



EFFECT OF BUDGET IMPLEMENTATION ON NIGERIA'S ECONOMIC DEVELOPMENT

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Abstract: *The impact of an increasing size of government operations on 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. 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 development during the period from 2000 to 2016. Specifically, the study sought to examine the effects of public capital and recurrent expenditures on Nigeria's real gross domestic product. Using the variables' data retrieved from the Central Bank of Nigeria Statistical Bulletin 2017, the study employed the ex post facto research design. The E-Views statistical software was employed to carry out multiple linear regression of the time series data. The results of the study showed that government capital and recurrent expenditures during the period had negative and non - significant effects on Nigeria's real gross domestic product. 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. Future studies can be centered on assessing how the established linkages can be complemented with other policy variables so as to engender positive outcomes on economic growth.*

Keywords: Budget Implementation, Economic Development, Real GDP, Government expenditure.

1. Introduction

The birth of the Keynesian Economics School of thought that emerged immediately at the end of the Great Economic Depression of the 1930s shifted the attention of several countries to the relevance of government involvement in stabilizing and regulating aggregates of the general economy. Two main categories of economic policies have been widely employed over a vast period of time. The intention is to stabilize an economy and achieve some essential macroeconomic goals and objectives in specific terms; these are fiscal and monetary policies. Although the

two policies differ in terms of their structure and the application of their fundamental instruments, they are both essentially targeted at achieving similar goals and objectives of maintaining economic stability in most countries (Beetsma & Jensen 2005; Claeys, 2006).

Nwala and Ogboji (2020) report that budget in Nigeria has continued to spring up a lot of controversies concerning the modality for its preparation and administration as a result of the continuous change in government and the consequential change in policy and ideology. Those authors assert that there was the controversy in 2013 over the oil benchmark. There was some delay in the passage of the 2013 budget by the National Assembly as a result of the dispute over the

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price that had to be used for budgeting purposes. Budget is considered as a framework or system for estimating revenue and expenditures for a certain time period, usually one fiscal year. It is a document that lays out the planned policies and programs aimed at achieving the government's developmental goals. The success of any budget is determined by how well it is implemented. A budget is designed and expected to stimulate growth in the production sector and check inflationary pressure. In addition, it should be capable of correcting any balance of payment deficit and maintaining a reasonable foreign exchange reserve. However, when there are delays and imbalances in budgeting a nation's journey to economic prosperity is slackened (Nwala & Ogboji, 2020). Since 1999, Nigeria has witnessed low level of budget implementation. This has constrained the government's ability to effectively execute projects which would improve the living conditions of the citizenry (Ibrahim, 2011). According to Ogujiuba and Ehigiamusoe (2013), the cause of most problems in Nigeria is imbalance in budget formulation as well as implementation. Ogujiuba and Ehigiamusoe (2013) posit that budget is expected to be the most important economic policy instrument, even though it is shrouded with a lot of myths and illusions. However, for the fact that budgets are often shrouded with a lot of myths and illusions, they might not contribute to the economic growth and development of the country.

In Nigeria, budgeting process entails budget preparation by the executive, legislative approval and budget implementation by the government ministries, departments, agencies and parastatals. During the budget implementation phase, there are usually many possibilities for interventions and manipulations. The reason for this is that the relevant senior officials of government have a great amount of discretionary power to decide which spending ministry or agency would be granted spending authorization.

The implementation of the budget involves two major operations, namely commitments and payments. Concerning the commitment of expenditure, a decision has to be taken to

use a particular amount of money from a specific budgetary line so as to finance a specific activity. The manner in which budget is implemented determines the budget results with regard to equitable resource allocation, performance assessment and quality control.

Arising from the frequent change in government as well as progressive change in policy and government philosophy, budgeting has created numerous difficulties concerning the modality of preparation and administration in Nigeria. It has continued to be difficult, both in terms of preparation and execution – a situation that has necessitated continual oversight to guarantee better resource use. Budget implementation in Nigeria has been a major problem for both the commercial and governmental sectors of the economy. Ekpo (2012) argues that poor attitude of administrators toward budget planning and execution, misplaced priorities, budget indiscipline, and insufficiency of money have all constituted obstacles to successful budget implementation.

Before incurring an obligation to make expenditures in Nigeria, ministries and agencies are required to obtain spending authorization from the Ministry of Finance with suitable warrants. This warrant is an instrument that authorizes the vote controlling officers to spend money in line with the approved budget estimate. According to Oke (2013), if the Appropriation Act does not go into effect at the start of the year, a provisional general warrant may be issued to allow the government to continue operations at a level that does not exceed that of the previous year's budget items. The length of period of spending authorization is determined in the cash flow estimate for the period when payments are made. Because officials have a significant degree of discretionary authority over which expenditure ministry or agency will be awarded spending permission, there are numerous opportunities for manipulation, falsification, and interference throughout the budget implementation phase.

