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# ANALYSIS OF FEDERAL ACCOUNT ALLOCATION COMMITTEE (FAAC) TO STATES IN THE SIX GEOPOLITICAL ZONES (2017-2023): ALLOCATIONS OF SUSTAINABLE DEVELOPMENT

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**Abstract:**
*The federal government FAAC has been a major source of revenue to states and its impact on the states was considered for assessment. This work conducted analysis of federal Accounts allocation committee (FAAC) to 36 states of the federation. The study anchored on "Theory of Taxation). The study obtained data from National Bureau of Statistics covering 2017 to 2023. The study adopted the ex-post-facto research design. The questions were first answered with tables, frequency tables, percentages and bar charts while Error Correction Model within the framework of the Ordinary Least Square Multiple regression technique was implored for data analysis. Result revealed that the highest allocations were collected by Akwa Ibom, Bayelsa and Lagos states of South-South geopolitical zone as the higher producers of crude oil. The variables are all stationary after first differencing and that their statistical properties do not fluctuate with time as they remained constant over the entire period of 2017 to 2023. The foreign direct investment an foreign portfolio investment (FPI) both decreased federal allocations for the period reviewed but only federal customs Service expenditure decreased revenue generation significantly. This means that federal Customs service expenditure in Nigeria is very low compared to remittances and as such the country still suffers from low revenue generation. The study recommended that federal government should enhance her export base so as to increase earnings from exports which and every financial inflow into the Nigerian economy should be properly recorded by the Financial Intelligence Unit of the Central Bank of Nigeria.*

**Keywords:** Federal Account Allocation Committee, Geopolitical zones, Sustainable Development



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## Introduction

Federal account allocations committee was created to establish according to the law derivable funds allocations to states according to her contribution to the federal purse. It is in that regard we observed variation in the amount receivable be states at the end of every month. It reflections to economic development of each state is a function of revenue management of individual state. What constitutes development components in each state is an individual thing (Onuigbo & Eme, (2015). Though federal account is maintained by federal government, it is for the interest of all the states in the six geopolitical zones of Nigeria. It called single treasury account (STA) by president Muhamadu Buhari's Democratic government, which means every fund or proceed generated on behalf of federal government are lodged into the account to be shared amongst the states by the states every month. It is obvious that allocation of revenue has been evolving over the years. Allocations of revenue in Nigeria have been a contentious issue and needed to be harnessed to balance economic development received revenue is judiciously utilized. The utilization of federal revenue by the three tiers of government is unarguably criticized because of non-proper application fund to developmental projects and political undertone at the centre. Prior to 2006, it has been considered as inadequate before the proposed formula be the federal government at 65 percent for federal government, 25 percent for local government and 23 percent for local government areas (Ujah, 2021). More complex it is with more ethnic nationalities asking for a fare share of the revenue from federal accounts. Federal government has the statutory powers to allocate resources /funds to the three tiers of government and Abuja FCT. Revenue is the financial backing needed by government to finance its developmental activities. Revenue from Federal Accounts Committee is addition to internally generated revenue of each state.

Fundamentally is the problem of how revenue accruals are distributed to the three tiers of government (FCT, states and local governments). The disturbing feature is the enormous challenges confronting the government on how judiciously the received fund will be spent in the face of the grievous fraud in the system. The fiscal capacity determines the level of economic development in the states. To this end, the question raised is how well has the funds received Federal Account Allocation Committee (FAAC) been used in the development of the individual states. To answer this question, this paper conducts analysis of federal account allocation committee (FAAC) to states from 2021 to 2023 in the six geopolitical zones.

## Study Objective

This paper undertakes analysis of federal account allocation committee (FAAC) to states from 2021 to 2023 in the six geopolitical zones.

Specifically, it is within the context of this paper to investigate the following;

(i) to establish out the amount collected by each states within the period under review.
(ii) to find out what constitutes economic development in each state of the federation.
(iii) to determine out amount collected by each of the six geopolitical zone.

## Research Question

As a guide to unveiling the study objective, the following question will give a lead to expected answers;

(a) What is the extent of amount collected by individual state from the federal account within the period reviewed?
(b) What is the extent of economic development in the states based on the amount collected within the reviewed period?

(c) What is the extent of amount collected by each geopolitical zone within the reviewed period?

**Study Hypotheses;**

1. There is no significant relationship between amount collected by states and economic development of those states.
2. There is no significant relationship between collected amount and what constitutes economic development.

This paper no doubt adds to existing literature on revenue to the states. The work exposes the level of economic development in the thirty-six states of the federation. It brings to reality the extent of development in the six geopolitical zones in the country. The amount collected by individual state within the period reviewed will be made public in this study.

**Clarification Concepts**

*The concept of Federal Account Allocation Committee*: the federal government has set up a committee entrusted with the responsibility of ensuring that accumulated revenue into the federation account is shared to individual states in the geopolitical zones according to the derivation formula. This formula is based on funds generated from resources or an economic activity from each states (Otinche, 2018). This committee was set up by the federal government. It is a committee established by Allocation of Revenue Act of 1981. Signed by Alhaji Shehu Shagari in 1982 the president of Nigeria in the second republic. The committee is saddled with the responsibility of;

(a) To ensure that shared allocations are promptly paid to each state.
(b) Ensure that the terms of the allocation of revenue Act is strictly adhered to by parties concerned.
(c) To report to the National Assembly on the its function as prescribed by law.

