

Federalism and National Integration in Nigeria: Issues and Challenges

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ABSTRACT

The research examines Federalism and National Integration in Nigeria: Issues and Challenges. Nigeria is essentially a plural society, its component groups are separated apart from each other by significant differences of language, ethnicity, and cultures, created differences in attitude, outlook and character. Faced with these problems, Nigeria adopted federalism as a means of achieving its much needed goal of national integration. The objectives of this study were to ascertain whether federalism in Nigeria has reduced inter-ethnic competition and to examine whether federalism in Nigeria minimized the usually alleged fear of domination. System theory was used for the analysis of this work. The sample size of this work was determined using the Taro Yamani formula. The questionnaire was drafted and distributed to respondents to answer the questions on it. Based on hypotheses testing, the paper observed the following: federalism in Nigeria reduces inter-ethnic competition and federalism in Nigeria alleviates the usually alleged fear of domination. Based on the findings of this study the paper recommended that the political system should arrest the exploitation of the masses and redress their feelings of insecurity. It was suggested that the principle of fiscal needs should be given a dominant weight in the future revenue allocation system.

Keywords: Federalism, National Integration, Nigeria, Issues and Challenges

INTRODUCTION

Federalism is the bedrock of the democratic edifice for a country of Nigeria's size and bewildering diversities. Like India, also a federal state which has been rightly described as a land of "million mutinies" [1,2,3]. Nigeria is a deeply divided and plural society. The polity is known to have many ethnic groups, which scholars have put at different figures [4,5]. Nigeria is, one of the most ethnically diverse countries in the world with well over 250 ethno-linguistic groups, some of which are bigger than many independent states of contemporary Africa. As recalled by [6,7], at the beginning of the 1960s, there were over 3,000 ethnic groups (tribes) in the world, about 1,000 were represented in the geographical space called Africa and about 445 were represented in the geo-political space called Nigeria. Former USSR had about 127 ethnic nationalities in its geo-political space; China and India each has more than 40 ethnic nationalities. The USA has less than 50

excluding the Red Indians; England has 4, France 7 and Germany about 15 [8]. In that wise, "Nigeria has a unique problem not experienced by any state in the world, past or present. The problem is that of achieving solidarity in action and purpose in the midst of hundreds of ethnic nationalities each exerting both centrifugal and centripetal forces on the central issue of the nation, bound in freedom, peace and unity where justice reigns" [9]. This uniqueness creates "unique problems unknown to the experience of other peoples in the world... no Western or Eastern civilization has ever evolved a political system that can cope with this gigantic problem of hyper-ethnic instability syndrome [10]. It is not surprising therefore that these ethnic groups are always in conflict and competition for scarce resources. Indeed, this is not unexpected especially between and among "ethnically defined constituencies" [11]. The reason is that almost by definition, ethnic groups are in

keen competition for the strategic resources of their respective societies. This is the case in Nigeria and other plural and segmented polities. This is so because ethnic groups are socio-cultural entities, as they consider themselves culturally, linguistically or socially distinct from each other, and most often view their relations in actual or potentially antagonistic terms [12]. Groups with more effective tactics and strategies normally gain competitive advantages over other groups within their societies [13]. Yet, this success is not without its liability [14]. This is why national cohesion is more of a mirage in plural and divided societies than in homogenous ones. It is in this regard that [15] argued that "developing nations-central problem that is often more pressing than economic development is the achievement of integration". It is in this regard that Weiner [11] argues that "developing nations' central problem that is often more pressing than economic development is the achievement of integration". It was in an attempt to weld together her disparate ethno-religious and linguistic entities that Nigeria opted for federalism in 1954 [13]. The assumption then was that, federalism is "a half-way house between separate independent states and unification" [10]. It is a process of seeking unity, without uniformity, more so, where size, cultural and linguistic diversity, historical particularism and considerable decentralization prevails as in Nigeria. However, since 1954 when the foundation of classical federalism for Nigeria was laid, the system is still convoluting. Nigeria's ethnic make-up still remains what Furnival in [6], calls "in the strictest sense a medley (of peoples) for they mix but do not combine" [7]. The Nigerian "project" remains questionable despite years of federal practice. According to The Economist, (June 19-25, 1999), "Nigerians have no common vision of a nation-state called Nigeria, no sense of citizenship. The name and the football team are about the only things that unite them. Even the footballers however, brilliant individual players though they are, do not work as a team. It is the same

