THE GROWTH AND STRUCTURE OF PUBLIC EXPENDITURE IN GONGOLA STATE

BY

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CERTIFICATION

This thesis entitled, "THE GROWTH AND STRUCTURE OF PUBLIC EXPENDITURE IN GONGOLA STATE", by JOSEPH Samson meets the regulations governing the award of the degree of Master of Science (Economics) of Ahmadu Bello University, and is approved for its contribution to knowledge and literary presentation.

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DEDICATION

To

The memory of my father, Joseph Adisa;

My mother, Ruth M. Adisa, and younger ones.

For all love and care.

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ABSTRACT

From 197G/77 to 1990 fiscal years in Gongola State, there had teen expansion and growth of public expenditure. The rapid growth of public expenditure has been round to arise from the government committments to provide sociel, economic and administrative services. Social services such as education, health and sanitation, water supply, roads and housing, and the expansion of the administrative requirement of the state government in terms of employment of qualitative administrators has been Pound to show, significant increase in demand. These were things on which the performance of the government has increasingly come to be judged. Consequently, the state government devoted a large proportion of its annua] budgets to the provision of these basic utilities.

The state capital expenditure has been found to be relatively low. This is due to low savings by the government, low tax effort, thus leading to low state internal revenue and the rapidly growing recurrent expenditure. Therefore, the burden of recurrent expenditure in the state imposed severe strain on the budgetary policies and .further complicated future publi c expenditure trends .

Undoubtedly, there were several factors which accounted *for* the accelerated growth rate and the

changing pattern of public expenditure. The degree to which each factor has contributed differed significantly. However, the role of federally allocated revenue is highly recognised.

The results of the tested hypotheses show that there were high positive and significant correlations between total expenditure and recurrent expenditure; between total expenditure and federally allocated revenue; between total expenditure and population growth, and between total expenditure and rate of urbanisation. There is low positive and significant correlation between total expenditure and capital expenditure, correlation between to total expenditure and state internal revenue, and between total expenditure and rate of inflation gives a low positive and not so significant correlation. Also, the result of the regression analysis gives state internal revenuetfederally allocated revenue and population as the major factors of expenditure growth in the state.

The rapid increase in public spending suggests a heightened search for new revenue sources and for us increase in the existing ones. For the budgets to perform their proper roles in the state development process, there is an urgent need for an enhanced efficiency in the management and the control of public expenditure. Recurrent expenditure requires a more

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CHAPTER ONE

GENERAL INTRODUCTION

1.1 DESCRIPTION OF THE STUDY AREA

The Gongola State of the Federal Republic of Nigeria was one out of the seven additional states created by the Late General Murtala Mohammed on 3rd February, 1976. The state was a combination of the former Sardauna and Adamawa Provinces(botn in the former North-eastern State) and Wukari Province (carved out of the Benue Plateau State), all together forming the state. The state was further divided into two states, namely: Adamawa and Taraba States. This came into existence when on 27th August, 1991, President Ibrahim B. Babangida, in his sixth anniversary speech, announced the creation of Taraba State out of the former Gongola State, with headquarters at Jalingo; and changed the name of the remaining half to Adamawa State, with capital still in Yola.

1.1.1 Location

The state was located roughly between latitudes 11° and 6° to the south and longitude 9½° west and 14¾° east (Weekly Scope, October 3, 1990). It was the second largest state in the federation after former Borno State (presently Borno and Yobe States), with a total land area of 102,067 square kilometre (Weekly Scope, October 3, 1990). Gongola State shared territory with four states of the federation

and an international border with the Cameroun Republic. To the north and northwest were Borno and Bauchi States, while south and southwest laid Plateau and Benue States. On the east and southwas found the Cameroun Republic.

1.1.2 Demography

Based on the 1963 census figures, the projected population of the state in 1990 stood at about 5.5 million. (Government House, Yola, 1989). However, the recent population census result released gave the population of the state for the year 1991 at 4.6 million. (The Nigerian Economist, April 1992). These people were made up of many ethnic groups, which numbered up to 104, and they have lived in segmented large and small communities speaking different languages. Most of the tribes in the state could be classified into two linguistic groups, the Niger-Congo group (Chamber, Bura and Verre)„ and the Afro-Asian group (Higgi, Gude, Kilba, Fali and Margi). Other tribes included Fulfude, Lunguda, Kaka, Mambilla, etc. However, Hausa and Fulfudewere the most widely spoken languages in the state.

The state was fairly urbanised, with a lot of the people living in the major towns and cities. Over 50 per cent of the school aged children were in school. However, the health facilities were grossly inadequate in that there were few hospitals, health centres and dispensaries that

were concentrated in the major towns only. Also, the health personnel were in short supply. The same thing can be said of infrastructural facilities like water, roads, houses and electricity, which were inadequate. Those that were available were concentrated in the state capital and the local government headquarters. This forced the state government to embark on a more equitable provision of these facilities.

1.1.3 Topography

The state had a picturesque mountainious land transversed by big river valleys of Benue, Dongo, Taraba, Yedzaram and Gongola from which the state derived its name. Things that formed scenic beauty in the state include the Kamale peak in Michika Local Government Area, the Mandara Mountain, Mbankan Hills in Takum Local Government Area, the Hong Hills and the Rolling Uplands of Muri. In terms of tourist attraction, there were the maginficient Mambilla Plateau, the Winding Roads and the 'Hair-pin' Corners and Canyons, Gashaka and Gumpti Games Reserves. There was also the Njuwa, Yinaga and Ibi fishing festivals, and other cultural festivals (Gongola State of Nigeria, Yola).

1.1.4 Climate and Vegetation

The state lay within the tropical region and, hence, had a tropical climate marked by dry and rainy seasons. The rainy season would commence in April and would normally end late November. However, in the southern part of the state, especially the Mambilla plateau, the rain would start as early as February and would last till December. The average rainfall for the state was 759 mm in the northern part, and 1051 mm in the southern part (Weekly Scope, October 3, 1990). The wettest months were August and September. The dry season would start in November and would end in April. This marked the harmattan period when the dust-ladden north-easternly trade winds from Sahara Desert had a great influence on the climate of the state. The period was cold and dry. The coldest and driest months were December to February, when the relative humidity was 13 per cent. The temperature of the state varied from place to place, because of the altitude and proximity of the Sahara Desert. The average minimum was 15.2^{o}C around Mambilla Plateau (Temperate Climate), while the average maximum was 39.7^{o}C around Yola (Weekly Scope, October 3, 1990).

In terms of vegetation, the state fell within the Savannah Zone. There were two notable vegetation zones within the state, the sub-Sudan Zone and the Northern Guinea Savannah Zone. The first was found in the northern part of the state, and it was characterised by short grasses interspersed by short trees. To the south, the vegetation

was thick with tall grasses and trees; this was the Guinea Savannah. The exception in this zone was the Mambilla plateau which had a plateaux climate with rolling soft pasture and with very few scattered short trees. Examples of trees found in the state include acasia, tectora, amelina and neem. With regards to fauna, the state had many species of animals and birds. Animals like bufaloes, rhinoceros, lions, tigers, elephants, hippoppotami, and hyenas were mostly found in Gashaka and Gumpti Game Reserves.

1.1.5 Occupation

The main occupation of the majority of the people in the state was farming. In the rural areas, the people were engaged in subsistence farming, while in the urban areas (i.e. local government headquarters) they were employed in government or private offices. Agricultural 'cash crops' produced include coffee, tea, groundnut, and cotton; while maize, yams, rice, sorghum, millet and cassava were the main subsistence crops. In addition to farming, the Fulani communities in the state engaged in cattle and sheep rearing especially on the Mambilla plateau (Gembu) and the Benue-Gongola-Taraba river valleys. There were also other live-stock production activities like goat breeding as well as pig farming. Other notable activities that made life more complete include cloth-weaving and dyeing, mat-weaving,

calabash carving, pottery making, blacksmithing, as well as hunting in occupational and as a recreational capacity.

Industrially, the state was one of the most backward of all the states of the federation with very few industrial establishments. It could only boast of a few small scale and medium size industries, the biggest of which was the Savannah Sugar Company at Numan. While the privately-owned companies may have faired better, all the state government-owned companies were nothing to write home about. The dearth of this industrial venture (both public and private) had affected the development potentials of the state.

1.1.6 Finance

The revenues of the state were not buoyant. The state was poor due to low taxation potentials, coupled with the fact that, even the existing taxation potentials in the state were not fully exploited.' Hence, internally generated revenue was low, because of the few industrial establishments, corruption in the revenue departments, widespread evasion and avoidance of taxes, and the state government's dependence on substantial assistance from the Federal Government.

1.1.7 Administration

The seven divisions of the state were initially reconstituted into 17 local government areas, when the state was created on 3rd February, 1976. During the civilian administration of 1979 to 1983, 23 more local governments were created, thus bringing the number of the local governments to 40. However, with the coming of military administration in 1984, the state reverted to the old 17 local government areas. In 1984, the Babangida administration created four more local governments, thus the state had 21 local government areas before it was divided into Adamawa and Taraba States.

There was also the traditional system of administration which organised the state by bringing local governments/ chiefdoms together to serve as council under emirs or chiefs with a first class status. There was also a state Councils of Emirs and Chiefs under the chairmanship of the Lamido of Adamawa, Dr. Aliyu Mustapha. The various traditional as well as emirate councils in the state invited local governments as ex-officio members during their respective meetings.

1.2 THEORETICAL FRAMEWORK

Among the macroeconomic goals of any economy is that of rapid economic development, i.e. increase in the rate of output, improvement in the distribution of income, equilibrium in the balance of payments, etc. In order to achieve this objective, there is the need for mobilisation and effective utilization of the mobilized resources. However, due to the problem of market imperfection in the economy, the government assumed this role of economic development. It has been given to the government to perform. It has been discovered that the private sector cannot be saddled with that objective, since their major objective is that of profit maximization. Thus, the government is expected to find ways of mobilizing and utilizing effectively these scarce resources in the economy and to optimize its allocation among competing uses in the economy.

Given the role of the government in pursuing this developmental objective, the budget which they prepare yearly has acquired an important role as a policy instrument. The budgets are cast in a form of developmental planning. The budget structures are divided into two main branches, namely, capital budgets and recurrent budgets.

The capital budget is the public sector's contribution towards the realisation of economic growth. It is the increase in the gross capital formation in the

public sector. The recurrent budget is the cost of maintaining existing level of government services. This includes all current expenditures for promoting the socio-economic ends and for the sustenance of the political system.

The picture of budget that is common in less developed countries is that of higher allocation being given to recurrent expenditure. However, many economists regard increased investment by both the government and private sector as the key to economic growth. This implies that there should be higher allocation to the capital budget. Thus, for impact to be made on the rate of growth, there is need for more capital formation.

The ideal fiscal system for growth should have an optimal impact on incentives to induce workers and investors, consumers and savers, to make decisions which will lead to accelerated growth. Granted, the ideal is never real and the optimum never attainable; yet there is no doubt that the 'ideal' fiscal system must strive for the augmentation of scarce factors of production. On the one hand the supply of skilled labour must be increased, thus requires substantial government expenditure on education and technical training. On the other hand, savings must be augmented. The fiscal system can be a decisive instrument in the enlargement of the supply of such scarce factors.

1.3 STATEMENT OF RESEARCH PROBLEMS

The important role played by the Gongola State Government in Nigeria in promoting, coordinating and providing community services and thereby encouraging greater mass participation and involvement in the running of their own affairs and the use of local resources to the optimal level cannot be over-emphasized. This role is premised on the fact that the Federal Government often experiences tremendous difficulties in providing and directly administering various public services to the satisfaction of a wide variety of people at state level, given the man-power, financial and infrastructural constraints militating against it.

It is, therefore, not surprising that the state government participated directly and indirectly in the acceleration of economic development of the state. This is seen in its budgetary policies whereby each year, the budget articulates its economic policies and indicates the level of control,regulation,and stimulation of the economy. The government provides such social services as education, transportation, health facilities, social security scheme, etc. However, experience has shown that the standard of living of people is very low, when one tries to look at the rate of unemployment, income inequalities, inflation and provision of housing and health facilities. Resolving these problems means an ever-increasing pressure on public spending in the state.

The major problem of the state government spending is that of shortage of revenue. The public finance of the state lacked buoyance.

The financial problem can be looked at from two angles: internally-generated revenue and externally-generated revenue. The internally-generated revebue is the revenue that the state government can generate within their own boundary. This revenue is got from taxation (community tax and Pay As You Earn), local rates, licences and fees, investment revenue and other miscellaneous sources. The problem with these sources is that they have low elasticities i.e. the amount that can be generated from them is very low, since their rate cannot be easily reviewed upward so as to yield more funds to the state coffer. Also, they are not fully exploited by the tax officials due to corruption in the revenue departments, widespread evasion and avoidance of taxes. All these make the internally generated revenue to be very low in the state.

The external revenue to the state is the statutory allocation from the Federal Government. The state relies heavily on this source for its expenditure. The problem with this source is that a higher percentage of total revenue is generated from a single source (oil) whose amount at any point in time depends on the vagaries of the world oil market prices.

The government savings on the current account is very low. This is because of lack of proper planning of the recurrent expenditure in the state, and this has posed a serious problem for economic management and the control of the growth process. There is extremely high cost of running government and government projects which has created a serious bottleneck in the government quest for restructuring the economy.

The problem that is posed here is that since expenditure depends on revenue and there is problem of lack of funds in the state, how are the scarce resources of the state allocated between recurrent expenditure and capital expenditure? How do the internal and external revenues affect the expenditure of the state? It is believed that whichever expenditure policy that is pursued will have different impact on the growth and development of the state, and thus, determine the standard of living of its citizens.

1.4 JUSTIFICATION OF THE STUDY

The study of the state government expenditure will provide us with the needed information as regards the structure and changes in the distribution of public expenditure in the state. Since this is among the main

functions performed by the public sector, it may throw some light on the government contribution to economic development, and thus, identify the budget priority of the Gongola State government. We will be able to know whether it is the public consumption expenditure or the capital expenditure, that is the most important item of expenditure in the state. The general contention assumes that once infrastructures are expanded by the government the private sector will respond by enlarging their growth-generating economic activities. Thus, there will be need for higher capital expenditure.

The study will also provide us with the information as to how the state government is managing the area of expenditure. This, therefore, enables us to assess how realistic financial planning and administration have been at state level.

Also, with the current economic crunch in the country with its attendant problems, it will make the states to know that they have to start thinking of how to generate more internal finance for their expenditure instead of external dependency.

The research will also contribute to the existing literature in public expenditure problem-solving at the state level. This actually up-dates earlier efforts by providing the missing link in the chain of discussion on the subject of public expenditure at the state level.

Also, by aggregating the budget figures themselves, the research has contributed in terms of data collection function, which may be used for further research. It is hoped that this will provide useful guidelines to all the states of the federation in terms of their use of the scarce resources for development purposes.

1.5 THE STUDY OBJECTIVE

The primary aim of this study is to look into the growth and structure of Gongola State expenditure from 1976/77 to 1990.[1]

The specific objectives of this study are:

(i) to present an analysis of the public expenditure growth and structural composition in the state;

(ii) to identify the main factors which determine the spending characteristics of the government at the state level;

(iii) to discuss the degree of correlation between the total expenditure and the factors determining the expenditure growth;

(iv) finally, to make policy recommendation.

1.6 RESEARCH HYPOTHESIS

In this study, it is hypothesized that there are:

i. no correlation between total expenditure in the state and recurrent expenditure;

ii. no correlation between total expenditure in the state and capital expenditure;

iii. no correlation between total expenditure in the state and federally-allocated revenue;

iv. no correlation between total expenditure in the state and the state internal revenue;

v. no correlation between total expenditure in the state and the state's population;

vi. no correlation between total expenditure in the state and the degree of urbanisation;

vii. no correlation between total expenditure in the state and the rate of inflation.

1.7 THESIS ORGANISATION

Chapter One of this thesis is the general introduction. It gives the description of the study area, theoretical framework, the problems, justification, the study objectives, the hypothesis that have been tested in this study and the structure of the thesis.

The determinants of public expenditure/literature review are given in Chapter Two. The third chapter highlights the research methodology.

The fourth chapter examines the growth and structure of public expenditure in the state. This includes the growth and trends of absolute expenditure, the structure of recurrent and capital expenditure, the nature of savings and factors determining the expenditure growth in the state.

The fifth chapter is devoted to the presentation of the findings based on the statistical techniques that were used in the study. The final and the sixth chapter is devoted to the summary of findings, conclusion, policy recommendation.

FOOTNOTE

1. Between 1976/77 tand 1979/80, the financial year ran from 1st April to 31st March. However, for 1980, the financial year was from 1st April to 31st December of that same ye ar. From 1981 to 1990, the financial year runs from 1st January to 31st December.

CHAPTER TWO

THE DETERMINANTS OF PUBLIC EXPENDITURE: LITERATURE REVIEW

2.1 INTRODUCTION

Public expenditure can be seen as one of the instruments which government uses to achieve its socio-economic objectives. Once the government has made up her mind in terms of which goods and services she wants to provide to the citizens and the quantity and quality of such goods and services, then public expenditure represents the cost of carrying out these functions. In short, one can the define public expenditure as:

> the expenses which the government incurs for its own maintenance as also for the society and the economy as a whole (Bhatia, 1976).

