

Impact of Budget Implementation on Economic Performance in Nigeria

OMONIYI, Wahab Shina

Department of Accounting,
Bingham University,
Karu, Nasarawa State

E – Mail: wahability2512@gmail.com, Phone No: +234 8181955930

Abstract

The issue of budget implementation has long been a source of concern to the public and also considering the important impetus of budget implementation on economic growth and development in Nigeria. Over the years, the impact of an increasing size of government operations without commensurate benefits or direct link to economic growth has become an emerging major public debate. Nigeria's public expenditure has been increasing year by year, mainly for the purpose of boosting her economic development. While Budget is considered the Chief policy of government in achieving other policy objectives, unfortunately, the achievement of this objective has continued to elude the country. The major aim of this study was to determine how budget implementation by Nigeria affected her economic performance during the period from 2010 to 2020. Specifically, the study sought to examine the impacts of public capital and recurrent expenditures on Nigeria's real gross domestic product. This study reveals that recurrent government expenditure has a positive relationship with the economic growth, this implies that an increase in the units of recurrent government expenditure will lead to an increase in the economic growth of Nigeria in the period analyzed, whereas capital government expenditure has a negative relationship with the economic growth, this implies that an increase in the units of capital government expenditure will lead to a decrease in economic growth of Nigeria. These results suggest that due process was compromised at the budget implementation stage. The study recommends that government should ensure the strict adherence to due process in the implementation of its annual budgets. Proper oversight functions should also be carried out by relevant supervisory agencies saddled with such responsibility to ensure maximum compliance by service public goods providers

Keywords: Budgeting, Budget Implementation, Budget Process, Economic Performance, Nigeria

INTRODUCTION

Budgeting in Nigeria has continued to be a subject of controversies ranging from shoddy preparation to incomplete implementation. There have also been this continuous change in government and the consequential change in policy and reforms. During the budget appropriation process in 2013, controversy came up on the oil benchmark, this caused the delay by the National Assembly from the passing the proposal due to dispute over the price that must be used for budgeting purposes. Also in 2016, the nation woke up with another slogan in budgeting called “budget padding” and “misplaced budget”. According to Ibrahim (2011), Nigeria has witnessed low level of budget implementation resulting in restrictions to the executive arm’s ability to efficiently and effectively execute projects that would improve the standard of living conditions of the citizenry since 1999. The main objective of budget is designed to stimulate the growth in the production sector, check inflationary pressure, correct balance of payment deficit and maintaining a reasonable foreign exchange reserve. However, any delay in preparation and execution of the budget would slow down any country’s journey to economic prosperity. The Nigerian economy is faced with series of imbalances in economic policy formulation and implementation, this menace which in itself is another bottleneck in making the budget achieve its objective. The importance of budget as a document that defines other document can not be overemphasized. The budget is itself a policy, its content remains a policy document and its implementation forms the basis of policy execution. According to Ogujiuba and Ehigiamusoe (2013), the budget ought to be the most important economic policy instrument; unfortunately, it is shrouded with a lot of myths and illusions and as such might not contribute to the economic growth and development of the country.

The budget, as an instrument of driving other government policies can be used to make or mar such policies depending on what government intends to achieve. If government desires to abolish an existing policy, there may be no need to make noise about it or officially abolish it. Through the instrumentality of budget, it can decide not to allocate or fund such policy. By so doing, the policy will die technically. An average citizen who doesn’t earn directly from the provision of government appropriation is always interested in the budget because indirectly the economic impact of the budget will have a multiplier effect on him/her. The citizen is also interested in the policy of government because it sets out the direction

every stakeholder will likely follow for that fiscal year. But more importantly, the citizen is interested in the figures allocated to drive a particular policy from the appropriation document. The budget process in Nigeria includes budget formulation and preparation by the executive, budget approval by the legislative arm of government and subsequent implementation by the executive through various ministry, department and agencies of the government. The power to execute the approved budget is always communicated to the various spending ministries and agencies of the government through Warrants issued by the Ministry of Finance authorizing the Accountant General of the Federation to release funds as contain in the warrant. This warrant will authorize officers controlling votes to incur expenditure in accordance with the approved estimates subject to any reserved items. In spite of the specific structural appropriation process and the necessary enabling laws guiding the budget process, commitment phase of the expenditure process is a fertile ground for corrupt activities. The law provides for a provisional general warrant permitting expenditure not exceeding those of previous year where the Appropriation Act has not come into operation at the beginning of the year. The aim of this provision is to ensure continuity of the services of government. The length of period of spending authorization is determined in functional cash flow forecast for the period when payments are anticipated. Over the years, there have always been concern and bottleneck in implementing the annual budget by governments in Nigeria. The legislative oversight functions by the legislative arm of government have always been more or mere desk oversight instead of field oversight. This has made physical monitoring of the budget to be ineffective. Budget means different thing to different groups. To an individual, budget may be overtly or covertly used. But to an organization or government, it must be expressly defined to guide other policies that are planned to be executed within that period. In public sector, the budget is the big mirror that financially defines the policy of governments through various programs, projects and activities for a particular fiscal period usually a year. It serves as an instrument to drive the policy of government. In other word, for a budget to be an effective instrument, it should be as comprehensive as possible detailing source of resources, commitment of resources as well as allocation of such resources for the period in question.

