that operate independently under a constitutionally defined sphere of functional competence.

The thrust of fiscal arrangement in federalism is built on the assignment of powers and responsibilities to each level of government. It is further believed that each level of government should have adequate funds to effectively and efficiently discharge its responsibilities. In fact, decentralization of responsibilities for expenditure and revenue to different levels of government ensures that each government makes decisions and allocates resources according to its own priorities.

There is, however, a grave mismatch between assigned responsibilities and revenue distribution among the federating blocks in Nigeria. Odoko and Nnanna (2009) affirm that the challenges of intergovernmental fiscal relationship in Nigeria hinge on the equity of the expenditure assignment and revenue-raising functions amongst the three tiers of government. This fiscal imbalance is a product of assigning high-yielding revenues types to the central government while substantial and growing expenditures are devolved to the sub-national governments. According to Emenuga (1993), the allocation of revenue to the different tiers of government has not adhere strictly to the expenditure requirements of each tier, thus the federal government has become a surplus-spending unit while other functions, he proposes the determination of a tier's share through the aggregation of its basic expenditure needs.

The fiscal imbalance leaves states and local governments with no viable option other than to map out strategy for enhancing internally generated revenues beyond allocations from federation account. Kiabel and Nwokah (2009) posits that the increasing cost of running government coupled with dwindling revenue has left various state governments in Nigeria with formulating strategies to improve the revenue base.

Basically, there are two sources of revenues available to governments in Nigeria: allocations from federation account and internally generated revenue. Under the present arrangement, Federal Government shares 52% from federation account.

One of the recurrent problems of the three-tier system in Nigeria is dwindling revenue generation as characterized by annual budget deficits and insufficient funds for meaningful growth and viable projects development (Adedokun, 2004).

Kiabel and Nwokah (2009) corroborated that the increasing cost of running government coupled with dwindling revenue has left various state governments in Nigeria with formulating strategies to improve the revenue base.
The essence of this research work, therefore, is to examine the effect of Statutory Allocation on Economic Development and investigate into its effects on economic growth.

Theoretical Framework

The effect of Statutory Allocation on Economic Development can be examined within the theoretical frameworks of public goods and fiscal federalism. Agu (2010) opined that discussions about internally generated revenue of sub national government are located within the framework of the theory and practice of fiscal federalism.

The intervention of government in the economic activities of any nation is justified in the theory of public goods.

Samuelson (1954), credited as the first economist to develop the theory of public goods defined public goods as "... (goods) which all enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good..."

Theoretically, it is generally believed among economists that private markets allocate goods and services among individuals efficiently under given circumstances. It is further accepted that no waste occurs and that individual tastes are matching with the economy's productive abilities. In many cases, however, it is found that conditions for private market do not hold thereby resulting in market failure and the inevitable interventions of governments. Many reasons can be adduced for the intervention of governments in provisions of public goods. Private markets, for instance, do not have the interests in providing public goods because of the very nature of public goods. Besides, Oates (1994) submitted that Private markets cannot earn sufficient revenues from selling the public good to induce them to produce the socially optimal level of the public good.

Similarly, Market failure arises from the divergence between private and social costs or benefits and leads to inefficient resource allocation as well as development outcomes that may not be socially optimal (Eboh, 1999). Public goods could be regarded as goods or services that can be consumed by several individuals simultaneously without diminishing the value of consumption to any one of the individuals. Public goods are non-rivalry as they are non-excludability. Non-rivalry means that multiple individuals can consume the same good without diminishing its value whilst non-excludability connotes that an individual cannot be prevented from consuming the good whether or not the individual pays for it. Fresh air, a public park, a beautiful view, national defence etc are examples of public goods.

Musgrave and Musgrave (1989) mentioned three kinds of public goods namely: pure public goods, impure public goods and private goods. They further averred that private goods are consumed individually and its consumption is contingent upon payment while impure public goods are those collectively consumed but its consumption is contingent upon payment. Whereas, pure public goods are collectively consumed but consumption is not contingent upon payment - characterized by non-exclusivity and non-rivalry.

The concept of Federalism needs to be defined before dwelling on fiscal federalism. For Arowolo (2011), Federalism is a coinage of a Latin word "foedus" meaning covenant. It is a political arrangement in which sovereignty is constitutionally shared between a central governing authority and constitutional political units (like states, provinces, local governments as the case may be).

