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Share of Local Government Revenue from Federation Account and Rural Health Infrastructural Development in Abia State Nigeria

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ABSTRACT

There is usually no meaningful infrastructural development without adequate revenue. The major source of revenue accruing to the local government is from share of federal government allocation from the Federation Account as a result of lean resources that comes from internally generated revenue of the local governments, especially rural based local governments. The purpose of this paper is to examine the extent the local government share from the Federation Account through the Federation account has helped in the development of rural health infrastructural development in the local governments in Abia State. Time series data were gathered and tested using panel least square. Finding from this research shows that the share of local government revenue from federal government has a negative and insignificant effect on health infrastructural development of local governments in Abia State. The study recommends that since the health wellbeing of the people should be very paramount to the government, there is need for local governments to enhance the allocation of the revenue from the federal government to the health sector to improve on the health infrastructural development in order to reduce mortality rate and improve on the life expectancy.

Key Words: *Share of Local Government Revenue, Federation Account, Rural Health Infrastructural Development, Abia State Nigeria*

1. INTRODUCTION

Resource control, revenue allocation and fiscal federalism have been dominant issue in the politics of Nigeria. Over the years various formulae have been adopted in the distribution of resources between the federal, state and local governments. The formulae have been products of various commissions that have been set by different federal government regimes in finding solution to this highly dominant political issue. The inability of the various commissions to succeed in providing an acceptable revenue sharing formula necessitated the formation of *National Revenue Mobilization, Allocation, and Fiscal Commission,* which has the responsibility of representing a structure that will attempt to replace the ad hoc approaches to effecting changes in the revenue allocation system. This commission derives its powers and constitutional functions from paragraph 32 of Part I of the Third Schedule to the 1999 Constitution of the Federal Republic of Nigeria. The Commission, accordingly, has been vested, constitutionally, with powers and responsibilities which of course, have not yielded any lasting solution in proffering a generally acceptable revenue sharing formula. One major impact of this seemingly never ending controversy is the fact that fiscal federalism in Nigeria has not been able to contribute optimally to social and economic development. However, there is the need to critically review the division of functions among the various tiers of governments, as well as the revenue sharing arrangements in order to substantially improve the delivery of public goods and services as well as promote real economic growth as the nation operates a new era of democracy under a federal constitution.

Conceptually, revenue is described as an income or funds raised to meet the expenditure. It can be further explained that revenue is a means of raising resources needed to provide government services. Total income is usually generated from federal, state and local governments for the provision of social amenities and general administration of government. Federal government controls all the major sources of revenue like import and Excise duties, mining rents and royalties, petroleum sales tax, petroleum profit tax and companies income tax among other revenues sources. Much of the revenue are collected by the federal government and distributed among the different tiers of government using the vertical revenue allocation formula from the federation account. But the federal government seems to exercise too much control over its distribution. So many deductions are made from the total revenue collected before the rest is distributed among the various levels of government by the use of a defined sharing formula. The two major methods of revenue distribution between federal, state and local government are vertical and horizontal, while there are four major areas of distribution of revenue, namely, federal, state, local government and special projects.

The theories related to the study include the endogenous theory, fiscal federalism theory, democratic participation theory, and the development theory. However, the study is so influenced by the fiscal federalism theory rooted on the inter-government fiscal relation as enshrined in a federal constitution provided for the functional responsibilities to be performed by the multi –levels of government and the financial resources that can be raised for provision of collective goods and services. Fiscal federalism recognizes that two or three government and not one central government must perform the role of the state in economic management, each level with different expenditure responsibilities and taxing powers. The federal system of administration is unique in that it allows both a centralized and decentralized collective choice. Fiscal federation identifies two types of federalism namely, the dual federalism and the cooperative federalism. For the dual federalism, the constitution created two separate and independent tiers of government with their own clearly defined areas of responsibilities. In such a system, it is inevitable that a certain level of tension and competition would exist. Cooperative federalism, on the other hand, simply refers to making federalism work through cooperation between the various levels of government. It emphasizes the partnership between the different levels of government providing effective public services for the nation.

