**EFFECT OF REVENUE ALLOCATION ON POLITICAL STABILITY OF NIGERIA**

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**Abstract**

*Revenue allocation has been a source of conflict and controversy in Nigeria since its independence in 1960. Different regions, ethnic groups and political parties have different views and interests on how the revenue should be shared. Some argue for more fiscal autonomy and decentralization, while others advocate for more federal control and centralization. The purpose of this study therefore is to investigate the effect of revenue allocation on political stability of Nigeria. The study adopted a mixed-methods approach, combining quantitative and qualitative data collection and analysis. A total number of Four hundred (400) participants were randomly selected from 4 purposely selected tertiary institutions with 100 Political Science students per each tertiary institution making the total of 400 respondents in Lagos state. The selected tertiary institutions were the ones that offer Political Science as a course. The main instrument used for data collection was a self-structured questionnaire based on the research objectives raised in the study. The data collected were analysed using Regression analysis for the null hypotheses one, while Chi-square statistical tool was used to test the second and the third null hypothesis using IBM SPSS version 26. The study found that there is significant influence of revenue allocation on the incentives and behaviour of political actors and groups in terms of cooperation or conflict; there is significant impact of revenue allocation on the quality and performance of public institutions and service delivery at different levels of government and finally, there is significant effect of revenue allocation on citizens' perceptions and attitudes towards the government and their participation in political processes in Lagos State, Nigeria. The study concluded that political stability and revenue allocation are interrelated and complex issues that require careful analysis and policy design. The study recommends that revenue allocation should be flexible and adaptable, allowing for adjustments and revisions based on changing circumstances and feedback mechanisms. Also, the researcher recommends that revenue allocation should be transparent and accountable, involving broad participation and consultation with relevant stakeholders, such as civil society, private sector and local communities.*

**Keywords: Revenue allocation, politics, Political stability, economic development, political participation.**

**Background to the Study**

One of the main challenges that developing countries face is how to allocate their scarce revenues among competing priorities. Some argue that investing in public goods and services, such as infrastructure, education, health and social protection is essential for promoting economic growth and reducing poverty. Others contend that maintaining political stability and security, especially in conflict-prone or fragile states, is a prerequisite for any development effort. Revenue allocation in Nigeria borders on the promotion of national unity and rapid economic growth and it is however sad that despite continuous increase in revenue generation, the expected impact on economic growth in Nigeria has not been realized (Usman, 2017). Hence the need to empirically examine the revenue allocation formula adopted in the past and its impact on the economic growth process in Nigeria. An optimal revenue allocation formula invariably leads to economic growth in the country.

Fiscal Federalism in Nigeria is synonymous with revenue allocation and “resource control”. There has always been controversy on the appropriate formula that should be used to divide resources in Nigeria (Mbanefoh & Egwaikhide, 2019). The concept of fiscal federalism was first introduced in Nigeria in 1946 following the formation of a federation of three regions by splitting the Southern Province into the Eastern and Western Regions, while the Northern Region which was a continuation of the Northern Province remained intact. This followed the adoption of the Richards Constitution, prior to the 1914 amalgamation of Nigeria into the Southern and Northern protectorate and the Crown Colony of Lagos into a single entity. The Nigerian federal system metamorphosed thereafter from a two-tiered federal arrangement initially comprising three unequal political and administrative regions to the current three-tiered federal system of 36 states, one Federal Capital Territory and 774 Local Governments (Schoenherr, 2019 & National Bureau of Statistics (NBS), 2019).

Revenue allocation refers to the practice whereby one level of government turns over a portion of the revenue it generates from taxation and other sources to another government level which is usually a lower level of government. In Nigeria, revenue allocation refers to the practice where the federal government shares a part of the revenue it generates with state and local governments without emphasizing what the funds must be used for. Revenue sharing makes for a better relationship between the federal, state and local governments. It is the starting point for decentralization of government powers and restoration of balance between all three tiers of government (Aruwa, 2015).

Every government in the world chases after the economic development of its domain by trying to achieve macroeconomic objectives in a particular government system. There are several systems of government currently being practiced all over the world. Federation, Unitary, and confederation are three very good systems of government. Nigeria practices a federation type of government. The Nigerian government achieves its macroeconomic objectives by performing such functions as resource allocation, income distribution/redistribution and also ensuring stability across all three tiers of government. This system of carrying out government functions across different tiers of government is known as Fiscal federalism (Online Oxford Dictionary, 2020).