The monies in the federation account are as a result of certain factors such as the 13% derivation, Statutory Allocations, Valued Added Tax (VAT) and distribution of the difference in the exchange gain usually shared amongst the three tiers of government (Ojong, Ogar & Arikpo, 2016).

*The concept of Geopolitical zones:* Nigeria is politically divided into six geopolitical zones for political and power sharing purposes. It helps in power rotation. This was created by Gen Sani Abacha to imply the distribution of educational, political and economic resources. The geopolitical zones are spread across Nigeria with varying economic resources including political structure with North-East being the largest zone with more states. It is for easy rotation of political power, sharing of economic resources.

**Table 1: Nigeria Geopolitical Zones and their states.**

| Geopolitical Zones | States |
|---|---|
| (1) North – Central (Middle Belt) | Benue, Kogi, Kwara, Nassarawa, Niger, Plateau, and Abuja. |
| (2) North – East | Adamawa, Bauchi, Borno, Gombe, Taraba, and Yobe. |
| (3) North – West | Jigawa, Kaduna, Kano, Katsina, Kebbi, Sokoto, and Zamfara |
| (4) South – East | Abia, Anambra, Ebonyi, Enugu, and Imo; |
| (5) South – South (Niger Delta) | AkwaIbom, Bayelsa, Cross River, Rivers, Edo, and Delta. |
| (6) South – East | Ekiti, Lagos, Ogun, Ondo, Osun, and Oyo. |

Source: Wikipedia, 2024

***The concept of Sustainable development:*** the term development has been there in development literature. It has been established that development is evolving and dynamic. No matter the continent be it underdeveloped, developing or developed, it is dynamic in nature. It is something that a nation cannot give up to. It is continuous and sustainable in the sense that no nation would want to fall below its standard. It a country is under developed, it is expected to keep making progress where it is developing, it should be going upwards but where it is said to be developed, such progress in both human and infrastructural development should keep advancing and be sustained (Otu, & Adejumo, 2013). Sustainable development or advancement is continually maintained, it is said to be sustained for the future.

## Literature Review

Over the years, sharing of revenue remained evolving with increase in global oil prices. This explains the federal sharing or even distribution of resources to different units of the economy. It has remained a contentious issue in the political system from the pre-independence days. At different levels, it requires a just and fair distribution to the states concerned. Since the independence in 1960, cordial relationship between federal government and the other tiers of government has remained reasonably unchanged a part from few areas besides during military regimes. Approximately nine commissions have been created to assess sharing of revenue in Nigeria between 1960 and 1988. They include Philipson (1946), Hicks (1952), Chick (1954), Raisman (1959), Binns (1964), Dina (1968), Aboyede (1977), Okigbo (1979) and Danjuma (1988) commissions (Ekpo, 2004).

During the post independence commission, fiscal reviews were set up to harness the workable and acceptable revenue formula for the three tiers of government. Like other commissions, recommendations made by Okigbo Commission spelt among others witnessed unacceptability and conflict. Years back, discussions about resource control took a centre stage in every discussion about the political and economic debates in Nigeria. Revenue sharing in Nigeria is explained as the equitable distribution of revenue of the country to the free tiers of government to represent structure of fiscal federalism which is the reveals a single nation with more than one level of government with different responsibilities of expenditure with powers of taxation (Ordu, & Omesi, 2022). Ohiomu, and Oluyemi, (2019) cited in Ordu & Omesi (2022) that though revenue is distributed according to contribution to federal account, Federal Account Allocations Committee (FAAC) has a specific percentage accruable to each level of tiers of government such as shown below:

**Table 2. Nigeria's Revenue Allocations Formula**

| S/N | Beneficiary | Share Percentage (%) |
|---|---|---|
| 1. | Federal Government | 56 |
| 2. | 36 states of the federation. | 24 |
| 3. | 774 Local Governments | 20 |
| | **Total** | **100** |

Source: (Adopted from Ordu &Omesi, 2022)

Omodero, Ekwe, and Ihendinihu, (2018) established a table revealing the distribution of 56% accruable to the federal government. This 56 percent is distributed to agencies in the following manner;

**Table 3. Distribution of Federal Government 56 % share to agencies and FCT.**

| S/N | Agencies & Fed. Capital Territory | | |
|---|---|---|---|
| 1. | Federal government | 1.00 | 48.50 |
| 2. | Federal Capital Territory (FCT) | 3.00 | |
| 3. | NDDC (for the development of Mineral Producing areas | 2.00 | |
| 4. | Amelioration of general ecological problems (%) | 0.50 | |
| 5. | Stabilization fund (%) | | |
| 6. | Mineral Producing states (shared based on the amount of mineral produced (%). | | |
| | **Total** | **100** | **56.00** |

*Source: National Bureau of Statistics*

**Theory of Taxation**.

This paper is anchored on "theory of taxation" propounded by Musgrave (1973). The theory is of the opinion that state has to levy taxes on individuals according to their derived benefit from government expenditure. The benefits an individual gets from economic activities from the state, the willing he is to pay his tax obligations to the government. The basic assumption of the theory is that it is a give and take or a relationship between the tax payer and the government. This theory implies that a resident should gain from paying his taxes up to a point that the benefits may exceed that tax amount paid mostly in the form of infrastructural provision and others (Omodero, Ekwe, & Ihendinihu, 2018).

