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THE IMPACT OF FISCAL POLICY ON THE ECONOMY OF NIGERIA (1994 AND 2014)

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ABSTRACT: *The study empirically examined the impact of fiscal policy on the economy of Nigeria between 1994 and 2014. Secondary method of data collection was used to generate data for this study and the sources of the data included annual reports /accounts and CBN statistical bulletin (2015). Multiple regression of ordinary least square estimation was the tool used to analyse the data in this study. In the model, real GDP (as dependent variable) was regressed on capital expenditure, recurrent expenditure, tax revenue and external debts. The study has revealed, that there exists no significant relationship between capital expenditure, recurrent expenditure, tax revenue and the real GDP representing the economy. However, the study found a significant negative relationship existing between external debts and the real GDP. This supports the Keynesian view of government active intervention in the economy using appropriate various policy instruments. The study therefore recommends that: Government should use fiscal policy to complement the adoption of effective monetary policy and maintain the rule of law to promote stability in the Nigerian economy. Government should ensure that capital expenditure and recurrent expenditure are properly managed in a manner that it will raise the nation's production capacity and accelerate economic growth even as it reduces external borrowing.*

KEYWORDS: Fiscal Policy, Capital Expenditure, Recurrent Expenditure, Real GDP, Nigerian Economy

INTRODUCTION

Advocates of government intervention in economic activity maintain that such intervention can spur long term growth. They cite government's role in ensuring efficiency in resource allocation, regulation of markets, stabilization of the economy, and harmonization of social conflicts as some of the ways in which government could facilitate economic growth. In the context of endogenous growth, government role in promoting accumulation of knowledge, research and development, productive public investment, human capital development, law and order can generate growth both in the short- and long-run [Osuala & Jones, (2014), Success, Success & Ifurueze, (2012), Okafor, (2012), Rena, R. (2011)]. Opponents hold the view that government operations are inherently bureaucratic and inefficient and therefore stifle rather than promote growth. It seems then that as to whether government's fiscal policy stimulates or stifles growth remains an empirical question. Even so, the existing empirical findings are mixed, with some researchers finding the relationship between fiscal policy and growth either positive, negative, or indeterminate.

Nations the world over device comprehensive strategies directed towards attainment of distinctive national goals. The transformation agenda of the present government is one of such

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steps. Nigeria has always witnessed well-articulated economic and social reforms intended to launch the nation on the path of meaningful development, (Abdul-Rahamoh, Taiwo &. Adejare, 2013). The problem with past governments in Nigeria has always been non achieving of the required results. However, results can only be achieved when the vision is clear to all, the goals are broken down into simple manageable success milestones and responsibility delegated on the basis of competence and result periodically reviewed and laced with implementable fiscal policy framework, (Babalola & Aminu, 2011). The transformation Agenda is achievable only if we can break from the past and chart a new course in the implementation process more especially as it concerns fiscal policy management. We must realize that the primary goal of governance is to ensure that the services of a state are properly harnessed towards achieving an optimal quality of life for the people derived from the most feasible outcome of real gross domestic products' measurement in Nigeria otherwise called good economy.

The main objective of this study to examine the impact of fiscal policy on the Nigerian economy. The study hopes to shed some useful light by considering the effects of various public expenditure and taxation components on growth. Economic theory tells us that the nature of the tax regime can harm or foster growth. A regime that causes distortions to private agents' investment incentives can retard investment and growth. The same applies with the nature of government expenditure: excessive spending on consumption at the expense of investment is likely to deter growth and *vice versa*.

Objectives of the Study

The purpose of this research is to examine the impact of fiscal policy on the Nigerian economy (1994-2014). In pursuit of the above, the specific objectives this study seeks to achieve include:

1. To determine the extent to which capital expenditure affects the growth of the Nigerian economy as represented by the real GDP (1994-2014).
2. To assess the extent to which current expenditure affects the growth of the Nigerian economy as represented by the real GDP (1994-2014).
3. To evaluate the extent to which tax revenue affects the growth of the Nigerian economy as represented by the real GDP (1994-2014).
4. To appraise the extent to which external debts affects the growth of the Nigerian economy as represented by the real GDP (1994-2014).

Research Questions

To achieve the above objectives, the following research questions have been raised:

1. To what extent does capital expenditure affect the growth of the Nigerian economy as represented by the real GDP (1994-2014)?
2. To what extent does current expenditure affect the growth of the Nigerian economy as represented by the real GDP (1994-2014)?
3. To what extent does tax revenue affect the growth of the Nigerian economy as represented by the real GDP (1994-2014)?