Empirically, the results concerning the impact of government expenditure, fiscal federalism, revenue generation and infrastructural development in Nigeria appear to be ambiguous given differing variables utilized. Empirical studies reviewed above tried to determine the effect of government expenditure and generated revenue on certain sectoral infrastructural development while adopting various infrastructural developments as variables. These resulted in differing opinions of positive or negative effects of certain expenditure or revenue profiles of both the federal, state and local governments on economic growth or sectoral (health, education, transport and communication, road, agriculture, water, electricity etc) infrastructural development. Above all, many of the past studies have concentrated on government expenditure and economic growth not many studies have been carried out on the effect of statutory grants or inter-governmental transfers on the components of health, education, road and water infrastructural development.

This study evaluates the effect of share of local government revenue allocation from the federal government on health infrastructural development of local governments in Abia State.

2. RESEARCH PROBLEM

Any meaningful infrastructural development is highly depended on adequate revenue generation which is needed to plan, execute and maintain infrastructures and facilities at the local government level. Basically, the two sources of revenues available to local governments in Nigeria are allocations from federation account and internally generated revenue. Local governments in Nigeria hardly perform their responsibilities simply because of poor finances arising from inadequate revenue generation. The bad financial situation is further aggravated by the prevailing inflationary situation in the country which erodes the value of funds available to render essential social services to the people. The recurrent problems of the three-tier system in Nigeria are dwindling revenue generation as characterized by annual budget deficits and insufficient funds for meaningful growth and viable projects development. Local governments are faced with myriads of inherent problems ranging from corruption and embezzlement, poor financing, mismanagement of funds to poor leadership. However, according to Otive (2009) the major one among all the problems is that percentage of federal government allocations to local government has always been deducted by state governments thereby causing the local government not to perform optimally which has been a major factor that has affected the infrastructural development in the local government system especially as it affects health infrastructural development resulting to lack of basic health infrastructure and dilapidated health infrastructural facilities. Moreover, there has been lack of effective management of the allocated fund as a result of interjection of the funds meant for the development of local government infrastructure by the state governors which is mainly responsible for the lack of infrastructural development of the local government areas. This research, therefore examined the effect of share of federal government revenue allocation on the development of local government areas in Abia state with particular reference to local governments that are basically in the rural areas.

3. OBJECTIVES OF THE STUDY

The general objective of this study was to ascertain the effect of the local government share of revenue allocation on the infrastructural development of local government areas in Abia state.

The specific objective was to evaluate the effect of the share of the local government revenue allocation from the federal government on health infrastructural development of local governments in Abia State with a view to determine the level of correlation between share of local government from the federation account to health infrastructural development in the local government areas.

4. REVIEW OF RELATED LITERATURE

4.1 Concept of Revenue Mobilization and Allocation in Nigeria

The issues of resource control, revenue allocation and fiscal federalism have dominated discussions at various levels of Nigeria’s political debate in recent years. The federal systems, in Nigeria has a revenue distribution system in which the federal government shares revenue with the states and local governments of which, at different times different formulas have been adopted in the distribution of the federal government revenue between Federal, State and Local governments. In the same vein, at different times, ad hoc commissions have been set up to determine the allocation formulae and criteria for the distribution of federal revenue resources. Between 1946 and 1979, there were eight of such commissions on revenue allocation. These were: Phillipson (1946), Hicks-Phillipson (1951), Chick (1953), Raisman (1958), Binns (1964), Dina (1968), Aboyade (1977), and Okigbo (1980). It was not until 1988 that a permanent body was created to monitor, review, and advise the federal government on the structure of revenue allocation on a continuing basis. The body charged with this responsibility is called the ***National Revenue Mobilization, Allocation, and Fiscal Commission,*** which has the responsibility of presenting a structured revenue allocation policy that will attempt to replace the ad hoc approaches with the aim of effecting changes and harmony in the revenue allocation system.

Since 1989 this commission which derives its powers and constitutional functions from paragraph 32 of Part I of the Third Schedule to the 1999 Constitution of the Federal Republic of Nigeria has been responsible for the determination of revenue sharing. The Commission, accordingly, has been vested, constitutionally, with powers and responsibilities to:

- Monitor the accruals into and disbursement of revenue from the Federation Account;
- Review from time to time, the revenue allocation formulae and principles in operation to ensure conformity with changing realities: Provided that any revenue formula which has been accepted by an Act of the National Assembly shall remain in force for a period of not less than five years from the date of commencement of the Act;
- Advise the Federal, State and Local Governments on fiscal efficiency and methods by which their revenue is to be increased;
- Determine the remuneration appropriate to political office holders, including the President, Vice-President, Governors, Deputy Governors, Ministers, Commissioners, Special Advisers, Legislators and the holders of the offices mention in Section 84 and 124 of the Constitution; and
- Discharge such other functions as are conferred on the Commission by the constitution or any Act of the National Assembly.

