CHAPTER EIGHT

STATES-WISE ANALYSIS OF HORIZONTAL DISPARITY AND INTER-JURISDICTIONAL REVENUE DEVOLUTION IN NIGERIA

I. INTRODUCTION

In chapter seven, we had examined the variations amongst the Regions of Nigeria, inter se, in fiscal capacity (as reflected by per capita independent revenue), as well as the disparities in per capita expenditure and per capita federal transfers. In this chapter, however, attempts have been made to analyse these issues on the state-wise basis. That is to say, the disparities amongst the twelve states (between 1968 and 1979), and the nineteen states (between 1980 and 1988) of Nigeria. The horizontal fiscal imbalances in Nigeria during this period can be better explained through this as the Nigerian federation is today made up of states, and not regions as was the case upto 1967. Hence, the following issues have been examined in this chapter.

II. ISSUES EXAMINED

1. An attempt has been made to ascertain whether or not there exist disparities in the fiscal capacity of the states of Nigeria and if so, what is the degree of this disparity ?

2. The variations in the per capita expenditure of the states have also been examined. This has been done with a view to ascertain the variations amongst the states in the provision of socio-economic services to their respective citizens.

3. The third issue examined here is whether or not the states fiscally depend on the Centre. That is to say : Are the pre-transfers revenues of the respective states less than their respectives expenditures as is generally supposed to be the case in most federations ?

4. We have also examined whether or not the high degree of fiscal disparity amongst the states lead to progressive fiscal transfers.

III. DISPARITY IN PER CAPITA INDEPENDENT REVENUE OF THE STATES OF NIGERIA

Table 8.01(A) dipicts the per capita independent revenue (current and capital) of the twelve states between 1968 and 1979 while table 8.01(B) shows the per capita independent revenue (current and capital) of the nineteen states between 1980 and 1988. Table 8.01(A) indicates that variations in the fiscal capacity of the Nigerian states were very high between 1968 and 1979. Thus, it is noted that in 1968, as against the all-States' average[1] per capita independent revenue of N1.51, the highest figure of N3.72 was recorded by Mid-Western state whereas the lowest figure of 0.59 Naira was recorded by North-Eastern state. Thus, the state with highest per capita independent revenue enjoyed 2.46 times more than the all-states' average and 6.31 times more than the state with lowest per capita independent revenue. It would also be interesting to note that in this year, i.e., 1968, only three states - Lagos, Mid-western and North Central had per capita independent revenues more than the all-states' average, (See column 2 of table 8.09(A)). They recorded N2.55, N3.72 and N1.87 respectively. In contrast, however, the remaining states had below the average, while some states like Benue-Platue, Kwara, and North-Eastern recorded per capita independent revenues far below the average e.g., 0.72 Naira, 0.84 Naira and 0.59 Naira respectively.

In 1979, of the twelve states, only two, Lagos and Rivers stood above the average mark with per capita revenues of N60.85 and N16.03 respectively against the all-states' average of N13.11, (see column 13). In sharp contrast, the remaining ten states got below the average, with states like Benue-Plateau, Kano, North-Eastern and North-Western had far below the average per capita revenues, e.g., N7.28, N7.12, N4.82 and N5.39 respectively in that same year. We therefore note that, in 1979, whereas Lagos state generated highest per capita revenue of N60.85, the North-Eastern state generated lowest, around N4.82. The per capita independent revenue of Lagos state was 4.64 times more than that of all-states' average, and 12.62 times more than that of North-Eastern state. This thereby reflects

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1.   This refers to the mean value, that is, simple average which equals to sum of the values divided by the number of observations. This applies to all uses of the term in this chapter.

TABLE 8.01 (A)
PER CAPITA TOTAL INDEPENDENT REVENUE OF THE NIGERIAN STATES, 1968-79

(AMOUNT IN NAIRA)

States	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1978	Percent-age Growth Rates
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Benue Plateau	0 72	0 59	1.13	2.86	4 42	3 12	3 13	5 20	4.02	5 40	8 99	7.28	21 28
East Central*	-	-	-	2.57	3 78	2 61	3 83	5 07	5.47	8.85	15.44	8 37	.14.06
Kano	0.94	1.00	1.25	4.08	1.99	2 62	2 47	4 86	3 95	8.19	12 82	7.12	18.36
Kwara	0 84	1 39	1.01	6 97	9 04	3 98	4 60	5 60	6.34	8 35	12.22	9.22	22.05
Lagos	2 55	8 74	14.65	15.22	17 68	17 97	16 65	19 12	21 84	53.72	64.45	60 85	30 22
Mid Western	3 72	3.26	5 16	8.50	4.96	5 42	8 35	10 79	12.48	15 13	21.74	12.79	10 87
North Central	1 87	1 73	2 60	7 12	3 51	3 43	5 80	7 70	6 12	9 14	7 90	9 27	14.23
North Eastern	0 59	0 52	0.88	2 19	1 00	1 00	2 18	2 40	3 56	5.06	6 28	4.82	19 15
North Western	0.92	0.51	0 90	3 19	2 85	2 38	4 76	4 73	5 18	7 51	10 52	5.39	15 84
Rivers*	-	-	-	6.38	4 97	6 68	9 78	11 27	15.31	20 93	40.58	16.03	10.82
South Eastern*	-	-	-	3.66	3.80	3 92	4 05	5.93	6 67	6 98	13.04	7.34	8 01
Western	1 45	1.40	1.43	2 34	2.02	2 54	3 43	5.78	4.59	10.20	16.39	8.83	16.26
All States Average	1.51	2 13	3.23	5 42	5 00	4 64	5 75	7 37	7 96	13 29	19 20	13 11	19 76

Source (1) Federal Office of Statistics, Lagos.
  (2) Central Bank of Nigeria, Lagos.
  (3) National Population Commission, Lagos

Note : (i) Total independent revenues are made up of current and capital independent revenues.
  (ii) *Data for these states of the erstwhile Eastern Region were not available for the years 1968-70 due to the civil war.
  (iii) All figures are at current prices.
  (iv) The growth rates are Compounded Annual Average Growth Rates and have been calculated with the formula :

  $$Y = a(1+r)^t$$

  For details, see section III.3 of chapter 4

  (v) The All-states average have been calculated with the simple (Arithmetic mean) average formula :

  $$X = \frac{\Sigma x}{N}$$

  $\overline{X}$ = Average, X = variable.
  N = Number of States

TABLE 8.01 (B)
PER CAPITA TOTAL INDEPENDENT REVENUE OF THE NIGERIAN STATES, 1980-88

(AMOUNT IN NAIRA)

States	1980	1981	1982	1983	1984	1985	1986	1987	1988	Percentage Growth Rates
1	2	3	4	5	6	7	8	9	10	11
Anambara	28.32	40.49	80.22	62.92	28 97	21 87	28.22	77.31	79.42	12.18
Bauchi	22.83	18.59	34.58	54 45	13 46	9.55	13.90	16.32	64.74	12.25
Bendel	17.11	13.87	15.19	58 66	31 15	40.54	33.90	57.12	62.49	15.48
Benue	28.49	28.18	18.58	18 25	5 17	8.32	14.03	92.54	45.42	5.31
Borno	10.12	10.24	32.83	40.71	8.79	6.25	18.11	25.20	24.05	10.15
Cross River	12.05	11.25	24.40	41.22	7.15	14.52	13.55	24.46	53.26	17.94
Gongola	16.14	23.67	22.48	34.82	4.55	15.93	11.72	26.39	36.00	9.34
Imo	56.80	40.82	38.84	46.03	21 26	26 60	31.94	64.20	69.46	2.26
Kaduna	15.13	31.60	32.93	42.69	11.02	13.13	16.51	36.96	41.91	11.94
Kano	12.58	11.06	5.88	13.15	6.71	9.30	11.79	16.95	36.31	12.53
Kwara	15.76	10.89	14.74	26 14	13 89	19.22	31.12	18.72	69.96	17.98
Lagos	212.66	140.13	144.78	206.08	110.93	176.03	143.49	288.74	304.33	4.06
Niger	24.02	13.38	15.87	19.14	12 62	13.68	32.89	76.83	122.81	19.86
Ogun	38.67	53.11	27.42	69.38	18.54	19.57	35.08	60.52	74.48	7.50
Ondo	34.81	60.60	49.21	49.14	9 44	9.57	20.65	44.75	50.34	4.18
Oyo	15.71	25.99	14.65	15.33	18.77	14.95	25.17	36.51	53.40	14.62
Plateau	44.39	50.97	41.24	44.28	9 58	7.73	15.35	48.48	78.22	6 53
Rivers	70.93	72.01	64.58	55 57	16 14	28.91	31.43	102.04	55.13	-2.74
Sokoto	13 53	27.44	23.30	17 15	4 46	4 37	17.82	36.61	34.10	10.88
All States Average	36.32	35.49	36.93	48.16	18 56	24 21	28.77	60.56	71.36	7.82

Source : Refer to Table 8.01 (A).

Note :   Please refer to notes of Table 8.01 (A).

a high degree of disparity between the states receiving highest and lowest -- per capita independent revenue between 1968 and 1979. It also reveals that the gap between these states also has widened.

In general, it is revealed that for the twelve years, 1968-79, most of the states like Benue-Plateau, East Central, South Eastern, Western etc. had lower per capita independent revenues than the all-states' average, reflecting their wearker fiscal capacity vis-a-vis the other states like Lagos, Mid-Western and Rivers which generally had above- average per capita independent revenue. The case of Lagos state is particularly peculiar as it generally stood far ahead of the rest of the states because of its higher level of development and industrialization. One can say that the disparity in the fiscal capacity of the states originates from the variations in the bouyancy of their resource bases. In Nigeria, individual income tax is the major resource base of the states and it accounts for more than 80% of the independent revenue of most of the states. Lagos state being the most industrialised and the most developed state in Nigeria has a highly resourceful revenue base in the form of income tax. Hence, its per capita independent revenue was much more than those of the other states. Thus, it is observed from column 14 of table 8.01(A) that as against the compounded annual average growth rate of 19.76%, all-states' average per capita independent revenue increase between 1968 and 1979, Lagos state-recorded the highest growth rate of 30.22% -- an increase by 23.86 times, while South-Eastern state recorded the lowest of 8.01% -- an increase by 2.01 times during the same period.[2] It is interesting to note that only three states, Benue-Plateau (21.28%), Kwara (22.05%), and Lagos (30.22%) recorded above-average annual average growth rates. The remaining nine states had below it. This implies that a greater number of states could not generate revenues comparable to some few states, causing widening of gap between the per capita revenue of 'highest' and the 'lowest' states between 1968-79.

Table 8.01(B) depicts the per capita independent revenue of the nineteen states over the period, 1980-88. The table reveals that disparity in per capita independent revenue

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2.   1971 has been chosen as the base year for South-Eastern state instead of 1968 as its figures for 1968 were not available due to the civil war.

amongst the states was quite high during this period also. Thus, in 1980 only five states, Imo, Lagos, Ogun, Plateau and Rivers raised per capita revenue above the all-states' average of N36.32 and had per capita independent revenue of N56.80, N212.66, N38.67, N44.39 and N70.93 respectively, (see column 2). The per capita revenue of the richest state, Lagos was 5.85 times greater than the all-states' average and 21.1 times greater than that of the financially weakest state, Borno, whose per capita revenue was only N10.12. The per capita revenue of some other states like Bendel (with N17.11), Cross River (with N12.05), Gongola (with N16.14), Sokoto (with N13.53), etc was also far below the average.

Similarly, we also observe that in 1988, only five states, Anambara (with N79.42), Lagos (with N304.33), Niger (with N122.81), Ogun (with N74.48) and Plateau (with N78.22) ejoyed per capita independent revenue above the all-states' average of N71.36, (see column 10), the remaining fourteen states had below the average. Interestingly also, one observes that the per capita revenue of the richest state, Lagos was 4.26 times more than the all-states' average and 12.65 times greater than that of the financially weakest state, Borno with a per capita revenue of N24.05.

While the above results clearly endorse the existence of wide disparity in per capita independent revenue of the nineteen states, and hence, variations in their fiscal capacities, it also shows that the gap narrowed down between 1980 and 1988. This is adequately reflected in column 11 of table 8.01(B). From here it is noted that eleven out of the nineteen states recorded compounded annual average growth rates above the growth rate of all-states' average per capita independent revenue of 7.82%, (see column 11). Most of these states were the financially weak ones. Thus, for instance, while Lagos, the richest state recorded per annum growth rate of 4.06%, Borno, the weskest state recorded per annum growth rate of 17.94%. Hence, whereas the per capita revenue of the former rose by 1.43 times between 1980 and 1988, that of the latter increased by 2.38 times during the same period. Though wide inequality continued to exist in the per capita independent revenue of the states of

Nigeria, suggesting the need for revenue equalization through federal transfers, there existed a tendency towards narrowing down of the gap between 1968-88.

A high degree of fiscal disparity such as has been observed for Nigeria, no doubt, testifies for a federalism of "unequal yoke", and would definitely lead to highly centralised fiscal system if the federation is to survive. It therefore, calls for a sophisticated federal-state, and inter-states financial arrangement that would, to a great extent, be tolerable to the respective governments. This would, therefore, necessitate a redistribution of income amongst the federating units such that the benefit which the poorer units get are enough to maintain their interest in the federation while the cost borne by the comparatively richer units may not be higher than required.[3]

IV. DISPARITY IN PER CAPITA EXPENDITURE OF THE STATES OF NIGERIA

Since comparison between the welfare of one citizen risiding in one state of a federation and that of another citizen residing in another state of the federation is not possible by merely looking at their respective absolute expenditure figures, if their populations differ, an attempt at examining the per capita expenditure variations between the Nigerian states has been undertaken here to make it possible. It is possible that comparatively less populated state with small share in the total expenditure of the states of the federation may be in a better position to provide a per capita higher level of public services to its citizens due to higher per capita public expenditure than a comparatively higher populated state with higher share in the total expenditure of all the states of the federation with lower per capita public expenditure. Hence, the need for this sort of analysis here.

