FEDERAL ALLOCATION AND CAPITAL EXPENDITURE OF ENUGU STATE GOVERNMENT NIGERIA, 2011-2020

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Abstract:

This paper examined the effect of federal allocation on capital expenditure of Enugu State Government Nigeria, 2011-2020. The study focused on three specific objectives. It examined the extent federal allocation influence the total capital expenditure of Enugu State; the effect of the federal allocation on health sector in Enugu State; and the effect of the federal allocation on education sector in Enugu State. The study adopted a descriptive survey research design and used structured questionnaire for data collection. The population of the study was 1,248,392 people of six selected local governments in Enugu State, while the sample size of 400 was determined using Taro Yameni formula. Purposive sampling technique was adopted in the selection of respondents to the questionnaire. Three hypotheses drawn from the objectives were tested using chi-square (χ^2) analytical tool. The findings of the study were descriptively discussed using quantitative and qualitative data. The study revealed that federal allocation influenced the total capital expenditure of Enugu State to a high extent between 2011 and 2020. It was discovered that federal allocation has significant positive effect on health sector in Enugu State. Further finding also revealed that that federal allocation has no significant positive effect on education sector in Enugu State. The study recommended the need for increase in federation allocation to states in relation to the amount due to federal government and for the Enugu State Government in particular to make proper use of the federal allocation in capital expenditure especially in critical sector in the state. The study also recommended the need for Enugu state government to allocate more capital funds to the education sector to provide educational facilities and renovate the dilapidated structures especially in primary and secondary schools in rural areas and beyond so as to meet the increasing educational needs of the people at all levels of education, among other recommendations. In conclusion, the study underscores that higher statutory allocation to states might culminate into significant improvement in the level of capital expenditure in critical infrastructure.

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Keywords: Federal Allocation, Capital Expenditure, Health Sector, Education Sector

INTRODUCTION

1.1 Background to the study

As a republic, Nigeria practices a federal system of government as enshrined in the 1999 constitution (as amended), Nigeria maintains a federation account created by section 162 (1) of the constitution. Funds generated by the federal government agencies in Nigeria are deposited into the Federation Account excluding the proceeds from the residents of the Federal Capital Territory (FCT), Foreign Service Officers, Nigerian Armed Forces, and the Nigeria Police Force. According to the constitution, revenues generated by the residents of the Federal Capital Territory (FCT), and these institutions of the government -- the Foreign Affairs officers, Armed Forces, Police Force, are lodged into the Consolidated Revenue Account (CRF) (Omodero, Ekwe & Ihendinihu, 2018). Allocation to the federating units of the Republic (made up of the federal, state and local governments) drawn from the Federation Account obtains its legal backing from section 162 (2) of the 1999 constitution. It is viewed as a distributable pool account from which monthly funds are allocated to the federal government, the 36 state governments, and the 774 local government councils by the Federation Account Allocation Committee (FAAC) (Adangor, 2015).

Revenue allocations are made based on the prevailing revenue sharing formula produced by the Revenue Mobilization Allocation and Fiscal Commission (RMAFC) (Ani &Obara, 2012). The commission which was established by Decree No. 49 of 1989 ensures that funds from the Federation Account are distributed to the interested parties based on allocation sharing principles adopted in Nigeria. The revenue allocation formula used in Nigeria is of two types, viz: the vertical allocation formula and the horizontal allocation formula. The vertical allocation formula represents the percentage of total revenue allocated to the three tiers of government -- federal, state and local governments. Vertical application of the formula implies that the revenue is shared among the component units of the federation from the total volume of distributable revenue in the Federation Account at a given point in time.

The vertical allocation formula permits every tier of government to determine the amount due to it (Bashir, 2008). On the other hand, the horizontal allocation formula (HAF) applies to only the States and the Local Governments. The HAF provides the basis for sharing of the revenue already allocated to the 36 States and 774 Local Governments. With the adoption of the HAF, revenue due to each State or Local Government Council in Nigeria is ascertained. In a nutshell, vertical allocation formula covers the inter-tier distribution of revenue, while the horizontal allocation formula can be considered as the intra- tier (i.e., for the 36 States and the 774 Local Government Councils in the country) (Bashir, 2008; and Lukpata, 2013). The federation allocation formula is determined using notable principles recognized by the laws of Nigeria.