There is the issue of sharing revenue to different tiers of government in relation to their constitutionally assigned functions. The difference between the fiscal capacity of various tiers of government and their expenditure responsibilities is a striking feature of the Nigerian federal finance. There is also the issue of how to share revenue among the states and local councils.

The Revenue Mobilization Allocation and Fiscal Commission (RMAFC) is charged with the duty of revenue sharing between the three tiers of government. Under the current revenue sharing formula, each month, the Federal Government takes the major share of 52.68% from the federation account, the 36 states get 26.72 % while the 774 local government councils get 20.6%. Several factors were considered in arriving at this revenue sharing formula, which were national interest, the principle of derivation, the principle of population, the principle of need, minimum national standard, principle of even development and equality of state to mention, but a few.

The powers of the Revenue Mobilization Allocation and Fiscal Commission are as vested on the Commission by the 1999 Constitution under the Third Schedule Part 1 N-item 32 are as follows:

The Commission shall have power to –

* Monitor the accruals to and disbursements of revenue from the Federation Account;
* Review from time to time, the revenue allocation formula and principles in operation to ensure conformity with changing realities;
* Provided that any revenue formula which has been accepted by an ACT of the National Assembly shall remain in force for a period of not less than five years from the date of commencement of the Act;
* Advise the Federal and State governments on fiscal efficiency and methods by which their revenue can be increased.
* Use all legal ways and means to strengthen its monitoring mechanism and block leakages of revenue from the Federations Account. All relevant laws and regulations on revenue collections and remittances should be fully complied with and appropriate sanctions visited on defaulters.
* Concentrate more on expanding the sources of revenue to the Federation Account and other non-oil sources including solid minerals (FRN, 1999).

The Commission is equally empowered to determine the remuneration appropriate for political office holders including the President, Vice President, Governors, deputy governors, Ministers, Commissioners, Special Advisers, Legislators (including the national assembly members) and holders of offices mentioned in sections 84 and 124 of the 1999 constitution. The approved Allocation of Revenue (Federation Account, etc.) Act of 2004, states as follows:

The amount standing to the credit of the Federation Account, less the sum equivalent to 13% of the revenue accruing to the Federation Account directly from any natural resources as a first line charge for distribution to the beneficiaries of the derivation funds, in accordance with the Constitution shall, be distributed among the Federal, States and [Local Government Councils in each State of the Federation](https://www.oasdom.com/functions-local-government-nigeria/) on the following basis:

* Federal Government = 56%
* State Government = 24%
* Local Government Councils 20%

Meanwhile, one of the major sources of tension and conflict in Nigeria is the issue of revenue allocation. Revenue allocation refers to the process of distributing the income generated from the exploitation of natural resources among the different levels of government (federal, state, and local) and among the various regions and ethnic groups in the country. Revenue allocation is a contentious and complex issue because it involves competing interests, demands, and expectations of various stakeholders in the Nigerian polity. Its allocation has not been able to solve regional unrest where a region is demanding for higher revenue allocation or an outright control of its resources thereby causing political instability among others.

The sharing of funds from the federation account is one of the contentious and sensitive issues in the Nigeria polity this has remained a central element of inter-fiscal relations. In Nigeria revenue allocation is taken as the distribution of national revenue among the various tiers of government in the federation in such away as to reflect the structure of fiscal federalism. This issue is so important that in some other countries it has become a national question (Mbanefoh & Egwaikhide, 2019). For instance Olofin *et al.,* (2012) observed a satisfactory solution to the question by saying” This shows that in any nation the stability as a political entity depends to a large extent on revenue location. A democratically elected government can be sustained if only there is an appropriate distribution of nation revenue among state governments themselves.

Political stability is defined as the degree of certainty and predictability in the political system, the absence of violence or threats of violence, and the ability of the government to maintain order and deliver public goods and services. Political stability is important for economic growth, social development, and human rights protection. Nigeria has experienced several episodes of political instability, such as military coups, civil wars, secessionist movements, ethnic conflicts, religious violence, electoral violence, corruption scandals, and insurgencies. Political stability has an important role in a country’s economic growth and a stable political environment helps build a coherent and continuous path for sustainable development.