Table 8.02(A) reveals per capita expenditure of Nigerian states between 1968 and 1979. It is noted that wide disparity existed in the per capita expenditure of the states. Thus, we note that as against the all-states' average of N4.45 in 1968, Lagos state recorded the

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3. See Sinha R.K. Regional Imbalances and Fiscal Equalization, South Asian Publishers Pvt. Ltd, New Delhi, 1984, pp. 10.

highest amount of N10.99, while the North-Eastern state recorded the lowest figure of N2.17 in the same year. Thus the per capita expenditure of the richest state, Lagos, was 2.47 time the size of the all-states' average and 5.06 time the size of the poorest state of North Eastern. Only one other state, Mid-Western stood above the all-states' average with per capita expenditure of N7.44. All the other states had lower per capita expenditure than it. In 1979, Lagos accounted for the highest per capita expenditure of N113.24 which was 1.97 times the size of the all-states' average of N57.23, and 3.48 times the size of the lowest figure of N32.57 recorded by Kano state, (see column 13). Other states having above average per capita expenditure in 1979 were Kwara, Mid- western and Rivers. The above results are thus, indicative of the wide gap in the per capita expenditure of the states which eventually translates into variations in per capita provision of socio-economic services to them.

Nevertheless, it has been observed that the per capita expenditure of the less populous states like Kwara, Lagos, Mid-Western and Rivers were generally far ahead of the all- states' average. On the other hand those of the more populous states like Benue-Plateau, East-Central and North-Eastern states always had per capita expenditure below the average. This would therefore suggest that the welfare level of the citizens in the less-populated states of Nigeria is higher than those of the more populated states. Interestingly, however, column 14 of table 8.02 (A) shows that there is a slight improvement in the position of the states vis-a-vis each other. Hence, we note that most of the states whose per capita expenditures were generally below the all-states average had growth rates in per capita expenditure above the all-states average and vice versa. Hence, while Lagos recorded the lowest growth rate of 21.42%, East-Central State and North-Eastern states recorded growth rates of 30.59% and 26.69% respectively. This implies that between 1968 and 1979, there was a tendency towards per capita expenditure equalization.

Table 8.02(B) also reflects a significant disparity in per capita expenditure of the nineteen states for the period, 1980-88. Thus, while Rivers state recorded highest per capita expenditure of N281.23 as against the all-states' average of N136.32 in 1980, Sokoto state

TABLE 8.02 (A)
PER CAPITA TOTAL EXPENDITURE OF THE NIGERIAN STATES, 1968-79.
(AMOUNT IN NAIRA)

States	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	% Growth Rate
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Benue Plateau	2 87	2.70	4.39	3 32	5 52	8 03	8 83	21 60	29 90	39 75	41 88	44.57	25 72
East Central*	-	-	-	4 11	5 27	6 76	7 38	21 17	31 74	38 42	45 16	45 25	30 59
Kano	3 15	3.12	4 11	2 87	4 84	5 62	6 90	17 84	25 12	30 27	36 43	32 57	21 46
Kwara	4 23	5.34	7.49	8 08	9 62	12 06	14 72	34 14	54 47	57 90	59.23	57 82	24 37
Lagos	10 99	14.10	15 81	12.75	17.98	23 08	29 15	64 51	84 15	111.62	116.22	113.24	21 42
Mid-Western	7 44	8 00	12.26	10 52	15.79	17 10	24 44	83 77	79 97	88.51	88.86	82 25	22 14
North Central	3.06	3.30	4.89	3.96	4 60	5 91	8 89	18 86	26.37	37.02	36.38	38.14	23.38
North Eastern	2.17	1.76	2.96	1.73	2 36	3 24	5 05	12 98	19 72	29 14	38.89	36 94	26.69
North Western	2.65	1.82	2.82	2 83	4.39	5 15	7 03	17.42	23.04	32.37	32.68	33 86	23.70
Rivers*	-	-	-	8.71	9.73	15.41	24 62	79.87	90.89	100 73	99.68	106.11	32.08
South Eastern*	-	-	-	4 88	7.37	10 19	12 24	28 05	39 15	45 22	48.01	48 56	29 01
Western	3 48	3 38	5.52	5.19	5 32	7 10	7 03	19 85	26.13	32.07	42 29	47.47	24.30
All States Average	4 45	4 84	6 69	5.75	7 73	9 97	13 02	35 01	44 05	53.59	57 14	57 23	23 75

Source : Refer to Table 8.01 (A).
Note   (i) Total Expenditure includes current and capital expenditure.
       (ii) Please refer to notes of Table 8.01(A)

TABLE 8.02 (B)
PER CAPITA TOTAL EXPENDITURE OF THE NIGERIAN STATES, 1980-88
(AMOUNT IN NAIRA)

States	1980	1981	1982	1983	1984	1985	1986	1987	1988	% Growth Rates
1	2	3	4	5	6	7	8	9	10	11
Anambara	99 96	152 00	166 73	139 16	70 59	84 10	72.72	130 04	132.30	3 32
Bauchi	91 42	131 76	144 01	139 60	59 58	77 62	64 39	143 46	119.25	2 95
Bendel	195 09	262 89	203 99	189 50	103 38	133 72	100.80	150 89	138.92	-3 67
Benue	98 06	148 98	153 97	134 06	73 09	72 74	67 51	139.07	105.13	0 73
Borno	99 64	142 61	144 90	144 23	67 62	65 15	62 86	91 25	93.54	-0 68
Cross River	95 91	128 74	98 42	104 48	45 13	60 95	57 51	81 58	108 98	1 46
Gongola	180 24	139 32	140 09	127 15	63 01	74 59	59 58	92 82	106.60	-5 62
Imo	175 56	143 53	118 48	142 45	73 84	86 92	77.38	118 13	119 17	-4 23
Kaduna	75.63	107.37	104.67	104 56	47 64	59 48	58 55	76 80	126 73	5 85
Kano	65 33	87 60	74.72	66 81	38 11	56 38	48 22	68 56	82.67	2 64
Kwara	160.19	175.90	147.83	161 49	80 78	109 03	98 76	115 61	121.04	-3 10
Lagos	267.65	263 03	233 23	315 01	165 00	242 06	195 80	334 81	249.71	-0 77
Niger	196 40	260 09	174.73	192 11	90 31	131 60	126.03	146.29	184 82	-0 67
Ogun	143.51	180.18	148 64	173 09	70 54	118 06	107.40	119 51	149 07	0 38
Ondo	117.24	157 48	131.45	126 49	49 01	75 53	74 08	82 82	82 11	-3 83
Oyo	64.18	90 55	97 94	99 67	56 59	64 13	61 54	84 44	105 14	5 66
Plateau	127 47	194 07	194 44	179 77	60 69	96 33	68 47	105 00	131 96	0 36
Rivers	281 23	331 89	257.42	224 01	114 40	163 40	117 16	162 05	211 64	-3 12
Sokoto	55 35	94 09	93 76	81 75	36 97	52 46	49 31	73 13	99 61	6 79
All States Average	136 32	168 00	148 92	149 76	72 44	96 01	82 53	121 96	129 91	-0 59

Source Same as Table 8 01 (A)
Note Please see the notes of Table 8 02(A)

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had the lowest at N55.35. Hence, the per capita expenditure of the former state, Rivers, was 2.06 times the size of the all-states' average and 5.08 times the size of the Sokoto. This reflects the existence of inequality. Other states that had above average per capita expenditure in 1980 were Bendel, Gongola, Imo, Kwara, Lagos, Niger and Ogun. Hence, the remaining eleven states had it below the average (see column 2). Similarly, it is noted that in 1988, while Lagos accounted for the highest per capita expenditure of N249.71, the lowest of N82.11 was recorded by Ondo state. This was against the all-states' average of N129.91. Thus, the per capita expenditure of the richest state, Lagos, was 1.92 time the size of the all-states' average, and 3.04 times that of the lowest state. Other states whose per capita expenditure was above the average in 1988 were Anambara, Bendel, Niger, Ogun, Plateau and Rivers. Thus, almost all states (except Imo and Gongola) which had above average per capita expenditure in 1980 had the same in 1988.

However, column 11 of the table shows that the growth rates of the per capita expenditure of most of the states with less than all-states average were generally higher than those recorded by most of the states with above it, between 1980-1988. For instance, the growth rates were 3.32%, 2.95%, 5.85%, 5.66% and 6.79% for Anambara, Bauchi, Kaduna, Oyo and Sokoto states respectively which generally had per capita expenditure below the average. On the other hand, some of the above-average per capita expenditure states like Bendel, Imo, Kwara, Lagos and Rivers registered negative growth rates in it, e.g., -3.67%, -4.23%, -3.10%, -0.77% and -3.12% respectively. This, therefore, shows a narrowing down of the gap in the per capita expenditure of the states during this period.

A general inference that could be derived from the above analysis is that inequality in per capita expenditure existed amongst the Nigerian states, implying wide variation in the level of public services enjoyed by the citizens across the states. Such glaring disparities are likely to generate social and economic tensions in the country which would destabilize it. Hence, there is a need for transfer mechanism.[3A] Nevertheless, it would be more

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3A. See Sastri, K.V.S, Federal-State Financial Relations in India, (A study of the Finance Commission and the Techniques of Fiscal Adjustment), Oxford University Press, 1962, pp. 2.

appropriate for federal transfers to aim at equalizing the fiscal capacity of the states rather than their per capita expenditure, or performance.[4] This would be so because differentials in the fiscal capacity of the states are the basic reasons for the differentials in the per capita public services they provide to their citizens. Moreover, fiscal transfers are not accompanied by disincentive effects of taxation though they raise fiscal capacities of the states[5]. On the other hand federal transfers that aim at equalizing per capita expenditure of the states create a substitution effect of federal for states revenues. That is to say that under per capita expenditure equalization scheme, the states would have disincentive to raising revenues from their own tax bases.[6]

V. THE PRE-TRANSFERS BUDGET DEFICIT/SURPLUS OF THE NIGERIAN STATES

In the foregoing sections, it has been revealed that a persistent disparity existed in the per capita independent revenue and per capita expenditure of the states of Nigeria. This, as was observed, called for equalization-based federal transfers. Here, we wish to examine the pre-transfers budget deficits or surplus of the respective states and the inter-state variations in the same. The purpose here is to establish a proposition that in a federal polity, the pre-transfers budget deficit of the states is a common phenomen amongst all the federating units. This, implies that in the absence of federal transfers, no state would be able to discharge its constitutional expenditure obligations from its own sources of revenue.

Table 8.03(A) depicts the pre-transfers budget position of the states during 1968-79. From this table it is noted that pre-transfers budget deficit was common amongst all the states, and in all the years (with the exception of 1971 when four states - Kano, North-Central, North-Eastern and North-Western recorded pretransfers surpluses due to

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4. See Musgrave R.A. "Approaches to A Fiscal Theory of Political Federalism", in Public Finance : Needs, Sources, and Utilisation, National Bureau of Economic Research, Princeton, N.J. Princeton University Press, 1961, pp.

5. See Adedeji A, Nigerian Federal Finance, Hutchinson Educational, London 1969, pp. 17. Also see Musgrave R.A. op cit.

6. See Musgrave R.A, Op.cit. Also see Adldeji A. Op. cit. p. 17.

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unprecedented capital receipts). In 1968, states like Kano, Lagos, North-Eastern and Western suffered from above-average deficits (Total) of N12.23 million with Western state recording the highest of N21.91 million. The lowest of N5.50 million was recorded by North-Central state. In per capita terms, however, only three states suffered from above-average deficits, viz, Kwara, Lagos and Mid-Western with Lagos having the highest of N8.44 against the all-states' average of N2.94, (see the figures in bracket in column 2 of table 8.03(A)). North-Central state had the lowest per capita deficit of N1.18. Thus, the per capita pre-transfers deficit of Lagos was 2.87 times the size of the all-states' average, and 7.15 times that of the state with lowest per capita deficit, North-Central. This indicates wide variations in the per capita revenue and per capita expenditure of the respective states. This, in other words reflects the difference in the dependency of the respective states on federal transfers, because larger the deficits, larger is the need for federal transfers and vice versa.