Enugu State as one of the 36 States in the Federation was established in 1991. The State is located at the eastern part of Nigeria and has 17 local government areas, which are predominantly rural areas and agrarian. About 18.8% of the population of Enugu State is engaged in trading, while 12.9% are into the service sector. Besides, the majority of its population is into agriculture. The population of the State is estimated at 4,411,119(National Bureau of Statistics, 2016 Projected Populations). Enugu State is adjudged to be one of the States in Nigeria collecting the least amount of money as monthly federation allocation.

Capital expenditure, a derivative of the capital budget plays important roles in governance. The capital allocations expended over the period 2011-2020 by successive governments of the State remains the focus of this study, as it concerns the federal allocation within the same period. Capital expenditure is utilized to build capital projects and execute other projects in the State whose life spans are for long-term. Infrastructural facilities such as schools, roads, houses, hospitals, human capital development, recreational facilities, etc. are executed with the use of annual capital budgetary allocations. A significant amount of Enugu State's revenue is sourced from the federation allocation, in addition to the relatively low amount the state generates internally. In view of the importance of capital projects to the growth and development of a territory, this paper would examine the extent to which statutory allocation has contributed to capital expenditure of Enugu State.

1.2 Statement of the Problem

The problem of translating federal generated revenue to a meaningful growth and development of the Nigeria economy has been daunting over the years despite the rising federal allocation. This is evident by high rates of unemployment, infrastructure decay, illiteracy rate, and the number of its citizens who continue to wallop in abject poverty, while more than 65% of its people live on less than US$1 per day. As high as 70% of Nigerians also still lack medical care, do not have access to clean and portable water and basic needs of live and many sick medical treatment and good education abroad (WHO, 2018). Macro-economic indicators do not favour Nigeria, for instance, indicators like balance of payments, import obligations, inflation rate, exchange rate, unemployment and national savings, while reveal Nigeria had not fared well in the last two decades despite being the largest economy in Africa with an estimated GDP of over 400 billion U.S. dollars (World Bank, 2017; CBN, 2019).

In Nigeria, many states depend mainly on their shares of federal allocations to carry out their capital expenditures and other functions. The federal allocation formula now in use came into effect on 10 July 1992 with the promulgation of the allocation of revenue (Federation Account) amendment decree of 1992. This formula was adopted by the current democratic government in 1999. It provides as follows: 48.5% for Federal Government, 24% for the state governments, 20% for local government, and 7.5% for Special fund (Ojide & Ogbodo, 2015). There have been agitations to amend the allocation formula to favour the states given the argument that state governments are the level of government closer to the people than the federal government, and therefore, will be more responsive to the particular preferences of their constituencies as they easily find new and better ways to provide these services. Thus, it becomes necessary to examine if the allocations to the states have contributed to economic development and growth of many states in Nigeria.

In view of the importance of government capital expenditures in the transformation of an economy, especially that of Nigeria and Enugu state in particular which is public sector driven, it is imperative that there is a need to determine the actual effect of federal allocation on capital expenditure of Enugu State Government, whether federal allocations have translated to meaningful development of the critical sector of the state economy such as health and education sectors. It can also be contend that increasing state federal allocation may have positive effect on government capital expenditure and yield the desired growth and development in the economy. It is therefore necessary to examine the effect of the federal allocation on capital expenditure in Enugu State, with a view of finding ways of improving its effect on the critical sector of Enugu

State and Nigeria in general.

1.3 Objectives of the Study

The specific objectives of this study are to:

1. Examine the extent federal allocation influence the total capital expenditure of Enugu State
2. Assess the effect of the federal allocation on health sector in Enugu State
3. Ascertain the effect of the federal allocation on education sector in Enugu State.

1.4 Research Question

The following research questions were formulated for the study:

(1). To what extent does federal allocation influence the total capital expenditure of Enugu State.

(2). What are the effects of the federal allocation on health sector in Enugu State.

(3). What are the effects of the federal allocation on education sector in Enugu State

1.5 Statement of Hypotheses

This study was guided by the following hypotheses:

1. Federal allocation influenced the total capital expenditure of Enugu State to a high extent.
2. Federal allocation has significant positive effect on health sector in Enugu State.
3. Federal allocation has significant positive effect on education sector in Enugu State.