The Budget impacts the economy in so many ways. The fiscal deficit part of the budget affects the interest rate and the stock markets as well as power of the finance minister to spend and invest government funds. The extent of the deficit and the means of financing it influence the money supply and the interest rate in the economy. The cost of capital becomes higher when the interest rates are high, resulting to lower profits and ultimately lower stock prices. On the other hand, when the interest rates are low, it reduces the cost of capital for industry, relative higher profits and stock prices. All these fiscal measures undertaken by the government as policies affect public expenditure. For instance, if the direct taxes are increased, it would decrease disposable income, resulting to low purchase power of consumers. When this happens, the demand for goods also falls. When demand for goods reduces, production also decreases, thereby affecting economic growth. Similarly, an increase in indirect taxes would also decrease demand. This is so because the burden of indirect taxes is often partially or completely bore by the consumers in the form of higher prices. As higher prices affect demand, turnover reduces thereby affecting the marginal cost of production. When this happens, it reduces marginal profit, thereby slowing down production and growth. Thus, the general objectives of this study is to find out the impact of budget implementation on economic performance in Nigeria and the basic hypothesis underlying this study are stated thus;

HO1: There is no significant impact between capital expenditure and economic performance in Nigeria.

HO2: There is no significant impact between recurrent expenditure and economic performance in Nigeria.

LITERATURE REVIEW

Conceptual Framework

Government Budget Implementation

Budget is a financial plan for a defined period of time. It may also include planned sales volumes and revenues, resource quantities, costs and expenses, assets, liabilities and cash flows(Chartered Institute of Management Accounting, 2013). A Budget is defined as a plan which can be quantified financially demonstrating how resources to execute such plans are sourced for and allocated over a definite period of time. Budget is a document that defines

analyses and interprets the plans of an individual, family, organization or government in monetary terms stating various activities to be executed and resources being allocated to such activities for a specific period of time. According to (Olurankise 2012), it expresses strategic plans of business units, and an organization, activities or events in measurable terms. A budget is a framework for revenue and expenditure outlays over a specified period usually one year (Olurankise 2012). It is an instrument stipulating policies and programmed aimed at realizing the development objectives of a government. Meigs and Meigs (2004) defined budget as a comprehensive financial plan, setting forth the expected route for achieving the financial and operational goals of an organization. Omolehinwa (2003) is of the view that Budget is the plan of dominant individuals in an organization expressed in monetary terms and subject to the constraints imposed by other forces and the environment indicating how the available resources may be utilized for the purpose of achieving organization's objectives and proprieties. The concept of government budget from layman's perspective can be seen as an estimate of government income and expenditure for a set period of time. A much narrow view of government budget is that the budget is a regular estimate of expenditure put forward by a finance minister. Smith and Thomas (2004) also defined budget to be a plan for the accomplishment of program related to objectives and goals within a definite time period including an estimate of the resources required together with an estimate of resources available usually compared with one or more past periods showing future requirements. However, Samuel and Wilfred (2009) provided a broader concept. They opined that budget is a comprehensive document that outlines what economic and non-economic activities a government wants to undertake with special focus on policies, objectives and strategies for accomplishment that are substantiated with revenue and expenditure projections.

Capital Expenditure

Capital expenditures (CapEx) according to investopedia are funds used by a company to acquire, upgrade, and maintain physical assets such as property, plants, buildings, technology, or equipment. CapEx is often used to undertake new projects or investments by a company. Capital expenditure is primarily expenditure to create or acquire fixed assets and on the acquisition of land, buildings and intangible assets. In any one year, the amount of funding for cultural activities can be affected by high levels of one-off capital expenditure (Australian bureau of Statistics 2010) Capital expenditure is payments for acquisition of fixed capital assets, stock, land or intangible assets. A good example would be building of schools, hospitals or roads. However, it is important to note that much donor-funded "capital" expenditure, though referring to projects, includes spending on non-capital payments (Government Spending Watch, 2017).