1.2 Statement of the Problem

Nigeria's yearly budget has continued to climb as a consequence of high earnings from crude oil disposal and



production, while public amenities such as decent roads, power, health, education, and communication are in high demand. Consequently, there is a pressing need to ensure appropriate level of economic development in the country as a whole. It's worth noting that government spending has been rising for the past three decades. For example, according to economic reports, the total government expenditures increased from N3,819.20 million in 1977 to N4,805.20 million in 1980, and then to N36,219.60 million in 1990. In 2008 and 2012, government recurrent spending was N1,591.85 billion and N1,664.27 billion, respectively. From 2000 to 2016, the component of government recurrent expenditures shows that spending on health, internal security, defense, agriculture, building, and transportation and communication increased. Furthermore, government capital spending increased from N5,004.60 million in 1977 to N10,163.40 million in 1980 and N24,048.60 million in 1990. In 2008 and 2012, capital expenditure were N1455.70 billion and N1,965.30 billion, respectively.

It's unfortunate that increased government spending had not resulted in substantial economic development. According World Bank reports, Nigeria is one of the world's poorest countries. Many Nigerians continue to live in abysmal poverty, with more than half of the country's population living on less than \$2 per day. In addition there is a colossal deterioration in infrastructure (roads and electricity supply); many sectors in Nigeria have collapsed, resulting in a high degree of unemployment. Furthermore, macroeconomic indices such as the balance of payments, import obligations, currency rate, inflation, and national savings reveal that Nigeria has been struggling in recent years.

The studies on the effect of budget implementation on economic development appear to have focused more attention on developed economies. Many scholars have written on government capital and recurrent expenditure, but few have examined the impact of budget implementation on economic development in Nigeria. Some studies have been carried out to look into various elements of the Nigerian budget, its preparation, and execution, as well as the

country's economic progress. However, most of those studies that employed the annual time-series data were mostly centered on the short-run causal relationship of the variables.

To close the wide research gap, this study investigated both the short and long run effect of budget implementation on Nigeria's economic development for the period spanning from 2006 - 2016. Capital expenditure and recurrent expenditure were used as proxies for budget implementation while gross domestic product (GDP) was used as proxy for economic development in this study. Exchange rate was introduced as control variable.

1.3 Research Objectives

The main objective of this study was to examine the effect of budget implementation on economic growth of Nigeria. The specific objectives are to

- (i) examine the effect of public capital expenditure on the real GDP of Nigeria and
- (ii) determine the effect of public recurrent expenditure on the real GDP of Nigeria.

1.4 Research Hypotheses

In line with the objectives of the study, the following hypotheses was formulated:

H₀₁ Public capital expenditure had no significant effect on the real GDP of Nigeria.

H₀₂: Public recurrent expenditure had no significant effect on the real GDP of Nigeria.

1.5 Scope of the Study

The study examined how budget implementation affected economic development in Nigeria during the period from 2000 to 2016. This period was chosen in order to capture the era of major banking reform in Nigeria, the period of global economic meltdown, the years that Nigeria had a major oil boom and the period it experienced economic recession. While the independent variable (budget implementation) was proxied by public capital expenditure (CAPEXP) and public recurrent expenditure (RECEXP), economic development (dependent variable) was represented by real gross domestic product.



1.6 Significance of the Study

It is envisaged that the results of this study would be useful to relevant government agencies in Nigeria, professional groups, academic researchers and the general public in several ways as they would help in re-emphasizing the importance of ensuring the strict adherence to due process in the implementation of annual budgets.

Furthermore, apart from highlighting the extent to which the annual increases in public expenditures impacted economic development in Nigeria, this work is expected to remind the academia, the state and municipal governments as well as the national assembly's committee on finance and appropriations about the value of good budget preparation, allocation, appropriation, and execution.

2. Review of Related Literature

2.1 Conceptual Framework

2.1.1 Public expenditure

Public expenditures have two main categories, namely capital expenditure and recurrent expenditure. According to Central Bank of Nigeria (CBN) (2011), government (public) capital expenditure is the money spent on goods by the government which are classified as investment goods. This means public spending on things that last for a period of time. This may include investment in hospitals, schools, power sector, telecommunication and road construction.

