University of Jos Journal of Political Science
e-ISSN 1595-4765 Vol 1(1) March, 2024; 339-358

Department of Political Science
University of Jos

Dynamic and Challenges of Revenue Sharing and Its Impact on Political Stability in Nigeria (2015-2020)

By

Nurain Abayomi Mumuni
Department of Political Science, Al-Qalam University, Katsina. Katsina State.
Email: lordmumuni@gmail.com

And

Abdulrasheed Abdulyakeen

Department of Political Science, Al-Qalam University, Katsina. Katsina State.
Email: abdulrasheedabdulyakeen90@gmail.com; 08033628063

Abstract

From the beginning, the framework of Nigerian federalism has focused on managing diversity and revenue distribution among its constituent portions. The study focuses on how Nigeria's political stability appears to be determined by revenue allocation. It makes the case that vehement opposition to revenue sharing or allocation has led to a never-ending catastrophe. According to the study, the unsatisfactory method or criterion used in the revenue distribution has always been the point of discontent. However, the result has come to define the social, political, and economic relationships between the various classes, organizations, and ideologies inside the federation. The analysis concludes that financial subordination deviates from how federalism should function in light of its logic or theories. The constitution should grant the Center and its constituent elements the authority to manage their resources. Ultimately, it suggests that governance should be centred around transparency, accountability, and probity. In addition, the system needs to be reorganized to weaken and devalue the Center politically. This will guarantee equity and fairness in the political system, lessen political violence, and lessen political tension as well as the marginalization of specific geopolitical zones.

Keywords: Federalism, politics, political stability, revenue

Introduction

Nigeria is not only the most populous country in Africa, but it also produces a significant amount of the continent's petroleum. Crude oil exports account for more than 90% of the nation's foreign income, although other industries are starting to show promise in terms of income generation. Only nine of the thirty-six states that make up the ethnoculturally varied federation of Nigeria—the Niger Delta—are ideally positioned to host the country's enormous quantities of crude oil. The following States are particularly included in the Niger Delta region: Abia, Akwa Ibom, Bayelsa, Cross River, Delta, Edo, Imo, Ondo, and Rivers. The broader Niger Delta region is home to roughly 30 million people from about 40 different ethnic groupings. Ijaws, Itsekiris, Urhobos, Isoko, Edos, Igbos, Yorubas, Ogbia, Ibibios, Ilajes, Ikweerres, Kalabaris, Efiks, and Ogonis are a few of the prominent ethnic groups of the Niger Delta. The map above provides a clear representation of how the fight for crude oil is fought geographically within the current Nigerian political framework. Several oil majors, including Shell Petroleum Developing Company, Nigerian National Petroleum Company, Chevron/Texaco, Exxon Mobil, Total Fina, ELF Aquitaine, Agip, and their subsidiary contracting companies, are active in the resource-rich and impoverished Niger Delta region, which is also known as Nigeria's "Kuwait."

Because of pipeline vandalism, illegal bunkering, and illegal tapping of crude oil by criminal syndicates, which include a variety of sea pirates, cults, brigands, restive youths, and more organized insurgent groups, the production of crude oil has decreased to less than 2 million barrels per day. These groups have unleashed a reign of insecurity, impunity, hostage takings, and other forms of economic violence to capture spoils and demarcate preferred petro turfs for black market activities. The Movement for the Emancipation of the Niger Delta (MEND) is currently the most well-known ethnic militia in this unstable area. Still, the nine Southern states of the Niger Delta region are home to numerous armed organizations and criminal syndicates. Consequently, research on the resource curse, the Dutch Disease, the Petro-State Complex, oil bunkering, the insurgency of militias, fiscal federalism, ethnic separatism, and the facilitation of multinational corporations in host communities, as well as the efforts of stakeholders to achieve sustainable economic development in the Niger Delta region, generally employ a multifaceted approach to the diagnosis and analysis of the intricate interactions between State power, local-regional political dynamics, and ethnic conflict. Beyond the traditional supremacy of economic determinism and rational choice models, research should be conducted on brutal contestations for resources, historical revisionisms of proprietorship rights, and convulsive community environmental tragedies.

Thus, an interpretatively qualitative and holistically integrated analysis of the Niger Delta Question is required. This analysis should combine strands of various theoretical paradigms, but more importantly, it should integrate a perspective that focuses on the historical sociology of the region and an examination of the internal political roots of the ethno-energy conflicts and security dilemma. Multinational companies do have an impact on economic growth in resource-rich, ethnically and culturally diverse polities, like the contemporary political system in Nigeria.

The number of resources the government has at its disposal, the intensity of economic activity, and the effectiveness of its revenue collection apparatus all affect how much money it makes at any one time. The capacity of the government to promote and maintain a high level of economic activity and the right combination of revenue-generating tools determines the stability and growth of revenue. The government has seen a growth in revenue throughout time, but the performance of internally generated money has remained inadequate. Instead, the government's revenue profile is mostly determined by statutory allocations and the sharing formula. According to Ijaiya (2014), if the level of government that most closely represents the recipients of each sort of public expenditure was assigned responsibility for it, then resources would also be distributed more effectively. The three levels of government mostly relied on their portions of the Federation Account before the value-added tax (VAT) was implemented. This was dependent on changes in the OPEC-regulated global petroleum market. Serious ramifications for government finances result from this. As a result, government revenue had been inconsistent, which had led to deficits and subpar service delivery in the case of State and Local governments, where spending was primarily focused on ongoing operations. This explains why some state governments employ tax contractors and why state and local governments impose a variety of taxes to increase revenue. To maximize income potential and increase the overall amount of federally collected revenue, the nation's resource endowments are utilized. The ultimate goal is to increase the revenue accruable to the federal, state, and local governments through statutory allocations.

Though the three tiers of government are an acceptable way to promote national unity through the common hitherto on hand, the motivation for the solution is the ceaseless effort to educate the people to understand the principles and to be reasonably flexible in the formulation of the underlying formula of the distribution of the revenue among the different tiers and levels of government. Nigerian revenue distribution and political stability: this study examines the relationship between revenue allocation and political stability in the context of the country's economic development, as well as issues related to revenue allocation such as military interventions and other political measures that impede economic growth. To maximize income potential and increase the overall amount of federally collected revenue, the nation's resource endowments are utilized. The ultimate goal is to increase the revenue accruable to the federal, state, and local governments through statutory allocations. One of the main issues facing the Nigerian state is revenue sharing. If this issue is not resolved, I think it will be difficult for the country to advance.

Statement of Research Problem

The topic of income allocation in Nigeria is inextricably linked to the role of the ruling class and the dynamics of power between the various constituent nationalities. Tensions between the ruling elites representing the local bourgeoisie from the North and South have increased, especially since the oil boom of the 1970s when it became the primary source of nationally collected money. The distribution of income has been the centre of conflict or hostility. In light of this, the study looks into the relationship between Nigeria's political stability and allocation.