Musgrave (1973) succinctly believe that theory of taxation was assumed by Otu, & Adejumo, 1964) and Economist of the Stockholm school of thought which now is applied by scholars such as Musgrave and others. The unanimity of Out and Adelumo, (1964)'s principle as applied by Musgrave was a premise on equitable distribution of income. This work has been adopted by several scholars; it has been applied to other subjects as progressive, corporate and property taxes or wealth. Presently, this theory has gained prominence in many scholarly researches and other issues regarding taxation. To Howith, (2007), economic policies on the area of trade openness and innovation which drives economic growth therefore, this theory fits into this work which emphasized that Revenue allocation will promote economic development if well implemented by the handlers of our collective revenue.

**Empirical Review**

Several scholars in their studies have tried to relate revenue allocation to economic development; Ogbonna, (2012): Agbaeze, at al (2015): Olufemi, et al (2023): Nteegah, (2023). Effect of revenue allocation on economic growth was investigated by Omode, (2019). Focus of the study was on corruption and mismanagement of monthly allocation. The study utilized annual time series data from 1981 to 2016 and implored ordinary least Square (OLS) method for the data analysis. The study found that there is a significant relationship between revenue allocations and real gross domestic product. It was also discovered that there is a relationship between federal government revenue allocation and real growth of domestic product. Akor & Omesi, (2022) investigated value added tax and revenue allocation in Nigeria from 2000 to 2020. Focus of the study was on VAT and allocations to states. Descriptive statistics and analysis of trends were adopted in the data analysis. It was discovered that there is a significant positive relationship between VAT and federal allocation. State allocations have a positive relationship VAT.

Impact of federal accounts allocation fund on economic growth was studies by Omode, Ihendinihu, and Dandago, (2019). The study focused on Federal Accounts Allocation Committee (FAAC) responsibility in revenue sharing. Ordinary Least Square (OLS) of multiple regression analysis was employed to analyze the time series data. It was revealed that there is a significant positive impact of FAFG on both pre and post democratic governance in Nigeria. There was a negative impact of RGDP the tested variables. Funds

mismanagement in the three tiers of government is solely responsible poor economic growth in Nigeria. Hamidu, Buba, Soba and Adams, (2019) investigated empirical analysis of internal generated revenue in Adamawa state Nigeria. Study focus was on the level of development from 2008 to 2018. Ordinary Least Square (OLS) regression analysis was adopted for the time series data analysis. It was found that both internally generated and revenue allocation maintained upward increase. It revealed that the structure guarantees a steady rise in the revenue of the state. It showed that the policy adopted by the states government on revenue generation is most appropriate to be adopted by other states.

The implication of revenue Allocation in Nigeria for a sustainable national development was carried out by Ohiomu and Ade, (2018). Focus of study was on revenue sharing formula. The study implored error correction model and Johansen Co-integration tests for the data analysis. It was revealed that both revenue allocations and other variables have a significant relationship with economic growth in Nigeria. Nteegah, (2023) investigated on Fiscal Federalism and Socioeconomic Development in Nigeria. Focus of the study was on survival of the states. Content analysis was adopted for the study. It was discovered that fiscal federalism encouraged economic development of the states. It was also found that poverty and unemployment were reduced by states with high level of productive capacity.

Idowu and Bamidele, (2018) investigated economic downturn and federal practice in Nigeria. The study focused on fiscal federalism. The Augmented Dickey Fuller (ADF) unit root test and Autoregressive Impulse Response Function (IRF) were employed for the analysis. Result revealed that response of real GDP growth to economic downturn was insignificant with identification of over dependence on oil. Overwhelming dependence level of the country on oil and corruption, rent-seeking leaders and politics of fiscal federalism are some of the core challenges of the country. Analysis of public debt and revenue allocation of various states in Nigeria was conducted by Olufemi, Amenzee and Oseni, (2023). Focus of the study was on federal Account Allocation Commission (FAAC). Simple regression was utilized for the data analysis. It was revealed that revenue allocation does not significantly influence debt of states in Nigeria.

The derivative model of resolving Nigeria's dependency on oil was studied by Agbaeze, Udeh and Onwuka, (2015). The study focused on oil accounts and domestic product of oil. The paper utilized the content analysis for her analysis. It was found that the federation account is dominated by revenue from oil with about 90 per cent of Nigeria's revenue coming from oil export. There is substantially unstable revenue as a result of oil price fluctuation. Nigeria has been exposed to challenges associated with oil price fluctuations. Ogbonna, (2012) investigated the empirical evidence of petroleum income and Nigerian economy. The paper focused on oil revenue. Simple regression model was adopted for the analysis of data. It was revealed that that petroleum profit tax revenue has both insignificant and positive relationship with inflation, gross domestic product and per capita income (PCI). Licensing fee has a positive and significant impact with gross domestic product (GDP), per capita income (PCI) but has a negative and significant relationship with inflation.