Column 13 of the table indicates that in 1979 the pre-transfers deficits of states like East-Central, North-Eastern and Western remained above average with Western state suffering with the highest amount of N556.07 million against the average of N270.10 million. The remaining nine states had below it with Kwara accounting for the lowest deficit of N125.37 million. In per capita terms, states like Mid-Western, North-Central and Rivers had above all-states' average deficits. The highest figure of N90.08 was recorded by Rivers while Kano had the lowest of N25.45. This was against the all-states' average of N58.83. Thus, in this year, the per capita deficit of the highest state, Rivers was 1.53 time the size of the all-states' average and 3.54 times that of Kano. Hence, the gap between the states having highest and lowest per capita deficit in 1979 was smaller than in 1968. It is however interesting to note that the pre-transfers deficits of all the states increased by many folds between 1968 and 1979. The highest increase in absolute amount was by 47.90 times in the case of Rivers state while the lowest was 10.14 times in the case of Lagos. In per capita terms, the highest increase of 66.84 times was recorded by North-Central state while the lowest of 6.21 times was observed in the case of Lagos state. What the above results imply is that

TABLE 8.03 (A)

PRE-TRANSFERS BUDGET POSITION OF THE NIGERIAN STATES, 1968-79

States	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
1	2	3	4	5	6	7	8	9	10	11	12	13
Benue Plateau	-10 88 (-2 15)	-10.95 (-2.11)	-17.35 (-3 26)	-2.51 (-0.46)	-6 16 (-1.10)	-28 20 (-4 91)	-33 62 (-5 70)	-99.36 (-16 40)	-161 20 (-25.87)	-219.81 (-34.35)	-216.39 (-32.89)	-252 07 (-37.29)
East Central*	-	-	-	-13 77 (-1 55)	-13.63 (-1 49)	-38 87 (-4 15)	-34 07 (-3 54)	-159 14 (-16 11)	-266 69 (-76 27)	-308.40 (-29.57)	-318.58 (-29.72)	-406 06 (-36 88)
Kano	-14.48 (-2.21)	-14.26 (-2 12)	-19.72 (-2.86)	+8 54 (-1 21)	-20 64 (-2 85)	-22 32 (-3 00)	-33 87 (-4 43)	-101 92 (-12 98)	-170.84 (-21 17)	-182.97 (-22.07)	-201 19 (-23 61)	-222 68 (-25 45)
Kwara	-6.58 (-3.39)	-7 86 (-3.95)	-13.21 (-6.48)	-2.32 (-1.11)	-1 23 (-0 57)	-17 69 (-8 08)	-22 77 (-10 12)	-67.98 (-79 43)	-109 09 (-46.03)	-120.90 (-49 55)	-117 98 (-47 00)	-125.37 (-48 59)
Lagos	-14.77 (-8.44)	-9 76 (-5.36)	-2.20 (-1.16)	-4.88 (-2.48)	-0.62 (-0.30)	-10 89 (-5 11)	-28 00 (-12 50)	-106 66 (-45.39)	-153.91 (-62.31)	-149.96 (-57.90)	-140.83 (-51.78)	-149 82 (-52.38)
Mid Western	-10.36 (-3.71)	-13.58 (-4.75)	-20.82 (-7.11)	-6.07 (-2.02)	-33 46 (-10 83)	-37 03 (-11 68)	-52 45 (-16 09)	-244.47 (-72.98)	-232.17 (-67.49)	-259.04 (-73.38)	-243.63 (-67.12)	-259.08 (-69.46)
North Central	-5 50 (-1 18)	-7 48 (-1.57)	-11.19 (-2.29)	+15.82 (-3.15)	-5.65 (-1.10)	-13.07 (-2.48)	-16 77 (-3 09)	-62 26 (-11.16)	-116 05 (-20.25)	-164.20 (-27.88)	-172.34 (-28.49)	-179.29 (-78.87)
North Eastern	-14.39 (-1.58)	-11.59 (-1.24)	-19.98 (-2.08)	+4.57 (-0.46)	-13 76 (-1 36)	-23 38 (-2 26)	-30 49 (-2 87)	-115.69 (-10.58)	-181.46 (-16.16)	-277.93 (-24.08)	-386.75 (-32.61)	-391.56 (-32.12)
North Western	-11.21 (-1 72)	-8.74 (-1.31)	-13 16 (-1.92)	+2.53 (-0.36)	-11 13 (-1.54)	-20 46 (-2 76)	-17 30 (-2 28)	-99.10 (-12.69)	-143.24 (-17.86)	-204.86 (-24.86)	-187.70 (-22.16)	-247.69 (-28.47)
South Eastern*	-	-	-	-5.22 (-1 23)	-15 59 (-3 57)	-78 12 (-6 28)	-37 67 (-8 19)	-104 62 (-22 12)	-157.84 (-32.48)	-190.83 (-38.24)	-179.40 (-34.97)	-217 24 (-41 22)
Rivers*	-	-	-	-4.89 (-2 33)	-10 24 (-4 74)	-19 29 (-8 73)	-33 68 (-14.84)	-159 83 (-68.60)	-180 62 (-75.57)	-196.31 (-79.80)	-149 53 (-59 10)	-234 21 (-90 08)
Western	-21.91 (-2 04)	-21.87 (-1.98)	-46 23 (-4.08)	-33 08 (-2.85)	-39 32 (-3 30)	-55 83 (-4 57)	-45 25 (-3 60)	-181.58 (-14 07)	-285.95 (-21 55)	-301.19 (-22.10)	-362.56 (-75.90)	-556 07 (-38 64)
All States Average	-12 23 (-2 94)	-11.79 (-2 71)	-18.21 (-3 47)	-2 63 (-0 43)	-14 29 (-3 64)	-26 26 (-7 11)	-32 16 (-9 69)	-125 22 (-36 94)	-179 92 (-48 11)	-214.70 (-53 75)	-223 07 (-50.59)	-270 10 (-58.83)

Source   The Budget and Population figures as per source quoted in Table 8 01(A)

Notes   (i) Figures in brackets are in per capita terms and are in Naira, while figures without brackets show total amount of deficits or surplus and are in millions of Naira

(ii) For other details please see notes of Table 8 01(A)

TABLE 8.03 (B)

PRE-TRANSFERS BUDGET POSITION OF THE NIGERIAN STATES, 1980-88

States	1980	1981	1982	1983	1984	1985	1986	1987	1988
1	2	3	4	5	6	7	8	9	10
Anambara	-374.79	-608.37	-480.62	-443.82	-754 30	-405 16	-299.54	-365.98	-384.11
	(-70.05)	(-109.62)	(-83.44)	(-74.34)	(-41 02)	(-62 74)	(-44 51)	(-52.73)	(-53 57)
Bauchi	-260.65	-443.60	-442.12	-355 08	-197 85	-299 51	-229.71	-596.32	-264.36
	(-68 59)	(-113 16)	(-109 44)	(-85 15)	(-46 12)	(-68 07)	(-50 49)	(-127.15)	(-54 51)
Bendel	-685.21	-986 12	-772.19	-550.84	-314 19	-415 59	-307.73	-445.38	-375.26
	(-177.98)	(-249.02)	(-188.80)	(-130.84)	(-72 23)	(-93 18)	(-66 90)	(-93 76)	(-76.43)
Benue	-265.07	-473.55	-596.95	-481.77	-291 36	-283.46	-242.81	-218.27	-788.97
	(-69.57)	(-120.80)	(-135.38)	(-115 81)	(-67 92)	(-64 42)	(-53.48)	(-46.54)	(-59 70)
Borno	-420.72	-640.67	-559.26	-532.06	-311 78	-320.39	-259.19	-382.44	-415.54
	(-89 51)	(-132.37)	(-112.08)	(-103 51)	(-58 83)	(-58 90)	(-46.20)	(-66.05)	(-69.49)
Cross River	-455.35	-657.94	-427.11	-376 39	-233 19	-292 52	-286.23	-383.23	-386.13
	(-83 86)	(-117.49)	(-74.02)	(-63 26)	(-37 98)	(-46 43)	(-43 97)	(-57.11)	(-55 72)
Gongola	-672 81	-485.73	-508.07	-411 77	-268 90	-276 89	-233 05	-334 13	-366 43
	(-164 10)	(-115.65)	(-117.61)	(-92 33)	(-58 46)	(-58 66)	(-47 85)	(-66 43)	(-70.60)
Imo	-632 55	-572.78	-460 50	-581 27	-330 08	-401 14	-312 16	-382.33	-363.85
	(-115 64)	(-100.84)	(-78.18)	(-95 13)	(-52 15)	(-60 32)	(-45 44)	(-53.93)	(-49 71)
Kaduna	-387 80	-500.80	-488.55	-434.31	-265 12	-343 35	-322 05	-315.08	-693.03
	(-60.50)	(-75 76)	(-71 74)	(-61.87)	(-36 62)	(-46 27)	(-42 04)	(-39 83)	(-84 83)
Kano	-475.83	-711.76	-660.12	-530 78	-320 34	-492 47	-393 45	-572 87	-533.57
	(-52 75)	(-76.53)	(-68 83)	(-53 67)	(-31 41)	(-47 08)	(-36.43)	(-51 61)	(-46 36)
Kwara	-384 19	-452.14	-376 63	-395 24	-201 35	-277 51	-215 79	-318.79	-173 68
	(-44 43)	(-65.01)	(-33.08)	(-35 36)	(-66 89)	(-89 81)	(-67.65)	(-96 90)	(-51.08)
Lagos	-312.73	-382.22	-286 56	367.64	-190 33	237 59	-197 22	-191 41	+226 68
	(-104 94)	(-122 90)	(-88 44)	(-108 93)	(-54 07)	(-66 00)	(-52 31)	(-48 34)	(+54.62)
Niger	-296 48	-436.67	-289.28	-323 64	-149 78	-231.12	-188.15	-144.48	-133.32
	(-172.37)	(-246 71)	(-158 95)	(-173 07)	(-77 75)	(-177 92)	(-93 14)	(-69.46)	(-62 01)
Ogun	-253 71	-317 68	-311.53	-274 83	-142 47	-276.76	-709.74	-176.37	-230.49
	(-104 84)	(-127.07)	(-121.22)	(-103.71)	(-52 00)	(-98 49)	(-72 32)	(-58 99)	(-74.59)
Ondo	-351 96	-426.27	-372.55	-361 24	-238 91	-325 83	-272 47	-700.63	-172.79
	(-82.43)	(-96.88)	(-82.24)	(-77.35)	(-49.57)	(-65.96)	(-53.43)	(-38.07)	(-31.76)
Oyo	-395.04	-542.78	-721.26	-752 26	-347 90	-463 71	-354.26	-482.10	-537.54
	(-48.47)	(-64.56)	(-83.29)	(-84.33)	(-37 82)	(-49.17)	(-36.37)	(-47.92)	(-51.74)
Plateau	-262.54	-497.58	-513.20	-467.43	-181 94	-323.40	-200.25	-219.85	-215.49
	(-83.08)	(-153.10)	(-153 19)	(-135 490)	(-51 11)	(-88 60)	(-53.12)	(-56.52)	(-53.74)
Rivers	-563.61	-717.28	-549.59	-495 20	-297 74	-419 61	-276 04	-702.21	-536.83
	(-210.30)	(-259.88)	(-192 84)	(-168.44)	(-98 26)	(-134 49)	(-85.73)	(-60 91)	(-156 51)
All States Average	-408 09	-544 71	-489.81	-454 94	-252 65	-341 12	-266 69	-329.04	-338 82
	(-102 38)	(-132.32)	(-111.76)	(-101 44)	(-53 83)	(-71 80)	(-53 84)	(-61.51)	(-58.59)

Source Same as per Table 8 03(A).

Note Please see notes of Table 8.03(A)

between 1968 and 1979, the fiscal dependency of the states on the Centre increased tremendously since federal transfers is the only way to helping the states bridge the gap between their resources and expenditure, i.e., deficits.

Table 8.03(B) shows the pre-transfers budget position of the nineteen states during 1980-88. This table, again, endorses the existence of pre-transfers deficits as a common feature of the budgets of the federating units in a federation, for all the years and for all the states (with the exception of Lagos state in 1988). In 1980, the all- states' average deficit in absolute amount was N408.09 million which was exceeded by seven states, viz, Bendel, Borno, Cross River, Gongola, Imo, Kano and Rivers. Bendel state accounted for the highest amount of N685.21 million while the lowest of N253.71 million was recorded by Ogun. In per capita terms also seven states suffered deficits above the average of N102.38. These states were, Bendel, Gongola, Imo, Lagos, Niger, Ogun and Rivers with Rivers and Sokoto having the highest and lowest deficits per capita of N210.30 and N41.86 respectively. Thus, the per capita deficit of rivers which was the highest in 1980 was 2.05 times the size of the all-states average and 5.02 time that of Sokoto, the state with lowest per capita deficit. This is indicative of the variations in the fiscal dependency of the states. In 1988, the pre-transfers all-states average deficit was N338.82 million. States like Anambara, Bendel, Benue, Borno, Cross River, Gongola, Imo, Kano, Ondo, Rivers and Sokoto suffered from above average deficits with Benue state having the highest of N788.97 million. The lowest deficit of N133.32 million was recorded by Niger. In per capita terms, states like Bendel, Benue, Borno, Gongola, Kaduna, Niger, Ogun, Rivers and Sokoto suffered deficits above the average of N58.59. Rivers had the highest amount of N156.51 per capita deficits and Ondo had the lowest of N31.76. Thus, the per capita deficit of Rivers was 2.67 times the size of the all-states' average and 4.93 times that of state having lowest per capita deficit. This suggests a narrowing down of the gap between these states in 1988 over 1980. It may be interesting to note that most of the states recorded decline in their deficits between 1980 and 1988 in both absolute and per capita terms, which reflects a decrease in the fiscal need of states from the

Centre, and implies an increased independent revenue effort of the states. It may not necessarily show a contraction in the supply of public goods by the unit governments.

The above revelation in regards to the pre-transfers budget deficits of the states is indicative of the fact that centralization of revenue leaves no particular federating unit with the fiscal capacity to take care of its expenditure obligations in the absence of federal transfers. Hence, there is hadly any formula of resource devolution in a- centralised federation that would exclude any federating unit. This, in other words, entails that, all the states of a particular federation qualify for federal assistance as none of them may be able to survive in its absence.

VI. DISPARITY IN FEDERAL TRANSFERS TO THE STATES OF NIGERIA

Like in any other federation, the federal transfers to the states in Nigeria basically aim at augmenting the independent revenue of the respective states. Nevertheless, they are equally implored to enable the financially weaker states to raise the level of their public survices to the standard comparable with the other states of the federation. These transfers generally fall into three categories, viz, statutory transfers, federal grants and federal loans.[7] In our analysis here, we have examined the per capita federal transfers to the states as they capture a more appropriate picture of inter-states comparison, than the absolute amounts.

VI.1 DISPARITY IN PER CAPITA STATUTORY TRANSFERS TO THE STATES IN NIGERIA

The per capita statutory transfers to twelve Nigerian states during 1968-79 are presented in table 8.04(A). From this table one finds that there was wide variation in the per capita statutory transfers to the states. Thus, it is observed that in 1968 only three states, Kwara, Lagos and Mid-Western received per capita statutory transfers above the average of N2.39 with Lagos getting the highest of N6.81. The lowest amount of 0.85 Naira was transferred to North-Eastern state, (see column 2). The per capita statutory transfers to

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7.   The conceptual analysis of these methods of transfers has been dealt with in chapter 5.