2.0 Review of Related Literature

2.1 Conceptual Review

Revenue Allocation

Revenue allocation can be defined broadly to include allocation of tax powers and the revenue sharing arrangements not only among the levels of government but among the state governments as well. Under government's distribution function, it redistributes incomes and resources to promote national unity and equity. From the perspective of Dang (2013), revenue allocation can be described as a method of sharing the centrally generated revenue among different tiers of government and how the amount allocated to a particular tier is shared among its components for economic development (*Oluwatobi & Ogunrinola, 2011).*

Revenue is allocated to the Nigeria federating units to meet up with their various constitutional assigned expenditures. Components of revenue allocation formula in Nigeria are the vertical and horizontal formulae. The vertical allocation formula shows the percentage allocated to the three tiers of government i.e. federal, states and local governments. The formulae are applied vertically to the total volume of disbursable revenue in the Federation Account at a particular point in time. The VAF allows every tier of government to know what is due to it; the Federal Government on one hand and the 36 States and 774 Local Governments on the other (Mbah & Onuora, 2018). On the other hand, the horizontal allocation formula the horizontal allocation formula: The formula is applicable to States and Local Governments only. It provides the basis for sharing of the volume of revenue already allocated enbloc to the 36 States and 774 Local Governments. Through the application of the principles of horizontal allocation formula, the allocation due to each State or Local Government is determined (Bashir, 2008).

Gains made on actual prices of crude oil over the yearly budget benchmarks are similarly collected centrally into especially created Excess Crude Account (ECA) with such savings shared only at the discretion of the President. The value added tax (VAT) is a consumption tax levied on certain goods and services which is also centrally collected. These categories of revenues are distributed to all tiers of government under a defined sharing arrangement known as revenue allocation formula and indices provided by the Revenue Mobilization Allocation and Fiscal Commission (RMAFC), a body constitutionally charged with that responsibility. (Omolehinwa & Naiyeju, 2011).

Federation Account

Federation account is a special account into which shall be paid all revenue collected by the government of the Federation, except the proceeds from the PAYE of Armed Forces Personnel, Police Personnel, Foreign Services Officers, Residents of the Federal Capital Territory (FCT) Abuja and other Federal Government Independent Revenue (FGIR) which include: licenses and internal revenue, mining fees, earnings and sales, rent of government properties, interest and repayment (general and states), reimbursement of Audit fees, revenue from sales of Armed Forces Property, miscellaneous (Federal Republic of Nigeria (FRN) Constitution,1999). All monies that flow into this account are distributed among the three tiers of government: federal, state and local governments in Nigeria (Omodero, 2019).

Capital Expenditure

As defined by Nwanne (2015), capital expenditure refers to that spending on physical assets that lasts over time for the provision of goods and services, while government capital expenditure is money spent on investments goods which include hospitals, schools, roads, power, telecommunication, etc. Expenditure on maintenance of other assets such as vehicles and minor equipment are also classified as capital expenditure; however, majority of the expenditure relates to long-term physical assets generally referred to as infrastructure requiring heavier volumes of funding.

Ogujiuba & Ehigiamusoe (2014) noted some of the factors that affect successful implementation of capital expenditure budget in Nigeria to include faulty in budget preparation, obstructions in budget enactment, poor cash-flow management, inappropriate budget formulation, poor monitoring of budget performance, changes in the policy for disbursing capital funds beyond the fiscal year, inadequacy of implementation plans, late budget implementation initiative, and untimely release or non-release of budgeted funds, technical capacity challenges.

As noted by Eze & Nnedum (2010), the challenges associated with the due process mechanism and Public Procurement Act has led to serious setbacks in capital budget implementation in Nigeria. The due process mechanism and Public Procurement Act are major reforms designed to purify the public procurement process by eliminating waste and corruption. However, there has been institutional resistance, and the reform to the due process mechanism has resulted to some sort of blackmail from interested quarters. Furthermore, some MDAs have found it uncomfortable to comply with the due process requirements. There have been some genuine complaints related to delays. These arise from the time involved in the verification and certification of projects and in the processing of requests for payment.