## Materials and Methods

This research work adopts the *ex-post-facto* research design. The data are sourced from the National Bureau of Statistics Statistical Bulletin, Database (2023 editions). The data are analyzed using econometric procedures involving the test for unit root, in order to ascertain their stationarity and suitability for the analysis. This was followed by the test for long run relationship amongst the variables using the Johansen co-integration test. The parameters of the model were estimated using the Error Correction Model. The Error Correction Model (ECM) is within the framework of the Ordinary Least Square Regression (OLS) and tests the

relationship and effect of independent variables on the dependent variable. The ECM is suitable for variables that are integrated of order one (Pesaran, Shin and Smith, 2001).

**Analysis**

The questions were first answered with tables, frequency tables, percentages and bar charts while Error Correction Model within the framework of the Ordinary Least Square Multiple regression technique was implored for data analysis.

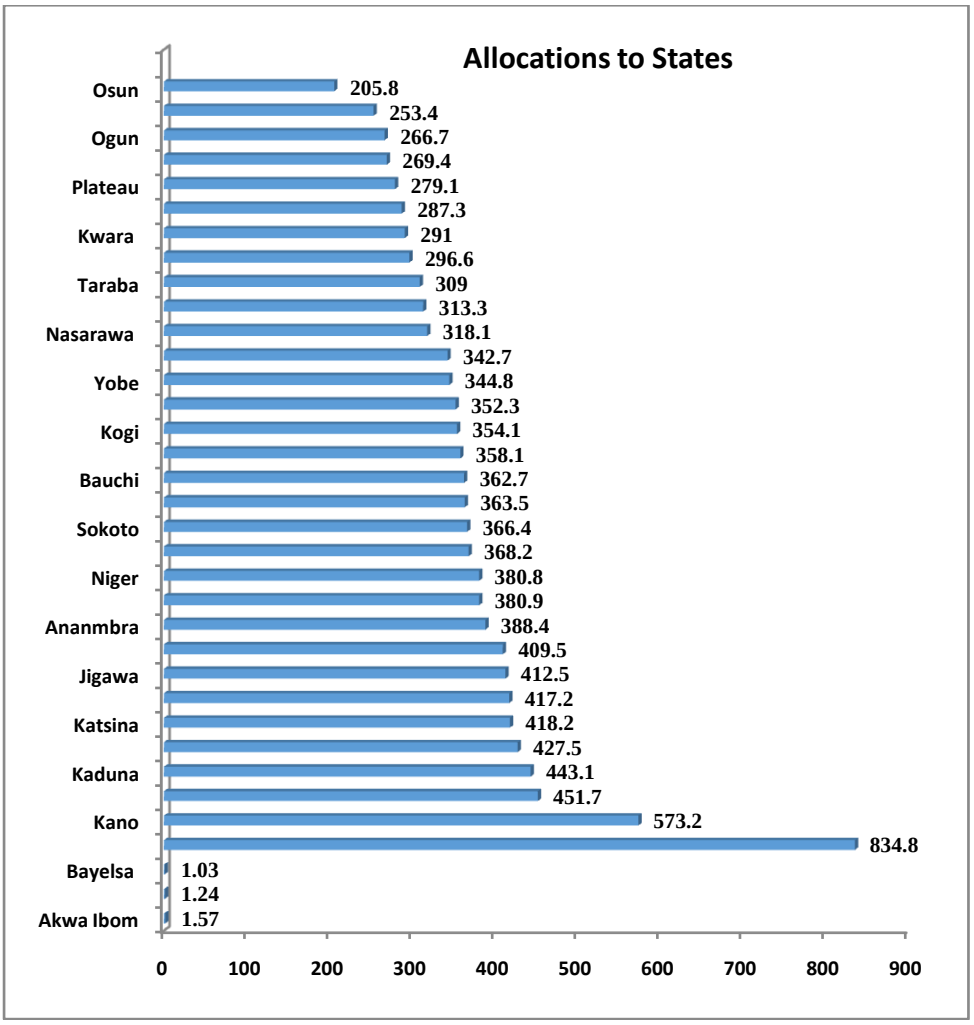
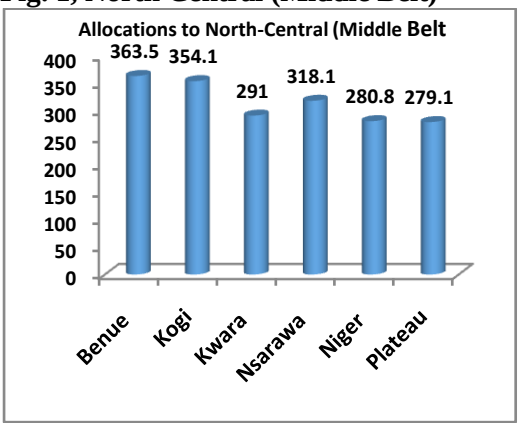
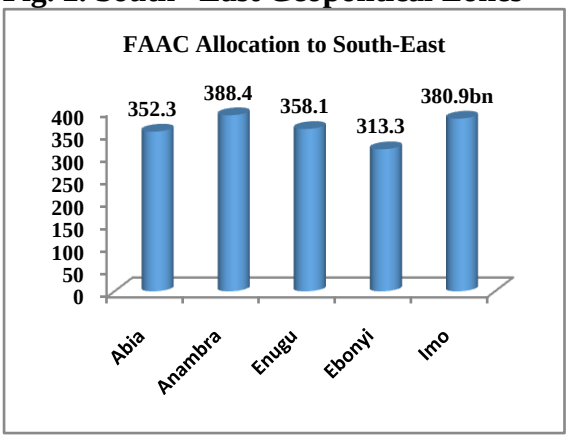