Government recurrent expenditure refers to all payments made by government other than for capital assets. These include the payments for goods and services (wages and salaries, employer contributions), interest payments, subsidies and transfers, etc.

Government expenditure items, whether recurrent or capital, are usually classified into four major groups, namely: administration, economic services, social and community services and transfers. Capital expenditures also include capital components of statutory transfers, alongside government owned enterprises capital and project - tied loans.

2.1.2 Budgeting

The concept of budgeting originated from the United Kingdom's central government. Following the revolution of

1688, the UK parliament granted the Crown the authority to authorize expenditure and taxation aside from items on the sovereign's civil list, which was subsequently decreased until it only covered the royal family's personal expenses (Bendlebury, 2005). According to California Department of Finance (1998), the power and responsibility of the parliament was extended to setting the overall amount of government spending and prescribing or appropriating the amount to be spent for legislative purposes.

Budget has been defined as a plan made for estimating revenue and expenditures for a set period of time, generally a year. It is a document that specifies the policies and programs aimed at achieving a government's development goals. For Meigs & Meigs (2004), budget is a projected complete financial plan that lays out the expected method for attaining financial and operational goals of any given organization. It is considered as the plan of feasible or dominant individuals in an organization, expressed in financial terms and subject to problems imposed by other participants and the environment. In an organization, a budget spells out how the available resources can be used to achieve whatever its producers agreed to be the priorities.

A government budget is essentially a financial summary of the government's projected spending and anticipated revenue for a specific time period, generally a year. It is one of the most significant tools in a government's economic policy arsenal. Budgeting and its process in Nigeria continue to be difficult in both the planning and implementation stages, necessitating the requirement for sufficient management targeted at increasing effective resource use throughout the budget implementation stage. To achieve these goals, new audit waves such as value for money audits, due process audits, cost audits, and so on, need to be implemented. Budget plans are detailed, approved, and systematic plans of operation represented in monetary terms for a certain period, generally one fiscal year. Every year, annual budget planning is carried out.

The budget of any government is used to allocate resources to strategic goals and prevent resource misallocation. It is also utilized for maintaining macroeconomic and management stability. As a key tool for resource mobilization and allocation, budgets make it easier for the government to achieve its vision and goals in a given fiscal year. Furthermore, public budgets establish the resource



allocation to finance both capital and recurring expenditures over a specific time period. The budget process is a series of interrelated activities that guarantee that a budget plan is delivered. Managers may develop a habit of repeating a similar budget allocation and changing the amounts slightly to account for inflation as time passes. Budgets for projected income and expenditures have been prepared by the government for many years. The government's projected revenues are expected from oil and non-oil sources as well as grants and external assistance, among others. Capital expenditures and recurrent expenditures (personnel expenses, administration, maintenance costs, etc) are among the anticipated expenditures items found in government's annual budgets. In the public sector, budgeting is a document or set of documents that describes the government's financial situation. In the sense that it pertains to projected future revenue and spending, a budget is prospective. A government budget plan can only be implemented properly if the anticipated finances are available, prudently allocated, and accounted for.

2.1.3 Nigeria's Public Sector Budget Process

The public budgeting system in Nigeria begins with the executive and legislative branches of government preparing and approving a three-year medium-term expenditure framework (MTEF)/fiscal strategy paper (FSP). Budget preparation, budget approval, budget implementation, and budget evaluation are all important steps in Nigeria's yearly budget process.

The legal position of the budget in the Federal Government is severely constrained. It is the president's official recommendation to Congress. Budgeting is done in a cycles. A budgeting cycle permits the system to absorb and respond to new information, holding the government accountable for its actions. However, numerous variables limit the president's ability to make substantial budget adjustments.

In certain states, governors do not necessarily have budget preparation and submission authority, but in some others, the share budget-making authority is shared between the state and other elected administrative officers, civil servants, political appointees, legislative leaders, or a mix of these officials. Preparations start from the federal government level and with the relevant agencies. The agencies start by evaluating their programs and deciding which ones need to be revised and whether new ones should be proposed. At the

same time, the relevant staff in the presidency make predictions about expected economic developments in order to assess potential income under current tax legislation.

Ministerial approval, executive approval, and parliamentary approval are the three steps of budget approval in the public sector. The budget planning process begins five months prior to the commencement of the fiscal year. The Ministry of Budget and Planning issues guidelines in the form of circulars. When each ministry and extra-ministerial department receives the circular requesting budget estimates, each ministry and extra-ministerial department forms a departmental budget estimate committee. The ministerial head of finance and personnel chairs the committee. Its role is to examine and reconcile budget plans made by various departmental branches, divisions, and units of the ministry.

