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IMPACT OF FISCAL POLICY DECENTRALIZATION ON ECONOMIC GROWTH IN NIGERIA (1995-2019)

Oniore O. Jonathan — Department of Economics, Faculty of Social Sciences, Bingham University, Karu, Nigeria

Adamu John — Department of Accounting, Faculty of Administration Nasarawa State University, Keffi, Nigeria

Abstract

Nigeria's fiscal federalism has evolved and reshaped over time as a result of several changes aimed at improving the economy's macroeconomic performance. However, despite the introduction of various fiscal measures, Nigeria's economic growth/performance has slowed, and poverty remains widespread and pervasive, particularly in rural areas. In addition, there has been little empirical research on the consequences of fiscal policy decentralization on Nigeria economic growth. The current study is motivated by previous empirical work's failure to provide a definitive answer to what the overall impact of fiscal decentralization on economic growth is, particularly in Nigeria.The major instrument of analysis in this study was Ordinary Least Squares.All of the variables in the study are appropriately signed, with the exception of total federal government revenue, which is negatively signed. By implication, fiscal policy decentralization measures may promote economic growth. However, the uneven results and statistical insignificance of the three fiscal decentralization measures can be linked to systemic corruption, inadequate leadership, and an unfavorable macroeconomic environment. As a result, the study recommended that if Nigeria is to benefit from the progress that characterizes a fiscally decentralized economy, it should consciously make and implement laws that will foster effective, balanced, and inclusive fiscal decentralization, as well as strengthen and implement laws that will be very hostile to corruption and other forms of sharp practices.

Keywords: Economic Growth, Nigeria, Fiscal Decentralization, Government Spending and OLS Model.

JEL Classification Codes: 040, N47, E62, H70 and C10.

1. Introduction

Fiscal decentralization is defined as the devolution of fiscal powersfrom national to subnational governments.The principle of federalization is to increase the efficiency of supply and production of public goods, thus improving and promoting the growth and development of the state. Oates (1972, 1999) and Tiebout (1956) provided theoretical support for increased efficiency and growth as a result of decentralization (1956). Many arguments were used to construct the theory. The first is the diversification theory, which holds that providing uniform levels of public goods and services across jurisdictions is inefficient (Oates, 1972).Brennan and Buchanan (1980) suggested the 'Leviathan restraint theory' as a second argument in support of the assumption that fiscal decentralization improves economic growth.According to this theory, the government acts as a revenue maximizer. Even if there are constitutional restraints in place, such as balanced budget provisions, achieving this goal lead to a rise in the level of taxes and debt. The 'productivity enhancement' theory is the third argument in favor of the assertion. According to this hypothesis, transferring accountability to subnational governments creates incentives for subnational governments to participate actively in the process of innovation in the production and supply of public goods and services while taking into account the preferences of the local population.In the long run, this would result in lower manufacturing costs and pricing for public products and services, as well as improved quality (Martinez- Vazquez & McNab, 2003).

From the foregoing theoretical literature on fiscal federalism, there are several channels through which government decentralization could affect economic growth.Much literature concentrates on the efficiency aspects of decentralized public service provision, but decentralization can also increase growth in increasing the innovative capacity of the political system and in reforms.Decentralization, on the other hand, is argued by some authors to promote corruption and government inefficiencies, and therefore to slow progress (See, Bahl & Linn, 1992). Given this theoretical ambiguity, several studies have attempted to identify empirically, not only in advanced, formerly decentralized, but even in developing countries, and the effect of decentralization on economic growth in the past two decades.

There are various reasons for the rising interest in fiscal policy decentralization. Firstly, the renewed focus on fiscal decentralization is based on the general conviction that fiscal decentralization is an efficient tool for increasing public spending efficiency;despite the fact that it may pose some risks in relation to other desirable policy objectives, such as horizontal fiscal imbalances and macroeconomic stability between subnational governments.Secondly, the rush to decentralize might be regarded as a reaction to the failings of huge centralized bureaucracies in emerging and transitional nations over the last two decades, under a variety of political regimes(See, for example, Oates, 972 & Bahl & Linn, 1992).By transferring fiscal authority to sub-national governments, the strategy for loosening the central government's economic hold onto the economy is decentralization (Bahl & Linn, 1992).

