

PDF - REVENUE ALLOCATION AND POLITICAL STABILITY IN NIGERIA - researchcub.info

CHAPTER ONE

INTRODUCTION

1.1 BRIEF HISTORY OF THE NIGERIAN EXPERIENCE AS A NATION STATE

To highlight some significant event and developments in response to a review of Nigeria experience as a nation state, it is intellectual to present a brief survey of the part to understand the distinct phases through which the nation passed to arrive at its present political state and economic condition vis-à-vis revenue allocation. Some of these historical periods have enjoyed such a degree of political stability that in reference to revenue allocation and political stability, not only were great or studies made in the promotion of social and economic development, the overall smoothness in the functioning of the governmental system at both the regional and federal levels over shadowed the negative consequences of the power struggles and by the late 1950's a myth of Nigeria as a "stable democracy" enjoyed considerable international credibility.

The introduction of modern methods of governance on a gradual pace in what could be described as a semi- federal and quasi-democratic structure of 1946 Nigeria, like a newborn baby of the British colonial administration passed through various developmental phases of political growth. By 1957, the political structure has developed into a well-structured democratic federal political process upon the background and modern political process was set Nigeria; in 1979, the constitution of the federal republic of Nigeria provided for a democratic federal structure in the political process.

In this study, it is observed that the introduction of system of revenue allocation in the Nigeria political economy dates bank to the political development of 1946. It is note worthy to state that the revenue allocation system in the political process had indeed been accompanied by constitutional changes over the decades. These suggest that the constitution provides the essential political environment in a nation state.

It is significant that while the constitution emphasis national unity with its concomitant principles of deviation, population and equity of state in revenue allocation, to some observer such constructional provision were not borne out of a true desire for national unity and integration.

The revenue allocation issue in the political economy of Nigeria is a volatile as any other national question such a population. This means that how national revenue is shared among the different component political units of the federal structure is irretrievably tied to the national question. Hence no broadly acceptable national revenue allocation formula has been had since 1947 and which has not generated controversy but had to be made acceptable "in the interest of national unity".

Since 1947, about thirteen (13) formulas have been devised for the sharing of national revenue. Everybody has formed none satisfactory and such each one has generated more controversy than the last one.

The politicians through their activities in the revenue allocation agitation and ensuring power struggle aroused the suspicion of the source but visibly political military to hostility in a military fashion and cash in one invitation to seize power in the country public opinion on national consciousness believed that the national interest has debased by the politicization of the revenue system sharing. Its outcome becomes the breakdown of the common national spirit action and consciousness.

Thus, the Nigeria economic development through nationalism was scarified on the alter of ethnic and states power politics.

1.2 THE VARIOUS SOURCES OF REVENUE IN THE NIGERIA STATE

Revenue generation efforts by government have been from various sources. However, there could be

classified into 2 main sources of revenue in Nigeria. There are the oil and non-oil sources. Over the year, prior to 1973, the revenue from non-oil source contributed to sixty percent of the federally collected revenues but from 1973 to now the contribution from the non-oil sources have reduced drastically. This invariably makes may for the oil sources to generate a major share of the government revenue.

Foreign exchange earnings from export of agricultural commodities such as cocoa, palm produce, rubber, groundnut e.t.c. as major sources of foreign exchange earning and government revenue.

The federal constitution of Nigeria, provides that all revenue collected under federal laws be known as federally collected revenue and paid into federation account and distributed to the federal, state and local government according to the existing revenue allocation formula.

The revenue of government comprises of the following sources;

SOURCE: OIL REVENUE

- Petroleum profit tax
- Rent, royalties and NNPC
- National Economic New Structure Fund (NENSF)

NON-OIL REVENUE

- Company income tax
- Import duties
- Export duties
- Excise duties

Others:

Capital gain tax

Personal income tax

License fee on television and wireless radio

Stamp duties

Sales or purchase tax (now value added tax)