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4. To what extent do external debts affect the growth of the Nigerian economy as represented by the real GDP (1994-2014)?

Research Hypotheses

The following research hypotheses have been formulated for testing this study:

Ho1: There is no significant relationship between capital expenditure and growth of the Nigerian economy as represented by the real GDP (1994-2014).

Ho2: There is no significant relationship between current expenditure and the growth of the Nigerian economy as represented by the real GDP (1994-2014)Ho3: There is no significant relationship between tax revenue and the growth of the Nigerian economy as represented by the real GDP (1994-2014)

Ho4: There is no significant relationship between external debts and the growth of the Nigerian economy as represented by the real GDP (1994-2014)

REVIEW OF ELATED LITERATURE

Conceptual Framework

Fiscal policy is undoubtedly one of the most important tolls used by government to achieve macroeconomic stability of the economy of most developing countries (Ihendinihu, Jones & Ibanichuka, 2014)). Therefore, the attempt to empirically test the efficacy of monetary and fiscal policy in an economy dates back to the pioneering studies of Friedman and Easterly and Rebelo, (1993) empirically investigated the responsiveness of general price level on economic activity represented by aggregate consumption to change in money supply and autonomous government expenditure using ordinary simple linear regression model to estimate the US data from 1897-1957. In their conclusion, they found out that a stable and predictable casual relationship existed between demand and money supply while no such significant relationship was observed for government expenditure (Abdul-Rahamoh, Taiwo &. Adejare, 2013). Hence, there was a stable aggregate and money supply for the period. According to Ogbonna & Appah (2012), in his article unit root of variables tests confirm that the model assumed the irrelevance of anticipated monetary policy for short-run deviations of domestic output from its natural level. Therefore, only the unanticipated components of external price changes in the level of external economic activity leads to the deviation of domestic output from natural and observed that monetary tightening once anticipated in an economy would have no effect on real domestic output in the short-run. Also, Okafor, (2012) in his study "Tax Revenue Generation and Nigeria Economic Development" analyzed the monetary and fiscal policy implication Nigeria's full employment level. However, on the other hand, all the fiscal variables significantly reduced unemployment in Nigeria. This except one was highly significant in reducing the level of unemployment generation in Nigeria than monetary policy measure. Also, Ajisafe folorunso (2001) in their study found out that monetary policy rather than fiscal policy exerts a great influence on economic activity in Nigeria. They therefore observed that the emphasis of government fiscal actions on the economy has led to a greater distortion of the Nigerian economy. Appah, (2010) in his study, 'The Relationship between fiscal policy and Economic growth in Nigeria (1991–2005)' also confirms that the

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growth of financial aggregates in real terms have positive impact on economic growth of development countries, irrespective of the level of economic development attained.

