

FISCAL FEDERALISM AND SOCIO-ECONOMIC DEVELOPMENT IN AKWA IBOM STATE, NIGERIA

MFON Solomon Ukpabio
Department of Public Administration
Akwa Ibom State University
Obio AKpa Campus
E-mail: solomonukpabio@gmail.com

Enfiok Ibok
Department of Public Administration
Akwa Ibom State University

Sunday Effiong Ibanga
Department of Public Administration
Akwa Ibom State University
Obio AKpa Campus
E-mail: sunnibanga@yahoo.com

ABSTRACT

Federal, state, and local governments work together under fiscal federalism to improve socioeconomic development, strengthen national unity, and maintain democratic governance. The overarching goal is to reduce intergovernmental frictions and promote economic growth. Regrettably, the distribution of income to different tiers of government has sparked disputes and tensions, leading to a detrimental impact on the delivery of educational services, infrastructure development, and healthcare services in Akwa Ibom State. Hence, the aim of this study was to investigate the relationship between fiscal federalism and socioeconomic progress in Akwa Ibom State, Nigeria. This study utilised a combination of quantitative and qualitative research methodologies. The analysis was based on the fiscal federalism idea proposed by Musgrave. The data for this study were produced and examined using descriptive statistics, specifically percentages and frequencies. The study findings indicate that the implementation of fiscal federalism in Nigeria, specifically in terms of the sharing formula, has had a detrimental effect on educational services, healthcare, and infrastructural development in Akwa Ibom State. Hence, it is advisable, among other suggestions, that the government promptly revise the allocation formula to promote the advancement of infrastructure, education, and healthcare services in Akwa Ibom State.

Keywords: Fiscal federalism, socio-economic development, Akwa Ibom State.

INTRODUCTION

Fiscal federalism pertains to the allocation of monetary resources and obligations among distinct tiers of governance within a federal framework. The evolution of fiscal federalism in Nigeria has been shaped by various variables including political, economic, social, constitutional, and cultural influences. It is expected that adequate funding be given to each level of government for it to fulfil its constitutional duty effectively (Ejeh, and Orokpo, 2014). The primary role of legitimate and accountable governance at all tiers is to establish

a socio-economic framework for the population (Ibok, 2020). The fiscal arrangement within the federation should be designed to efficiently facilitate the discharge of constitutional tasks by the federating entities (Ekpo, 1994).

The capacities of the government to encourage and sustain a robust degree of growth in the economy, as well as the ideal mix of resources that generate money, determine the stability and growth of revenue. While the government's overall revenue has improved in absolute terms, it mostly relies on statutory allocations rather than generating revenue domestically, which has been disappointing. Before the implementation of value added tax (VAT), state governments, especially Akwa Ibom, mainly relied on their portion of the Federation Account. This account's funds were determined by the worldwide petroleum market, which is managed by OPEC. This has significant ramifications for government finances. Consequently, the Akwa Ibom State government has had fluctuating government revenue, resulting in deficits and inadequate service delivery. Moreover, the government has primarily focused its expenditures on recurring operations.

On analysis of the existing sharing agreement, it is evident that the federal government receives 52.68% of the shared money on a monthly basis, while states receive 26.72% and local governments receive 20.60% (RMFAC, 2021). State governments are supposed to utilise this allocation to implement social services such as healthcare, education, and infrastructural development within the state. Akwa Ibom being one of the 36 States in Nigeria, has been receiving revenue share each month in addition to 13% oil derivation fund from the federal allocations, as well as its Internally Generated Revenue (IGR), the State has also benefited maximally from federal allocation over time, but the extent to which these allocations have impacted on the socio-economic development in the State, especially, the education, health care, roads and infrastructural development sectors, is the subject which this study is out to investigate.

Many researchers have conducted studies on fiscal federalism and socio-economic development, but there are still some missing gaps which this study intends to fill. Therefore, this study examines the effect of fiscal federalism on socio-economic development of Akwa Ibom State.