According to Olugbenga and Owoye (2007) and Ezirim and Ofurum (2003), capital expenditure is also composed of administration (for example, general administration, defense, internal security among others); economic services (includes, agriculture and natural resources, manufacturing, mining and quarrying, transport and communications and others); social and community services (such as, education, health, housing and others); transfers (includes, financial obligations, capital repayment for both internal and external loans, special projects, loans to parastatals and government-owned firms among others).

Recurrent Expenditure

Recurrent expenditure on goods and services is expenditure, which does not result in the creation or acquisition of fixed assets (new or second-hand). It consists mainly of expenditure on wages, salaries and supplements, purchases of goods and services and consumption of fixed capital (depreciation). Recurrent Effect of Budget Implementation on Economic Growth in Nigeria expenditure refers mainly to expenditure on operations, wages and salaries, purchases of goods and services, and current grants and subsidies (Australian bureau of Statistics 2010). Recurrent expenditure is all payments other than for capital assets, including on goods and services, (wages and salaries, employer contributions), interest payments, subsidies and transfers. (Government Spending Watch 2017). According to (Olugbenga and Owoye, 2007) and (Ezirim and Ofurum, 2003), recurrent expenditure is composed of; administration (examples includes, general administration, defense, internal security); economic services (includes, agriculture, construction, transport, communication and among others); social and community services (includes, education, health, housing and among others); and transfers (includes, public debt charges or interests for both internal and external debts, pensions and gratuities, among others).

Gross Domestic Product (GDP)

GDP is the total output of all goods and services produced in an economy. A country's economic growth is usually measured by an increase in that country's gross domestic product, or GDP. In other words, a

country's GDP is the total monetary value of the goods and services produced by that country over a specific period of time (Study.com, 2017). According to Kimberly (2017) Gross domestic product is the best way to measure economic growth. That's because it takes into account the country's entire economic output. It includes all goods and services that businesses in the country produce for sale. It doesn't matter whether they are sold domestically or overseas. GDP measures final production. It doesn't include the parts that are manufactured to make a product. It includes exports because they are produced in the country. Imports are subtracted from economic growth.

Empirical Review

Nwala (2020) examined budget implementation and economic growth in Nigeria. Ex-post facto research design was adopted for this study. Secondary data relating to the study were obtained from Federal Ministry of Finance and Central Bank of Nigeria Statistical Bulletin for the period 1981 to 2018. Gross Domestic Product was used as the dependent proxy, while Capital expenditure, Recurrent expenditure and Debt as the independent proxies. Using E-Views 10, it was found that capital expenditure exerts positive and significant relationship with the Gross Domestic Product of Nigeria. Likewise, recurrent expenditure and gross domestic product show positive and significant relationship, and government debt and gross domestic product also show negative and significant relationship. Based on these it is recommended that government should try to put in place effective machineries that will ensure the strict adherence to due process and total implementation of annual budget provision and avoid diversion of public funds to personal uses. Abu and Abdullah (2010) investigates the relationship between government expenditure and economic growth in Nigeria from the period ranging from 1970 to 2008. They used disaggregated analysis in an attempt to unravel the impact of government expenditure on economic growth. Their results reveal that government total capital expenditure, total recurrent expenditure and Education have negative effect on economic growth. On the contrary, government expenditure on transport, communication and health result in an increase in economic growth. They recommend that government should increase both capital expenditure and recurrent expenditure including expenditure on education as well as ensure that funds meant for development on these sectors are properly utilized. They also recommend that government should encourage and increase the funding of anti-corruption agencies in order to tackle the high level of corruption found in public offices in Nigeria.

Nurudeen and Usman (2010) investigated the effect of government expenditure on economic growth with disaggregated expenditure data from 1979 to 2007. The results reveal that government total capital expenditure, total recurrent expenditures, and government expenditure on education have negative effect on economic growth. While the foregoing studies focused on the Keynesian model which stipulates that expansion of government expenditure accelerates economic growth. Ighodaro, Clement and Dickson (2010) in addition using total government expenditure they also used a disaggregated government expenditure data from 1961-2007, specifically; expenditure on general administration and that of community and social services to determine the specific government expenditure that economic growth may have significant impact on. Other variables reflecting fiscal policy changes and political freedom were also included in the model to augment the functional form of Wagner's law. All the variables used were found to be positive and long run relationship exists between the dependent and the independent variables except in the case where only GDP was used as the independent variable. Wagner's hypothesis did not hold in all the estimations rather Keynesian hypothesis was validated. Oke (2013) conducted a study to theoretically and empirically explore the effect of budget implementation on the Nigerian economic growth and provides a panacea to the problem of budget allocation and its implementation. The study adopted ordinary least square (OLS) regression test for analysis and time series data span from 1993 to 2010 was considered to capture the short run relationship between the proxies of budget implementation and economic growth. The study revealed that implementation has a positive effect impact on Nigeria economic growth. The study further showed a positive relationship between GDP and public total expenditure (PEX), public recurrent expenditure (PRE), public capital expenditure, external debt (EXD), while public capital expenditure (PCE) shows a negative relationship to GDP. Patricia and Izuchukwu (2013) investigated the effect of government expenditure in education on economic growth in Nigeria over a period from 1977 to 2012, the study adopted the Error Correction Model (ECM) to achieve its objectives. The study used Ex-post facto research design and applied time series econometrics technique to examine the long and short run effects of public expenditure and economic growth in Nigeria. The study revealed that Total Expenditure Education is highly and statistically significant and have positive relationship on economic growth in Nigeria in the long run.