Lagos were 2.39 times the size of the all states' average, and 8.01 times that of the North Eastern, the state getting lowest per capita statutory transfers. Similarly, in 1979 only three out of the twelve states received above-average per capita statutory transfers, and these include Kwara and Mid-Western state (which were also above the average in 1968), and Rivers which received the highest transfer of N50.98 against the all-states' average of N22.40. The lowest amount of N13.22 went to Kano state. Thus, Rivers with the per capita statutory transfer being highest enjoyed 2.28 times the size of the all-states' average and 3.86 time that of the Kano i.e., the state with lowest per capita statutory transfers. This thereby indicates a narrowing down of gap in interstate per capita statutory transfers between 1968 and 1979. This point is further butressed by the fact that during this period all the states having above average per capita statutory transfers (with the exception of Mid-Western) recorded compounded annual average growth rates below the growth rate of the all-states' average per capita transfers which stood at 20.51%. On the other hand, all the states that received below-average per capita statutory transfers (with the exception of South Eastern and Western) recorded growth rates above the all-states' average, (see column 14 of table 8.04(A)). Thus, we note that whereas the per capita statutory transfers to above-average states like Kwara, Lagos, Mid- Western and Rivers rose by 6.41, 2.98, 10.68 and 4.61 times respectively between 1968 and 1979, those of below-average states like Benu-Plateau, North-Central, North-Eastern and North-Western increased by 15.55, 15.05, 21.56 and 17.79 times during the same period.

The above results are welcomed as the statistical evidence reveals that states which received above-average per capita statutory transfers proved to be more fiscally viable in terms of per capita independent revenue as was observed earlier. A faster growth in the per capita statutory transfers to the financially weaker states is thus advocated for bringing about fiscal equalization. Another important observation made from table 8.04(A) is that while some of the states which received above-average per capita statutory transfers in 1968 or 1979 were thinly populated, while the others were oil-producing states. While Kwara and Lagos belonged to the former, Mid-Western and Rivers belonged to the latter. Thus the

TABLE 8.04 (A)
PER CAPITA TOTAL STATUTORY TRANSFERS TO THE NIGERIAN STATES, 1968-79
(AMOUNT IN NAIRA)

States	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1978	% Growth Rates
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Benue Plateau	1 31	1.22	3.12	3.29	3.67	3 34	4 01	7 82	10 37	19.20	22.63	20.37	25.69
East Central*	-	-	-	2.90	3 50	4.06	3 75	7 38	9.68	16 19	19.21	16.98	21.76
Kano	1 33	1.23	3.13	3.42	3.58	3 51	3 48	6 93	9.55	12.43	14.69	13.22	21.04
Kwara	3.73	3.45	6 75	7.42	8.51	7 08	7 10	14 33	22 17	22.53	26.61	23.91	16.71
Lagos	6.81	7.27	6.95	6.23	5.72	6.14	8.49	13 66	15.67	19.99	23.12	20.31	9.52
Mid Western	3 63	4.08	6.26	12.86	14.52	14.90	24 41	60 91	33.77	44.56	43.88	38.77	21.81
North Central	1 00	0.94	2.68	2.64	3.86	3 71	4 03	8 23	11.28	14.13	16.70	15.05	25.35
North Eastern	0.85	0.78	2.41	2.55	2.90	2 81	3 08	6 14	8 20	17.26	20.20	18.33	29.14
North Western	1.00	0.93	2.65	2.76	3.45	3 12	3 43	6 98	9 56	16.65	18.85	17.79	27.11
Rivers*	-	-	-	11.06	5 90	13.30	20 25	69 85	43 53	52.06	63.33	50.98	18.55
South Eastern*	-	-	-	5.08	5.22	5 31	4 97	9 68	12 14	15.58	18.40	16.19	13.69
Western	1.84	1 52	3.91	5.29	4.30	3 95	3 32	8 24	7 89	15.72	22 20	16.87	20 28
All States Average	2.39	2 39	4 21	5.46	4 92	5 94	7 53	18 35	16.15	22.19	25 82	22.40	20 51

Source · Please refer to Table 8.01(A).
Note ·
(i) ¨Total statutory transfers include transfers under the Non-Distributable Pool and Distributable Pool Accounts
(ii) For other details, please see the notes of Table 8.01(A)

TABLE 8.04 (B)
PER CAPITA TOTAL STATUTORY TRANSFERS TO THE NIGERIAN STATES, 1980-88
(AMOUNT IN NAIRA)

States	1980	1981	1982	1983	1984	1985	1986	1987	1988	% Growth Rates
1	2	3	4	5	6	7	8	9	10	11
Anambara	42 75	45 79	49 08	39 98	39 77	51 36	37 57	81 67	86.66	8 11
Bauchi	52.24	52.01	48.22	42 68	45 49	57 01	44.04	90.27	98.18	7 21
Bendel	94 86	79.03	69.78	67 57	69 09	81 34	58.74	125.93	133.32	3.88
Benue	52.04	56.33	51.55	45 37	47 14	61 28	44 95	95.50	102.43	7.84
Borno	46.66	46.92	44.53	39 26	40 64	51 64	43 23	80.84	86.24	7 10
Cross River	44.82	47.38	45.36	37.93	40 40	55 71	38.06	87.84	112.80	10.83
Gongola	49.97	50.69	46.37	40 94	42 65	55 23	39.95	87.42	95.74	7.51
Imo	44.27	47.03	44.94	40 57	41 76	58 07	40 31	88.30	87.87	7.92
Kaduna	40.58	40 82	38.55	34 10	36 14	46.74	36.04	74.58	107.15	11.45
Kano	35.71	34.96	32.69	28 75	31 11	41 26	32.53	63.91	74.44	8 45
Kwara	64.63	67 57	61.89	54 73	57 93	73 92	54.40	116.91	121.56	7.26
Lagos	70.97	78.42	67.54	61 02	61 80	78.19	56.03	116.84	119.64	6 00
Niger	88.81	92.69	83.25	74 11	76 76	98.41	72.77	155.95	162.12	6 87
Ogun	68.57	72.32	65.70	58.54	61 15	78 48	57.91	124.40	130.19	7.36
Ondo	49.04	49 56	47.36	42 77	42 58	54 74	40.58	89.96	91.31	7.18
Oyo	36 97	37.97	36 13	31 48	34 18	45 04	32.59	71 85	76 12	8.36
Pl ateau	58.06	61.08	56 19	48 37	50 56	66 54	47.61	105.30	107.40	7.09
Rivers	131.85	108.14	97 38	89 34	91 39	104 80	70.66	164.77	173.61	3 12
Sokoto	38.33	38.05	36.75	30 52	32.14	41 46	32.44	65.71	77.63	8 11
All States Average	58.48	58.25	53 86	47.79	49 61	63 22	46.34	99.37	107.60	6.99

Source Same as per Table 8 01(A)
Note See notes of Table 8 04(A).

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disparity in the per capita statutory transfers to the states is caused mainly by the 50% of the Distributable Pool Account which is devolved on the basis of Equality-of-States,[8] and the Non-Distributable Pool Account which is devolved on the Derivative Criterion.[9]

As for the per capita statutory transfers to the nineteen states during 1980-88, table 8.04(B) captures the established observations - that there is a wide variation in the per capita transfers, that some states remained either below or above the all-states average throughout the period, and that only few states received above-average per capita statutory transfers. One, thus, observes that in 1980, while the average per capita statutory transfers were N58.48, only six states, Bendel, Kwara, Lagos, Niger, Ogun and Rivers received above average with Rivers state getting the highest amount of N131.85. The remaining sixteen states had below the average with Kano geting the lowest amount of N35.71, per capita statutory transfers. Thus, the per capita statutory transfers to the Rivers were 2.25 times the size of the all- states' average and 3.69 times that of Kano.

The situation remained more or less the same in 1988 with seven states, viz Bendel, Cross River, Kwara, Lagos, Niger, Ogun and Rivers having per capita statutory transfers above all-states' average of N107.60. The maximum and minimum transfers were N173.61 and N74.44 which went to Rivers and Kano states respectively. Thus, the former state had per capita statutory transfers 1.61 times the all-states' average and 2.33 times of Kano state. Thus, between 1980 and 1988, the gap in per capita statutory receipts of the states narrowed down. This is also reflected by the fact that most of the states which received below-average per capita statutory transfers recorded higher growth rates than the above-average states, (see column 11 of table 8.04(B)). For instance, the growth rate of Bendel, Kwara, Lagos and Rivers which stood at 3.88%, 6.00%, 6.87% and 3.12% respectively and were below the growth rate of the all-states' average per capita statutory transfers of 6.99% and also below the growth rates recorded by some of the states receiving per capita statutory transfers below-average, like Anambara 8.11%, Kaduna 11.45% Ondo 8.36% etc. Since most of the

8.   See Section VI.2.2 of chapter three for detailed discussion of this principle.

9.   See section IV.2.1 of chapter three for the interpretation of this principle.

states that received below-average per capita statutory transfers were also generally the more deprived states -- in terms of per capita independent revenue -- then, the growth tendency of the per capita statutory transfers is a welcomed feature of inter-state revenue devolution as this would enhance fiscal equalization. The states which received above-average per capita statutory transfers were either the thinly populated states or the oil-producing states. This, again, tells of the impact of the equality-of-state and Derivative criteria in the horizontal revenue devolution in Nigeria as was observed earlier.

VI.2. DISPARITY IN PER CAPITA FEDERAL GRANTS TO THE STATES OF NIGERIA

Grants, as examined earlier, are basically conditional capital transfers which are expected to focus on the correction of the distoration in resource allocation in a federation.[10] Although the Nigerian grant system had this very objective, it was a different story whether it was indeed designed to achieving the same. This skeptism stems from the fact that the grant system in Nigeria is poorly planned, and worst, they are allocated on the principles of population and equality-of-state (which dominated the statutory transfers devolution) - with more or less the same weightage of 50% to each principle. Here, we have examined the per capita federal grants to the states during 1968-79. Since these grants were not available to the states during 1980-88, the same is not analysed here.

The per capita federal grants to the states during the period 1968-79 are depicted in table 8.05. which indicates wide variations. In 1968, the average per capita federal grants to the states stood at 0.03 Naira and, North- Central received the highest amount of 0.08 Naira while Benue- Platene, Kwara, Lagos, Mid-western and North-Eastern got nothing. Thus, four states only received grants in this year and their respective recepits stood above the all-states' average. In 1979, as against the all-states' average of N10.32, Kwara received the highest amount of N13.43. Other states that received per capita federal grants above average

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10.   For more details of theoretical issues of federal grants in this work, see section II of chapter 5.

TABLE 8.05
PER CAPITA FEDERAL GRANTS TO THE NIGERIAN STATES, 1968-79

(AMOUNT IN NAIRA)

States	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	% Growth Rate
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Benue Plateau	0.00	0.06	0.00	0.20	0 36	0 29	0 27	4 31	7.77	6.48	7.87	11.54	56.93
East Central*	-	-	-	0 15	0 23	0 18	0 20	3 75	6 62	5.28	6 39	9 14	57 92
Kano	0.04	0.02	0.06	0.16	0 31	0 26	0 24	2.35	5.48	3.75	4.61	7 25	52 72
Kwara	0 00	0 21	0.00	0 38	0 63	0 49	0 48	5.28	11.52	7 34	8 95	13 43	48 64
Lagos	0.00	0.00	0 00	0 25	0 35	0 35	0 40	4 75	11.16	6.49	7 74	11.39	52.92
Mid Western	0.00	0.08	0 00	0.22	0 32	0 29	0 33	5 05	9.96	6.45	7.79	11.10	54.52
North Central	0.08	0.03	0 06	0.14	0.25	0 25	0 27	3 19	6.84	4.56	5.58	8.42	57 72
North Eastern	0.00	0 04	0 00	0 14	0 28	0 23	0 22	2 67	5 43	5 21	6 41	10 06	60 87
North Western	0 07	0 03	0 02	0.17	0 31	0 26	0 24	2 36	5 50	4 80	5 93	9.58	56 48
Rivers*	-	-	-	0.42	0 62	0 45	0 44	4 91	11 20	7.15	8 74	13.27	46.81
South Eastern*	-	-	-	0.25	0 40	0 30	0 28	3 90	7.91	5.23	6.34	9 23	49 39
Western	0 05	0 01	0 00	0 10	0 17	0 17	0 18	2 91	5.55	5 07	6.20	9.42	65 66
All States Average	0 03	0.05	0.02	0.22	0.35	0 29	0 30	3 79	7.91	4.77	6.88	10 32	53 28

Source   Please refer to Table 8 01(A)
Note .
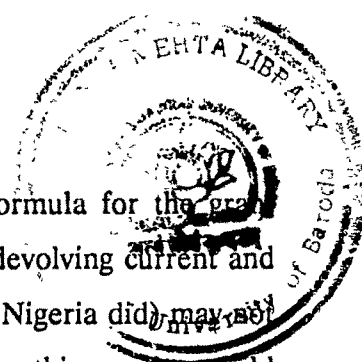
(1) Please refer to notes of Table 8 01(A)
(2) The growth rates are for the period 1971-79 as this is the period when comparable data are available for all the states

were Benue-Plateau, Lagos, Mid-Western, and Rivers. The lowest amount of N7.25 went to Kano. The gap amongst the states was not particularly high in 1979 as the per capita grant to the highest grant receiving state, Kwara, was only 1.30 times the size of all-states' average transfers, and 1.85 times that of the lowest grant receiving state, Kano.

It may be pointed out here, that most of the states that received above-average per capita federal grants (especially between 1971 and 1979) were either thinly populated or the oil-producing ones, viz, Kwara, Lagos, Mid-Western and Rivers. These are also the states that were above the average in terms of per capita independent revenue. Hence, the grant devolution showed tendency towards regressiveness as the states with higher per capita independent revenue also received higher per capita federal grants. However, column 14 of table 8.05 shows that although the per capita federal grants to all the states increased tremendously, the growth rates were higher for the states whose per capita federal grants were below the average than those who had above it. Thus, while the states falling under former like Benue- Plateau, East-Central, North-Central, North-Eastern, North- Western and Western recorded compounded annual average growth rates of 56.93%, 57.92%, 57.72%, 60.87%, 56.48% and 65.66% respectively between 1971 and 1979,[11] the states falling under the latter category like Kwara, Lagos, Mid-Western and Rivers recorded growth rates of 48.64%, 52.92%, 54.52% and 46.81% respectively during the same period. This therefore shows tendency towards progressive elements in the grant system. This point is made clearer by the fact that the per capita federal grants to states like Benue - Plateau, East Central, North-Central, North-Eastern, North-Western and Western increased by 57.70, 60.93, 60.14, 71.86, 56.35 and 94.20 times respectively between 1971 and 1979 while those of Kwara, Lagos, Mid-Western and Rivers rose by relatively smaller rate 35.34, 45.56, 50.45, and 31.60 times respectively.

