EFFECT OF BUDGET IMPLEMENTATION ON ECONOMIC GROWTH IN NIGERIA.

BY

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BEING A RESEARCH PROJECT PRESENTED TO THE SCHOOL OF POST GRADUATE STUDIES, NASARAWA STATE UNIVERSITY, KEFFI, IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF POST GRADUATE DEGREE IN BUSINESS ADMINISTRATION (MBA)

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DECLARATION

I, hereby declare that the work in this project has been performed by me, The information collected and materials used have been duly acknowledged by means of references. To the best of my knowledge and beliefs, it has not been previously presented in any form whatsoever in any application for the award of degree in any University.

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CERTIFICATION

This project meets the regulations governing the award of Masters in Business Administration (MBA) Nasarawa State University, Keffi and approved for its contribution to knowledge and literary presentation. .

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DEDICATION

These research work is dedicated to my late dad Alhaji. Moh'D Saba Kutigi.

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ABSTRACT

This study investigates budget implementation and economic growth of Nigeria. Causal 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 2016. Gross Domestic Product was used as the dependent proxy, while Capital expenditure, Recurrent expenditure and Debt as the independent proxies. 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, but government debt and gross domestic product 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.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Recently, budgeting in Nigerian has continued to spring up various controversies as to the modality for preparation and administration in the country due to continuous change in government and consequential change in policy and ideology. Most especially with the understanding that a large percentage of the country's population, this has made them advocate the need to review the size of governance in order to push up the provisions available for more necessary projects. In 2013 there was the controversy over the oil benchmark that delayed the national assembly from the passage of the 2013 budget due to dispute over the price that must be used for budgeting purposes. 2016 budget was full of drama ranging from budget padding to misplacement of budget and so on. It is important to state here that implementation cannot be discussed without appropriate planning and reassessing coupled with proper monitoring to facilitate it efficient implementation.

According to Chartered Institute of Management Accounting (2013), a 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. 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 programmes aimed at realizing the development objectives of a government.

Meigs and Meigs, (2004) defined budgets as a comprehensive financial plan, setting forth the expected route for achieving the financial and operational goals of an organization. Earlier before then, Omolehinwa (2003) viewed Budget as the plan of dominant individuals in an organization expressed in monetary terms and subject to the constraints imposed by other participants and the environment indicating how the available resources may be utilized to achieve whatever the dominant individual agreed to be the organization's proprieties.

Budgeting and its process in Nigeria remain problematic both in the areas of preparation and implementation, hence, the need for adequate control aimed at improving effective resources utilization at the budget implementation stage. Fiscal policy is a fundamental instrument that can be used to lessen short-run fluctuations in output and employment. Meanwhile, in macroeconomic issues such as high unemployment, inadequate national savings, excessive budget deficits, and large public debt burdens, fiscal policy has been acknowledged to hold center stage in policy debate in both developed and developing economies. During economic up and down which is the situation Nigeria economy is now, the government sectors of both developed and developing economies played a vital role in stimulating economic growth and development. In such situations every economy attempted to promote its economic growth through increasing government expenditures and reducing taxes.

Olomola (2000) is of the opinion that the budget process has always been fraught with monumental abuses. The most visible bottlenecks are associated with budget

implementation. Frequently the compliant is about non-release, partial release and delay in releasing approved funds for budgeted expenditure. It has been well observed that a quarter to which funds are related may end before the related funds are made available. Clearly, this has negative implications for institutional planning and management as well as the overall impact of the budget on development and welfare of the people. It is on this background that the researcher based his work on effect of budget implementation on economic growth of Nigeria.

1.2 Statement of the Problem

Nigerian economy is faced with series of imbalances in economic policy formulation and implementation respectively. The root of most problems in Nigeria is imbalances in budget formulation and implementation. According to Ogujiuba and Ehigiamusoe (2013), it is supposed to be the most important economic policy instrument; unfortunately, it is shrouded with a lot of myths and illusions which is still not contributing to the economic growth and development of the country. It is important to stress that, Budgeting and its process in Nigeria remains problematic both in the areas of preparation and implementation, hence, the need for adequate control aimed at improving effective resources utilization at the budget implementation stage.

A budget is designed to arrest the declining growth in the production sector, check inflationary pressure, correct balance of payment deficit and maintaining a reasonable foreign exchange reserve but these purposes has remained largely unachieved. There are several factors that have brought about the issue of the budget not fully implemented in

Nigeria. These unfortunate delays and imbalances have become recurring events since 1999 and have painfully slowed Nigeria's democratic journey to economic prosperity. Moreover, it must be noted that delays over the past years have resulted in a low national budget performance and have limited the executive arm's ability to effectively execute projects that would improve the living conditions of the citizenry (Ibrahim, 2011). Hence, the low level of budget implementation has been a consistent problem in Nigeria. Recently, the controversy of fall in world oil price benchmark has been identified as one of those factors that brought about menace in the implementation of budgeting policy in Nigeria.

Moreover, the implementation of the national budget means a corresponding implementation of debt servicing, capital expenditure, recurrent expenditure, tax, subsidies among others in Nigeria since they are important component of the national budget. Exclusively, three and half decades away from the first republic, there has never been a year in which the capital budget attained 75% implementation (Ogujiuba & Ehigiamusoe, 2013). Capital expenditure has been projected to significantly drop by 30.7% (about N487billion) from 2013. As a percentage of aggregate expenditure, capital expenditure accounts for only 23.7%. This huge decrease is a major setback in adequately funding ongoing infrastructure projects under the "Transformation Agenda" of the government.

The effect of budget implementation on economic growth- a synergistic effect has previously been studied and findings are personified. However, there are many research

work conducted on the effect of budget implementation on economic growth in Nigeria. To a proportional extent, the public sector is attributed to the fiscal and monetary actions of government. These actions pressure purpose the need for effective allocation of resources, sense of identity and fulfillment, social cohesion and fairness dealings with structural development at all unit of the society. (Aregbeyen, 2007) Over the last decade, the growth impact of fiscal policy has generated large volume of both theoretical and empirical literature.

However, most of these studies paid more attention to developed economies and the inclusion of developing countries in case of cross-country studies were mainly to generate enough degrees of freedom in the course of statistical analysis. Unfortunately, the case of public to achieve efficiency and equity for the best interest of her citizens remains dismay. More also, previous studies and findings carryout by various researcher to explore the relationship between the proxy of economic growth and that of budget using the time-series annual data method which has only but reveal the short-run relationship of the variables. That is why this study will look into the short and long run of the effect of budget implementation on the economic growth of Nigeria.

1.3 Research Questions

i. What is the relationship between capital expenditure and Gross Domestic Product (GDP) of Nigeria?

ii. What is the relationship between recurrent expenditure and Gross Domestic Product of Nigeria?

iii. What is the relationship between debt and Gross Domestic Product of Nigeria?

1.4 Objectives of the Study

The main objective of this study is to examine the effect of budget implementation on economic growth of Nigeria. While the following specific objectives are established:

i. To examine the relationship between capital expenditure and Gross Domestic Product of Nigeria.

ii. To determine the relationship between recurrent expenditure and Gross Domestic Product of Nigeria.

iii. To ascertain the relationship between debt and Gross Domestic Product of Nigeria.

1.5 Statement of the Hypotheses

H_{01}: There is no significant relationship between capital expenditure and GDP of Nigeria.

H_{02}: Recurrent expenditure has no significant relationship with the GDP of Nigeria.

H_{03}: Debt has no significant relationship with the GDP of Nigeria.

1.6 Significance of the Study

This study will immensely serve as a guide towards improving knowledge about the performance and budget implementation on the economic growth of Nigeria. This research will highlight and recommend feasible, practicable and workable solution to problems associated with budget implementation; this will go a long way in achieving the desire economic growth.

The study will provide a clear insight for macroeconomic policy makers to know the implication of several policies that pertains specifically to debt service, capital budget and recurrent budget on the nation's economy through its findings. In other words, the study will provide policy recommendations based on its findings which will serve as a reliable basis for the government to know the precise policies that is favorable to the country.