2.1.4 Budget Implementation Issues in Nigeria

When the expected outcome on the target beneficiaries is not realized, a budget implementation problem develops. Some scholars argue that the difficulty with budget execution in Nigeria's fourth republic is attributed to the country's monoculture economy, deficit budgeting, delayed budget passage by the legislature, and poor supervision by the National Assembly. Others reasons include late budget releases by key agencies such as the federal ministry of finance, the Office of the Accountant General of the Federation, and the central bank, as well as the issue of corruption. There might be an implementation gap as a result of a variety of different variables, such as the budget implementers or the context in which the budget policy was developed. When the budget comes from the government rather than the target groups, the implementation gap develops from the budget itself. This indicates that the planning is done from the top down. As a result, the intended beneficiaries are not permitted to participate in the design of policies that impact their lives.

The inability of policy - makers to incorporate social, political, economic, and administrative aspects while assessing and formulating budgets causes a large implementation gap. Nigeria's main challenge is corruption, which leads to a lack of implementation. When a large sum of money is set aside for a project, but the officials in charge of implementation embezzle that sum or a significant portion of the allocated funds, there is an implementation problem.



In order to accomplish effective and efficient budget execution, the proper budget basics, strategy, and managerial responsibility must be in place. Experts contend that the budget essentials include a realistic budget that is implemented with few substantial deviations from plan, low levels of corruption in public spending, high openness in public finance, and public monies should only be used for approved public purposes. Furthermore, the budget implementation process should be under internal and external supervision, with spending units having reasonable assurance about the money that will be available. It's also important to have the proper plan in place to ensure a successful budgeting process that ends with a problem-free implementation

2.1.5 Economic development

Economic and social development refers to the process by which the economic well-being and quality of life of a nation, region, local community, or an individual are improved according to targeted goals and objectives. In the more remote past, economic development policies focused on industrialization and infrastructure. However, since the 1960s, it has increasingly focused on poverty reduction (Martha, 1996). Economic development is a policy intervention aiming to improve the well-being of people. The concept is said to have originated in the post-war period of reconstruction initiated by the United States.

In economics, the study of economic development is an extension of traditional economics which focused entirely on national product, or the aggregate output of goods and services. Its major concern used to be the expansion of people's entitlements and their corresponding capabilities, morbidity, nourishment, literacy, education and other socio-economic indicators (Jaffee, 1998).

The development of a country has been associated with different concepts but generally encompasses economic growth through higher productivity (Kuznets, 1966). The concepts are also related to political systems which represent as accurately as possible the preferences of its citizens, the extension of rights to all social groups and the opportunities to get them as well as the proper functionality of institutions and organizations that are able to attend more technically and logistically complex tasks.

2.1.6 Economic development indicators

According to BBC (2021). Geographers use the following economic indicators to assess the economic development of a country:

(i)Gross Domestic Product (GDP)

This refers to the total value of goods and services produced by a country in a year.

(ii)Gross National Product (GNP)

GNP measures the total economic output of a country, including the earnings from foreign investments.

(iii)GNP per capita

This is a country's GNP divided by its population.

(iv)Economic growth

This indicator measures the annual increase in GDP, GNP, GDP per capita, or GNP per capita.

(v)Inequality of wealth

This is the gap in income between a country's richest and poorest people. It can be measured in many ways, (eg the proportion of a country's wealth owned by the richest 10 per cent of the population, compared with the proportion owned by the remaining 90 per cent).

(v)Inflation

Inflation measures how much the prices of goods, services and wages increase each year. High inflation (above a few percent) can be bad as it suggests that a government lacks control over its country's economy.

(vi)Unemployment

This refers to the number of people who cannot find work.

(vii)Economic structure

This indicates the division of a country's economy between primary, secondary and tertiary industries.

(viii)Demographics

This has to do with population growth and structure. It compares birth rates to death rates, life expectancy and urban and rural ratios (BBC, 2021).

2.1.6 Real gross domestic product (Real GDP)

This is an inflation-adjusted measure which reflects the value of all goods and services produced by an economy in a given year (expressed in base-year prices). It is often referred to as constant-price GDP, inflation-corrected GDP, or constant dollar GDP.

2.2 Theoretical Framework

Budgeting is critical to the success of any business. It transforms the organization's management style from one of



informal activity to one of formal control. A budget may serve as a motivator and communicator as well as a tool for functional coordination and evaluating an organization's performance.