Theoretical Framework

The macroeconomic effectiveness of fiscal policy to stabilize business cycles is ultimately determined by the magnitude of its effect on output. However, Bakare, (2010) opines that the theoretical literature is inconsistent with regards to the true effects of fiscal policy on the real economy. The literature is generally divided along two major schools of economic thought. More specifically, the effects of fiscal policy on aggregate demand can be described as having either non-Keynesian or Keynesian effects. Essentially, non-Keynesians argue that, given flexible prices and a constant money supply, an increase in real government expenditure, financed either by taxes or bonds, crowds out the private sector and results in little, if any, increase in total spending. Proponents argue that an increase in government spending, financed by either taxes or domestic debt, merely constitutes a resource transfer from the private sector to Government and results in a lower stock of productive capital in the long-run, (Bhatia, 2008). Thus, an increase in deficit-driven spending by the public sector leads to a displacement of private expenditure and does not result in an increase in aggregate demand. This, as posited by Medee & Nenbee, (2011) implies that the steady-state government spending multiplier is near zero as increases in government demand erase an almost equal amount of private demand. Classical doctrines emphasise that effective demand could not be deficient or excessive (Musgrave & Musgrave, 2004). Thus, any incremental increase in deficit-driven government spending only results in changes in relative prices, causing a re-distribution of the same level of real output. This view is embodied in Say's Law, which posits that 'supply creates its own demand' for the production of all goods and services in the economy (Keynes, 1998). In a market economy, the aggregate supply of goods and services is determined strictly by supply side factors such as (i) the behaviour of profit maximising producers, (ii) competitive labour markets, (iii) the existing stock of capital goods and (iv) the state of technology (Musgrave & Musgrave, 2004). In conventional neo-classical models, such as those of Robert Solow (1956), the natural growth rate of the economy does not depend on the rate of capital accumulation (like in Keynesian models), but rather on the growth rate of the labour force and the state of technology. Thus, fiscal policy can only affect the rate of growth on the transitional growth path that is associated with movement from an initial capital stock towards the 7 steady state. In other words, fiscal policy can only affect the level of output in the economy and can hardly influence its steady state growth rate (Easterly and Rebelo, 1993). The method of financing an increase in government spending plays a key role in determining the channel of the crowding-out effects (Spencer and Yohe, 1970). A debt financed increase in government expenditure may indirectly lead to a contraction in private consumption and investment through three price channels, that is, (i) real interest rates, (ii) real wages and (iii) price levels. In a closed economy, a debt-financed increase in government expenditure may have the indirect consequence of increasing domestic interest rates, barring any counteractive monetary policy measures. Higher interest rates would reduce private consumption as savings rates rise and lower private investments as the marginal efficiency of capital assets falls owing to higher capital costs (Keynes, 1998). Meanwhile, an increase in government expenditure on labour could drive up real wages which would, in turn, result in a contraction in private employment (Musgrave & Musgrave, 2004). Furthermore, additional government spending could drive up the prices of goods and services in markets they compete in, displacing real private spending that would have otherwise occurred. On the other hand, a tax-financed increase in government expenditure is believed to displace or substitute private consumption (Carlson and Spencer, 1975). Under

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this view, an increase in taxes forces the private sector to forego present consumption, while saving rates remain constant. As a consequence, the increase in government consumption that is financed by additional taxation merely substitutes for private consumption. Thus, a tax-financed increase in government spending has no effect on total spending. 8 Under an alternative framework, the Ricardian equivalence theorem holds that budget deficits and taxation have equivalent effects on the economy. It stresses that a cut in current taxes to stimulate aggregate spending leads to higher future taxes that have the same present value as the initial tax cut to meet future debt service payment costs (Barro, 1989). Thus, a decrease in public savings is matched by an increase in private savings and results in no change in national savings. Barro (1974, p. 1116) argues that "fiscal effects involving changes in the relative amounts of tax and debt finance for a given amount of public expenditure would have no effect on aggregate demand, interest rates, and capital formation". Ironically, Keynes (1998) provided other reasons why an expansionary fiscal programme may retard private investment. He noted that in an economic climate where there is some form of 'confused psychology', a fiscal expansion may adversely affect the 'confidence' of the private sector, which then leads to an increase in liquidity preference or diminishes the marginal efficiency of capital without monetary policy intervention. He also recognized that part of any increase in net public investment spending would be lost to the rest of the world in an open economy. Furthermore, Keynes (1998) suggested that the marginal propensity to consume is not homogenous across 'all levels of employment' such that as a 'rule' the marginal propensity to consume falls as real income rises. Since a large portion of any increase in aggregate income would accrue to the entrepreneurial class, who have a lower marginal propensity to consume than the rest of the 'community', the fiscal multiplier would have a weaker effect, following an increase in government spending. By contrast, Keynes (1935) urged the use of fiscal policy to stabilise fluctuations in aggregate income during downturns. Keynes (1998) argued that governments should 9 increase deficit spending and lower taxes to boost effective demand during recessions. Thus, Keynesian economics emphasise that an increase in deficit spending during recessionary times leads to an increase in aggregate demand and a reduction in unemployment. The Keynesian multiplier process predicts that an increase in government expenditure or a decrease in the tax rate leads to repeated rounds of increased spending by the private sector, resulting in an expansion of total spending. The increase in aggregate spending over time should be at least equal to the initial increase in net investment. Thus, when there is an incremental increase in government spending during a period of economic slack, aggregate income is expected to rise by an amount that is larger than the size of the initial increment of government spending. Furthermore, the size of fiscal multipliers is believed to be even larger during recessionary times, especially when monetary policy rates reached their lower bound; see for example, Auerbach and Gorodnichenko, (2011).

Theory of Laffer Curve

This theory was propounded by Professor Arthrun Latter; the theory explains the theoretical representation of the relationship between government revenue raised by taxation and all possible rates of taxation. The theory demonstrated with a curve (i.e. the laffer curve) which was constructed by though experiment.