This research work, when successfully completed will be of a good reading material and could also be useful for subsequent research in this field. It will also enable policy makers to formulate an effective policy on ways to improve planning and implementation of the budget.

Furthermore it will be of relevance to international organizations such as World Bank, International Monetary Fund (IMF), Paris club etc. who from time to time loan and support Nigerian government financially and advice on the way forward for economy

growth of Nigeria, especially on overcoming monetary challenges and to maintain a stable international financial system.

This study will serve as a fore knowledge to the legislature on budget implementation by the executive in other to know if it is in line with the appropriation act.

The study intends to serve as a knowledge widener which will be as a result of bridging the research gap left out by the recent researches on the subject matter. This study will serve as a blueprint for researchers who will carry out further research on the effect of budget implementation on the economic growth of Nigeria. It will serve as a guide and resource material for researchers who will be carrying out further research in a related field.

1.7 Scope of the Study

The scope of this research work will be limited to the effect of budget implementation on the economic growth of Nigeria spanning from 1981-2016. The era marked the beginning of second civilian republic of the federal republic of Nigeria. This time frame also covers the different military regime in Nigeria.

Capital expenditure, recurrent expenditure and debt servicing will be used as proxies for budget implementation while gross domestic product will be used as proxy for economic growth in this study.

1.8 Definition of Operational Terms

Budget: is designed to arrest the declining growth in the production sector, check inflationary pressure, correct balance of payment deficit and maintaining a reasonable foreign exchange reserve but these purposes has remained largely unachieved

Capital Expenditure: Is primarily expenditure on the creation of fixed assets and on the acquisition of land, buildings and intangible assets.

Recurrent Expenditure: Is all payments other than for capital assets, including on goods and services, interest payments, subsidies and transfers.

Debt: A duty or obligation to pay money, deliver goods, or render service under an express or implied agreement.

CHAPTER TWO

LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Government Budget Implementation

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. It could also be regarded as a regular estimate of expenditure put forward by a finance minister. This view seems narrow in explaining the concept of government budgeting. 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. 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.

Basically in Nigeria, budget process includes budget preparation by the executive, legislative approval and implementation by the different ministry, department and parastatal of the government. During the phase of budget implementation, there are many possibilities for interventions and manipulations in view of the fact that officials have a great amount of discretionary power to decide which spending ministry or agency will be

granted spending authorization. In Nigeria, before ministries and spending agencies of the government can incur an obligation to make expenditures, they must secure spending authorization from the Ministry of Finance through the use of warrants. 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 nature of appropriation laws, the commitment phase of the expenditure process is a fertile ground for corrupt activities. If the Appropriation Act has not come into operation at the beginning of the year, a provisional general warrant may be issued to ensure continuity of the services of government at a level not exceeding those of the previous year. The length of period of spending authorization is determined in functional cash flow forecast for the period when payments are anticipated.

Over the years, the implementation of the annual budget has been a source of concern for successive governments in Nigeria. It is pertinent to note that the Nigerian budgeting process suffers not so much from lack of technical expertise or design but from lack of commitment to good governance for the effective implementation of the budget.

Moreover, the implementation of the national budget means a corresponding implementation of debt servicing, capital expenditure, recurrent expenditure, tax, subsidies among others in Nigeria since they are important component of the national budget. Exclusively, three and half decades away from the first republic, there has never been a year in which the capital budget attained 75% implementation (Ogujiuba & Ehigiamusoe, 2013). Capital expenditure has been projected to significantly drop by 30.7% (about N487billion) from 2013. As a percentage of aggregate expenditure, capital

expenditure accounts for only 23.7%. This huge decrease is a major setback in adequately funding infrastructure projects under the "Transformation Agenda" of the past government.

Though, it has been proved that capital expenditure contribute immensely to economic growth. The more the government wish to implement capital expenditure results in the government borrowing heavily which can adversely affect the country and if there is a shortage in capital expenditure, there would be reduced infrastructure. It is therefore needed to subject capital expenditure to analytical test against economic development. In light of this, ascertaining the effect of budget implementation on Nigeria's economy becomes imperative in this research.

Onaolapo and Olaoye, (2013) were of the opinion that practical problems of budget implementation include: first, corruption, this is one of the setbacks of fruitful budgeting process. Evidences are bound in records of Economic and Financial Crime Commission. Corruption is quite endemic. Second, fluctuating revenue and over-dependence on oil revenue. Third, unstable economic parameters such as price level, unemployment etc affect budgetary effectiveness. Fourth, poor conception of people toward budget. What definition does the people in the ministries, departments and legislative arm give to budget? May be: national cake, annual rituals or paddle document and the like. Fifth, unstable government policies from one fiscal year to another. Sixth, inadequate finance. Seventh, lack of qualified manpower. Others include: lack of qualified manpower; paucity of data, lack of effective budget monitoring i.e. the execution of the budget, delay in approval of project proposal by the ministry and the legislature and lack of

specialization or skill on the part of the budget officers who are saddled with the responsibility of implementing budget.

Capital Expenditure

Capital expenditure is primarily expenditure on the creation of 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.

Capital expenditure refers to the amount spent in the acquisition of fixed (productive) assets (whose useful life extends beyond the accounting or fiscal year), as well as

expenditure incurred in the upgrade/improvement of existing fixed assets such as lands, building, roads, machines and equipment, etc., including intangible assets. Expenditure in research also falls within this component of government expenditure. Capital expenditure is usually seen as expenditure creating future benefits, as there could be some lags between when it is incurred and when it takes effect on the economy (Oziengbe, 2013). Jones and Pendlebury (1993) also noted that it is pertinent in acquiring and maintaining long-term assets. Apart from that, it is also important in providing the means of financing these activities. In connection to this, Munn, Garcia and Woelfel (1991) add that capital expenditure also includes; new facilities, major renovations and repair of existing facilities.

Capital expenditures represent major investments of capital that a nation makes to provide facilities which are not recurrent in nature. Capital expenses are for the acquisition of long-term assets, such as roads, schools and other infrastructural facilities, because such assets provide good standard of living for citizens of a nation. The purpose of capital expenditures is commonly to improve the standard of living of country citizens.

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 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).

Recurrent expenditure refers to expenditure on purchase of goods and services, wages and salaries, operations as well as current grants and subsidies (usually classified as transfer payments). Recurrent expenditure, excluding transfer payments, is also referred to as government final consumption expenditure (Oziengbe, 2013).

Jones and Pendlebury (1993) stressed that re-current expenditure is used for; determining income and expenditure, helps in policy making and planning, authorizing future expenditure, used for performance measurement and evaluation of managers versus

employees, motivating both managers and employees, coordinating activities of multi-purpose of organizations and department among others.

Recurrent expenditure refers to payments made by governments or organizations for all purposes except capital costs. Recurrent expenditure includes payments made on goods and services as well as interest and subsidies. Recurrent expenditures are typically made more than once, and may even be made on a scheduled basis. Some expenses, such as wages and salaries made to employees by companies, are made periodically on a weekly or bi-weekly basis. Recurrent expenditures exclude payments for capital assets, such as stock, bonds and property. Capital and recurrent expenditure are considered to be overall expenditure, and account for all fees and net lending that is doled out by governments.

