

FISCAL DECENTRALISATION AND ECONOMIC PERFORMANCE IN NIGERIA

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Abstract

The increasing burden on federal governments of many countries has necessitated decentralisation of social, financial and developmental responsibilities of government, which generated heated global debate as to the impact of decentralisation on the economy. Nigeria has undergone significant economic changes since gaining independence in 1960. Central to these changes has been the ongoing debate over fiscal decentralisation and its impact on the country's economic performance. This study therefore examines the impacts of fiscal decentralisation on economic performance in Nigeria, with time series data spanning a period of 42 years from 1981 to 2022. Using Autoregressive Distributed Lag model in which fiscal decentralisation was operationalised as the share of state expenditure in the total government expenditure, and economic performance as the growth rate of per-capita GDP and unemployment rate, the study finds that fiscal decentralisation had significant positive effects on unemployment and per-capita GDP. Fiscal decentralisation is, ipso facto, a significant determinant of economic performance in Nigeria. Therefore, fiscal responsibilities of the Nigerian government should be more decentralised so as to further reduce employment rate, increase per-capita income, and, by extension, enhance economic performances in Nigeria.

Keywords: Fiscal federalism, fiscal decentralisation, unemployment rate, per-capita income, Autoregressive distributed lag Model

1. Introduction

The concept of fiscal decentralization has gained significant attention in recent years as a potential catalyst for promoting economic growth and improving governance, especially in developing countries. It is often heralded for its potential to enhance public service delivery, increase government accountability, and foster local economic development. *Fiscal decentralization*, also known as *fiscal federalism*, is the process of through which the federal or central government formally delegates economic, administrative and political powers to lower tiers of governments (Adefeso & Saibu, 2014). Specifically, it involves the sharing and delegation of revenue generation and expenditure duties to lower levels of government to enhance efficiency and effectiveness in public expenditure, ensure

transparency and accountability in the provisions of public goods, and enhance exploitation of functional and physical closeness among people at grass roots ((de Mello, 2000; Ekpo & Englama, 2008). Fiscal decentralisation ensures that decisions and functions that are hitherto performed by the federal government are partially coordinated by the subnational governments (Smith, 1985; Anyanwu, 1999; Udoh et al. 2015). In Nigeria, a federal republic with a complex political structure comprising 36 states and the Federal Capital Territory, fiscal decentralization has played a critical role in shaping intergovernmental relations. Since the country's transition to democracy in 1999, there has been a concerted effort to redistribute fiscal authority, empowering states and local governments to exercise greater control over their finances. However, the impact of these changes on Nigeria's

economic performance remains a subject of considerable debate among policymakers, economists, and political scientists.

Although a plethora of research such as Udoh et al. (2015) has been conducted on this topic, little or no research has measured economic performance by employment rate, as most of the previous works employed only per capita GDP. The choice of employment rate is motivated by the need to reduce unemployment rate in Nigeria. Thus, this paper extends the existing studies by measuring economic performance in terms of unemployment rate in addition to growth rate of per-capita GDP. Incorporating unemployment rate will help compare the magnitude of the effects, and help provide more empirical and theoretical insights into the effects of fiscal decentralisation on economic performance.

Besides, this study employed up-to-date data spanning over 42 years. Due to their pivotal role in economic activity, citizens' wellbeing, health outcomes and overall economic growth and development, the two variables—employment rate and per-capita GDP—have been established in the literature as valid measures of economic performance. A country with lower unemployment rate and higher per-capita GDP guarantees higher income, higher living standard and better welfare for its citizens (Mankiw, 2021).

In view of this, this study set out to specifically investigate the effects of the share of state expenditure in the total government expenditure (fiscal decentralisation) on employment rate and per-capita GDP (economic performance) in Nigeria.

The outline of this paper is divided into five sections in which the current section (Section 1) forms the general introduction. While Section 2 provides a review of the extant studies on the topic, Section 3 discusses the method employed in carrying the study. Results and discussion are contained in Section 4 while Section 5 consists of conclusion and policy recommendations.

2. Literature Review

This section reviews the basic concepts and empirical studies that are relevant to this study.