**Fig. 1, North Central (Middle Belt)**




*Source: National Bureau of Statistics*

**Fig. 2. South –East Geopolitical Zones**

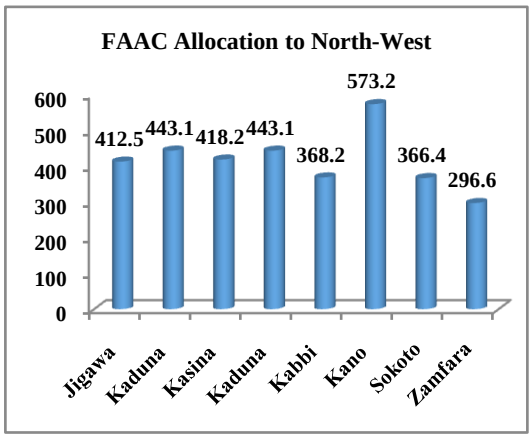



*Source: National Bureau of Statistics*

On a disaggregated basis, for North-East states, figure 1 revealed that Benue states received more allocation with 363.5bn and was expected to experience more of sustained economic development that other states. This was followed by kogi states with 354.1bn to become the second highest allocation receiver from the geopolitical zone. Third recipient is Nasarawa state with 318bn while Niger, Plateau and Kwara received 280.8bn, 279.1bn and 291bn respectively to become 4th, 5th and 6th positions.

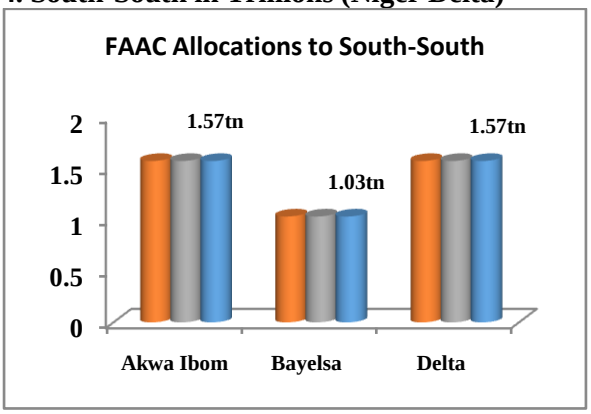
For the South-East states as shown in figure 2 above, the analysis revealed that in the geopolitical zone, Anambra state had the highest FAAC allocation with 388.4bn followed by Imo states with 380bn. The third position is Enugu state with 358.1bn while Aba and Ebonyi states received 352.3bn and 313.3bn respectively to clinch 4th and 5th positions.

**Fig. 3 Allocations to North-West**




*Source: National Bureau of Statistics*

**Fig. 4. South-South in Trillions (Niger Delta)**

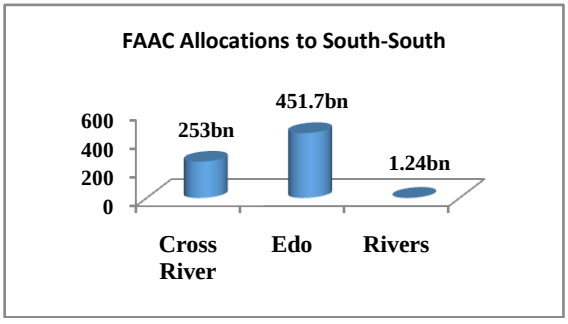



*Source: National Bureau of Statistics*

For the North-West Geopolitical zone, analysis revealed that Kano state was the highest receiver with 573.2bn followed by Kaduna and Katisina states with 418.2bn and 443.1bn respectively. The fifth in position is Jigawa state with 412.5bn while Sokoto and Zamfara states had 366.4bn and 296.6bn respectively to get 6th and 7th positions.

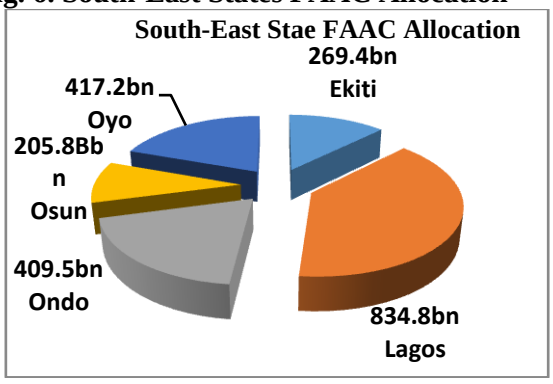
In figure 4, for the South-South states, two different figures were obtained whil three states got up to Trillion the rest three got billions in the following order. Akwa Ibom and Delta states received 1.57tn each to be the highest recipients among the whole states, Bayelsa state became second with 1,03tn.