There have, on the other hand, been many policy debates on the use and impact of fiscal decentralization while the effect of fiscal policy decentralization in Nigeria has been quantified with limited empirical work (see Atan & Esu, 2021 & Babalola & Aminu, 2016). The absence of empirical research is surprising given the key argument for fiscal decentralization is economic efficiency and the potential negative effects on the distribution of resources across sub-national jurisdictions and on macroeconomic stability from decentralization are the central arguments against decentralization. Existing research has emphasized the intuition of industrialized economies, case studies and evidence from individual national studies. The current study is motivated by previous empirical work's failure to provide a definitive answer to what the overall impact of fiscal decentralization on economic growth is, particularly in Nigeria.

In Nigeria, several studies have been carried out to examine the relationship between fiscal and economic growth. However, the relative effectiveness of the fiscal policy decentralization components is not emphasized in these studies. Following the discovery of this gap, this study addressed it by examining fiscal policy decentralization and economic growth in Nigeria from 1995 to 2019, as well as the relative effectiveness of fiscal policy instruments.

1.2. Statement of the Problem

During the colonial period, Nigeria evolved from a unitary policy to a fiscal decentralized one and it appears that deeper decentralization in various parts of the Nigeria region continues to be agitated. The argument is that decentralization of fiscal policies improves macroeconomic performance and stability. As a result of this, Nigeria is continuing to evolve and reshape its fiscal federalism over the years by implementing various reforms to promote macroeconomic performance and provide public goods that reflect the aspirations of its citizens at the subnational level.

In spite of the various fiscal policy decentralizationmeasures that have been put in place since 1986, and given the emphasis of fiscal policy decentralization in macroeconomic management in Nigeria, growth and performance have failed, and poverty, particularly in rural areas remain widespread and prevalent. However, fiscal policy decentralization remains widely recognized as a powerful tool for economic growth, income redistribution and poverty reduction (though the Nigerian experience is tending to suggest otherwise). Then, what role does fiscal policy decentralization play in improving Nigeria's economic performance, redistributing income, and reducing poverty? Is it possible to design Fiscal Policy Decentralization in such a way that it ensures economic development and poverty reduction while maintaining macroeconomic stability? Given the current democratic structure's revived interest in Nigeria's economic growth record, these are critical questions to examine.

2. Literature Review

2.1. Conceptual Review

Fiscal Policy: This is the way a government adjusts its expenditures in order to monitor and influence a country's economy.

2.1.1. Fiscal Policy Decentralization: It refers in general to the transfer from central government to subnational government agencies of fiscal and spending authority. Specifically, fiscal decentralization is defined as the devolution of policyresponsibilities from thecentral government towards sub-nationalgovernments with regards to spending and revenue collection (Neyapti, 2004, 2010).

2.1.2. Economic Growth: Todaro and Smith (2006) defined economic growth as a steady process by which the productive capacity of the economy is increased over time to bring about rising level of national output and income. Jhingan (2006) viewed economic growth as an increase in output. He explained further that it is related to a quantitative sustained increase in the country's per capita income or output accompanied by expansion in its labour force, consumption, capital and volume of trade.

2.2. Theoretical Literature

2.2.1. Fiscal Policy Decentralization Theory (FDT)

Fiscal Policy Decentralization, also known as the devolution of fiscal power from the national (central or federal) government to subnational (lower level) governments, is thought to be part of a reform package aimed at improving public sector efficiency and attracting healthy competition among states and local governments in the delivery of public services to boost economic growth (Bird & Wallich 2014). It is a governance structure that provides for the sharing of responsibilities, activities, and resources between higher and lower government levels. Decentralizing income collection and expenditure duties has the primary goal of improving government efficiency, reducing the budget deficit, and promoting economic growth (Bird, 2014; Bird & Wallich, 2013; Bahl & Linn, 1992). Decentralization, the theory goes, would boost economic efficiency since local governments are better positioned than the central government to supply public services that are tailored to local preferences and needs, resulting in speedier short- and long-term economic development (Oates, 2002).

According to Oates (2002), "For a public good whose consumption is defined across geographical subsets of the total population, and for which the costs of providing each level of output of the good in each jurisdiction are the same for the central or for the respective local government – it will always be more efficient (or at least as efficient) for local government." As a result, according to Oates (2002), subnational governments are more efficient at providing public goods in the face of market failure than federal governments, because the average demand of a small group (say at the subnational level) is convergent compared to the diverse demand at the federal level. The need to meet the average demand for families in a specific population group appears more unusual at the subnational rather than the federal level, and it will promote economic well-being. This means that the transfer of expenditure powers to subnational governments improves macroeconomic performance, welfare and efficiency in the supply of public goods if output is consistent with the average demands of households within the region which internalizes their supply and should include the specific number of people who consume the supplies.