This body which is enshrined in the 1989 Constitution, despite all her efforts to bring harmony to the revenue allocation systems, the issue of revenue allocation has remained a contentious issue among the three tiers of government in Nigeria with emphasis on resource control. In a federal system of government, revenue allocation involves two schemes. The first is the vertical sharing between the federal or inclusive government and the other tiers of governments. The subject of these sharing schemes is the federally collected revenues. This is because the revenues generated within the jurisdictional areas of the units – states and local governments – are not subject to the national sharing formula. In the annals of federal countries' revenue sharing arrangements, the sources of the federally collected revenue that form the subject of the sharing formula have remained largely unchanged. The 36 state governments of the federation have been at daggers-drawn with the Federal Government over the formulation of a revenue sharing formula that would be acceptable to all the stakeholders in the last eight years. One major impact of this seemingly never ending controversy is the fact that fiscal federalism in Nigeria has not been able to contribute optimally to social and economic development. Despite the considerable increase in the number of administrative units, the rate of real economic growth has been low and the country's per capita income has continued to dwindle considerably over the years compared with the level that was attained in the 1980s. As the nation operates a new era of democracy under a federal constitution, there is the need to critically review the division of functions among the various tiers of governments, as well as the revenue sharing arrangements in order to substantially improve the delivery of public goods and services as well as promote real economic growth.

The two types of resource transfer discussed above are known as intergovernmental grants in-aid. The third principle has be called simulation, incentive or conditional grants. This grant is also known as categorical grants because such grants are designed basically to undertake certain projects. This is also known as categorical grants because they are desired for purposes. Nevertheless, since no federation has all its component parts equally developed, the transfer of funds within a federation is a potent weapon in the hands of mangers of the state more so in a plural society with diverse cleavages to satisfy hegemonic interests. On the other hand it can help in ensuring that all parts of the federation have resources to carry out their functions. The government can thus ensure that the revenue from resources located in a part of the country is used for the benefit of all parts (Nyemutu-Roberts, 2005). To this extent, revenue allocations can foster national integration. However, when misused, it engenders political altercations and contestations which destabilize the political economy and tend to undermine the efficacy of federalism in fostering political accommodation and economic development. The distribution of fiscal resources has been the most common source of friction in a federal system of government. It is important to add that fiscal relationship in a gamut of intergovernmental relations is no longer only federal-state but also state-federal, federal-local and state-local.

Another key issue in the practice of public revenue mobilization in Nigeria is how to distribute the bloc share from the federation account among the constituent units of each tier i.e. among the 36 states and the 774 local governments. This is called horizontal revenue sharing. In Nigeria, there are four categories in the vertical allocation list – federal, state, local governments, and the special fund. The allocation to the Federal Capital Territory (FCT) is accounted for under the special fund which is administered by the federal government. Public revenue mobilization is one of the most keenly contested issues in Nigeria. Local governments in Nigeria receive statutory allocations from the two higher tiers of government (federal and states). At the present, revenue sharing formula, local governments receive 20.60 per cent from the federation account. They are also statutorily entitled to 10 per cent of states' internally generated revenue. About to Value Added Tax, local governments receive 30 percent in 1998. This was shared to local governments, on the following basis: equality (50 per cent): population (30 percent) and derivation (20 per cent). In 1999, local governments received 35 per cent of the VAT proceeds. The federal government controls all the major sources of revenue like import and Excise duties, mining rents and royalties, petroleum sales tax, petroleum profit tax and companies income tax among other revenues sources. Local Government taxes are minimal hence this limits their ability to raise independent revenue and so they depend solely on allocation from the federation account. Much of the revenue collected by the federal government and distributed among the different tiers of government using the vertical revenue allocation formula is from the federation account. But the federal government seems to exercise too much control over its distribution. So many deductions are made from the total revenue collected before the rest is distributed according to the sharing formula.