**Fig. 5 South-South State Allocations in bn**




*Source: National Bureau of Statistics*

**Fig. 6. South-East States FAAC Allocation**

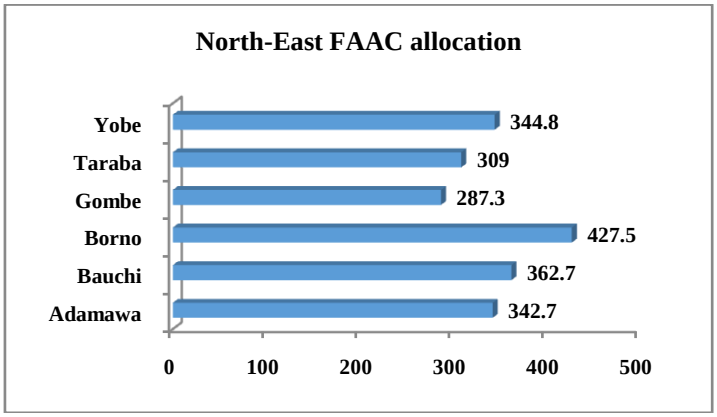



*Source: National Bureau of Statistics*

In figure 5, still in South-South Geopolitical zone, in the FAAC allocations, Edo state received 451.7bn while Cross Rivers and Rivers States got 253bn and 1.2bn respectively to clinch the 5th and 6th positions.

Figure 6 reflected analysis of allocations to South-East states with the allocation of 834bn to Lagos state. This is followed by Ondo state with allocation of 409bn. The rest allocations were to Oyo, Ekiti and Osun states clinching 3rd, 4th and 5th positions reflecting 417.2bn, 269.4bn and 205.8bn respectively.

**Fig. 7. FAAC Allocations to North-East States**




*Source: National Bureau of Statistics*

For the North-East as shown in figure 7. Analysis result revealed that Borno state received the highest with 427.5bn. this was followed by Bauchi state with 362.7bn to become second. Yobe state was allocated 344.8bn to take the third position. The forth recipient was Adamawa state with 342.7bn. Taraba and Gombe states received 309bn and 287.3bn respectively to clinch the 5th and 6th positions.

**Test of Hypotheses**

**Model Specification**

Our model modifies the empirical work of Adekunle, (2018) who studied foreign capital inflows and economic growth in Nigeria. His model specification had labor participation, gross capital formation, foreign direct investment and portfolio investment as proxies for foreign capital inflow. This study modifies and extends their model by introducing export earnings and remittances as key variables of federal allocations while also retaining oil exports and value added tax (VAT) as explanatory variables. The model is formulated thus:

$RSED = f(RFOXP, FCSE, RFVAT. REM)$ ...(i)

Where:

RSEG = Sustainable Economic Development
RFXPE = Real Foreign Export Earnings
FCSE = Federal Custom Service Earnings
RFVAT = Value Added Tax Revenue
REM = Remittances

The general model follows the linear equation form thus;

$RSED_{it} = \beta_j + \Sigma\beta_k X_{ij} + \varepsilon_{jt}$ (ii)

Where $RSED_{it}$ is as previously defined, with i = 1, 2, 3,…n, $\beta_k$ is the intercept, $X_{ij}$ are the explanatory variables and $\varepsilon_{jt}$ is the error term.

In order to specifically determine the linear functional relationship between federal accounts allocation committee and economic development in Niger Delta, Nigeria, we substitute the variables of the functional equation (i) into equation (ii) which gives us the following general linear specification model:

$$RSED_{it} = \beta_j + \Sigma\beta_k RFXPE_{jt} + \Sigma\beta_k FCSE_{jt} + \Sigma\beta_k RFVAT_{jt} + \Sigma\beta_k FPI_{jt}, REM + \varepsilon_{jt} \quad \ldots(iii)$$

Where the $x_{jt}$ with coefficients RFXPE, , FCSE and RFVAT are the capital inflow indicators as stated in equation (i)

**A-priori expectation:** In line with economic theories, it is expected that federal allocations should add to the stock of capital formation in the economy and in like manner grow the local economy and enhance sustainable development. Hence, the deferral allocations variables are expected to have positive effect on the sustainable economic development of the Nigerian economy. This can be represented mathematically as: $\beta_1 > 0, \beta_2 > 0, \beta_3 > 0, \beta_4 > 0,$

**Result and Discussion**

The time series nature of the variable makes the test for unit root or stationarity very exigent. This is in order to ascertain the order of integration of the variables. This is followed by the test for co-integration before the model estimation.

**Unit Root Test**

The test for unit root was carried with the Augmented Dickey Fuller test. The null and alternate hypothesis is stated as follows:

$H_0$: Variable $X_{ij}$ has a unit root (i.e. the variable is not stationary)

$H_1$: Variable $X_{ij}$ has no unit root (i.e. the variable is stationary)

Decision rule: if the absolute value of the ADF test is greater than the critical value at 5%, we reject the null hypothesis.