Nwala and Ogboji (2020) conducted a study on the effect of budget implementation on economic growth of Nigeria. Secondary data relating to the study were obtained from Federal Ministry of Finance and Central Bank of Nigeria Statistical Bulletin for the period 1981 to 2018. Gross Domestic Product was used as the dependent proxy, while Capital expenditure, Recurrent expenditure and Debt as the independent proxies. Using E-Views 10, it was found that capital expenditure exerts positive and significant relationship with the Gross Domestic Product of Nigeria. Likewise, recurrent expenditure and gross domestic product show positive and significant relationship, and government debt and gross domestic product also show negative and significant relationship. Onaolapo and Olaoye (2013) conducted a study on the appraisal of the factors contributing disparity in budget proposal and implementation. The main thrust of this paper was to examine the behavioral aspect of budget implementation disparity. Two hypotheses were set forth and tested using two ministries namely: education and finance in the Ekiti State of Nigeria. The study was analyzed using the primary data of analysis. Thirty high ranking staff involved in budget preparation and implementation out of thirty-five administered with questionnaires responded to time. Their findings revealed that government ministries always meet their budget target and the ministries have adequate measures to curb budget variances

Theoretical Review

The Keynesian Theory

According to Keynesian theory, government spending, particularly deficit financing, can offer short-term stimulus to assist prevent a recession or depression. On the other hand, the Keynesians encourage policymakers to be ready to cut government spending once the economy improves in order to avoid inflation. Increases in government spending (on infrastructure) contribute to better economic growth in this model. Other models claim that government fiscal policy has no influence on national output growth. Many economic theories exist, but the Keynesian notion of increased government action as a catalyst for economic growth was judged the most suitable. Consequently, this work was anchored on the Keynesian theory.

Theory of Increasing State Activities

According to Wagner's "law of rising public expenditures", a principle named after the German economist Adolph Wagner (1835-1917), the development of modern industrial society would give rise to increasing political pressure for social progress which will result to an increased allowance for social consideration in the conduct of industry. Wagner also postulated the second principle that the rise in public expenditure will be more than proportional increase in the national income (income elastic wants) and will thus result in a relative expansion of the public sector. This position was supported by Musgrave and Musgrave (1988). In their opinion, they stated that as progressive nations industrialize, the share of the public sector in the national economy grows continually. Ezirim (2006) accept that reduction in public sector growth would require a slowdown of economic growth and it is expected that a continuous expansion of the government sector and its expenditure would occur. Tsauni (2007), expresses the view that public expenditure can be treated as an outcome or an endogenous factor of the growth of economy and also state the opposite view of Keynes which regards public expenditure as an exogenous factor which can be utilized as a policy instrument to stimulate economic growth.

Wagner's Hypothesis of Public Expenditure

Wagner's law states that public expenditure rises faster than national output. In other word, as national income increases, the size of government expenditure also increases to meet the need of the state in providing social, administrative and protective functions to the people. This school of thought suggests that larger government expenditure is actually not synonymous with economic growth, but rather detrimental to it as most government operations are not performed efficiently.

The Displacement Effect Theory

According to Peacock and Wiseman (1961), government spending evolves in a step-like pattern as a result of changes in the pattern of government spending during periods of upheaval and periods of relative quiet. During times of turmoil, government revenue from taxes increases as people's tax resistance decreases. The income raised from higher taxes is used to fund government spending, which is projected to rise during this time of turmoil. A study was carried out on public expenditure in the United

Kingdom for the period, 1890-1955. It was observed that government spending does not generally return to pre-crisis levels after the situation has calmed down. In their study on public expenditure growth, they agree that public expenditure grows in step-wise fashion. This theory looked at increasing public expenditure from the social-political perspective Government expenditure will increase as income increases but because the leaders want re-election into political offices, so more infrastructures must be provided in order to convince the electorates that their interests are being catered for by the people they voted for. They argue that at some times, some social or other disturbances take place which at once shows the need for increase in public expenditure which the existing public revenue cannot meet, Ezirim (2006). According to Buhari (1993), Peacock and Wiseman are suggesting a displacement effect, a shifting of government expenditure and revenue to new higher level.