Thus, the theory of the fiscal policy of decentralization is based on a premonitory that the effective allocation of public resources to service preferences is facilitated by factors like access for local knowledge, resource alignment, and local financial autonomy in the planning and provision of services, scope to achieve cost-effective service delivery and efficacy accountability.According to the theory, welfare will be maximized when each local administration produces the parallel-efficient results for its constituents.

2.2.2. Musgrave's Theory of Fiscal Federalism

Musgrave's 1959 classic work, in which he separated the economic tasks of government into three categories: stabilization, distribution, and allocation, created a firm foundation for Fiscal Policy Decentralization. Aggregate demand, Fiscal Policy Decentralization, and price stability are all aspects of the stabilization function. The distribution role is based on taxes and transfers and guarantees the ethical conception of the household income distribution to be consistent with a certain level of economic efficiency. The assignment functions address the production and distribution of the market economies inefficiently produced public goods and services.

All three of these roles have implications for decentralization of fiscal policies. Give the government a stabilization function effectively and efficiently at the national level because the locally-funded fiscal policy decentralization is likely to benefit regions / regions other than the area / region that fund the activity. If pursued by a subnational government, stabilization policy will be defeating itself. This indicates that stabilization programs are more efficiently implemented at the federal level. The distributional function is currently supposed to be left to the central government. Unlike the federal government, which must be granted basic taxing powers by the constitution, states do not require this provision, according to Musgrave and Musgrave (1989). The fiscal power of the States is assigned to their sovereign rights as members of a federation and is held in accordance with the doctrine of residual power. On the other hand, the constitution limits the states' taxation power, partially through specific provisions and partly by judicial application of other constitutional sections to tax matters." That is why the distributive role is best left to the central government except for those taxes, which the sub-national government is more effective because of their localization. While the allocation function is theoretically, effectively, and efficiently carried out by subnational government, it is dependent on the economy of scale and the diversity of taste in demand is dependent on production.

2.3. Empirical Review

The effect of decentralization on Nigerian economic growth was investigated by Atan and Esu (2021). Data for fiscal decentralization and other control variables (including national, sub-national and local government expenditure) as well as basic OLS techniques and error correction mechanism (ECM) were adopted by the study.The findings show, for example, that while fiscal decentralization may not have a direct effect on economic growth, it can communicate its impact through an efficient economic management process, which could be a result of well-managed fiscal decentralization processes. As a result, the study advised, among other things, that efficient systems be encouraged as part of the decentralization process in order to boost economic growth. If growth is to be realized and sustained, a viable human capital/infrastructure basis must be established to drive as well as increase effective fiscal decentralization, through strategic policy fine-tuning, and eventually, to check inflation and corruption, among other maladies.

Ahmad (2020) discussed the impact of fiscal decentralization on economic growth to have an in-depthanalysis of different policies that are in practice for decentralization. The study shows that simply decentralizing isn't enough; it's also vital to figure out how to decentralize.Empirical evidence indicated that fiscal decentralization can only affect economic growth in the long term if provinces can and are encouraged to generate more money from their own sources.In Pakistan, however, increased federal transfers (another key source of fiscal decentralization) only had a short-term impact on economic growth. The findings of the study are expected to pique policymakers' interest as they evaluate National Finance Commission (NFC) grants in Pakistan.

Hanif, Wallace and Gago-de-Santos (2020) studied the impact of tax revenue and expenditure decentralization on economic growth in developing federations. The study involved panel data from 15 developing countries from 2000 to 2015 and two-step Generalized Approach of Moments technique.The results show that the economic growth in federal developing countries is affected by both taxes and expenditure decentralization.In addition, the influence on economic growth of fiscal decentralization depend on the degree of corruption perceived and on the quality of the institutions of the country. Empirical studies have therefore shown that if the country is plagued by corruption, bad institutions and/or political instability, the positive effect of fiscal decentralization on economic development is diminished. A generally free of corruption country with strong institutions and a stable political environment, on the other hand, could benefit more from the advantages of fiscal decentralization to boost economic growth

Gong, Liu, and Wu (2020) exploited an almost natural experiment on the reform of 'Counties Power expansion (CPE),' to investigate the impact of administrative decentralization on local economic growth in China. Administrative decentralization aims to disseminate public service authority, accountability and financial resources among governments. The study indicated that administrative decentralization raises per capita GDP by roughly 3.3 percent in China, using a county-level dataset from 2000 to 2008.The favorable influence on economic growth, according to empirical findings, is primarily due to an increase in investments. The study also discovered that devolution of authority draws more private corporations and enterprises from outside of China, including Hong Kong, Macau, and Taiwan.