As a result of continuous expansion in the public expenditure of most countries of the world, there have been a lot of theories which try to explain its growth, pattern and determinants with time. However, of much interest in this study is the one in the field of positive economics. This gives us an empirical and historical explanation to the theory of determinants of public expenditure growth. The theories try to bring together the economic, social and political factors in explaining public expenditure growth. These theories can be grouped into two classes, namely: macro-model and micro-model. What follows is the

discussion of these two models and some empirical statistical studies relating to public expenditure.

2.2 MACRO-MODEL OF PUBLIC EXPENDITURE GROWTH

Macro-model of public expenditure growth tries to explain the trend of public expenditure by making use of aggregate variables, for example, gross national products, rate of inflation, etc. The model explains the long-term pattern of public expenditure.

Three models can be identified here, namely:

(a) Wagner's law of expanding state activities;

(b) Peacock-Wiseman hypothesis; and

(c) Developmental model of public expenditure growth.

2.2.1 Wagner's Law Of Expanding State Activities

This model was given by nineteenth century German economist, Adolf Wagner (1890). Using historical approach he tries to establish generalization about the behaviour of government expenditure. He ended by giving us a "law of increasing state activities". There is a lot of controversy on whether he is talking about the relative growth of public expenditure (i.e. growth in the ratio of government

expenditure to gross national product), or on absolute size of the public expenditure. Following Bird's (1971) interpretation which sees it as a growth of the relative size of the public sector, the law runs as follows:

> As per capita income in the industrial nations grows, the government spending as a proportion of aggregate output will also grow. That is, the income elasticity of public spending tended to exceed unity.

Wagner explained this phenomenon as resulting from "the pressure for social progress and the resulting changes in the relative sphere of private and public economy". He justifies this position by referring to law enforcement (internal and external), state participation in material production and public provision of certain economic and social services such as public health, education, welfare services, recreation and culture. To Wagner, these economic and social services are superior or income-elastic wants. Therefore, as real income in the economy rises (i.e. as gross national product increases) public expenditure on these services would rise more than in proportion, which would account for the rising ratio of government expenditure to gross national product.

Even though Wagner's model contained many insights, there are some criticisms and objections to this law. This is contained in the works of Peacock and Wiseman

(1961). These criticisms are that the law is based on Wagner's acceptance of political and philosophical interpretations of history, and the validity of the organic theory of the state. He was more or less explaining the market failures, and thus, justifying it for state intervention. He did not give a well articulated theory of choice. The state is seen as an individual making choice independently of the members of the society.

He neglected the effect of war on the growth and pattern of public expenditure. However, war has been one of the greatest facts of life in the twentieth century. So that any theory of public expenditure which, in essence, ignores wars and their associated expenditure as unimportant appears to leave out an obviously important influence of expenditure growth.

His analysis also does not explain the issue of revenue constraint on public expenditure growth. This has been shown by the work of Peacock and Wiseman, such that the rate of tax is fixed by political and social forces which can only be altered by a severe cause such as war.

Finally, the law itself as originally formulated did not lend itself to rigorous testing. However, one could still investigate if the increase in public expenditure in recent years has been in the area of social services as predicted by Wagner.

2.2.2 Peacock-Wiseman Hypothesis

They rejected Wagner's law or conclusion, but adopted his historical approach and studied the behaviours of British public expenditure by looking at the relevant time-series data and the historical facts. The analysis of public expenditure by these people is based upon a political theory which states that "governments like to spend more money, the citizens of the countries do not like to pay more taxes so that more funds will be available to the government, and that governments need to pay some attention to the wishes of their citizens." The government therefore, allowed the public expenditure to be influenced by the rule of the ballot box.

Their explanation is that public expenditure does not grow smoothly, but irregularly, i.e. step like with the plateau occuring at time of social disturbance caused by war. That is, government expenditure can be explained by what they called "displacement effect" and "concentration effect".

According to them, the basic constraints on the increase of government expenditure lies in the inability of the government to increase the tax rate to finance the expenditure. The citizens have a strong notion about the "tolerable burden of taxation" which remains fairly stable during this peace time. As a result of this, public

expenditure during this period will show a gradual upward trend. However, during a period of national crisis, such as the outbreak of war or social upheavals, like famine, their 'tolerable burden of taxation' changes. That is, they will be ready to accommodate a rising level of taxation so as to finance the desired increase in public spending. Thus, the gradual trend of public expenditure of peace time is disturbed. After the war is over, it is not likely that taxes and expenditure return to their previous level, but instead, probably remain at a somewhat higher level, so that the pattern of public expenditure look like a series of steps.

Their 'concentration process' is that because of war there will be changing division of responsibility between the different layers of government. Generally, there will be decreasing importance of the lower level of government as an independent centre of decision-making and policy execution. They will depend more on the higher level of government for grant-in-aid. This will, therefore, force the higher level of government expenditure to rise.

What they are actually saying is that the presence or absence of war and other social upheavals is the major determinants of public expenditure growth.

The problem with this theory is that even though it fits British statistics very well, one cannot use it to make a generalization about the growth of public expenditure. Equally, important are other factors like urbanisation, population growth, etc.

Also, the works of Goffman and Maher (1971) showed that, while the developing countries may experience 'displacement effect' as they are analysed above, they have experienced more changes in their expenditure level as a result of political and economic characteristics peculiar to them. In the case of Peacock and Wiseman, it is based on a tax constraint exercised by the electorate upon the law-makers which assumes the existence of a democratic system of government. In many developing countries, however, military dictatorship and external pressure from foreign powers reduce the power of the ballot boxes and introduce instead a different constraint to the growth of public expenditure. Of more importance here are the internal revolution and international trade.

On the issue of revenue constraint, while there can be little doubt that historically revenue has played an important role, however, following the context of Keynesian economics, there is no reason why expenditure should be limited to tax revenue. Government can borrow to finance the expenditure.

There is also the problem of the interpretation of the magnitude of the displacement effect. There is enough evidence, as shown by Musgrave (1969) that, after deferred civilian public spending has taken place following the war, public outlays return to their pre-war trend line.

Thus, while public expenditures have exhibited tremendous growth and the growth has shown a ratchet pattern, the reliance on social disturbance such as war and depression as the explanatory variable is not satisfactory. Therefore, neither the displacement nor concentration effectsare adequate as general theories of the growth of public expenditure.

2.2.3 Development Model of Public Expenditure Growth

The work of Musgrave (1969; 1974) and Rostow (1971) are the best examples of this approach. Their analysis is based on the fact that all the countries of the world must pass through different stages before they could develop. These different stages therefore require different proportions of government expenditure.

They argue that in the early stage of economic growth and development, the ratio of government expenditure to total investment in the economy will be large. This is due to the fact that they have to provide social overheads such as roads, sanitation system, transport system, law and

order, health and education, and other investment in human capital. These are the investments that will stimulate the economy for 'take-off' into the middle stage of economic and social development.

In the middle stage of economic growth and development, though the government will continue to provide these facilities, its ratio in the total will be low, i.e. it will be declining. It will only be complementing the effect of the private sector, which is now growing. In the above stages, there is the existence of market failure. Government expenditure is needed to solve these market failures.

The conclusion of Musgrave is that throughout the development stages, as the ratio of total investment expenditure to gross national product rises, the ratio of government expenditure to gross national product will fall. On the part of Rostow, he says, once the maturity stage is reached, government expenditure on infrastructure will be falling, while that of education, health and welfare services will be rising. On reaching the mass consumption stage, government expenditure policy will shift to income maintenance programme and redistribution of income. That is, these last items will have a higher share of the government expenditure than other items. Also, its ratio relative to gross national product will be high.

Here, government is seen as a supplier of social overhead and in solving the problem of market imperfection. It is a known fact that the role of government in the modern day is more than that.

This concludes the examination of the macro-model of public expenditure growth. It will be seen that none of the three models gives details of the public expenditure process. They have left out some of the important permanent influences of public expenditure growth. This, therefore, leads us to the next model.

2.3 MICRO-ECONOMIC MODEL OF PUBLIC EXPENDITURE GROWTH

This model tries to explain expenditure growth in terms of the factors that influence the demand for public goods and services (i.e. publicly supplied goods and services). It, therefore, gives an explanation of the derived demand for public sector inputs. It shows how the decision processes of the government will give rise to public expenditure. These are the factors that are left out as unimportant by the macro-model. These factors are as follows.

2.3.1 Population Growth

We should expect that with the growth in the population, it will lead to increase in public expenditure. However, the total effect of the changes in population on the level of public spending are very difficult to forecast since government expenditure is likely to be affected not only by the increase in the population but by the changes in the composition of the population. For instance, items of expenditure like defence, are relatively inelastic with respect to population, thus not needing increasing expenditure per head up to certain limits. Others, such as education and public health are relatively population elastic, thus will require increasing public expenditure. A change in the composition of the population leading to a high proportion of children will definitely push up education cost of the government. That of high proportion of old people will push up the expenditure on pension, health and supplementary incomes.

2.3.2 Urbanisation

There are trends towards a high degree of human concentration in the urban areas. It is a common feature of development. Due to high social amenities that are available in the urban areas and the availability of jobs in the manufacturing sector , it has acted as a stimulus for the rural populace to leave their agricultural life for

the urban life. As the concentration increases, it leads to an increased cost of providing the same package of the social services to the citizens in these places. Also, there is the tendency for the citizens to be asking for a bigger and better package of the services, thus further pushing upward the public expenditure of the government. This cost will continue to expand as the economy grows and become more complex. This is confirmed by Thorns (1967) observation that,

> rising proportion of urban population to total population accompanying development all other things being equal, alone is sufficient to raise the relative level of public expenditure.

2.3.3 Changes in the Price Level

Prices have a secular tendency to go up. Though there are periods when prices have fallen, the overall trend has been for them to rise. The most obvious effect of this rising prices will be increasing expenditure of the government, if only they are to even maintain their real level of purchases and transfers.

The total effect of increasing prices can be separated into two - those in labour cost (wages and salaries) and material input cost (including contractual services). The effect of the rising prices on material input is to increase its cost to the private sectors. The

increases in cost is now transfered to the government since the private sector supply these goods to them. This will thus lead to increase in expenditure. Also, since the cost of goods and services purchased by government employees have risen, for them to maintain their former level of standard, they have to ask for more salaries. The award of increase in salaries leads to increase in cost of labour, and therefore, increase in expenditure. The overall effect, therefore, is to increase the per unit cost of government services. public expenditure increases which cannot be linked to this inflation are generally presumed to be the result of increases in the quantity of labour employed and material input purchased and/or improvement in the real income of government employees by way of higher fringe benefit package.

2.3.4 Quality of the publicly Supplied Goods and Services

Technological development in the society has led to the advent of new products of higher quality. As a result of this, it has made the citizens to have changes in the desired combination of publicly supplied goods. For instance, the citizens prefer an education system that has a low pupil-teacher ratio to that with higher one. They want to see the classrooms equipped with modern facilities. On the part of the government, they now

require the services of highly qualified administrators and technicians which are of higher quality. Since all these things are expensive to come by, it implies a higher cost of providing the public services. This higher cost will thus lead to growth in government expenditure.

2.3.5 Political Changes

This relates to the devolution of powers and functions from the federal to the state and local government in a federal system of administration. Thus, as more states and local governments are created in the country, it means more people are going to be employed to man the new states and local governments. Also, there will be need for provision of all the necessary infrastructural facilities in the headquarters of the newly created states and local governments. The effect of all these is to increase the total expenditure of the government.

The foregoing analyses of both macro-model and micro-model provides an account of the factors which could in general be employed to explain the growth and structure of public expenditure growth. This list of factors is far from being exhaustive, but important as it is in explaining public growth, it does not have a permanent influence nor is it predictable over time. It cannot be used to make a generalization into any law of public exp enditure growth.

2.4 REVIEW OF EMPIRICAL STUDIES

Fabricant (1952) examined the trends of government expenditure in the United States since 1900. He wanted to find out the factors determining the state and local government expenditure. He concentrated only on three variables, namely: income, urbanisation and density, which were regressed on per capita total expenditure and per capita expenditure for each of the following areas: police and fire protection, health and hospitals, sanitation and education.

His findings were that all the three variables were generally positively related to almost all categories of public expenditure, although the portion of variance that they explained have been declining with the passage of time. These three factors accounted for approximately 70 per cent of the variation in expenditure. It is the per capita income that is the major determinant of the inter-state differences in public expenditure, while density and urbanization were minor factors.

Fisher (1964) studied the inter-state variation in the state and local government expenditure. He tried to increase the number of the variables to seven, made up of more demographic and political factors as against the three used by Fabricant.

His findings were that there was a higher association between public expenditure level and the percentage of low income families. It was the demographic variable that was found to be the major determinant of public expenditure growth, while socio-political variables offered only little explanation. This model, however, had much higher explanatory power than Fabricant's.

Osman (1964) examined the dual impact of Federal Government aid on the state and local government expenditures. In his regression analysis, he made grant-in-aid an independent variable. The aim of including this variable is to show its effect on increasing the expenditure growth function, other than those receiving the aid.

His findings were that both Federal Government aid-per-capita and per capita income were the major determinants of expenditure growth at the state and local government levels, adding that the federal grant-in-aid continues to exert a significant positive influence over the state government expenditure. There were positive influence not only on function to which the aids were directed, but to other programmes as well. For example, he found that a dollar of non-education aid to the state and local governments resulted in an increased expenditure on education by ₡0.52. He suggested that this could result from one of the following causes:-

(1) Financial resources were being released to education from other functions now that aid is available to these functions; or

(2) That education was a function complementary to other functions; or

(3) That both effects were operating simultaneously.

In summary, Federal aid led to increased state government expenditure, while state aid to local government raised the combined state and local government expenditure.

Morse (1966) studied the major determinants of the state and local government expenditures. He was very critical of Osman's use of Federal Government grant-in-aid as an independent variable in explaining the state and local governments expenditures. In his own regression analysis, he included total state and local government expenditures as dependent variables, while the only independent variable was the Federal Government grant-in-aid.

His findings were that Federal grant-in-aid continued to put a lot of significant positive pressure over the state and local government expenditures due to the fact that both the state and local governments were expected to spend all the aid and payment they received from the Federal Government.

Please (1967) examined the nature of savings in the less developed countries. His findings confirmed the Says law of government spending "Public expenditure is driven by the availability of revenue".

His findings are what is generally referred to as "Please effect", which states that an increase in the tax revenue is unlikely to substantially increase public investment rather, more of the increased revenue generated as a result of increase taxation would be allocated to public consumption, a situation which he considered to be undesireable.

Musgrave (1969) examined the causes of public expenditure in Germany, United Kingdom and the United States over the period 1890-1963. Making use of regression analysis based on time--series data, he concluded that they support Wagner's law, although he quite properly noted that in principle one cannot really predict the course of total public expenditure during economic development, but only of particular components of the totals.

His findings indicated a general trend towards a higher ratio of government expenditure both for civilian and military purposes. Expenditure on administration expanded at over twice the rate of growth of gross national product, but it remained a small factor in the total picture. The ratio for expenditure on economic services showed a somewhat faster rise. For the three countries,

however, the most important factor of increase in the civilian purpose was in the social service categories which was made up of education, welfare programme, social insurance and housing. The increases which comprised both transfer payments and government purchases were roughly equivalent proportions. That is, income-elasticities and marginal propensities to spend showed government expenditure in Germany and United Kingdom responding more to increase in gross national product in the earlier part of the century, while responsiveness in the United States became greater in the more recent period. For the United States and United Kingdom, there was a constant ratio of public capital to consumption spending of about 20 to 30 per cent. Finally, Musgrave interpreted the findings as a contradiction to the Peacock-Wiseman displacement effect, since it appeared that after some post-war adjustments, civilian public expenditure returned to the pre-war trend determined by the underlying situation.

Reddy (1970) examined the 'secular growth' of government expenditure and national income of India between 1872 and 1966. He employed regression analysis for the exposition.

His findings showed that the expenditure of goverrment as a ratio of gross national product was positively related to the per capita income. He observed that even if influence of population growth and price

changes were removed, the picture remain unchanged. That is, the expenditure of the government would increase faster than the national income. He found that the income elasticity of demand for government expenditure was far in excess of unity. In the period 1890 to 1955, Reddy also found that the proportion of government expenditure in national income witnessed similar fluctuations in Germany, United Kingdom and Japan.

Bird (1970) examined the empirical evidence of the Wagnerian law by studying the growth of government spending in Canada.

His findings were that there was a positive relationship between the ratio of public expenditure and gross national product and per capita income. That, since 1870, the public expenditure as a percentage of gross national product has risen five-fold. As from 1933, the greatest factor of expenditure growth was found in the social expenditure, which is defined here as health, education and welfare expenditure. They rose rapidly with rising per capita incomes. However, increase in expenditure for general administration and protection, and in public production such as transportation, although substantial, was such that its functions remained relatively constant as a proportion of gross national product.

When he re-classified the government expenditure in terms of degree of publicness, he found that the average

annual growth rate of expenditure between 1933 and 1965 of pure public goods (i.e. general administration, defence and mutual aid, and protection veteran benefit) were 11.4 per cent. This was less than that of services expenditure, which was 12.5 per cent. Included in the services expenditure were health education and welfare. For the saleable services (i.e. transportation and natural resources), it was 10.6 per cent.

Goffman and Maher (1971) examined the growth of public expenditure in six Carribean countries between 1940 and 1965. These writers observed that there was a positive relationship between the ratio of public expenditure and gross national product to per capita income, and this increase in public expenditure exhibited a ratchet pattern. They said that income, price and population had effect on the growth of public expenditure. However, the magnitude of each factor cannot be separated and there are still large unexplained variations in the time pattern.