METHODOLOGY

The study adopt the ex- post factor research design by employing the Augmented Dickey-Fuller test (ADF) method of data analysis using regression analysis method. The ex-post factor design involves experimental study of examine the impact of budget implementation on the economic performance of Nigeria. The study covers a period of 10 (Ten) years of Nigerian capital and recurrent expenditure from year 2010-2019. The study requires the use of Augmented Dickey-Fuller test for data analysis, for the purpose of testing the formulated hypothesis. The choice of ex-post factor design is because the study aimed at determines the impact of budget implementation on the economic performance in Nigeria. The Ordinary Least Squares Method of Regression was used with the aid of E-view 10 to determine and analyze the impact of budget implementation on the economic performance of Nigeria. Thus, budget Implementation was measured by Capital expenditure and recurrent expenditure as independent variables, while GDP was used to measure economic performance as dependent variable.

Model Specification

The time series regression analysis was used for the study and the analysis incorporated the Augmented Dickey-Fuller test (ADF) method of data analysis was conducted to evaluate the Unit Root Test Results of the linear association between budget implementation on economic performance in Nigeria.

A regression model was built to suit the variables under study and it presented as below;

$$RGDP = \beta_0 + \beta_1RGEXP + \beta_2CGEXP + \epsilon_{it} \dots\dots\dots 3.1$$

Where:

- RGDP = Real Gross Domestic Product
- RGEXP = Recurrent Government Expenditure
- CGEXP = Capital Government Expenditure
- ϵ_{it} = Error Term.

RESULT AND DISCUSSION

Unit Root Test

The Augmented Dickey-Fuller (ADF) was used to test for the unit root in the individual variable. The test was done based on the following hypothesis;

H₀: variable is non-stationary, that is, the variable has no unit root.

H₁: variable is stationary, that is, the variable has a unit root.

The results from the Augmented Dickey-Fuller test for unit root are summarized below.

Table 1: Result of the ADF Test for Unit Root

Variables	ADF Test Statistic	5% Critical Value	Order of Integration
RGDP	-2.158009	-1.950117	I(1)
CGEXP	-6.004537	-3.574244	I(1)

RGEXP	-8.456848	-3.536601	I(1)
--------------	-----------	-----------	------

From the tabular illustration (table 4.1) above, all the variables under study: Real Gross Domestic Product (RGDP), Capital government expenditure (CGEXP) and Recurrent government expenditure (RGEXP) are not stationary at level form. However, they are stationary at first difference. That is, it is integrated at order one; I(1).

Not having a stationarity time series data at level form, indicates not having a short run relationship among the individual time series data, this result is expected since most macro-economic time series data are known to exhibit such behaviour. Since the variables are non-stationary at level form, there is need to conduct a co-integration test. The essence is to show that although all the variables are non-stationary at level form, the variables may have a long term relationship that is the variables may be co-integrated and will not produce a spurious result.

Co-integration Test Result

According to Gujarati (2004), a regression involving non-stationary time series variables will produce a spurious (non-meaningful) result. But if such variables are co-integrated, having long run relationship, the result will therefore be acceptable. Econometrically speaking, two variables are co-integrated, if they have a long run equilibrium relationship between them, (Gujarati, 2004). To test for co-integration among the variables, this study adopted ADF (Augmented Dickey-Fuller) test on the regression residuals as proposed by Engel and Gujarati (1987). The ADF unit root test on the residuals work with the same decision rule as unit root test. The co-integration test result is summarized as follows:

Table 2: Co-integration Test Result

Null Hypothesis: ECT has a unit root				
Exogenous: None				
Lag Length: 0 (Automatic - based on SIC, maxlag=9)				
			t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic			-3.526613	0.0008
Test critical values:	1% level		-2.628961	
	5% level		-1.950117	
	10% level		-1.611339	
*MacKinnon (1996) one-sided p-values.				
Augmented Dickey-Fuller Test Equation				
Dependent Variable: D(ECT)				
Method: Least Squares				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
ECT(-1)	-0.483812	0.137189	-3.526613	0.0012
R-squared	0.255629	Mean dependent var		0.001546

Adjusted R-squared	0.255629	S.D. dependent var	0.040065
S.E. of regression	0.034567	Akaike info criterion	-3.865197
Sum squared resid	0.043015	Schwarz criterion	-3.821659
Log likelihood	72.50614	Hannan-Quinn criter.	-3.849848
Durbin-Watson stat	1.977729		

From the result above, the ADF test statistics (-3.526613) is greater than the 5% critical value (-1.950117), in absolute terms. This implies that the residuals are stationary (that is, the variables are co-integrated or that the linear influence of the independent variables cancels out).