But is there a trade-off between political stability and revenue allocation? And if so, how can developing countries balance these two objectives? According to the political economy literature, there are two main channels through which revenue allocation can affect political stability. The first is the public goods channel, which suggests that providing public goods and services can enhance the legitimacy and popularity of the government, reduce social grievances and increase the opportunity cost of violence. The second is the rent-seeking channel, which implies that allocating revenues to private or special interests can create incentives for corruption, patronage and rent-seeking behaviour, which can undermine the rule of law, erode public trust and fuel social unrest.

The relative strength of these two channels depends on several factors, such as the level and composition of revenues, the quality of institutions and governance, the degree of political competition and accountability, and the nature and intensity of social conflicts. For example, higher levels of revenues may increase the government's capacity to provide public goods and services, but also create more opportunities for rent-seeking and corruption. Similarly, more democratic and accountable institutions may enhance the responsiveness and transparency of revenue allocation, but also increase the pressure and competition for public resources.

Empirically, there is mixed evidence on the relationship between political stability and revenue allocation. Some studies find a positive correlation between public spending and political stability, especially in low-income countries where public goods provision is low. Others find a negative correlation between rent-seeking activities and political stability, especially in resource-rich country like Nigeria, where revenues are concentrated in a few sectors. However, these studies often face methodological challenges, such as measurement errors and omitted variables.

A more nuanced approach is to examine how different types of revenues and expenditures affect political stability in different contexts. For instance, some studies suggest that aid revenues may have a positive impact on political stability in countries with good governance and institutions, but a negative impact in countries with poor governance and institutions. Similarly, some studies indicate that military spending may have a positive impact on political stability in countries facing external threats or civil wars, but a negative impact in countries with weak or authoritarian regimes. Political stability is not given, but a goal that requires constant effort and commitment from all stakeholders. This study therefore seeks to investigate the effect of revenue allocation on political stability of Nigeria.

**Statement of the Problem**

Nigeria is a country with abundant natural resources, especially oil and gas, which account for about 90% of its export earnings and 60% of its federal revenue. However, despite its wealth, Nigeria faces many challenges in terms of economic development, social welfare, security and political stability. One of the major sources of these challenges is the contentious issue of revenue allocation, which refers to how the federal government distributes its income among the three tiers of government (federal, state and local) and among the 36 states and 774 local government areas (National Bureau of Statistics (NBS), 2019).

Revenue allocation has been a source of conflict and controversy in Nigeria since its independence in 1960. Different regions, ethnic groups and political parties have different views and interests on how the national cake should be shared. Some argue for more fiscal autonomy and decentralization, while others advocate for more federal control and centralization. Some demand for more derivation principle, which allocates revenue based on the source of generation, while others prefer more equality principle, which allocates revenue based on population or need. Some claim for more resource control, which gives more rights and powers to the oil-producing states and communities, while others oppose it as a threat to national unity and cohesion (Udeh, 2018).

The problem of revenue allocation has implications for the political stability of Nigeria, as it affects the balance of power and influence among different actors and institutions in the polity. It also influences the level of trust and cooperation among different levels and units of government, as well as among different regions and ethnic groups. It also impacts the quality of governance and service delivery, as it determines the availability and allocation of resources for development projects and programs. Furthermore, it affects the level of conflict and violence in the country, as it can trigger or escalate grievances and agitations among marginalized or dissatisfied groups. Successive governments have tried to address the issues surrounding the revenue sharing formula, yet all these attempts have not been able to attend to the public yearning. This paper therefore seeks to investigate the effect of revenue allocation on political stability of Nigeria.

**Research Objective**

The main purpose of this paper is to investigate the effect of revenue allocation on political stability of Nigeria.

Specifically, the paper addresses the following objectives:

* 1. Investigate the influence of revenue allocation on the incentives and behaviour of political actors and groups in terms of cooperation or conflict.
  2. Examine the impact of revenue allocation on the quality and performance of public institutions and service delivery at different levels of government.
  3. Determine the effect of revenue allocation on citizens' perceptions and attitudes towards the government and their participation in political processes.