**Table 4: Summary of ADF Test**

| | | ADF Test statistics | | | |
|---|---|---|---|---|---|
| **Variable** | | **At Level** | **1st Difference** | **Decision** | **Order of Integration** |
| RGDP | | -2.4821 | -6.5911 | Stationary at 1st difference | I(1) |
| RFXPE | | -1.2123 | -9.2205 | Stationary at 1st difference | I(1) |
| FCSE | | -2.5137 | -6.7751 | Stationary at 1st difference | I(1) |
| RFVAT | | -2.4622 | -6.0276 | Stationary at 1st difference | I(1) |
| REM | | -2.0078 | -6.9561 | Stationary at 1st difference | I(1) |
| Critical | 1% | *-2.5045* | *-2.5145* | | |
| Values | 5% | *-2.8260* | *-2.8311* | | |
| | 10% | *-2.5058* | *-2.5081* | | |

The unit root test above reveals that the variables are all stationary after first differencing, which implies that the variables RSED, RFXPE, REM, FCSE and RFVAT are integrated of order one, I(1). This is seen in their respective ADF test statistic values at first difference which are all greater than the 5% critical values. Thus, we reject the null hypothesis and conclude that the variables are all stationary after first differencing and that their statistical properties do not fluctuate with time as they remained constant over the entire period of 2017 to 2023.

**Johansen Co-integration Test**

**Table 5: Johansen Co-integration Test Results**

| | Trace Statistic | | | | Max-Eigen Statistic | | |
|---|---|---|---|---|---|---|---|
| Hypothesized No of CE (S) | Eigen-Value | Trace statistics | 5% Critical Value | Prob* | Max-Eigen statistics | 5% Crit. value | Prob* |
| None * | 0.5402 | 82.2206 | 58.7178 | 0.0002 | 30.8712 | 22.7658 | 0.0060 |
| At most 1 * | 0.3020 | 42.2383 | 46.7451 | 0.0167 | 20.0662 | 26.4732 | 0.2262 |
| At most 2 * | 026450 | 21.2941 | 28.6871 | 0.0252 | 17.3055 | 21.1215 | 0.1177 |
| At most 3 | 0.2374 | 13.8776 | 15.3836 | 0.0733 | 11.5565 | 13.2535 | 0.1227 |
| At most 4 | 0.0467 | 2.3211 | 3.7314 | 0.1265 | 2.3211 | 3.7314 | 0.1265 |

*Note: *Trace test indicates 3cointegratingeqn(s) at the 0.05 level*
**Max-eigen value test indicates 1 co-integrating eqn(s) at the 0.05 level*
*Source: Researchers' Computation using E-view 9*

The result of the Johansen co-integration rank tests presented in Table 5 above shows that the Trace statistics indicate three (3) co-integrating equations at the 5% level while the Max-eigen statistics indicate one (1) co-integrating equation at the 5% level. The existence of at least 1 co-integrating equation(s) in the model is an indication that there exists a long-run relationship between federal allocation and sustainable development of Nigeria.

**Error Correction Model Estimation**

The study proceeded with the estimation of the Error Correction Model which was developed by Engle and Granger to reconcile the short-run behavior of the federal allocations indicators vis-avis sustainable development, with its long-run behavior, and to investigate the adjustment mechanisms towards the long-run equilibrium. The result is summarized below:

**Summary of the Model Estimates**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 7.054523 | 5.720351 | 1.182563 | 0.2346 |
| XPE | 0.083338 | 0.042832 | 1.654106 | 0.0761 |
| REM | 0.032271 | 0.067442 | 0.442291 | 0.4744 |
| FDI | -0.011031 | 0.062322 | -0.142312 | 0.7688 |
| FPI | -0.237325 | 0.048300 | -4.020843 | 0.0315 |
| ECM(-1) | -0.114545 | 0.021366 | -5.333380 | 0.0000 |

| | | | |
|---|---|---|---|
| R-squared | 0.633562 | Mean dependent var | 5.013158 |
| Adjusted R-squared | 0.511027 | S.D. dependent var | 6.305032 |
| F-statistic | 1.072518 | Akaike info criterion | 6.543740 |
| Prob(F-statistic) | 0.377587 | Durbin-Watson stat | 1.635228 |

The estimates above show that export earnings increases growth by 0.093 units. This indicates that for every unit increase in export earnings, economic growth increases by 0.093 units or 9.3%. This is a clear indication of a direct and positive relationship. Also, the probability value of 0.0871 is greater than the 0.05 critical value meaning that the increase in RSED occasioned by increase in export earnings is not significant.

Similarly, remittances, which represent other financial inflows into the Nigerian economy has a positive coefficient of 0.043 meaning that it increases sustainable development as well by 4.3% annually. The probability value of 0.5845 showed that it is not significant.

Foreign direct investment (RFVAT) has a negative coefficient of -0.011 with probability value of 0.8799 meaning that REM decreases economic growth by 0.011 units or 1.1% but the decrease was not significant. Also, foreign portfolio investment (FCSE) has a negative coefficient of -0.2384 with a significant p-value of 0.0214. This is an indication that foreign portfolio investment has a negative effect on RSED decreasing it by 23.84% and the decrease was significant for the period reviewed. Therefore, foreign portfolio investment had a significant negative effect on the growth of the economy.

The R-squared value of 0.7447 is an indication that the model has a strong coefficient of determination. In other words, about 74.47% of the changes in economic growth are being explained by the capital market indicators. Also the Durbin-Watson value of 1.636 tends towards 2 than 0 meaning that the error terms of the model are not serially correlated. That is, there is no autocorrelation in the model.