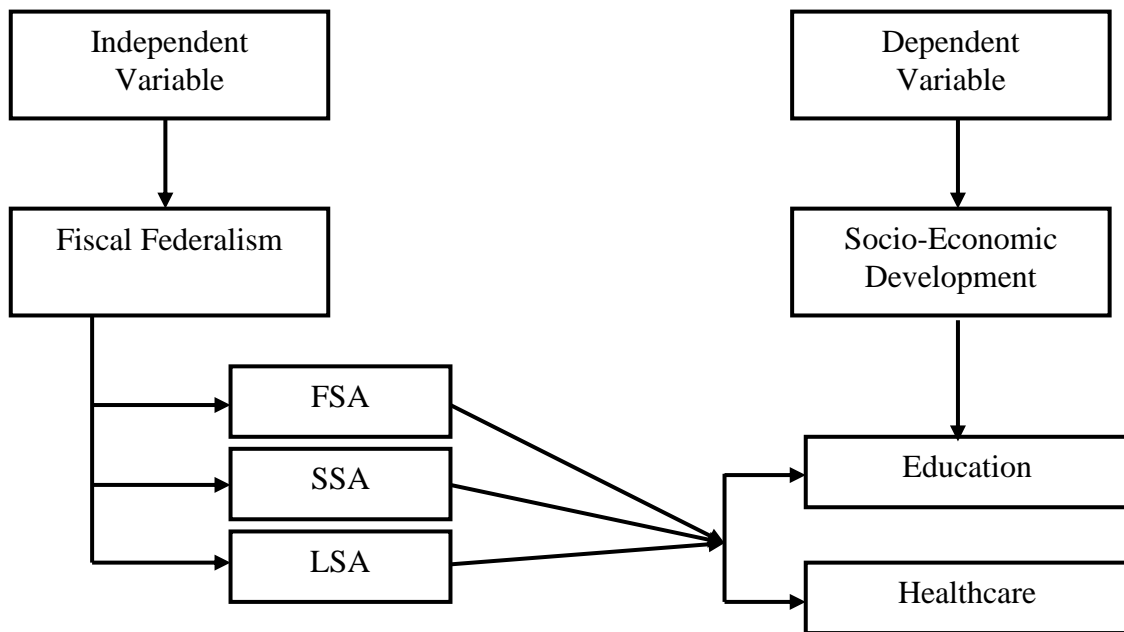
Objectives of the study

The broad objective of this research is to examine fiscal federalism and socioeconomic development in Akwa Ibom State, while the specific objectives are to:

1. examine the relationship between fiscal federalism and development of the educational sector in Akwa Ibom State;
2. ascertain the relationship between fiscal federalism and the development of healthcare services in Akwa Ibom State;

LITERATURE REVIEW

Conceptual clarification



Key: FSA is Statutory Allocation of the Federal Government

SSA is Statutory Allocation of the State Government

LSA is Statutory Allocation of the Local Government

The above diagram shows the relationship between fiscal federalism and socio-economic development. This model demonstrates the extent to which fiscal federalism enhances education and healthcare services in all the three tiers of Government in Nigeria.

Fiscal Federalism

Fiscal federalism is based on a political structure known as federalism, and often refers to a system where authority sharing involves the federal government and the individual entities within the federation. Each sub-national entity has constitutional autonomy to manage its own affairs, including the authority to handle expenditures and exercise taxing power (Wheare 1963, cited in Ejeh, 2014). In its pure heuristic understanding, it indicates a lack of centralization of power and authority. The concept revolves around the principles of equality and fairness, as well as the establishment of justice and fair treatment between the many parts of a system, including the central authority (Ejeh and Orokpo, 2011). Given the peculiar evolution of federalism in Nigeria, fiscal federalism has come to imply the disposition of federal government to tax power, retention of revenue, and ‘sharing formula’ for centrally collected revenue in accordance with constitutional provisions (Ejeh and Orokpo, 2014). The sharing formula also stipulates specific ‘quantum’ due for the various States and Local Governments within the federal system.