**Research Hypotheses**

The following null hypotheses were tested at 0.05 alpha level:

H**01**: There is no significant influence of revenue allocation on the incentives and behaviour of political actors and groups in terms of cooperation or conflict in Lagos State, Nigeria.

H**02**: There is no significant impact of revenue allocation on the quality and performance of public institutions and service delivery at different levels of government in Lagos state, Nigeria.

H**03**: There is no significant effect of revenue allocation on citizens' perceptions and attitudes towards the government and their participation in political processes in Lagos state, Nigeria

**Literature Review**

**Concept of Revenue Allocation**

According to the resource allocation function of the government, revenue is allocated to federating units of a country for economic development, otherwise called fiscal federalism. Nigeria’s fiscal federalism has emanated from historical, economic, political, geographical, cultural, and social factors. In all of these, fiscal arrangements remain a controversial issue in allocating a distributable pool account (DPA) of the federation since 1946 (Adelino *et al.,* 2017).

A federation emerges either by aggregation of previously independent sovereignties to become a single sovereign state such as Australia, Canada, and United States, or by devolution, that is, decentralization of certain level of political authority to subnational governments within a sovereign state such as Nigeria, India, and Pakistan (Frank *et al.,* 2020). Thus, along this line, fiscal federalism could be taken to mean a constitutional arrangement or a system of government where revenue and expenditure functions, otherwise called fiscal responsibilities, are divided among the tiers/levels of government, that is, federal, state, and local governments (Mehta *et al.,* 2020). In undertaking this division, economics emphasizes the need to focus on the necessity for improving the performance of the public sector and the provision of their services by ensuring a proper alignment of responsibilities and fiscal instruments.

The Nigerian Federal system plays a preeminent role in this distributive process. Succinctly, owing to its explicit legitimating and accommodation of sectional-territorial constituencies, the federal system provides the structural and institutional framework for the organization and mediation of the ethnic competition for public resources in Nigeria (Suberu, 2016). To understand the concept of revenue allocation, public revenue must be defined. Public revenue is the income that accrues to the government to finance its economic activities. This can be raised from different sources that include taxation, loans, sale of public assets, grants and aids, gifts and donations (Oluwatobi & Ogunrinola, 2011). Musgrave & Musgrave (2015) share the same view on public revenue but broadly classified the sources into tax revenue and nontax revenue.

The revenue generated within the federation jurisdiction is shared to the federating units. Mbanefoh & Egwaikhide (2019) broadly defines revenue allocation to include allocation of tax powers and the revenue sharing arrangements not only among the three levels of government but among the state governments as well. Under the government's distribution function, it redistributes incomes and resources to promote national unity and equity (Olofin *et al..* 2012). Revenue allocation can be described as a method of sharing the centrally generated revenue among different tiers of government and how the amount allocated to a particular tier is shared among its components for economic development.

**Research Methodology**

The study employed a mixed-methods approach, combining quantitative and qualitative data collection and analysis. The quantitative data will include secondary sources such as official statistics, reports, surveys, and indices on revenue allocation, political stability, and other relevant variables. The qualitative data will include the primary source which is the questionnaire on the experiences and opinions of various stakeholders involved in or affected by revenue allocation.

The quantitative data collection involves conducting a survey of 400 respondents randomly selected from four purposely selected tertiary institutions in Lagos with 100 Political Science students per each tertiary institution making the total of 400 respondents. Lagos state being considered as heterogeneous society, where all Nigerian tribes are represented and also a cosmopolitan state as well as tertiary institutions that offer Political Science as a course were used as a case study for the paper. The survey questionnaire consists of four sections: demographic information, political attitudes, perceptions of revenue allocation, and opinions on political stability. The questionnaire uses a four-point Likert scale to measure the level of agreement or disagreement with various statements related to the research topic. The questionnaire also includes some open-ended questions to elicit more detailed responses from the respondents.