According to Ajayi (1997), federalism is the juxtaposition of two levels of power of a central government otherwise called the federal government and other states labelled variously as states, regions, republics, cantons or unions.

Federalism is a system in which the power to govern is shared between national and state governments, creating what is often called a federation (Akindele and Olaopa, 2002). Federalism is about how power is distributed or shared territorially and functionally among the various units in a federation.

In the same dimension, Sagay (2008,) opines that federalism is as an arrangement whereby powers within a multi-national country are shared between a federal government and component units in such a way that each unit, including the central authority exists as a government separately and independently from others, operating directly on persons and properties with its territorial area and with a will of its own apparatus for the conduct of affairs and with an authority in some matters exclusive of others.

Empirical Review

There is no universally accepted definition for Economic Development. Indices of economic development are, however, clear-cut and measurable. Economic Development Agencies {United Nations Development Program (UNDP), World Bank} have always used such indices as literacy rates, life expectancy, poverty rates, etc as benchmark for determining economic development. To parade enviable indices, a country must be prepared to fund heavily in human resources, health, road network, security, agriculture, freedom index, education, etc.
 Unegbu and Irefin, (2011) opines that Economic development typically involves improvements in a variety of indicators such as literacy rates, life expectancy, and poverty rates.

Adejoh and Sule (2013) quoting Ake (2001) also define Development as the process by which people create and recreate themselves and their life circumstances to realize higher levels of civilization in accordance with their own choice and values.

It also a type of social change in which new ideas are introduces in to a social in order to produce higher per-capital in come and levels of living through more modern production method sand improved social organization.

Omoigui-Okauru (2012) cited in Oseni (2013) asserted that states are often considered poor in the areas of internally generated revenue because most of them do not have a comprehensive data on who should pay tax or the key economic activities that can generate tax income, stressing this has always affected the revenue flow from internally generated sources.

Naiyeju (2011) mentioned in Oseni (2013) is of the opinion that states and local governments have continued to demonstrate total lack of interest in improving their lots towards improved revenue generation by preferring to use consultants to administer taxes, rather than modernising their tax systems for enhanced revenue yield, and less dependency on allocation from the Federation Account.

Ojo and Owojori (1998) attributed the causes of poor internally generated revenue to lack of adequate resources such as vehicles and personnel for Mobilizing IGR at local government levels, the potential sources of IGR at each local government not being adequately tapped and the potential payers of taxes, rates and charges not willing to pay due to biases and other personal reasons.

Oseni (2013) opines that the absence of good and vibrant informal sector coupled with few industries will cause internal revenue to be low.

Those working in the informal sector of Nigerian economy do not see the need to pay tax whereas they dominate the economy (Abiola and Asiweh, 2012).

Ahunwan (2009) cited in Abiola and Asiweh (2012) observed that the Nigerian tax system has been flawed by what is termed multiplicity of tax and collecting entities at the three tiers of government levels – Federal, State and Local government.

Even revenue collection officers seem to be lenient or even connive with those in the informal sector during enforcement of tax policies (Abiola and Asiweh, 2012).

With the advent of N18,000.00 minimum wage agreed with labour, states are groaning under the pressure to pay the minimum wage – which automatically increases the wage bill as upward adjustments are made across board - may be in for a long haul as internally generated revenue (IGR) efforts still rate low.

As depicted in the table above (sourced from CBN Annual Report of 2012), provisional data indicated that at N8,928.9 billion, the aggregate revenue of the three tiers of government in 2012 totalled N5,288.3 billion from the Federation Account as statutory allocation, N560.4 billion as budget augmentation (including the share of the difference between budget and actual federation revenue), N387.7 billion as excess crude revenue sharing, N150.0 billion as excess non-oil revenue, N373.9 billion as recovered revenue previously understated, N167.2 billion as exchange rate gain/NNPC refunds to state and local governments, N284.4 billion as SURE-P revenue, and N681.7 billion from VAT.