Nevertheless, the redistribution element in the allocation of federal grant did not seem to be adequate enough as it did not incorporate the obvious differences amongst the

11. We have chosed 1971 as the base for the calculation instead of 1968 in order to enhance comparison as federal grants to most of the states were inconsistent before 1971.

various states in fiscal capacity and performance in building a formula for the proper devolution. This view emanates from the fact that the practice of devolving current and capital transfers on the basis of more or less the same formula (as Nigeria did) may not adequately reflect a good approach of fiscal federalism. For one thing, this practice would not permit the federal government to identify the states that should qualify for higher grants in terms of level of development, standard of socio-economic services etc, and hence, a particular dosage of federal investment, or grants for the upgraduation of the pooer states. Thus, the Centre might find it difficult to reallocate resources effectively between the states on the basis of their economic profile and also between the sectors of the economy. And, again, the practice would also induce the states to treat capital transfers as if they are current transfers, and hence, divert the same from the marked sectors or projects to the areas which they themselves may consider more vital to their own programmes. This, indeed, was the case with Nigeria as was observed by the Okigbo Commission.[12]

VI.3. DISPARITY IN PER CAPITA FEDERAL LOANS TO THE STATES OF NIGERIA

The federal loans, as pointed out earlier in chapter five are the second category of capital transfers. Like the federal grants, federal loans were designed to assist the states in financing the capital projects of the development plans. The per capita loan transfers to the states, as is evident from table 8.06(A) differed significantly during 1968-79. From column 2 of the table one notes that as against the all-states' average per capita federal loan of 0.08 Naira in 1968, the Mid-Western state received 0.72 Naira whereas all the other states got nothing. In 1979, Kwara received the highest per capita loan transfers of N8.20 as against the all-states' average of N6.31. Other states that were above the average were, Benue-Plateau, Lagos, Mid-Western and Rivers. These states also had the highest per capita amounts in statutory transfers and federal grants, with the exception of Benue-Plateau. Seven, out of the twelve states were below the average with North-Central state accounting for the lowest of N5.15, (see column 13). Thus, the per capita federal loan of the highest per

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12.   Federal Government of Nigeria, Report of the Presidential Commission on Revenue Allocation,Federal
          Government Press, Lagos, 1980, pp. 43.

capita loan receiving state was 1.30 times the size of the all-states average', and 1.59 times that of the lowest per capita loan receiving state. This suggests a decline in the variation of per capita loan transfers between 1968 and 1979.

While it has been observed that the states which received above-average per capita federal loans were more or less the same states that showed higher fiscal capacity in terms of per capia independent revenue. Column 14 of table 8.06 (A) indicates that the relatively poorer states (in the sense of below-average per capita independent revenue) recorded comparatively higher growth rates in per capita loans between 1971 and 1979.[13] Thus, while some below-average states like Benue-Plateau, North-Eastern, North-Western and Western states recorded quite high compounded annual average growth rates of 35.56%, 48.34%, 38.22% and 41.85% respectively, the above-average states like Kwara Lagos, Mid-Western and Rivers observed relatively lower growth rates of 26.90%, 33.67%, 27.89% and 30.53% respectively. This thereby suggested the progressive tendency of federal loans to the states.

Table 8.06(B) shows per capita federal loans to the nineteen states during 1980-88. Here, like in our analysis of the twelve states, it is noted that the federal loans to the nineteen states were highly discriminatory. Thus, in 1980, while Niger state received the highest per capita federal loan of N6.55, Kano got the lowest of N2.41. This was against the all-states' average of N3.86. In this year, only seven states received above-average per capita federal loan, the other states with more than all-states' average per capita loans being Bendel, Kwara, Lagos, Ogun, Plateau, and Rivers. Nevertheless, in this year, the per capita federal loan of the highest per capita loan receiving state (Niger) was 1.70 times the size of the all-states' average, and 2.72 times that of the lowest per capita loan receiving state (Kano), which does not suggest a high degree of variation. In 1986[14] six states received per capita federal loans above the all-states' average which thereby reflects a deterioration of the

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13.   We have chosen 1971 as the base for the calculation of the growth rates instead of 1968 in order to facilitate
      comparability as federal loans to most of the states were inconsistant prior to 1971.

14.   This was the last year when federal loans were made available to the states as per the available data.

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TABLE 8.06 (A)
PER CAPITA FEDERAL LOANS TO THE NIGERIAN STATES, 1968-79
(AMOUNT IN NAIRA)

States	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	% Growth Rate
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Benu Plateau	0.00	0.19	0 28	0.45	2.70	6 84	5 45	4 36	11 17	14.19	11.39	6.95	35.36
East Central*	-	-	-	0 41	1 67	3 31	4 29	3 43	6.16	7 67	8 82	5.43	33 23
Kano	0 00	0 15	0.31	0.41	2.26	4 79	5 07	4 75	7 21	6.08	7.31	4.53	30.57
Kwara	0 00	0 50	1 95	0 96	6.83	13.84	13 36	17 99	21.15	20.66	13.51	8.20	26.90
Lagos	0.00	0 00	1.00	0 51	5.96	12 27	11 36	9 65	22 68	19.46	11 78	6.97	33 67
Mid Western	0 72	0 26	0 63	0.72	4 94	10 16	10 52	11 73	14 91	14.28	10 78	6.58	27.89
North Central	0 00	0 20	0 45	0 65	2.91	7 06	7 59	6 61	7 92	8 56	8 34	5 15	25 85
North Eastern	0 00	0 11	0.21	0.18	1 71	3 13	2 62	3 29	7 86	10 40	10 27	6.29	48.34
North Western	0.00	0 15	0.33	0.33	2 25	3 87	5 04	6 30	6.67	9.71	9 91	6.07	38 22
Rivers*	-	-	-	0.74	6 69	10 38	15 05	16 00	18 53	16.26	13.43	8 15	30 53
South Eastern*	-	-	-	0.38	3.04	6 83	7 18	7 66	7.94	10 10	9 01	5 55	34 74
Western	0 00	0 25	0.25	0 25	1 44	2 70	2 41	2 46	5 97	8 80	9 43	5 79	41 85
All States Average	0.08	0.20	0.60	0.50	3 53	7.10	7 50	7 85	11 51	12 18	10.33	6.31	32.49

Source · See Table 8 01(A).
Note . Please refer to notes of Table 8.01(A) and Note (2) of Table 8 05

TABLE 8.06 (B)
PER CAPITA FEDERAL LOANS TO THE NIGERIAN STATES, 1980-86
(AMOUNT IN NAIRA)

States	1980	1981	1982	1983	1984	1985	1986	Percentage Growth Rates
1	2	3	4	5	6	7	8	9
Anambara	3.23	4.76	4.72	3 91	22 54	20.79	5 80	6.75
Bauchi	3.81	5.65	5.79	4 95	24.71	24.46	5.89	6.38
Bendel	4 11	5.33	5.50	4 67	24 52	24 38	5.90	5 35
Benue	3.18	5.65	5.54	4 15	21.83	21.53	5.89	9 16
Borno	3.63	4.73	4.68	4 14	16 70	18 25	5.56	6 27
Cross River	3 22	3.83	4 62	3 73	17 34	17 43	4.23	3.97
Gongola	3 10	4.22	5.69	4 08	21 56	22.21	5.61	8 86
Imo	3.23	5.36	5 52	4 68	23 94	22 65	5.02	6.54
Kaduna	3 63	4.54	4 41	3 86	20 71	20 33	4 90	4.37
Kano	2.41	3 35	3 49	3 07	14 53	13 13	3 08	3.56
Kwara	4.53	5 01	6 33	5 79	27 07	28.16	6.76	5.90
Lagos	5 34	5 51	6 31	5 15	24 78	30 20	6.83	3 51
Niger	6 55	9.62	9 69	8 63	44 67	41 33	10.35	6 75
Ogun	5 58	7.41	10 03	7 49	38 38	39 84	9.28	7 52
Ondo	3.55	5 78	7 18	5 07	23 81	22 53	5 56	6 57
Oyo	2 60	3 53	3.27	3 21	12 31	11 60	3 31	3.44
Plateau	4.10	6.70	4.70	5 07	25 88	31 02	6 81	7.53
Rivers	4 44	7 59	8 89	7 21	39 92	28 92	8 25	9 26
Sokoto	3.04	3 88	3 57	3 86	17 07	16 62	3 95	3 84
All States Average	3.86	5 39	5 79	4 88	24 33	23.97	5 95	6 39

Source : See Table 8 01(A).
Note Please refer to notes of Table 8 04(A)

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position of the states of N5.95. Niger retained its top rank with a per capita amount of N10.35 while Kano clinched the bottom position with N3.08. Thus, the per capita federal loan to Niger (the highest) was 1.74 times the size of the all- states' average, and 3.36 times that of Kano, (the lowest). Thus the gap between the states in the per capita federal loans widened between 1980 and 1986.

Our observations here also corroborates what had been noted in respect to the twelve states. That is, most of the states that received above-average per capita federal loans were the states with above-average per capita independent revenue, and vice versa. And again, while the thinly populated states of Kwara, Lagos, Niger, Plateau and Rivers received above-average per capita federal loans throughout the period, the thickly populated states of Anambara, Borno, Imo, Kano, Oyo and Sokoto received below-average per capita federal loans throughout the period. This is also in conformity with the findings in respect to statutory transfers and federal grants. This has been made possible due to equality-of-state principle which merely transferred equal absolute amount to all the states irrespective of their glaring differences in size, population, and hence, need etc, on the ground of their constitutional equality. And since most of the above-average states (in terms of per capita independent revenue) are also thinly populated, and hence received above-average federal transfers, it therefore implies that the gap in per capita aggregate revenue of the states and also in the level of the public services was bound to be comparatively higher.

VI.4. DISPARITY IN THE AGGREGATE FEDERAL TRANSFERS TO THE STATES OF NIGERIA

Table 8.07(A) indicates the per capita aggregate transfers to the twelve states during 1968-79. It is noted from here that in 1968, whereas the all-states' average per capita aggregate transfers were N2.50, Lagos state got the highest of N6.81, while North-Western state received the lowest amount of N1.07. Only two other states, Kwara and Mid- Western state got transfers above all-states' average. This thereby left the remaining six states below it. The fact that the per capita highest aggregate transfers to Lagos were 2.72 times the size of all-states' average and 8.01 times that of the lowest receiving state, North-Western, which

shows that the disparity amongst the states in per capita aggregate federal transfers was very high in that year. In 1979, Rivers state received the highest per capita transfers of N72.40 while Kano was allocated the lowest of N25.00, the all-states' average in this year was N39.02. Only three states stood above the all-states' average, viz., Kwara, Mid-Western and Rivers -- the same states which were also above the average in 1968 with exception of Rivers. Thus, the remaining nine states stood below the all-states' average. However, it is noted that the per capita transfers to Rivers (the highest) was 1.86 time the size of all-states' average, and 2.90 times that of the lowest transfers receiving state. This thereby suggests that the disparity in the per capita aggregate transfers was lower in 1979 than in 1968.

It is observed that the states which received above all-states' average per capita aggregate transfers were also the states which had above all-states' average per capita independent revenue. This thereby suggests a regressive nature of the aggregate transfers. However, column 14 of table 8.07(A) shows that these states, e.g., Kwara, Lagos, Mid-Western, and Rivers recorded comparatively lower compounded annual average growth rates -- 23.15%, 15.56%, 23.81% and 21.90% respectively -- than the below-average states, e.g., Benue-Plateau, East-Central, Kano, North- Central, North-Eastern, North-Western, with growth rates of 32.64%, 27.86%, 27.43%, 31.37%, 36.19% and 33.20% respectively. This indicates that during the period 1968-79, the aggregate federal transfers showed tendency towards equalization. This fact is, again, demonstrated by the fact that whereas the per capita aggregate transfers to the below-average states like Benue-plateau, North-Eastern and North- Western rose by 28.36, 40.80 and 31.25 times respectively between 1968 and 1979, those of the above-average states like Kwara, Lagos and Rivers increased by 12.21, 5.68 and 5.92 times during the same period. It has to be pointed out that the equalization of per capita aggregate transfers i.e., more transfers to poor and less to rich states is not as such very essential unless the same also implies a tendency towards fiscal capacity equalization. This would be the case because when the per capita aggregate transfers are equalized, i.e., all the states receiving the same per capita transfers, the horizontal fiscal imbalance would remain as it was before the resource devolution

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TABLE 8.07 (A)
PER CAPITA TOTAL TRANSFERS TO THE NIGERIAN STATES, 1968-79

(AMOUNT IN NAIRA)

States	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	% Growth Rates
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Benue Plateau	1 31	1 47	3.39	3 93	6 73	10 47	9 73	16 49	29.31	39.87	41.89	38 86	32 64
East Central*	-	-	-	3 46	5 39	7 56	8 23	14 56	22 46	29.14	34 41	31 56	27 86
Kano	1 37	1.39	3.50	4.00	6 15	8 57	8 80	14 02	22.24	22 26	26.60	25.00	27 43
Kwara	3 73	4.16	8 70	8 76	15 97	21 42	20 95	37 60	54.85	50 53	49.07	45 54	23 15
Lagos	6 81	7.28	7.95	6 99	12.03	18 76	20 25	28 06	49 51	45 94	42.64	38 67	15 56
Mid Western	4 35	4.42	6.89	13.80	19.79	25 35	35 25	77 68	58.64	65.29	62.45	56.45	23 81
North Central	1 08	1.16	3.19	3.43	7 03	11.02	11 89	18 03	26 04	27.25	30.62	28 62	31.37
North Eastern	0.85	0.93	2.61	2 87	4 89	6 18	5 92	12 11	21 48	32 87	37.08	34 68	36.19
North Western	1 07	1 11	3 00	3 26	6 01	7 25	8 71	15 64	21 72	31.16	34 69	33.44	33 20
Rivers*	-	-	-	12.22	13.21	24 12	35 74	90.76	73.26	75.47	85.49	72 40	21 90
South Eastern*	-	-	-	5 71	8 66	12 44	12.43	21 24	27 99	30.91	33.74	30.96	20 69
Western	1 90	1.78	4.14	5.64	5 92	6 82	5 91	13 62	19.41	29.60	37.84	32 08	26 58
All states Average	2.50	2 63	4 82	6 17	9.32	13 33	15 32	29 98	43 18	40 02	43 04	39.02	25 80

Source · See Table 8.01(A).
Note ·
(i)   Total transfers include statutory transfers, federal grants and federal loans.
(ii)   For other details, see notes of Table 8.01(A).