4.2 Theoretical Framework

Most relevant to this work is the developmental theory, proponents of which hold the view, that the government is a veritable instrument for development, national integration, national evolution, and national consciousness. In this view, local and state governments in developing areas should be concerned with decongesting government at the center, thereby freeing national leaders from onerous details and unnecessary involvement in local issues; increasing the peoples understanding and economic development; making programs to foster social and economic betterment at the local level more realistic and lasting, training people in the art of self-government; and strengthening national unity. Proponents of developmental theory are of the view that governments in developing countries, like Nigeria, can and should have the function of helping to reduce congestion at the center. Local and state governments can achieve this by implementing socio-economic programs that attempt to reconstruct the infrastructure necessary for an improved way of life. Similarly, the efficiency-services school justifies the existence of the government on the grounds that it is an efficient agent for providing services that are local in character. Mackenzie (2000) notes that for governments to provide services it must be judged by its success in providing services up to a standard measurement. State and local government provides certain services more efficiently than the central government, such that, if the state and local government did not exist, something else would have been created in its place.

4.3 Empirical Review

Agya, Ibrahim and Eche (2015) focused on problems and prospects of Internal Revenue generation in Local Government administration in Taraba State, Nigeria for the period of 2001-2013 using both structured/unstructured questionnaires in collection of data. Simple percentage was used in analyzing the data. The major findings were that; revenue machinery are inadequate and out dated, inadequate staff and lack of professional personnel in revenue section, inadequate salaries and incentives for revenue collectors, inadequate provision of social services, Market and Motor Park and political interference in appointment into task force board. The study recommended the upgrading existing revenue machinery and up-dating the laws, capacity building involving training and retraining of staff, timely payment of salaries and provision of incentive to revenue collectors for enhanced revenue mobilization.

Adeoti, Olawale and Abdulraheem (2014) investigated the strength, weakness, opportunities and threats of each of these sources using a sample of 200 respondents from 20 local governments in Oyo State. Frequency counts, student t – distribution and multiple regression analysis were used for data analysis. The results revealed that marriage, Tenement rate, local licenses fees and fines and revenue consultancy accounted for 97.3% of sources of revenue to local governments. About 2.7% accounts for other sources outside the model. The regression equation shows that by ranking, marriage contributed a higher percentage to local government revenue followed by consultancy, local license fees and fines, Tenement rate and lastly rent on local government property. The two hypotheses tested showed that all the variables were significant to revenue collection. The study recommends that X3 – Rent on local government properties which is the least in terms of revenue generation should be revisited and divorced of political attachment so that in-coming administration will not have apathy to previous government projects. Secondly, the study recommends that the wage bill of the consulting firms to local government should be considered vis-à-vis the amount they generate.

In other similar studies Adenugba and Ogechi (2013) in their study utilizing data from Akwa Ibom State, the authors found out that the effect of internal revenue generation has led to infrastructural development. The researchers also discovered that the infrastructural development in Akwa Ibom State is as a result of adequate internally generated revenue and that revenue generation supports infrastructural development. Furthermore, they found that Akwa Ibom State is ahead of other states in the provision of basic infrastructures due to its efficiency in generating revenue internally. Also in Akwaibom, Nnanseh and Akpan (2013) specifically sought to ascertain the extent to which IGR has contributed to the provision of such infrastructures as water, electricity, and road. The data were analyzed with simple percentage statistics while simple regression statistics was used in testing the hypotheses. It was found that IGR contributed significantly and positively to the provision of water, electricity and roads. However, these contributions were skewed more to roads than electricity and water. Nnanseh and Akpan (2013) concluded that IGR has made positive, but uneven contribution to the development of infrastructures in the State as some aspect of infrastructure like road was found to receive more boost from IGR than other infrastructures. Consequently, Nnanseh and Akpan (2013) recommended a balanced approach to IGR appropriation for infrastructural renaissance in the state.