2.2 Theoretical review

Fiscal Federation Theory

This study is anchored on fiscal federation theory *as developed and popularized by* Musgrave(1959) and Arrow (1974). Arrow (1974) public and private sectors' work and Musgrave (1959) public finances insights provided the structure for the appropriate role of government in the economy. There are three roles expected from the government sector within the framework, viz.: the role of government in correcting various forms of market failure, the role of ensuring equitable distribution of income and the role of maintaining stability in the macro economy at full employment and stable prices. Revenue allocation is connected to the last role-government's role in ensuring equitable distribution of income and maintaining stability in the macro economy through stable prices. This could be achieved through adequate support of all monetary policies aimed at maintaining proper relationship between money supply and productive activities (CBN, 2016). Government strong backing of all monetary policies is the tool that will enable the CBN to exercise control over the distributed revenue among the three tiers of government through its well-structured monetary policy. When revenue from the federation is distributed, so much money goes into circulation through government functions and activities, if these activities (which unavoidably involve money supply) are not regulated by the monetary authority in the country, there could be inflation which will adversely affect the economy generally.

Endogenous Growth Theory

The development of the *endogenous growth theory* is credited to Romer in 1942. *In the endogenous growth model, technological advances result from* research and development *(R&D) activity, and technological progress and knowledge accumulation are treated as endogenous variables. According to the theory, the long run growth rate depends on infrastructural facility and a stable business environment characterized by government policies and actions on taxation, law and order, provision of infrastructure services, protection of intellectual property rights, and regulation of international trade, financial markets, and other aspects of the economy (Maingi, 2017). Hence, the government guides long-term growth. Under endogenous growth theory and despite the law of diminishing returns, marginal factor productivity can be increased. For example, technical progress that is funded by capital investment increases productivity (Aeesh & Sheikha, 2015). Also, the endogenous growth approach argues that there is a role for government institutions that can overcome any market failures associated with the various types of investment. Hence, investment in public infrastructure is crucial to economic development and growth. Further, endogenous growth theory states that the improved investment drives growth; thus, investment may contribute to a long- run rate of economic growth.*

2.3 Empirical Review

Empirical Review of related Studies was also carried out.

The revenue is shown below:

Hammimayo et al (2020) investigated The Impact of State Government Revenue on Infrastructural Development in Bauchi State, Nigeria. The study utilized secondary data and it indicated that federal

allocation and fund borrowing by the State Government led significant positive impact on infrastructural provision. The paper recommended that policy makers should ensure that reasonable amount of revenue from the federation account is provided for capital projects in the State.

Owolabi & Awoyinka (2020) examined The Effect of Federal Government Statutory Allocation on Infrastructural Development in Ogun State. Nigeria. The study adopted the Auto-Regressive Distribution Lag (ARDL) for the analysis of data. The study shows that federal statutory allocation to the state significantly impacts infrastructural provision for environmental development, agricultural development and educational sector in Ogun State both in the short and long run. The study recommends that financial control and value for money audit should be carried out to reduce wastages.

Omodero (2019) Investigated The Effect of Revenue Apportioned on the three levels of Government on Economic Growth in Nigeria. The findings after deploying the ordinary least square (OLS) method for it data analysis reveal that revenue apportioned to the federal government has a significant positive impact in economic growth and revenue shared to the local government, the third tier of government a Nigeria, has a strong positive impact on economic growth

Edogboanya & Sule (2018) Investigated the Impact of Government Development Efforts in Selected Local Government in Kogi State on Revenue Generation. The study found a positive significant relationship between the various components of federation allocation and the internally generated revenue and efforts of physical Development.

Mba & Onuorah (2018) evaluated The Effect of Internally Generated Revenue on the Infrastructural Development of the Five South Eastern States in Nigeria. The study used Correlation and Multiple Regression for date analysis. The result indicated a significant relationship between the internally generated revenue and the cost of infrastructure.

Uzochukwu, Onwujekwe & Ezumah (2017) evaluated Promoting Universal Financial Protection: Constraints and Enabling Factors in Sealing up Coverage with Social Health Insurance in Nigeria. The study revealed that federal allocation has significant positive effect on health sector in Enugu State.