2.2.1 Wagner's Law

The factors that influence government spending are widely documented in the literature. Economics theories and hypotheses such as those of Wagner, Wiseman, and Peacock, among others help to explain the causes of government expenditure increase, the most notable of which is the government's size. Wagner's law (also known as the law of increasing state activity or the law of expanding state role) states that as the economy develops (as evidenced by a high rate of industrialization and rising per capita income), The share of government expenditure in the gross national product rises in lockstep. The increase in government spending is due to economic growth in this case.

2.2.2 Peacock and Wiseman's Law

According to Wiseman, 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. Government spending does not generally return to pre-crisis levels after the situation has calmed down.

2.2.3 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

2.3 Empirical Review

The question about the consequences of the expansion of government spending for aggregate economic growth has continued to be asked. Even though there are a lot of opinions, theories and evidence are notably sparse. Several scholars have endeavored to research on how government spending affects economic growth. The literature reviewed in this research is presented hereunder to highlight some of the related studies undertaken earlier in the past, the methodologies they used and the results they obtained.

Ekpo (1995) examined the effect of government expenditure on economic growth, using ordinary least squares approach with annual data for 1960-90. The result of the study showed that capital expenditures on transport and communication, agriculture, health and education positively influenced private investments in Nigeria. This enhanced the growth of the overall economy. While examining the growth impact of recurrent, capital and sectoral expenditures over the period 1970-93, Ogiogio (1995) observed the existence of a long-run relationship between economic growth and government expenditure. The study also found that government investment programs in socio-economic infrastructure provided conducive environment for private-sector-led growth. Guseh (1997) carried out a study on the effect of government spending on economic growth in some middle-income countries. The result indicated that there was an indication of the case where government spending can negatively affect economic growth. It also showed that growing public expenditures on some specific sectors of an economy might also serve as a disincentive to economic growth. Foister and Henrekson (2001) also carried out a similar study in rich countries between the years 1970 – 1999 and found a robust negative relationship between government expenditure and growth. Abu-Bader and Abu-Qarn (2003) conducted some study and found that larger government spending on the military slowed down economic growth in the cases of Syria, Egypt, and Israel. However, empirical findings from Bose, Haque and Osborn (2007) as well as Baldacci, Clements, Gupta and Cui (2008) indicated a significant positive impact of public capital expenditures on the economic growth of some developing economies within a disaggregated analysis framework. The study by Alexiou (2009) on some countries in southeast Europe also revealed a significant positive impact of



government spending on capital formation, combined with some other factors like private investment and trade openness, on economic growth. Garry, Carlos and Valdivia (n.d.) developed different complementary approaches to determine the impact of public expenditure on economic growth in Mexico, Central America and the Dominican Republic. The evolution of the countries' fiscal performance was analyzed; the strong link between public spending and economic growth was verified and the long-run relationship between current and capital expenditure with GDP growth was identified. The results of the study showed that public spending had a significant multiplier effect in the short and long-term, highlighting its persistence over time. The empirical evidence suggests that (i) The contribution of public spending to GDP growth in 2005-2014 in most countries was significant, but the contribution of investment to GDP growth had moderated; (ii) the correlation coefficients show that there was a positive and strong relationship between

economic growth and current expenditure in all countries in the sample, but it was weak between capital spending and economic growth; (iii) Cointegration tests for economic growth and public expenditure (current and capital) showed the existence of a long-term relationship for all countries included in the study; (iv) In terms of the multipliers: the cases of Mexico, Costa Rica and Panama stood out, as the sum of multiplier effects in the long-term for these three countries reached values of 2.9, 2.6 and 2.3, respectively. The Dominican Republic and Honduras registered values of 2.2 and 2.1, respectively. However, Guatemala and Nicaragua reported values of 1.6 and 1.8, respectively, (v) the analysis of the impulse-response functions confirmed that current expenditure had a significant cumulative effect on economic growth and that capital expenditure had a small and even negative effect on GDP growth in most of the countries of the sub-region, with the exception of Costa Rica and Panama. It was also observed that the effects of public expenditure on economic growth were persistent over time. The implication is that it is possible to promote a budget reengineering to efficiently use scarce public resources in the long-term.

Using panel data estimation techniques while carrying out a related research on some group of Sub-Saharan African

countries, Yasin (2011) found a significant positive impact of government expenditures on their economic growth.