It is regrettable that, despite a steady rise in income collection, the anticipated influence on Nigeria's economic growth has not materialized. The distribution of revenue in the country borders on the promotion of both quick economic growth and national unity. Therefore, it is necessary to conduct an empirical analysis of the revenue allocation formula that was previously used and its effects on Nigeria's economic growth process. Every time a revenue allocation formula is optimized, the nation's economy grows. It is important to remember that Nigeria's revenue-sharing discussions have centred primarily on three issues: (i) the proportions of federally collected revenues in the federation account that should be allocated to the federal government, the states, local governments, and the so-called "Special Funds" (vertical revenue sharing); (ii) the proper formulae for the distribution of federally collected revenues among the federal government, local governments, and the states (horizontal revenue sharing); and (iii) the percentage of federally collected mineral revenue that should be returned to the states and communities that produce oil, taking into account the principle of derivation and compensation for the ecological risks associated with oil production (Suberu 2015:8-9). It's also crucial to remember that temporal inconsistencies—the propensity of one party to a consensual agreement to alter the parameters after the negotiations are over—have plagued the income allocation formula since the oil boom of the early 1970s. Therefore, the issue that has to be looked into more is how Nigeria's political strength is affected by the distribution and sharing of revenue. The study-specific objectives are as follows;

i. To investigate the foundation for the nation's revenue sharing and distribution.
ii. To talk about how the Nigerian economy is impacted by the revenue allocation mechanism.
iii. To determine and analyze how revenue distribution affects Nigeria's political stability.

iv. To evaluate how revenue allocation has influenced the growth of the Nigerian economy.

The Concept of Revenue Sharing / Allocation

Every government seeks to accomplish macroeconomic goals within the framework of its political system to promote economic development. The three types of government systems are confederation, unitary, and federation. The system of Nigeria is in support of federalism. The federal government of Nigeria and its units—the states and local governments—perform the tasks of resource allocation, income distribution and redistribution, and economic stabilization to accomplish its macroeconomic goals. Fiscal federalism is the term used to describe this arrangement of dividing up government tasks across several levels of government (Buhari, 2001; Likita, 1999).

A system of taxation and public spending known as fiscal federalism gives different levels of government within a country, from the federal government to the smallest local government unit, the authority to raise taxes and make spending decisions (Anyafo, 1996). Fiscal federalism, in its most basic form, focuses on how funds are collected and distributed to various governmental levels for growth.

There is a substantial corpus of research on Nigeria's fiscal federalism, especially when it comes to revenue distribution. There is still no agreement on the best course of action to pursue to attain the intended level of economic growth, despite the in-depth and protracted talks that have occurred on the topic for approximately 45 years (Aboyade, 1985; Buhari, 2001). Therefore, one of the recurrent themes in Nigeria's fiscal federalism has been the allocation of revenue. One issue is determining how to distribute funds among the several levels of government by the roles stipulated by the Constitution. One prominent aspect of Nigerian federal finance is the non-correspondence problem, or the discrepancy between the fiscal capabilities of different levels of government and their expenditure responsibilities (Mbanefoh & Egwaikhide, 2000).

The Concept of Political Stability

First, the terms politics and political structure need to be made clear to try to describe political stability. Any action taken by a member of a society that modifies the allocation of decision-making authority within that community is considered political behaviour. Political conduct is deplorable. People behave politically when they uphold or undermine the system of power stratification by their compliance or noncompliance with social regulations. Following the law is political activity in the same way that running for office is. Because following the law has the unintended consequence of preserving the power of those who decide how the law should be interpreted and applied. Maintaining certain facets of the power structure that determine how decisions are made for society is what it means to uphold this authority (Ndupuechi, 2010).

Comparably, breaking the law is always political activity since it inherently defies the authority that has been established. It puts the upkeep of the current system of dividing up the authority to make decisions for society in jeopardy. It is axiomatic that political authority eventually atrophies if the frequency of legal infractions rises (Eyo, 2006).

I have not used the conventional definition of politics, which separates specific actions that are political from those that are not. Furthermore, we don't plan to provide such a description because doing so would be misleading in how we define politics. No human behaviour, not even something as basic as having long hair, can be considered inherently nonpolitical. This is thus because an act's "politicalness" is defined by two factors: (1) the context in which it is studied, and (2) the context in which it occurs. It is not an intrinsic property of the act. For example, we wouldn't typically associate having long hair with political activity. However, a tyrannical ruler may determine that this behaviour is corrupting and as a result order everyone to chop off their hair. Assume that soon after the despot's proclamation has been widely and heavily reported, every man he invited collapses (Ndupuechi, 2010).

On the other hand, the degree to which formal and informal roles and structures within a political object coincide might be defined as political stability. There is more instability the broader the "gap." This perspective is distinct in that stability and instability are expressed as potential rather than actual events.

Objectives of Fiscal Relations According to Sewell et al (1994) the objective of fiscal units in a federation includes:

1. To guarantee that the sub-national government's financial resources, including transfers from the central government, align with its expenditure responsibilities for it to perform the tasks allocated to it.

2. To raise the degree of government by including incentives to raise money on their own.

3. To make sure the central government's macroeconomic management strategies are not jeopardized or compromised.

4. To grant sub-national governments discretion over spending in relevant areas to boost public spending efficiency and enhance sub-national officials' accountability to their citizens for sub-national services rendered.

5. To include transfers between governments that are straightforward administratively, transparent, and founded on unchanging, objective standards.

6. To cut costs and make the most of limited resources.

7. To ensure that lower levels of government can finance sufficient essential services, equalization payments should be made to compensate for the disparities in fiscal capacity across local governments.

8. Including a system to ensure appropriate finance and public infrastructure development.

9. To encourage a consistent, market-oriented role for the government.

10. To concur on a consistent and reasonable distribution of goals.

Components of Revenue Allocation Formula in Nigeria

The Horizontal and Vertical Formulas: The revenue allocation formula used to distribute funds from the Federation Account consists of two basic parts, as shown below:

The formula for vertical allocation (VAF)

The formula for Horizontal Allocation (HAF)

The formula for vertical allocation of the percentage allotted to the federal, state, and municipal levels of government is displayed in this formula. The entire amount of disbursable revenue in the Federation Account at a specific moment is calculated vertically using this formula. Every level of government, including the federal government, 36 states, and 774 local governments, can access information about their obligations thanks to the Veterans Administration Fund (VAF) (Bashir, 2008:3).

The formula for horizontal allocation Only local and state governments can use this formula. It offers the framework for distributing the amount of money already allotted to the 36 States and 774 Local Governments to unblock. The allocation owed to each State or Local Government is established by applying the horizontal allocation formula's guiding principles. Therefore, it is easy to deduce that the horizontal allocation formula is for intra-tier sharing among Nigeria's 36 States and its 774 Local Governments, while the vertical allocation formula is for inter-tier sharing among the three tiers of government (Bashir, 2008:3).

The Principles of Revenue Allocation in Nigeria

The distribution of fiscal capacity among the different governmental tiers, or the division of fiscal obligations among them, is referred to as revenue allocation. There are two levels to the revenue-sharing arrangement: the federal, state, and local councils share revenue vertically, and the state and local governments share revenue horizontally. The two overarching goals of revenue allocation are equity and efficiency. Certain allocation principles, such as population, state equality, internal income generation, landmass, and the concept of derivation, however, serve as guidelines for the allocation formula. The following provides a thorough explanation of these ideas as per Salami (2011):

Principle of Derivation. According to the principle, the federation account's revenue should be distributed according to each state's share of the overall revenue. That is, every income that can be traced back to or identified as coming from a specific state or region should be distributed to it. This idea has drawn criticism since it enriches wealthy states (or states with natural resources) because more developed or endowed states contribute more to the federation account, depriving less developed or endowed states of funding for development. As a result, it may increase state-to-state inequality and eventually cause instability in the nation.

the necessity principle. According to the principle, greater resources should be allocated to the less developed states to close the development gap because different states have different populations and levels of development.

the national interest principle. The idea is predicated on the idea that every state should be developed to promote advancement and a sense of community. Distributing the money in the federation account evenly among the States, will foster national unity. The goal of this formula was to achieve stability by striking a balance between the demands of national economic and political progress and justice.