Others were N206.8 billion from the Federal Government Independent Revenue and N126.8 billion from „other funds‟4. Revenue exclusive to the sub-national (state and local) governments included N570.0 billion, N122.4 billion, N4.5 billion and N4.7 billion, respectively, from internally-generated revenue, grants, stabilisation fund, and state allocation to local governments.

| Table 1 Sources of Funds for the Three Tiers of Government in 2012 (Naira Billion)											
Federal Government							**State Government**			**Local Gov**	
Source	FG's Share (CRF)	Derivation & Ecology	Stabiliza tion Account	Devt. Of Nat. Res.	Externa l Cred. Funding	FC T	Sub - Total	States	13% Deriva tion Su	Sub - Total	Local Governm ents	Grand Total
Share from Federation Account (Statutory Allocation)	2,210.20	45.6	22.8	76.6	98.8	45.6	2,499.60	1,267.80	543. 7	1,811.5 0	977.4	5,288.50
Augmentation	236.5	4.9	2.4	8.2	0	4.9	256.90	130.3	72.9	203.20	100.4	560.50
Share from Excess Oil Revenue	163.6	3.4	1.7	5.7	0	3.4	177.80	90.1	50.4	140.50	69.5	387.80
Share from Excess Non-oil Revenue	72.8	1.5	0.8	2.5	0	1.5	79.10	40.1	0	40.10	30.9	150.1 0
Recovery of Understated Revenue	157.8	3.3	1.6	5.5	0	3.3	171.50	86.9	48.6	135.50	67	374.00
Exchange Gain	32	0.7	0.3	1.1	0	0.7	34.80	17.6	9.9	27.50	13.6	75.90
NNPC Refund	0	0	0	0	0	0	0.00	44.9	11.9	56.80	34.6	91.40
SURE-P	120	2.5	1.2	4.2	0	2.5	130.40	66.1	37	103.10	51	284.50
Share of VAT	95.4					6.8	102.2 0	340.9		340.90	238.6	681.7 0
FG Independent Revenue	206.8						206.80			0.00		206.80
Privatization Proceeds							0.00			0.00		0.00
Net Internally Generated Revenue	0	0	0	0	0	10.3	10.30	533.1	0	533.10	26.6	570.0 0
Grants and Others							0.00	95.7		95.70	26.7	122.4 0
Share of Stabilization							0.00	1.3		1.30	3.2	4.50
State Allocation to LG							0.00			0.00	4.7	4.70
Others	126.1						126.10			0.00		126.10
TOTAL	3,421.2 0	61.9	30.8	103.8	98.8	79	3,795.50	2,714.8 0	774. 4	3,489.20	1644.2	8,928.90

Source: CBN Annual Report (2012)

The table above shows that Federal Government revenue accounted for 43% while 36 states and 774 local governments accounted for 39% and 18% respectively.

Table 2. State Governments' Revenue						
	State Governments' Revenue				Share in Overall GDP	
Item	**2011**		**2012**		**2011**	**2012**
	Amount (N' Billion)	**Share (%)**	**Amount (N' Billion)**	**Share (%)**	**(%)**	**(%)**
Federation Account	1,786.3	52.4	1,857.0	52.0	5.0	4.6
Excess Crude Revenue	696.6	20.5	542.4	15.1	2.0	1.3
VAT	318.0	9.3	347.7	9.7	0.90	0.9
Internally Generated Revenue	509.3	14.9	548.1	15.3	1.4	1.4
Stabilization Fund	11.2	0.3	1.3	0.1	0.03	0.0
Grants & Others	88.7	2.6	95.7	2.7	0.3	0.2
Others			180.4	5.1		0.4

Source: CBN Annual Report (2012)

Internally Generated Revenue (IGR) was N548.1 billion, or 15.3 per cent. The IGR increased from the level in 2011 by 7.6 per cent, indicating an improvement in the drive for internal revenue. In terms of tax effort, measured as the ratio of IGR to total revenue (IGR/TR), Lagos State ranked highest with 53.4 per cent, followed by Kano and Ogun states, with 35.0 and 31.1 per cent, respectively, while Benue State ranked lowest with 1.9 per cent.