According to Okwuchukwu (2014), the recurrent expenditure in the Nigeria annual budget is taking a substantial part of the public expenditure. Although the budget is more of an expected revenue and expenditure within a given period of time, it mirrors how our resources are managed and the areas that the different arms and agencies of government spend our money. A critical look at the budget proposal and the appropriation bills passed over time shows a rise in the recurrent expenditure. In this year budget presented to the joint section of the National Assemble, a total of 2.41 trillion naira was budgeted for the recurrent expenditure and 1.24 trillion budgeted for the capital expenditure. This puts the recurrent expenditure between 70- 74% of the total budget and 25 to 30 % of the budget goes to the capital expenditure. Considering the items covered in the recurrent expenditure, which includes payment of salaries, welfare and other overhead and

personnel cost, it shows that less than 3% of the population will spend more than 70% of the money that will be generated in Nigeria. There are serious implications of this on an average Nigeria and also to the generation unborn. According to the statistics released by the Ministry of Finance, the data of the recurrent budget indicated as follows: 2006 - 70.1 % , 2007-64%, 2008-71.4 %, 2009-67%, 2010-64.7 %, 2011-74.4%, 2012- 71.5%, 2013-67.5% and the current year-74 %.There are compelling needs to drastically reduce the recurrent expenditure and focus more on the capital expenditure so that the generality of Nigeria will benefit from the economy of the country. However, I doubt if the country for some years now has ever executed up to 50% of the budget. In addition to the small percentage of individuals that consume the greater percentage of the country resources, they also engage in executing the capital projects by way of corruption and other means. These anomalies can be seen in all the sectors of government from the executive to the legislature down to the civil service. For a reduction in the recurrent expenditure, the government needs to engage in far reaching reforms. Some of these reforms should include the following actions.

Debt

A duty or obligation to pay money, deliver goods, or render service under an express or implied agreement. One who owes, is a debtor or debitor; one to whom it is owed, is a debtee, creditor, or lender (Business dictionary 2017)

Debt is an amount of money borrowed by one party from another. Debt is used by many countries, corporations and individuals as a method of making large purchases that they

could not afford under normal circumstances. A debt arrangement gives the borrowing party permission to borrow money under the condition that it is to be paid back at a later date, usually with interest (Investopedia, 2017).

Debt is money owed by one party, the borrower or debtor, to a second party, the lender or creditor. The borrower may be a sovereign state or country, local government, company, or an individual. The lender may be a Country, bank, credit card Company, payday loan provider, or an individual. Debt is generally subject to contractual terms regarding the amount and timing of repayments of principal and interest (Investopedia, 2012). A simple way to understand interest is to see it as the "rent" a person owes on money that they have borrowed, to the bank from which they borrowed the money. Loans, bonds, notes, and mortgages are all types of debt. The term can also be used metaphorically to cover moral obligations and other interactions not based on economic value (Oxford English Dictionary, 2005). For example, in Western cultures, a person who has been helped by a second person is sometimes said to owe a "debt of gratitude" to the second person.

The need to finance rising government expenditures has been identified to be responsible for the rapid increase in the stock of Nigeria's domestic debt. Gbosi (1998) opined that borrowing by government from the domestic economy became the main source of financing government expenditure due to the collapse in prices of oil in the international market. He asserts that despite the various efforts made by the government to rationalize public expenditure, much success has not been achieved in reducing its spending and this has continuously raised the size of the domestic debt. Christensen (2004) employed a

cross country survey of the role of domestic debt market in sub-saharan African based on a new data set of 27 sub-saharan African countries during the 20 year period (1980 – 2000), he finds out that domestic debt markets in these countries are generally small, highly short term and often have a narrow investors base. He also discovered that domestic interest rate payment present a significant burdens to the budget, despite much smaller domestic debt than foreign indebtedness. He did not stop at that, he further revealed that, the use of domestic debt is also found to have significant crow d out effect on private investment.

Asogwa (2005) employed a more comprehensive technique in investigating the effect of domestic debt on economic growth concluded that domestic government debt in Nigeria has continued to suffer form of confidence crisis as market participants have consistently shown greater unwillingness to hold longer maturities. The government has only been able to issue more of short term debt instrument. In the words of Gurley and Shaw (1956), mounting volume of public debt is a necessary feature of a strong and healthy financial structure of an economy. Therefore some secular increase in public debt should be planned by every government of a market – oriented economy. However, it appears that no government plans a long term increase in debt. The volume of public debt has tended to increase in response to compulsions of the moment. We must note here the false view that a country that borrows is automatically immersed in the debt burden. This false conclusion was clarified by Queientin (1984) that indebtedness amounts to a problem, if a country couldn't afford to repay its debt. To him, the key is the cost of debt

servicing which includes the repayment of principal and interest due on the loan. He justified borrowing as arising from increased government expenditure on development programmes without generally an additional income to finance it. Ajayi (1989) traces the origin of Nigeria's debt problems to the collapse of the international oil price in 1981 and the persistent suffering of the international oil market and partly due to domestic lapses. As a result of the debt problem, credit facilities gradually dried up, which led to a number of project getting stalled. He advocated the revival of the economy growth as the best and most durable solution to the debt burden. The needed growth, however, is disturbed by two factors, which include, limitation imposed by inappropriate domestic policies and the external factors, which are beyond the control of the economy.

Sanusi (1988) was of the view that faulty domestic policies which range from project financing mismatch, in appropriate monetary and fiscal policies was responsible for domestic borrowing problem. He believes that some of the policies were of little significance because of the perceived temporary effect of the external shocks. The expansionary policies, he believes, led to stupendous macroeconomic fallout, which encourage import and discourage export production. Ahmed (1984) reflected the causes of debt problem as related to both the nature of the economy and the economic policies put in place by the government. He articulated that the developing economies are characterized by heavy dependence on one or few agricultural and mineral commodities and export trade is highly concentrated on the other. The manufacturing sector is mostly at the infant stage and relies heavily on imported inputs. To him, they are dependent on

the developed countries for supply of other input and finance needed for economic development, which made them vulnerable to external shocks. James (2006) opined that public debt has no significant effect on the growth of the Nigeria economy because the fund borrowed were not channeled into productive ventures, but diverted into private purse. He suggested further, that, for the gains of the debt forgiveness to be realized the War Against Corruption should be fought to the highest. Oshadami (2006) in her own study concluded that the growth of domestic debt has affected negatively the growth of the economy. This situation is premise on the fact that majority of the market participant are unwilling to hold longer maturity and as a result the government has been able to issue more of short term debt instruments.

2.1.2 Concept of Economic Growth

Economic growth is the increase in the inflation-adjusted market value of the goods and services produced by an economy over time. It is conventionally measured as the percent rate of increase in real gross domestic product, or real GDP (IMF, 2012)

Economic growth means an increase in real GDP which means an increase in the value of national output/national expenditure. Economic growth is an important macro-economic objective because it enables increased living standards, improved tax revenues and helps to create new jobs (Economicshelp, 2017)

According to Investopedia (2017) Economic growth is an increase in the capacity of an economy to produce goods and services, compared from one period of time to another. It

can be measured in nominal or real terms, the latter of which is adjusted for inflation. Traditionally, aggregate economic growth is measured in terms of gross national product (GNP) or gross domestic product (GDP), although alternative metrics are sometimes used. In simplest terms, economic growth refers to an increase in aggregate productivity. Often, but not necessarily, aggregate gains in productivity correlate with increased average marginal productivity. This means the average laborer in a given economy becomes, on average, more productive. It is also possible to achieve aggregate economic growth without an increased average marginal productivity through extra immigration or higher birth rates.

Economic growth is the increase in the goods and services produced by an economy, typically a nation, over a long period of time. It is measured as percentage increase in real gross domestic product (GDP) which is gross domestic product (GDP) adjusted for inflation. For example, let's say that a special berry grows naturally only in the country of Nigeria. Natives to Nigeria have used this berry for many years, but recently, a wealthy German traveler discovered the berry and brought samples back to Germany. His German friends also loved the berry, so the traveler funded a large berry exporting business in Nigeria. The new berry exporting business hired hundreds of Nigerians to farm, harvest, wash, box and ship the berries to grocers in Germany. In one calendar year, the berry exporting business added over one million dollars to Nigeria's GDP because that's the total value of the goods and services produced by the new berry exporting

business. Since Nigeria's GDP increased, this means that Nigeria experienced economic growth. (Study.com 2017)

According to Kimberly (2017) Economic growth is how much more the economy produces than it did in the prior period. To be accurate, the comparison must remove the effects of inflation. If the economy is producing more, businesses are more profitable and stock prices rise. That gives company's capital to invest and hire more employees. As more jobs are created, incomes rise. Consumers have more money to buy additional products and services. Purchases drive higher economic growth. For this reason, all countries want positive economic growth. This makes economic growth the most watched economic indicator.