Football pools and other betting taxes

Motor vehicle tax and driver license fees

Entertainment tax

Land registration and survey

Property tax

Market and trading license fees

Motor park dues

Land ground rent fees

1.3 THE NEED/BASIS FOR REVENUE ALLOCATION

In the light of presentation and deliberation between the various levels of government, federal state and local government and the need to ensure that each tier of government in the federation has adequate revenue to enable it discharge its function as laid down in the constitution. Therefore in determining what proportion of the national revenue often referred to as federation account that should go to my tier of government for the discharge of the constructional functions, it will be ideal to first demarcate these functions, as may be laid down in me constitution for each tier of government, identify also the appropriate level of service to be performed by each tier determine what should be the cost to perform efficiently at that

level and therefore add up the financial requirements for each tier should then yield the relative weight in financial terms of the function laid down by the constitution. With these fact on hand, the three tiers of government in proportion to these relative weights. It follows that for effective distribution of national revenue; basic broad guidelines or the distribution of the revenue among the three tiers of government becomes necessary and must be strictly adhered to.

1.4 STATEMENT OF THE RESEARCHERS

There are problems with devising a scheme of revenue allocation that is nationally understood and widely accepted as equitable, over the years various formula as many as thirteen have been tested and each has received some criticism and resentment from some quarters of the nation state.

1.5 PURPOSE OF STUDY

The work aims at examining the revenue allocation with a view to fully appreciating its impact on political stability of the nation.

This work also reviews briefly some past revenue allocation principles in order to place this work on the proper historical perspectives.

1.6 STATEMENT OF HYPOTHESIS

Base on the problem and objective of this study the following hypothesis is proposed.

Does revenue allocation issue contribute to political instability in Nigeria?

Is revenue allocation problem the only issue that led to political instability in Nigeria?

Is revenue allocation problem caused by lack of awareness or

Understanding on part of Nigeria as to the actual revenue allocation formula?

Are the criteria of revenue allocation the most equitable in Nigeria?

Does the revenue allocation formula adversely affect the economy of the country?

Are the plans to increase the revenue allocation sources of the economy a means to increase available for the achievement of greater national development?

1.7 SIGNIFICANCE OF THE STUDY

Having clearly identified the problem of sharing the revenue accruing to the nation state of Nigeria. The search of solution should start with making tireless efforts to educate the people to understand the principle and to be reasonably flexible in formulating the underlying formula for the distribution of revenue among the differed level of government, the three tiers of government in an acceptable manner in order to promote national unity through common hitherto.

1.8 SCOPES AND LIMITATION OF STUDY

This study was not carried out without some constraint. Many factors have handicapped and hindered the research from meeting up with the research among the factors are;

COST: For total accomplishment of the objective of the study to be achieved, the demand is much more costly than the researcher could afford.

TIME: While carrying out the study of this magnitude, it requires more time than that which was given to the researcher and this was serious limitation on the researcher work.

ATTITUDE OF RESPONDENT: The attitude shown towards scholars and researchers is discouraging. In the course of gathering data for this study, some responds showed great apathy in releasing information thereby reducing the possibility of eliminating bias.

ACADEMIC PROGRAMME AT THE TIME OF STUDY

A student researcher aimed this study out; following this at the time of this study, there was a lot of disruption of academic work and as a result, the motivating factors and joy that follow researching wasn't there.

1.9 DEFINITION OF TERMS

Certain usage are explained as they apply to the revenue allocation and political stability discussed in the research work.

The term "political process" refers to what general takes place between leader and those they lead. It deals with aspect of relationship between human being, particularly, which have some direct bearing of authority within a community. It involves the use of discussion, criticism, negotiation confrontation, alliance, competition, choice and co-operation as various ways of seeking individual and community goals.

By revenue it refers to the return field on source of any land property or the other important sources of income.

Principles of allocation refer to the rules to be applied on general law to be applied in the allocation of revenue. "Criteria" means the stand and by which to Judge the allocation for the criteria to be applied, there need to know the purpose of the allocation, which shift financial resources from one fiscal unit to the other.

Political system can be described as the interaction to be formed all independent societies, which performs the functions of interrogation, and adoption – both internally and vis-à-vis other societies by means of the employments of, or threat of employment more or less legitimate physical compulsions.

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