TABLE 8.07 (B)
PER CAPITA TOTAL TRANSFERS TO THE NIGERIAN STATES, 1980-88

(AMOUNT IN NAIRA)

States	1980	1981	1982	1983	1984	1985	1986	1987	1988	Percentage Growth Rate
1	2	3	4	5	6	7	8	9	10	11
Anambara	45 98	50 55	53.80	43 88	62 31	72 16	43 37	81 67	86.66	7 27
Bauchi	56.04	57.66	54.01	47.63	70 21	81 47	49.92	90.27	98 18	6 38
Bendel	98 97	84.36	75 28	72 25	93 61	105 71	64 63	125 93	133.32	3.42
Benue	55 23	61 97	57.09	49 52	68 96	82 81	50 83	95 50	102 43	7 12
Borno	50 29	51.65	49.21	43.40	57 34	69 89	48.79	80.84	86 24	6 15
Cross River	48.04	51 20	49 97	41 66	57 73	73 13	42.30	87.84	112.80	9 97
Gongola	53 07	54.91	52 06	45 02	64 21	77 45	45 56	87 42	95 74	6 79
Imo	47 51	52.39	50 46	45 25	65 70	80 72	45 33	88 30	87 87	7 08
Kaduna	44 21	45.36	42 96	37.96	56 85	67 06	40.94	74 58	107 15	10 32
Kano	38 12	38.31	36 18	31 82	45 64	54 38	35 60	63 91	74 44	7 73
Kwara	69.16	72.58	68.22	60.52	85 00	102 08	61 16	116.91	121.56	6.42
Lagos	76.32	83.94	73.85	66 17	86 59	108.39	62 86	116 84	119.64	5 18
Niger	95.36	102.31	92.94	82 74	121 43	139.73	83.12	155.95	162.12	6 05
Ogun	74.15	79.73	75 72	66 03	99 53	118.32	67.19	124 40	130.19	6.41
Ondo	52 59	55.34	54.54	47 85	66 39	77 27	46 14	89 96	91.36	6 36
Oyo	39.58	41 51	39 40	34 69	46 49	56 64	35 89	71 85	76 12	7 52
Plateau	62 16	67.78	60.89	53 44	76 44	97 56	54 42	105 30	107.40	6.26
Rivers	136.30	115.73	106 27	96 55	131 31	133 73	78 92	164.77	173 61	2.78
Sokoto	41 37	41.93	40 32	34 38	49 21	58 09	36 39	65.71	77.63	7.27
All States Average	62 34	63.64	59.64	52 67	73 94	87 19	52 28	99.37	107 60	6 28

Source . See Table 8 01(A)
Note Please refer to Table 8.07(A).

exercise. Hence, the appropriate inter-states distribution of federal transfers should take adequate consideration of the horizontal fiscal imbalances of the respective states.

Table 8.07(B) depicts the per capita aggregate transfers to the nineteen state during 1980-88. In 1980, while the all-states' average per capita aggregate transfers stood at N62.34, Rivers state got the highest amount of N136.30 while Kano received the lowest of N38.12. Thus, the per capita transfers to Rivers was 2.19 times the size of the all-states' average and 3.58 times that of the Kano. This thereby shows wide variation. In this year, only six states-- Bendel, Kwara, Lagos, Niger, Ogun and Rivers - enjoyed per capita aggregate transfers above the all-states' average. In 1988, Rivers received highest per capita transfers of N173.61 and Kano had N74.44 (lowest receipts) against the all-states' average of N107.60. In this year, seven states received per capita transfers above the all-states' average, and these include all the states that were also above the average in 1980, and additionally Cross River State. In 1988, the per capita aggregate federal transfers to the highest state was 1.61 times the size of the all-states' average, and 2.33 times that of the lowest receiving state. Thus, the variation was higher in 1980 than in 1988.

As had been observed in the case of the twleve states, our observation here reveals that the above-average states (in terms of per capita independent revenue) generally received above-average per capita aggregate transfers. This suggests a regressive nature of the federal transfers. However, it is noticed from column 11 of table 8.07(B) that the per capita aggregate transfers of the financially weaker states grew faster than the financially stronger ones. For instance, while the above average transfers receiving states of Bendel, Kwara, Lagos, Niger, Ogun and Rivers recorded growth rates of 3.42%, 6.42%, 5.18%, 6.05%, 6.41% and 2.78% respectively between 1980 and 1986, most of the below-average states like Anambara, Cross River, Imo, Kaduna, Kano, Oyo, and Sokoto recorded higher growth rates of 7.27% 9.97%, 7.08%, 10.32%, 7.73%, 7.52% and 7.27% respectively during the same period. This shows that the aggregate transfers had some tendency towards progressiveness. This implies that the regressiveness reflected by these transfers is reduced over time.

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VI.5.   DISPARITY IN PER CAPITA AGGREGATE REVENUE OF THE STATES OF NIGERIA

Having examined the per capita independent revenue of the states as well as that of the various categories of federal transfers, it is felt necessary to examine the disparity in per capita aggregate revenue of the states, that is, the per capita independent revenue plus the per capita aggregate federal transfers. Table 8.08(A) depicts the per capita aggregate revenue of the twelve states during 1968-79. It has been noted from this table that the variation in per capita aggregate revenue of the states was quite high. In 1968, whereas the all-states' average was N4.01, Lagos accounted for the highest of N9.36, while North-Eastern had the lowest of N1.44. Thus, the per capita aggregate revenue of the Lagos, was 2.33 times the size of the all-states' average, and 6.50 times that of the lowest state, North- Eastern. Hence, a wide disparity. In this year, only two other states, Kwara and Mid-Western recorded above-average per capita aggregate revenue. Similarly, in 1979, Lagos accounted for the highest per capita aggregate revenue of N99.52 while Kano recorded the lowest of N32.13. These were against the all-states' average of N52.13. In this year, the number of states above the average increased to four - that is, Rivers in addition to the three states which were above it in 1968. This indicates a slight improvement in the gap amongst the states. It may also be interesting to note that the per capita aggregate revenue of Lagos, (the highest per capita receiving state), was 1.91 times the size of the all- states' average, and 3.10 times that of Kano. This indicates a narrowing down of the gap between 1968 and 1979. This fact is further strengthened by the fact that during this period, most of the states whose per capita revenue remained below the all-states' average recorded higher growth rates than the few states that were above it. Thus, while states like Benue- Plateau, East-Central, Kano, North-Eastern, North-Western etc. recorded compounded annual average growth rates of 29.71%, 23.33%, 24.50%, 31.83%, and 34.64% respectively, Kwara, Lagos, Mid-Western and Rivers - the above-average states, recorded lower growth rates of 22.99%, 21.74%, 19.60% and 16.90% respectively, (see column 14 of table 8.08(A)). This, therefore, indicates that the per capita aggregate revenue of the states showed tendency towards equalization.

TABLE 8.08 (A)
PER CAPITA TOTAL REVENUE OF THE NIGERIAN STATES, 1968-79

(AMOUNT IN NAIRA)

States	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	% Growth Rates
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Benue Plateau	2.03	2.06	4.52	6.79	11.15	13.59	12.86	21.69	33.34	45.27	50.88	46.13	39.71
East Central*	-	-	-	6.03	9.17	10.16	12.07	19.10	27.93	37.99	49.85	39.92	23.33
Kano	2.31	2.39	4.75	8.07	8.14	11.19	11.27	18.88	26.19	30.46	39.42	32.13	24.50
Kwara	4.57	5.55	9.71	15.73	25.01	25.40	25.55	43.20	61.27	58.88	61.29	54.76	22.99
Lagos	9.36	16.02	22.59	22.21	29.71	36.73	36.90	47.18	71.35	99.66	107.09	99.52	21.74
Mid Western	8.07	7.67	12.05	22.31	24.74	30.77	43.60	88.47	71.12	80.42	84.19	69.24	19.60
North Central	2.95	2.89	5.79	10.55	10.53	14.45	17.69	38.41	32.15	36.39	38.51	37.89	23.72
North Eastern	1.44	1.45	3.50	5.06	5.88	7.17	8.10	14.50	25.05	37.93	45.67	39.50	31.83
North Western	2.00	1.62	3.90	6.45	8.86	9.64	13.47	20.37	26.91	38.67	45.21	38.83	34.64
Rivers*	-	-	-	18.60	18.18	30.80	45.52	102.03	88.57	96.40	126.07	88.43	18.96
South Eastern*	-	-	-	9.37	12.46	16.35	16.48	27.17	34.66	37.89	46.78	38.30	16.90
Western	3.34	3.18	5.57	7.98	7.94	9.35	9.34	19.40	24.00	39.79	54.23	40.91	23.18
All states Average	4.01	4.76	8.04	11.60	14.31	17.97	21.07	37.53	43.55	53.31	62.43	52.13	23.82

Source   See Table 8.01(A).
Note
(i)   Total revenue of the states includes total independent revenues, and total transfers.
(ii)   See notes of Table 8.01(A) for other details.

TABLE 8.08 (B)
PER CAPITA TOTAL REVENUE OF THE NIGERIAN STATES, 1980-88

(AMOUNT IN NAIRA)

States	1980	1981	1982	1983	1984	1985	1986	1987	1988	% Growth Rates
1	2	3	4	5	6	7	8	9	10	11
Anambara	74.30	91.04	134.02	106.81	91.28	94.02	71.59	158.97	166.08	9.33
Bauchi	78.87	76.25	88.59	102.08	83.67	91.02	63.83	106.59	162.92	8.37
Bendel	116.09	98.23	90.47	130.91	124.77	146.26	98.54	183.05	195.81	6.03
Benue	83.71	90.16	75.67	67.78	74.14	91.13	64.86	188.03	147.86	6.49
Borno	60.42	61.90	82.04	84.12	66.13	76.14	66.90	106.04	110.28	6.93
Cross River	60.10	62.45	74.38	82.87	64.89	87.65	55.84	112.31	166.06	11.91
Gongola	69.21	78.58	74.53	79.85	68.76	93.38	57.29	113.81	131.74	7.38
Imo	104.31	93.21	89.30	91.28	86.96	107.32	77.27	152.50	157.34	4.64
Kaduna	59.34	76.96	65.89	80.66	67.87	80.19	57.45	111.54	149.06	10.82
Kano	50.70	49.37	42.06	44.97	52.35	63.68	47.39	80.86	110.75	9.02
Kwara	84.92	83.46	83.96	86.66	98.89	121.30	92.27	135.63	191.52	9.48
Lagos	288.98	224.07	218.63	272.25	197.52	284.45	206.34	405.58	423.97	4.31
Niger	119.38	115.69	108.81	101.88	134.05	153.41	116.01	232.78	284.93	10.18
Ogun	112.83	132.84	103.14	135.41	118.07	137.89	102.20	184.92	204.67	6.79
Ondo	87.40	115.94	103.75	96.99	75.83	86.85	66.80	134.71	141.66	5.52
Oyo	55.29	67.50	54.06	50.02	65.26	71.59	61.06	108.36	129.52	9.95
Plateau	106.55	108.75	102.13	97.72	86.02	105.29	69.77	153.78	185.62	6.35
Rivers	207.22	187.74	170.85	152.12	147.45	162.63	110.35	266.81	228.74	1.15
Sokoto	54.90	69.17	61.62	51.54	53.67	62.45	54.22	102.33	111.72	8.16
All States Average	98.66	99.13	96.57	100.84	92.50	111.40	81.05	159.93	178.96	6.86

Source See Table 8.01 (A)
Note Please refer to notes of Table 8.08(A)

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The nature of the imbalance with respect to per capita aggregate revenue amongst the nineteen states during 1980-88 is similar to what has been noted above in respect of the twelve states. Thus, Table 8.08(B) denotes that in 1980, as against the all-states' average per capita aggregate revenue of N98.66, Lagos had the highest amount of N288.98 while Kano had the lowest of N50.70. Thus, in this year, the per capita aggregate revenue of Lagos was 2.93 times the size of the all-states' average, and 5.70 times that of Kano. This thereby implies a wide disparity in the per capita aggregate revenue of the states inter se. In this year, only seven out of the nineteen states recorded above-average per capita aggregate revenue. Apart from Lagos, the other six states were, Bendel, Imo, Niger, Ogun, Plateau and Rivers. Similarly, in 1988, only seven states recorded above -average per capita aggregate revenue of N178.96 -- with Lagos having the highest of N423.97. The other states were also the same ones that stood above the average in 1980 (with the exception of Imo and the addition of Kwara). Borno had the lowest amount of N110.28. Thus, in this year, the per capita aggregate revenue of Lagos, the highest, was 2.37 times the size of the all-states' average, and 3.84 times that of Borno. This way, the gap amongst the states in 1988 was narrower than in 1980. This shows that during this period, 1980-88, the disparity in the per capita aggregate revenue of the states was reduced. This fact is more obvious from column 11 of table 8.08(B) which shows that the growth rates of per capita aggregate revenue of the below-average states were higher than those recorded by the above-average states. Hence, whereas, below-average states like Anambara, Bauchi, Cross River, Kaduna, Kano etc. recorded growth rates of 9.33%, 8.37%, 11.91%, 10.82% and 9.02% respectively, the above-average states like Bendel, Lagos, Ogun and Rivers showed comparatively lower growth rates of 6.03%, 4.31%, 6.79% and 1.15% respectively. Hence, a tendency towards interstate revenue equalization.