In terms of state governments" effort at improving internally-generated revenue, Sokoto State came first with an increased IGR/TR ratio of 16.2 per cent, from 5.1 per cent in 2011, followed by Yobe and Ebonyi states in the second and third positions, respectively. Overall, the consolidated IGR/TR ratio of the state governments rose from 14.9 per cent in 2011 to 15.3 per cent in 2012.
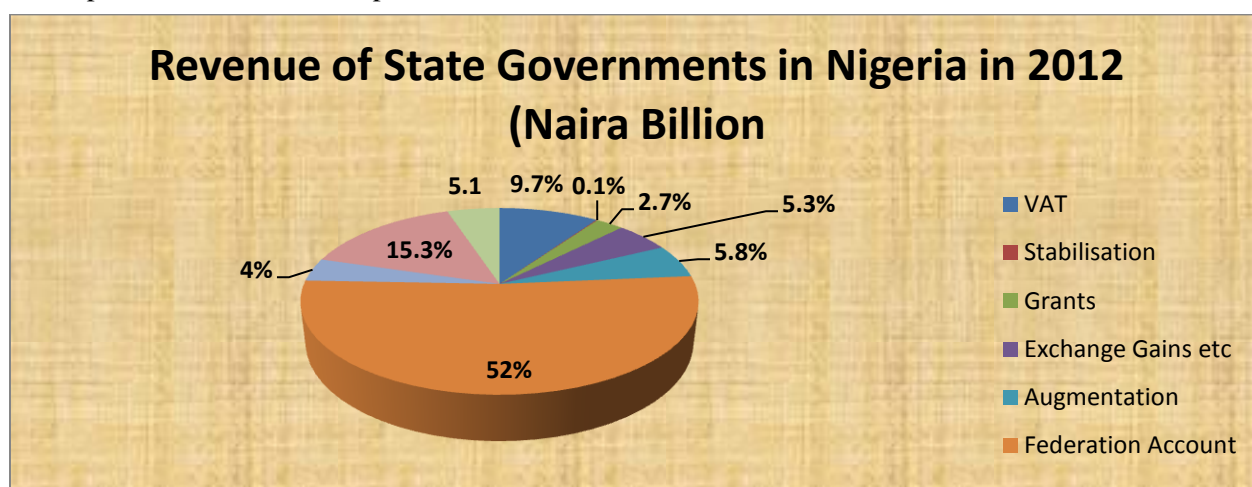
Source: CBN Annual Report (2012)

Ekiti State in Perspective

Ekiti State of Nigeria was created on 1st October, 1996 alongside other five states by the late Head of State and Commander-in-chief of the Armed Forces of the Federal Republic of Nigeria, General Sanni Abacha-GCON, in a Nationwide broadcast to mark the 36th Independence Anniversary of Nigeria. The State which was carved out of the old Ondo State has its headquarter located in Ado-Ekiti and it covers twelve local government areas that made up the Ekiti Zone of the old Ondo State. However, Ekiti State on creation took off with sixteen local government areas, having had additional four carved out of the old ones.

Ekiti State is one of the thirty six (36) states (including the Federal Capital Territory Abuja) that now form the Federal Republic of Nigeria.

Major Tourist Centers/Attractions

Major tourist centres/attractions are listed in the table 2.4 below:

S/N	Location
1	Ikogosi Warm Springs Resort Centre, Ikogosi-Ekiti
2	Fajuyi Memorial Park, Ado-Ekiti
3	Erinta Water Falls, IpoleIloro-Ekiti
4	Olosunta Hills, Ikere-Ekiti
5	Ero Dam, Ikun-Ekiti
6	Egbe Dam, Egbe-Ekiti

Source: Ekiti State Official Diary (2011)

Mineral Resources

Ekiti State is rich in mineral resources, most of them still untapped. The resources include cassierrite, columbite, tantalite, ceramic clays, kaolinitic clays, feldspar, bauxite clay, dimension stones, mica etc as depicted in table below: Table 3

S/N	Types of Mineral	Town	Local Government Area	Industrial Uses/product
1	Clay Kaolin	Isan-Ekiti	Oye	Retracteries Manufactures, Chemicals, Industrial Abrasive, Ceramics Wares, Pharmaceuticals, Fertilizers, White Tiles, Insulator Wares, Pencils.
2	Cassiterite& Tin Ore	Ijero- Ekiti	Ijero	Tin Planting, Tin Can, Alloys, Printing and Dying
3	Columbite	Ijero-Ekiti	Ijero	Special Steel, Electronic Tube, Filaments in Rackets and Air Craft Manufacture
4	Bauxite (Aluminum Ore)	Orin-Ekiti	Ido/Osi	Aluminum Products Production
5	Foundry Sand	Ijero-Ekiti	Ijero	Foundry Ceramics, Manufacture of Glass Wares
6	Charnochite Granite	Ikere-Ekiti, Ado-Ekiti, Emure-Ekiti, Aramoko	Ikere, Ado, Emure, Ekit West	Stone Cutting & Polishing Road Aggregate