Edogbanya and Ja'afaru (2013) analyzed the extent to which revenue generation had affected the development of the selected local Governments using both primary and secondary methods of data collection to generate the needed data. Using simple least square regression the findings include the following; there is a significant relationship between revenue generated and developmental effort of government, poor development of the areas, lack of basic social amenities to the rural people and lack of revenue to maintain the existing infrastructures. Akabom -Ita (2013) studied revenue base and social assets creation in local government areas in Cross River State as a virile tool for overcoming exclusion and strengthening inclusion for sustainable development in the third world. The purposes were to determine the possible causes of poor performance of local government areas in terms of social assets creation and maintenance; and the level of internally generated revenue of the local government areas and their ability to create desirable social assets to enhance sustainable development. To achieve these purposes, data on components of revenue base and social assets of selected local government areas between 1997 and 2011, were collected and analyzed, with the use of regression analysis. It was discovered that revenue base has a significant positive impact on the creation of social assets. Moreover, internally generated revenue which was shown as a stable revenue source was neglected due to over dependence on statutory allocation from the Federation Account. The inability of the local government councils to create adequate social assets is as a result of poor revenue base and lack of commitment, which is worsening by corrupt practices (Akabom-Ita, 2013).

Adesoji and Chike (2013) assessed the effect of internal revenue generation on infrastructural development. The research methodology entailed the use of survey research design and purposive sampling method to select respondents from Lagos State Inland Revenue Office. Questionnaires and statistical data were instruments used for the study. Descriptive and inferential statistics were the statistical tool used for the analysis. The descriptive statistics involves the use of simple percentages while the inferential statistics involved the use of Spearman's Rank, which is to show the direction of relationship between variables in the study and to show the scale for the data that is interval. Two hypotheses were formulated and the

Spearman's rank correlation analysis was used to test the relationship between internally generated revenue and infrastructural development. The result showed that there is a positive relationship between internally generated revenue and infrastructural development. The study also revealed the various methods of generating internal revenue, which are the enforcement of tax personnel, contribution, and creating awareness to the public. The findings of the study however show that revenue administration agencies need to be reviewed to generate more revenue in the country.

Luke (2013) discussed the role of internally generated revenue (IGR) as inevitable alternative funding for higher education in Nigeria. The paper leverages on available literatures to revalidate the inevitability of IGR as long as the government (or other university proprietors) fail(s) to provide adequate funding for the universities' operating and capital needs. Developed from the African Political Economy (APE) Model and Resource Dependence Theory perspectives, (Luke, 2013) concludes that IGR has a very significant role to play as a source of critical funding for all categories of universities in Nigeria. Luke (2013) therefore, proposes that, in order to derive sustainable maximum contribution from IGR sources, university managements should seek professional and more efficient ways of developing their IGR initiatives. Olusola (2011) studied the impact the internal revenue sources have on the total revenue. The study population consists of all the twenty (20) local governments in Ogun State. The sample size was three (3) local governments. The local governments were randomly selected by balloting and data were sourced from Annual Financial Statements (AFS) of each local government chosen for the study. The study is limited to a period of 6 years (2000-2005). The ordinary least square method was adopted using the multiple regression analysis and panel data regression method to test the fixed and random effects and test for level of significance at 1%. Olusola (2011) found out that rates, fines, fees and licenses, rent sources of revenue are significant factors influencing internally generated revenue of local governments in Ogun State.

Oseni (2013) noted that the internally generated revenue (IGR) has taken the second position in sources of revenue when Nigeria put heavy reliance on oil. Many states and local governments depend on monthly statutorily allocations from the central vault to carry out their businesses. Oseni (2013) studied the proportions of internally generated revenues to total revenues of states for a five-year period (2007-2011). Data were sourced from the annual reports of Central Bank of Nigeria for the same period. Using descriptive statistics (Oseni, 2013) found that states getting additional revenue from the statutory allocations as derivation have lower proportions of IGR to their total revenues than some states. Dependence on the statutory allocations by the states does not necessarily translate to good dividends on democracy as internally generated revenues can be used to develop the states (Oseni, 2013) concluded. Oseni (2013) recommends among others that right parameters should be instituted in order to identify the tax payers and the types of businesses they are engaged in. So also other sources of revenues like stamp duties, levies and fees should be enhanced. Empirical evidence on the impact of government revenue on development points to varying experiences. The outcome of these studies generally was that developing countries do not reap the full benefits of internally generated revenue in terms of development. In nearly all cases, there were concerns about the sub-national governments not having enough taxing powers in a manner that balances their expenditure assignments to revenue sources available to them. Often, the case is for the former to be larger than the latter, making them largely dependent on intergovernmental fiscal transfers especially from the central government.