Using panel data for China and India from 1985 to 2005, Yinghua and Mark (2020) investigated the effects of expenditure decentralization and fiscal equalization on short- and long-run economic growth and estimated two-step generalized method of moment (GMM) simultaneous equations models.The researchers compiled two simultaneous equations: a growth equation and an equalization equation and found that decentralization of expenditures had a negative and statistically significant impact on China's and India's conventional short-term economic growth. However, the authors have found that this finding is sensitive to the collection of explaining factors. The authors conclude that decentralization of expenditure has little impact on short-term economic growth in either country. The authors also discovered that expenditure decentralization has a positive and statistically significant effect on fiscal equalization in both China and India, but that fiscal equalization has no influence on short-run economic growth in either country.However, for India, the authors have noted that decentralization of expenditure has a positive impact on long-term economic growth, but not in the case of China. The authors finished by finding evidence of fiscal equalization having no bearing on China's long-term economic growth; however, equalization has a positive and statistically significant impact on India's long-term economic growth at conventional levels.

Canavire-Bacarreza, Martinez-Vazquez, and Yedgenov (2019) examined the relationship between fiscal and economic growth, tackling the problem of endogeneity caused by reverse causality and unnoticed factors that have hindered a considerable amount of previous literature. The study used the GFI as instrumental variables for fiscal decentralization to show that they are strong and consistent instruments. The study revealed that they are strong and consistent.The article showed that the two instruments are solid and valid in the first stage of their estimate and that the growth of per capita GDP by 0.82 and 0.57 percentage points is increased by 10 percent in sub-national expense or income shares—the traditional decentralization measures.

Ganaie, Bhat, Kamaiah, Khan, and Khan (2018) panel data were used from 1981 to 2014 in 14 non-specialized states to examine the relationship between fiscal decentralization and economic growth in India. The decentralization of expenditure had the favorable and large influence on the state domestic product of a panel co-integration and the dynamic Ordinary Least Squares (DOLS). On the other hand, decentralization of revenues has a negative and significant impact on national products. State income is well linked to the overall fiscal decentralization measure. This research supports the divergence hypothesis, as opposed to Oates's (1972) convergence hypothesis.

Using the Engle-Granger technique to Co-integration test, Babalola and Aminu (2016) explored the link between fiscal policy decentralization and economic growth in Nigeria (1977-2009).The statistically significant productivity expenditure in the study has been shown. They used real gross domestic product logarithms as a proxy for economic growth, using logarithms such as production government consumption (as health, education and economic services spending) and unproductive government consumption expenses (as total recurring expenditure) as independent parameters.

Appah (2016) used multiple regression analysis to investigate the relationship between fiscal policy decentralization and economic growth in Nigeria from 1991 to 2005, using GDP as a proxy for growth and tax revenue, government debt, government recurrent expenditure, government capital expenditure, government recurrent expenditure budget, and government capital expenditure budget as explanatory variables, it is argued that there is a considerable relationship between fiscal policy decentralization variables and economic growth, and that government recurrent and capital expenditures are the specific variables contributing to GDP.

Martinez-Vezquez and MacNab (2016) evaluated the direct and indirect relationship between fiscal policy decentralization, economic development, and macroeconomic stability using a panel data set for 52 developing and developed nations from 1972 to 1997. Their studies revealed that decentralization has a favorable impact on price stability in industrialized countries, whereas the impact in emerging and transitional countries is less evident.

In their analysis of fiscal policy decentralization and the Nigerian economy (1981–2004) using the Solow growth model calculated with the Ordinary Least Squares method, Omitogun and Ayinla (2015) concluded that fiscal policy decentralization has not been helpful in encouraging long-term economic growth. As a proxy to economic growth, they employed GDP as the dependent variable, which explains the fiscal deficit ratio, debt-financed deficits, and money printed deficits.