From the above definitions, Fiscal Federalism is, therefore, an offshoot of federalism. It entails the allocation of the country’s financial resources among the various levels of

government in a federating state with the broad objectives of improving the growth and development of the economy, reducing intergovernmental frictions, promoting national unity and sustaining democratic governance.

Socio-Economic Development

Socio-economic development includes the enhancement of individuals' quality of life through advancements in education, income, skill acquisition, and work opportunities. It refers to the economic and social changes that occur as a result of cultural and environmental influences, as mentioned in (Ibok, 2020). Socioeconomic status, as defined by the American Psychological Association (APA), refers to an individual or group's social standing or class. Socioeconomic status is commonly quantified as being component of education, occupation, and income. In simpler terms, this indicates the extent to which human factors have progressed in a particular society. Therefore, the socio-economic welfare of the Nigerian population may be accurately assessed using the country's Human Development Index (HDI).

Empirical Study

Burki, Perry and Dillinger (1999) in their analysis of education decentralization in Latin American countries suggest that transferring responsibility for primary education to local governments may not be sufficient. They argue that only when management is decentralized to community school boards and school directors that the positive impacts of decentralization appear. According to the authors, decentralizing education to state government as in Colombia and Mexico is unlikely to improve output. In contrast, efforts to shift management power to community groups and school directors as in special cases in Nicaragua, El Salvador, and Minas Gerais, Brazil, are likely to show results.

In their 2021 study, Sidra, Mahnaz, and Hafeez examined the relationship between fiscal decentralisation and gender parity in education in Pakistan, providing empirical evidence. This study conducted an empirical analysis to examine the dynamic correlation between the concentration of fiscal power and gender equality in education. Various indicators of fiscal decentralisation were utilised, and the autoregressive distributed lag (ARDL) model with bounds testing approach was employed to test for cointegration. The research spanned the years 1975 to 2020. The limit tests demonstrate that the parameters exhibit co-integration when gender equality in education is the outcome variable. The study indicates that the process of fiscal decentralisation is contributing to the improvement of gender parity in education, particularly by transferring the responsibility of education spending and income generation to local authorities.

A study on the effects of fiscal federalism on emerging economies' health was carried out in Kenya by Stephen and Elvis (2021). The study employed a longitudinal descriptive research design. Secondary panel data is available for a span of four years, covering a total of forty-seven countries in Kenya. The data was acquired from the Kenya National Bureau of Statistics and the fiscal agency of devolved units. The study utilised a fixed-effects model for data analysis. It was recommended that policymakers must exert significant effort to ascertain how the inter-governmental fiscal interactions and other fiscal gaps identified can be effectively resolved to achieve a more positive outcome. Paolo (2022) did a study on the relationship between fiscal federalism and national health standards in Italy with a focus on redistribution. The paper provided a concise overview of the development of the financing system in Italy and questioned prevailing assumptions regarding excessive spending and recommended that health federalism could potentially mask health privatization.

Ibok (2020) looked at the fiscal components of local government and how fiscal federalism relates to Nigeria's socioeconomic development. The study employed a survey methodology, involving the distribution of questionnaires to 600 respondents across the six geo-political zones of Nigeria. It was suggested that the federal and state governments should ensure that the local government's operational duties are in line with its financial capacity, and that the local government should be given more authority to create extra revenue through tax systems.

Theoretical Framework

Fiscal Federalism

The research was based on Musgrave's (1959) theory of fiscal federalism. Musgrave, a German-born American economist, argues that in a federalist state, the central government should allocate additional cash to the lower tier of government in order to enhance their operational efficiency. Musgrave argues that the central or federal government has the ability and should tackle economic difficulties faced by the constituent units by either providing them with more resources or giving them constitutional power to produce resources within their units or the larger entity. This would enable them to effectively respond to their local development issues. Musgrave's theory advocates for a just and proportionate distribution of national resources among different levels of government, with a focus on allocating more funding to the lower units. This is grounded on the premise that the lower units, being in closer proximity to the people, are better positioned to stimulate economic growth within the overall economy. The fiscal federalism hypothesis employed in this study focuses on the federal government's role in stabilizing and distributing economic activities throughout all 36 states, including Akwa Ibom.