A number of authors have attempted to ascertain these relationships using different approaches. A research group, The Initiatives (2008), listed several areas of national development that revenue can impact positively to include but not limited to, social infrastructure such as in education and health with emphasis on continuing education and constantly improving our health care; physical infrastructure to enable private sector investment: that is energy, transportation, security of life and property; access to Property, Capital, and Opportunity for Individual and Communal Development; provision of social amenities for the young, the disadvantaged, the physically challenged and the aged; security of Lives and Property. In their submission, this research group concluded that "a steady flow of revenue (IGR) that would enable Nigeria to lay the foundation for stability and relative self-sufficiency would help the country's quest for national development".

A handful of the studies were exploratory and x-rayed similar topics based on challenges and prospects of monitoring government spending or collecting internally generated revenue. Some other set of studies made use of no analytical technique while some made use of primary data gathered using the questionnaire instrument, while applying the chi square and simple percentages data analyzing techniques to achieve given objectives. Other studies such as Adenugba and Ogechi (2013) and Nnanseh and Akpan (2013) used secondary data and regression analysis but with data bounding on data from a particular State (Akwa Ibom) of Nigeria. These differing methodologies threw up a lot of gaps intended to be filled by this study. This study intends to move away from the government spending and economic growth nexus and adopts an ex post facto research design that enables the utilization of secondary data alongside adequate statistical tool to evaluate the effect of fiscal or inter-governmental transfer (share of local government revenue allocation) on road, education, health and water infrastructural development for local government areas in Abia State. This study will utilize variables such as share of the local government areas from the federation account, Local Government expenditures on road, education, health and water infrastructures to ascertain the effect of the share of the local government allocation on the road, education, health and water infrastructural development of the local governments in Abia State.

5.0 METHODOLOGY

This study adopted the *ex-post facto* research design which attempts to identify a natural impetus for specific outcomes without manipulating the independent variable. Thus, Ex-post facto implies that the events to be investigated had already taken place and data used are already in existence. The data for the study were sourced from the published financial statements by the Auditor-General of Abia State and the website of National Revenue Mobilization and Fiscal Allocation Commission (NRMFAC). The nature of data for this research is secondary comprised share of local government revenue from federal government and subsequent expenditures of the Local Governments Areas on health infrastructural development.

The 17 (seventeen) Local Government Areas in Abia State makes up the area of the study. The choice of Abia state is that based on visible basic infrastructural development, Abia State is among the most backward states in Nigeria even though it is among the oil revenue derivation states. The 17 local government areas of Abia state are scattered around the three senatorial areas of the state namely: ABIA south senatorial district: Aba North, Aba South, Ugwunagbo, Osisioma-Ngwa, Obi-Ngwa, Ukwa East and Ukwa West.; ABIA Central Senatorial district: Isiala-Ngwa South, Isiala-Ngwa North and Ikwuano, Bende, Umuahia North and Umuahia South local government areas; and ABIA North senatorial district: Arochukwu, Isikwuato, Ohafia and Umunneochi local government areas. The sample size consists of 12 local government areas drawn from three Senatorial districts in Abia State using a cluster sampling technique. The choice of the local governments across the three senatorial districts is because of its peculiarities and characteristics as most of the local government areas are basically at the rural areas without the influx of the major urban towns which are Umuahia and Aba thus, receiving almost the same pattern of internally generated revenue as well as revenue allocation from the federal government.

The study used panel least squares to include cross-sections and time series and consider all the cross-sections and time series together to test all the hypotheses. The model was in line with the model of Akabom-Ita (2013) who studied Revenue Base and Social Assets Creation in Local Government Areas in Cross River State – Nigeria: A Virile Tool for Overcoming Exclusion and Strengthening Inclusion for Sustainable Development in The Third World. The hypothesis that share of local government revenue allocation does not have a positive and significant effect on health infrastructural development of local governments in Abia State was be modeled as:

$$nlogERI_{it} = b_0 + b1nlog\ SLGRFA_{it} + e \qquad \text{……………………………………..(1).}$$

Where:

$nlogSLGRFA_{it}$ = Natural log Share of the Local Government Revenue from the Federation Account i at time t.