2.1 Conceptual Review

Economic performance and fiscal decentralisation are the only two concepts reviewed in this subsection. *Economic performance* refers to the sustained increase in a nation's production of goods and services over time, typically measured by the rise in Gross Domestic Product (GDP). This growth reflects an expansion in the economy's capacity to produce, driven by factors such as technological advancements, increased capital investment, improved productivity, and population growth (Mankiw et al., 1992). Economic growth can be defined as the steady process by which the productive capacity of the economy is increased over time to bring about rising levels of national output and income (Todaro and Smith, 2005). However, it is pertinent to note that growth is concerned solely with quantitative and measurable attributes (Ogboru, 2006).

Economic performance can also be assessed by analysing indicators such as employment and unemployment rates. Low unemployment rates and high levels of employment signify a robust economy with ample job opportunities and income generation (Carnevale & Strohl, 2020). Another aspect of economic performance is the stability of prices within an economy, as measured by the inflation rate. Low and stable inflation is generally indicative of a well-performing economy, ensuring that the purchasing power of money remains relatively constant over time (Mishkin, 2019).

Fiscal decentralisation, on the other hand, refers to the process of transferring financial responsibility and decision-making from central government to sub-national entities, can have various impacts on economic performance. Decentralisation can enhance governance and accountability as local governments become more responsive to the needs of their constituents. With greater accountability, there is less room for corruption and mismanagement, fostering a better business environment and economic growth (Faguet, 2014). Fiscal decentralisation can empower local governments to implement policies that stimulate economic growth tailored to local conditions. This may include infrastructure

development, investment incentives, and local entrepreneurship support, all of which can contribute to increased productivity and prosperity at the local level (Blöchliger & Charbit, 2010).

2.2 Review of Empirical Studies

Many studies have considered the relationship between fiscal decentralisation and economic growth and overall performance of many countries. However, only the most relevant and current studies are reviewed in this paper. Blochliger and Egert (2013) analysed the impact of fiscal decentralisation on economic activity. Like other institutional arrangements, fiscal decentralisation affects firms, households and public entities, and the way they save, invest, spend or innovate. This may, in turn, have considerable impact on the long-term growth potential of a country. Based on their growth regressions, Blochliger and Egert found that fiscal decentralisation had significant positive relationships with per-capita GDP, productivity and human capital development, while the relationship with investment is insignificant. Doubling the sub-central tax or spending share increased per-capita GDP by 3% on average. Revenue-based decentralisation indicators deliver results both statistically and economically more significant than spending-based indicators. The results vary little between federal and unitary countries in general. Intergovernmental transfers had negative relationship with per-capita GDP. Finally, the correlation between decentralisation and per-capita GDP is non-linear, with results suggesting that returns to decentralisation are decreasing.

Using panel data set for China and India from 1985 to 2005, Jin and Rider (2019) examined the effect of decentralized expenditure and fiscal equalization on both short- and long-term economic growth and estimated two-step generalized technique of moment simultaneous equations models. The expenditure decentralisation had a significant negative effect on short-run economic development for both China and India at conventional levels, according to the authors' simultaneous estimation of two

equations: equalization and growth equations. Jin and Rider discovered that the selection of explanatory factors included had an impact on the outcome variable, which is economic growth. The authors arrived at the conclusion that there is no correlation between expenditure decentralisation and short-term economic growth in either nation. An important finding from the study was that both China and India saw short-term economic development as a result of fiscal equalization, and that expenditure decentralisation had a positive and statistically significant influence on fiscal equalization for both nations. Nevertheless, in the case of India, but not China, the authors discovered that expenditure decentralisation had a favorable impact on long-term economic growth. Ultimately, the authors concluded that, in the case of China, fiscal equalization has little bearing on long-term economic growth. On the other hand, the authors discovered that equalization had a favorable and statistically significant effect on long-term economic performance (growth) of India at conventional levels.

In a study, Stungwa and Mosikari (2023) probed the impact of fiscal decentralisation on economic growth in South Africa. The study used an annual panel data set spanning between 2010 and 2019 across nine provinces. The study employed fixed effects model to investigate this relationship. To observe the order of integration of the variables used, Stungwa and Mosikari employed Levin, Lin, and Chu unit root test and Lin, Pesaran, and Shin unit root test. Their study found a significant positive relationship between economic growth and provincial government expenditure and provincial government revenue, fixed capital formation and capital stock in South Africa. A Granger causality test conducted by the authors showed that there was a long-run unidirectional causality running from provincial government expenditure to gross domestic product. The findings imply that government of South Africa should fully adopt a fiscal decentralisation.