with the country" [8]. Sixty-one years after 'flag independence', the country still totters on as a toddler, often pulled down by joint identity and integration crisis. To observer's consternation, Nigeria's federalism has remained fragile, almost impossible. This is largely due to the successive administrations aversion to true federalism, equity and good governance. The country is also permanently assailed by a curious and depressing distribution crises triggered by a dubious formula for the sharing of somehow real and somehow elusive national cake [7]. The crises of national integration in Nigeria are very severing such that the Nigerian federation is at its collapsing point. The heterogeneous nature of the country combines with the improper mode of the country's formation to give rise to antagonistic and disintegrative processes. Nigeria as a country came into corporate existence in 1914, as a result of the fusion between the northern and southern protectorates by the British. National integration is the ultimate goal to be achieved in a multi ethnic country like Nigeria for there to be any reasonable development. According to [8], national integration is a process of cohesion between two or more social units, whereby these units come together to constitute a political whole which include among other things the joining of various parts of society into a functioning whole, the growth of obedience and loyalty to its parts and the emergence of shared national values. It follows that Nigeria would have created national unity where obedience and loyalties to the Nigerian state transcend loyalties to its parts. This conceptualization implies social equality of citizens. Federation is a system of government adopted to enhance national integration in Nigeria; it is also a form of government that defines the relationship between component parts assumed to have the potential for integrating diverse cultural societies. The regions rather engage in ethnicity, political struggle by social classes, religious conflict etc, which culminate in the crises of national disintegration that reached a climax during the period of the

attempted succession and civil war of

1967-1970.

Statement of Problem

Nigeria is essentially a plural society, its component groups are separated apart from each other by significant differences of language, ethnicity, and cultures of Nigeria; created differences in attitude, outlook and character. Faced with these problems, Nigeria adopted federalism as a means of achieving its much needed goal of national integration. In essence the federalism so adopted was expected to reduce the immensely aggressive inter-ethnic competition and tension, allay the usually alleged fear of domination by bringing government nearer to the people and by giving the different groups more opportunities, thereby integrating the country.

imbalance between the Northern, the Eastern and Western parts of Nigeria. This situation therefore assigns majority political power disproportionately in favour of the north above other regions. The issue of revenue allocation in Nigeria is not without its own problems. As if all these problems are not enough for Nigeria's federalism, the issue of on shore offshore dichotomy and the alarm raised about marginalization from all regions in Nigeria are besetting the unity of the country. We can summarily state the following as our Research Questions to guide this study.

Federation requires decentralization of power among the component units. It also requires that no component unit should be so large in size as to eliminate others. The case of Nigeria shows that power is concentrated in the central government since 1967. On the other hand, there exist structural

1. Does federalism in Nigeria reduce inter-ethnic competition?
2. Does federalism in Nigeria allay the usually alleged fear of domination?
3. Does federalism in Nigeria bring government nearer to the people?
4. Is federalism in Nigerian a source of integration of citizens?

Objectives of the Study

The specific objectives of this research were:

3. To establish whether federalism in Nigeria has brought government nearer to the people
4. To determine whether federalism in Nigerian was a source of integration of citizens.

1. To ascertain whether federalism in Nigeria reduced inter-ethnic competition.
2. To examine whether federalism in Nigeria reduced the usually alleged fear of domination.

Hypotheses

1. Ho federalism does not reduce interethnic competition in Nigeria
2. Ho federalism in Nigeria does not reduce fear of domination
3. Ho federalism in Nigeria does not bring governance to the people
4. Ho federalism in Nigeria is not a source of citizens integration

Research Design

For the purpose of this paper, the design adopted was the descriptive survey method which used the administration

and analysis of questions to arrive at dependable answers to any research problem.

Area of Study

The area of this research work is Nigeria as a whole but due to the wide scope of this study, the paper limited the area of

study to the Abakaliki metropolis in Ebonyi State, Nigeria.

Population of Study

The population of this study is the number of people living in Abakaliki

metropolis. The population of Abakaliki, Nigeria is 134,102 [6]

Sample Size

The sample size of this paper was determined using the Taro Yamani formula

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

Where n = sample size

1 = constant

E² = margin of error (0.05)

N= 134102

So therefore, sample size which is

$$n = 134102$$

$$1 + 134102 (0.05)^2$$

$$n = \frac{134102}{1 + 134102 (0.0025)}$$

$$n = 134102$$

$$1 + 335.255$$

$$n = 398.810426610$$

$$\therefore n = 399 \text{ Approximately}$$

Sources of Data

The data of this paper came from primary sources. It is a body of data that has not

been used, explored and analyzed for the first time.