$nlogEHI_{it}$ = Natural log Expenditure on Health Infrastructure for Local Government i at time t.

b_0 = the slope of the equation

e = error term

In the actual analysis, the study adopted the fixed effects (FE) estimator. In assuming fixed effects, time independent effects are imposed for each entity that are possibly correlated with the repressors. Thus, the error term in equation (1) is decomposed into h_{it} + ε_{it} and it follows that equation (1) is rewritten as follows:

$$nlogEHI_{it} = b_0 + b1nlog\ SLGRFA_{it} + hi + \varepsilon it \qquad \text{……………………………………..(2)}$$

6. FINDINGS

The hypothesis seeks to ascertain if the share of local government revenue allocation from the federation account has a positive and significant effect on health infrastructural development of local governments in Abia State. The decision criteria are to accept the null hypothesis if the sign of the coefficient is –tive and the probability of the t-statistics is > 0.05. Otherwise, reject the null hypothesis while accepting the alternate hypothesis accordingly.

Table 1: Regression Result for Test of Hypothesis

Dependent Variable: nlog Health Expenditure
Method: Panel Least Squares
Date: 07/04/16 Time: 01:12
Sample: 2007 2015
Periods included: 9

Cross-sections included: 12
Total panel (unbalanced) observations: 52

Variable	Coefficient	Std. Error	t-Statistic	Prob.
nlogFedAllocation	-5.690942	3.759684	-1.513676	0.1413
C	49.36833	30.81829	1.601917	0.1204

Effects Specification

Cross-section fixed (dummy variables)
Period fixed (dummy variables)

R-squared	0.454857	Mean dependent var	5.736078
Adjusted R-squared	0.007060	S.D. dependent var	0.256931
S.E. of regression	0.256022	Akaike info criterion	0.416934
Sum squared resid	1.835329	Schwarz criterion	1.317508
Log likelihood	13.15972	Hannan-Quinn criter.	0.762193
F-statistic	1.015767	Durbin-Watson stat	2.194199
Prob(F-statistic)	0.479259		

The decision criteria are to accept the null hypothesis if the sign of the coefficient is –tive and the probability of the t-statistics > 0.05, otherwise, reject the null hypothesis while accepting the alternate hypothesis accordingly. Table 1 suggests that the sign of the coefficient of -5.690942 is negative while the probability of the t-Statistic of 0.1413 > 0.05. Thus, we accept the null hypothesis and conclude that the share of local government revenue from the federation account has a negative and insignificant effect on health infrastructural development of local governments in Abia State. The findings supports Agya, Ibrahim and Eche (2015) which focused on problems and prospects of Internal Revenue generation in Local Government administration in Taraba State, Nigeria which states that revenue machinery are inadequate to provide the needed revenue necessary to provide adequate social services, hence recommends the upgrading of existing revenue machinery to enhanced revenue mobilization.

7. CONCLUSION AND RECOMMENDATIONS

A handful of exploratory studies exist in the area of government revenue and expenditure and concentrated on challenges and prospects of monitoring government spending or collecting internally generated revenue. Some other set of studies made use of no analytical technique while some made use of primary data gathered using the questionnaire instrument, while applying the chi square and simple percentages data analyzing techniques to achieve set objectives. Other studies used secondary data and regression analysis but with data bounding on data from other states of Nigeria. These differing methodologies threw up a lot of gaps intended to be filled by this study. This study adopted ex post facto research design that enables the utilization of secondary data alongside adequate statistical tool to evaluate the effect of fiscal or inter-governmental transfer (share of local government revenue allocation) on health infrastructural development for local government areas in Abia State. Thus, the study utilized variables on share of the local government areas from the federation account and expenditure on health infrastructures to ascertain the effect of the share of the local government allocation on health infrastructural development of the local governments in Abia State. Findings from this research shows that the share of local government revenue from federal government has a negative and insignificant effect on health infrastructural development of local governments in Abia State. The study recommends that the health wellbeing of the people should be very paramount to the government. Therefore, to make health services available and affordable to the rural dwellers, adequate allocation should be made to improve on the existing health infrastructure in Local government areas in Abia State. New cottage hospitals should be built in communities and improvements made on the existing ones; hospital equipment should be provided to improve on the health facilities and services. This will help to reduce mortality rate and improve life expectancy. It will also help the health system to have the necessary equipment to fight endemic diseases which are very common in the rural areas.

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