Gross Domestic Product

GDP is the market value of all final goods and services produced in an economy or nation. A country's economic growth is usually indicated by an increase in that country's gross domestic product, or GDP. Generally speaking, gross domestic product is an economic model that reflects the value of a country's output. 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.

Most countries measure economic growth each quarter. They use real GDP to compensate for the effects of inflation. GDP leaves out child care, unpaid volunteer work or illegal black-market activities. It doesn't count the environmental costs. For example, the price of plastic is cheap because it doesn't include the cost of disposal. As a result, GDP doesn't measure how these costs impact the well-being of society.

A country will improve its standard of living when it factors in environmental costs. A society only measures what it values. Similarly, societies only value what they measure. For example, Nordic countries rank high in the World Economic Forum's Global Competitiveness Report. That's because their budgets focus on the drivers of economic growth. These are world-class education, social programs and a high standard of living. These factors create a skilled and motivated workforce. These countries have a high tax rate. But they use the revenues to invest in long-term economic growth.

The Nigerian economy is characterized by structural challenges that limit its ability to sustain growth, create jobs and achieve real poverty reduction. The economy is highly dependent on a single commodity for economic activities, fiscal revenues and foreign exchange – oil – and must import raw materials and intermediate goods to sustain the manufacturing sector. The economy is also skewed towards consumption rather than

investment, with gross domestic investment (GDI) to GDP ratio hovering at 13-14 per cent.

Nigeria is one of the most developed countries in Africa. Services are the largest sector of the economy, accounting for about 50 percent of total GDP. One of the fastest growing segments in services is Information and Communication, which together account for about 10 percent of the total output. Agriculture, which in the past was the biggest sector, now weights around 23 percent. Crude Petroleum and Natural Gas constitute only 11 percent of total GDP, while being the main exports. Industry and Construction account for the remaining 16 percent of GDP.

According to National Bureau of statistics (2017), the GDP in Nigeria shrank by 2.1 percent year-on-year in the second quarter of 2016, compared to a 0.36 percent drop in the previous period and worse than market consensus of a 1.5 percent decline. It is the first contraction in 20 years due to a decline in oil prices.

In the 3rd Quarter of 2016 the GDP in Nigeria shrank 2.24 percent year-on-year, following a 2.06 percent decline in the previous period and marking the third consecutive quarter of contraction. Figures compare with market expectations of a 2.58 percent decline. Lower oil prices continued to hurt the oil sector which slumped for the fourth straight quarter while the non-oil sector was flat after shrinking in the previous two periods.

The GDP in Nigeria shrank 1.3 percent year-on-year in the fourth quarter of 2016, following a 2.24 percent decline in the previous period. It was the fourth consecutive quarter of contraction as lower oil prices keep hurting the oil sector. Considering full 2016, the economy contracted 1.5 percent, following a 2.8 percent growth in 2015, the first annual contraction in 25 years.

The GDP in Nigeria shrank 0.5 percent year-on-year in the first quarter of 2017, following an upwardly revised 1.7 percent decrease in the previous period. It is the smallest fall in five quarters of contraction, as oil sector continued to decline although at a slower pace.

The Nigerian economy advanced 0.55 percent year-on-year in the second quarter of 2017, after shrinking an upwardly revised 0.91 percent in the previous period. It is the first expansion in five quarters as the oil sector rebounded.

2.1.3 Budget Implementation and Economic Growth

The impact of budget implementation and economic growth has generated large volume of empirical studies with mixed findings using cross sectional, time series and panel data. Appropriate budget implementation is generally believed to be associated with growth, or more precisely, it is held that appropriate fiscal measures in particular circumstances can be used to stimulate economic growth and development (Onaolapo & Olaoye, 2013).

The role of economic policy in the achievement of macroeconomic objectives has been extensively dealt with in Keynesian analysis of an activist macroeconomic policy. The

Keynesian analysis leads to the conclusion that demand management policies can and should be used to improve macroeconomic performance. A basic premise of Keynesian economics is that the private sector is inherently unstable. It is subject to frequent and quantitatively important disturbances in the components of aggregate demand. It is the task of counter cyclical or stabilization policies to offset these private sector disturbances and so keep real output close to its market – clearing equilibrium time path (Omitogun & Ayinla, 2007).

2.2 Empirical Review

Various empirical studies have been conducted to validate whether budget implementation has a favorable impact on economic growth or otherwise. Evidences from various researchers are thoroughly reviewed in order to get an adequate knowledge of the effect of budget implementation globally. Loizides and Vamvouks (2005) employed the causality test to examine the relationship between public expenditure and economic growth, using data set on Greece, United Kingdom, and Ireland. The authors found that government size Granger causes economic growth in all the countries they studied. The results also indicated that economic growth Granger causes public expenditure for Greece and United KingdoVerma and Arora (2010) examined the validity of Wagner's law in India over the period from 1951 to 2008. Empirical evidences regarding short-run dynamics refuted the existence of any relationship between Developing Country Studies economic growth and the size of the government expenditure.

Afzal and Abbas (2012) reinvestigated the application of the Wagner's hypothesis to Pakistan over the period from 1960 to 2007 using time series econometrics techniques. The study found that Wagner's hypothesis does not hold for aggregate public spending and income for three periods (1961–2007, 1973–1990, and 1991–2007) while it holds only for the period from 1981 to 1991. However, when fiscal deficit is included, the results supported the existence of Keynesian views about public spending and growth. Zheng (2010) studied the empirical analysis on the relationship between the sizes of Chinese government, as measured by its annual spending, and the growth rate of the economy. More specifically, it designed to examine the applicability of Wagner's law to the Chinese economy. The statistics used in this research is annual time series data on total government spending and gross domestic product covering the period from 1952 to 2007. Empirical results showed no strong evidence in support of the validity of Wagner's law for Chinese economy. Olomola (2004) confirmed the Wagner's hypothesis both in short run and in the long run in Nigeria for the period from 1970 to 2001.

Dogan (2006) investigated the relationship between national income and public expenditures for Indonesia, Malaysia, Philippines, Singapore, and Thailand. Granger causality tests were used to investigate the causal links between the two variables. The result of Granger causality revealed that causality runs from public expenditures to national income only in the case of Philippines, and there was no evidence for other countries.

Komain and Brahmasrene (2007) examined the relationship between public expenditure and economic growth in Thailand, by employing the Granger causality test. The results revealed that public expenditure and economic growth are not co-integrated, but there exists a significant positive effect of public expenditure on economic growth. Bingxin, Fan and Saurkar, (2009) assessed the impact of the composition of public expenditure on economic growth in developing countries. They used a dynamic generalized method of moment (GMM) model and a panel data set for 44 developing countries between 1980 and 2004. The results indicated that the various types of government spending had different impact on economic growth. In Africa, human capital expenditure contributes to economic growth whereas, in Asia, capital formation, agriculture, and education expenditure had strong growth promoting effect.

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 to total government expenditure they 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 the adopted the

econometric model of 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) investigates 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. The result has more implication in terms of policy and budget implementation in Nigerian. 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.

2.3 Theoretical Review

Here are some basic theories that have been used to support the effects of budget implementation on economic growth. Such theories amongst others are:

2.3.1 Wagner's Law/ Theory of Increasing State Activities

Wagner's law is a principle named after the German economist Adolph Wagner (1835-1917). Wagner advanced his 'law of rising public expenditures' by analyzing trends in the growth of public expenditure and in the size of public sector. Wagner's law postulates that: (i) the extension of the functions of the states leads to an increase in public expenditure on administration and regulation of the economy; (ii) the development of modern industrial society would give rise to increasing political pressure for social progress and call for increased allowance for social consideration in the conduct of industry (iii) 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. Musgrave and Musgrave (1988), in support of Wagner's law, opined 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.