They said that the ratchet effect exhibited here was not as a result of war or depression but as a result of internal revolution and international trade which, in turn, may or may not have reflected the influence of an external power. Foreign influence through demonstration effect had influence on the spending level and composition of expenditure also in these countries.

On the home front, a systematic study of Nigerian public expenditure was done by Okigbo (1965). He gave a detailed account of the expenditure at the three levels of government.

His work was more or less a historical exposition of the development of the fiscal system in Nigeria. He gave some useful background information about the problems of inter-governmental relations and was disturbed at the low level of investment in agricultural sector of the economy. He said the reasons for the rapid increase in the expenditure for the regional government was due to the increased responsibilities given to them constitution-wise. Also, the availability of resources from the regional marketing boards which they used up in road construction, education, and health service helps in pushing upward the expenditure.

Phillips (1971) examined the Nigerian public consumption expenditure over the period 1953 to 1966. He employed regression and algebraic formulation to enquire whether public consumption expenditure had been following the 'optimum' path.

His findings were that there was a rising share of government expenditure as the economy progresses and there is a positive correlation between public consumption expenditure and per capita income. Also, unlike in the

developed countries, transfer expenditure under the social insurance scheme feature rather insignificantly in the expenditure pattern. He observed that gross domestic product elasticities of consumption expenditure is about three. He claimed that this figure was close to the value obtainable by directly comparing the annual growth rate of gross domestic product of about 4 per cent with the annual growth rate of expenditure of about 11 per cent during the review period. This, therefore, supports the finding regarding a greater than unity, national income elasticity of consumption expenditure. He therefore advocated for a curb in the tendency for public consumption to rise rapidly. He also recommended an enlarged efficiency in the management and control of public expenditure and the need to raise more revenue.

Teriba (1967) attempted a review of the body of statistical data and history of former western Nigeria. He made use of descriptive statistics for his analysis.

His findings indi cated that public expenditure at all levels of administration and decision-making in the region rose considerably. However, he observed that local government continued to depend on the regional government as a source of finance. This, therefore, distorted the 'preference map' of the local government, and impaired their sense of responsibility and freedom of budgeting. The most important factor in the rise of public expenditures

is found in the socio-political pressure coinciding with an era of financial buoyancy and of the exercise of power by the politicians. Finally, the supply of public goods and services weighted heavily in favour of administration and social services expansion.

Olowononi (1981) examined the growth and pattern of public expenditure in Kwara State from 1968 to 1976. He divided the expenditure into current and capital expenditure. He employed descriptive statistics for his analysis and discovered that there has been increase in the growth of public expenditure in the state. This growth has been found to arise from government committment to social, economic and administrative services. There was evidence of both small expenditure base and the effect of grant-in-aid from the Federal Government as a determinant of the state government expenditure. Health and education, housing and community development, are seen as the major driving force of expenditure growth in the social sector.

From these studies, therefore, some interesting conclusions reached were that government expenditure tends to rise at a faster rate than the gross domestic product; that social sectors expenditure as a percentage of the government expenditure increased with rising income, i.e. it grows at a faster rate than the average of other items of government expenditure, and finally, there exists a positive relationship between economic services in

percentage of gross domestic product, with per capita income.

It is clear from the above analysis that most of the studies made use of regression approach to the estimation of government expenditure determinants. This approach has its limitation. First, this statistical method of analysis imposed considerable restraint on the number of variables that may be included in the analysis.

Also, these studies have attempted to estimate a reduced form model of the expenditure process. This is why Kerry and Fibiger (1972 said:

> Without an explicit statement of the structural relationship which would comprise a complete model of the process, most of these studies outlined a set of exogenous causal factors, and examined their effects upon expenditure.

Therefore, one can say, these analyses of expenditure determinants were based on an incompletely developed model.

Furthermore, the role of federal aid as an independent variable has continued to generate a lot of controversy. There has not been an acceptable model as to its suitability in the regression analysis. However, Osman (1964) contended that:

> If the matching grants included in this measures are close-ended the aid index will be an acceptable independent variable.

Based on this, it is not the intention of this study to attempt the formulation of any general law of public expenditure theory, or attempt the development and application of a more complete model of the public expenditure decision-making process. However, effort will be made to mention specific factors which contributed to changes in the public spending pattern in the state.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 DATA COLLECTION

The study makes use of secondary data. Time-series data were collected from 1976/77 fiscal year to 1990. Data have been collected on the following items:

(a) Actual recurrent expenditure;

(b) Actual capital expenditure;

(c) Actual state internal revenue;

(d) Actual federal allocated revenue;

(e) Actual population and the degree of urbanisation in the state;

(f) Actual rate of inflation.

Data were collected from the following sources: Report of the Accountant-General of Gongola State (1976/77-1990), The Gongola State Budget Estimate, Ministry of Finance and Economic Development (1976/77-1990), the State Government Gazzettes and the Central Bank of Nigeria Financial and Economic Review (various issues).

3.2 ANALYTICAL TOOLS

Two ways were used in explaining the growth and structure of public expenditure in this study. These

methods are the descriptive statistics and econometric analysis (such as correlation and regression analysis).

3.2.1 Descriptive Statistics

Descriptive statistical tools such as growth rate, percentages, tables, ratios, averages, line graphs and bar graphs were used for the exposition of the growth and structure of public expenditure in the state.

3.2.2 Correlation Analysis

The study made use of pearson correlation analysis to measure the degree of relationships between the total expenditure and its component parts such as recurrent and capital expenditure, and factors determining the growth of expenditure in the state, like state internal revenue, federal allocated revenue, and so on.

This analysis is denoted by formula:

$$r = \frac{n\Sigma XY - \Sigma X . \Sigma Y}{\sqrt{n\Sigma X^2 - (\Sigma X)^2 . n\Sigma Y^2 - (\Sigma Y)^2}} \quad \ldots \quad (1)$$

where

n = number of years

Y = dependent variable

X = independent variable

3.2.3 Regression Analysis

Multiple regression analysis was used to test or measure the effect of the explanatory variables on the growth of public expenditure in the state.

The functional form of the regression model in its implicit specification is as follows:

$$Y = f(X_1, X_2, \ldots X_n, e_1) \quad \ldots \quad (2)$$

where

Y = dependent variable

X^S = independent variable

e = error term

In its explicit form, the functional equation is stated thus:

Linear form:

$$Y = \alpha_o + \alpha_1 X_1 + \alpha_2 X_2 + \ldots + \alpha_n X_n + e \quad \ldots \quad (3)$$

Double-log form:

$$LY = \alpha_0 + \alpha_1 \text{Log } X_1 + \alpha_2 \text{Log } X_2 + \ldots + \alpha_n \text{Log } X_n \quad (4)$$

The method of the ordinary least squares is used to estimate the regression coefficient $\alpha_0, \alpha_1, \alpha_2 \ldots \alpha_n$.

It should be noted that the error term is included so as to represent the effects of other variables that

affect the dependent variable and can not all be quantified.

3.2.4 Description of variables

The level of current expenditure in government establishments is directly a function of the availability of current tax revenue. In Gongola State, it is made up of two sources, namely: the state internally-generated revenue and federally allocated revenue. Other factors that affect the growth of expenditure are the rate of inflation, growth in population and degree of urbanisation. These factors are said to interdependently determine the growth of the state expenditure.

Model:

The general theoretical representation of the determinants of expenditure growth for any given period can be put symbolically as:

$$G = f(SR, FR, R, P, U)$$

where

G = total public expenditure

SR = state internal revenue

FR = federal allocated revenue

R = rate of inflation

P = population

U = urbanisation

Thus, in other words, the rate of expenditure growth in the state is hypothesized as jointly and severally determined by changes in the above independent variables. Increases in all of these variables will lead to increase in the state government expenditure and, thus, intensify the growth of public expenditure.

It is assumed that there is linear relationship between the dependent and independent variables. Also, it is known that the degree of urbanisation is determined by population growth. Therefore, in order to reduce the incedence of multicollinearity, both population and urbanisation are not used together, but are made to appear separately as substitutes.

3.2.5 Specification of the Model

The following functional equations were tested for the model.

Linear form:

$$G = \alpha_0 + \alpha_1 SR + \alpha_2 FR + \alpha_3 P \quad \ldots \quad (6)$$

$$G = \alpha_0 + \alpha_1 SR + \alpha_2 FR + \alpha_3 U \quad \ldots \quad (7)$$

$$G = \alpha_0 + \alpha_1 SR + \alpha_2 FR + \alpha_3 R + \alpha_4 P \quad \ldots \quad (8)$$

$$G = \alpha_0 + \alpha_1 SR + \alpha_2 FR + \alpha_3 R + \alpha_4 U \quad \ldots \quad (9)$$

Double-log form:

$$LG = \alpha_0 + \alpha_1 LogSR + \alpha_2 LogFR + \alpha_3 LogP \quad \ldots \quad (10)$$

$$LG = \alpha_0 + \alpha_1 LogSR + \alpha_2 LogFR + \alpha_3 LogU \quad \ldots \quad (11)$$

$$LG = \alpha_0 + \alpha_1 LogSR + \alpha_2 LogFR + \alpha_3 LogR + \alpha_4 LogP \quad (12)$$

$$LG = \alpha_0 + \alpha_1 LogSR + \alpha_2 LogFR + \alpha_3 LogR + \alpha_4 LogU \quad (13)$$

3.2.6 A-priori Expectation

The expected signs of the value of the parameters are discussed in the light of the theory or intuitive reasoning.

It is expected that both revenue sources will have a positive influence on the state expenditure. As the percentage of each source of revenue increases, there will be a high positive correlation between it and state expenditure.

With increase in the rate of inflation in the country, it means increase in the cost of executing government programmes in the state. As a result of this, there will be positive correlation between inflation and state expenditure.

It is also expected that as the population of the state grows and the percentage of people living in urban

areas increases, the responsibilities of the state increase. This is seen in terms of increase in the demand for public goods and services such as public health, water supply, education, transport facilities, etc., which are provided by the government. Thus a positive correlation is expected between population growth rate and state expenditure, and between the degree of urbanisation and state expenditure.

CHAPTER FOUR

GROWTH AND PATTERN OF PUBLIC EXPENDITURE IN GONGOLA STATE

This chapter of the study presents a detailed statistical and empirical analysis of the observed profile of government expenditure to show the structure and growth and the changing pattern of public expenditure in Gongola State between 1976/77 and 1990. This structure and changes in the distribution of public expenditure are expected to throw some light on the government contribution to the economic development of the state.

The analysis of the structure of public expenditure is based on the economic/functional classification of expenditure. For the purpose of clarity, the analysis is pursued along the following lines:

(i) the structure of absolute expenditure growth;
(ii) the structure of recurrent expenditure;
(iii) the structure of capital expenditure;
(iv) the nature of savings by the government;
(v) the determinants of public expenditure growth in Gongola State.

4.1 THE STRUCTURE OF ABSOLUTE EXPENDITURE GROWTH

Appendix A Column 5 indicates the general trend in the actual total public expenditure over the whole period under review. The actual total public expenditure of the state government increased from ₦153.4 million in 1976/77 fiscal year to ₦1,163.3 million in 1990. It will be seen that there was a gradual growth in the expenditure between 1976/77 fiscal year and 1983, when the expenditure increased to ₦506.9 million. It should, however, be noted that the sharp increase in expenditure from ₦445.0 million in 1981 to ₦506.9 million in 1983 is due to more spending in the social sector of the economy. This period coincided with the regime of the second republic politicians where there was a lot of expenditure for them to fulfill the promise they made to the electorate.

With the coming back of the military in December 1983, and thus taking over the affairs of the state, there was a sharp fall in expenditure to ₦194.3 million in 1984 as a result of the rationalization of the civil service. With the coming of the military government, there was no need for the state House of Assembly, therefore, the house was dissolved. Also, the fifteen ministries in existence in the state were rationalized to only nine. The newly created local government areas were cancelled; there was mass retrenchment of workers, and a drop in the expenditure for subvention to statutory boards and parastatals. Some of the projects embarked upon by

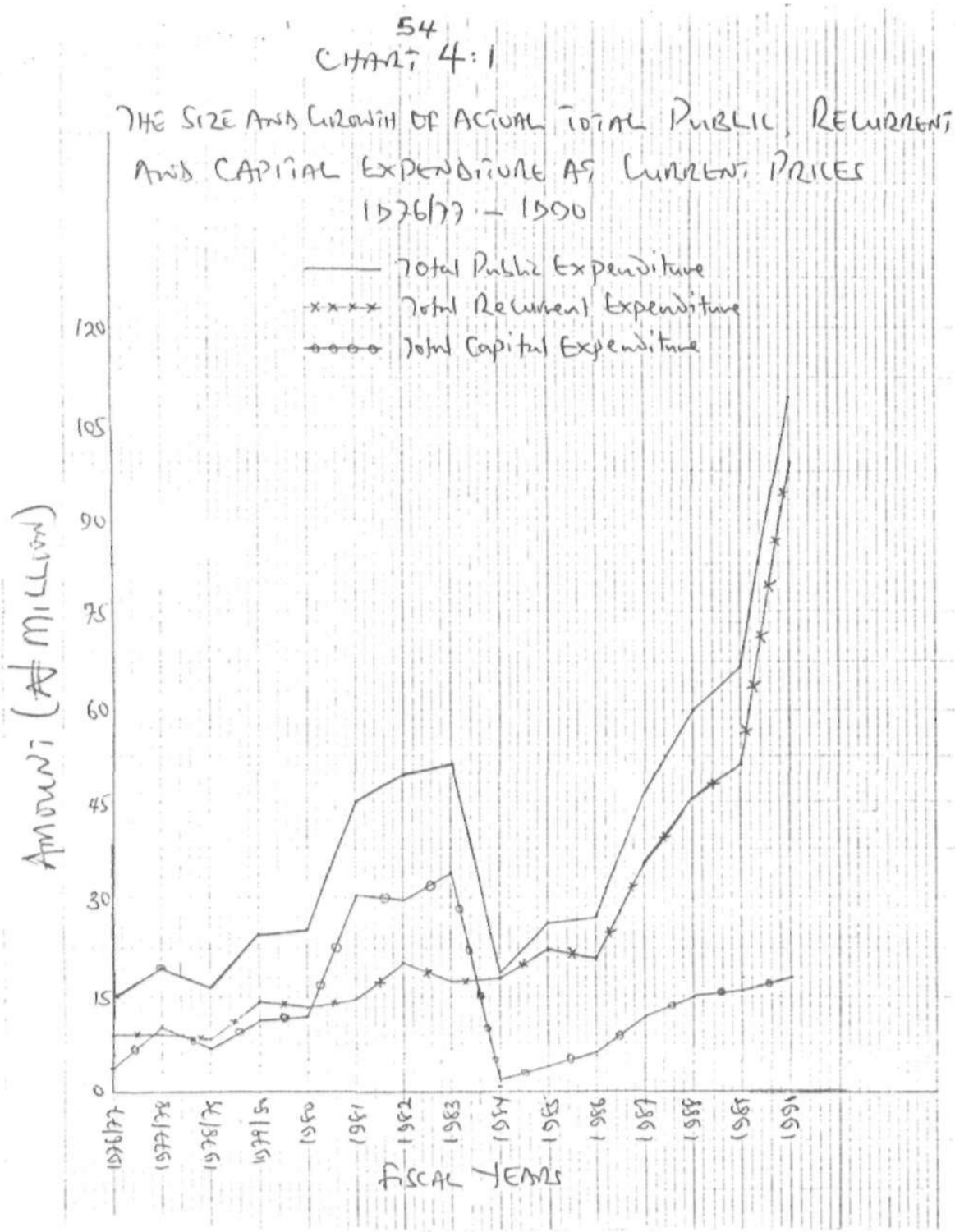
the civilian government, like the School of Nursing and Midwifery, and College of Preliminary Studies, Yola were stopped. All these mean a fall in the expenditure of the state government. However, from the 1984 fiscal year, the expenditure of the state government increased gradually until the peak of ₦1,163.3 million was reached in 1990 fiscal year. The pattern of growth of this expenditure is shown in Chart 4.1.

Taking 1976/77 fiscal year as the base year, actual total public expenditure at current prices in Gongola State increased about eight-fold between the year 1976/77 and 1990. This growth rate was less than the increase of about eleven-fold in the recurrent expenditure. The rate of growth of actual total expenditure was very gradual between the fiscal year 1976/77 and 1983, when it increased to a little more than three-fold, before it nose-dived in 1984. However, as from 1984 fiscal year, it started its upward movement until the end of the period under review, when there was an eight-fold rise. The average index of growth for the period under review was 264.7 per cent.

The functional composition of actual total public expenditures and the changing priorities of the various functional categories are shown in Columns 1-4 of Appendix A. This actually gives us a picture of the structure of expenditure in the state. Total public

CHART 4:1

THE SIZE AND GROWTH OF ACTUAL TOTAL PUBLIC, RECURRENT AND CAPITAL EXPENDITURE AT CURRENT PRICES 1976/77 – 1990



expenditure on economic services rose from N24.7 million in 1976/77 fiscal year to a peak of N112.5 million in 1981 fiscal year. By 1990 fiscal year, it was N80.8 million. There was gradual growth of expenditure in this sector between 1976/77 fiscal year and 1981. However, between 1983 and 1984, there was a sharp drop of the expenditure from N96.2 million to N24.5 million. The reason for this is due to the changing policy of the government in the field of forestry, irrigation, rural electrification and cooperatives. For the year 1984, the government did not spend on this sub-sector of the economic sector. Also, due to the fact that government expenditure on fishery has been fluctuating (i.e. not steady), it has made the expenditure on this sector to be irregular.