Error Correction Mechanism Result and Interpretation

Table 3: ECM Test Result

Dependent Variable: D(LRGDP)				
Method: Least Squares				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.041012	0.007670	5.347361	0.0000
D(CGEXP)	-1.72E-05	3.10E-05	-0.554041	0.5833
D(LRGEXP)	0.011406	0.023489	0.485597	0.6305
ECT(-1)	-0.523221	0.144052	3.632180	0.0009
R-squared	0.303788	Mean dependent var		0.042191
Adjusted R-squared	0.240496	S.D. dependent var		0.041292
S.E. of regression	0.035986	Akaike info criterion		-3.709582
Sum squared resid	0.042734	Schwarz criterion		-3.535428
Log likelihood	72.62726	Hannan-Quinn criter.		-3.648184
F-statistic	4.799784	Durbin-Watson stat		1.992669
Prob(F-statistic)	0.006975			

From table 3 above, the magnitude of the short run disparity is -0.523221, that is to say the degree of the short run dynamics is 52.3221%. This shows a high speed of adjustment to equilibrium after a shock.

Regression Result

In the regression result, the variables under consideration are Real Gross Domestic Product (RGDP) (dependent variable) and Capital government expenditure (CGEXP) and Recurrent government expenditure (RGEXP) (independent variables). From the result the estimated coefficient value of b_0 , b_1 , and b_2 are 0.041012, -0.0000172, and 0.011406 respectively.

The regression results are presented as follows:

$$RGDP = 0.041012 - 0.0000172CGEXP + 0.011406RGEXP$$

$$S.E = (0.007670) \quad (0.000031) \quad (0.023489)$$

$$T^* = 5.347361 \quad -0.554041 \quad 0.485597$$

$$R^2 = 0.303788$$

$$\text{Adjusted } R^2 = 0.240496$$

$$F^* = 4.799784$$

$$\text{Durbin-Watson statistics} = 1.992669$$

The A priori test results are presented as follows

Table 4: Result of A priori Test:

Variable(s)	Expected Signs	Observed Signs	Results
CGEXP	-Ve	-Ve	CWES
RGEXP	+Ve	+Ve	CWES

CWES – conform with expected sign

Evaluation of Regression Results

Evaluation Based on Economic Criterion

This subsection is concerned with evaluating the error correction mechanism result based on a priori expectations. The signs and magnitude of each variable coefficient is evaluated against theoretical expectations. The sign of the variables coefficients from the estimated model are in line with a priori expectations. Thus, recurrent government expenditure has a positive relationship with real gross domestic product; hence this conforms to the a priori expectation. Similarly, capital government expenditure has a negative relationship with real gross domestic product; hence this conforms to the a priori expectations. The constant term is 0.041012, which means that the model passes through the point 0.041012 mechanically. If the independent variable is zero, Real Gross Domestic Product would be 0.041012, (Gujarati, 2007).

The estimated coefficient for Capital government expenditure is -0.0000172, this implies that if other variables affecting Real Gross Domestic Product are held constant, a unit increase in Capital government expenditure (CGEXP), will lead to a 0.0000172 units decrease in Real Gross Domestic Product on the average. On the other hand, the estimated coefficient of Recurrent government expenditure is 0.011406, this implies that if other variables affecting Real Gross Domestic Product are held constant, a unit increase in Recurrent government expenditure (RGEXP), will lead to a 0.011406 units increase in Real Gross Domestic Product on the average.

Evaluation Based on Statistical Criterion

This subsection applies the R^2 , the t-test and the f-test to determine the statistical reliability of the estimated parameters. These tests are performed as follows;

R^2 –Result and Interpretation

The coefficient of determinations, R^2 , is given as 0.303788; this implies that 30.3788 percent of the variation in Real Gross Domestic Product is being explained by the variation in capital government expenditure and recurrent government expenditure. Thus, the R^2 which yielded 30.3788 percent means that the explanatory powers of the independent variables: capital government expenditure (CGEXP) and recurrent government expenditure (RGEXP) over the dependent variable (RGDP), is relatively high. Hence, the variable has relatively a better goodness of fit.

t-Test Result and Interpretation

The study also employed the 95% confidence interval or 5% level of significance (that is, $5/100=0.05$, $0.05/2=0.025$) and 39 as our degree of freedom. From the distribution table, $t_{0.025,39} = 2.042$. The result of the t-test of significance is shown in table 5 below. Also, the result of the t-test is presented below and evaluated based on the critical value (2.042) and the value of calculated t-statistic for each variable.