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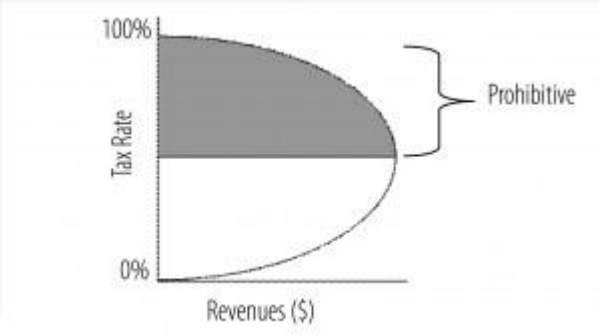

It considers the amount of tax revenue raised at the extreme tax rate of 0% and 100%, he concluded that a 100% tax rate raises no revenue in the same way that a 0% tax rate raises no revenue. This is because, at 100% rate, there is no longer incentive for a rational taxpayer to earn ay income, thus, the revenue raised will be 100% of nothing. It follows that there must exist at least one rate in between where tax revenue would be a maximum. Laffer attributes the concept to Ibn Khaldun and Keynes (1998). one potential result of this theory is that, increasing tax rate beyond a certain point will become counter-productive for raising further tax revenue because of diminishing returns (Laffer 2004).

a) Ibn Khaldun's Theory of Taxation

This theory was explained in term of two different effects, the arithmetic effect and the economic effect which the VAT rate have on revenue. The two effects have opposite result on revenue in case the VAT rate are increased or decreased. According to the Arithmetic effect, if VAT rates are lowered, the VAT revenue will be lowered by the amount of the decrease in the rate. The reverse is the case for an increase in VAT rates (Ishlahi, 2006).

The economic effect however, recognized the

positive impact that lower VAT rate have on work, output and employment and thereby the tax base by providing incentives to increase these activities whereas raising VAT rate has the opposite economic effect by penalizing participation in the taxed activities. At a very high VAT

Empirical Literature

Many studies of the relationship between fiscal policy and growth were conducted before the relevant endogenous growth models were developed, i.e. from the early 1980s. For example, Landau (1983) using cross-sectional data from 104 countries found a negative relation between public consumption as share of GDP and growth per capita using Summers-Heston data, while Kormendi-Meguire (1985) using cross-section/timeseries data for 47 countries found no statistically significant relation of the same variables for the post-World War II period. Barro (1989), with data from 98 countries in the post World War II period, found that government consumption decreases per capita growth, while public investment does not affect growth. Levine-Renelt (1992) found that most results from earlier studies on the relationship between long-run growth and fiscal policy indicators are fragile to small changes in the conditioning set. In the next generation of studies, Halkos and Paizanos (2015) (ER from now on) used cross-section data for 100 countries for 1970-1988 and panel data for 28 countries for 1870-1988. They found that public transportation, communication and educational investment are positively correlated with growth per capita and aggregate public investment is negatively