In a related study, Huynh and NamTran (2020) investigated how expenditure decentralisation and tax revenue decentralisation affect economic growth, and how these impacts depend on

corruption and informality in 23 OECD countries over the period 2002 – 2016. Using random effect and fixed effect estimators and the system generalized method of moments for panel data, Huynh and NamTran found that economic growth was positively affected by both expenditure decentralisation and tax revenue decentralisation. Furthermore, corruption reduced both economic growth and the beneficial effect of expenditure decentralisation on economic growth. Likewise, the presence of informality negatively affected economic growth as well as the impact of decentralization of tax revenue on economic growth. Results suggest that, unless governments control corruption and informality, the effectiveness of fiscal decentralisation would not be attained as expected.

Hung and Thanh (2022) examined the simultaneous relationship among fiscal federalism, economic growth, and human development using the panel data set covering 18 countries between 2011 and 2017. Three Stage Least Squares-Generalized Method of Moments Estimator and Generalized Method of Moments-Heteroskedastic and Autocorrelation Consistent estimator were employed to obtain unbiased coefficients in the system of equation. The results suggest that the significant relationships do exist between fiscal decentralisation, economic growth and development from different directions. Specifically, economic growth and development were positively and negatively affected by fiscal decentralisation, respectively. These results were found to be true with alternative estimation methods and sub-indexes of decentralisation. Interestingly, economic growth is fostered by human development index, as justified by the statistical evidence of the sample studied, but these results were found to be consistent as well when it comes to expenditure-based decentralisation. However, in the opposite direction, the impact of human development on economic growth is ambiguous and only remains significant in the case of expenditure decentralisation purposefully utilized as an explanatory variable. Thirdly, economic growth does not give rise to the fiscal decentralisation

efficiency, yet could reduce human development instead. The results provide several plausible implications to policy makers.

Alves et al. (2023) investigated the nexus between economic growth and fiscal federalism in Brazilian states from 1996 to 2015. Using five decentralisation measures and the GMM-System model to address the endogeneity problem, the study identified a significant positive relationship between the indicators of fiscal federalism and economic growth and observed that the industry and service sectors were the most affected by decentralisation. The results suggest that local governments with more autonomy make states more efficient, and thus increase economic growth.

The impact of fiscal federalism on economic growth was studied by Hanif et al. (2020). The authors investigated the effects of decentralisation of tax collection and expenditure on economic growth in developing countries within this framework. The Generalized approach of Moments estimate approach is a two-step system that is used to evaluate panel data set for 15 developing countries between years 2000 and 2015. According to their findings, decentralisation of spending and tax revenue both significantly and favorably affect economic growth in federal emerging nations. Furthermore, their results indicate that the influence of fiscal federalism on economic growth is contingent upon the degree of perceived corruption and the caliber of the nation's institutions. Thus, empirical data showed that the impact of fiscal federalism on economic growth is mitigated in nations that experience political instability, poor institutions, or a high level of corruption. On the other hand, a nation with sound institutions and a stable political climate that is comparatively free of corruption might benefit more from the advantages of fiscal decentralisation in terms of enhancing economic growth.

The impact of fiscal federalism on the economy was studied by Setiawan and Aritenang (2019). The existence of spatial reliance between regions is ignored in the study's lag value analysis of the

fiscal decentralisation's effects. The study's conclusion, which suggests that public budgeting would have a significant effect on improving economic performance three years later, is that fiscal federalism had a considerable effect on economic performance at a lag value of three years. Furthermore, the research presents evidence indicating the existence of spatial dependence, demonstrating that nearby regions have comparable economic performance.

Canavire-Bacarreza et al. (2019) addressed the endogeneity problem emanating from reverse causality and unobserved factors that have dogged earlier extensive work on this subject so as to study the nexus between economic growth and fiscal decentralisation. The authors contend that the Geographic Fragmentation Index and nation size serve as reliable and robust tools for fiscal decentralisation, and they employed them as such in our methodology. Based on empirical evidence, the study concluded that both instruments were reliable and valid for initial estimation and that, on average, per-capita GDP growth would increase with an increase in subnational revenue or expenditure shares.