Method of Data Collection

The questionnaire was drafted and distributed to respondents. Out of the 399 questionnaire that were distributed to some people living in Abakaliki

metropolis, 167 was returned therefore the analysis was based on 167.

Reliability of Instrument

A test-retest reliability established a coefficient of 65.

Validity of Instrument

The validity coefficient was 72.

Method of Analysis

To facilitate accurate analysis of data the paper used percentages and chi-square was used to test the hypotheses. The chi-square formula is a below:-

O_i=Observed frequency

E_i=Expected frequency

= Summation sign

Level of significance 5% or (0.05)

Degree of freedom RxC

Row(R-1)

Column (C-i)

$$X^2 = \frac{(O_i - E_i)^2}{E_i}$$

Where X²: Chi-square value

Data Presentation And Analysis

Data Presentation

Question: Is federalism in Nigerian a source of integration of citizens?

Table 1:

Response Option	No. of Response	Percentage (%)
Yes	48	28.4%
No	119	71.6%
Total	167	100

SOURCE: Field Survey 2017

Table 1 above show that 119 respondents representing 71.6% disagreed that federalism in Nigerian is not a source of integration of citizens while 48

respondents representing 28.4% agreed that federalism in Nigerian is a source of integration of citizens.

QUESTION: Do you think that Nigeria practices true federalism?

Table 2:

Response Option	No. of Response	Percentage (%)
Yes	39	34.3
No	128	65.7
Total	167	100

SOURCE: Field Survey 2017

Most respondents, 128 representing 65.7% said no while the remaining 39 respondents representing 34.3% said yes.

QUESTION: Has federalism in Nigeria brought government nearer to the people?

Table 3:

Response Option	No. of Response	Percentage (%)
Yes	27	16.4
No	140	83.6
Total	167	100

SOURCE: Field Survey 2017

Most respondents 140 representing 83.6% said no that federalism in Nigeria does not bring government near to the people while 27 respondents representing 16.4% said yes that federalism in Nigeria brings government near to the people

QUESTION: Does federalism in Nigeria reduced inter-ethnic competition?

Table 4:

Response Option	No. of Response	Percentage (%)
Yes	22	10.4%
No	145	89.6%
Total	167	100

SOURCE: Field Survey 2017

The majority of the respondents 145 representing 89.6% said No while 22 respondents representing 10.4% said YES.

QUESTION: Has the practice of true federalism alleviated the problem of national integration?

Table 5:

Response Option	No. of Response	Percentage (%)
Yes	26	14.9%
No	141	85.1
Total	167	100

SOURCE: Field Survey 2017

A total of 141 respondents
85.1% said NO while 26

respondents representing 14.9%
said YES.

Question: Has the adoption of federalism in Nigeria led to the marginalization of minority groups?

Table 6:

Response Option	No. of Response	Percentage (%)
Yes	145	86.6
No	22	13.4
Total	167	100

SOURCE: Field Survey 2016

The table above shows that 145 while 22 respondents representing 13.4% respondents representing 86.6% said yes said no.

QUESTION: Does federalism in Nigeria minimise the usually alleged fear of domination?

Table 7:

Response Option	No. of Response	Percentage (%)
Yes	120	71.6
No	47	28.4
Total	167	100

SOURCE: Field Survey 2017

The table above shows that 48 while 19 respondents representing 28.4% respondents representing 71.6% said yes said no.

Question 10: Does lack of political will contribute to the problems of national disintegrations in Nigeria?

Table 8:

Response Option	No. of Response	Percentage (%)
Yes	128	77.6
No	39	22.4
Total	167	100

SOURCE: Field Survey 2017

From the table above 128 respondents representing 77.6% believed that lack of political will contributed to the problems of national disintegrations in Nigeria

while 39 respondents representing 22.4% do not believe that lack of political will contributes to the problems of national disintegrations in Nigeria

Question: Does ethnic groups conflict create competition for scarce resources at national level?

Table 9:

Response Option	No. of Response	Percentage (%)
Yes	162	97.0
No	5	03.0
Total	167	100

SOURCE: Field Survey 2017

Table 9 above shows that 162 respondents representing 97.0% admitted that ethnic groups conflict create competition for scarce resources at national level while 5 respondents representing 03.0% felt that ethnic groups conflict did not create competition for scarce resources at national level.