3.0 Methodology

This study is a descriptive survey study that examined six local governments selected from the three senatorial Zones that make up the Enugu State; Enugu East and Nkanu East Local Governments for Enugu East Senatorial Zone, Udenu and Igbo-Etiti Local Governments for Enugu North Senatorial Zone, while Ezeagu and Udi Local Governments are for Enugu West Senatorial Zone.

The instruments used for this study is structured questionnaire which were administered to the respondents drawn from the people of the six selected local governments areas in Enugu State. The population of six local governments was 1,248,392 and a sample of 400 was determined using the Taro Yamane proportional allocation formula, while the purposive sampling technique was used for sample selection. A total of 318 copies the questionnaire were properly completed and returned for the study. The data generated from the study was presented in a tabular form of frequencies and percentages in the five-point Likert scale format, and analyzed using Chi-square (χ^2) at significance level of 0.05.

4.1 Data Presentation and Analysis

The data collected were presented according to the hypotheses posed for the study. The hypotheses were accepted only when the computed value of chi-square (χ^2) is greater than (>) the table value of chi-square (χ^2), otherwise the hypotheses were rejected. The chi-square (χ^2) formula used is:

$$\chi^2 = \sum \frac{(o-e)^2}{e}$$

Where:

χ^2 = Chi-square

o = Observed Frequency

e = Expected Frequency

$\sum$ = Summation of all items

Calculation of Degree of freedom (DF)

DF = (R-1) (C-1)

Where R = Number of Row in the contingency table

C = Number of columns in the contingency table

DF = (3-1) (5-1)

= 2 x 4

= **8**

At 0.05 significant level and 8 degree of freedom the table value of chi-square (x^2) = **15.51**

Hypothesis 1: Federal allocation influenced the total capital expenditure of Enugu State to a high extent between 2011-2020.

Table 1: Observed Frequency for Hypothesis One

Senatorial Zones	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Total
Enugu West Senatorial Zone	32	20	21	27	13	**113**
Enugu North Senatorial Zone	29	22	12	17	11	**91**
Enugu East Senatorial Zone	34	41	28	7	4	**114**
Total	**95**	**83**	**61**	**51**	**28**	**318**

Source: Survey Report, 2021

Table 2: Chi-square(χ^2) Contingency Table for HypothesisOne

Observed Frequency (o)	Expected Frequency (e)	(o-e)	$(o-e)^2$	$\frac{(o-e)^2}{e}$
32	32.68	-0.68	0.4624	0.01
20	26.93	-11.93	6.0025	5.28
21	35.40	-14.4	207.36	5.86
27	27.17	2.00	4.000	1.33

13	22.39	0.64	0.4096	0.30
29	29.44	-0.44	0.1936	0.79
22	20.98	-0.98	0.9604	0.05
12	17.29	-5.29	27.9841	1.62
17	22.73	-5.73	32.8329	1.44
11	17.54	-6.54	42.7716	2.44
34	14.46	19.54	381.8116	26.40
41	19.00	25.00	625.00	32.89
28	9.63	16.37	267.9769	27.83
7	7.94	-0.94	0.8836	0.11
4	10.43	-6.43	41.3449	3.96
				$x^2 = \sum \frac{(0-e)^2}{e} = 110.31$

Since the computed value of chi-square (x^2) of 110.31 is greater than (>) the table value of chi-square of 15.51, the first hypothesis is accepted. The statistical analysis therefore indicated that federal allocation influenced the total capital expenditure of Enugu State to a high extent.

Hypothesis 2: federal allocation has significant positive effect on health sector in Enugu State.