Table 5: Result of t-Test of Significance

Variables	t-computed (t*)	t-tabulated (t_{a/2})	Conclusion
CGEXP	-0.554041	2.042	Insignificant
RGEXP	0.485597	2.042	Insignificant

Significant (Reject H_0 ; accept H_1),
Insignificant (Accept H_0).

From the t- test result above, for CGEXP, $t^* < t_{a/2}$, that is, $-0.554041 < 2.042$, therefore the null hypothesis is accepted. Hence, capital government expenditure is statistically insignificant, thus capital government expenditure has no significant impact on economic growth. For RGEXP, $t^* < t_{a/2}$, that is, $0.485597 < 2.042$, therefore the null hypothesis is accepted. Hence recurrent government expenditure is statistically insignificant, thus recurrent government expenditure has no significant impact on economic growth.

Result and Interpretation of f-Test of Significance

The degree of freedom for the numerator (V_1) and for the denominator (V_2) are given as K-1 and n-K
Where:

N= sample size= 39

K= number of parameters including the constant term= 3

$V_1=3-1=2$, $V_2=39-2=37$, $df=(2,37)$ at 5% level of significance and $df=(2,37)$, $f_{0.05} = 3.26$ and $F^*= 4.799784$. Since $f^* > f_{0.05}$, therefore, the null hypothesis is rejected. This implies that the independent variables (CGEXP and RGEXP), have a joint influence on economic growth. Thus, the entire regression is significant.

Evaluation Based on Econometric Criterion

In this subsection, the following econometric test is used to evaluate the result obtained from our model: autocorrelation, normality, Granger causality test.

Result and Interpretation of Autocorrelation Test

Using the Durbin-Watson (D-W) statistic, the region of no autocorrelation (positive or negative) is given as follows:

$$du < d^* < (4-du)$$

$$du = 1.58$$

$$d^* = 1.987886$$

$$(4-du) = 4 - 1.58 = 2.42$$

By substitution, the region becomes:

$$1.58 < 1.992669 < 2.42$$

The result shows that there is presence of autocorrelation problem in the model as the computed Durbin-Watson (D-W) statistic does falls within the zero autocorrelation regions.

Granger Causality Test Result and Interpretation

The essence of causality analysis, using the Granger causality test, is to actually ascertain whether a causal relationship exists between two variables of interest.

Table 4.7: Result of Causality Test

Pairwise Granger Causality Tests

Date: 05/12/21 Time: 18:38

Sample: 1981 2019

Lags: 2

Null Hypothesis:	Obs	F-Statistic	Prob.
CGEXP does not Granger Cause LRGDP	37	0.71885	0.4950
LRGDP does not Granger Cause CGEXP		1.63903	0.2101
LRGEXP does not Granger Cause LRGDP	37	3.06781	0.0604
LRGDP does not Granger Cause LRGEXP		0.60277	0.5534

The Granger causality result in the table above indicates that no significant causality relationship exists between Capital government expenditure and Real Gross Domestic Product which means that Capital government expenditure does not Granger cause Real Gross Domestic Product because the probability value (0.4950) is greater than 0.05; similarly, a no significant causality relationship exists between Real Gross Domestic Product and Capital government expenditure, which means that Real Gross Domestic Product does not Granger cause Capital government expenditure because the probability value (0.2101) is greater than 0.05. This means as the past values of Capital government expenditure cannot be used to forecast the future values of real gross domestic product, also the past values of real gross domestic product cannot be used to forecast the future values of Capital government expenditure in Nigeria. On the other hand, the result also shows that no significant causality relationship exists between Recurrent government expenditure and Real Gross Domestic Product which means that Recurrent government expenditure does not Granger cause Real Gross Domestic Product because the probability value (0.0604) is greater than 0.05; similarly, Real Gross Domestic Product does not Granger cause Recurrent government expenditure because the probability value (0.5534) is greater than 0.05. This means as the past values of Recurrent government expenditure cannot be used to forecast the future values of real gross domestic product, so also the past values of real gross domestic product cannot be used to forecast the future values of Recurrent government expenditure in Nigeria.

Evaluation of Research Hypotheses

Hypothesis one: The null hypothesis is accepted, which states that government expenditure has no significant impact on the economic growth of Nigeria judging from the t-Test result, because the computed t-value (t^*) is greater than the tabulated t-value ($t_{0.025}$).