In the case of the social sector, its expenditure rose from N58.0 million in 1976/77 fiscal year to a peak of N233 million in 1983 and later fell to N66.1 million by 1990. The drop in the expenditure in the sector was due to fall in the money allocated for education and health subsectors. Also, the government reduced her expenditure on sewerage and drainage and housing in the state. The drugs that used to be free in the hospitals were commercialized.

For the administrative sector, the expenditure increased from N21.1 million in 1976/77 fiscal year to a

CHART 4:2

THE STRUCTURE OF TOTAL PUBLIC EXPENDITURE BY FUNCTION.

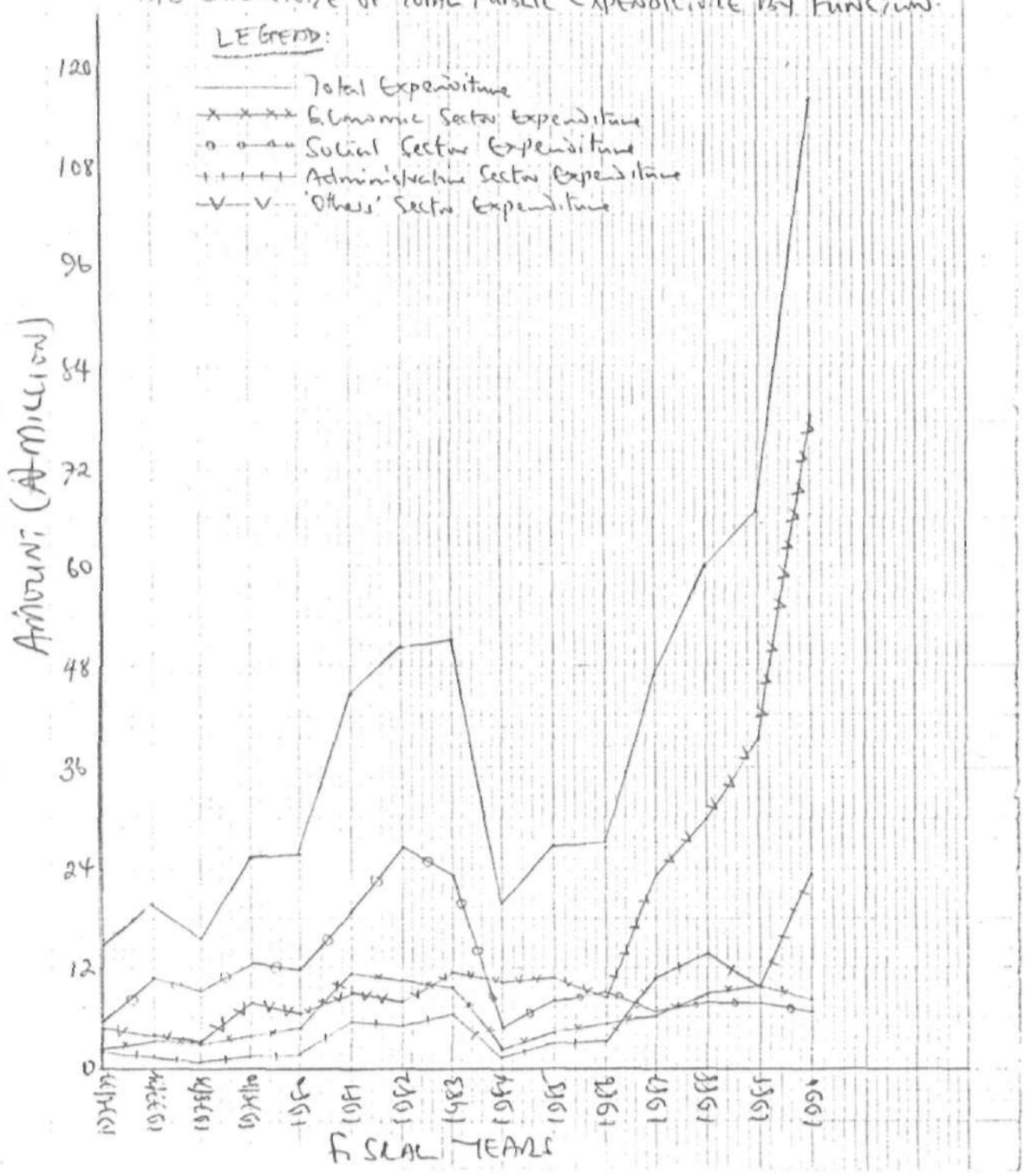
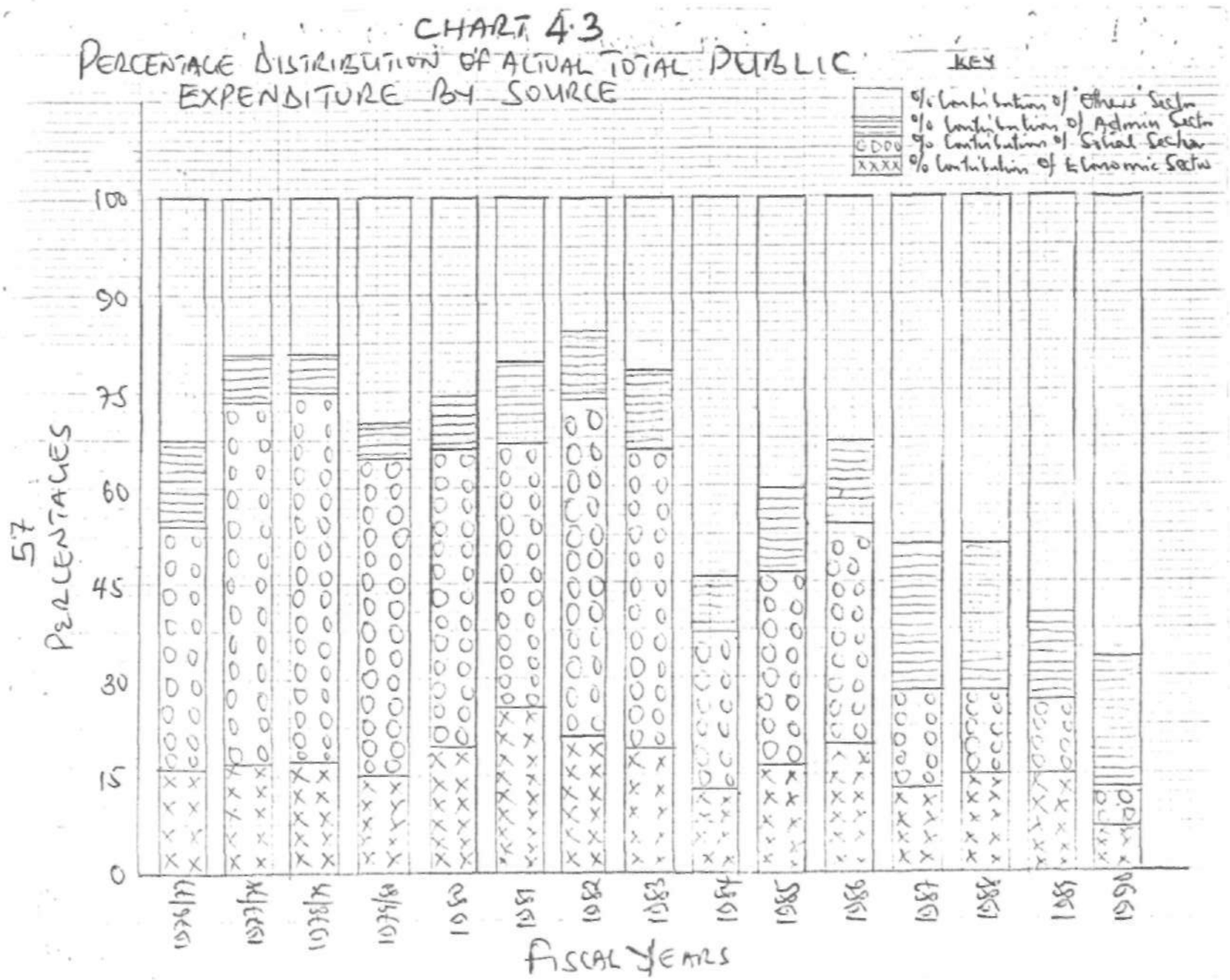


CHART 4.3

PERCENTAGE DISTRIBUTION OF ACTUAL TOTAL PUBLIC EXPENDITURE BY SOURCE



peak of ₦230.5 million in 1990 fiscal year. Between 1983 and 1984, the expenditure of the state government dropped from ₦63.8 million to ₦17.4 million because of the retrenchment that took place in the state, thus leading to a reduction in the wage bill of the government. Expenditure on "others" is made up of transfer payment and other expenditures. This expenditure increased from ₦49.6 million in 1976/77 fiscal year to ₦785.9 million in 1990. There was a sharp increase in the expenditure of this sector in the last four years. This increase was from ₦231.4 million in 1987 to ₦785.9 million in 1990. This increase was largely as a result of the increase in the payment to the capital development funds and other funds, subvention to boards and parastatals and high public debt charges. The structure of the total public expenditure, by this functional categories, is clearly shown in Chart 4.2

The distribution of total public expenditure as a percentage of total budget is given in Appendix A and Bar Chart (Chart 4.3). It shows that government attached high priorities to the social service sector, then followed by economic sector and administrative sector. The proportionate share of the economic sector was on the average 16.6 per cent, social service 34.8 per cent while the administrative services was 12.7 per cent.

When the state government expenditure was reclassified into recurrent (consumption) expenditure and capital (development) expenditure, the following picture emerged.

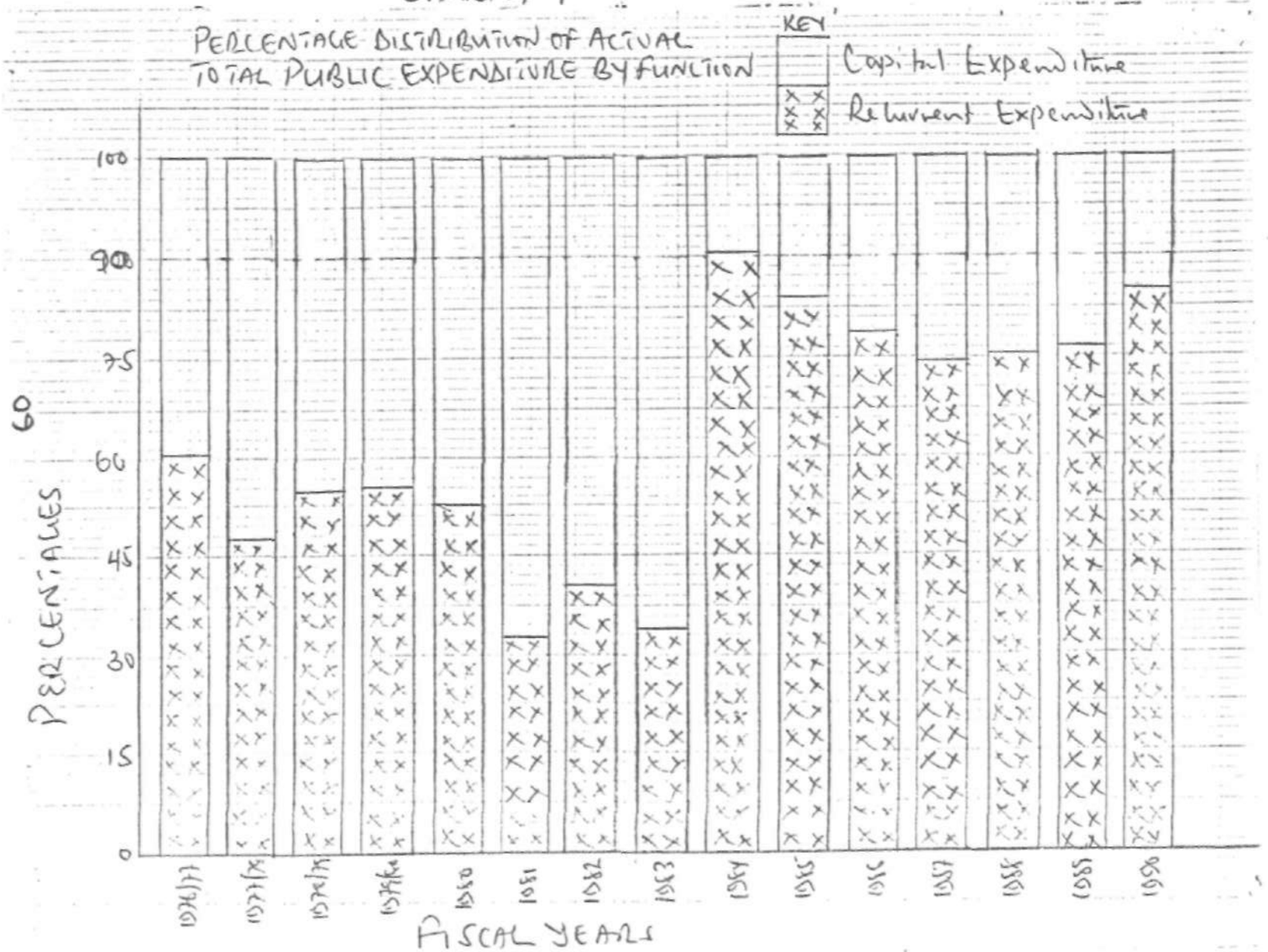
Out of the fifteen years under review, it was only in four years (1977/78, 1981, 1982 and 1983) did capital expenditure exceed the recurrent expenditure. This shows that the recurrent expenditure took the lion share of the total expenditure in the state.

The distribution of total public expenditure as a percentage of the total budget for these two sectors are given in Appendix B and Bar Chart (Chart 4.4). It shows that for the years 1977/78, 1981, 1982 and 1983, the proportionate share of capital expenditure was more than 50 per cent. For the remaining eleven years, it was less than 50 per cent. On the other hand, the recurrent expenditure has been the major contributor to the total public expenditure in the state. Between 1984 and 1990 fiscal years, the share of recurrent expenditure in total public expenditure was in the range of 74 per cent to 91 per cent. This, therefore, shows that government consumption expenditure increased faster than capital expenditure.

Several reasons can be given for this low capital expenditure in the state. The state's capital expenditure depends on such variables like Federal Government statutory

CHART 4·4

PERCENTAGE DISTRIBUTION OF ACTUAL TOTAL PUBLIC EXPENDITURE BY FUNCTION



and non-statutory grants, size of the recurrent expenditure, borrowing capacity of the government, balance that is transfered from capital development funds and state allocation to the local government. In the case of Gongola State, the size of the federal statutory allocation was low due to the changing allocation formula of sharing the revenue between the three tiers of government, which did not favour the states of the federation. Therefore, what they always projected from this source was not always forthcoming. Also, the size of the recurrent expenditure continued to be large, while the balance that was transfered from the capital development fund was small. These made the capital expenditure to be small.

The proportionate share of recurrent exp enditure on the average was 62.7 per cent while that of the capital expenditure was 37.3 per cent for the period under review.

Thus, one can say that there was a sign of growth of the public expenditure in Gongola State between 1976/77 to 1990 fiscal year. The analysis also shows that the actual total capital expenditure was relatively small, when compared with actual total recurrent expenditure. Therefore, the slow rate of economic development in Gongola State can be attributed to this low level of capital expenditure, since it is the investment capital that is always needed to stimulate the economic development of any nation. There is a need for the state to change its public

sector preference map in favour of the capital expenditure.

4.2 THE STRUCTURE OF RECURRENT EXPENDITURE

Recurrent expenditure are the outlays that are necessary to maintain existing levels of government services. This includes all current (non-capital) expenditures for promotion of socio-economic ends and the sustenance of the political system. Such expenditures include spending or disbursement on staffing of schools, hospitals, health centres, ministries, maintenance of roads and other capital projects; general administration for the servicing of debt, etc. This item of expenditure, it is argued, has a little impact on the growth of the state's economy. This is due to the fact that it is used for the maintenance of existing services, e.g. staffing and equipping of schools and hospitals or the maintenance of roads, etc. Thus, there is no addition to capital stock which would have actually led to a greater increase in growth. For a higher impact on growth to be achieved, there is need for new capital formation which is possible by way of capital accumulation.

Appendix C shows the actual total public recurrent expenditure by functional categories at current prices in absolute figures. Column 5 shows the magnitudes of the actual public recurrent expenditure at current prices, while Column 6 gives the growth rate of the recurrent expenditure during the period under review.

In absolute terms, the recurrent expenditure increased from ₦96.2 million in 1976/77 fiscal year to ₦984.9 million in 1990. Between 1976/77 and 1982 fiscal

years, the public recurrent expenditure showed a gradual growth, except in 1978/79 fiscal year when the expenditure fell to ₦86.6 million. The expenditure fell from ₦202 million in 1982 to ₦170.4 million in 1983 fiscal year. The main reason for this fall was as a result of drop in the personal emolument. However, as from 1983, the expenditure increased from ₦170.4 million to ₦984.9 million in 1990. This is the all-time peak of the recurrent expenditure. Chart 4.1 gives the picture clearly.