Table 3: Observed frequency for hypothesis Two

Senatorial Zones	**Strongly Agree**	**Agree**	**Undecided**	**Disagree**	**Strongly Disagree**	**Total**
Enugu West Senatorial Zone	31	25	12	26	19	**113**
Enugu North Senatorial Zone	38	19	17	8	9	**91**
Enugu East Senatorial Zone	49	32	8	14	11	**114**
Total	**118**	**76**	**37**	**48**	**39**	**318**

Source: Survey Report, 2021

Table 4: Chi-square($\mathcal{X}^2$) Contingency Table for HypothesisTwo

Observed Frequency (o)	**Expected Frequency (e)**	**(o-e)**	**$(o-e)^2$**	**$\frac{(o-e)^2}{e}$**
31	7.02	14.98	224.4004	31.97
25	5.79	19.22	369.216225	63.82
12	7.61	13.40	179.426025	23.59
26	11.772	15.23	231.891984	19.70
19	9.70	3.30	10.883401	1.12.
38	12.75	-0.44	0.1936	0.79
19	17.54	-0.98	0.9604	0.05

17	14.46	-5.29	27.9841	1.62
8	19.00	-5.73	32.8329	1.44
9	20.98	-6.54	42.7716	2.44
49	17.29	19.54	381.8116	26.40
32	22.73	25.00	625.00	32.89
8	9.63	8.37	70.0569	7.27
14	7.94	9.06	82.0836	10.34
11	10.43	-6.43	41.3449	3.96
				$x^2 = \sum \frac{(0-e)^2}{e} = 127.30$

Since the computed value of chi-square (x^2) of 127.30 is greater than (>) the table value of chi-square of 15.51, hypothesis two is accepted. The statistical analysis therefore affirmed that federal allocation has positive effect on health sector in Enugu State.

Hypothesis 3: Federal allocation has significant positive effect on education sector in Enugu State.

Table 5: Observed Frequency for Hypothesis Three

Senatorial Zones	**Strongly Agree**	**Agree**	**Undecided**	**Disagree**	**Strongly Disagree**	**Total**
Enugu West Senatorial Zone	23	17	21	27	25	**113**
Enugu North Senatorial Zone	17	13	12	19	30	**91**
Enugu East Senatorial Zone	10	17	12	24	51	**114**
Total	**50**	**47**	**45**	**70**	**106**	**318**

Source: Survey Report, 2021

Table 6: Chi-square(x^2)Contingency Table for Hypothesis Three

Observed Frequency (o)	**Expected Frequency (e)**	**(o-e)**	**$(o-e)^2$**	**$\frac{(o-e)^2}{E}$**
23	22.36	-0.36	0.1296	0.01
17	37.49	-12.49	156.0001	4.16
21	15.48	5.52	30.4704	1.97
27	19.61	3.39	11.4921	0.59
25	13.07	3.93	15.4449	1.18
17	18.42	0.58	0.3364	0.02
13	30.89	-0.89	0.7921	0.03
12	12.75	-0.75	0.5625	0.04
19	16.16	0.84	0.7056	0.04
30	10.77	0.23	0.0529	0.01

10	24.22	-0.22	0.0484	0.00
17	45.61	8.39	70.3921	1.54
12	16.77	-4.77	22.7529	1.36
24	21.24	-4.24	17.9776	0.85
51	14.16	-4.16	17.3056	1.22
				$x^2 = \sum \frac{(0-e)^2}{e} = 13.41$

Since the computed value of chi-square (x^2) of 13.41is less than (<) the table value of chi-square of 15.51, hypothesis one is rejected. The statistical analysis therefore established that federal allocation has no significant positive effect on education sector in Enugu State.

4.2. Discussion of Findings

The result of the study revealed that federal allocation influenced the total capital expenditure of Enugu State to a high extent between 2011-2020. This first finding is in line with the finding of Edogbanya & Sule (2018) who discovered that there is positive significant relationship between the federal allocation and the general revenue base of state governments and efforts at physical development. The data from the annual financial statements of Enugu State government for the period 2011 to 2020 as presented in Table 4.10 also agree and supports this finding.

Table 7: Federation Allocation and Capital Expenditure of Enugu State Government

Years	**. Federation allocation (N'M)**	Total capital expenditure **(N'M)**
2011	27865.98	27849.56
2012	44485.98	37621.22
2013	37800.35	29688.82
2014	54219.07	31645.54
2015	53957.11	45457.55
2016	40890.11	21827.66
2017	44824.91	25983.55
2018	53604.91	33344.11
2019	59566.49	32010.39
2020	56464.02	24912.05

Source: Annual Financial Statements of Enugu State Government as Compiled by the Researcher

The table above indicates evidence of co-integration between federation allocation and overall capital expenditure in Enugu State, Nigeria within the period under review.