The independent revenue principle. According to this theory, states are free to impose income-producing taxes on their citizens as long as they are a reliable source of income. However, they must also abide by economic principles and the interests of the country at large.

The income allocation principles mentioned above suggest that there may be a trade-off between competing factors such as national interest, necessity, and derivation. Therefore, development can accept the best possible trade-off. The Federal Republic of Nigeria's 1999 Constitution, which is presently undergoing reviews and revisions with the legislative arm of government, served as the basis for the aforementioned principles. Therefore, given the request for a memo and contributions to the review process, this study is highly appropriate.

One of the longest-running and most contentious discussions in the political and macroeconomic management of the Nigerian economy is the appropriate formula for revenue distribution across the nation's component tiers. The history and development of the Nigerian Federation serve as the basis for this discussion. "One of the most divisive and controversial topics in the country's political life has been revenue allocation or the statutory distribution of funds from the Federation Account among the several levels of government. The issue has been so divisive that, since 1964, none of the formulas developed by commissions or decrees under various regimes have received widespread acceptance among the constituent units of the nation. The problem has painfully remained the first that almost every new regime has had to deal with since independence, much like a persistent decimal. A total of thirteen attempts have been made to come up with a workable revenue allocation formula during this process; each of these attempts is mostly noted for the debates they gave rise to rather than the difficulties they resolved (Report of the Political Bureau, 1987).

The desire of the people to unite under one system of governance without necessarily abandoning their identities is typically the root cause of federal systems of government. Therefore, federalism would seem to offer an appealing form of government, particularly given the ethnic heterogeneity present in many African governments. The proverb "unity in diversity" reflects the widespread belief that federalism is essential for managing the nation's ethnic variety. Federalism in principle refers to the establishment of a single political system in which the central and provincial governments are given coordinated authority in a way that defines the political and legal boundaries of equality as well as the subordinate roles, to achieve a consensus between the union's current demands and the territorial diversity within a developing society (Agbu, 2004).

Federalism was a deliberate decision to be Nigeria's preferred form of governance. The 1953 Lyttleton Constitution Conference led to Nigeria's ultimate transition into a federal state, which began in 1954. Each level of government in a federal organization is granted enough autonomy to carry out its duties without hindrance.

The term "fiscal federalism" describes the distribution of resources among the levels of government as well as the nature and extent of each tier's duties and powers. The revenue allocation formula, the distribution of federal funds among the state governments (horizontal revenue allocation) and among the various levels of government (vertical revenue sharing) is arguably the most significant issue about fiscal federalism. The Dina Commission (1968) report marked the beginning of the centralization of Nigeria's fiscal federalism, arguing that a proper revenue allocation system should lead to a more equitable distribution of resources among the states to promote a balanced development of the federation.

The process of dividing up centrally generated money among the several governmental tiers and distributing the funds allotted to a certain tier among its constituent parts is known as revenue allocation. Nigeria is a federal state; under a federal system of government, the federal government, the states, and the local governments split federation, or revenue earned centrally. According to the theory of revenue sharing in a federal state, financial resources are distributed to each level of government by their unique needs, which are determined by the legislative competence mandate, the real circumstances, and the statutory indices of calculation.

In Nigeria, decisions regarding the share of centrally generated revenue to be retained by the federal government, divided among state governments, and allocated to local governments have always been contentious because there is no universal agreement on what would be considered the best distribution of the revenue. "The issue of revenue allocation strikes at the very basis of the Nigerian federation's existence and the rules of entry and exit from the ruling class," as stated by Obi (1998). Regional divisions have also played a role in the fight for control of the country's resources. This has occasionally resulted in political delineations and manipulations intertwined with violence in an attempt to influence income distribution. This has been particularly true since 1958 when oil income rose to prominence as the nation's main source of income.

Accordingly, it has been proposed that: the formation of three revenue allocation commissions in only twelve years is an indication of the volatility that marked Nigerian politics. From 1968 to 1980, more than eighty per cent of federal revenue came from the petroleum industry. As a result, the federal centre's significance grew accordingly. Due to this significant change in the way money was generated, there was fierce competition to gain control of the state because, in essence, this meant having absolute power and ownership over everything.

Wantchekon (1999) carried out an empirical investigation aimed at proving that economies reliant on natural resources and rentier systems give rise to authoritarian administrations, a glacial pace of political reform, and sociopolitical instability. The federal government's recent Supreme Court case against the oil-producing states regarding the offshore/onshore oil dichotomy is the most recent phase in the battle for control of Nigeria's oil resources. The matter has not been resolved by the Supreme Court's April 2002 judgment to exclude the money from offshore drilling in the derivation principle-based calculation of the revenue attributable to the oil-producing states.

A disagreement developed about each of the eight littoral states—Akwa Ibom, Bayelsa, Cross River, Delta, Lagos, Ogun, Ondo, and Rivers States—about their respective southern (or seaward) boundaries. The federal administrations were at odds with these states. The federal government asserts that, if required by the state, the southern (or seaward) boundary of each of these states is the low water mark of their respective land surfaces or the seaward limit of their interior waters. Therefore, according to the federal government, natural resources found on Nigeria's continental shelf are its property.

Every state asserts that its borders reach the continental shelf, the exclusive economic zone, and territorial waters beyond the low water mark. They contend that natural resources, whether from onshore or offshore sources, originate from their respective regions. Consequently, they each have a right to the allocation of "not less than 13 per cent" as stipulated in the proviso to subsection (2) of section 162 of the Constitution (Supreme Court judgment, 5 April 2002). However, the ongoing battle for funding has a profound impact on the viability of policies and plans aimed at transforming the entire Nigerian economy. Therefore, the purpose of this article is to identify and record the various competing problems and to make the case that the country's economic, social, and political decline is mostly due to the emphasis placed on revenue sharing rather than income creation and responsibility in its use.

Problems of Nigerian Fiscal Federalism Fiscal Federalism in Nigeria

This is typified by an ongoing battle and agitation for resource control and reform. This is a result of our disaggregated federalism's centrifugal tendencies. Additionally, the three tiers of government face issues in maintaining revenue-raising functions and maintaining equity in the expenditures allocated to them. The lingering problems are discussed below;

i. **Functions and Tax-Raising Power:** The distribution of responsibilities among the federal, state, and local governments—the three main components of the federal system—is one issue with Nigeria's fiscal federalism. Section 4 of the Schedule of the 1999 Constitution of the Federal Republic of Nigeria lays forth certain functions. The exclusive legislative list, concurrent legislative list, and residual legislative list were the three primary legislative responsibilities that were described in this section. According to the constitution's requirements, the federal government is solely responsible for carrying out the exclusive list's tasks. Control for the concurrent legislative list is shared by the federal and state governments. A. Augustine and S. Aigbepue (2011). Even during Nigeria's military government, the legislative branch was believed to have stable authority to levy taxes. In section 162, (1) (2) of the 1999 constitution, the process for allocating funds from the "Distributable pool account" to the three tiers of government was also outlined. This specification was created to facilitate the various governmental levels' ability to perform their respective functions. Notwithstanding this clarification, disagreements over tax jurisdiction—specifically, which level of government should collect which taxes—remain between the federal and state governments, and this has contributed to the perceived disparity that exists between the various ethnic groups. (Onwe, 2011).