Table 8.09(A) and 8.09(B) provide a summary of the foregoing discussion on the number of states below and above average in the per capita independent revenue and federal transfers in some selected years, 1971, 1979, 1980 and 1988. From table 8.09(A) it is seen that the number of states above the average in per capita independent revenue declined from 5 in 1971 to 2 in 1979 (see columns 2 and 8) while those below it rose from 7 to 10

during the same period. This thereby reflects an increase in the variation amongst the states in their fiscal capacity (as reflected by the independent revenue). This means that a greater number of the states would therefore would be requiring higher per capita federal transfers in order to provide a level of public services that would be comparable with that provided by the few rich states.

For the statutory transfers, the number of states above the average declined from 4 in 1971 to 3 in 1979 while those below it rose from 8 to 9 during the same period (see column 3 and 9) which would therefore reflect an increased inequality of statutory transfers during this period. As for the Federal Grants and Federal Loans the number of states receiving below and average amount was the same in 1979 as it was in 1971 -- 5 states above and 7 states below respectively. Hence, status quo is maintained in these variables during this period (see columns 4 and 10 for federal grants and 5 and 11 for federal loans). However, from columns 6 and 12 of the table it is noted that the number of states that received above average in per capita total transfers declined from 4 in 1971 to 3 in 1979 while those below it rose from 8 to 9 during the same period which shows a tendency of widening of the gap amongst the states in total transfers. As far as total revenue of the states are concerned, no change acured in the number of states below and above the average in 1979 as compared to 1971, (see columns 7 and 13).

From columns 2 and 7 of table 8.09(B) it is noticed that the number of states above and below the average in per capita independent revenue was the same in 1988 as it was in 1980 -- 5 and 14 states were above and below the average respectively,which thereby indicates that the status quo was maintain during these years in the number of states that had to depended heavily on the central transfers vis-a-vis other states in financing their expenditure obligations. As for statutory transfers, columns 3 and 8 of the table show that the number of the states above the average increased from 6 in 1980 to 7 in 1988 while those below it declined from 13 to 12 during the same period (see columns 3 and 8). This is indicative of narrowing down of gap in per capita statutory transfers to the states. This was also the case with Total Transfers (see columns 5 and 10 of the table). However in regards

TABLE 8.09 (A)

THE NUMBER OF STATES ABOVE AND BELOW THE ALL-STATES AVERAGE IN VARIOUS REVENUE VARIABLES IN PER CAPITA TERMS IN SELECTED YEARS, 1971 & 1979

/	1971						1979					
	Independent Revenue	Statutory Transfers	Fedral Grants	Fedral Loans	Total Trans-fers	Total Reve-nue	Independent Revenue	Statutory Transfers	Fedral Grants	Fedral Loans	Total Trans-fers	Total Reve-nue
1	2	3	4	5	6	7	8	9	10	11	12	13
All States' Average	5.42	5.46	0.22	0.50	6 17	11 60	13.11	22.40	10.32	6 31	39.02	52.13
No. of States above the average	5	4	5	5	4	4	2	3	5	5	3	4
No. of States below the average	7	8	7	7	8	8	10	9	7	7	9	8

Source of Data : Please refer to Table 8.01(A).

Note : Figures with respect to all-states average are in Naira

TABLE 8.09 (B)

THE NUMBER OF STATES ABOVE AND BELOW THE ALL-STATES AVERAGE IN VARIOUS REVENUE VARIABLES IN PER CAPITA TERMS IN SELECTED YEARS, 1980 & 1988

/	1980					1988*				
	Independent Revenue	Statutory Transfers	Fedral Loans	Total Trans-fers	Total Reve-nue	Independent Revenue	Statutory Transfers	Fedral Loans	Total Trans-fers	Total Revenue
1	2	3	4	5	6	7	8	9	10	11
All States' Average	36 32	58.48	3.86	62 34	98 66	71 36	107.60	5.95	107.60	178.96
No. of States above the average	5	6	7	6	7	5	7	6	7	7
No of States below the average	14	13	12	13	12	14	12	13	12	12

Source of Data Same as per Table 8.01(A)

Note ·

(i) Figures with respect to all-states average are in Naira

(ii) *For Federal Loan, the year is 1986 as this was the last year when loans were transferred to the States as per the available data

to Federal loans, the number of states above the average declined from 7 in 1980 to 6 in 1986 (see columns 4 and 8) which reflects a tendency towards widening the gap amongst the states in per capita federal loans. As far as total revenue is concerned, there was no change in the number of states above and below the average. It remained at 7 and 12 respectively in these two years, 1980 and 1988. Thus, although our earlier observation indicates tendency toward the equalization of the per capita total revenue of the states, the fact remains that the number of states that recorded above average has not increased.

VII. CHANGES IN THE RELATIVE POSITIONS OF THE NIGERIAN STATES IN THE NOTED REVENUE VARIABLES DURING 1971-79 AND 1980-88[15]

In this section, attempt has been made to ascertain whether or not the positions of the states in their per capita receipts of independent revenue, statutory transfers, federal grants, federal loans, aggregate transfers and aggregate revenue have changed during 1971-79 and 1980-88. That is to say that the intention here is to examine whether or not the state(s) getting the highest per capita independent revenue etc, in 1971 or 1980 continued to occupy such positions till 1979 or 1988 respectively. In order to do this the statistical technique, Pearsons Rank Correlation Coefficient has been calculated using the following formula :

$$rs = 1 - \frac{6 \sum\limits_{i=1}^{n} d^2}{N^3 - N}$$

Where rs = Rank Correlation Coefficient,
       d = Difference in the rank of particular state between two periods in a specified variable, and
       N = The number of states.
(for details, see note of table 8.10(A)).

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15. 1971 has been chosen as the base for first period instead of 1968 to enhance comparability as data in respect of three states - East-Central, Rivers and South-Eastern were not available due to the civil war.

In order to calculate rank correlation coefficient, the states have been arranged in descending order in the respective revenue or expenditure variable such that the unit getting the highest amount (e.g. per Capita Independent Revenue) is awarded the first rank -- and the unit getting the least amount is awarded the last rank. Then the rank correlation coefficient is calculated using the per capita Independent Revenue for 1971 for ranking of states in base year and then in the each of the following year ranks are given to per Capita Independent Revenue and the Rank Correlation Coefficient is estimated in these years. The value of the rank correlation coefficient ranges between + 1.0000 and -1.0000. If rank correlation coefficient is of value + 1.0000, say between 1971 and 1972 or 1980 and 1981, for per capita Independent Revenue it implies that the position of the states remained in 1972 or 1981 as these were in the base year, i.e., beginning year of the period i.e., 1971 or 1980 as the case may be. This would imply that the state(s) getting the highest, the lowest, etc. per capita in 1971 or 1980 continued to get the highest, the lowest, etc. Per Capita Independent Revenue in 1972 or 1981. On the other hand, if the rank correlation coefficient is -1.0000 in any year with respect to the base year, it means that the positions of the states have completely reversed. It therefore follows that the states which were getting the highest per capita amount in the base year now does not get the highest and vice versa.

Table 8.10(A) shows the rank correlation results of the changes in the per capita receipts of the states in revenue variables for the period, 1971-79. Column 2 of this table reveals that the rank correlation coefficient with respect to per capita independent revenue of the states between 1971 and each of the following years stood at + 0.6853 in 1972 with respect to base year 1971. This shows that the position of the states altered in such manner that positions of most of states remained in 1972 with some changes. An increased value of this coefficient in 1973 reflects that states getting higher Independent Revenue in 1971 continued to get so in 1973 while those receiving lower Independent Revenue had to be satisfied with the same. The value of Rank Correlation Coefficient declined with fluctuations till 1978 when its value was 0.4126, indicating that most states getting higher Independent Revenue in 1971 turned out to be getting lower in 1978 while most of states getting lower

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TABLE 8.10 (A)

CHANGES IN THE RELATIVE POSITIONS OF THE NIGERIAN STATES IN THE NOTED VARIABLES, 1971-79 - SOME RANK CORRELATION COEFFICIENT RESULTS
(BASE YEAR = 1971)

Years	Per Capita Independent Revenue	Per Capita Total Statutory Transfers	Per Capita Federal Grants	Per Capita Federal Loans	Per Capita Total Transfers	Per Capita Total Revenue
1	2	3	4	5	6	7
1972	+ 0.6853	+ 0.8951	+ 0.9371	+ 0.8409	+ 0.8462	+ 0.8181
1973	+ 0.8531	+ 0.8881	+ 0 9580	+ 0.9108	+ 0.8462	+ 0.9091
1974	+ 0.7972	+ 0.7552	+ 0.8934	+ 0.9038	+ 0.7832	+ 0.8671
1975	+ 0.7343	+ 0.8741	+ 0.7657	+ 0.8339	+ 0.7832	+ 0.8881
1976	+ 0.7622	+ 0.6434	+ 0.8322	+ 0.7570	+ 0.7762	+ 0.7972
1977	+ 0.6294	+ 0.6014	+ 0.7622	+ 0.5262	+ 0.6224	+ 0.5455
1978	+ 0.4126	+ 0.7203	+ 0.6748	+ 0.5052	+ 0.6643	+ 0.5804
1979	+ 0.7483	+ 0.5734	+ 0.6678	+ 0.4808	+ 0.5594	+ 0.5245

Source of data : Same as per Table 8.01 (A)

Note ·

(i) 1971 has been choosen as the base for this period instead of 1968 due to want of data for some of the State consequent upon the three-year civil war (1968-70).

(ii) The following formula has been adopted for the calculation of the Rank Correlation Coefficient

$$rs = 1 - \frac{6 \sum\limits_{i=1}^{n} d^2}{N^3 - N}$$

Where   rs = Spearman's Rank Correlation Coefficient,
        d = difference in the rank on the respective states revenue variables between two periods,
        N = the number of states

However, in event of "Equal Ranks" between the states, the above formula is adjusted as below :

$$rs = 1 - \frac{6[\sum\limits_{i=1}^{n} d^2 + 1/12 (M^3 - M) + 1/12 (M^3 - M)]}{N^3 - N}$$

Where   M = number of states having equal ranks

(iii) Here each of the per capita : Independent Revenue, Statutory Transfers, Federal Grants, Federal Loans, Total Transfers and Total Revenue is ranked in base year, 1971, and then ranks of each of these in the following years (i.e., 1973 to 1979 respectively) are correlated with base year's ranking.

TABLE 8.10 (B)
CHANGES IN THE RELATIVE POSITIONS OF THE NIGERIAN STATES IN THE NOTED VARIABLES, 1980-88 - RANK CORRELATION COEFFICIENT RESULTS
(BASE YEAR = 1980)

Year	Independent Revenue	Total Statutory Transfers	Federal Loans	Total Transfers	Total Revenue
1	2	3	4	5	6
1981	+ 0.8228	+ 0.9912	+ 0.7570	+ 0.9895	+0. 9368
1982	+ 0.6088	+ 0.9491	+ 0.7377	+ 0.9561	+ 0.8649
1983	+ 0.6298	+ 0.9737	+ 0 8785	+ 0.9667	+ 0.8544
1984	- 0.9561	+ 0.9895	+ 0 8754	+ 0.9667	+ 0.9439
1985	+ 0.4947	+ 0.9544	+ 0 8825	+ 0.9579	+ 0.9298
1986	+ 0.5351	+ 0.9772	+ 0 8803	+ 0.9737	+ 0.9202
1987	+ 0.7667	+ 0.9632	-	+ 0.9632	+ 0.8860
1988	+ 0.6632	+ 0.8877	-	+ 0.8877	+ 0.8456

Source of data . Same as per Table 8.01(A)
Note . Please refer to note (ii) of Table 8.10 (A).

Independent Revenue in base year were better off with higher receipts in 1978. The ranking had altered greatly. Howerver in 1979, the higher value of Rank Correlation Coefficient implies that most of the states regained their 1971 positions with respect to Independent Revenue. It may be further noted that except for 1978 the value of Rank Correlation Coefficient remained above that of 1972 indicating that most of the states of Nigeria continued maintaining their positions with respect to Independent Revenue.

As regards per capita Total Statutory Transfers, the value of the Rank Correlation Coefficient was as high as 0.8951 in 1972 indicating the status quo in positions of most of the states. However, the value of Rank Correlation Coefficient declined with fluctuations over the period, falling to 0.5734 in 1979, impling that many states which received higher per capita Total Statutory Transfers in 1971 received lower in 1979 relative to those getting lower in 1971. This indicates a tendency towards equalization.

When we consider Ranking of states in 1971 by per capita Federal Grants it is observed from column 4 of table 8.10 (A) that Rank correlation coefficient was very high in alost all the years, though it showed a tendency of decline in value over the period. Thus, majority of states getting higher per capita Federal Grants continued to do so in the following period. Similar values and trends are observed in cases of per capita Federal Loan, per capita Total Transfers and per capita Total Revenue, with Rank Correlation Coefficient declining in value from 0.8409 in 1972 to 0.4808 in 1979, 0.8462 in 1971 to 0.5594 in 199, and 0.8181 in 1971 to 0.5245 in 1979 respectively. This indicates that per capita Federal Loans had the highest equalization effect.

Table 8.10(B) depicts the changes in the relative positions of the states in the per capita revenue variables during 1980-88. Column 2 of this table shows that rank correlation coefficient with respect to per capita independent revenue (with 1980 as the base year) stood at +0.8228 in 1981. This thereby implies that most of the states that generated higher per capita independent revenue in 1980 maintained the same position in 1981 while some states lost it in 1981. The coefficient declined (with fluctuations) to +0.6632 in 1979 which reveals

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that during these years a good number of states which generated lower per capita independent revenue in 1980 were able to raise higher per capita revenue, and vice versa. It is, however interesting to note that the value of Rank Correlation Coefficient not only declined between 1980-84 but it became negative in 1984 and stood at -0.9561 which reflects almost the reversal of ranking in 1984 as compared to 1980 with respect to Independent Revenue. Thus, almost all the states which generated higher per capita independent revenue in 1980 raised lower amount in 1984, and vice versa. However, a positive and increasing value of Rank Correlation Coefficient after 1984 also indicates that reversal took place again and states having lower per capita Independent Revenue in 1984 raised it thereafter and received higher per capita Independent Revenue in the following years and vice versa.