The instrument was subjected to rigorous scrutiny in order to ascertain the clarity, relevance, adequacy, language level and appropriateness of the content of the instrument. The instrument was modified by the researcher based on the suggestions from the experts to ascertain content and face validity. The study employed test and re-test technique to ensure the instruments are reliable. The reliability index of the instrument was 0.88, with this reliability index, the instrument was considered suitable for the study. The researcher got a research permit from the Deans of the Student Affairs Departments of the sampled tertiary institutions for the study. The administration of the instruments took two (2) weeks as observations were done in one tertiary institution per day. The data collected were analyzed using descriptive statistics, inferential statistics, and regression analysis to examine the relationship between revenue allocation and political stability in Nigeria. Descriptive statistics are used to summarize the characteristics of the sample and the distribution of the variables. Inferential statistics are used to test the hypotheses and determine the significance of the differences between groups or categories. Regression analysis is used to measure the effect of revenue allocation on political stability while controlling for other factors that may influence the outcome.

**Results and Findings**

| **Table 1: Statistics Showing the Demographic Factors of the Respondents (n=400)** | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | | School | Random Identification Number | Gender | Class | Age | Religion |
| N | Valid | 400 | 421 | 400 | 400 | 400 | 400 |
| Missing | 2 | 2 | 2 | 2 | 2 | 2 |
| Mean | | 2.50 | 210.88 | 1.53 | 2.68 | 1.52 | 1.59 |
| Std. Deviation | | 1.106 | 121.597 | .500 | 1.077 | .500 | .518 |

**Frequency Table**

| **Table 2: Table Showing the Tertiary Institutions Involved in the Study** | | | | | |
| --- | --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | SCHOOL 1 | 94 | 23.5 | 23.5 | 23.5 |
| SCHOOL 2 | 112 | 28.0 | 28.0 | 51.5 |
| SCHOOL 3 | 94 | 23.5 | 23.5 | 75.0 |
| SCHOOL 4 | 100 | 25.0 | 25.0 | 100.0 |
| Total | 400 | 100.0 | 100.0 |  |
| Missing | System | 0 | 0 |  |  |
| Total | | 400 | 100.0 |  |  |

The above table indicates that School two had the largest number of respondents with 112 respondents representing 28% of the total number, while “School 1 and School 3” had the least number of respondents which was equal in number.

| **Table 3: Table Showing Respondent’s Frequency According to Gender** | | | | | |
| --- | --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | MALE | 188 | 44.4 | 47.0 | 47.0 |
| FEMALE | 212 | 50.1 | 53.0 | 100.0 |
| Total | 400 | 94.6 | 100.0 |  |
| Missing | System | 23 | 5.4 |  |  |
| Total | | 423 | 100.0 |  |  |

The above table shows that females had the higher number of 212 respondents representing 50.1%, while the male counterpart was 188 respondents representing 44.4%.

| **Table 4: Table Showing Respondents’ Data According to their Educational Level** | | | | | |
| --- | --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | 100 LEVEL | 74 | 17.5 | 18.5 | 18.5 |
| 200 LEVEL | 89 | 21.0 | 22.3 | 40.8 |
| 300 LEVEL | 130 | 30.7 | 32.5 | 73.3 |
| 400 LEVEL | 105 | 24.8 | 26.3 | 99.5 |
| 5 | 1 | .2 | .3 | 99.8 |
| 6 | 1 | .2 | .3 | 100.0 |
| Total | 400 | 94.6 | 100.0 |  |
| Missing | System | 23 | 5.4 |  |  |
| Total | | 423 | 100.0 |  |  |

The above table shows that 300 Level students had the highest number of respondents with 130 respondents representing 30.7% of the total respondents, while 100 Level had the least number of 74 respondents representing 17.5% of the total respondents.

| **Table 5: Table Showing Respondents’ Data According to Age** | | | | | |
| --- | --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | 18-22yrs | 192 | 45.4 | 48.0 | 48.0 |
| 23yrs And Above | 208 | 49.2 | 52.0 | 100.0 |
| Total | 400 | 94.6 | 100.0 |  |
| Missing | System | 23 | 5.4 |  |  |
| Total | | 423 | 100.0 |  |  |

Table 5 indicates that the respondents Age bracket between 23 years and Above had the highest number of respondents with 208 respondents representing 49.2%, while respondents between 18 and 22 years were 192 representing 45.4% of the total respondents.

**Test of Hypotheses**

**H01:** There is no significant influence of revenue allocation on the incentives and behaviour of political actors and groups in terms of cooperation or conflict in Lagos State, Nigeria.