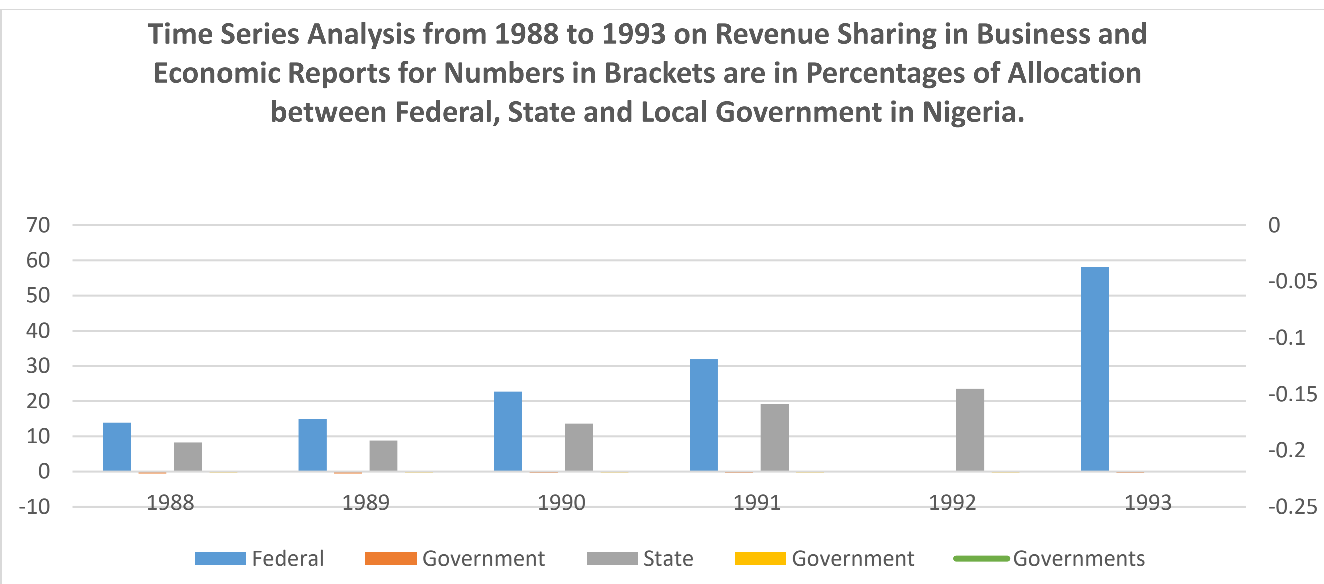
ii. **Problem of Acceptable Sharing Formula**: Nasir (2011) asserts that there is an issue with the current sharing formula. The federal government has failed to explain why it receives the lion's share of the country's money despite having few obligations, which has led to waste and rampant corruption. He continued by saying that there is disagreement over an acceptable formula between Nigeria's three levels of government, particularly the principle that various Revenue Allocation Commissions have recommended be used as a basis for revenue allocation. He also said that even if a principle is accepted, disagreements may still arise over which principle is more important than the others, a situation that has existed in Nigeria since the end of colonial rule and the adoption of Richard's constitution in 1946. Odoko & Nanna (2009) also pointed out that the Nigerian fiscal system and public Policy allowed the regional administrations little to no leeway in allocating money. local governments rely on federal funding and do not make an effort to generate their revenue. They also said that there is a distinction between revenue and expenditure responsibilities, which is reflected in the antiquated way local governments share and distribute the nation's revenue. The principle of derivation as the appropriate sharing formula continues to be a source of contention.

iii. **State and Local Government Joint Account**: According to Sagay (2008), there is an unchecked diversion of local government funds by the state government, to the point where it is preventing them from being used for development. The local government is only recognized as a clearinghouse and forwarding house through which the councils receive their share from the federation account. The state was supposed to add a mandatory 10% of internally generated revenue to local government, but the state operators have set aside the fund for the takeover of federally allocated resources. This has made local government chairmen more obedient to the music even though the problem has persisted despite all reforms to address it. They would have to advocate for what is properly theirs since, on a serious note, the diversion of local government funds is a severe issue that has hampered their performance at the local level.

Data Analysis, Findings and Discussion

Examining and assessing the data from both past and present studies on the Review of the Post-Independence Revenue Sharing Allocation Formula is the aim of this section. The revenue-sharing formula and its strength were made public. Nigeria's revenue allocation has a complicated historical background, making it a significant political problem. Throughout Nigeria's history, several commissions and committees have been constituted to look into various fiscal issues and offer the best recommendations and techniques for distributing national wealth to address the challenges of the day. Among these commissions and committees are the following. All of the commissions and committees listed above were ad hoc in nature, except the Revenue Mobilization Allocation and Budgetary Commission, which was established as a formal, permanent institution to address budgetary difficulties as often as needed.