Taking 1976/77 as the base year, the actual recurrent expenditure increased about eleven-fold between 1976/77 fiscal year and 1990. This is more than the eight-fold increase that was got for the state total expenditure between the same period as was discussed in Section 4.1 of this chapter. This shows that even though the recurrent expenditure fluctuated, there was a definite upward trend. The average annual growth rate of the recurrent expenditure during these years was 285.5 per cent. This is more than that of the total expenditure which was 264.7 per cent during the period under review.

Columns 1-4 of Appendix C give us the structure of the recurrent expenditure by functional categories. Recurrent expenditure on economic sector rose from ₦10.6 million in 1976/77 fiscal year to ₦45.2 million in 1990.

There was a definite pattern of increase in expenditure between 1976/77 and 1982. The expenditure fell from ₦28.5 million in 1982 to ₦22.6 million in 1984. However, from 1984, there was a rapid increase in expenditure until the peak of ₦45.2 million in 1990 was reached.

Recurrent expenditure in social service sector rose from ₦28.2 million in 1976/77 fiscal year to ₦33.5 million in 1990. The peak of ₦71.9 million was reached during the 1982 fiscal year. There was a sharp fluctuation in the pattern of expenditure in this sector. Public recurrent expenditure fell from ₦65.1 million in 1986 to ₦33.5 million in 1990 fiscal year.

Recurrent expenditure on administration sector rose steadily from ₦4.2 million in 1976/77 fiscal year to ₦120.3 million in 1990. The exception to this growth trend was in the year 1983 to 1984 and 1989 fiscal years when the expenditures fell to ₦19.5 million, ₦14.7 million and ₦54.0 million respectively. Rapid recurrent expenditure growth on administration was recorded between 1987 and 1990.

Recurrent expenditure on "others" sector increased from ₦49.6 million in 1976/77 fiscal year to ₦785.9 million in 1990. There were sharp fluctuations in the pattern of expenditure in this sector. Public expenditure in this sector, however, showed a rapid increase during the 1987 to 1990 fiscal years. The expenditures in this sector

CHART 4:5

THE STRUCTURE OF RECURRENT EXPENDITURE BY FUNCTION

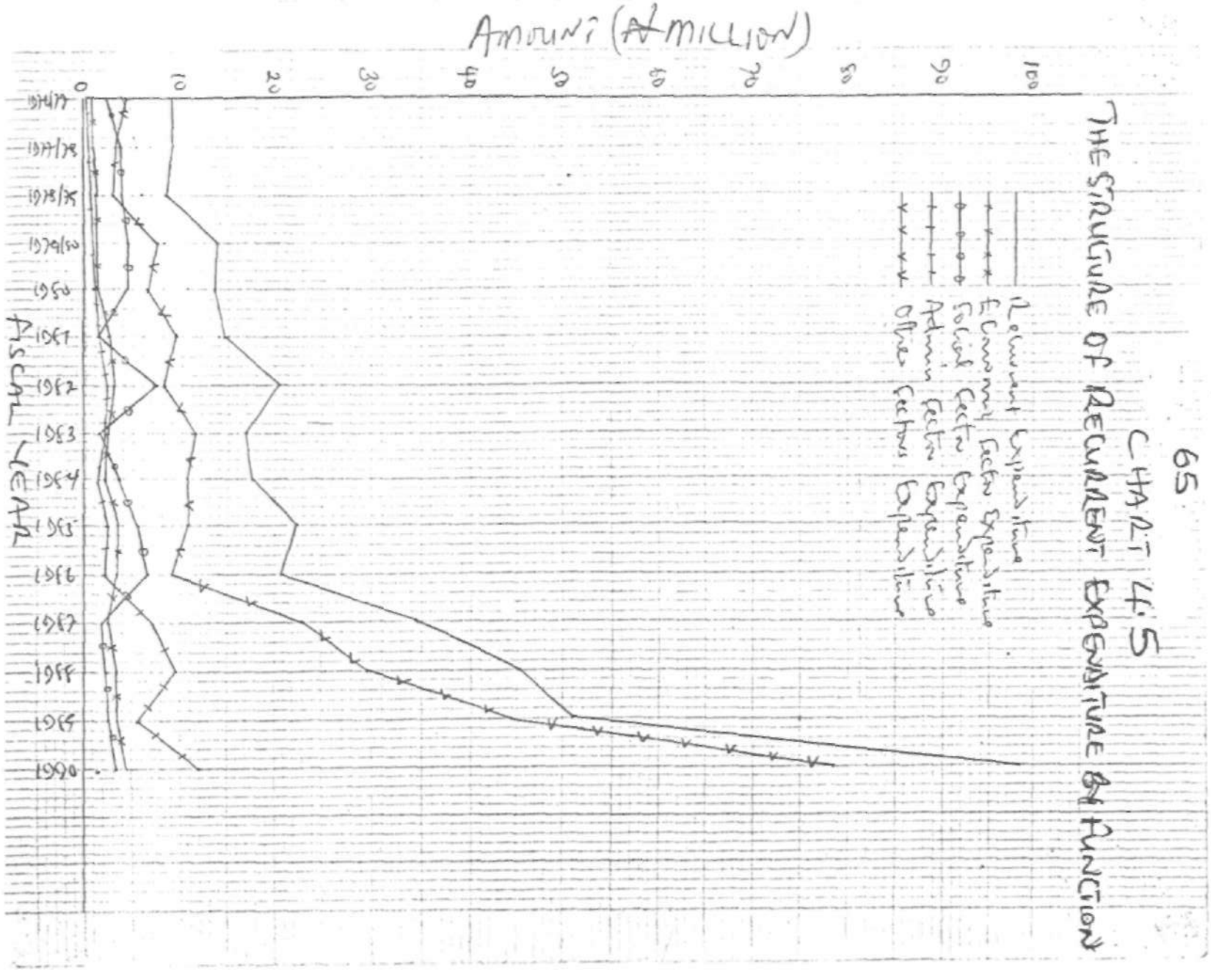
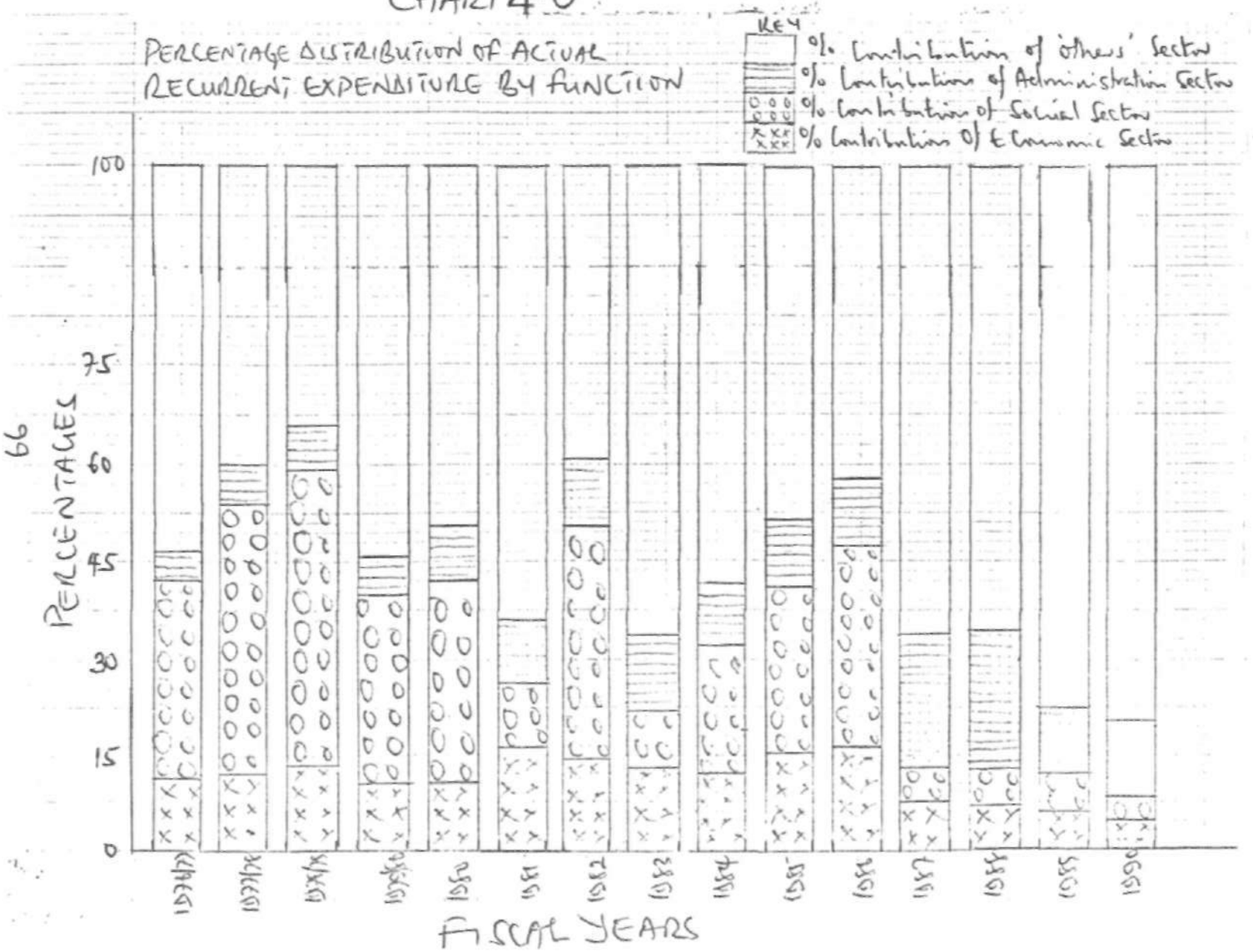


CHART 4.6

PERCENTAGE DISTRIBUTION OF ACTUAL RECURRENT EXPENDITURE BY FUNCTION



were made up of transfers by the state government. These are expenditures on common charges, pension and gratuities, public debt charges, payment to capital development funds and subventions to statutory corporations and other boards. The sharp increase in this sector's expenditure was due to a large amount of money given for operating grants to the statutory corporation and transfers to the capital development funds. Chart 4.5 explains this structure.

The proportionate share of each sector in total public recurrent expenditure is also given in Appendix C and Bar Graph (Chart 4.6). The proportionate share of economic sector was 11.2 per cent on the average, while that of the social sector was 22.2 per cent for the periods 1976/77 to 1990. Administration sector has 10.5 per cent on the average which is the least among all the sectors. "Others" has the highest proportionate share of 56.1 per cent on the average. The main areas of expenditure under the social sector are education and community development while that of the economic sector include agriculture and transportation.

Thus, the expansion in the recurrent expenditure of the state can be attributed to the government effort to finance greater social services programme, as well as the wage increases of the public sector employees.

The present structure of recurrent expenditure does conform with the expected structure. It is not the best

to bring about development. It has been discovered that the trend of general administration has been upwards. As a ratio of total expenditure, administration expenditure has risen from 4.5 per cent in 1976/77 fiscal year to 21.8 per cent in 1988 and 12.2 per cent in 1990, and this gain appears to have been secured largely at the expense of both social and economic services. Thus, education expenditure and transport expenditure under these two sectors had fallen. The proportion of total expenditure that is allocated to administration should be stabilized or even begin to decline in relative terms with time. This is due to the fact that there is low executive capacity in the state, which led to under-utilization of resources in the economy. Therefore, this becomes an impediment to economic growth.

4.3 THE STRUCTURE OF CAPITAL EXPENDITURE

Capital expenditures are regarded as capital stock augmenting. They actually determine the rate of development in the state. Thus, in Gongola State, capital expenditure gives us an idea of the cause of economic growth and development during the fifteen-year period under review.

Appendix D shows the actual total public capital expenditure by functional categories at current prices in absolute figures. Column 4 gives the magnitude of the

actual public capital expenditure at current prices, while Column 5 gives the growth rate of capital expenditure during the period under review.

Expressed in absolute figures, the capital expenditure rose from ₦60.8 million in 1976/77 fiscal year to ₦336.5 million in 1983 fiscal year, and fell to ₦178.4 million by 1990. There were fluctuations in the expenditure between 1976/77 and 1983. However, there was a sharp upward movement of expenditure as from 1984 to 1990 fiscal years. This pattern can be seen in Chart 4.7.

Taking 1976/77 fiscal year as the base year, Column 5 of the Appendix D shows that the capital expenditure increased six-fold between 1976/77 and 1983, and increased three-fold between 1976/77 and 1990. This shows that capital expenditure has been very low when compared with the rate of growth of recurrent expenditure. This explains the reasons why the state has been relatively under-developed. The average annual rate of growth of capital expenditure during the 1976/77 to 1990 was 233.2 per cent. This is less than that of the recurrent expenditure of 285.5 per cent.

Columns 1-3 of Appendix D give the structure of the capital expenditure by functional categories. The table shows that the total amount of capital expenditure on economic sector increased from ₦14.1 million in 1976/77

fiscal year to a peak of ₦88.6 million in 1981. By 1990, the expenditure fell to ₦35.6 million. Both 1984 and 1985 fiscal years had a very small amount of ₦3.7 million and ₦8.1 million respectively. Although there was a lot of fluctuation of expenditure in this sector, there was a sharp increase in expenditure between 1978/89 and 1981, and 1984 and 1989 fiscal years.

Capital expenditures on social sector also increased from ₦29.8 million in 1976/77 fiscal year to a peak of ₦218.6 million in 1983. The expenditure fell to ₦32.6 million in 1990. The year 1984 recorded the lowest expenditure. There was a drastical fall in the expenditure from ₦218.6 million in 1983 to ₦11.5 million in 1984. However, from 1984 fiscal year, the expenditure continues with an upward movement uptill 1988 when the expenditure was ₦55.0 million. For the last two years, the expenditure was declining.

Capital expenditure on general administration rose from ₦16.9 million in 1976/77 to ₦110.2 million in 1990. There was a sharp fluctuation in the share of actual capital expenditure in this sector from year to year. However, a notable feature here is that the expenditure shows a sign of increase from 1984 to 1990. The expenditure increased from ₦2.7 million in 1984 to ₦110.2 million in 1990. Chart 4.7 explains it.