2.3.2 Peacock and Wiseman Hypothesis

This second theory of public expenditure growth was offered by Allan Peacock and Jack Wiseman. It is being regarded as the displacement hypothesis of Peacock and Wiseman, which is concerned with providing an explanation for the time pattern of change in the level of public expenditure. This happens to be the result of study by Wiseman and Peacock (1961) on public expenditure in the United Kingdom for the period, 1890-1955. 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.

Musgrave Theory

This theory propounded by Musgrave discovered changes in the income elasticity of demand for public services in three ranges of per capita income. In a typical of pre-industrial society in developing countries when the levels of per capita income are low, demand for public service tend to be generally low. The reason being that at this stage, nearly all income is channeled to satisfying primary needs. When per capita income begins to rise above these low levels, a demand for services supplied by the public sector such as health, education and transport, starts rising, pressurizing government to increase expenditure on them. He observes that at the high levels of per capita income, typical of developed economics, the rate of public sector growth tends to fall as the more basic wants are being satisfied. At the situation of high levels of per capita income, typical of developed economies, the rate of public sector growth tends to fall as the more basic wants are satisfied (Buhari, 1993).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The examination of the effect of budget implementation on economic growth of Nigeria necessitates the use of statistical information and giving comprehensive information on the effect of budget implementation for the years. The research design for this study will be based on the ex-post facto research design. Ex-post facto research design involves the ascertaining of the impact of past factors on the present happening or event. Agburu (2001) defines ex-post facto research design as an inquiry to discover whether and to what extent a variable or event which occurred in the past has impact on the occurrence of the present event.

This research design is adopted for this study because of its strengths as the most appropriate design to use when it is impossible to select, control and manipulate all or any of the independent variables or when laboratory control will be impracticable, costly or ethically questionable Akpa and Angahar (2014). This design therefore examined the data collection sources, population, sample plain, method and instruments of data collection used. It refers to the conceptual framework within which the experiment is conducted.

3.2 Population, Sample and Sampling Technique

The population of the study is all budget of Nigeria as a sovereign nation, such as recurrent expenditure, capital expenditure, statutory transfers, debt serving etc.

In this study, non-probability sampling method was chosen to collect the research data. Furthermore, the researchers will use purposive sampling in this research. This is due to characteristics of a population and the objective of the study. Purposive sampling is also known as judgmental, selective, or subjective sampling. Therefore, recurrent expenditure, debt and capital expenditure of Nigerian government were selected to be considered on effect of budget implementation on economic growth in Nigeria.

3.3 Methods of Data Collection

This study employ secondary source of data as the study involves a time series data analysis and because of its authenticity and reliability. These are data obtained from sources different from the original or main sources. Secondary sources (or anecdotal sources) of data which can also be referred to desk research to be use in this research are: Federal ministry of finance, Office of the Accountant General of the Federation and Central Bank of Nigeria.

3.4 Technique for Data Analysis and Model Specification

The Ordinary Least Squares Method of Regression will be use with the aid of E-view to determine and analyze the effect of budget implementation on the economic growth of Nigeria. Thus, budget implementation was measured by Capital expenditure, debt and recurrent expenditure as independent variables. While GDP was measure of economic growth as dependent variable.

The Models for the Regression are:

$$GDP_t = \alpha + \beta 1CEX_t + \beta 2DEB_t + \beta 3REX_t + \mu$$

Where:

GDP = Gross Domestic Product

CEX= Capital Expenditure

DEB = Debt

REX= Recurrent Expenditure

α =Intercept or Constant

β = Slope of the regression line with respect to the independent variables

μ=Error Term

3.5 Justification of Methods

The Ordinary Least Square (OLS) is appropriate because it is Best Linear Unbiased Estimation (BEST) method of regression. It is a statistical tool that measures cause-effect relationship between variables. Thus this study is on the effect of budget implementation on economic growth in Nigeria. Therefore, the study looked at the long and short run effect of budget implementation variables such as capital expenditure, debt and recurrent expenditure. Thus OLS is more appropriate. This method is considered simple and explicit as it tells how significant each of these budget implementation variables (capital expenditure, debt and recurrent expenditure) are to economic growth of Nigeria. This helps to draw a reliable and reasonable conclusion without much stress.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Data Presentation

Table 4.1 Data on Gross Domestic Product, Capital Expenditure and Recurrent Expenditure from 1981 to 2016

YEAR	GDP (N'B)	CEX (N'B)	REX (N'B)	DEB (N'B)
1981	144.83	6.57	4.85	11.19
1982	154.98	6.42	5.51	15.01
1983	163.00	4.89	4.75	22.22
1984	170.38	4.10	5.83	25.67
1985	192.27	5.46	7.58	27.95
1986	202.44	8.53	7.70	28.44
1987	249.44	6.37	15.65	36.79
1988	320.33	8.34	19.41	47.03
1989	419.20	15.03	25.99	47.05
1990	499.68	24.05	36.22	84.09
1991	596.04	28.34	38.24	116.20
1992	909.80	39.76	53.03	177.96
1993	1259.07	54.50	136.73	273.84
1994	1762.81	70.92	89.97	407.58
1995	2895.20	121.14	127.63	477.73
1996	3779.13	212.93	124.49	419.98
1997	4111.64	269.65	158.56	501.75
1998	4588.99	309.02	178.10	560.83
1999	5307.36	498.03	449.66	794.81
2000	6897.48	239.45	461.60	898.25
2001	8134.14	438.70	579.30	1,016.98
2002	11332.25	321.38	696.80	1,166.00
2003	13301.56	241.69	984.30	1,329.68
2004	17321.30	351.30	1032.70	1,370.33
2005	22269.98	519.50	1223.70	1,525.91
2006	28662.47	552.39	1290.20	1,753.26
2007	32995.38	759.32	1589.27	2,169.63
2008	39157.88	960.89	2117.36	2,320.31
2009	44285.56	1152.80	2127.97	3,228.03
2010	54612.26	883.87	3109.38	4,551.82

2011	62980.40	918.55	3314.51	5,622.84
2012	71713.94	874.83	3325.16	6,537.53
2013	80092.56	1108.39	3689.06	7,118.98
2014	89043.62	783.12	3426.90	7,904.02
2015	94144.96	818.37	3831.95	8,837.00
2016	67984.20	1807.6	2650.10	11,058.20

Source: Federal ministry of finance, Office of the Accountant General of the Federation and Central Bank of Nigeria

4.2 Data Analysis

Table 4.2 Descriptive Statistics

	CEX	DEB	GDP	REX
Mean	400.7278	2013.469	21462.68	1026.116
Median	255.6700	677.8200	4948.175	313.8800
Maximum	1807.600	11058.20	94144.96	3831.950
Minimum	4.100000	11.19000	144.8300	4.750000
Std. Dev.	441.2574	2914.610	29302.68	1297.902
Skewness	1.167396	1.677383	1.251488	1.035008
Kurtosis	3.984498	4.722707	3.167655	2.548309
Jarque-Bera	9.630741	21.33326	9.439489	6.733492
Probability	0.008104	0.000023	0.008917	0.034502
Sum	14426.20	72484.89	772656.5	36940.16
Sum Sq. Dev.	6814784.	2.97E+08	3.01E+10	58959273
Observations	36	36	36	36

Source: Eviews 9.0

This table presents the descriptive statistics for both the dependent and explanatory variables of the study that is Gross Domestic Product, Capital Expenditure, Debt and Recurrent Expenditure. The number of observations for the study reflects a value of 36 indicating that the number of observation for the study is made up of a period of 36years (1981-2016). The table also shows the mean of Gross Domestic Product, Capital

Expenditure, Debt and Recurrent Expenditure as 21462.68, 400.7278, 2013.469 and 1026.116 respectively. While the maximum values of GDP, CEX, DEB and REX are 94144.96, 1807.600, 11058.20 and 3831.950 respectively, with minimum values as 144.8300, 4.100000, 11.19000 and 4.750000 in the same arrangement.