Column 3 of the table reveals that the rank correlation coefficient of per capita statutory transfers (with 1980 as the base year) stood at +0.9912 in 1981 which implies that there was hardly any change in the positions of the states in the receipt of per capita statutory transfers. This, therefore, means that the states which received the highest per capita statutory transfers in 1980 continued to enjoy that position in 1981, and vice versa. However, the coefficient declined marginally (with fluctuations) to +0.8877 in 1988, which thereby implies that over these years the position of few states that received lower per capita statutory transfers in 1980 improved, and vice versa. The results with respect to total transfers and total revenue are similar to that of statutory transfers, (see column 5 and 6). Thus, for total transfers, the coefficient declined marginally from +0.9895 (with some fluctuations) to +0.8877 in 1988, while that of total revenue fell from +0.9368 in 1981 to +0.8456 in 1988. As for federal loans, column 4 of the table indicates that the rank correlation coefficient stood at +0.7570 in 1981 (with 1980 as the base year). This means that few states which received higher per capita federal loans in 1980 lost that position in 1981. However, the coefficient which rose to +0.8803 in 1986.[16] This means that between 1981 and 1986, the position of the states in their receipt of per capita federal loans tended towards what it was in 1980, although it could not attain the same.

16.　See Note 14.

VIII. THE ISSUE OF PROGRESSIVITY OR REGRESSIVITY OF FEDERAL TRANSFERS TO THE STATES OF NIGERIA

In this section, an attempt has been made to examine the progressivity or regressivity of the federal transfers to the states in Nigeria. Federal transfers are said to be progressive if comparatively higher revenues are transferred to the poor and backward states, and vice versa. On the other hand they are said to be regressive if comparatively higher revenues are transfered to the richer states, and lower amounts to the poorer and backward ones. In order to do this, we have taken the per capita independent revenue of the states as an indicator of their fiscal capacity, and hence, a measure of their respective fiscal viability indicating whether or not these states are relatively richer. Thus, we proceed to ascertain the relationship between fiscal viability of a particular state and the federal transfers to it from the respective methods of transfers. In order to investigate into this, the rank correlation coefficient (as stated in section VII above) between the per capita independent revenue of the states and each of the methods of transfers, like per capita statutory transfers, per capita federal grants etc, in the respective years has been calculated. The states have been arranged in descending order of independent revenue and federal transfers. The state getting the highest amount is ranked number one, and one getting lowest is ranked last and vice versa. A positive rank correlation coefficient with respect to Independent Revenue and a particular mechanism of federal transfers in a particular year indicates a regressive nature of such a transfer method in that year. Under such condition states which recorded higher per capita independent revenue (and hence more fiscal viability) also received higher per capita transfers from a particular transfer method in a particular year, and vice varsa. In this case, the value of rank correlation coefficient would be positive and high. This would therefore indicate a regressive nature of such transfers in that year. Thus, the higher the positive rank correlation coefficient, the higher the regressivity of the transfers and vice versa. Conversely, a negative rank correlation coefficient implies progressivity of a particular transfer method in the year; implying that states with higher fiscal viability received lower fiscal transfers and vice versa.

Table 8.11(A) depicts the rank correlation coefficient between per capita independent revenue of the states and each of the per capita statutory transfers, per capita

TABLE 8.11 (A)

RANK CORRELATION COEFFICIENT BETWEEN THE PER CAPITA
TOTAL INDEPENDENT REVENUE OF THE STATES AND THE
NOTED TRANSFER VARIABLES IN NIGERIA 1971-79

Years	Per Capita Statutory Transfers	Per Capita Federal Grants	Per Capita Federal Loans	Per Capita Total Transfers
1	2	3	4	5
1971	+ 0.5524	+ 0.5664	+ 0.7832	+ 0.6154
1972	+ 0.7972	+ 0 7203	+ 0.8322	+ 0.8182
1973	+ 0.8392	+ 0 7972	+ 0.9021	+ 0.9441
1974	+ 0.7832	+ 0 6678	+ 0.7483	+ 0.7343
1975	+ 0.8671	+ 0 6993	+ 0.6224	+ 0.7692
1976	+ 0.8601	+ 0.8462	+ 0.6853	+ 0.7762
1977	+ 0.3566	+ 0.3147	+ 0.2587	+ 0.3007
1978	+ 0.5105	+ 0 2657	+ 0.2727	+ 0.4825
1979	+ 0.4196	+ 0 3566	+ 0.3497	+ 0.4266

Source of Data : Refer to Table 8.01 (A)
Note : See notes of Table 8.10(A)

TABLE 8.11 (B)

RANK CORRELATION COEFFICIENT BETWEEN THE PER CAPITA
TOTAL INDEPENDENT REVENUE OF THE STATES AND THE
NOTED TRANSFER VARIABLES IN NIGERIA, 1980-88

Years	Total Statutory Transfers	Federal Loans	Total Transfers
1	2	3	4
1980	+ 0.5719	+ 0 4912	+ 0.5719
1981	+ 0.2509	+ 0 5004	+ 0.2789
1982	+ 0.2632	+ 0 2930	+ 0.2614
1983	+ 0.5316	+ 0.4930	+ 0.5404
1984	+ 0.9579	+ 0 4088	+ 0.9789
1985	+ 0.5246	+ 0.3860	+ 0.4912
1986	+ 0.5719	+ 0.5658	+ 0.5070
1987	+ 0.5070	-	+ 0.5070
1988	+ 0.5333	-	+ 0.5333

Source of data : As per Table 8.01(A)
Note : Please see note (ii) of Table 8.10(A).

federal grants, per capita federal loans and per capita total transfers during the period 1971-79.[17] From this table it is noticed that the rank correlation coefficient between the per capita independent revenue of the states and the respective categories of federal transfers were positive and considerably high in all the years. This thereby implies the regressivity of these transfers as explained above. But considering the fact that all these rank correlation coefficients are less than + 1.0000, it therefore means that while the transfers are generally regressive, some poor states did receive comparatively higher per capita transfers than some richer states during these years. The trend of the coefficients was not definite. Thus, for statutory transfers, the coefficient stood at + 0.5524 in 1971 which thereby implies that in this year, a comparatively smaller number of poor states received higher per capita statutory transfers, and vice versa. The coefficient, however, rose with fluctuations to + 0.8671 in 1975 implying thereby that in this year, most of the richer states received higher per capita statutory transfers indicating regressivity of transfers. After 1975, the coefficient declined with fluctuations to + 0.4196 in 1979. This implies that regressivity of statutory transfers became less pronounced, or, a slight tendency towards progressivity of Statutory Transfers set in.

As for Rank Correlation Coefficient between Total Independent Revenue and each of the Federal Grants, Federal Loans and Total Transfers, there are no marked difference from what has been observed with respect to statutory transfers. We therefore observe that the coefficients declined with fluctuations from + 0.5664 to + 0.3566 for Federal Grants, from + 0.7832 to + 0.3497 for Federal Loans, and from + 0.6154 to + 0.4266 for Total Transfers, between 1971 and 1979. Hence, it could be said that while these transfers remained regressive, they showed tendency towards progressivity during this period.

The results with respect to the nineteen states during 1980-88 are shown in table 8.11(B) and reveal similar picture as was observed for the twelve states during 1971-79, though the values of Rank Correlation Coefficient for 1980-88 are quite lower than for 1971-79 in each case. Thus, the rank correlation coefficient of per capita independent revenue of the states with respect to per capita Statutory Transfers, Federal Loans and Total Transfers respectively was also positive with moderate value during 1980-88. This thereby

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17.   See note 14

reveals the regressive nature of these transfers during this period. However, the coefficient which stood at +0.5719 in 1980 with respect to statutory transfers (column 2) rose with fluctuations to + 0.9579 in 1984 which thereby indicates an increase in the degree of regressivity of the statutory transfers during this period. Nevertheless. After 1984, the coefficient declined slightly with fluctuations to +0.5333 in 1988 which indicates that there existed regressivity in these transfers.

From column 4 of the table it is also noted that the trend of the coefficients with respect to Total Transfers was similar to that of statutory transfers. Thus the coefficient which stood at +0.5719 in 1980 rose with fluctuations to +0.9789 in 1984 after which it declined with fluctuations to +0.5333 in 1988. Thus, the degree of the regressivity fluctuated during these years although it declined between 1980 and 1988. As for Federal Loans, column 3 of the table shows that in 1980, the rank correlation coefficient stood at +0.4912 which shows that the Federal Loans remained regressive Nevertheless, the coefficient declined with fluctuations to its lowest value of +0.2930 in 1982 indicating tendency towards reduction in regressivity of these transfers. Thereafter, the coefficient rose with fluctuations to +0.5658 in 1986,[18] re-inforcing the regressivity in these transfers.

In general, the above analysis suggests that although federal transfers in Nigeria may have shown tendencies towards revenue equalization, the fact remains that most of the states with higher fiscal viability (in terms of per capita independent revenue) continued to attract higher per capita federal transfers. Hence, the persistency of disparity in the per capita revenue of the Nigerian states. This invariably gets reflected in the variations of the states inter se in their provision of public services to their citizens.

However, the persistent regressive nature of the federal transfers in Nigeria could be explained by the fact that the inequality amongst the states was so high that any "massive" transfer aimed at making them automatically progressive was bound to generate political crisis in the federation. Thus, while the Binns Commission rejected the derivative principle in favour of a formula dominated by need-based principles, he acknowledged that a blatant application of need-based principles would involve so much redistribution as to be politically impossible.[19]

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18. See footnote no 14.
19. See, Federal Government of Nigeria, Report of the Fiscal Review Commission, 1965, pp. 11-16.

APPENDIX TABLE VIII.01

POPULATION ESTIMATE OF THE TWELVE STATES OF NIGERIA , 1968-79.

Year	Benue Plateau	East Central	Kano	Kwara	Lagos	Mid Western	North Central	North Eastern	North Western	South Eastern	Rivers	Western
1	2	3	4	5	6	7	8	9	10	11	12	13
1968	5.06	8.25	6.55	1.94	1.75	2 79	4.65	9.13	6.51	3.95	1.95	10.76
1969	5.19	8.46	6.72	1.99	1.82	2.86	4 77	9.36	6.68	4.05	2.00	11.04
1970	5.32	8.68	6.89	2.04	1.89	2 93	4 89	9.60	6.85	4.15	2.05	11.32
1971	5.46	8.90	7.07	2.09	1 97	3 01	5 02	9.85	7.03	4.26	2.10	11.61
1972	5.60	9.13	7.25	2.14	2.05	3.09	5.15	10.10	7.21	4.37	2.15	11.91
1973	5.74	9.36	7.44	2.19	2.13	3 17	5 28	10.36	7.40	4.48	2.21	12.22
1974	5.90	9.62	7.64	2.25	2.24	3.26	5 43	10.64	7.60	4.60	2.27	12.56
1975	6.06	9.88	7.85	2.31	2 35	3 35	5.58	10.93	7.81	4.73	2.33	12.91
1976	6.23	10.15	8.07	2.37	2.47	3.44	5.73	11.23	8.02	4.86	2.39	13.27
1977	6.40	10.43	8.29	2.44	2.59	3.53	5.89	11.54	8.24	4.99	2.46	13.63
1978	6.58	10.72	8.52	2.51	2.72	3 63	6 05	11.86	8.47	5.13	2.53	14.00
1979	6.76	11.01	8.75	2.58	2.86	3.73	6.21	12.19	8.70	5.27	2.60	14.39

Source · National Population Commission, Lagos.

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APPENDIX TABLE VIII.02

POPULATION ESTIMATE OF THE NINETEEN STATES OF NIGERIA, 1980-88.

Year	Anambara	Bauchi	Bendel	Benue	Borno	Cross	Gongola	Imo	Kaduna
1	2	3	4	5	6	7	8	9	10
1980	5.35	3.80	3.85	3.81	4.70	5.43	4.10	5.47	6.41
1981	5.55	3.92	3.96	3.92	4.84	5.60	4.20	5.68	6.61
1982	5.76	4.04	4.09	4.04	4.99	5.77	4.32	5.89	6.81
1983	5.97	4.17	4.21	4.16	5.14	5.95	4.46	6.11	7.02
1984	6.20	4.29	4.35	4.29	5 30	6.14	4.60	6.33	7.24
1985	6.51	4.40	4.46	4.40	5.44	6.30	4.72	6.65	7.42
1986	6.73	4.55	4.60	4.54	5.61	6.51	4.87	6.87	7.66
1987	6.94	4.69	4.75	4.69	5.79	6.71	5.03	7.09	7.91
1988	7.17	4.85	4.91	4.84	5.98	6.93	5.19	7.32	8.17

Year	Kano	Kwara	Lagos	Niger	Ogun	Ondo	Oyo	Plateau	Rivers	Sokoto
1	11	12	13	14	15	16	17	18	19	20
1980	9.02	2.66	2.98	1.72	2 42	4.27	8.15	3.16	2.68	7.23
1981	9.30	2.74	3.11	1.77	2 50	4 40	8.40	3.25	2.76	7.43
1982	9.59	2.83	3.24	1.82	2.57	4 53	8.66	3.35	2.85	7.65
1983	9.89	2.92	3.37	1.87	2 65	4.67	8.92	3 45	2.94	7.86
1984	10.20	3.01	3.52	1.92	2.74	4.82	9.20	3.56	3.03	8.09
1985	10.46	3.09	3.60	1.96	2.81	4.94	9.43	3.65	3.12	8.22
1986	10.80	3.19	3.77	2.02	2 90	5.10	9.74	3.77	3.22	8.49
1987	11.10	3.29	3.96	2.08	2.99	5.27	10.06	3.89	3.32	8.76
1988	11.51	3.40	4.15	2.15	3.09	5 44	10.39	4.01	3.43	9.05

Source : National Population Commission, Lagos.