Medee and Nendee (2014) used the arcane method of Vector autoregression and error correction mechanism techniques to examine the impact of fiscal policy decentralization on economic growth in Nigeria between 1970 and 2009, using gross domestic product as the dependent variable and federal government expenditure, federal government revenue, inflation rate, and capital inflow as the regressors claimed that there is a long-run equilibrium link between fiscal policy decentralization factors and economic growth in Nigeria.

Ogbole, Amadi, and Essi (2012) investigated the impact of fiscal policy decentralization on economic growth in Nigeria during the regulatory and deregulation periods. An econometric analysis of time series data over a 36-year period was performed. The results show the different impacts on supporting economic growth during and after the regulatory periods of fiscal policy decentralization. During deregulation, the impact was slightly higher than during regulation (only N140 million or 14% of the GDP contribution). The study recommended a balanced policy mix, cautious public expenditure, and achievable fiscal decentralization objectives and, inters alia, economic diversification.

3. Methodology

The theoretical framework and the methodology used by the studyto determine the impact of fiscal policy decentralization on economic growth in Nigeria is presented in this section.

3.1. Theoretical Framework

The Endogenous Growth Theory was used in this investigation. Devarajan. Swaroop and Zou (1996) efforts popularized the application of endogenous growth theory. For instance, Barro used the endogenous growth model to find a link between government revenues, expenditure and economic growth.The research foundation inspired us to try and develop the fiscal decentralization-economic growth correlations for this study because the study believes that growth is influenced by policies other than the technical relationship between labor and capital. Furthermore, compared to other models, the Devarajan, Swarrop, and Zou (1996) model has an advantage. The concept is not predicated on government spending and may be applied to any economic unit, such as towns, countries, or states.The model demonstrates that government spending may be divided into two categories: productive and nonproductive. It further claims that the rate of expansion of the unit is determined by the (re)allocation of government spending (s). The growth model assumes three main factors: private capital stock (k), productive government spending (g1), and unproductive government spending (g2) (g2).

3.2. Data and Model Specification

This study used a model based on the theoretical exposition of endogenous growth and a modified Atan and Esu model (2021). The study developed an econometric model that links fiscal decentralization variables (which include national, subnational, and local government revenue expenditures) to economic growth based on the following. As a result, the econometric model is stated as follows:

RGDP = f (FGR, SGR, LGR)……………………1

Where:
RGDP = Real domestic gross product as an economic growth measure
FGR = Federal Total Revenue.
SGR = State Governments Revenue.
LGR = Local Government Revenue
The study used the natural logs on both sides to estimate the equation (3.1), resulting in the following equation

$$InRGDP = \beta_0 + \beta_1 InFGR + \beta_2 InSGR + \beta_3 InLGR + \mu \quad (2)$$

Where μ denotes the white noise error term, in: natural logarithm, β_0 = intercept or autonomous parameter estimate and $\beta_1 ... \beta_3$ = estimate parameters associated with Nigerian fiscal policy measures for decentralization.All variables are logarithmically expressed. Furthermore, all coefficients will be positive. In the study, data collected from the Central Bank of Nigeria (CBN) andNational Bureau of Statistics (NBS) was adopted. The period is between 1995 and 2019.

3.3. Estimation Technique

The study employed the following approaches to examine the existing connection between the explanatory variable and the described variable.

First and foremost, in order to define the order of the variables integrated into them and to prevent erroneous regression analysis, the properties of the time series data were investigated.The study used the Augmented Dickey-Fuller (ADF) to perform a unit root test on the variables included in the regression since it compensates for serial correlation.The decision rule here specifies that if the estimated ADF is greater than the critical level at a 5% significance level, we should reject the null hypothesis and infer that the time series are not stationary.The effect offiscal policy decentralization on economic growth in Nigeria was then established using the Ordinary Least Squares (OLS) technique. According to Gujarati (2003), the use of the OLS approach is required due to the ease of the computation procedure in comparison to other estimate methods. The OLS approach is also favorable because it has a lower variance than any other linear unbiased estimate; they are normally distributed and linear; they are efficient; and they are symmetrically unbiased.The OLS method has been observed to be Best Linear Unbiased Estimator (BLUE).

4. Data Analysis

First, the summary of the ADF result is presented in the table below;

Table 1: ADF Test Results (Trend and Intercept)

Variables	ADF	Critical Values	Order of Integration
RGDP	-5.342	-4.416*	I(1)
FGR	-4.503	-4.416*	I(1)
SGR	-3.797	-3.622**	I(1)
LGR	-4.343	-3.622**	I(1)

Note: * Indicate stationary at the 1% level, & ** Indicate stationary at 5% level.