Table 4.3 Unit Root Test

Group unit root test: Summary
Series: CEX, DEB, GDP, REX
Date: 12/15/17 Time: 20:37
Sample: 1981 2016
Newey-West automatic bandwidth selection and Bartlett kernel

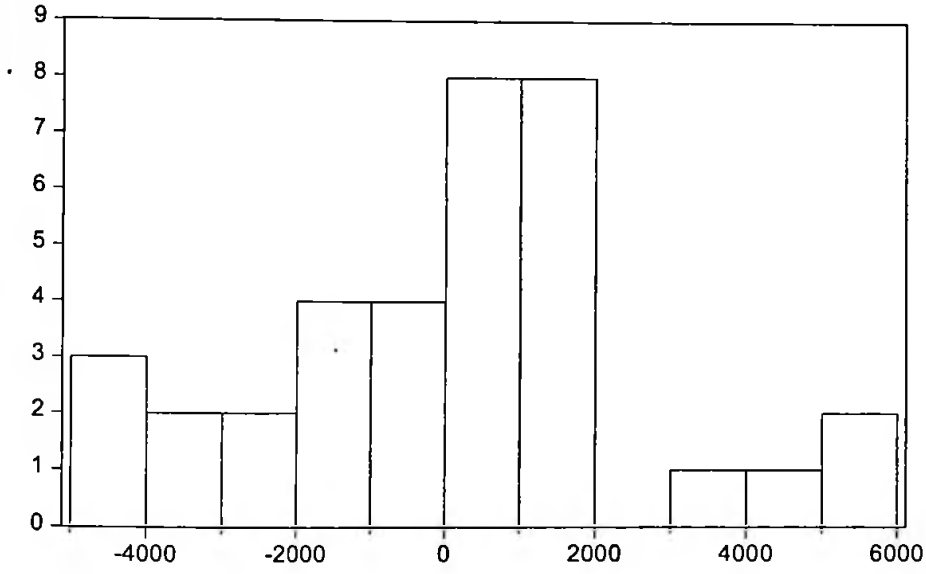
Method	Statistic	Prob.**	Cross-sections	Obs
Null: Unit root (assumes individual unit root process)				
Im, Pesaran and Shin W-stat	-2.33617	0.0097	4	108
ADF - Fisher Chi-square	26.0850	0.0010	4	108
PP - Fisher Chi-square	65.4089	0.0000	4	132

** Probabilities for Fisher tests are computed using an asymptotic Chi
-square distribution. All other tests assume asymptotic normality.

Source: Eviews 9.0

From the group unit root table, the series GDP, CEX, DEB and REX were not stationary at conventional level. However, it was stationary at first difference level. The Im, Pesaran and Shin W-stat, ADF – Fisher Chi-square and PP – Fisher Chi-square all has statistic values of -2.33617, 26.0850 and 65.4089 respectively. With their associated p-value (for a test with 108 observations) of 0.0097, 0.0010 and 0.0000 respectively. Therefore, we reject the null at first difference test.

Table 4.4 Normality Test



Series: Residuals	
Sample 1982 2016	
Observations 35	
Mean	5.81e-13
Median	488.3282
Maximum	5483.872
Minimum	-4768.063
Std. Dev.	2459.563
Skewness	0.155885
Kurtosis	2.977061
Jarque-Bera	0.142517
Probability	0.931221

Source: Eviews 9.0

The histogram indicates that the data is skewed denoting that, the data are normal. This is corroborated by the Jarque-Berra Statistic of 0.142517 and its corresponding P-value of 0.931221 which is greater than the t-value of 0.05.

Table 4.5 Serial correlation Test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	8.991849	Prob. F(2,29)	0.0009
Obs*R-squared	13.39676	Prob. Chi-Square(2)	0.0012

Source: Eviews 9.0

The Breusch-Godfrey Serial Correlation LM Test indicates that, there is no autocorrelation. This is given by the F-statistic of 8.991849 and its corresponding P-value of 0.0009, and corroborated by observed Rsquared of the auxiliary regression P-value of 0.0012.

Table 4. 6 Heteroskedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	3.471386	Prob. F(3,31)	0.0278
Obs*R-squared	8.801231	Prob. Chi-Square(3)	0.0321
Scaled explained SS	6.825286	Prob. Chi-Square(3)	0.0777

Source: Eviews 9.0

The Breusch Pegan Test of Heteroskedasticity given the F-statistics 3.471386 and its corresponding P-value of 0.0278 indicates that there is no problem of heteroskedasticity and this is corroborated by observed Rsquared of the auxiliary regression P-value of 0.0321.

Table 4.7 Regression Analysis

Dependent Variable: GDP
Method: Least Squares
Date: 12/15/17 Time: 20:45
Sample (adjusted): 1982 2016
Included observations: 35 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1134.161	629.6172	-1.801350	0.0814

CEX	4.588944	2.205716	2.080478	0.0276
REX	7.013751	2.331233	3.008602	0.0052
DEB	-7.260036	0.883884	8.213788	0.0000

R-squared	0.992608	Mean dependent var	20133.50
Adjusted R-squared	0.991893	S.D. dependent var	28608.18
S.E. of regression	2575.827	Akaike info criterion	18.65294
Sum squared resid	2.06E+08	Schwarz criterion	18.83069
Log likelihood	-322.4264	Hannan-Quinn criter.	18.71430
F-statistic	1387.659	Durbin-Watson stat	1.949773
Prob(F-statistic)	0.000000		

Source: Eviews 9.0

The Regression table reveals a statistically significant relationship between GDP, CEX, REX and DEB. The estimate of this equation reveals a negative intercept which stands at -1134.161. This implies that when CEX, REX and DEB are zero, GDP would stand at -1134.161. The slope of the estimated model shows a positive and statistically significant relationship between CEX and GDP, with its value being 4.588944; and a p-value of 0.0276, any 1 unit change in CEX would cause GDP to change by 4.588944 units in the same direction. Since the p-value is less than 0.05, which is the accepted level of significance for this research, the researcher hereby rejects H_{0I}. Therefore, capital expenditure has significant relationship with Gross Domestic Product in Nigeria. Also REX and GDP exert a positive and significant relationship, with its value being 7.013751, and a p-value of 0.0052, any 1 unit change in REX would cause GDP to change by 7.013751 units in the same direction. Since the p-value is less than 0.05, which

is the accepted level of significance for this research, the researcher hereby rejects H_{02}. Therefore, recurrent expenditure of Nigeria has significant effect on its Gross Domestic Product. While DEB and GDP exert a negative and significant relationship, with its value being -7.260036, and a p-value of 0.0000, any 1 unit change in DEB would cause GDP to change by -7.260036 units in the same direction. Since the p-value is less than 0.05, which is the accepted level of significance for this research, the researcher hereby rejects H_{03}. Therefore, debt of Nigeria has significant relationship with its Gross Domestic Product.

Finally, the test of goodness of fit reveals that the estimated relation has a good fit. While both the R^2 and adjusted R^2, which stand at 99% and 99% respectively, revealed that about 99% of total variations in economic growth is explained by variations in public expenditure; the f-statistic, which reveals the joint significance of all estimated parameters in predicting the values of GDP, is statistically significant with a value of 1387.659 and a p-value of 0.0000. The implication of the above is therefore that a nation needs to take the issue of budget implementation very seriously.

4.3 Discussion of Findings

From the table 4.1 above Gross Domestic Product (GDP) continue to increase from 1981 with N144.83 billion to 2015 with N94, 144.96 billion, until 2016 when GDP fall to N67, 984.20 billion. This could be as a result of recession swamped into in the second quarter of 2016.