A handful of similar studies have been carried out in Nigeria. Nurudeen and Usman (2010) investigated the impact of government expenditure on economic growth in Nigeria, Fajingbesi and Odusola (1999) empirically investigated the relationship between government expenditure and economic growth in Nigeria, In a more recent period, Egbetunde and Fasanya (2013) analyzed relevant data in Nigeria for the period from 1970 to 2010 and obtained some results which showed that the total government expenditure had a negative impact on growth and that only recurrent expenditures had some weak positive impacts. Okoro (2013) investigated the effect of government expenditure on Nigerian economic growth, using time series data spanning 32 years (1980-2011), the ordinary least square multiple regression technique, the Granger Causality Test, Johansen Cointegration Test, and Error Correction Mechanism. The dependent variable was real gross domestic product (RGDP), whereas the independent variables were government capital expenditure (GCEXP) and government recurrent expenditure (GREXP). The results of the investigation revealed that there was a long-run equilibrium link between government expenditure and economic development in Nigeria. Okoro (2013) observed the existence of dynamic changes in the nature of the impacts of government expenditure on economic growth in Nigeria as regards capital and recurrent expenditure both on the short-run and long-run bases.

Also, the study by Njoku, Ugwu and Chigbu (2014) that investigated the impact of government spending on Nigerian economic growth from 1961 to 2013, observed a substantial link between federal government spending and Nigerian economic growth. Nwanne (2015) investigated the effect of government capital expenditure on the manufacturing sector output in Nigeria. The study employed quantitative time series data and multiple regression techniques in the analysis. The result of the co-integration test indicated that there was some long run relationship between dependent and independent variables. It also revealed that capital expenditure on road infrastructure (CEXR) and telecommunication (CEXT) affected the manufacturing sector output in Nigeria significantly while government capital expenditure on power had insignificant effect on



manufacturing sector in Nigeria. Employing the content analysis approach, Nwaorgu (2015) investigated the impact of powerful persons on Nigerian budget implementation. The literature and empirical research revealed that dominating persons' embezzlement and fraudulent activities varied from budget item manipulation before and after yearly estimate approval. They also disclosed that the failure of Nigeria's budget was due to a lack of appropriate budgeting processes. Chikelu and Okoro (2016) sought to find out if Nigeria's low manufacturing growth is due to a lack of capital expenditure allocation and whether there is a causal link exists between capital expenditure and manufacturing sector growth. The study applied the Augmented Dickey Fuller (ADF) unit root test as well as Johansen Co-integration analysis to the variables in the model. The result of the study showed that capital investment had a substantial influence on the manufacturing sector's growth, It also revealed that capital expenditure Granger drives Nigeria's industrial sector growth. In the same direction,

Olaoye, Olaoye, and Afolabi (2017) sought to determine the influence of capital budget spending execution on economic development in Nigeria. The study's secondary data were gathered from the Central Bank of Nigeria's (CBN) statistical bulletins Some preliminary analysis were carried out, using the Augmented Dickey-Fuller unit root test, co-integration test, and error correction model (ECM) analysis. The results of the study indicated that capital expenditure execution is critical to Nigeria's economic progress. Although there are overwhelming empirical evidences supporting the positive effect of government spending on economic growth, nevertheless, there are other empirical findings that have supported the contrary about the same relationship. In addition, some studies such as that carried out by Oteng-Abayie (2011) for some West African countries have emerged with the findings that found no causal relationship between government spending and economic growth. Also, from their study, Usman, Mobolaji, Kilishi, Yaru and Yakubu (2011) obtained a result showing that public expenditure has no impact on economic growth in Nigeria. However, their findings further showed that a long-run relationship exists between public expenditure and economic growth in the country.

From the foregoing review of the related literature, it is obvious that there were inconsistencies among the results obtained. Hence, the need and justification for furthering the investigation.

3.Methodology

3.1Research Design

This study employed the ex-post facto research design The Ordinary Least Squares (OLS) regression technique was used to analyze the annual time-series data for the period from 2000 to 2016. Economic development was proxied by real gross domestic product while budget implementation, the explanatory variable, was represented by public capital expenditure and public recurrent expenditure. The secondary data were retrieved from the CBN Statistical Bulletin 2017.

3.2 Model Specification

This work employed the Multiple linear regression (MLR) model. Also known simply as multiple regression, MLR is a statistical technique that uses several explanatory variables to predict the outcome of a response variable. It is an extension of linear (OLS) regression that uses only one explanatory variable.

The use of the multiple linear regression technique by this work was based on the following assumptions:

- (i) There is a linear relationship between the dependent and independent variables
- (ii) The independent variables are not highly correlated with each other.
- (iii) The variance of the residuals is constant.
- (iv) Independence of observation, and
- (v) Multivariate normality.