Source: Ekiti State Official Diary (2011

Table 4.4.2 Rate of Internally Generated Revenue (IGR), Statutory Allocation and Gross Domestic Product from 2001 to 2010

Year	Statutory Allocation(SA) (X_1)	Internally Generated Revenue (IGR) (X_2)	Gross Domestic Product(GDP) (Y)
2001	7,145,256,943.00	548,431,150.00	353,534,050,000.00
2002	6,732,964,012.01	747,276,459.76	366,914,070,000.00
2003	8,757,270,467.43	744,507,058.10	404,905,030,000.00
2004	13,064,653,491.32	1,038,459,474.72	541,502,884,355.40
2005	14,570,094,940.84	1,035,079,658.22	560,155,853,855.59
2006	16,206,928,230.88	1,192,255,057.27	606,150,053,816.17
2007	17,550,567,427.01	1,706,422,327.37	647,540,398,238.65
2008	21,187,003,418.77	4,153,780,092.56	688,142,881,416.86
2009	16,300,345,750.90	3,062,383,263.64	735,861,577,546.99
2010	20,896,614,606.25	2,454,450,646.20	793,551,206,069.93

Source: Ekiti State Ministry of Finance, 2013

Table 4.4.3 Descriptive Statistics of IGR, SA and GDP for 2001 to 2010

Variable	From 2001 to 2010	
	$\overline{X}$	±SD
Internally Generated Revenue	1,668,304,518.78	1,188,866.66
Gross Domestic Product	569,825,800,529.96	154,571,000,000.00
Statutory Allocation	14,241,169,928.84	5,269,268.79

The Model

Multiple Regression Analysis

To find the relationship that exists between IGR, Statutory Allocation and GDP a Multiple Regression equation is employed.

The model of the relationship is:

$Y = f(X)$, where $X = x_1, x_2$
$Y = $ GDP
$x_1 = $ Statutory Allocation
$x_2 = $ Internally Generated Revenue

Then:

$Y = b_o + b_1 x_1 + b_2 x_2 + e$

$b_0 = $ parameter showing the point of interception with the Y – axis
b_1 , $b_2 = $ parameter also known as slope of the model defining the specific relationship
e= stochastic error term which is representing other variable that could cause a variation on the dependent variable which are not stated in the model

Table 4.4.4

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.951[a]	.905	.893	5.048E+010

a. Predictors: (Constant), SA
b. Dependent Variable: GDP

Table 4.4.5

ANOVA[b]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.9E+023	1	1.946E+023	76.381	.000[a]
	Residual	2.0E+022	8	2.548E+021		
	Total	2.2E+023	9			

a. Predictors: (Constant), SA
b. Dependent Variable: GDP

Table 4.4.6

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2E+011	5E+010		3.576	.007
	SA	27.909	3.193	.951	8.740	.000

a. Dependent Variable: GDP

Correlation and multiple Regression analysis were conducted to examine the relationship between Statutory Allocation (SA) with GDP table 4.4.2 and 4.4.3 summaries the descriptive statistics and analysis result. It can be observed that the variable SA has a strong positive correlation with GDP. Table 4.4.6 shows that multiple regression model with its predictor variable produced $R^2_= 0.905$, F (1, 8) = 76.381, p<0.000. As can be seen in table 4.4.6Statutory Allocation (SA) has Significant Positive relationship with a β weight of 0.951.

The coefficient (parameter estimate) of b_1 (0.951) is predicted, holding the other variable constant. The Strength of the relationship implied that for every unit increase in Statutory Allocation there will be a corresponding increase in GDP by about 0.951 units. This is significantly different from 0 and statistically significant.

Furthermore the explanatory power of R^2 measured with the goodness of fit of the regression model showed the explanatory power of the model. In the analysis the value of the coefficients of determination $R^2= 0.905$ this is high. It implies that about 90.5% of the total variations in Gross Domestic Product are explained by Statutory Allocation alone .While the remaining 9.5% could however be attributed to the stochastic variable e which includes other variables not explained in the model.