CHART 4.7

THE STRUCTURE OF CAPITAL EXPENDITURE BY FUNCTIONS

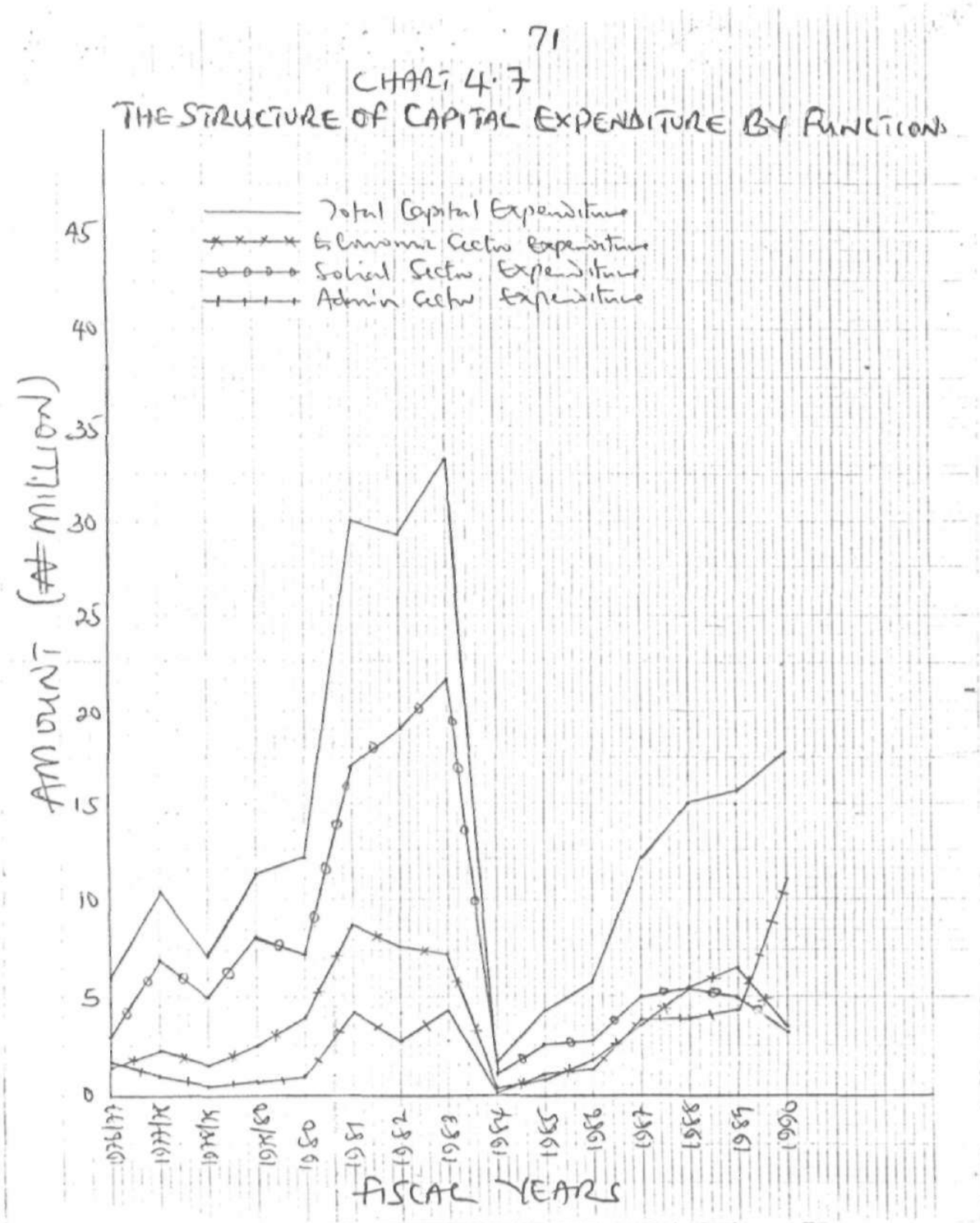
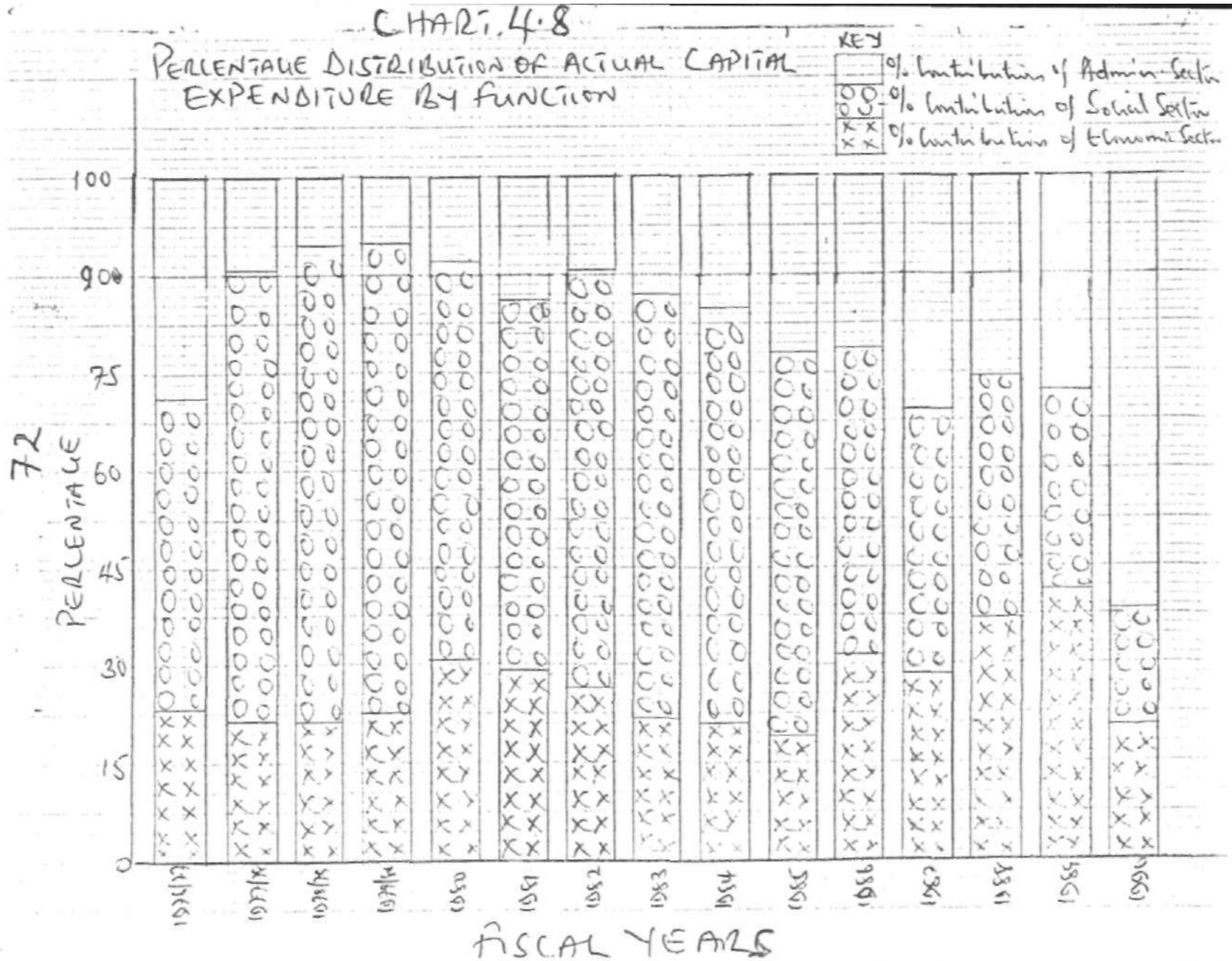


CHART 4.8

PERCENTAGE DISTRIBUTION OF ACTUAL CAPITAL EXPENDITURE BY FUNCTION



The proportionate share of each sector in the total capital expenditure is given in Appendix D and bar graph (Chart 4.8). On the average, the proportions share for economic sector was 26.6 per cent, while that of social sector was 53.6 per cent. The administrative sector was 19.8 per cent.

This shows that social sector expenditure is the major item of these capital expenditures in the state. The high expenditure in this sector can be attributed to the huge amount of money the government spends on education and health facilities in the state.

The present structure of capital expenditure is not the best to bring about the needed development in the state. One notable feature about the administration is its relative high percentage in 1990. This should not be allowed since it is a known fact that there is low executive capacity in the state which, therefore, leads to under-utilization of resources in the economy. Instead, the allocation that goes to the economic sector should be increasing in that it is there that the engine of growth and development lies.

4.4 THE NATURE OF SAVINGS BY THE GOVERNMENT

Government savings is the excess of the government sector's current revenue from all sources over its current expenditure both on goods and services, and on transfer payments.

The importance of this savings on the current account is not far fetched. It is an important source of funds to meet the capital development project. The higher these savings are in the hand of the government, the higher the level of capital expenditure of the government. Therefore, for the government to achieve this policy, the rate of growth of their current revenue should be higher than the rate of growth of recurrent expenditure. This is in line with the budgetary policy which suggests that current revenue should be sufficient to meet the current expenditure. Thus, if the government wants to save for capital development, then at any point in time, she must try to make sure that her current revenue is greater than current expenditure. Once this is achieved, the state can then have enough funds which can be used in the expansion of development process. As far as Gongola State is concerned, this policy has not been easy.

The ability of the Gongola State government to generate savings on their current account between 1976/77 and 1990 is given in the table below.

It could be seen that, for the first four years (1976/77 to 1979/80), recurrent revenue was adequate to cover the recurrent expenditure. There was thus moderate saving on the current account. The highest savings was got in 1976/77 when the surplus was ₦15 million. Between 1980 and 1983, the state witnessed a case where the

TABLE 4.1: THE SIZE OF ACTUAL RECURRENT BUDGET SURPLUS/DEFICIT: 1976/77 TO 1990 (₦ m)

FISCAL YEAR	RECURRENT REVENUE	RECURRENT EXPENDITURE	RECURRENT BUDGET SURPLUS/ DEFICIT
	₦	₦	₦
1976/77	107.6	92.6	+15.0
1977/78	93.0	92.6	+ 0.4
1978/79	86.7	86.6	+ 0.1
1979/80	140.1	139.0	+ 1.1
1980	132.9	134.2	- 1.3
1981	142.4	143.8	- 1.4
1982	162.2	202.0	-39.8
1983	157.7	170.4	-12.7
1984	177.4	176.4	+ 1.0
1985	223.0	223.0	0
1986	209.5	209.5	0
1987	346.9	346.9	0
1988	452.7	452.7	0
1989	510.9	510.9	0
1990	984.9	984.9	0

SOURCE: Computed from Appendixes A and E.

recurrent expenditure was not sufficient to cover the recurrent expenditure. Thus there was deficit on the current account. The highest deficit of ₦39.8 million was recorded in 1982. From 1985 to 1990, the recurrent revenue was just sufficient to cover the recurrent expenditure. This shows that the state was not able to have savings in her current account for most of the years under review.

To really get the nature of savings in the state, there is a need to look into a much broader measure of saving. This is by looking at the overall budget surplus. This is defined as the excess of both recurrent revenue and capital receipts over and above recurrent and capital expenditure. An analysis of the development of the policy of surplus/deficit financing in Gongola State is only completed when this overall budget surplus/deficit is examined. The main reason for this is because a current account deficit may be offset by a budget surplus on the capital account. Similarly, a budget surplus on current account may be offset by a deficit savings on current account. Hence, public savings on current account is not the end of the story;to obtain a full picture of the economic state of the government saving, we must also consider capital account.

Table 4.2 shows the actual capital budget surplus or deficit in Gongola State during the period under review.

TABLE 4.2: THE SIZE OF ACTUAL CAPITAL BUDGET SURPLUS/DEFICIT: 1976/77-1990 (N m)

FISCAL YEAR	CAPITAL RECEIPTS	CAPITAL EXPENDITURE	CAPITAL BUDGET SURPLUS/DEFICIT
1976/77	93.7	60.8	+32.9
1977/78	83.4	103.1	-19.7
1978/79	46.5	71.3	-24.8
1979/80	96.8	113.1	-16.8
1980	97.1	120.3	-23.2
1981	90.7	301.2	-210.5
1982	116.8	296.8	-180.0
1983	158.0	336.5	-178.5
1984	55.7	17.9	+37.8
1985	62.8	42.1	+20.7
1986	50.5	57.0	- 6.5
1987	111.3	121.4	-10.1
1988	152.3	149.0	+ 3.2
1989	157.0	157.6	- 0.6
1990	326.6	178.4	+148.2

SOURCE: Computed from Appendixes A and E.

It could be seen from the table that there was a capital budget surplus of ₦32.9 million in 1976/77; ₦37.8 million in 1984; ₦20.7 million in 1985; ₦3.2 million in 1988; and ₦148.2 million in 1990. The rest of the years show that the capital account was in deficit. The highest deficit of ₦210.5 million was recorded in 1981, while the lowest of ₦0.6 million was recorded in 1989 fiscal year. When the two tables are put together, it would be seen that the surplus that was generated on the current account for the year 1977/78 to 1979/80 has been offset by the deficit balance on the current account.

Table 4.3 shows the overall actual budget surplus/ deficit in Gongola State for the period under review.

It could be seen that there was surplus on the overall budget in 1976/77 and 1984. The amount recorded was ₦7.9 million and ₦12.7 million respectively. For the rest of the year under review, it showed a deficit. The highest deficit of ₦274.9 million was recorded in 1981. This actually gives us the saving position of the state government. The huge deficits were financed by exploitation of new sources of revenue, maximization of revenue collection from existing sources. Capital (development fund) expenditure has been financed from four main sources: transfer from the capital development fund, loans and grants from the Federal Government, loans from the external sources and loans from the commercial banks.

TABLE 4.3: THE SIZE OF ACTUAL OVERALL BUDGET SURPLUS/ DEFICIT: 1976/77 - 1990 (₦ MILLION)

FISCAL YEAR	RECURRENT REVENUE	CAPITAL RECEIPT	TRANSFER FROM CDF	TOTAL REVENUE	TOTAL EXPENDITURE	OVERALL BUDGET SURPLUS /DEFICIT
1976/77	107.6	93.7	40.0	161.3	153.4	+ 7.9
1977/78	93.0	83.4	34.0	142.4	195.7	- 53.3
1978/79	86.7	46.5	4.5	128.7	157.9	- 29.2
1979/80	140.1	96.8	48.8	188.1	252.1	- 64.0
1980	132.9	97.1	36.8	193.1	254.5	- 61.3
1981	142.4	90.7	63.0	170.1	445.0	-274.8
1982	162.4	116.8	0.2	278.8	498.6	-219.8
1983	157.7	158.0	0.5	315.2	506.9	-191.7
1984	177.4	55.7	26.1	207.0	194.3	+ 12.7
1985	223.0	62.8	48.2	237.6	265.1	- 27.5
1986	209.5	50.5	36.0	224.0	266.5	- 42.5
1987	346.9	111.3	111.3	346.9	468.3	-121.4
1988	452.6	152.2	148.7	456.1	601.7	-145.6
1989	510.9	157.0	135.0	532.9	668.5	-135.6
1990	984.9	326.6	326.6	984.9	1163.3	-178.4

SOURCE: Computed from Appendixes A and E.

The general conclusion seems, therefore, to be that there was no much savings on the current account of the state government. Also, that for most of the years under review, the overall budget was in deficit. The tax effort of the Gongola State Government is very low. This makes the internal revenue to be small, thus making room for a gap between the recurrent revenue and recurrent expenditure. There was little investment in the economic sector which was made up of agriculture, manufacturing and craft. What is expected here is for the government to provide all the necessary infrastructures which will thus act as a motor force for the private sector to invest in the state. Once this is done, it would help in boosting the revenue of the government, thus leading to higher savings by the government

4.5 THE DETERMINANT OF PUBLIC EXPENDITURE GROWTH IN GONGOLA STATE

From the preceeding analysis, it was clear that the expenditure of the Gongola State Government has grown between 1976/77 and 1990 fiscal years. No single factor can be used to sufficiently explain this expenditure growth in the state. The expenditure at all levels of administration and decision-making in public sector rose considerably between 1976/77 and 1990. It is hardly necessary to emphasize that the major cause of the expanding public expenditure is the expansion of the

administrative sector of the state government. The state employed well trained staff and also helped in training lower cadre staff so as to man the administration sector effectively. Also, there was greater public awareness of the need to provide goods and services, such as education, water supply, health and sanitation, housing, good roads, and transportation. As a result of this, the demand for these social goods continued to increase, and the provision of which led to the building up of the public expenditure.

There were two main sources of revenue in the state, namely: internal and external sources. The internal sources were the one which the state was able to collect within its boundary. This source was used to judge their tax effort. The external source was got by way of federal statutory allocation, whose amount was also determined by the vagaries of the oil market. It is by looking at these two sources that one would know which of the two has a major force behind public expenditure growth in the state.

Apperdix E gives the size and growth of public total recurrent revenue in the state from 1976/77 to 1990 fiscal year. The state actual revenue rose from about ₦107.6 million in 1976/77 fiscal year to ₦984.9 million in 1990 (all at current prices. Except between 1977/78 and 1986 when there were fluctuations, the rest of the period shows a pattern of continuous increase in revenue generation in the state.

Taking 1976/77 fiscal year as the base year, actual total public revenue at current prices in Gongola State increased by more than nine-fold between the year 1976/77 and 1990. The average annual growth rate for the period was 243.4 per cent.

Federal allocated revenue was the dominant source of the state revenue. Appendix E shows that the state's internal revenue was falling in absolute figures, while that of the federal allocation was increasing. In terms of growth rate, that of the state internal revenue declined to a level of 86.9 per cent, while that of the federal allocation increased to 1,536.6 per cent (see Chart 4.9).

Both Appendix E and Chart 4.10 give the percentage contribution of each source in the total public revenue in the state. It would be seen that the state's internal revenue continued to decrease throughout the period under review. It is only during the first five years - 1976/77 fiscal year to 1980 - that the state internal revenue was contributing between 20 per cent and 45 per cent to the total public recurrent revenue in the state, while between 1981 and 1990, its contribution was less than 20 per cent. Between 1981 and 1984, and 1989 and 1990, the revenue share of the state's internal revenue was even less than 10 per cent of the total. On the other hand, the federally allocated revenue continued to

CHART 4.9

THE SIZE AND GROWTH OF ACTUAL TOTAL PUBLIC REVENUE, STATE LOCAL REVENUE AND FEDERAL ALLOCATED REVENUE AT CURRENT PRICES 1976/77 — 1990.