To confirm the validity of these assumptions, the following preliminary tests were carried out :-

- (i) The Philip Perron (PP) unit root test. This was conducted to establish the stationarity or non-stationarity of the time series as well as their order of integration.
- ii). Co-integration test. The reason for this was to determine if the variables had a long-run equilibrium connection among themselves.
- iii) Chi-square, f-statistics, and sum of squares of the Breuch-Godfrey Serial Correlation LM Test, as well as the



Breuch-Pagan-Godfrey heteroscedasticity. Serial Correlation LM test was carried out to investigate the existence of serial correlation among the variables, while the Breuch-Pagan-Godfrey heteroscedasticity test was carried out to confirm that the variance of the residuals was constant.

The Model for this study was formulated in the form of an equation, viz:

$$RGDP = f(CAPEXP + RECEXP + EXR) \dots \dots \dots (i)$$

This mathematical expression was transformed econometrically as follows:

$$RGDP_t = b_0 + b_1 CAPEXP_{t1} + b_2 RECEXP_{t2} + b_3 EXR_{t3} + \mu_t \dots \dots \dots (ii)$$

Where:

- b_0 = Constant or Intercept
- b_1, b_2, b_3 = Coefficients of the Independent Variables
- RGDP = Real Gross Domestic Product
- CAPEXP = Public Capital Expenditure
- RECEXP = Public Recurrent Expenditure
- EXR = Exchange Rate
- μ_t = Stochastic Error Term or Residual

The a priori expectation was that both public capital expenditure and public recurrent expenditure would have positive and significant effect on economic development.

4. Data Presentation Analysis and results

The data series analyzed are presented in tables 1 and 2 .

Table 1 Capital, Recurrent Expenditure and Real Gross Domestic Product (RGDP)

Year	Capital Expenditure (CAPEXP) N Billion	Recurrent Expenditure(RECEXP) Billion	N	Reel GDP(RGDP) N Billion
2000	239.45	461.6		22688.28
2001	438.7	579.3		25267.54
2002	321.38	696.8		28957.71
2003	241.69	984.3		31709.45
2004	351.25	1110.64		35020.55
2005	519.47	1321.23		37474.95
2006	552.39	1390.1		39995.5
2007	759.29	1589.27		42922.41
2008	960.89	2117.36		46012.52
2009	1152.8	2127.97		49856.1
2010	883.87	3109.44		54612.26
2011	918.55	3314.51		57511.04
2012	874.7	3325.16		59929.89
2013	1108.39	3214.95		63218.72
2014	783.12	3426.94		67152.79
2015	818.35	3831.98		69023.93
2016	634.79	4178.59		67931.24

Source: CBN Statistical Bulletin, 2017



Table 2 Exchange Rate (EXR)

Years	Exchange Rate
2000	58.25
2001	70.58
2002	85.13
2003	106.68
2004	126.69
2005	143.78
2006	148.33
2007	155.75
2008	90.31
2009	97.44
2010	93.39
2011	89.82
2012	79.58
2013	74.2
2014	69.51
2015	70.83
2016	78.7

Source: CBN Statistical Bulletin, 2017

4.2 Data Analysis and Results

Like in the study of Boye, Mireku-Gyimah and Okpoti (2017), the Ordinary Least Squares (OLS) normality assumption which could introduce errors in the statistical analyses was dealt with in the modeling by log transformation of the data. The purpose was to ensure the data were normally distributed and that there was no

correlation between them. In addition, minimization of sum of squares error method was utilized to derive the model coefficients. Further, from the above variables it is evidenced that some of the data are in rate while others are not. Consequently, for all the variables to be in the same appropriate coefficient, variables that are not in rates will be logged.

4.2.1 Unit Root Test

Table 3 Philip Perron Test for Stationarity

Variables	PP test Stat	5% critical Value	Order of Integration
LNRGDP	-6.474672	-3.791172	I[2]
EXR	-16.41752	-3.791172	I[2]
LNCAPEXP	-4.380376	-3.759743	I[1]
LNRCEXP	-5.012739	-3.759743	I[1]

Source: Author's Computation using E-views 8

Since time series data are generally characterized by unit root, the Philip Perron (PP) unit root test was performed on the time series to determine the stationarity of the data

utilized for analysis. The ADF assumes asymptotic distribution. However, as the time series is limited to 17 observations (2000–2016), the PP method was used to



establish the order of integration of the variables. The study used a full log linear model for logging all of the variables provided in the model. The results of the test as shown in table 3 indicates that none of the variables was stationary at level form. While the LNCAPEXP and LNRECEXP became