From table 4.4.5 above, b_0 intercept when regression line crosses Y axis (Constant) is 2E + 011(179,394,745,980.60) when X = 0. Hence, the following equation result was obtained:

Y = 2E+011+ $b_1$0.951+ (5.048E +010).

The estimated coefficient model shows that, the estimate of model parameter is consistent with prior expectations for b_1

Figure 4.4.7 Relationships between GDP and (SA) and IGR

Table 4.4.12 Descriptive Statistics of IGR, SA and GDP for 2001 to 2010

Variable	From 2001 to 2010	
	$\overline{X}$	±SD
Internally Generated Revenue	1,668,304,518.78	1,188,866.66
Gross Domestic Product	569,825,800,529.96	154,571,000,000.00
Statutory Allocation	14,241,169,928.84	5,269,268.79

From table 4.4.2 it can be observed that the Statutory allocation rose from N7,145,256,943.00 in 2001 to N20,896,614,606.25 in 2010 which is about 200% increase in the aforementioned duration. Similarly, Internally Generated Revenue rose from N548, 431,150.00 in 2001 to N2, 454,450,646.20 in 2010. This is about 300% growth across the time frame under consideration. Furthermore it can be observed that Gross Domestic Product rose from N353, 534,050,000.00 in 2001 to about N793,551,206,069.93 in 2010 representing a growth of about 120%. Internally Generated Revenue was almost the same from 2004 to 2006. However, 2008 it jumped up to about 300% above the preceding year, but dropped by about 1billion yearly in 2009 and 2010. GDP from 2001 to 2010 has averagely increased year by year by about N40 Billion. In can be also be observed that in 2008 when Internally Generated Revenue jumped 3 times above the previous year statutory Allocation increased sharply by about N3Billion relative to other years. Generally, Statutory Allocation increased yearly by about N1Billion from 2001 to 2003 but in 2004 it increased by about N5Billion. The previous growth of about N1Billion was established from 2004 to 2007, jumping by upwards again in 2008 and dropping by N4Billion in each successive year from 2009 to 2010. See table 4.4.2.

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The Average of Internal Generated Revenue, statutory Allocation and Gross Domestic Product for the year 2001 to 2010 was N1, 668,304,518.78, N14,241,169,928.84and N569,825,800,529.96 respectively.

Furthermore in other to find the relationship that exists between IGR, Statutory Allocation and GDP a Multiple Regression equation is employed.

Spss out Put ror Igr, Sa and Gdp Multiple Regression Analysis

Table 4.4.13

					Change Statistics	
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change
1	.952[a]	.907	.880	53590335524.476	.907	33.936

Model Summary[b]

a. Predictors: (Constant), IGR, SA

b. Dependent Variable: GDP

Table 4.4.14

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.9E+023	2	9.746E+022	33.936	.000[a]
	Residual	2.0E+022	7	2.872E+021		
	Total	2.2E+023	9			

a. Predictors: (Constant), IGR, SA

b. Dependent Variable: GDP

Table 4.4.15

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2E+011	6E+010		3.212	.015
	SA	26.498	5.631	.903	4.706	.002
	IGR	7.833	24.958	.060	.314	.763

a. Dependent Variable: GDP

Correlation and multiple Regression analysis were conducted to examine the relationship between Statutory Allocation (SA) and IGR with GDP table 4.4.3 and 4.4.4 summaries the descriptive statistics and analysis result. It can be observed that the variables SA and IGR are jointly having a positive correlation with GDP. Table 4.4.13 shows the multiple regression model with all two predictors produced $R^2 = 0.907$, F (2, 7) = 33.936, p<0.000. As can be seen in table 4.4.4 Statutory Allocation (SA) has Significant Positive relationship with GDP while Internally Generated Revenue did not contribute to the model.

The coefficient (parameter estimate) of b_1 (0.903) and b_2 (0.060), is predicted, holding the other variable constant. Only Statutory Allocation has a significant positive regression weights with Gross Domestic Product implying that for every unit increase in Statutory Allocation there will be a corresponding increase in GDP by about 0.903 units. This is significantly different from 0 and statistically significant.