Hypothesis Two: The null hypothesis is accepted for government expenditure, which states that government expenditure has no significant causality relationship with economic growth in Nigeria.

Discussion of Findings

Having estimated the parameters of the model numerically, with the use of multiple linear regression on the application of the ordinary least squares (OLS), this study reveals that recurrent government

expenditure has a positive relationship with the economic growth, this implies that an increase in the units of recurrent government expenditure will lead to an increase in the economic growth of Nigeria in the period analyzed, whereas capital government expenditure has a negative relationship with the economic growth, this implies that an increase in the units of capital government expenditure will lead to a decrease in economic growth of Nigeria. However, the error correction mechanism result also shows that recurrent government expenditure has a positive but insignificant relationship with economic growth, which implies that an increase in the units of recurrent government expenditure will lead to an insignificant increase in economic growth of Nigeria in the period analyzed, whereas capital government expenditure has a negative and insignificant relationship with economic, this implies that an increase in capital government expenditure will lead to an insignificant decrease in economic growth of Nigeria in the period under study.

The result of the Granger causality of this study indicates that no significant causality relationship exists between real gross domestic product and capital government expenditure, which implies that past values of real gross domestic product can be used in forecasting the future values of capital government expenditure, also past values of capital government expenditure cannot be used in forecasting the future values of real gross domestic product. The result of the Granger causality of this study indicates that zero or no causality relationship exists between recurrent government expenditure and real gross domestic product, which implies that past values of recurrent government expenditure cannot be used in forecasting the future values of real gross domestic product, also past values of real gross domestic product cannot be used in forecasting the future values of recurrent government expenditure. The error correction mechanism result of this study indicates that capital government expenditure has a negative relationship with economic growth whereas recurrent government expenditure has a positive relationship with economic growth in Nigeria over the periods covered. On the other hand, the t-Test result shows that capital government expenditure has an insignificant impact on the economic growth, whereas recurrent government expenditure has an insignificant impact on the economic growth in Nigeria over the period covered in this study.

CONCLUSION AND RECOMMENDATIONS

It is worthy, therefore, to conclude that capital government expenditure has a negative relationship with and an insignificant impact on economic growth, whereas recurrent government expenditure has a positive relationship with but an insignificant impact on economic growth of Nigeria over the periods covered. By the same token, it is conclusive that government expenditure has a no significant causality relationship with economic growth of Nigeria over the period covered. The positive but insignificant impact of government expenditure on the Nigerian economy is evident from the findings and calls for deliberate actions to make these areas more additive to economic growth. Sequel to the findings of this study, the following policy recommendations are necessary, to encourage and enhance government expenditure in Nigeria.

- i. The result of the study indicates that recurrent government expenditure has a positive relationship with economic growth. This may be due to increase in private investments by salary earners. Hence, government at all levels should ensure adequate and timely enumeration of workers in order to encourage private investments and its contributions to the economic growth of the country.
- ii. This study reveals that capital government expenditure has a negative impact on economic growth in Nigeria. This may be as a result of massive siphoning of government funds by gullible and selfish government officials. Hence, the government should ensure that funds mapped out for projects and investments should be adequately expended, as this would go a long way to impacting the economic growth of the country positively.
- iii. The insignificant impact of capital government expenditure shows low levels of capital projects and infrastructural development in the country. Hence, it is worthy recommending that more basic amenities

such as feeder roads, potable drinking water, adequate power, etc., and other capital projects be embarked upon by the government. However, these projects if carried out, will add immensely to the economic growth of Nigeria.

References

- Abdullahi S.A., Budgeting and Budgetary Control: A publication of Association of National Accountants of Nigeria. Joyce Publishers, 2009
- Adebisi J.F., Budget Techniques and Strategies: A publication of Association of National Accountants of Nigeria, 2019
- Agbo E.I. & Nwakwo S.N., Effect of Budget Implementation on Nigeria's Economic Development: Contemporary Journal of Banking and Finance, Vol. 3 Issue 6, 2021.
- Ekpo, A. H. (1995). Public Expenditure and Economic Growth In Nigeria, 1960-1992
- Fajingbesi, A. A. & Odusola, A. F. (1999). "Public Expenditure and Growth" Paper *Final Report, AERC*, Nairobi, Kenya.
- Nwala M.N. & Ogboji T.B., Effect of Budget Implementation on Economic Growth in Nigeria: Journal of Economics and Finance. Nasarawa State University, 2020.
- The Obasanjo Reforms Monetisation Policy (Building a new and modern Nigeria): A publication of the Federal Ministry of Information & National Orientation, 2002
<https://www.moneycontrol.com/glossary/budget>