Using a data set spanning from 1996 to 2021, Mishra et al. (2023) probed the impact of fiscal federalism on environmental quality and economic growth in India. Both the ARDL and NARDL econometric models were used for the study. The study's conclusions imply that expenditure decentralisation affects India's economic growth and carbon emissions in an uneven way over the long and short terms. The asymmetric ARDL model's outcome showed that economic growth and carbon emissions were adversely affected by both positive and negative shocks to spending decentralisation. Furthermore, revenue decentralisation's positive and negative shocks contributed to India's long- and short-term reduction in carbon emissions. When analyzing policy from the standpoint of Indian economic policy, these results were helpful. The report also outlined possible solutions that could help India's central and local governments address the problems of environmental degradation and economic growth.

As regards studies on Nigeria, Anyanwu (2012) analysed fiscal federalism and service delivery in Nigeria in conjunction with the role of states and local governments. The study investigated the effects of fiscal decentralisation on poverty reduction in Nigeria. It utilised household survey data and OLS econometric methods to assess how different aspects of fiscal decentralisation, such as revenue allocation and expenditure assignments, influence poverty levels. The findings showed that fiscal decentralisation positively impacts poverty reduction by enhancing the effectiveness of public spending at the local level. Although, the study is a country specific, it failed to incorporate employment rate as dependent variable.

Udoh et al. (2015) looked into the impact of Nigeria's decentralized expenditure structure upon human resource development. Utilizing a data set that spanned from 1980 to 2012 and the ARDL/Bounds Testing methodology, the study concluded that spending decentralisation has a detrimental impact on the development of human resources. Rather than guaranteeing cost-effectiveness in public service delivery, the character and pattern of decentralisation of expenditure in the country over time appeared to encourage the wasteful use of resources and raise the expense of governance. The authors point out that in order to make fiscal decentralisation beneficial to economic growth and human resource development, transparency and accountability at all governmental levels are necessary.

Amin and Biala (2023) investigated the relationship between fiscal decentralisation and economic growth, using time series data from 1993 to 2021 in Nigeria. The study considered the impact of decentralizing fiscal expenditure, revenue, and deficits on economic growth by separating the federal government components from the sub-national government components of fiscal deficits. The study found that sub-national expenditure and revenue decentralisation had a greater pro-growth effect than their federal government counterparts and that fiscal deficit decentralisation had no effect on economic growth

in Nigeria.

3. Methodology

This section discusses the method employed for this study. It is composed of the research procedures used in gathering and analysing the data, model specification, and sources and measurement of data.

Following Pesaran et al. (2001), this study employs the Autoregressive Distributed Lag (ARDL)/bounds testing cointegration approach to estimate the long-run and short-run relationships and dynamic interactions among the variables

used. This technique was employed because it circumvents the problem of the order of integration associated with the Johansen likelihood approach (Johansen and Juselius, 1990). Unlike most of the conventional multivariate cointegration procedures, which are valid for large sample size, the bounds test approach is suitable for small sample size study (Pesaran et al., 2001). Also, applying ARDL model takes care of endogeneity issue that is often associated with time series data by adding lags of the dependent as well as independent variables in the model (Ozigbu, 2018).

3.1 Model Specification

The general model for the effect fiscal decentralisation on economic performance is usually given as

$$ECOP = f(FISD, INF, INT, EXCH, URBAN) \tag{1}$$

where *ECOP* stands for economic performance, *FISD* for fiscal decentralisation (the ratio of state expenditure to the total government expenditure), *INF* represents inflation rate, *INT* represents interest rate, *EXCH* represents exchange rate and *URBAN* represents urban population.

To estimate the long-run cointegrating relationship between economic performance and fiscal decentralisation, the following *ARDL* model was adopted from Udoh et al. (2015) and Eweton et al. (2020) with some modifications (Equation 2):

$$ECOP_t = \delta_0 + \delta_1 ECOP_{t-1} + \delta_2 FISD_{t-1} + \delta_3 INF_{t-1} + \delta_4 INT_{t-1} + \delta_5 EXCH_{t-1} + \delta_6 URBAN_{t-1} + \sum_{i=1}^a \gamma_i ECOP_{t-i} + \sum_{i=0}^b \psi_i FISD_{t-i} + \sum_{i=0}^c \lambda_i INF_{t-i} + \sum_{i=0}^d \sigma_i INT_{t-i} + \sum_{i=0}^e \vartheta_i EXCH_{t-i} + \sum_{i=0}^h \lambda_i URBAN_{t-i} + U_t \tag{2}$$

where δ_0 represents the intercept; $\delta_1 - \delta_6$ shows the long-run coefficients of the variables, terms with summation signs were used to model the short-run dynamics structure; $\gamma_i, \psi_i, \lambda_i, \sigma_i, \vartheta_i$, and ϕ_i are the short-run multipliers of the variables, $a - h$ are lag lengths for the short-run dynamic structure; μ_t = error term and t = time.