Furthermore the explanatory power of R^2 measured with the goodness of fit of the regression model showed the explanatory power of the model. In the analysis the value of the coefficients of determination $R^2 = 0.907$ is high. It implies that about 90.7% of the total variations in Gross Domestic Product are explained by Statutory Allocation and Internally Generated Revenue (Although IGR contribution is insignificant). While the remaining 9.3% could however be attributed to the stochastic variable e which includes other variables not explained in the model.

From table 4.3c above, b_0 intercept when regression line crosses Y axis (Constant) is 2E + 011(179,394,745,980.60) when X = 0. Hence, the following equation result was obtained: $Y = 2E+011+ b_10.903+b_20.060+ (5.359E +010)$.

The estimated coefficient model shows that, the estimate of model parameter is consistent with prior expectations for b_1 and b_2
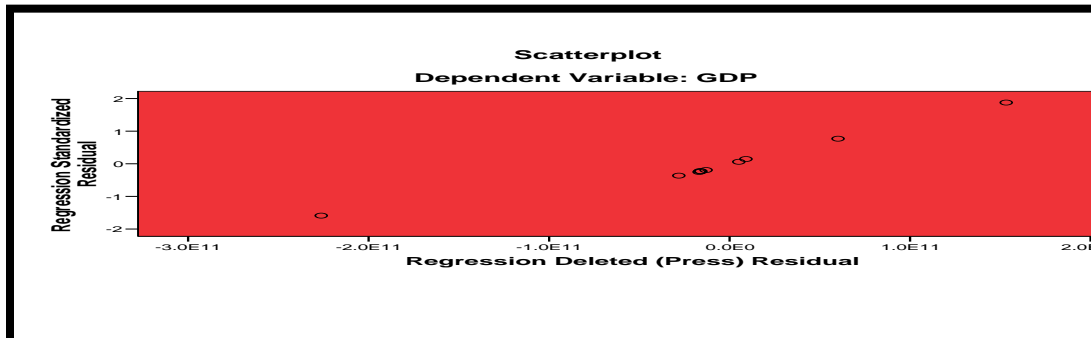

Figure 4.4.16 Relationships between GDP and (SA) and IGR

Summary, Conclusion and Recommendations

Revenue sources to Ekiti State come from statutory allocations from the federation account and constitutionally empowered internal revenues. The need to grow internal revenue in Ekiti State cannot be overemphasised going by the quantum of revenue accruing to the state from federation account in relation to her developmental imperatives..

The study is empirically based on the evaluation of the impact/ relationship of Statutory Allocation economic development and the impact/ relationship of Statutory Allocation on economic development in Ekiti State for the period of ten (10) years (2001 to 2010) using multiple regression model.

The results showed that the variables Statutory Allocation (SA) and Internally Generated Revenue (IGR) were jointly having a positive correlation with Gross Domestic Product. However, only Statutory Allocation had a significant positive regression weights with Gross Domestic Product implying that for every unit increase in Statutory Allocation there would be a corresponding increase in GDP by about 0.903 units.

Conclusion

The driving force of fiscal arrangement in federalism is based on the assignment of powers and responsibilities to the federating units. It is further acknowledged that each level of government should have adequate funds to effectively and efficiently discharge its assigned responsibilities.

In Nigeria, however, there is a grave mismatch between assigned responsibilities and revenue distribution among the federating blocks.

The fiscal imbalance leaves states and local governments with no viable option other than to strategise on enhancement of internally generated revenues beyond allocations from federation account.

It is doubtful therefore if depending solely on Federal Allocation which is subjectively distributed to date with current agitations from many States can continue to give any state in Nigeria the kind of developmental stories needed for a vibrant economy. Therefore, the state needs to boost Internally Generated Revenue.

Ekiti State should widen the net of its revenue through IGR probably not only in taxes but other sources e.g mineral deposits like Clay Kaolin in IsanEkiti, Cassiterite, Tin Ore and Columbite at Ijero Ekiti, Feldspar mining site in Efon Alaye, Caolin Site at Aramoko, Charnochite Granite in various locations, etc to guarantee it continuous growth and relevance in the committee of State, thereby contributing to the economic development of the entire nation. Relevant government agencies too should wake up to their responsibility of not only awakening the thought of the populace to these massive deposits by nature but put and strengthening necessary legal framework for its operations.

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