METHODOLOGY

Using the population projection and estimation index, current population of Akwa Ibom State is estimated to be 6,497,967. Akwa Ibom State Ministry of Economic Development, (2022).

Sampling Size and Sample Technique

Table 1: Population of the nine (9) local governments from where the respondents for the study were drawn.

S/N	Senatorial District	Population	
1	Uyo	Uruan	45
		Nsit Atai	45
		Nsit Ibom	45
2	Eket	Oron	45
		Mkpat Enin	45
		Ikot Abasi	45
3	Ikot Ekpene	Essien Udim	45
		Obot Akara	45
		Abak	40
	Total	400	400

Source: Office of the State Surveyor-General, Uyo, Akwa Ibom State (2014)

The above diagram shows the population of the nine (9) local government's respondents for the study. This study employed stratified and purposive sampling techniques. This is because the study focused on particular characteristics of a population that are of interest, which has

enabled the researcher to answer the research questions. Stratified sampling technique is a probability sampling technique wherein the researcher divides the entire population and the objective of the study. Taro Yamane formula was used to select the sample size. It is important to use Taro Yamane formula to avoid bias. The Taro’s formula is expressed thus:

$$n = \frac{N}{1 + N(e)^2}$$

Where:

- n = sample size
- N = population size
- e = tolerable error (0.05)
- l = constant
- n = $\frac{3,920,208}{1 + 3,920,208 (e)^2}$
- n = $\frac{3,920,208}{1 + 3,920,208 (0.0025)}$
- n = $\frac{3,920,208}{7,553.416}$
- = 400

RESULT

Table 2: Revenue Accrued from the Federation Account to Akwa Ibom State (2015-2022)

Years	Revenue Allocated to Akwa Ibom
2015	N115,436,231,256.02
2016	N16,672,362,112.06
2017	N143.616,212,432.09
2018	N145,657,644,255.01
2019	N142,633,567,321.08
2020	N122,683,467,228.07
2021	N139,688,568,434.03
2022	N144,699,443,222.05
TOTAL	N1,071,087,496,260.41

Source: National Bureau of statistics (2022)

Table 3: Akwa Ibom State developments in the areas of education and health care services.

S/N	Development in Education Sector	Location
1	Construction of Assembly Hall	Ame zion school, Ndon Ebom, Uruan
2	4 class room blocks at Community school	Eka Obong, Ikot Ekpene
3	Construction of Model primary school	Awa Ubium, Onna L.G.A
4	Fencing of primary schools across the state	In all the 31 Local governments
5	Payment of WAEC fees for students in	Across the 31 local government

	secondary schools(2015-2022)	Areas
6	4 class room blocks constructed at Methodist senior science college. 4 class room blocks renovated at Government primary school.	Oron Ukpata, Afaha Eduok, Oron
Developments in the area of Health Care		
1	200 bed capacity complex at Oko Ita	Oko Ita in Ibiono
2	Establishment of Immanuel Hospital	Eket
3	Establishment of General Hospital	Iquita Town in Oron L.G.A
4	Upgrading of Etinan General Hospital	Etinan
5	Specialist Hospital	Itu Mbang
6	Upgrading of General Hospital	Ikot Okoro
7	Establishment of emergency operation Center (EOC) at Infectious Disease Hospital	Ikot Ekpene
8	Provision of Quarters (Residential) for 50 House Officers in the University of Uyo Teaching Hospital and State Hospitals	Uyo

Source: aksgonline.com, 2022

This section focuses on presenting, analyzing, and interpreting the primary data obtained from statistical analyses. The results are specifically related to the hypotheses that were tested using the chi-square test at a significance level of 0.05. The Statistical Packages for the Social Sciences (SPSS) and Minitab were used for the analyses. The interpretations are based on the data collected from the 372 respondents.