In order to test this hypothesis, data collected on the respondents’ demographic information (gender, age, educational level and tertiary institutions) and their behaviour of political actors and groups in terms of cooperation or conflict in Lagos State were subjected to regression analysis and the results are presented in Table 6.

# Table 6: Regression analysis of the influence of revenue allocation on the incentives and behaviour of political actors and groups in terms of cooperation or conflict in Lagos State

| R = 0.445a  R2 = 0.198 | **Unstandardized**  **Coefficients** | | **Standardized**  **Coefficients** | | |
| --- | --- | --- | --- | --- | --- |
| Adj. R2 = 0.018 |  | |  | | |
| F = 8.848 | **B** | **Std. Error** | **Beta** | **t** | **Sig.** |
| (Constant) | 42.826 | 0.915 | 46.780 | .000 |  |
| Gender | 0.191 | 0.879 | 0.009 | 0.215 | .828 |
| Age | 2.652 | 0.997 | 0.184 | 2.660 | .005 |
| Educational Level | 0.171 | 0.535 | 0.016 | 0.320 | .045 |
| Tertiary institution | 0.290 | 0.673 | 0.028 | 0.431 | .008 |

1. Dependent Variable: incentives and behaviour of political actors and groups in terms of cooperation or conflict
2. Predictors: (Constant), Respondents’ demographic Factors (gender, age, educational background)

Results in Table 6 showed that there was significant influence of revenue allocation on the incentives and behaviour of political actors and groups in terms of cooperation or conflict in Lagos State. in the study area (F = 8.848, p < 0.05). Therefore, the null hypothesis that states that there is no significant influence of revenue allocation on the incentives and behaviour of political actors and groups in terms of cooperation or conflict in Lagos State was hereby rejected. The model summary as presented in the Table showed the R value of 0.445 coefficient of determination for the regression model indicated 44.5% influence of respondents’ demographic factors (gender, age, educational level and occupation) on the incentives and behaviour of political actors and groups in terms of cooperation or conflict in Lagos State. The beta value of 0.184 and t-value of 2.660 revealed that age of the respondents influenced their opinion on political attitude in terms of cooperation and conflict within the study area.

**H02**: There is no significant impact of revenue allocation on the quality and performance of public institutions and service delivery at different levels of government in Lagos state, Nigeria

**Table 7: Contingency table on the significant impact of revenue allocation on the quality and performance of public institutions and service delivery at different levels of government in Lagos state, Nigeria**

| Respondents | N | Cal Val (x2) | Df | Tab. Val. (x2) | Level of Significance | Decision |
| --- | --- | --- | --- | --- | --- | --- |
| SA + A =346 | 400 | 49.43 | 3 | 7.815 | 0.05 | Rejected |
| D + SD =54 |

Table 1 shows that the calculated chi-square value of 49.43 at a degree of freedom of 3 is greater than the critical value of 7.815 at 0.05 alpha level. Hence, the null hypothesis which states that “there is no significant impact of revenue allocation on the quality and performance of public institutions and service delivery at different levels of government in Lagos state, Nigeria” was rejected. Hence, it was indicated that the alternate hypothesis which states that “there is significant impact of revenue allocation on the quality and performance of public institutions and service delivery at different levels of government in Lagos state, Nigeria” was accepted.

**H03**: There is no significant effect of revenue allocation on citizens' perceptions and attitudes towards the government and their participation in political processes in Lagos state, Nigeria

**Table 8: Contingency table on the significant effect of revenue allocation on citizens' perceptions and attitudes towards the government and their participation in political processes in Lagos state, Nigeria**

| Respondents | N | Cal Val (X2) | Df | Tab. Val (X2) | Level of Sig. | Remarks |
| --- | --- | --- | --- | --- | --- | --- |
| SA + A = 312 | 400 | 48.56 | 3 | 7.815 | 0.05 | Rejected |
| D + SD = 88 |

Table 2 shows that the calculated Chi-square value of 48.56 at a degree of freedom of 3 is greater than the critical value of 7.815 at 0.05 alpha level. Hence, the null hypothesis which states that “there is no significant effect of revenue allocation on citizens' perceptions and attitudes towards the government and their participation in political processes in Lagos state, Nigeria” was rejected. Hence, the alternate hypothesis which states that “there is significant effect of revenue allocation on citizens' perceptions and attitudes towards the government and their participation in political processes in Lagos state, Nigeria” was accepted.