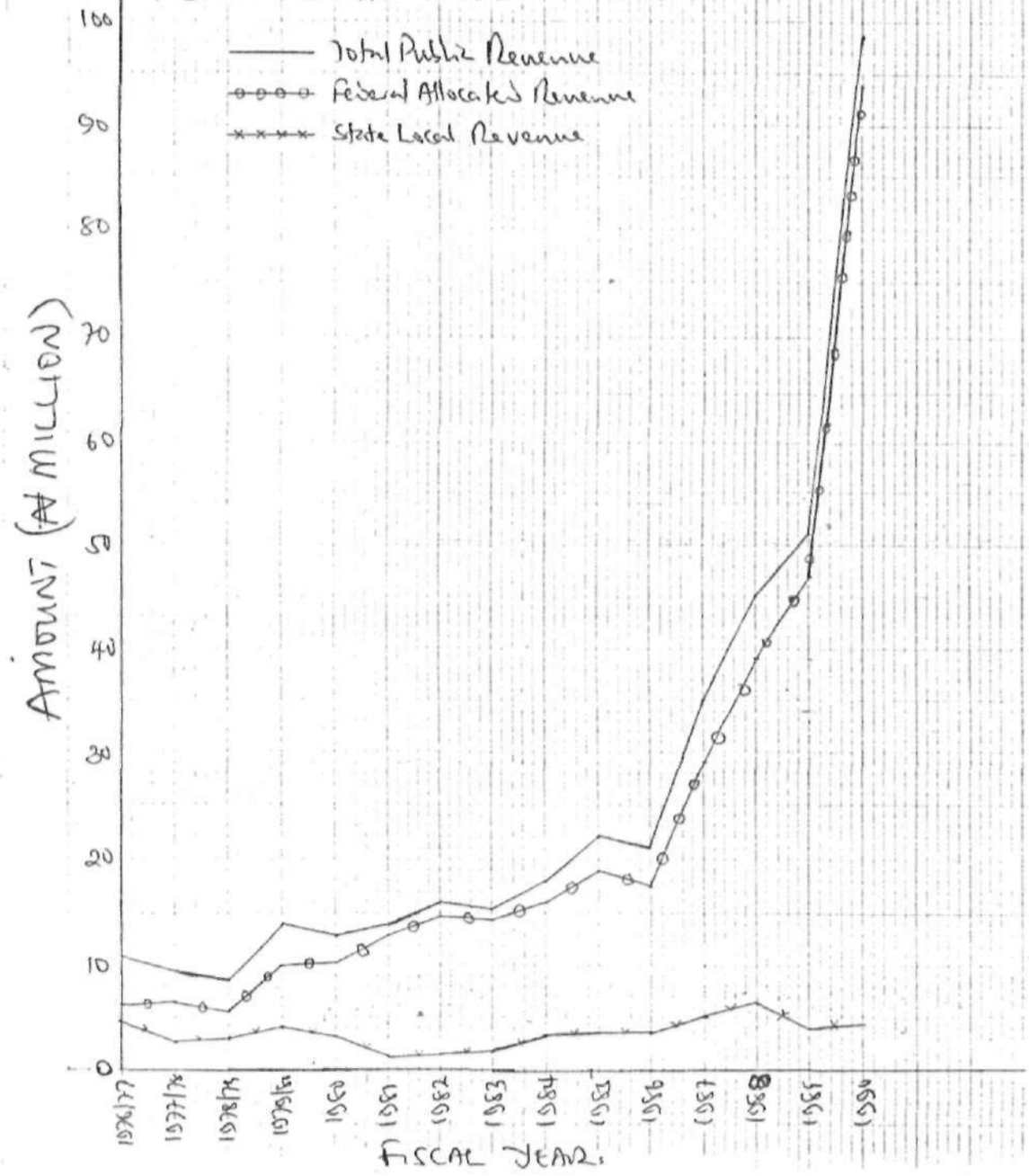


CHART 4.10

PERCENTAGE DISTRIBUTION OF ACTUAL TOTAL PUBLIC REVENUE BY SOURCE

KEY
- Federal Allocated Revenue
- State Local Revenue

64

PERCENTAGE
100
90
75
60
45
30
15
0

1960/61 1961/62 1962/63 1963/64 1964 1965 1966 1967 1968 1969 1970 1971 1972 1973 1974 1975

FISCAL YEARS

increase, such that between 1979/80 and 1990, its contribution to the total public recurrent revenue was over 70 per cent. In fact, between 1981 and 1984, and 1989 and 1990, the contribution was over 90 per cent of the total.

The implication of the above analysis is that the tax effort of the state is low. This is because the internal revenue of the state has failed to keep pace with both recurrent revenue and recurrent expenditure of the state. It is also an indication of low level of economic development in the state.

According to Phillips (1976), the measure of the state's tax effort is got by comparing

> the ratio of internal tax revenue to the state recurrent expenditure since the state has control over both side of the fraction. In a layman's term, it is a measure of the extent to which a state is cutting its coat according to its size. If a state wants to spend more then it should raise more funds on its own. The greater the extent to which it can succeed in doing this relative to its expenditure programme, the higher its tax effort, and the higher should be its reward.

The table below (Table 4.4) was derived using the formula given by Phillips, A.O. to confirm the low tax effort of the state government. The rule for a higher tax effort is that the ratio of internal revenue to

recurrent expenditure should not be less than 100 per cent. Any thing less than that gives a low tax effort.

TABLE 4.4: RATIO OF INTERNAL TAX REVENUE TO RECURRENT EXPENDITURE: 1976/77 TO 1990 (₦ MILLION)

FISCAL YEAR	STATE INTERNAL REVENUE	RECURRENT EXPENDITURE	STATE INTERNAL REVENUE AS % OF RECURRENT EXPENDITURE
1976/77	46.2	92.6	49.9
1977/78	28.6	92.6	30.9
1978/79	30.6	86.1	35.3
1979/80	39.9	139.0	28.7
1980	31.1	134.2	23.2
1981	11.7	143.8	8.1
1982	12.7	202.0	6.3
1983	12.8	170.4	7.5
1984	17.6	176.4	10.0
1985	31.6	223.0	14.2
1986	32.7	209.5	15.6
1987	50.2	346.9	14.5
1988	62.9	452.7	13.9
1989	39.9	510.9	7.8
1990	41.4	984.9	4.2

SOURCE: Computed from Appendixes A and E.

As can be seen from Table 4.4 above, the internally generated revenue accounted for 49.9 per cent. of the total recurrent expenditure in 1976/77 fiscal year. This contribution continues to fall such that by 1990 it was only 4.2 per cent. There was a sharp drop between 1976/77 and 1983 fiscal year, while it shows a sign of wanting to pick up between 1984 and 1988. However, the time that it was picking up, it was contributing less than 16 per cent of the expenditure need of the state. It finally fell to the lowest value of 4.2 per cent in 1990. This trend shows that Gongola State was not making enough tax effort during the period under review. Thus, it made the government to have low savings on their current account. This low tax effort, therefore, gives us another reasons as to why there was a low level of development in the state.

The conclusion that is reached here is that it was the federally allocated revenue that was the major determinant of the state expenditure growth.

Gongola State was moderately urbanised. There was a high degree of human concentration in the major towns (especially the local government headquarters) which led to the multiplication as well as to a greater intensity of collective and social wants. The government saw the provision of these social wants as its duty which it tried to carry out. The population drift to the urban centres, and its associated problems led to increase in

per capita cost for most of these public social wants like water supply, health, housing, sanitation, town and country planning, and thus increase in the state government expenditure for example, capital expenditure on housing scheme increased from ₦52,471 in 1976/77 fiscal year to ₦571,738 in 1990. Total capital expenditure on sewage and drainage was ₦209,865 in 1977/78 and increased to ₦250,000 in 1990. For water supply development, it increased from ₦1,649,256 in 1976/77 to ₦4,114,055 in 1990 and that of town and country planning was ₦1,258,063 in 1976/77 to ₦6,993,338 in 1990. These were urban-oriented public expenditures.

It is also important to mention the role of changes in political structure of the state as a permissive factor in the growth of public expenditure in the state. There was creation of additional local government between 1976/77 and 1990, which necessitated the employment of more workers to run these new local governments, and the provision of all necessary infrastructural facilities in the local government head-quarters. All these further exerted upward pressure on the public expenditure in the state.

CHAPTER FIVE

PRESENTATION AND ANALYSIS OF RESULT

This chapter of the study presents the quantitative results of the research. It is a report of some application of the models described in Chapter Three as found appropriate in achieving the objectives of this study. At each stage, the results are analysed and discussed concurrently, bringing out whether they confirm or reject our null hypothesis.

5.1 RESULT OF CORRELATION AMONG STUDY VARIABLE

The result of the analysis revealed that there is a high positive correlation between government expenditure and recurrent expenditure. The value that was obtained is $r = 0.93$. This value is significant at one per cent level. This, therefore, means that the relationship between the two variables is not zero. With this higher positive value, it means that this expenditure item is the major item in the structure of public expenditure in state during the period under review.

The value of $r = 0.48$ was obtained as the correlation between total expenditure and capital

expenditure. Thus, there is a low positive correlation between the two variables. This value is significant at five per cent level. This shows that the relationship between the two variables is not zero. The conclusion that is reached here is that with the low positive value and its level of significance, it shows that the capital expenditure is not a major item of expenditure in the structure of public expenditure in the state. With this therefore, it is not surprising that the standard of living in the state is low.

A value of r = 0.93 was obtained as the correlation coefficient between government expenditure and federal allocated revenue. This reveals a high positive correlation between the two variables. This value is signifidant at one per cent level. The conclusion that is reached here is that federal allocated revenue is an important factor in the growth of the state government expenditure. It is also an important source of revenue for the state government.

The correlation coefficient between government expenditure and state internally generated revenue reveals a value of r = 0.20. This implies a low positive correlation between the two variables. This value is not significant at both one and five per cent levels. The implication of this is that the state internal revenue is not an important factor in the growth of public

expenditure in the state. This also confirms the earlier conclusion of this source being insignificant in the total revenue of the state government. It is also an indication of low tax effort by the state government.

A value of r = 0.75 was obtained as the correlation coefficient between government expenditure and population. This shows that there is a high positive correlation between the two variables, which is significant at one per cent level. This therefore means that as the population expands, there is more expenditure by the government. Thus, population is an important variable in the growth of government expenditure in the state.

The correlation coefficient between government expenditure and the rate of urbanisation shows a value of r = 0.77. This indicates a very high positive correlation between the two variables. This value is significant at one per cent level. We therefore conclude that it influences the growth of government expenditure in the state as well. It means that as people move to the urban centres, government spending increases.

A value of r = 0.05 was obtained as the correlation coefficient between government expenditure and the rate of inflation. This implies that there is a very low positive correlation between the two variables. This value is not significant both at one and five per cent

levels. Thus, inflations influence on the rate of government exp enditure is very minimal.

5.2 RESULT OF REGRESSION ANALYSIS

Regression analysis was run using both the linear and double-log functions to see if the government expenditure depends on variables such as size of the state revenue, federally allocated revenue, population, urbanisation and rate of inflation. The statistical results are given below.

$$G = \underset{(0.83)}{248.76} - \underset{(-1.69)^{**}}{3.30SR} + \underset{(5.62)^{*}}{1.16FR} + \underset{(0.02)}{0.18P} \quad \ldots \quad (5.1)$$

$$\bar{R}^2 = 0.86 \qquad F = 30.42^{*}$$

$$G = \underset{(0.88)}{279.52} - \underset{(-1.51)^{**}}{3.22SR} + \underset{(5.04)^{*}}{1.17FR} + \underset{(0.09)}{0.87U} \quad \ldots \quad (5.2)$$

$$\bar{R}^2 = 0.86 \qquad F = 30.45^{*}$$

$$G = \underset{(0.81)}{261.4} - \underset{(-1.62)^{**}}{3.32SR} + \underset{(5.29)^{*}}{1.17FR} + \underset{(0.14)}{0.31R} + \underset{(0.05)}{0.44P} \quad \ldots \quad (5.3)$$

$$\bar{R}^2 = 0.85 \qquad F = 20.79^{*}$$

$$G = \underset{(0.85)}{283.45} - \underset{(-1.45)^{**}}{3.22SR} + \underset{(4.77)^{*}}{1.18FR} + \underset{(0.15)}{0.33R} + \underset{(0.12)}{1.13U} \quad \ldots \quad (5.4)$$

$$\bar{R}^2 = 0.85 \qquad F = 20.81^{*}$$

$$LG = \underset{(2.84)}{13.55} - \underset{(-2.21)*}{0.27LSR} + \underset{(4.6)*}{1.29LFR} + \underset{(2.19)*}{3.54\,LP} \quad ..(5.5)$$

$$\bar{R}^2 = 0.84 \qquad F = 26.08*$$

$$LG = \underset{(1.65)}{8.37} - \underset{(-0.5)}{0.17LSR} + \underset{(3.24)*}{1.01LFR} + \underset{(1.03)}{1.89LU} \quad ..(5.6)$$

$$\bar{R}^2 = 0.79 \qquad F = 19.08*$$

$$LG = \underset{(2.69)}{13.59} - \underset{(-2.11)*}{0.27LSR} + \underset{(4.38)*}{1.29LFR} + \underset{(0.004)}{0.003LR} + \underset{(2.08)*}{3.54LP}$$

$$\bar{R}^2 = 0.82 \qquad F = 17.78* \qquad .. (5.7)$$

$$LG = \underset{(-1.57)}{8.36} - \underset{(-0.91)}{0.17LSR} + \underset{(3.08)*}{1.01LFR} + \underset{(0.01)}{0.001LR} + \underset{(0.98)}{1.89LU} \quad ..(5.8)$$

$$\bar{R}^2 = 0.77 \qquad F = 13.00*$$

T-values are in parenthesis

* = Significant at one per cent significant level

** = Significant at 10% significant level

From the result of the regression analysis of equation 5.1, it could be seen that the adjusted coefficient of multiple determination ($\bar{R}^2$) was 0.86. This indicates that 86 per cent of the variation in the value of the expenditure was caused by the three explanatory variables. The computed F-value (which shows the significance of the effects of the explanatory variables) was higher than tabulated F-value and the overall equation was found to be statistically significant at one per cent probability level.

Since the interest in this study is the determination of the effects of each explanatory variable on the dependent variable, the calculated t-value of each variable was compared with the tabulated t-values. The result indicated that the population variable did not have significant effect on the growth of the government expenditure. On the other hand, the effect of the federally allocated revenue is significant at one per cent level, while state revenue is significant at ten per cent level.

All the signs of the coefficients conform with the a-priori expectation, except the state revenue, which had a negative sign. This implies that the state revenue gets smaller as the government expenditure increases. These findings are not surprising in that the share of the state internal revenue in the total revenue has been declining with time. Also, it has earlier been discovered that the state tax efforts is low generally in the state.

Equation 5.2 shows that about 86 per cent of the variability in the level of expenditure is explained by the three identified independent variables in the analysis. The calculated F-value is higher than the table value, and the overall equation is found to be statistically significant at one per cent probability level.

As in equation 5.1 above, it is the federally allocated revenue variable that was significant at one per cent level, while the state internal revenue is significant at 10 per cent level. The urbanisation variable is not significant. All signs of the coefficients confirm with the a-priori expectation except the state revenue which has a negative sign. The reason for this is due to low tax effort in the state which led to falling share of the state's internally generated revenue in the total revenue of the state.

Equation 5.3 shows that about 85 per cent of the variability in the level of expenditure is explained by the four explanatory variables in the analysis. The calculated F-value is higher than the table value and the overall equation is found to be statistically significant at one per cent probability level.

Out of the four variables, federally allocated revenue is significant at one per cent probability level, while state revenue is significant at 10 per cent level. Also, all the signs of the coefficients confirm with the a-priori expectation, except the state internal revenue that has a negative sign. The explanation for this behaviour is due to falling share of this source in the total revenue of the state with time. This falling share is due to low tax effort of the state.

Equation 5.4 shows that about 85 per cent of the variability in the level of expenditure is explained by the independent variables in the analysis. The calculated F-value is found to be higher than the table value and is significant at one per cent probability level.

Out of the four independent variables, the federally allocated revenue is significant at one per cent probability level, while the state internal revenue is significant at 10 per cent probability level. All the signs of the coefficients of the independent variables conform with the a-priori expectation, except that of state internal revenue. The reason for this is due to state tax effort which is low; thus leading to falling share of the internal tax revenue in the total tax revenue with time.

Equation 5.5 through to equation 5.8 give the double-log of equations 5.1 through to equation 5.4. There is an improvement here, in that the population variable becomes significant.

In equation 5.5, the adjusted R^2 shows that about 84 per cent of the variability in the level of expenditure is explained by the three identified independent variables. The calculated F-value was found to be higher than the table value. This value is significant at one per cent probability level.

Here, all the three coefficients of the independent variables are significant at one per cent level. Also, all the variables have signs that conform with the a-priori expectation, except the state internal revenue variable, which has a negative sign. The explanation for this is the low tax effort of the state, thus the state internal revenue in the total revenue continues to fall with time.

Equation 5.6 shows that about 79 per cent of the variability in the level of expenditure is explained by all the variables in the analysis. The calculated F-value is found to be higher than the table value, and it is found to be significant at one per cent probability level.

The state internal revenue is having a negative sign contrary to a-priori expectation. This is explained by the fact that as the expenditure increases, the share of this variable in the total revenue falls. It is as a result of low tax effort by the state government. The other explanatory variables are having the required signs. The federally allocated revenue is significant at one per cent level of significance.

Equation 5.7 shows that about 82 per cent of the variability is explained by the four variables in the analysis. The calculated F-value is found to be significant at one per cent probability level. Its value is higher than that of the table value.

Three of the explanatory variables, namely: state internal revenue, federally allocated revenue, and population, were found to be significant at one per cent probability level. All the explanatory variables have signs that are in line with the a-priori expectations, except the state internal revenue variable which has a negative sign. The reasons for this is the low tax effort in the state, which resulted into falling share of this source in the total state revenue.

Equation 5.8 shows that about 77 per cent of the variability in the level of expenditure is explained by all the four variables included in the analysis. The calculated F-value is found to be higher than the table value, and it is found to be significant at one per cent probability level. All the explanatory variables have signs that are in line with the a-priori expectation, except the state internal revenue which is having a negative sign. This is explained by the falling share of these sources share in the total revenue of the state with time. This is due to low tax effort of the state. Here, it is only the federally allocated revenue coefficient that is significant at one per cent probability level.

The conclusion that can be reached from the above analysis is that the federally allocated revenue, state internal revenue, and population were the major determinants in the growth of public expenditure in the

state. However, of the three, federally allocated revenue is the highest. This is analogous to the "Please effect" (Please, S., 1969), which states that "public expenditure especially for consumption is driven by availability of resources, rather than the other way round". Thus, in the case of Gongola State, the more the state got in terms of federally allocated revenue, the more she spent.

CHAPTER SIX

SUMMARY, CONCLUSION AND POLICY RECOMMENDATION

6.1 SUMMARY AND CONCLUSION

The role played by the state government in promoting, coordinating and providing community services and encouraging greater mass participation and involvement in the running of their own affairs and use of the local resources to the optimal level cannot be over-emphasized. The annual state budgets articulate the economic policies and indicate the level of controls, regulations and stimulations of the economy by the government. The government provides such goods and social services as education, transportation, health facilities, social security scheme, etc. However, experience has shown that the standard of living of the people in the state is very low. This is due to the fact that there is inadequate supply of the basic necessity which will improve the standard of living. Resolving these problems means an ever-increasing pressure on public spending in the state.