Research hypothesis one: There is no significant positive influence of Fiscal Federalism on Education Sector in Akwa Ibom State

Table 4: Independent t-test result of the Influence of Fiscal Federalism on Education Sector in Akwa Ibom State

Variable	N	\bar{X}	SD	Df	α	Sig.	t.cal	t.crit
Fiscal Federalism	372	4.8905	0.17					
				370	0.05	0.104	1.23	1.645
Education Sector	372	4.7619	0.19					

**Significant at 0.05; Df = 370 Source: Minitab Analysis, 2023

Data was analyzed using Minitab version 17. The analysis of the results in Table 2 shows a positive and statistically insignificant influence of Fiscal Federalism on Education Sector. The significance at 0.05, Df = 370 is shown that t-calculated =1.23 while t.critical = 1.645. Since the t.calculated of 1.23 is *NOT* greater than t.critical of 1.645, the Null hypothesis is *NOT* rejected; hence, we conclude that there is no significant influence of Fiscal Federalism on Education Sector. To further affirm the validity of our result and conclusion, we compare the p-value to the level of significance. The p-value which is 0.104 is greater than the level of significance (0.05), hence, the acceptance of the Null hypothesis. In the real sense, Fiscal

Federalism should influence the Education sector, but from the results carried out, Fiscal Federalism has no significant influence on the Education sector in the case of Akwa Ibom State. The findings of this study are consistent with other findings regarding Fiscal Federalism and its influence on the Education sector in Akwa Ibom State. The findings supports the fact that in the past eight years, many public schools, polytechnics and the State University have not received a reasonable support in terms of projects by the State Government of Akwa Ibom State.

Research hypothesis two: There is no significant positive influence of Fiscal Federalism on Healthcare Services in Akwa Ibom State

Table 5: Independent t-test result of the Influence of Fiscal Fiscal Federalism on Healthcare Services in Akwa Ibom State

Variable	N	\bar{X}	SD	Df	α	Sig.	t.cal	t.crit
Fiscal Federalism	372	4.13	0.32	370	0.05	0.013	2.94	1.645
Healthcare Services	372	4.41	0.28					

**Significant at 0.05; Df = 370 Source: Minitab Analysis, 2023

Data was analyzed using Minitab version 17. The analysis of the results in Table 3 shows a positive and statistically significant influence of Fiscal Federalism on Healthcare Services. The significance at 0.05, Df = 370 is shown that t-calculated =2.94 while t.critical = 1.645. Since the t.calculated of 2.94 is greater than t.critical of 1.645, the Null hypothesis is rejected; hence, we conclude that there is a significant influence of Fiscal Federalism on Healthcare services. To further affirm the validity of our result and conclusion, we compare the p-value to the level of significance. The p-value which is 0.013 is less than the level of significance (0.05), hence, the rejection of the Null hypothesis. We expect Fiscal Federalism to positively influence the Healthcare Services, and the results from the survey carried out, Fiscal Federalism has a significant influence on the Healthcare Services in Akwa Ibom State. The findings of this study are consistent with other findings regarding Fiscal Federalism and its influence on the Healthcare Services, generally. The findings support the verbal responses gotten from the respondents who affirmed that Fiscal Federalism has actually influenced the Healthcare Services in Akwa Ibom State. This, according to them is due to the improvement and availability of medical equipment in various Hospitals. Most of the respondents were one-time patients in their respective Hospitals while some were ministry of health workers and workers in Hospitals and Healthcare centers across the State. The aforementioned respondents’ responses through verbal interview help to validate and affirm the result and conclusion drawn from the statistical analysis.

DISCUSSION OF THE FINDINGS

The primary result of this research showed that the education sector is positively impacted by fiscal federalism, however this effect is not statistically significant. This finding aligns with Busemeyer's (2008) argument regarding the correlation between fiscal decentralisation and public education spending in OECD nations. The empirical findings indicate a strong and consistent correlation between fiscal decentralisation and education expenditure at the overall level. The outcome of the research question two revealed a statistically significant influence

of Fiscal Federalism on Healthcare Services. This result is in line with Akpan (2014) who opines that fiscal federalism in Nigeria has had mixed implications on social service delivery. While spending on primary health delivery has been transferred to both States and Local Governments, the Federal Government retains financial responsibility for tertiary health care. The study's results indicate a positive correlation between the funds received from the federation account and capital spending, with a p-value of 0.024. This suggests that the state is dedicated to infrastructure development. Therefore, the null hypothesis is rejected. These findings align with the research conducted by Akujobi and Kalu (2009), Akabom-Ita (2013), Edogbanya and Ja'afaru (2013).