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correlated with growth per capita, although they admitted that many fiscal policy variables are highly correlated with initial income levels and fiscal variables are potentially endogenous. Cashin (1995) estimated a positive relationship between government transfers, public investment and growth and a negative one between distortionary taxes and growth from panel data for 23 developed countries between 1971 and 1988. Devarajan et al (1996) showed that public current expenditures increase growth, whilst government capital spending decreases growth in 43 developing countries 5 over 1970-1990. Kneller et al. (1999, 2001) showed that the biases related to the incomplete specification of the government budget constraint present in previous studies (see section 2 above) are significant and after taking them into account, they found for a panel of 22 OECD countries for 1970-1995 that: (1) distortionary taxation hampers growth, while non-distortionary taxes do not; (2) productive government expenditure increases growth, while non-productive expenditure does not; (3) long-run effects of fiscal policy are not fully captured by five-year averages commonly used in empirical studies. Poot (2000) in a survey of published articles in 1983-1998 did not find conclusive evidence for the relationship between government consumption and growth, while he found empirical support for the negative effect of taxes on growth. Also, he reported a positive link between growth and education spending, while the evidence on the negative growth impact of defense spending is moderately strong. Finally, Poot presented evidence of a robust positive association of infrastructure spending and growth. Easterly (2005) found a significant growth effect of budget balance, which disappeared when extreme observations were excluded from the analysis. It therefore seems that there is widespread non-robustness of coefficient signs and statistical significance even within similar specifications for similar variables. There are some possible explanations for these differences. The most important, in our opinion, is the absence of a generally accepted theoretical framework to guide the empirical research (Galor, 2005). This framework would pin down the most important determinants of growth, being fiscal policy variables or not. If such a framework were available, we could test the statistical significance of the postulated fiscal and non-fiscal determinants of growth and avoid the omitted variable bias that empirical results possibly suffer. Another issue is the inappropriate classification of some expenditure types as productive/unproductive, a question over which there is some debate in theoretical literature (Appah, 2010). Another problem of most empirical studies of growth and fiscal policy concerns the misspecification of the growth equation in relation to the government budget constraint (for details refer to Section 2 of the paper). In addition, existing empirical studies on fiscal policy and growth differ in terms of countries included in the sample, period/method of estimation and measures of public sector activity. Data quality is also a problem since, for example, various countries have different conventions for the measurement of public sector size and there are limited data 6 at the required level of disaggregation, implying measurement errors. Also, the dynamic effects of fiscal policy are either ignored completely or not modeled carefully in existing empirical work, i.e. not sufficient attention is paid on distinguishing the transitional from the long-run effects of fiscal policy. Moreover, even if there is correlation between explanatory variables and the rate of growth, the direction of causation is not clear (Wagner's law). Besides these, there might be correlation of fiscal variables with initial GDP (Easterly-Rebello, 1993). Furthermore, the linear structure imposed on most empirical models is convenient but not necessarily realistic and consistent with the underlying theory (Halkos and Paizanos (2015). In addition, examination of the sample searching for outliers as well as testing for parameter heterogeneity is not conducted in most studies. Other potential problems include serial correlation in the error terms. In our work, we take some of the above problems into account and refine existing research, disaggregating government spending and revenue, searching for evidence that is robust to changes in specification and estimation method.

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Osuala & Jone (2014) in their "Empirical Analysis of the Impact of Fiscal Policy on Economic Growth of Nigeria" found that about 68.5% of the total variation in real gross domestic product was as a result of variation in the independent variables namely: Federal government non-oil taxes; federal government recurrent expenditure; federal government capital expenditure and federal government total debt defined as domestic and foreign borrowings, included in the model. They further revealed that there is evidence of long run equilibrium relationship between fiscal policy and economic growth in Nigeria. However, Bergh and Ohrn (2011) suggest that these estimates are driven by the unique dataset and specification used4 . Finally, several 4 For details see Bergh and Henrekson (2011). Also, Osuala & Jone (2014) opined that specific fiscal policy variables that have significant impact on economic growth in Nigeria are government recurrent and capital expenditures while non-oil taxes and government total debts have no significant relationship. They maintained that only capital expenditure has short run equilibrium relationship with economic growth. Finally, Koester and Kormendi (1989) reported that marginal tax rates have a significant negative relationship with the level of per capita GDP only and not with economic growth. Factors that influence the effect of government size on economic growth Many studies have stressed the role of a number of factors that can influence the magnitude and significance of the effect of government size on economic growth. Concluding remarks

The empirical evidence in the literature regarding the relationship between government size and economic growth remains indeterminate. As Angelopoulos et al. (2008) point out this ambiguity may be attributed to the omission from the analysis of several elements that shape the government size-growth relationship, such as the efficiency of the public sector. Therefore, future research on this relationship should consider in more detail such interrelationships. A limitation in this field is the lack of data on the composition of government expenditure for a large sample of countries and for a long period of time. In addition, it is likely that the size of government expenditure and its composition are associated with key aspects of the quality of growth, such as income inequality and environmental sustainability (Lopez et al., 2010; Halkos and Paizanos, 2015). For example, 8 The finding that the tax multiplier is greater than the government expenditure multiplier is reported in a growing number of recent studies. For example, Ramey (2011) reported that the government expenditure multiplier in the U.S. economy is 1.4, while in a related study Romer and Romer (2009) found that a reduction of tax revenues by $1 increases GDP by $3. Contrary to that, according to the January 2009 Council of Economic Advisers of the U.S. government, an extra dollar of government spending raises GDP by $1.57, while a dollar of tax cuts raises GDP by only 99 cents (Mankiw, 2009). 26 Halkos and Paizanos (2013) have argued that in order to capture the total effect of government expenditure on the environment, the analysis should be conducted in a joint framework with two other bodies of literature, namely the literature linking fiscal policy to economic performance, as well as the literature on the growth-pollution relationship. In the literature there is a lack of theoretical models that examine the underpinnings of the relationship between fiscal policy, output and aspects of growth quality such as the level of environmental degradation; however, for the establishment of such models, the results occurring from recent works can provide a useful starting point (Lopez et al, 2011; Halkos and Paizanos, 2013; Galinato and Islam, 2014).