Question: Are there any dominant group in Nigerian federation?

Table 10:

Response Option	No. of Response	Percentage (%)
Yes	129	77.6
No	38	22.4
Total	167	100

SOURCE: Field Survey 2017

From the table above 129 respondents representing 77.6% believed that there were dominant groups in the Nigerian federation while 38 respondents representing 22.4% do not believe that there any dominant groups in Nigerian federation.

QUESTION: Does ethnic group reduce tension in Nigeria federalism?

With reference to the question of Nigeria, 110 persons said no and 57 ethnic groups reducing tension in people said yes.

Hypothesis One

Federalism in Nigeria does not reduce inter-ethnic competition

Response Option	No. of Response	Percentage (%)
Yes	150	89.6
No	17	10.4
Total	167	100

Degree of freedom = (2-1)(2-1) = 1x1 = 1
 Expected frequency (Ei) = 67/2 = 33.5

Response Option	Oi	Ei	Oi-Ei	(Oi-Ei) ²	(Oi-Ei) ²
					Ei
Yes	150	33.5	26.5	702.25	20.963
No	17	33.5	-26.5	702.25	20.963
Total	167				41.926

The calculated value is 41.926 while the critical value X^2 for Id.f. at 0.05 chi-square table is 3.841. The calculated

value X^2_o of is higher than the table value $X^2_c (X^2_o > X^2_c)$

Decision

X^2 Computed is 41.926 and is greater than the chi-square table value at 5% level of significance using one (1) degree of freedom (v) which is 3.841; based on the

decision rule, we reject the null hypothesis. In other words, we accept the alternate hypothesis H_1 : Federalism in Nigeriareduces inter-ethnic competition

Hypothesis Two

H_o : Federalism in Nigeria does not minimize the usually alleged fear of domination
 H_a : Federalism in Nigeria alley the usually alleged fear of domination

The researcher made use of the chi-square method. This method states that if thecalculated chi-square value is more than the value of chi-square in the table at5% or (0.05) level of significance, the null hypothesis will be rejected.

Hypothesis Two

Federalism in Nigeria does not minimise the usually alleged fear of domination?

Table 13:

Response Option	No. of Response	Percentage (%)
Yes	120	71.6
No	47	28.4
Total	167	100

Degree of freedom = (2-1) (2-1)
 Expected frequency (Ei) =67/2 = 33.5

Response Option	O _i	E _i	O _i -E _i	(O _i -E _i) ²	(O _i -E _i) ²
					E _i
Yes	120	33.5	14.5	210.25	6.2761
No	47	33.5	-14.5	210.25	6.2761
Total	167				12.5522

The calculated value is 12.5522 while the critical value X^2 for Id.f. at 0.05 chi-square

table is 3.841. The calculated value X^2 of is higher than the table value $X^2_e (X^2_o > X^2_o)$

Decision

X^2 Computed is 12.5522 and is greater than the chi-square table value at 5% level of significance using one (1) degree of freedom (v) which is 3.841; based on the decision rule, we reject the null

hypothesis. In other words, we accept the alternate hypothesis:

H_a : Federalism in Nigeria is the usually alleged fear of domination

Hypothesis Three

H_a : Federalism in Nigeria does not bring government nearer to the people

the calculated chi-square value is more than the value of chi-square in the table at 5% or (0,05) level of significance, the null hypothesis will be rejected.

H_o : Federalism in Nigeria brings government nearer to the people

The researcher made use of the chi-square method. This method states that if

**Hypothesis Three
Federalism in Nigeria does not bring government nearer to the people?**

Response Option	No. of Response	Percentage (%)
Yes	27	16.4
No	140	83.6
Total	167	100

Degree of freedom = (2-1)(2-1)

Expected frequency(E_i) = $67/2 = 33.5$

Response Option	O _i	E _i	O _i -E _i	(O _i -E _i) ²	(O _i -E _i) ²
					E _i
Yes	27	33.5	-22.5	-506.25	-15.111940
No	140	33.5	22.5	-506.25	-15.111940
Total	167				-30.22388

The calculated value is -30.2238 while the critical value X^2 for Id.f. at 0.05 chi-square

table is 3.841. The calculated value X^2 of is higher than the table value $X^2_e (X^2_o > X^2_o)$

Decision

X^2 Computed is -30.22388 and is less than the chi-square table value at 5% level of

significance using one (1) degree of freedom (v) which is 3.841; based on the

decision rule,-we reject the null hypothesis. In other words, we accept the Null hypothesis: H_0 : Federalism in Nigeria

does not bring government nearer to the people

Hypothesis Four

H_a : Federalism in Nigerian is not a source of integration of citizens

calculated chi-square value is more than the value of chi-square in the table at 5% or (0.05) level of significance, the null hypothesis will be rejected.