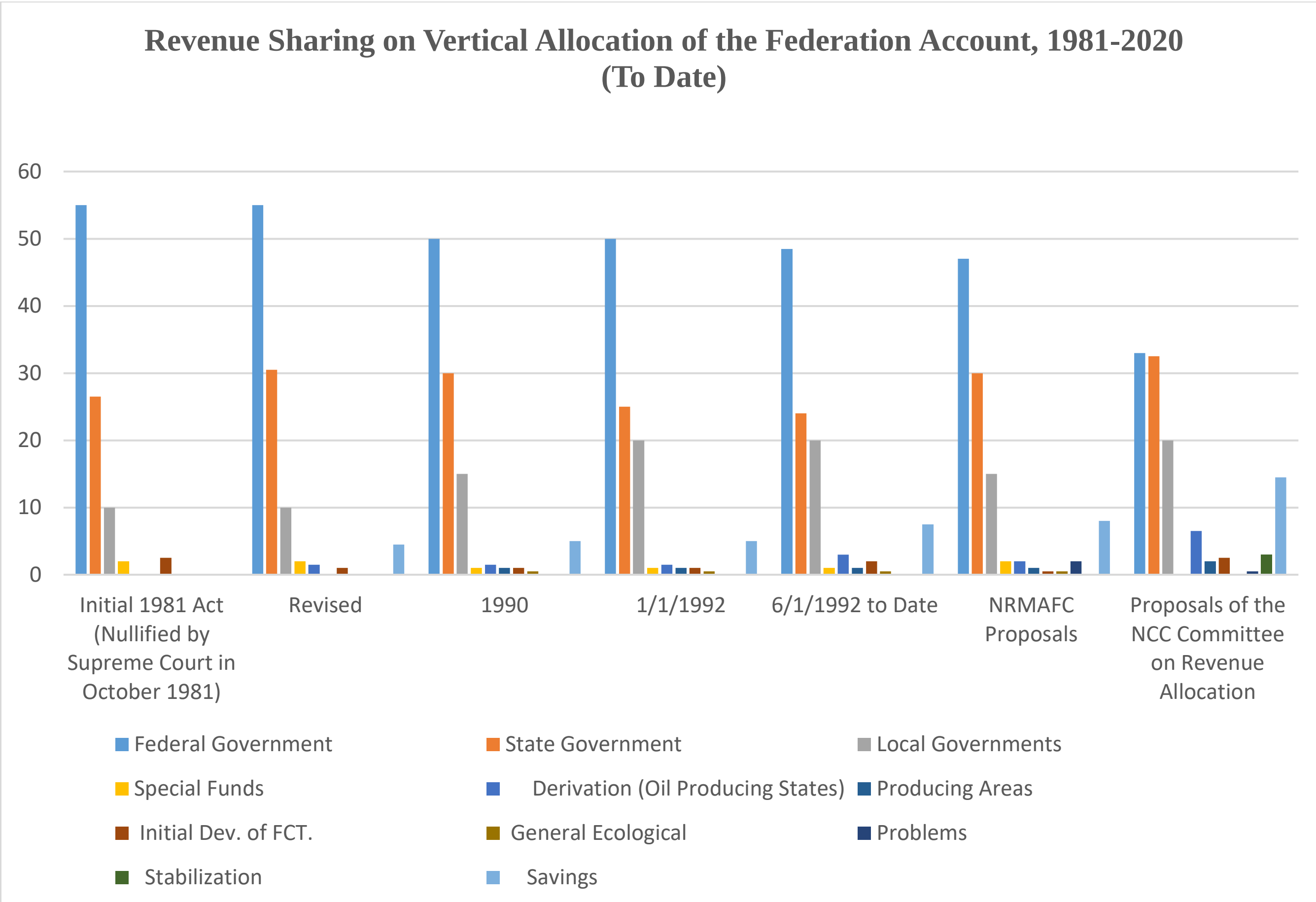
Figure 1: Descriptive Statistics



Sources: Author Computation 2021 (Microsoft Excel Version 13).

Interpretation: The bar chart shows an illustration of yearly First Bank Business and Economic Reports from 1988 to 1993 Allocation to the oil mineral producing states, and general ecological problems stood at 1.5% and 1% respectively. This Allocation is therefore between Federal, state and local governments in Nigeria

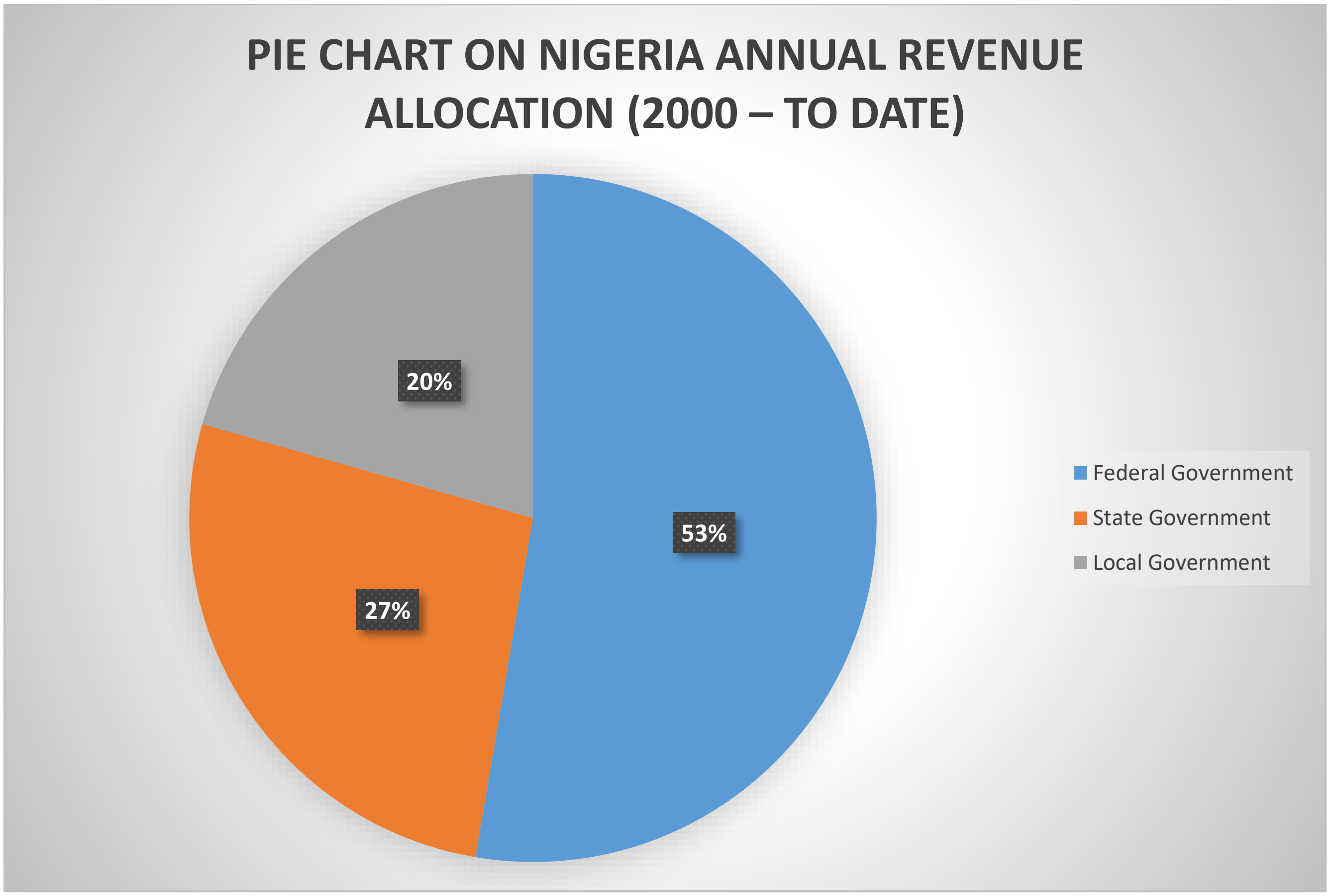
Figure 2:



Sources: Author Computation 2021 (Microsoft Excel Version 13).

Interpretation: the above component bar chart illustrates the National Constitutional Conference Report, 1994 to date. The National Revenue Mobilization Allocation and Fiscal Commission was inaugurated by General Babangida in September 1988. Stability in Abuja enjoys the statutory status of a State for revenue-sharing purposes and therefore, may partake in the states' shares of federal revenues among others.