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RESEARCH METHODOLOGY

In this study, a cross sectional survey design involving the survey of existing data (secondary sources) was adopted.

Time Series Annual data was employed ranging from 1994 - 2014 with a sample size of 20years. The research instruments used in collection of data for this study were mainly secondary data from the CBN & NBS Annual Statistical Bulletins respectively.

Descriptive and inferential statistics were used to analyze the data for this study. Also ratios, frequency distribution, multiple regression, t-test statistical tools were used to test the hypotheses formulated in this study.

Model Specification: This study used the econometric technique of Ordinary Least Square (OLS) in form of Multiple Linear Regressions to the relative regression coefficients. The regression model was estimated through the use of Statistical Package for Social Sciences (SPSS).

The mathematical model for the study is as follows:

RGDP = f (CExp, RExp, TaxRev, ExtD)
Where;
RGDP = Real Gross Domestic Products
C Exp = Capital Expenditure
R Exp =Recurrent Expenditure
Tax Rev = Tax Revenue
ExtD = External Debt
The Econometric Model used for estimate in a **Linear Form** is:
$RGDP = \beta_o + \beta_1 CExp + \beta_2 RExp + \beta_3 TaxRev + \beta_4 ExtD + \mu t$
Where; β_o = The parameter which represents the intercept
$\beta_1 - \beta 4$ = Coefficient or the regression parameters used in determining the significance of the effect of each of the independent variables $\beta_1 - \beta_4$ on the dependent variable RGDP,
RGDP = Impact (Real Gross Domestic Products in Nigeria)
β_1 = Capital Expenditure
β_2 = Recurrent Expenditure
β_3 = Tax Revenue
β_4 = External Debt
μt = Error or Random disturbance term.

Priori Expectation of the Model: The expected signs of the coefficients of the explanatory variables are: $\beta 1>0$, $\beta 2>0$, $\beta 3>0$, $\beta 4>0$. RGDP is used as a measure of predictive variable. The model above was used to estimate the OLS Regression.(Osuala, 2010).

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RESULTS AND DISCUSSIONS

Regression Results

The summary of the impact of fiscal policy on the Nigerian economy (1994-2014) regression results from the Two - Stage Least Squares Analysis are as shown in the model summary below.

The summary presents the results of the empirical regression estimates for the specified equation in the model:

Table 1: Summary of the Results

R	=	0. 738
R^2	=	0. 545
Adj. R	=	0. 424
R^2 Change	=	0. 545
Std Error of estimate	=	1.93119
Durbin – Watson	=	2.322
F Value	=	4.490
DF	=	20-5-1 = 16 i.e. F-tab = 2.121
PV (Significant)	=	0.014

Source: SPSS Computations based on the Data in Appendix 2

Table 1 shows the comprehensive data on Nigeria's real GDP, current expenditure, capital expenditure, tax revenue and external debts covering 1994-2014. All the computations of the regression analysis in this study were based on the secondary data generated from the National Bureau of Statistics and CBN Statistical Bulletins.

With a p-value of zero to three decimal places (revealed from the regression analysis) and f-statistics value of 4.490 compared to the statistical table value of 2.121, the model is statistically significant. The R^2 is 0.545, meaning that approximately 54.50% of the variability of Real Gross Domestic Products affect the behaviour of the explanatory variables (i.e capital expenditure, recurrent expenditure, tax revenue and external debt) in the model. In this case, the adjusted R indicates that about 42.40% of the variability of Real Gross Domestic Products in Nigeria is accounted for by the model, even after taking into account the number of explanatory variables in the model.