This model (Equation 2) was estimated twice: first, with *ECOP* being growth rate of per-capita GDP growth rate, and second, with *ECOP* being unemployment rate.

3.2 Data Sources and Measurement

This study employed secondary data obtained from the Central Bank of Nigeria and World Bank Development Indicators. The data set for the variables covers the period of 42 years spanning from 1981 to 2022. The choice of 1981 was

informed by the severe deterioration in the country’s public finances, and that of 2022 is influenced by the fact that it was the end of an uninterrupted transition period. Analysing data over several decades provides an insight into the long-term implications of fiscal decentralisation policies on economic growth.

Economic performance (*ECOP*) was measured in two ways: first by the growth rate of per-capita GDP, and second, by unemployment rate in percentage. *Fiscal decentralisation (FISD)* is measured by the share of state expenditure in the total government expenditure in billion naira while the control variables are measured as follows: *interest rate (INT)* was measured in percentage, *inflation rate (INF)* in percentage, *exchange rate (EXCH)* as naira/dollar and *urban population*

(URBAN). These conditioning variables were included in the models estimated so as to minimise the econometric problems associated with omission of omitted explanatory variables, which

could have adversely affected the precision of the estimates of the coefficients and hence the observed effects of the explanatory variables of primary interest.

4. Results and Discussion

4.1 Descriptive Statistics

Table 1 provides the descriptive statistics of the variables used in this study.

Table 1 Descriptive Statistics of the Variables

	UNEMPL	GDPPCA	FISD	EXCH	INF	URBAN
	P					
Mean	12.53667	225807.7	0.604481	115.6556	18.94662	4.732326
Maximum	34.00000	925981.1	1.150926	425.9792	72.83550	6.143857
Minimum	1.800000	1853.140	0.231037	0.617708	5.388008	3.838623
Jarque-Bera Probability	3.849599	7.619693	2.583900	7.452019	35.05778	3.200317
Probability	0.145905	0.022152	0.274734	0.024089	0.000000	0.201865
Observations	42	42	42	42	42	42

Source: Authors' Computation, 2024.

As shown in Table 1, the average growth rate of GDP is 225 808 billion naira, with a minimum value of 1853.14 billion naira, and a maximum value of 925981 billion naira. As for the unemployment rate, the table shows an average rate of 12.54, a minimum of 1.8 and a maximum of 34 per cent. As for changes in the inflation rate, there is an average change of 18.94 per cent, a minimum change of 5.39 and a maximum change of 19 per cent. The exchange rate has an average of 115.66-naira, minimum of 0.62 naira and maximum of 425 naira per dollar. The urban population has an average of 4.73 billion people, minimum of 3.83 billion people and maximum of 6.14 billion people. The fiscal decentralisation

variable has 0.60 ratio has the maximum, 0.23 has the minimum and 1.15 has maximum ratio. The table equally shows that both UNEMPL, FISD, and URBAN are normally distributed because the probability of the Jarque-Bera probabilities is greater than the five per cent level of significance, while INF, EXCH and per-capita GDP are not normally distributed because the probability of the Jarque-Bera is less than the five per cent level of significance.

In order to decide on the cointegration method that is best for the analysis herein, the unit root test was conducted, and its results are depicted in Table 2.

4.2 Unit Root Test

Table 2 contains the results of the stationarity test conducted on the variables of the study.

Table 2 Unit Root Tests

Variables	Level		First Difference		Order of Integration
	t-statistics	Critical values	t-statistics	Critical values	

GDPPC	1.6899	-1.5501	-4.0933	-3.5267	1
UNEMPL	0.0012	-1.9496	-4.0022	-3.5298	1
FISD	-1.2365	-1.9491	-6.4810	-3.5266	1
INF	-3.6815	-2.9369	-	-	0
EXCH	0.0963	-3.5236	-4.9312	-3.5266	1
URBAN	-7.5880	-3.5578	-	-	0

Source: Authors' Computation, 2024

As presented in Table 2, GDPPC, UNEMPL, FISD and EXCH were integrated of order 1. The critical values of the variables were greater than that of the t-statistics after the first differencing of the variables. Contrariwise, INF and URBAN were integrated of order 0, the critical values of the variables were greater than the t-statistics at

zero level. This shows that the model has a mixture of I(1) and I(0) variables and does not have variables that were integrated of order 2. With these results, ARDL Bound Test by Peasan et al (2001) was applied to check for the presence of long-run cointegration. The results of the ARDL bound test are presented in Table 3.