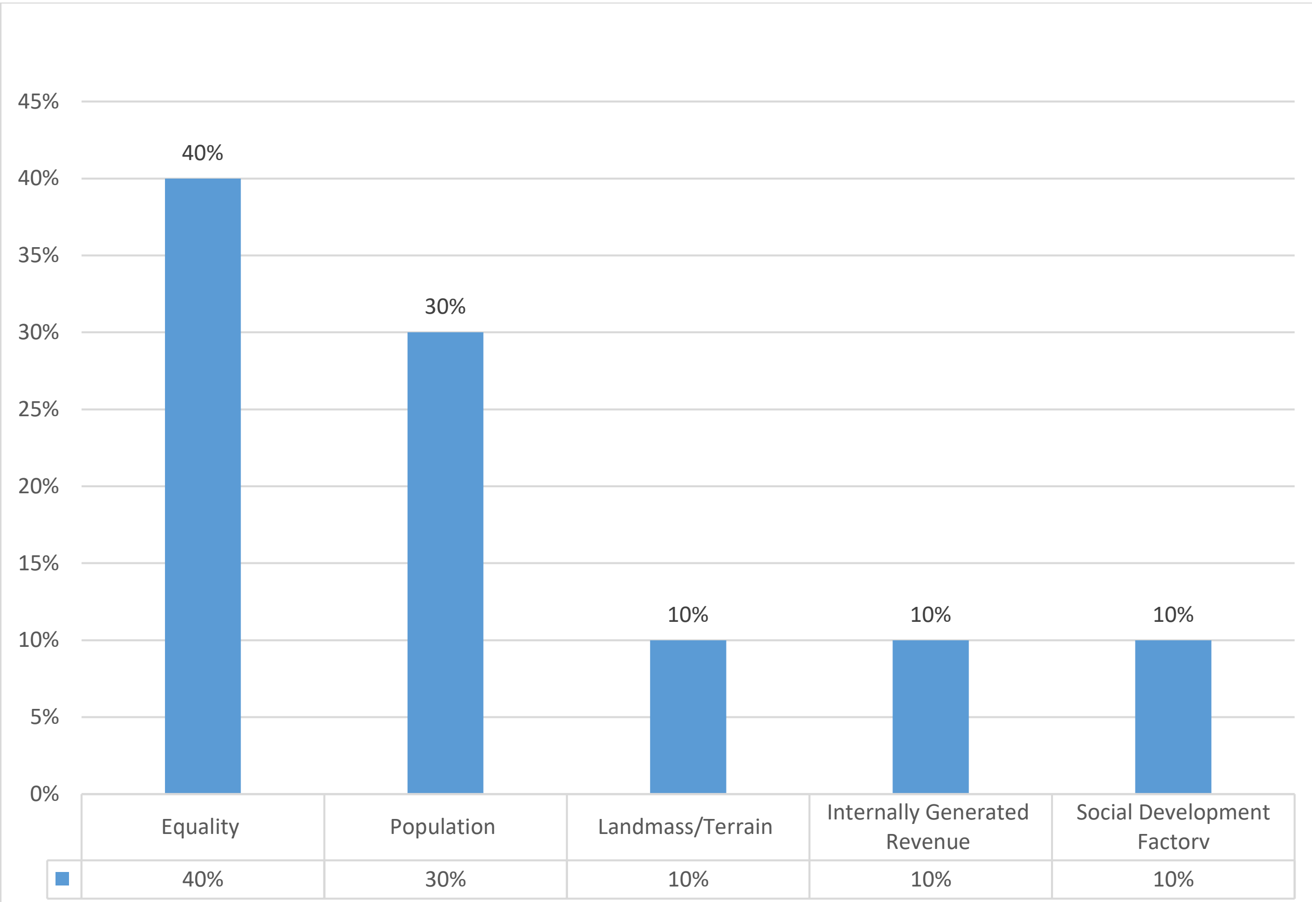
Figure 3: Pie Chart Showing the Nigeria Revenue Allocation from Period of 2000-To Date in Percentage Sharing Formula



Sources: Author Computation 2021 (Microsoft Excel Version 13).

Interpretation: the above Pie chart illustrates the current vertical allocation formula which is based on Presidential Executive order as follows, Federal Government – 52.68% State Government – 26.72% and Local Government – 20.60%. Nigeria's revenue allocation from the period of 2000-to date in percentage sharing

Figure 4: Simple Bar Chart Showing the Horizontal Revenue Allocation from the Period of 2000-2020 in Percentage Sharing Formula



Sources: Author Computation 2021 (Microsoft Excel Version 13).

Interpretation: the above component bar chart illustrates Equality at 40%, population at 30%, landmass/ terrain at 10%, internally generated revenue at 10% and social development at 1o% but For purpose of emphasis, the Social Development Factor comprised of Education (4.0%), Health (3.0%) and water (3.0%) all for stability in Nigeria.

Analysis of the Pattern of Revenue Allocation and Stability in Nigeria from 1954-2020.

Over the majority of the last 67 years, Nigeria has operated under a federal constitution, and there hasn't always been a clear consensus on what proportion of the resources produced by the many parts that comprise the nation should be under their jurisdiction. There have been some attempts to analyze the problems primarily from the standpoint of political economy. This study uses a contemporary methodology. It investigates how Nigerian revenue allocation patterns are changing and how the populace is reacting to various mandated formulae.

It's critical to comprehend the patterns of public reaction in various parts of Nigeria, particularly the oil-producing states, as well as the tendencies that can be seen in the country's income allocation structure at various points in time. In this manner, conclusions regarding the most stable revenue allocation formula that should be used and that would have the least impact on political stability—positive or negative—may be drawn. As previously mentioned, conflicts over the revenue allocation formula in Nigeria arose in 1946 as a result of the Richards Constitution's directive that the three regions that were then in existence serve as the foundation for governance (Constitutional Developments, pp. 528-529). Nigerians' participation in the political process was still fairly limited, but the topic was one of such passionate conflict that the colonial authorities gave it a lot of attention throughout the discussion that resulted in the 1951 Macpherson Constitution. This was on top of the understandings offered by the 1946 Phillipson Commission's recommendations.

It is common knowledge that the Macpherson Constitution of 1951's provisions are difficult to apply. Most people thought that one of the main issues with the Constitution was that it did not adequately embody the federalist concepts, such as the creation of areas for resource control. Some of the most dramatic episodes of disturbance in Nigeria during the colonial era also occurred between 1951 and 1954. The majority of the Macpherson Constitution's shortcomings were remedied in the 1954 Lyttleton Constitution. Furthermore, the Louis Chicks Commission's proposals were adopted, guaranteeing the regions' increased authority over their resources. The vast majority of Nigerians supported greater fiscal autonomy as being in line with federal principles, so even though some regions, like the Eastern region, were not favoured by the new arrangement, overall satisfaction was higher (Enhancing Fiscal Federalism, p. 119). While it is true that some groups persisted in complaining about the revenue allocation formula that was implemented in 1954 and essentially used until 1965 with minor adjustments, the intense conflict that characterized the previous arrangements from 1946 to 1954 was largely absent in the decade that began in 1955.

As has already been mentioned, Aguiyi-Ironsi's rejection of federalism and the centralization of the administration, including fiscal centralization, was a major factor in his ouster in July 1966. The Nigerian Civil War began partly as a result of the Gowon government's attempt to maintain budgetary centralization even after Nigeria was restored to a federal state. Even though the military-ruled Nigeria for fifteen of the nineteen years, a sizable portion of the population fiercely opposed and occasionally violently protested for a more equitable revenue allocation formula from the end of the civil war in 1970 until the installation of civilian rule in 1999. Falola (2016) states that the Niger Delta violence of the 1990s was the most violent manifestation of the agitations. The administrative and income allocation system was usually seen by the Niger Delta people as a reflection of internal colonization and exploitation. The Niger Delta's population saw fiscal federalism as a fight for survival because the principle of derivation was marginalized and mineral-producing regions received only 1% to 3% of the resources they produced. They also saw environmental degradation as a result of the extraction of gas and oil. Intense violence played a major role in the political unrest that Nigeria experienced in the 1990s.

Different interests across the nation were somewhat satisfied by the 1999 Constitution's provisions for the payment of 13 per cent derivation to mineral-producing districts and the creation of the Revenue Mobilization, Allocation, and Fiscal Commission. However as the leaders of various Nigerian organizations clashed during the 2005 National Political Reform Conference, it became clear that the solution to the revenue allocation problem was far from settled. The refusal of delegates from other regions of the country, particularly the north, to accept the 25% derivation that they had agreed to, instead of the 50% that the Niger Delta leaders had initially insisted on, led to delegates from the oil-producing region of Nigeria staging a walk-out of the conference before it ended The Guardian, (2015, pp. 30-31).