Table 2: Regression Analysis Results Showing the Coefficient Values of the Impact of Fiscal Policy on the Nigerian Economy (1994-2014)

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	11.408	2.876		3.966	0.001
	Current Expenditure	-0.001	0.004	-0.159	-0.324	0.751
	Recurrent Expenditure	0.002	0.003	1.055	0.645	0.528
	Tax Revenue	-0.016	0.016	-1.643	-0.996	0.335
	External Debts	-0.025	0.009	-1.069	-2.699	0.016

Constant = Real Gross Domestic Products

Source: SPSS Computations based on the Data in Appendix 2

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The coefficients for each of the variables indicates the amount of change one could expect on Real Gross Domestic Products given a one-unit change in the value of that variable under consideration, given that all other variables in the model are held constant. For example, the variable -current expenditure revealed a decrease of 0.001 (based on B coefficient) or 15.90% (beta coefficient) in the Real Gross Domestic Products score for every one unit decrease in current expenditure, assuming that all other variables in the model are held constant. The 0.002 (positive value) changes in recurrent expenditure really means that one might compare the strength of that coefficient to the coefficient for another variable, say tax revenue. To address this problem, the results are revealed in Beta coefficients' column, also known as standardized regression coefficients. The beta coefficients have been used here to compare the relative strength of the various explanatory variables within the model, the detail results reveal as follows: Current Expenditure -0.159 i.e. 15.90% negative impact on the Nigerian economy; Recurrent Expenditure 1.055 i.e 105.50% contribution or impact on the Nigerian economy; tax revenue -1.643 i.e 164.30% negative impact on the Nigerian economy for every increase in real GDP elicited by Nigerian Government through oil revenue; external debts -1.069 i.e 106.90% negative impact the Nigerian economy as the hard earned resources are being used to service the external debts. Because the beta coefficients are all measured in standard deviations, instead of the units of the variables, they can be compared to one another. In other words, the beta coefficients are the coefficients that one obtains if the outcome and predictor variables were all transformed to standard scores, also called z-scores, before running the regression. In this study, recurrent expenditure has the largest Beta coefficient of 1.055 and tax revenue has the smallest Beta of -1.643 which is an indication of negative impact on the economy because they are not equitably imposed and recovered for the growth of the economy.

The Extent to which Capital Expenditure **impacts on Real Gross Domestic Products in Nigeria**

Table 3 shows the analysis of the data and the extent to which capital expenditure impacts on real GDP

Table 3: The Extent to which Capital Expenditure impacts on Real Gross Domestic Products in Nigeria

		Real Gross Domestic Products	Capital Expenditure
Pearson Correlation	Real Gross Domestic Products	1.000	0.180
	Capital Expenditure	0.180	1.000
	Recurrent Expenditure	0.160	0.891
	Tax Revenue	0.092	0.903
	External Debts	-0.520	-0.824
Sig. (1-tailed)	Real GDP	.	0.224
	Capital Expenditure	0.224	.
	Recurrent Expenditure	0.250	0.000
	Tax Revenue	0.349	0.000
	External Debts	0.009	0.000

Source: SPSS Computations based on the Data in Appendix 2

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The study revealed that capital plays insignificant role in determining the gross domestic products. Based on the Regression Analysis with respect to the correlation aspect, 18% of the real GDP are accounted from the contribution of the capital expenditure. Accordingly, with p-value of 0.224 i.e 22.40% > 5% it means the correlation is not significant. To a large extent capital expenditures' contribution to the real GDP in Nigeria from 1994 to 2014 has not revealed high percentage outcome.

The Extent to which Recurrent Expenditure Impacts on Real Gross Domestic Products in Nigeria

Table 4 shows the analysis of the data and the extent to which recurrent expenditure impacts on real gross domestic products in Nigeria

Table 4: The Extent to which Recurrent Expenditure Impacts on Real Gross Domestic Products in Nigeria (Correlation Analysis)

		Real GDP	Recurrent Expenditure
Pearson Correlation	Real GDP	1.000	0.160
	Capital Expenditure	0.180	0.891
	Recurrent Expenditure	0.160	1.000
	Tax Revenue	0.092	0.991
	External Debts	-0.520	-0.817
Sig. (1-tailed)	Real GDP	.	0.250
	Capital Expenditure	0.224	0.000
	Recurrent Expenditure	0.250	.
	Tax Revenue	0.349	0.000
	External Debts	0.009	0.000

Source: SPSS Computations based on the Data in Appendix 2

The study revealed that recurrent expenditure impacts on real GDP minimally. From the correlation analysis, it is revealed that recurrent expenditure accounts for 16% of the real GDP in Nigeria. It is therefore conclusive from the study that to a low extent recurrent expenditure impacts the real GDP. With the significant level figure p-value of 0.250 the correlation impact of recurrent expenditure on real GDP is not significant because p-value > critical value.

The Extent to which Tax Revenue Impacts on Real Gross Domestic Products in Nigeria

Table 5 shows the analysis of the data and the extent to which tax revenue impacts on real GDP.