4.2.2 Residual Diagnostics Test

Table 4

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	0.701352	Prob. F(2,10)	0.5188
Obs*R-squared	1.845226	Prob. Chi-Square(2)	0.3975
Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	1.755253	Prob. F(2,12)	0.2145
Obs*R-squared	3.394963	Prob. Chi-Square(2)	0.1831
Scaled explained SS	2.794654	Prob. Chi-Square(2)	0.2473

Source: Author’s Computation using E-views 8

Table 4 shows that the residual diagnostics tests done at the 5% level of significance confirm that the model's residual is not serially correlated and shows no signs of heteroscedasticity. This is based on the finding that the

stationary at first difference, the LNRGDP and LNEXR were stationary at second difference. After determining the alternative orders of integration of variables and confirming that the variables were cointegrated, we proceeded to the regression analyses using E-views 8 (See table 5).

probabilities of both the chi-square, f-statistics, and sum of square of the Breuch-Godfrey serial correlation LM test and Breusch-Pagan-Godfrey heteroscedasticity test were greater than 5%.

4.2.3 Regression Result

Table 5: Regression analysis

Dependent Variable: LNRGDP

Method: Least Squares

Date: 28/09/18 Time: 10:35

Sample (adjusted): 2002 2016

Included observations: 15 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.003352	0.013061	-0.256605	0.8018
D(LNRECEXP)	-0.013614	0.073561	-0.185067	0.8563
D(LNCAPEXP)	-0.008998	0.034486	-0.260907	0.7986
R-squared	0.006809	Mean dependent var		-0.005366
Adjusted R-squared	-0.158723	S.D. dependent var		0.030432
S.E. of regression	0.032758	Akaike info criterion		-3.822488
Sum squared resid	0.012877	Schwarz criterion		-3.680878
Log likelihood	31.66866	Hannan-Quinn criter.		-3.823997
F-statistic	0.041132	Durbin-Watson stat		1.893486
Prob(F-statistic)	0.959837			

Source: Author’s Computation using E-views 8



Table 5 shows the regression results. At 5% level of significance, both public capital and recurrent expenditures had weak and negative effects on the Nigerian economic development during the study period. With the likelihood of f-statistics of 0.959837 (which is greater than 0.0500), the implication is that the combined influence of CAPEXP and RECEXP on Nigeria's real gross domestic product was non – significant. The results of the study also show that 1% increase in public recurrent expenditure caused a 0.013 percent drop in Nigeria's real gross domestic product while 1% increase in public capital expenditure resulted in 0.009 percent decrease in real gross domestic product in Nigeria. In addition, the coefficient of determination reveals that capital and recurrent expenditures put together accounted for less than 1% (0.006809) of the changes that occurred in Nigeria's real gross domestic product/economic development.

4.3 Discussion of the Findings

The regression results show that public capital and recurrent expenditures had weak and negative effects on the Nigerian economic development during the study period. This falls short of the a priori assumption, as government's spending is supposed to boost its economy. This means that government spending throughout the millennial period, from 2000 to 2016, had a negative influence on the Nigerian economy. The results contradict the Keynesian theory which posits that increases in government spending (on infrastructure) should contribute positively to economic growth. These abnormal findings might not be unrelated to the fact that Nigeria's economy was being harmed by the degree of corruption among government officials and political office holders. Government officials' failure to be committed to the course of national interest and welfare, as evidenced by fiscal indiscipline, embezzlement, and diversion of public resources for personal gain, had resulted in some important sectors serving as a drag on Nigeria's economic growth. The results contradict the findings of other studies such as Bose et al. (2007), Alexiou (2889), Njoku et al, (2014) and Egbetunde and Fasanya (2013) that all reported a significant and positive relationship between public spending and economic growth. However, the conclusions of this study agree with those of

Nwaorgu(2015), Oteng-Abaye(2011) and Usman et al.(2011) whose works were all centered on Nigeria.

5. Conclusion and recommendations

The main purpose of this study was to determine how budget implementation by Nigeria affected her economic development during the period from 2000 to 2016. Using the data retrieved from the Central Bank of Nigeria Statistical Bulletin 2017, the study employed the *ex post facto* research design. The E-Views 8 statistical software was employed to carry out multiple linear regression of the time series data. The results of the study showed that government capital and recurrent expenditures during the period had negative and non - significant effects on Nigeria's real gross domestic product. 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 budget. In addition, the government should ensure adequate capital and recurrent expenditure implementation in the country, particularly in areas of economic and socio-community services, as well as overhaul ministries and government agencies to eliminate and close loopholes impeding effective and efficient capital budget implementation in the country. Future studies can be centered on assessing how the established linkages can be complemented with other policy variables so as to engender positive outcomes on economic growth.

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