Source: Computation of the Researcher (2021).

Table 1 above shows the ADF result & it indicates that the variables are stationary at first difference. Next, the study presents the estimated regression results from the OLS.

Table 2: Result of Estimated Equation; Dep. Var = LOG (RGDP)

Variable	Coefficient	t-Statistic	p-values (Sig)
C	9.585	10.033	0.00
LOG(FGR)	-0.190	-0.929	0.36
LOG(SGR)	0.084	0.027	0.97
LOG(LGR)	0.415	1.274	0.22
R^2: 0.88. DW: 1.9.; F-Stat: 55.78; Prob (0.00). No of Obs: 25. Method: OLS.			

Source: Computation of the researcher (2021).

In the long term, every variable is adequately signed, shows the estimated regression equation, with the exception of total federal government revenue, which is negatively signed. A closer examination of the figures in Table 2 reveals information that can be used to make key decisions. The three sets of core fiscal policy decentralisation variables indicated a mixed result throughout the models. The revenue coefficients for the federal, state, and local governments were -0.190, 0.084, and 0.415, respectively.

Furthermore, the revenue coefficient of the federal government as a whole is inversely associated to economic growth. By extension, a big percentage change in total federal government revenue will result in a large percentage change in RGDP as a measure of economic growth. In this case, the theoretical expectation is that total federal government revenue will stimulate economic activity, implying a positive relationship with growth. As a result, the coefficient's mixed indications and statistical insignificance can be linked to mismanagement of funds, misdirected policy implementation, fiscal deficits, and a high rate of discomfort index, all of which can be summed up as corruption in project execution and policy implementation.

The OLS estimate's goodness of fit is satisfactory. The regressors account for about 88 percent of the variation in economic growth.In the study, the overall significance was measured with 55.78 f-Statistics; the DW figure was 1.9 and was about 2. This indicates that the study has no serial correlation. As a result, the study's findings can be trusted when making policy judgments.

4.1. Evaluation of Research Hypothesis

H_0: Decentralization of fiscal policy has no significant impact on Nigerian economic growth. In testing the above hypothesis which partly satisfies the objective of this study, the study adopted 1%, 5% and 10% level of significance and conclusion would however be taken based on the probability values.

Rule:

i. We will accept null hypothesis and reject the alternative hypothesis if the probability (Sig) is above 0.01, 0.05 and 0.1 Level of significance.

ii. We accept the alternative hypotheses and reject the null hypothesis if the probability (Sig) < 0.01, 0.05 and 0.1 significance level.

Decision:

Using the results reported in Table 2 using the Ordinary Last Squares method, findings revealed that two out of three fiscal decentralization variables, that is; the revenue spending from subnational and local government is favorable for economic growth, but not significantas shown by the p-values.This result is in accordance with theoretical forecast. But the negative sign of the federal government's revenue coefficient during the study period does not correspond to economic theory.

5. Conclusion and Recommendations

The study examined the effect on economic growth in Nigeria of fiscal policy decentralization between 1995 and 2019. The study used Ordinary Least Squares as main analytical instruments as it is commonly used in research. The estimated regression equation indicated that all variables are signed properly with the exception of the total negatively-signed federal government revenue.The study's findings are consistent with economic theory. Again, the positive relationship between state and local government revenue and economic growth is a clear indication that fiscal policy decentralisation measures can actually foster economic growth. However, the findings revealed that, first, this growth is not the result of direct interaction, as evidenced by the insignificant relationship between fiscal decentralisation variables and economic growth; but, as the empirical research has shown, it evolves over time through the transmission process of system efficiency, which is triggered by the decentralization in place. Finally, as is assumed to have been captured in the stochastic error term, the mixed signs and statistical insignificance of the three measures of fiscal decentralization could be attributed to systemic corruption, ineffective leadership, an unfavorable macroeconomic environment, and other encumbrances. As a result, the study recommended that if Nigeria is to benefit from the progress that characterizes a fiscally decentralized economy, it should consciously make and implement laws that will foster effective, balanced, and inclusive fiscal decentralization, as well as strengthen and implement laws that will be very hostile to corruption and other forms of sharp practices.

6. Suggestion for Further Study

The findings of this investigation are far from satisfactory, as one might assume. As a result, more research is certainly needed. Future research could look at the relationship between fiscal policy decentralization and political stability in a country as ethnically diverse as Nigeria.

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