H_1 : Federalism in Nigerian is a source of integration of citizens

The paper made use of the chi-square method. This method states that if the

Hypothesis Four: Federalism in Nigerian is not a source of integration of citizens

Response Option	No. of Response	Percentage (%)
Yes	47	28.4
No	120	71.6
Total	167	100

Degree of freedom = (2-1)(2-1)

Expected frequency (E_i) = $67/2 = 33.5$

Response Option	O_i	E_i	$O_i - E_i$	$(O_i - E_i)^2$	$\frac{(O_i - E_i)^2}{E_i}$
Yes	47	33.5	-14.5	-210.25	-6.2761
No	120	33.5	-14.5	210.25	-6.2761
Total	167				-12.5522

The calculated value is 12.5522 while the critical value X^2 for Id.f. at 0.05 chi-square

table is 3.841. The calculated value X^2 of is higher than the table value X^2 ($X^2 > X^2_{\alpha}$)

Decision

X^2 Computed is -12.5522 and is less than the chi-square table value at 5% level of significance using one (1) degree of freedom (v) which is 3.841; based on the decision rule, we reject the alternate

hypothesis. In other words, we accept the null hypothesis: H_0 : Federalism in Nigerian is not a source of integration of citizens.

Summary of Findings, Conclusion and Recommendation

Summary of Findings

Based on the hypotheses testing and data analysis of this paper Federalism in Nigeria reduces inter-ethnic competition:From the table above, 120 respondents representing 71.6% agreed that federalism in Nigeria reduced inter-ethnic competition while 47 respondents representing 28.4% rejected the ideal that federalism in Nigeria reduced inter-ethnic competition while.

the following observations are made:-

Federalism in Nigeria minimized the usually alleged fear of domination:From the Table 10 above 129 respondents representing 77.6% agreed that there were dominant groups in Nigerian federation

while 38 respondents representing 22.4% do disagreed that there were any dominant groups in Nigerian federation. Federalism in Nigeria brings government nearer to the people: Responses indicate thatthe majority of the respondents 140 representing 83.6% believed that federalism in Nigeria brings government nearer to the people while 27respondents representing 16.4% disagreed that federalism in Nigeria brings government nearer to the people

Federalism in Nigerian is not a source of integration of citizens: Results showed that 120 respondents representing 71.6%disagreed that federalism in

Nigerian is not a source of integration of citizens while 47 respondents representing 28.4% agreed that federalism in Nigerian is a source of integration of citizens.

CONCLUSION

Federalism has been acclaimed to be the best institutional form of government that sooths countries with renowned diversity like Nigeria. It has boosted the United States of America, Australia, Canada, amongst others countries. The efficiency of federalism cannot be doubted, therefore, if the practice of federalism is strengthened in Nigeria, there is no doubt that it will precipitate/facilitate national integration.Unfortunately, the practice of federalism in Nigeria is a distortion of the accepted nature of federalism as conceived by Nigeria's nationalists' elites. A fundamental flaw in the practice of federalism in Nigeria, which has impacted negatively on national development, is in the area of fiscal practice. The current 1999 Constitution which entrenched a centralized, top-down, unitary-federalism, or what a commentator has aptly described as 'feeding bottle federalism'is a system or model Nigeria does not need. The starting point in rescuing Nigeria's systemic collapse is therefore, a new constitution that weans the country off the oil and natural resource curse. Tragically, the discourse on constitutional amendments"merely tinkers at the margin and aim to preserve the status quo which is a dead end. My take here is that the most important transformation 'the current crop of leadership at the executive and legislative arms will bequeath to Nigeria is to fundamentally re-engineer the meta-level governance architecture of Nigeria to unleash its competitive potentials for long-term prosperity. The first step therefore, is to recognize that Section 162 of the Constitution is a fundamental drag on Nigerian development. It states that: "*The Federation shall maintain a special account to be called „the Federation Account" into which shall be paid all revenues collected by the Government of the Federation. Any amount standing to the credit of the Federation Account shall*

be distributed among the Federal and State Governments and the local government councils in each State on such terms and in such manner as may be prescribed by the National Assembly ".