Investment in Capital expenditure continues to go up and down from N6.57bilion in 1981 to N6.42 billion in 1982, N5.46 billion in 1985 down to 1987 with N6.37billion. However, the Nigerian government investments in capital expenditure continue to increase between 1987 with N6.37billion to 1999 with N498.03billion. The capital expenditure continue to sway again between 2000 with N239.45billion to 2003 with N241.69billion, however a steady state of increase was experienced between 2004 with N351.30 billion to 2009 with N1152.80 billion. And swing between 2010 with N883.87 billion to N918.55 billion in 2011 and N874.83 billion in 2012 down to N1807.6 billion in 2016. The continuous swing in capital investment could be as a result of political instability and various decisions made by different government.

The Recurrent expenditure also fluctuates between 1981 with N4.85 billion and 1984 with N5.83 billion, in the same vein a swing between 1993 with N136.73 billion and 1996 with N124.49 billion and 2015 with N3831.95 billion to 2016 with 2650.10. While there was a steady increase in recurrent expenditure between 1984 with N5.83 billion to 1993 with N136.73 billion, also between 1996 with N124.49 billion and 2015 with N3831.95 billion. This could be as a result of continuous increase in government parastatal and personnel.

The Debt on the other hand continues to increase from 1981 which is N11.19 billion to 1995 that is N477.73 billion. However, there was a drop in the debt of Nigeria in 1996 with N419.98, while there was a steady increase in debt between 1996 with N419.98 billion to 2016 with N11, 058.20billion. This could be as a result of continuous increase

in government parastatal and personnel expenditure. Also the level of corruption by top government officials is another issue that keeps increasing the debt of the nation.

From table 4.7, the slope of the estimated model shows a positive and statistically significant relationship between CEX and GDP, with its value being 4.588944, and a p-value of 0.0276, any 1 unit change in CEX would cause GDP to change by 4.588944 units in the same direction. Also REX and GDP exert a positive and significant relationship, with its value being 7.013751, and a p-value of 0.0052, any 1 unit change in REX would cause GDP to change by 7.013751 units in the same direction. This is not surprising as recurrent expenditure has increased steadily over a long period of time and reflects on economic growth of Nigeria. While DEB and GDP exert a negative and significant relationship, with its value being -7.260036, and a p-value of 0.0000, any 1 unit change in DEB would cause GDP to change by -7.260036 units in the same direction. This could be as a result of the continuous increase in debt, therefore increasing debt serving likewise which has reduced money that ought to be use for investment.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

This study examines effect of budget implementation on the economic growth of Nigeria. The objectives of this study were threefold: To examine the relationship between capital expenditure and Gross Domestic Product of Nigeria; To determine the relationship between recurrent expenditure and Gross Domestic Product of Nigeria and to ascertain the relationship between debt and Gross Domestic Product of Nigeria. Specific questions were raised in line with the objectives such as; what is the relationship between capital expenditure and Gross Domestic Product (GDP) of Nigeria; what is the relationship between recurrent expenditure and Gross Domestic Product (GDP) of Nigeria and what is the relationship between debt and Gross Domestic Product (GDP) of Nigeria.

This research has highlight and recommend feasible, practicable and workable solution to problems associated with budget implementation; this will go a long way in achieving the desire economic growth. The study also provide a clear insight for macroeconomic policy makers to know the implication of several policies that pertains specifically to debt service, capital budget and recurrent budget on the nation's economy through its findings. In other words, the study will provide policy recommendations based on its findings which will serve as a reliable basis for the government to know the precise policies that is favorable to the country. This research

work will benefit international organizations such as World Bank, International Monetary Fund (IMF), Paris club etc. who from time to time loan and support Nigerian government financially and advice on the way forward for economy growth of Nigeria, especially on overcoming monetary challenges and to maintain a stable international financial system. This study will also serve as a fore knowledge to the legislature on budget implementation by the executive in other to know if it is in line with the appropriation act.

This study covers a time frame of thirty six (36) years from 1981 to 2016. Causal research design that attempt to explore cause and effect relationship through the use of an already existing data. Data were collected from secondary sources and analysed with the aim of achieving the stated objectives. The Ordinary Least Squares Method of Regression was used with the aid of E-view to determine and analyze the effect of budget implementation on the economic growth of Nigeria.

Findings from the study show that economic growth in Nigeria is mainly influenced by capital expenditure, debt and recurrent expenditure. Macroeconomic policies on recurrent expenditure and capital expenditure are conducive. The negative but significant relation of the debt on economic growth suggests that there is continuous increase in government parastatal and personnel expenditure. Also the level of corruption by top government officials is another issue that keeps increasing the debt of the nation. There is a high concentration on recurrent expenditure at the expense of capital programmes that would naturally enhance economic growth and development.

The study observes the existence of relationship between economic growth and budget implementation. Thus budget implementation contributes to growth.

5.2 Conclusion

This research examined the effect of budget implementation on the growth of Nigerian economy. Existing literature shows that researchers are yet to reach a consensus about the effect of budget implementation on economic growth in Nigeria. Therefore, the effect is yet to be well established. This study has contributed to the research effort at empirical measure of the effect of budget implementation on economic growth. The relationship between budget implementation and growth is especially important for developing countries (like Nigeria), most of which have experienced decreasing levels of budget implementation over time. There is evidence that, unlike in the case of developed countries, debt is not negatively related with economic growth.

Data analysis revealed that a relationship exists between budget implementation and economic growth, and that while capital expenditure exerted positive effect on growth, and the result shows a positive and significant relationship between recurrent expenditure and Gross Domestic Product. Debt on the other hand has negative but significant relationship with gross domestic product.

Though the coefficient of capital expenditure shows positive relationship with gross domestic product at present but more money need to be spent in other for it to

translate to economic development, as the benefits of these expenses are not meant to be enjoyed in the immediate year but expected to have a multiplier effect over a long period of time. On the overview, the model was significant in the explanation of the behaviour of Nigerian economic growth and therefore implies that an appropriate budget implementation plan will increase the economic growth of the nation.

This supports the Keynesian (1936) view of government active intervention in the economy using various policy instruments. Also, as available CBN data on budget implementation and economic GDP exhibit increasing trend, the analysis equally supports the Wagner's (1813) postulate of Ever Increasing State Activity. Finding emerging from this research indicates that budget implementation has significant impact on the growth of the economy; hence, it justifies the assertion of the Wegner who uphold that good budget implementation can be treated as an outcome or an endogenous factor of the growth of economy and is in tandem with the findings of Olaoye (2016).

Consequently, this analysis supports growing evidence that budget implementation has a relationship with and exerts significant effect on economic growth. The study further concludes that the components of budget implementation considered in this study are important variables in explaining economic growth in Nigeria.

5.3 Recommendations

It is recommended that Nigeria should endeavor to include more capital expenditure in it government spending plan in other to speed record a yearly increase in the value of growth process that is brought about by the future effect of capital investment. It is advised that government debt should be strictly used for the reason why they are borrowed and not diverted to other unbudgeted projects, also the anti-graft agency should be encourage to carry out their work faithfully and diligently so as to put all government officials on their toes and not to embezzle government money. Apart from paper documentations, government should ensure effective implementation of budget by translating the budgeted amount into tangible assets such as good roads, infrastructures, electricity supply among others so that the ordinary citizen on the road can feel the impact of good governance. Finally, the government should also try to put in place effective machinery 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.