Further finding revealed that federal allocation has significant positive effect on health sector in Enugu State between 2011-2020.This second finding is in line with the assertion of Uzochukwu, Onwujekwe & Ezumah (2017) who noted that the Enugu state government currently reconstructed and renovated state primary health facilities as an effort to strengthen the District Health System in Enugu State. The features of the old renovated hospitals and newly constructed health district system were presented in table 8.

Table 8: features of the old renovated hospitals and newly constructed health district system

Features	Old System District 1 & 2	New System District 1	New system District 2
Health worker availability	• Insufficient numbers of health workers • Low levels of work attendance • Long waiting times	• Health workers are available but shortages persist • Improved levels of work attendance	• Insufficient numbers of health workers • Low levels of work attendance
Building/renovation	• Dilapidated buildings and • Fencing of the hospital	• Proper renovation and fencing of the hospital premises	• Renovation of some buildings and fencing of hospital premises • A functional borehole
Drug supplies and equipment	Frequent drug supply • availability of equipment	• Drugs and equipment are available	• Drugs are available • The availability of equipment has improved somewhat
Monitoring and supervision of staff	• Minimal and irregular	• Regular and improved levels of supervision	• Supervision improved but irregular
Use of facilities by patients	• Low demand for services	• High demand for services	• High demand for services

Source: Uzochukwu, Onwujekwe & Ezumah (2017)

The second finding also align with the finding of Mbah & Onuorah (2018) who discovered that there is a significant relationship between federation allocation and expenditures in critical infrastructures in Enugu state over a decade now. While counting on the effects, the researchers specifically noted the upgrading of the state teaching hospital, district hospital system among others health programmes.

The study also showed that federal allocation has no significant positive effect on education sector in Enugu State between 2011-2020. This finding is supported by Udemezue (2019) who asserted that more than 700 public schools need urgent renovation in Enugu state. The quality of school building and learning environments plays vital role in students' academic performance and achievement. Since this is so, it is imperative that the government and other stakeholders in the education industry should give adequate priority to solid and adequate school structures in the system. They are to ensure not only their provision, but ensure that school buildings are regularly maintained to promote durability and usage.

4.3. Conclusion and Recommendations

This study has shown that federal allocation significantly influences the capital expenditure of Enugu state over the last ten years. The federal allocation however exerts positive effect on capital expenditure in health sector in Enugu state. The expenditure on health sector in Enugu State has led to significant improvements in health facilities and has stimulated demand for health services. This is desirable in view of the impact of good

health treatment in growth and development and its ability to improve the lives and well-being of the citizens. But this is not the case in the education sector as the federation allocation has not made significant impact in the education sector in Enugu state. As shown in this study.

In conclusion, this study maintained that though the impact of statutory allocation on actual capital expenditure is positive in health sector within the period under review, such impact is not significant in the context of education and other critical infrastructures such as roads, good drinking water etc. hence the study underscores that higher statutory allocation to states might culminate into significant improvement in the level of capital expenditure in critical infrastructure.

This paper puts forward the following recommendations based on the findings of its empirical investigations.

1. There is need for increase in federation allocation to states in relation to the amount due to federal government. The reason is that state governments are the level of government closer to the people than the federal government, and therefore, should be more responsive to the particular needs and preferences of the citizenries as they easily find new and better ways to provide these services. The state governments and Enugu State Government in particular should make proper use of the allocation in capital expenditure in critical sector in the state.

2. Health we know is wealth; therefore Enugu State government should sustain the effect of federation allocation on health sector by increasing the expenditure in the sector to improve the rural health sector to standard level. Such effort will help to boost other activities in the State because a healthy person is a wealthy person. For instance, increased capital expenditure in the rural health sector will reduce the increasing search for medical treatment in the urban areas from the rural dwellers and give the rural dwellers more confidence in the area as they go about their daily farming activities.

3. In order to improve in the development of the education sector in Enugu State, the state government should allocate more capital funds to the education sector to provide educational facilities especially in primary and secondary schools in rural areas and beyond so as to meet the increasing educational needs of the people at all levels of education. Schools at both primary and secondary school levels should be built and the dilapidated schools renovated in the rural areas in order to enhance the human capital development.

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