**Discussion of Findings**

The study of federal allocations and sustain economic development in Nigeria has received attention from researchers in Nigeria who used recorded amounts received by states and made different findings. However, this study deviated from previous studies by using real foreign export earnings (RFXPE) and remittances as key federal allocations variables while also using both FCSE and VAT as intervening variables of the model. Evidence from the analysis showed that export earnings and remittances both have positive but insignificant effect on the sustained economic development of the Nigerian economy. This means that increase in both export earnings and remittances increased development in the economy but not significantly over the period. This implies that Nigeria's earnings from exports, which is a component of federal allocations, has not significantly grown the local economy due to the low frequency of exports and the resultant low returns on export earnings as observed by Anidiobu, et al (2020).

Remittances were not also significant due to the fact that most diaspora remittances into Nigeria go to private individuals which in most cases are rarely recorded. This makes the capturing of such remittances very difficult and as a result, the one captured in the economic report are small when compared to the level of economic development hence its non-significance. For example, in 2019 alone, the National Bureau of Statistics (NBS, 2019) recorded remittances to Nigeria at 45.7% of total federal allocation while in actual fact, the IMF reported in 2019 that Nigeria accounts for up to 70% of total remittances in Africa and is the major recipient of World remittances in Sub-Saharan Africa.

Furthermore, foreign direct investment and foreign portfolio investment (FPI) both decreased federal allocations for the period reviewed but only FCSE decreased revenue generation significantly. This means that FCSE in Nigeria is very low compared to REM and as such the country still suffers from low revenue generation from these two major areas. FCSE or only 7.3% of total inflows in 2019 while REM accounted for 34.9% same year (NBS, 2019). This shows a huge gap in both REM and FCSE into Nigeria.

The joint significance of the model was determined using the F-statistic and the result shows that the variables do not jointly affect sustained economic development in the economy.

However, the federal revenue allocations variables jointly accounted for up to 74% of the changes in sustained economic development.

**Conclusion**

The complimentarity effect of federal allocations on revenue is one of the key drivers of the movement in support of economic globalization and integration. Revenue to the federation account can come through various channels but the recent innovations in the financial sector makes the computation of federation account somewhat difficult. Hence, the need to analyze the effect of the known federal allocations on sustained economic development of the country became very exigent as Nigeria seeks to raise capital formation and grow the economy to optimal level. This study, having analyzed the nexus between federal revenue generations and sustained economic development concludes that export earnings and other financial inflows (remittances) have grown the economy over the years but their increasing effect on the economy has not been significantly felt. It is unfortunate that these states are still in a sorry state despite the huge suns of monies they collected as allocations. There are no basic infrastructural facilities available for the citizens, the roads are in a state of deplorable situation. Jobs are not available for the youths industries are closing business as a result of environment devoid of peaceful atmosphere for businesses to strive. Constant availability of funds for the states is essential condition for a sustainable economic development.

**Recommendations**

Remittances and RFVAT on the other hand have not helped the economy as their effects on the economy were still well below expected. Thus, the following recommendations are necessary if adhered to;

1. Nigerian government should enhance her export base so as to increase earnings from exports which will ultimately open the doors for other forms of remittances and real sustained economic development in the country.
2. Every financial inflow into the Nigerian economy should be properly recorded by the Financial Intelligence Unit of the CBN as this will make the country to know the real sustained economic development stand at any point in time.
3. Nigerians who own business conglomerates should be encouraged to establish branches of their business in other countries so as to increase remittances into the economy.
4. Revenue from oil should be properly managed in a bid to enhance provision of infrastructure and sustainable economic development.

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## Appendix

**Table 1. FAAC Allocation to states 2017 – 2023**

| S/N | State | Amount (₦) | S/N | States | Amount (₦) |
|---|---|---|---|---|---|
| 1. | Akwa Ibom | 1.57tn | 19. | Bauchi | 362.7bn |
| 2. | Rivers | 1.24tn | 20. | Enugu | 358.1bn |
| 3. | Bayelsa | 1.03tn | 21. | Kogi | 354.1bn |
| 4. | Lagos | 834.8bn | 22. | Abia | 352.3bn |
| 5. | Kano | 573.2bn | 23. | Yobe | 344.8bn |
| 6. | Edo | 451.7bn | 24. | Adamawa | 342.7bn |
| 7. | Kaduna | 443.1bn | 25. | Nasarawa | 318.1bn |
| 8. | Borno | 427.5bn | 26. | Ebonyi | 313.3bn |
| 9. | Katsina | 418.2bn | 27. | Taraba | 309.0bn |
| 10. | Oyo | 417.2bn | 28. | Zamfara | 296.6bn |
| 11. | Jigawa | 412.5bn | 29. | Kwara | 291.0bn |
| 12. | Ondo | 409.5bn | 30. | Gombe | 287.3bn |
| 13. | Ananmbra | 388.4bn | 31. | Plateau | 279.1bn |
| 14. | Imo | 380.9bn | 32. | Ekiti | 269.4bn |
| 15. | Niger | 380.8bn | 33. | Ogun | 266.7bn |
| 16. | Kebbi | 368.2bn | 34. | Cross River | 253.4bn |
| 17. | Sokoto | 366.4bn | 35. | Osun | 205.8bn |
| 18. | Benue | 363.5bn | | | |