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Appendix I

Data on Gross Domestic Product, Capital Expenditure and Recurrent Expenditure from 1981 to 2016

YEAR	GDP (N'B)	CEX (N'B)	REX (N'B)	DEB (N'B)
1981	144.83	6.57	4.85	11.19
1982	154.98	6.42	5.51	15.01
1983	163.00	4.89	4.75	22.22
1984	170.38	4.10	5.83	25.67
1985	192.27	5.46	7.58	27.95
1986	202.44	8.53	7.70	28.44
1987	249.44	6.37	15.65	36.79
1988	320.33	8.34	19.41	47.03
1989	419.20	15.03	25.99	47.05
1990	499.68	24.05	36.22	84.09
1991	596.04	28.34	38.24	116.20
1992	909.80	39.76	53.03	177.96
1993	1259.07	54.50	136.73	273.84
1994	1762.81	70.92	89.97	407.58
1995	2895.20	121.14	127.63	477.73
1996	3779.13	212.93	124.49	419.98
1997	4111.64	269.65	158.56	501.75
1998	4588.99	309.02	178.10	560.83
1999	5307.36	498.03	449.66	794.81
2000	6897.48	239.45	461.60	898.25
2001	8134.14	438.70	579.30	1,016.98
2002	11332.25	321.38	696.80	1,166.00
2003	13301.56	241.69	984.30	1,329.68
2004	17321.30	351.30	1032.70	1,370.33
2005	22269.98	519.50	1223.70	1,525.91
2006	28662.47	552.39	1290.20	1,753.26
2007	32995.38	759.32	1589.27	2,169.63
2008	39157.88	960.89	2117.36	2,320.31
2009	44285.56	1152.80	2127.97	3,228.03
2010	54612.26	883.87	3109.38	4,551.82
2011	62980.40	918.55	3314.51	5,622.84
2012	71713.94	874.83	3325.16	6,537.53
2013	80092.56	1108.39	3689.06	7,118.98
2014	89043.62	783.12	3426.90	7,904.02
2015	94144.96	818.37	3831.95	8,837.00

2016	67984.20	1807.6	2650.10	11,058.20

Appendix II

Table 4.2 Descriptive Statistics

	CEX	DEB	GDP	REX
Mean	400.7278	2013.469	21462.68	1026.116
Median	255.6700	677.8200	4948.175	313.8800
Maximum	1807.600	11058.20	94144.96	3831.950
Minimum	4.100000	11.19000	144.8300	4.750000
Std. Dev.	441.2574	2914.610	29302.68	1297.902
Skewness	1.167396	1.677383	1.251488	1.035008
Kurtosis	3.984498	4.722707	3.167655	2.548309
Jarque-Bera	9.630741	21.33326	9.439489	6.733492
Probability	0.008104	0.000023	0.008917	0.034502
Sum	14426.20	72484.89	772656.5	36940.16
Sum Sq. Dev.	6814784.	2.97E+08	3.01E+10	58959273
Observations	36	36	36	36

Table 4.3 Unit Root Test

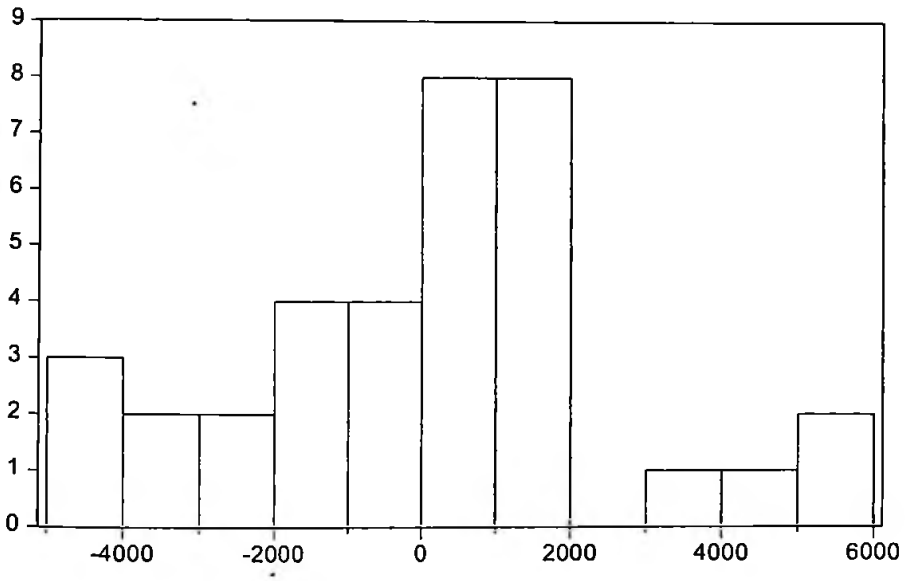
Group unit root test: Summary
Series: CEX, DEB, GDP, REX
Date: 12/15/17 Time: 20:37
Sample: 1981 2016
Newey-West automatic bandwidth selection and Bartlett kernel

Method	Statistic	Prob.**	Cross-sections	Obs
Null: Unit root (assumes individual unit root process)				
Im, Pesaran and Shin W-stat	-2.33617	0.0097	4	108
ADF - Fisher Chi-square	26.0850	0.0010	4	108
PP - Fisher Chi-square	65.4089	0.0000	4	132

** Probabilities for Fisher tests are computed using an

asymptotic Chi
-square distribution. All other tests assume asymptotic normality.

Table 4.4 Normality Test



Series: Residuals	
Sample 1982 2016	
Observations 35	
Mean	5.81e-13
Median	488.3282
Maximum	5483.872
Minimum	-4768.063
Std. Dev.	2459.563
Skewness	0.155885
Kurtosis	2.977061
Jarque-Bera	0.142517
Probability	0.931221

Table 4.5 Serial correlation Test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	8.991849	Prob. F(2,29)	0.0009
Obs*R-squared	13.39676	Prob. Chi-Square(2)	0.0012

Test Equation:
Dependent Variable: RESID

Method: Least Squares
Date: 12/16/17 Time: 10:34
Sample: 1982 2016
Included observations: 35
Presample missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	178.8709	513.4066	0.348400	0.7301
CEXD	-1.239454	2.818144	-0.439812	0.6633
REXD	0.114384	2.047049	0.055877	0.9558
DEBD	0.088734	0.808253	0.109785	0.9133
RESID(-1)	0.660085	0.198500	3.325369	0.0024
RESID(-2)	-0.058440	0.233743	-0.250018	0.8043

R-squared	0.382765	Mean dependent var	5.81E-13
Adjusted R-squared	0.276345	S.D. dependent var	2459.563
S.E. of regression	2092.300	Akaike info criterion	18.28472
Sum squared resid	1.27E+08	Schwarz criterion	18.55135
Log likelihood	-313.9826	Hannan-Quinn criter.	18.37676
F-statistic	3.596739	Durbin-Watson stat	1.949773
Prob(F-statistic)	0.011852		

Table 4. 6 Heteroskedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	3.471386	Prob. F(3,31)	0.0278
Obs*R-squared	8.801231	Prob. Chi-Square(3)	0.0321
Scaled explained SS	6.825286	Prob. Chi-Square(3)	0.0777

Test Equation:
Dependent Variable: RESID^2
Method: Least Squares
Date: 12/16/17 Time: 10:37
Sample: 1982 2016
Included observations: 35

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1852183.	1856763.	0.997533	0.3262
CEXD	13670.24	10043.58	1.361093	0.1833
REXD	854.6079	6874.887	0.124309	0.9019
DEBD	-992.2223	2606.605	-0.380657	0.7061

R-squared	0.251464	Mean dependent var	5876611.
Adjusted R-squared	0.179025	S.D. dependent var	8383619.
S.E. of regression	7596203.	Akaike info criterion	34.63141
Sum squared resid	1.79E+15	Schwarz criterion	34.80916
Log likelihood	-602.0496	Hannan-Quinn criter.	34.69277
F-statistic	3.471386	Durbin-Watson stat	2.329362
Prob(F-statistic)	0.027761		

Table 4.7 Regression Analysis

Dependent Variable: GDP
Method: Least Squares
Date: 12/15/17 Time: 20:45
Sample (adjusted): 1982 2016
Included observations: 35 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1134.161	629.6172	-1.801350	0.0814
CEX	4.588944	2.205716	2.080478	0.0276
REX	7.013751	2.331233	3.008602	0.0052
DEB	-7.260036	0.883884	8.213788	0.0000

R-squared	0.992608	Mean dependent var	20133.50

Adjusted R-squared	0.991893	S.D. dependent var	28608.18
S.E. of regression	2575.827	Akaike info criterion	18.65294
Sum squared resid	2.06E+08	Schwarz criterion	18.83069
Log likelihood	-322.4264	Hannan-Quinn criter.	18.71430
F-statistic	1387.659	Durbin-Watson stat	1.949773
Prob(F-statistic)	0.000000		