# Discussion of Findings

The findings in Table 6 showed that there is significant influence of revenue allocation on the incentives and behaviour of political actors and groups in terms of cooperation or conflict in Lagos State, Nigeria, which resulted in the rejection of the null hypothesis which states that “there is no significant influence of revenue allocation on the incentives and behaviour of political actors and groups in terms of cooperation or conflict in Lagos State, Nigeria”. This is corroborated by Mbanefoh & Egwaikhide (2019), which states that one of the main challenges of governance in Nigeria is how to allocate revenue among the different levels of government in a way that promotes development, equity and stability. They went further to analyse how revenue allocation affects the relations between the state and federal governments, as well as among the local governments within the state. Revenue allocation has the tendency to shape the interests and strategies of various political parties, ethnic groups, civil society organizations and other stakeholders in the state. The paper concludes with some policy recommendations for improving the revenue allocation system and enhancing the political stability and development of Lagos State.

From the findings obtained in Table 7, which shows that the calculated Chi-square value (49.43) was greater that the Chi-square critical value (7.815) at 0.05 alpha level. This informed the rejection of the null hypothesis which states that “there is no significant impact of revenue allocation on the quality and performance of public institutions and service delivery at different levels of government in Lagos state, Nigeria”, while the alternate hypothesis was accepted. This is supported by Suberu (2016), when he submits that revenue allocation has a significant effect on the efficiency, accountability and responsiveness of public institutions and service delivery in Lagos state. He also identifies some of the factors that influence revenue allocation and expenditure decisions, such as political interests, administrative capacity, accountability mechanisms, and public participation.

The findings obtained from Table 8 indicates that the null hypothesis which states that “there is no effect of revenue allocation on citizens' perceptions and attitudes towards the government and their participation in political processes in Lagos state, Nigeria” was rejected, because the Chi-square calculated value (48.56) was greater than the critical value (7.815) at 0.05 alpha level. Therefore, the alternate hypothesis which states that “there is significant effect of revenue allocation on citizens' perceptions and attitudes towards the government and their participation in political processes in Lagos state, Nigeria” was accepted. This is in conformity with Ovwasa (2015), in his research study, when he studied on whether the distribution of public funds affects how people view and interact with the government and its institutions, he opines that citizens who receive more benefits from the government tend to have higher levels of trust, satisfaction, legitimacy, and civic engagement than those who receive less or nothing. The study also identifies some factors that mediate or moderate this relationship, such as ethnicity, education, income, and political awareness.

**Conclusion**

Based on the findings of the study, it was concluded that there is significant influence of revenue allocation on the incentives and behaviour of political actors and groups in terms of cooperation or conflict in Lagos State, Nigeria; there is significant impact of revenue allocation on the quality and performance of public institutions and service delivery at different levels of government in Lagos state, Nigeria and finally, there is significant effect of revenue allocation on citizens' perceptions and attitudes towards the government and their participation in political processes in Lagos state, Nigeria. There are many good reasons why revenue is shared in a federal political entity especially in a federation as big and diverse as Nigeria.

In conclusion, political stability and revenue allocation are interrelated and complex issues that require careful analysis and policy design. Developing countries should strive to find an optimal balance between these two objectives, while recognizing that there is no stability and economic development without effective and generally acceptable revenue allocation.

**Recommendations**

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

* 1. Investing in human capital development and improving access to quality education, health care, water, sanitation, and electricity will reduce the high dependency of units of government on revenue allocation.
  2. Also, there is a need for the Federal government to address the historical grievances and injustices that have fueled resentment and mistrust among different groups as regards revenue allocation.
  3. It is pertinent to know that the share of local government on revenue allocation needs to be increased for improved performance.
  4. Revenue allocation should be aligned with development priorities and needs, taking into account the potential trade-offs between political stability and other objectives.
  5. Revenue allocation should be transparent and accountable, involving broad participation and consultation with relevant stakeholders, such as civil society, private sector and local communities.
  6. Revenue allocation should be flexible and adaptable, allowing for adjustments and revisions based on changing circumstances and feedback mechanisms.
  7. Revenue allocation should be coordinated and harmonized with other policies and interventions, such as fiscal decentralization, tax reform and conflict prevention.

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