This is the formalization of the command and control structure foisted by themilitary. Some analysts argue that Nigeria's development was halted since the first military coup in Jan, 1966. The constitution was suspended, and a quasi-unitary system imposed. Since then, Nigeria has not found its bearing again (Soludo, 2012). Competitive federalism was replaced by a system of centralized command in which everyone went cap in hand for handouts from the centre. By this provision, everyone received unconditional free money from the centre and with statutory powers to spend as the periphery state wishes, without monitoring or accountability. Even the local governments which were also created "by the centre directly received their own shares from Abuja and could do whatever they wished with the money.

To achieve national development, Nigeria should reverse the above situation. A mode of fiscal decentralization that rewards economic performance at the sub-national levels should be diligently pursued, and a form of development that ensures the economic viability and prosperity of each state and geo-political region of Nigeria should be the main thrust of our policies. One objective of the new constitution should be to abolish the monthly allocation to states as entrenched in the 1999 constitution, and jack up the federating units to mature into self-fending and independent units. Necessity, they say, is the mother of invention.

The first idea to consider is to possibly go back to the part of the 1963 Republican Constitution that deals with fiscal federalism. If it were not broken, it served us well, and created a competitive federal

structure. Section 140 of the 1963 Constitution provided something that looks more like a federal structure than the current structure. In part, it states: There shall be paid by the Federation to each region a sum equal to fifty per cent of the proceeds of any royalty received by the Federation in respect of any minerals extracted in that Region; and any mining rents derived by the Federation from within that Region. An alternative idea worth debating is why not grant rights over mineral resources to the respective regions 'or states and let them pay taxes to the Federal Government. A key principle is to ensure a true federal structure and a new fiscal federalism that is developmental, with each of the federating units being fiscally viable as to be able to fund its recurrent expenditures, and provide some basic infrastructure on its own without recourse to the centre. Currently, oil and other revenues from the centre are treated as unconditional grants (entitlements) to all tiers of government. This is wrong and creates the wrong incentives towards work and competition. Global experience is that such kind of aid (like a welfare system without individual responsibility) has left

RECOMMENDATIONS

The political system should arrest the exploitation of the masses and redress their feelings of insecurity. It is by tackling these crucial issues of national identity, crises transcending parochial loyalties of ethnicity, religion, language and region that the country can move forward.

1. It is suggested that the principle of fiscal needs should be given a dominant weight in the nature of revenue allocation system. One of the biggest problems facing the Country today is the imbalance in economic development; consequently the revenue allocation system must be used to address the problems.

2. The power of federal government to vary the proportion of federally collected revenue which goes to the federal account must be checked. This power has made nonsense of the revenue allocations formula among the federal state and local governments.

most of its beneficiaries helplessly dependent and the society worse-off. We need to redefine the use of oil and other natural resource rents. The nation needs to agree that rents from such exhaustible natural resources (which belong to present and future generations) cannot be used for consumption by the present generation. Perhaps, they should only be used to build capacity and bridge to the future in terms of human and physical capital. Thus every government must be constrained to meet all its recurrent expenditure from its internally generated non-natural resource revenue, including the Federal Government. Certainly, we need to debate the devolution of revenue powers to the regions/states. We need to review the derivation principle in the treatment of revenues to provide incentive for states/regions with natural resource endowments to exploit them. Just as an example, we could agree that derivation should not be less than 40%. Another 25% should accrue to the Federal Government, while the remaining 35% should go to a new pool called Distributable Capital Account (DCA) to signal that the fund is for capital acquisition, physical and human.

3. The state government should be allowed to collect and retain the proceeds from toll gate. It is a reliable source of revenue.

4. The revenue should be allocated among the state government base on the length of federal roads, population size, tax effort, and equality of state. This suggested revenue allocation formula is designed more to raise the level of the backward states than to push forward the level of the relatively advanced states. It is based on equity considerations.

5. An important tax which is yet to be efficiently utilized is the property tax. An important function for the tax beside revenue generated is that of optimal utilization of property taxation, as is currently under the jurisdiction of local government and very few local governments collect tax even where the legal basis exists. The federal government should take over the administration of the tax for the next five to ten years, after

which it should be reverted to local government.

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