Chapter Four of the final report of the conference noted that:

> "***Delegates from the South-South and other oil-producing states insisted on 50 per cent as the minimum. Having regard to national unity, peace and stability, they are willing, however, to accept in the interim 25 per cent derivation with a gradual increase to attain the 50 per cent over five years*** "Federal Government of Nigeria (2015).

It equally stated that:

> ***"Derivation principle should be given greater prominence than as at now in the distribution of the Federation Account. On resource control, in addition to the points on which agreement was reached in the Committee on Revenue Allocation and Fiscal Federalism, the Conference recommends the following package (1) A clear affirmation of the inherent right of the people of the oil-producing areas of the country not to remain mere spectators but to be actively involved in the management and control of the resources in their communities*** "Report of National Political Reform Conference, (2015).

Regretfully, money provided to mineral-producing areas as derivation remained at 13% as 2015 concluded, six years after the recommendation was made when it should have reached 50%. Six years later, not even the 17 per cent that the Conference advised should be adopted immediately and that the delegates from oil-producing areas rejected have been implemented (Fiscal Federalism in Nigeria", p. 16). However, it is evident that a sizable portion of Nigerians, including those without significant endowments in natural resources, view the principle of derivation—the most important basis for revenue allocation—as fair and equitable. Need and even development—what Nigerians refer to as federal character—is a second crucial tenet. When this principle is put into practice, different parts of Nigeria would control a significant portion of their earnings—up to half or slightly less—for local development, with the remaining amount going to the federal government to meet its financial obligations and be distributed to state and local governments from a common pool. Onimode, Bade (2019). But this is what is looked at and shown in an analysis of the revenue allocation formula created by this study, as well as the unrest and stability that Nigeria has experienced from the late 67 years to the present.

The impact of fiscal federalism on political stability in Nigeria

Federalism, in the opinion of Long (1991), is an institutional countermeasure to the harmful impulses of intra-societal ethnic pluralism. Long may have highlighted the importance of ethnic heterogeneity, but the federal system's significance encompasses all types of societal diversity, whether they are related to race, culture, language, or religion. Furthermore, several cleavage issues that periodically surface are among the variables that contribute to stability and/or instability in societies (Oates, 1972). It is plausible to argue that political stability, particularly in plural societies, is influenced by various societal factors within the entity if stability—or, more accurately, political stability—is understood as the state in which political institutions and processes within the political system are steady and firm and there is no threat to established patterns of authority and behaviour (Muhammad, 2007).

These include the degree of internal polarization and opposing impulses as well as the degree to which the political system can adjust to handle these divisions. Muhammad (2007) emphasized that, although total stability may not be possible in every society, the state must have relative stability in all of its organs and widespread compliance with the law to accomplish its goals. Therefore, the establishment of political structures and arrangements that permit intergroup cooperation and harmonious relations become essential for the existence of relative political stability in plural societies characterized by divergent interests, particularly on a territorial basis (Cremer et al., 1994).

According to Muhammad, the aforementioned explains why different interpretations of federalism have centred on the handling of current and potential disputes inside a nation-state. It is also important to note that, despite the possibility that some societal issues stemming from ethnic pluralism and cultural diversity are not caused by federalism (Elaigwu, 2000; Watts, 2000), federalism nevertheless made an effort to manage these issues by taking into account the different diversities that can lead to instability. It can do this by recognizing the right of diverse groups to self-determination and allowing the establishment of several, mostly autonomous loci of power. However, experts have pointed out that the right to self-determination itself has two applications, particularly in a federal setting (Ramphal, 1979).

According to Ramphal, secession is the purported byproduct of self-determination about the federal system, and as such, it has the potential to both strengthen and undermine federalism. The underlying premise is that nationalism and self-determination go hand in hand. Sub-national units' right to self-determination may consequently give rise to extreme nationalism within them, which could ultimately end in a secession attempt, as was the case in 1967 when the eastern region of Nigeria attempted to break away from the rest of the country. The Niger Delta ethnic minority in Nigeria are currently restless, which further indicates a slow shift in this direction. But even while the fundamental component of federalism—the principle of self-determination—may occasionally provide difficulties, there isn't yet a workable political substitute for federalism in countries that are geographically and culturally diverse (Muhammad, 2007: 189). Above all, the working environment of the federal system and the attitudes and orientations of political actors inside the political system play a major role in how flexible it is in fostering political stability in the state.

According to Muhammad (2007), Nigeria's federalism has operated in both political and budgetary settings since its establishment in 1954, much like all federal systems. He defines the political environment as relating to the establishment of suitable structures that would enable the self-realization of component units, while the fiscal context is concerned with how resources are expropriated and distributed. According to him, both contexts' federalism operations need to be planned to prevent pronounced inequality between the component units of the power and resource matrix (Jinadu, 1979; Jinadu, 1994). It has been observed that significant disparities in wealth, population, and land area among units or their financial subordination are strong destabilizing forces in federations and have the potential to bring federalism to an end (Wheare, 1963; Awa, 1976).

Conclusion

In any case, the study comes to an end after the new constitution firmly establishes the derivation principle, which may relieve the restive populations that depend on oil. However, to maintain political stability, the federal government might need to effectively oversee the 13% (accidental) quota that has been allotted to them. This could be done through a unique body that isn't the same as the current, inefficient Oil Mineral Producing Areas Development Commission (OMPADEC), which has been repeatedly accused of engaging in corrupt activities. The study's greatest recommendation is to try the thirteen per cent derivation quota since it appears to be effective. But current thought in Nigeria holds that innovations are being rendered meaningless by a pervasive culture of corruption in a kleptocratic state like Nigeria, even if revenue allocation is manipulated to benefit the oil-producing parts of the nation.

Recommendations.

Based on the findings of this study the following recommendation is made for national policy reform.

i. The study's greatest recommendation is that the thirty per cent (13%) derivation quota be implemented and shown to be effective over time.
ii. As much autonomy as possible should be granted to the component states from the federal government; states ought to be in charge of practically all social services, including housing, health care, and education. The federal government need to focus on issues that affect everyone, like money minting, foreign policy, defence, and trade regulation.
iii. It is important to elevate accountability, transparency, and probity in government. Every Nigerian and ethnic nationality will surely feel more included in a truly federal structure, which will also ease political tensions, stop certain geopolitical zones from being marginalized, guarantee equity and fairness in the political system, prevent coup attempts, lessen political violence brought on by-election manipulation, and lay the foundation for the nation's long-term unity and peace.
iv. It is advised that implementing a fair system that promotes more industry to diversify Nigeria's economy is one of the greatest approaches to fixing the country's revenue allocation disaster.
v. The recommendations made by the National Political Reform Conference of 2015 should be implemented by the Nigerian federal government as an additional means of enhancing revenue distribution for regional stability.
vi. The country's socio-political difficulties must be resolved permanently, and the federalist system must be restructured to weaken the central government's influence and lose its political allure.
vii. The study makes clear that while a federal system with fiscal policy might instil in citizens a feeling of justice, equity, and fairness about income allocation, it is still a federal government.
viii. The Nigerian federal government ought to put any attempts at unity and integration of the country in danger. for national stability and equitable revenue distribution.

References

Aboyade, O. (1985). Integrated economics: A study of developing economics. London, England: ELBS and Addison-Wesley Publishers.

Adams, R. A. (2006). Public sector accounting and finance. Lagos, Nigeria: Corporate Publishers Ventures.

Adedeji, A. (1969). Nigeria federal finance: Its development, problems and prospects. London, England: Hutchinson Educational.