The state government is faced with financial difficulties in performing their functions. The state government has problem of generating enough funds internally, because of the low elasticity of the tax structure, low tax effort, corruption, and tax evasion. Also, the projected revenue from federally allocated

revenue is not always realised. It is in this respect that the thesis is aimed at looking at the structure of public expenditure at a state level.

The primary objectives listed below were pursued:

i) To present an analysis of the public expenditure growth and structure in the state;
ii) To identify the main factors which determine the spending characteristic of the government;
iii) To discuss the degree of linearity between total expenditure and the factors determining the expenditure growth;
iv) To derive some policy implication that may arise from the result of this study.

For the purpose of achieving those objectives, the study tested seven hypotheses, which stated that there was no correlation between total expenditure and the following variables: recurrent expenditure, capital expenditure, state internal revenue, federal allocated revenue, population, degree of urbanization, and rate of inflation. Thus, the study made use of product moment correlation coefficient denoted by 'r'. The student 't-test' was carried out to test the level of significance of the value of the correlation coefficient. Also,multiple regression was carried out to determine the

factors that are responsible for the growth of expenditure in the state.

Generally speaking, there is no doubting the fact that the size of Gongola State public sector was one of the smallest in the Nigerian economy. However, its significance when measured in terms of the rate of growth of public expenditure has increased about eight-fold during the fifteen-year period under review. Public expenditure at all levels of administration and decision making in the state rose considerably between 1976/77 and 1990. It was discovered that there was a sharp fall in expenditure between 1983 and 1984 due to the rationalization of the Civil Service by the military administration.

The growth in the public expenditure in the state occurred due to the expansion of the public service which resulted into increased demand for qualitative administrators. Also, with greater public awareness of the benefit of social services goods such as education, health and sanitation, roads and water supply, their demand continued to increase and thus government devoted large sums of money in their annual budgets for their provision, thus pushing upwards the public expenditure.

When the expenduture of the state was reclassified into recurrent and capital expenditure, it

was discovered that recurrent expenditure continued to expand in relative and absolute terms while capital expenditure continued to fall in relative terms only. For the whole of the fifteen years under review, it was only in four years that capital expenditure exceeded the recurrent expenditure. On the average recurrent expenditure share in the total expenditure was 63 per cent, while that of capital expenditure was 37 per cent.

It was discovered that there was low savings bby the government in the current account. This gives one of the reasons for the low capital expenditure allocation and, thus, accounted for the low economic growth and development in the state.

On the role of revenue as a factor of expenditure development in the state, it was discovered that federally allocated revenue was the most important factor, while the state internal revenue was insignificant. Changes in the political structure in the state in term of creation of more local government, with the drifting of the citizens to the urban centres, also played their parts in explaining the expenditure growth of the state.

The results of the correlation analysis indicated that there were high positive correlations between total expenditure and the following variables: recurrent

expenditure, federally allocated revenue, population and degree of urbanisation. They are all significant at one per cent probability level. There was a low positive correlation between total expenditure and capital expenditure which was significant at 5 per cent probability level, while that of state internal revenue and rate of inflation indicated low positive correlations and insignificant. The regression analysis also shows that the federally allocated revenue is the major determinant of expenditure growth in the state. population growth, state internal revenue, and degree of urbanisation played their own parts, but minimal.

6.2 POLICY RECOMMENDATION

The growth in the demand for greater public services has implications on the expansion of public spending in the state. However, if this increasing demand is to be met, there is a need for the state government to get more revenue to finance these needs. They have to rely more on the revenue they can generate internally, instead of much dependence on federally allocated revenue, whose source also depends on outside factors like the price of world oil market and the politics that is going on in OPEC. Also, with the low level of the capital expenditure and low savings in the state, something must be done so that the state can develop and reduce the poverty level of the citizens.

To change the present trend so that the annual budget could perform their proper role in the state development process, there is a need for an enhanced efficiency in the management and control of public expenditure. It is suggested that the state government should replan her recurrent expenditure in such a way that will make room for more fund to be transfered to the capital expenditure. This is either through privatisation or commercialisation. Any waste in public expenditure in this sector which is due to inefficiency, overstaffing, corruptions leading to non-completion of projects, proliferation of quasi-governmental establishment and agencies need to be streamlined. This will actually help in ensuring the judicious and prudent use of the public funds. In any one year, the allocation to capital expenditure should be greater than recurrent expenditure, so that the basic needs that will improve the standard of living of the citizens can be provided.

In the case of the low internally generated revenue it is suggested that the state government should try to look for new revenue sources and increase the yield of the existing ones. Once this is done, it would improve the state tax effort and thus make more fund for the capital expenditure in the state.

The new revenue sources can be in terms of re-organisation of the agricultural sector of the economy.

By providing all the necessary facilities, it will lead to more productivity in the state, thus increase the income of the farmers. This will definitely lead to increase in the tax revenue of the state. This development will also help in providing more employment to the citizens, and thus reduce the rural-urban drift. Once this is achieved, there will be a fall in the poverty level and thus an increase in the standard of living of the people.

More revenue can get into the coffers of the state government and thus improve the savings by the government if the tourist industry in the state is developed, and if the state goes into the establishment of agro-based industries, which have high potentials for forward and backward linkages. Alternatively, they can provide condusive industrial incentives for the private sector to establish industries.

The Federal Government can also help in terms of improving the tax effort of the state by introducing an element of state tax effort into the revenue allocation formula. Once it is clear to the state that the federal allocated revenue depends on the internally-generated revenue, the state will actually try to make sure that they collect all the revenue due to them.

One way of reducing future spending is to reduce the proportion of total investment spending allocated to primary production and industry and revise the character of government activity in those areas. This calls for less government involvement in these areas and a somewhat different strategy of development from what now exists. There is enough evidence that government has performed very poorly in the field of primary production and industry. Future plans should allocate greater proportions of capital spending to energy, transport and technical education.

The Nigerian Constitution shared the relevant power over economic policy among the three levels of government. The states had exclusive authority over very limited economic matters. The Federal Government had wide powers over economic matters including revenue. The sources of revenue subject to Federal Government legislation yielded a great deal of more revenue than the state government's sources. This has made the dependence of the state governments on funds raised by the Federal Government inevitable. The Federal Government had considerable political leverage, especially since the shares of the states out of the federation account were not defined by the constitution. The state must not only be given more exclusive legislative power over economic matters, their share of the federation account must be

increased considerably. This will ensure a balanced federation and their autonomy.

The Federal Government borrowed large sums of money through the domestic issue of short-term treasury bills and long-term development stock. It on-lends a portion of the proceeds to the state government. External loans were also a federal matter, but the proceeds of certain loans were also on-lent to the Gongola State Government. Development stocks and external loans were important sources of funds for the state's capital budget.

Stringent federal control of budgetary policy practically eliminated any display of initiative on the part of the state government. As the financial control remained at the centre, block grants were made to the state to meet budget deficits. Within the limits of its financial resources, however, the state government was free to allocate expenditure as it wished. Since the resources were not optimally allocated among the sectors, efficiency in the use of scarce resources was not encouraged. The state spend funds on some questionable projects. There is a need for a change in this trend. All the questionable projectsshould be stopped so that the state resource is allocated optimally.

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APPENDIX A: THE SIZE AND GROWTH OF ACTUAL TOTAL PUBLIC EXPENDITURE AT CURRENT PRICES: 1976/77 - 1990 (₦ MILLION)

FISCAL YEAR	ECONOMIC SECTOR	% OF TOTAL	SOCIAL SECTOR	% OF TOTAL	ADMIN SECTOR	% OF TOTAL	'OTHERS'	% OF TOTAL	TOTAL EXPEN DITURE	TREND 1976/ 77=100
	1		2		3		4		5	6
1976/77	24.7	16.1	58.0	37.8	21.1	13.8	49.6	32.3	153.4	100.0
1977/78	33.8	17.3	109.8	56.1	15.1	7.7	37.0	18.9	195.7	127.6
1978/79	27.6	17.5	90.7	57.4	10.0	6.3	29.6	18.8	157.9	102.9
1979/80	37.6	14.9	125.1	49.6	14.3	5.7	75.1	29.8	252.1	164.3
1980	49.0	19.3	118.0	46.4	20.5	8.0	67.0	26.3	254.5	165.9
1981	112.5	25.3	184.9	41.6	55.3	12.4	92.3	20.7	445.0*	290.1
1982	106.4	21.3	262.5	52.7	50.6	10.1	79.1	15.9	498.6*	325.0
1983	96.2	19.0	233.0	46.0	63.8	12.6	113.9	22.4	506.9*	330.4
1984	24.5	12.6	47.1	24.2	17.4	9.0	105.3	54.2	194.3	126.7
1985	43.3	16.3	80.1	30.2	33.4	12.6	108.3	40.9	265.1	172.8
1986	52.2	19.6	92.0	34.5	34.1	12.8	88.2	33.1	266.5	173.7
1987	60.5	12.9	69.0	14.8	107.4	22.9	231.4	49.4	468.3	305.3
1988	87.7	14.6	78.8	13.1	137.2	22.8	298.0	49.5	601.7	392.2
1989	98.5	14.7	77.3	11.6	97.1	14.5	395.6	59.2	668.5	435.9
1990	80.5	6.9	66.1	5.7	230.5	19.8	785.9	67.6	1163.3	758.3

* = Estimated figures.

SOURCES: Annual Report of the Accountant General, Gongola State of Nigeria;
Gongola State Budget Estimates, Ministry of Finance and Economic Development.

APPENDIX B: THE STRUCTURE OF ACTUAL TOTAL PUBLIC EXPENDITURE BY FUNCTION AT CURRENT PRICES (N MILLION)

FISCAL YEAR	RECURRENT EXPENDITURE	% OF TOTAL	CAPITAL EXPENDITURE	% OF TOTAL	TOTAL EXPENDITURE
1976/77	92.6	60.4	60.8	39.6	153.4
1977/78	92.6	47.3	103.1	52.7	195.7
1978/79	86.6	54.8	71.3	45.2	157.9
1979/80	139.0	55.1	113.1	44.9	252.1
1980	134.2	52.7	120.3	47.3	254.5
1981	143.8	32.3	301.2	67.7	445.0
1982	202.0	40.5	296.6	59.5	498.6
1983	170.4	33.6	336.5	66.4	506.9
1984	176.4	90.8	17.9	9.2	194.3
1985	223.0	84.1	92.1	15.9	265.1
1986	209.5	78.6	57.0	21.4	266.5
1987	346.9	74.1	121.4	25.9	468.3
1988	452.9	75.2	149.0	24.8	601.7
1989	510.9	76.4	157.6	23.6	668.5
1990	984.9	84.7	178.4	15.3	1163.3

SOURCE: As in Table A.

APPENDIX C: THE SIZE AND GROWTH OF ACTUAL RECURRENT PUBLIC EXPENDITURE BY SECTOR AT CURRENT PRICES: 1976/77 - 1990 (₦ MILLION)

FISCAL YEAR	ECONOMIC SECTOR	% OF TOTALS	SOCIAL SECTOR	% OF TOTAL	ADMIN SECTOR	% OF TOTALS	OTHERS	% OF TOT.	TOTAL RECU-RRENT EXPD.	TREND 1976/77 = 100
	1		2		3		4		5	6
1976/77	10.6	11.4	28.2	30.5	4.2	4.5	49.6	53.6	92.6	100
1977/78	10.9	11.8	39.3	42.4	5.4	5.8	37.0	40.0	92.6	100
1978/79	11.8	13.6	39.2	45.3	6.0	6.9	29.6	34.2	86.6	93.5
1979/80	12.1	8.7	43.6	31.4	8.2	5.9	75.1	54.0	139.0	150.1
1980	12.1	9.0	44.6	33.2	10.5	7.8	67.0	50.0	134.2	144.9
1981	23.9	16.6	13.6	9.5	14.0	9.7	92.3	64.2	143.8	155.3
1982	28.5	14.1	71.9	35.6	22.5	11.1	79.1	39.2	202.0	218.1
1983	22.6	13.3	14.4	8.5	19.5	11.4	113.9	66.8	170.4	184.0
1984	20.8	11.8	35.6	20.2	14.7	8.3	105.3	59.7	176.4	190.5
1985	35.2	15.8	55.5	24.9	24.0	10.8	108.3	48.5	223.0	240.8
1986	34.2	16.3	65.1	31.1	22.0	10.5	88.2	42.1	209.5	226.2
1987	25.8	7.4	20.0	5.8	69.7	20.1	231.4	66.7	346.9	374.6
1988	32.3	7.1	23.8	5.3	98.6	21.8	298.0	65.8	452.7	488.9
1989	33.7	6.6	27.6	5.4	54.0	10.6	395.6	77.4	510.9	551.7
1990	45.2	4.6	33.5	3.4	120.3	12.2	785.9	79.8	984.9	1063.6

SOURCE: As in Table A.

APPENDIX D: THE SIZE AND GROWTH OF ACTUAL CAPITAL EXPENDITURE BY SECTOR AT CURRENT PRICES: 1976/77 - 1990 (N MILLION)

FISCAL YEAR	ECONOMIC SECTOR	% OF TOTAL	SOCIAL SECTOR	% OF TOTAL	ADMIN SECTOR	% OF TOTAL	TOTAL CAPITAL EXPDT.	TREND 1976/77 = 100
	1		2		3		4	5
1976/77	14.1	23.2	29.8	49.0	16.9	27.8	60.8	100
1977/78	22.9	22.2	70.5	68.4	9.7	9.4	103.1	169.6
1978/79	15.8	22.2	51.5	72.2	4.0	5.6	71.3	117.3
1979/80	25.5	22.5	81.5	72.1	6.1	5.4	113.1	186.0
1980	36.9	30.7	73.4	61.0	10.0	8.3	120.3	197.7
1981	88.6	29.4	171.3	56.9	41.3	13.7	301.2	495.4
1982	76.9	26.2	190.6	64.3	28.1	9.5	296.6	487.8
1983	73.6	21.9	218.6	64.9	44.3	13.2	336.5	553.5
1984	3.7	20.7	11.5	64.3	2.7	15.0	17.9	29.2
1985	8.1	19.2	24.6	58.5	9.4	22.3	42.1	69.3
1986	18.0	31.6	26.9	47.2	12.1	21.2	57.0	93.8
1987	34.7	28.6	49.0	40.3	37.7	31.1	121.4	199.7
1988	55.4	37.2	55.0	36.9	38.6	25.9	149.0	245.1
1989	64.8	41.1	49.7	31.6	43.1	27.3	157.6	259.2
1990	35.6	20.0	32.6	18.3	110.2	61.7	178.4	293.4

SOURCE: Same as in Table A.

APPENDIX E: THE SIZE AND GROWTH OF ACTUAL TOTAL PUBLIC REVENUE BY SOURCE AT CURRENT PRICES: 1976/77 - 1990 (₦ MILLION)

FISCAL YEAR	STATE LOCAL REVENUE	% OF TOTAL	TREND 1976/77 = 100	FEDERAL ALLOCATED REVENUE	% OF TOTAL	TREND 1976/77=100	TOTAL REVENUE	TREND 1976/77=100
1976/77	46.2	42.9	100	61.4	57.1	100	107.6	100
1977/78	28.6	30.8	61.9	64.4	69.2	104.9	93.0	86.4
1978/79	30.6	35.2	62.2	56.1	64.7	91.4	86.7	80.6
1979/80	39.9	28.5	86.4	100.2	71.5	163.2	140.1	130.2
1980	31.1	23.4	67.3	101.8	76.6	165.8	132.9	123.5
1981	11.7	8.2	25.3	130.7	91.8	212.7	142.4	132.3
1982	12.7	7.8	27.5	149.5	92.2	243.5	162.2	150.7
1983	12.8	8.1	27.7	144.9	91.9	236.0	157.7	146.6
1984	17.6	9.9	38.1	159.8	90.1	260.3	177.4	164.9
1985	31.5	14.2	68.4	191.5	85.8	311.9	223.0	207.3
1986	32.7	15.6	70.8	176.8	84.4	287.9	209.5	194.7
1987	50.2	14.5	108.7	296.7	85.5	483.2	346.9	322.4
1988	62.9	13.9	136.1	389.8	86.1	634.9	452.7	420.7
1989	39.9	7.8	86.4	471.0	92.2	767.1	510.9	474.8
1990	41.4	4.2	89.6	943.5	95.8	1536.6	984.9	915.3

SCURCE: As in Table A.

APPENDIX F: THE POPULATION, RATE OF URBANISATION AND RATE OF INFLATION IN GONGOLA STATE, 1976/77 - 1990

FISCAL YEAR	TOTAL POPULATION	RATE OF URBANISATION	RATE OF INFLATION
	m	%	%
1976/77	3.63	35.8	21.2
1977/78	3.72	37.6	21.5
1978/79	3.81	38.4	12.3
1979/80	3.91	38.5	11.8
1980	4.00	38.6	9.9
1981	4.13	38.7	20.8
1982	4.27	39.3	7.7
1983	4.41	40.9	23.3
1984	4.56	41.7	39.6
1985	4.71	46.6	5.5
1986	4.86	47.8	5.4
1987	5.02	50.8	10.2
1988	5.19	52.0	38.3
1989	5.36	53.2	40.9
1990	5.54	56.3	7.5

SOURCES:
1. Ministry of Finance and Economic Planning, Statistics Division, Yola
2. Population Census of Nigeria, 1963, Vols I and II
3. CBN Financial and Economic Review.