Table 3 Results of ARDL Bound Test

Dependent Variables	Lag	5% Significance (Lower Bound)	Statistical	5% Significance (Lower Bound)	Statistical	F-statistics	Outcome
GDPPC	4	2.56		3.49		6.4122	Cointegrated
UNEMPL	4	2.56		3.49		9.9841	Cointegrated

Source: Authors' Computation, 2024

In Table 3, the F-statistics of the two models is greater than the upper bound statistics of the bound tests. We, therefore, concluded that fiscal decentralisation and the economic performance are cointegrated in the long run.

Table 4 shows the long-run relationship among the variables.

Table 4 Long-run Relationship of the Models

Variables	Model 1 (Unemployment rate)	Model 2 (Growth rate of per-capita GDP)
LFSID	22.9685 (8.2886)**	1.5661 (0.4143)**
EXCH	-0.0833 (0.0619)	0.0007 (0.0016)
INF	-0.4002 (0.2482)	0.0150 (0.0149)
LURBAN	-76.8603 (37.7467)*	-2.9873 (1.5017)*
C	157.3476 (66.6756)**	35.1748 (2.5423)

Note: Figures in parentheses are the standard errors; *, ** and *** represent 10%, 5% and 1% levels of statistical significance, respectively.

Source: Authors' Computation, 2024

In Table 4, Models 1 and 2, the coefficients of fiscal decentralisation were positive and statistically significant, suggesting that fiscal decentralisation had significant positive effects on both the growth rate of per-capita GDP and

unemployment rate. These results suggest that one percent change in fiscal decentralisation would lead to about 23% increase in unemployment rate at 5% statistical significance level, other factors being held constant. These results also suggest that

one percent change in fiscal decentralisation would lead to about 1.6% increase in growth rate of per-capita GDP at 5% statistical significance, other factors being held constant. However, as depicted in Table 4, none of the control variables was statistically significant at 5%. These findings are consistent with that of Hanif et al. (2020), Alves et al. (2023), and Stungwa and Mosikari (2023). It indicates that the fiscal decentralisation

Table 5 Post-Estimation Tests

Tests	Statistics	Probability
Normality Test	1.2246	0.5421
Serial Correlation	2.0207	0.1671
Heteroscedasty	1.4315	0.2295

Source: Authors' Computation, 2024.

Because Table 5 shows that the probabilities of the three post-estimations tests are greater than t-statistics, we concluded that the residuals of the models were normally distributed, and that they were free from heteroscedasticity and serial correlation problems. Therefore, the estimates are stable and robust and can be used for research purposes and policy recommendations.

5. Conclusion and Policy Implications

This study has investigated the effects of fiscal decentralisation and economic performance in Nigeria and establishes that fiscal decentralisation has significant positive effects on economic performance in terms of unemployment and per-capita GDP in Nigeria. However, the positive effect of fiscal decentralisation on per-capita GDP is greater than that of unemployment as evident by their respective coefficients. Furthermore, none of the conditioning variables— exchange rate (EXCH), inflation rate (INF) and urban population

among the federal and state governments in Nigeria is related to economic performance indices like unemployment rate and per-capita GDP.

In order to ascertain the robustness and reliability of the models, post-estimation tests like normality test, serial and heteroscedasticity tests were carried out. Their results are presented in Table 5.

(URBAN)—have significant effect, and hence are not relevant to economic performances in Nigeria. The study also establishes that fiscal decentralisation and economic performance are cointegrated in the long run.

Given the foregoing, fiscal responsibilities of the Nigerian government should be more decentralized in order to further reduce employment rate and increase per-capita, and, by implication, promote economic performances. More decentralized fiscal responsibilities is necessary in order to increase accountability and transparency, enhance grass root productivity, and boost total economic performance of the country. Besides, the adoption of per-capita GDP as a measure of economic performance should be more entrenched, and that policymakers should not bother to use the conditioning variables employed in this study as instruments for promoting economic performances, given their insignificant effects.

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