The significance at 0.05, Df = 370; t-calculated = 1.92; t.critical = 1.645. Since the t.calculated (1.92) is greater than t.critical (1.645), the Null hypothesis is rejected; hence, we conclude that there is a significant influence of Fiscal Federalism on Infrastructural development. To further affirm the validity of our result and conclusion, we compare the pvalue to the level of significance. The p-value which is 0.031 is less than the level of significance (0.05), hence, the rejection of the Null hypothesis. The relationship coefficient calculated is 0.924 and its square (r^2) value is 0.85. These values are indications that Fiscal Federalism has a very strong correlation with the Infrastructural development. The r^2 value indicates that Fiscal Federalism has a relationship (Influence) of about 85% on the Infrastructural development. Since the p-value for the test of significance of the correlation is given as 0.000, which is less than 0.05 (level of significance), we reject the Null hypothesis; hence, we conclude that there is a correlation existing between Fiscal Federalism and Infrastructural development.

CONCLUSION

The study investigated the influence of fiscal federalism on the Education sector, healthcare services and infrastructural development in Akwa Ibom State. From the findings, it could be noted that between 2015- 2022, Akwa Ibom State Government had received a total sum of N1,071,087,496,260.41 (One Trillion, Seventy-one Billion, Eighty-seven Million, Two hundred and sixty thousand, forty-one Naira) only, from the Federation account. The findings also revealed some of the major developments carried out by Akwa Ibom Government within this range period. In the area of infrastructure, some of these includes: 14kilometres of road, Ring road Project, Ikot Oku Ikono Fly Over, International Worship Centre Uyo, Ikot Oku Usung Ekefe road, Dualization of Uyo Ikot Ekpene road. Awa Iman Ikot Nkan road, Onna, Dualization of Eket Ibeno road, Dualization of Etinan Eket road.

In the area of Education, these include: Construction of Assembly Hall in Ndon Ebom, Uruan, 4 classroom blocks at Community school in Eka Obong, Ikot Ekpene, Construction of Model primary school in Awa Ubium, Onna, Fencing of primary schools across the state, Payment of WAEC fees for students in secondary schools (2015-2022), 4 classroom blocks constructed at Methodist Senior College in Oron, 4 classroom blocks renovated at Government primary school in Oron. In the health sector they include: 200 bed capacity complex at Oko Ita in Ibiono, Establishment of Immanuel Hospital in Eket, Establishment of General Hospital in Iquita Town in Oron L.G.A, Upgrading of Etinan General Hospital in Etinan, Specialist Hospital in Itu Mbang, Upgrading of General Hospital in Ikot Okoro, Establishment of Emergency Operation Center (EOC) at Infectious Disease Hospital, Ikot Ekpene, Provision of residential Quarters for 48 House Officer in the State Hospitals and 50 in the University of Uyo Teaching Hospital (UUTH) in Uyo.

The findings revealed that Fiscal federalism has influence on Healthcare Services and

Infrastructural development, but not on Education sector in Akwa Ibom State. Government should endeavour to allocate a reasonable percentage of the allocation to improve the Education Sector, while there should be undisrupted attention on the Healthcare Services and Infrastructural development. Civil servants are to uphold the standard which made the influence of Fiscal federalism on the variables possible. Communities should be encouraged to support the development made by the Government through the influence of fiscal federalism, in order to improve the standard of living, create a better working environment for the unborn children and bridge the gap between the rich and the poor in Akwa Ibom State.

RECOMMENDATIONS

Based on the findings of this study, the following recommendations are made:

- i. Government should do well to have a budget that will improve upon the education sector in Akwa Ibom State.
- ii. Government should improve upon the application of methods and use of funds to positively influence the healthcare services.

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