Aigbokhan, B. (1999. July). Fiscal federalism and economic growth in Nigeria. 1999 Annual Conference, Nigerian Economic Society, Abuja, Nigeria.

Aluko, S. A., (1976). “Recent Trends in Federal Finance”, unpublished seminar

Akanbi, O., & Du Toit, C. B. (2011). Macro-econometric modelling for the Nigerian economy: A growth-poverty gap analysis. Journal Economic Modelling. Vol. Pp. 29

Akeem, U. (2011). Revenue allocation formula and its impact on the economic growth process in Nigeria. Journal of Economics and Sustainable Development. Vol. Pp. 216

Ahmed, I. (2011, February). Revenue allocation formula in Nigeria: Issues and challenges. A Paper presented at the retreat organized for members of the Revenue Mobilization Allocation and Fiscal Commission, Uyo, Akwa-Ibom State, Nigeria.

Aigbokhan, B. (1999). Fiscal federalism and economic growth in Nigeria. NES selected paper Presented at the 1999 annual conference, Nigeria Economic Society, Abuja, Nigeria, October

AdebayoA. G. (1990). The Ibadan Schools and the Handling of Federal Finance in Nigeria, The Journal of Modern African Studies.

Adebayo, A., (2001). Mastering Nigeria's Conflict: The Imperative of Restituting True Federalism, in Nigerian Tribune, (April 12).

Adesina, O. C., (1998). Revenue Allocation Commissions and the Contradictions in Nigeria's Federalism, in Kunle A. et. al. (eds). Federalism and Political Restructuring in Nigeria. Ibadan, Nigeria: Spectrum Books Limited and IFRA.

Akinyemi, B., (2010). How to Combat Corruption", being the text of a public lecture delivered at the 10th Anniversary of the Arewa Consultative Forum (ACF), on April 9, in Kaduna. The Lecture was serialized in The Nation, on May 3, 2010.

Akpan, G. and Umodong, Enobong (2003). Majority rule over minority rights: Subversion of derivation criterion in revenue allocation in Nigeria. Ibadan: Spectrum Book Ltd.

Aluko, S. A., (1976). Recent Trends in Federal Finance, unpublished seminar paper, Institute of International Affairs (NIIA), Lagos, Nigeria.

Arowolo, (2018). Fiscal Federalism in Nigeria, p. 16.

Bade O. (2019). Fiscal Federalism in the Twenty-First Century- Options for Nigeria, Paper Presented at the International Conference on New Direction in Federalism in Africa, Abuja, 15-17 March, 2019, pp. 24

Badmus, A. G., 1987, "Contradictions in Nigerian Federalism", unpublished M.A. Dissertation, submitted to the Department of History, University of Ibadan, Nigeria.

Danjuma, T., (1996), Revenue Sharing and the Political Economy of Nigeria's Federalism, in Federalism and Nation Building in Nigeria: The Challenges of the 21st Century, I.A.E. Eliagwu and R. Akindele (eds), Nigerian Journal of InterGovernmental Relations, Abuja.

Ekeh, P. P., (1994). The Public Realm and Public Finance in Africa, in African Perspectives on Development, Controversies, Dilemmas and Openings, C. Himmelstrand, K. Kinyanju and E. Mburgu, (eds). London James Curray Limited.

Elazar, D. J., (1974).The New Federalism: Can the State be trustedThe Public Interest.

Ladipo, A. (1986). Politics and administration in Nigeria. Ibadan: Spectrum Books Ltd.

Ekpo, Akpan H. & Ubok-Udom, E. (ed.) (2003) Issues in fiscal federalism and revenue allocation in Nigeria, Uyo: University of Uyo.

Ekpo, Akpan H. and Ubok-Udom, Enamidem (ed.) (2003) Issues in fiscal federalism and revenue allocation in Nigeria, Uyo: University of Uyo.

Fadahunsi, (2015). Enhancing Fiscal Federalism, p. 119.

Falola, (2016). Punch, Lagos, 27 June 2015, pp. 1-2;

Federal Government of Nigeria, (2015). Report of the National Political Reform Conference, Abuja, 26 July 2015.

Graham, J. E., (1964) Fiscal Adjustment in a Federal Country, Canadian Tax Foundation, Toronto, Canada pp. 6-20.

Ijaiya, G. (1999). Fiscal Federalism and National Development: A framework for policy analysis. Journal of Social Sciences and Administration, Vol. 1 No.2 Pp. 78-85

Kabir, A. B. (2008). The mechanics of revenue allocation: Understanding the need for effective data collection and management. Workshop Paper.

Kabir A. B (2008). The Mechanics of Revenue Allocation: Understanding the Need for Effective Data Collection and Management, Workshop Paper.

Ladipo A. (1986). Politics and Administration in Nigeria. Ibadan: Spectrum Books Ltd.

Likita, O. (1999). Elements of Public Finance, Lagos, Abayomi Industrial Packaging Ltd.

Mbanefoh, G. F. & Egwalkhide F.O (1998). Revenue Allocation in Nigeria: Derivation Principle Revisited in

Ndubuisi, W.C (1996). The Practice of Federal Finance: The Nigerian Dimension, Aba Walcom Services Northern Coalition for the Protection of Democracy (NCPD)(2002), A communiqué issued at the Conference on Resource Control and Supreme Court verdict.

Nyemutu-Roberts, F. O., (2005). "Resource Control", in Contemporary Issues in the Management of the Nigerian Economy – Essay in Honour of H. M. A. Onitiri, Akinola A. Owosekun, O. Ojowu and F. Egwaikhide (eds), Nigerian Institute of Social and Economic Research (NISER), Ibadan, Nigeria.

Olusanya, (2017). Constitutional Developments, pp. 528-529.

Okeke, C.C.S. (2004). Nigeria's Fiscal Relations in the 20th Century: an Inquiry into Local Government Fiscal Activities, in Garba, A.G, F. Egwaiknide and A. Adenikinju (edited), Leading Issues in Macroeconomic Management and Development, Ibadan, Nigeria, Nigeria Economic Society. P. 42

Okwudiba N. (1978). Ethnic Politics in Nigeria. Enugu: Fourth Dimensions Publishing Co.

Ltd.

Oywasa, C., (1995). The Impact of Oil on Nigeria's Resource Allocation System: Problems and Prospects for National Reconstruction, in K. Amuwo et al., (eds), Federalism and Political Restructuring in Nigeria, Spectrum and IFRA, Ibadan, Nigeria, pp. 261 – 275.

Price, J.H. (1967). Political Institutions of West Africa. London: Hutchinson and Co. Ltd. First

The Journal of Modern African Studies.

Salami, R.T (2011). Recent Demands for New States in Nigeria. Nigerian Journal of Federalism

Sharma C. K. (2005a). When does decentralization deliver? The Dilemma of design,

The Guardian, (2015). Lagos, 10 June 2015, pp. 30-31.

The Guardian, (2015). Lagos, 9 August 2005, p. 9; the Guardian, Lagos, 27 July 2015, pp. 1-2; Federal Government of Nigeria, "Report of the National Political Reform Conference", Abuja, 26 July 2005.

Usman O. (2011a). Revenue allocation formula and its impact on economic growth process in Nigeria. Journal of Economics and sustainable Development Vol.2, No.3, Pp. 16, 29-37

Usman O. (2011b): Fiscal Federalism and Economic growth process in Nigeria. European Journal of Business and Management, Vol. 3, No. 4, Pp. 1-3
Vol. 2, Pp. 67-82