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Table 5: The Extent to which Tax Revenue Impacts on Real Gross Domestic Products in Nigeria (Correlation Analysis)

		Real GDP	Tax Revenue
Pearson Correlation	Real GDP	1.000	0.092
	Capital Expenditure	0.180	0.903
	Recurrent Expenditure	0.160	0.991
	Tax Revenue	0.092	1.000
	External Debts	-0.520	-0.779
Sig. (1-tailed)	Real GDP	.	0.349
	Capital Expenditure	0.224	0.000
	Recurrent Expenditure	0.250	0.000
	Tax Revenue	0.349	.
	External Debts	0.009	0.000

Source: SPSS Computations based on the Data in Appendix 2

The study has revealed that tax revenue impacts on the real GDP minimally to the level of 9.20%. This is because the study has revealed that with a (p-value) significant level figure of 0.349 @ 5% critical value the impact of tax revenue on real GDP is insignificant.

The Extent to which External Debts affect Real Gross Domestic Products in Nigeria

Table 6 Shows the analysis of the data and the extent to which external debts affect the real GDP in Nigeria.

Table 6: The Extent to which External Debts affect Real Gross Domestic Products in Nigeria (Correlation Analysis)

		Real GDP	External Debts
Pearson Correlation	Real GDP	1.000	-0.520
	Capital Expenditure	0.180	-0.824
	Recurrent Expenditure	0.160	-0.817
	Tax Revenue	0.092	-0.779
	External Debts	-0.520	1.000
Sig. (1-tailed)	Real GDP	.	0.009
	Capital Expenditure	0.224	0.000
	Recurrent Expenditure	0.250	0.000
	Tax Revenue	0.349	0.000
	External Debts	0.009	.

Source: SPSS Computations based on the Data in Appendix 2

The study has revealed that external debts affect the real GDP negatively to the level of 52%. Equally evident from the study is the fact that external debts impact on the real GDP is very

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significant because the p-value is 0.009 because @ 5%. i.e. pv<0.05. This means that external debts exact negatively on the growth of the real GDP in Nigeria.

Test of the Hypotheses

The study has earlier hypothesized that: There is no significant relationship between capital expenditure and the real Gross Domestic Products, there is no significant relationship between current expenditure and the real Gross Domestic Products, there is no significant relationship between tax revenue and the real Gross Domestic Products and there is no significant relationship between external debts and the real Gross Domestic Products (1994-2014).

Therefore using the results of the regression analysis in table 1 above the study looked at the coefficient for the explanatory variables to determine if they are statistically significant, the study also tested sets of variables, using t- test**,** to see if the set of variables are significant; the results are as follows: Capital expenditure on the real Gross Domestic Products = -0.324 < 2.121 (not significant); current expenditure on the real Gross Domestic Products = 0.645 < 2.121 (not significant); tax revenue on the real Gross Domestic Products = -0.996 < 2.121(not significant), this agrees with the findings of who submitted that 'Value Added Tax does not have any significant influence on the economic growth of Nigeria". With reference to external debts on the real Gross Domestic Products = -2.699 < 2.121 ((negatively significant).

As revealed in the SPSS Output reports (appendix 1) the significance of the overall model with all the 4 explanatory variables based on the F value is 4.490 and that indicates statistical significance. The findings in this study have to shown appreciable difference to what Osuala & Jones, (2014) opined that a variation in the fiscal instruments by way of increases in government expenditure through deficit budgeting and reduction in taxes will positively affect aggregate demand, employment, output and income within the economy.

CONCLUSION

The econometric evidence obtained from the period of study revealed that all the variables were insignificant. Through the test of the hypotheses the study found conclusively that: There is no significant relationship between capital expenditure and growth of the Nigerian economy as represented by the real GDP from 1994 to 2014; there is no significant relationship between current expenditure and the growth of the Nigerian economy as represented by the real GDP from 1994 to 2014; there is no significant relationship between tax revenue and the growth of the Nigerian economy as represented by the real GDP from 1994 to 2014 and there is negative significant relationship between external debts and the growth of the Nigerian economy as represented by the real GDP from 1994 to 2014.

RECOMMENDATIONS

In the light of the findings and based on the conclusions, the following recommendations are hereby adduced:

- Fiscal policy application has a good chance of working in Nigeria. If it receives the cooperation of government policy implementers and is adopted effectively and

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efficiently and stop from being lukewarm to allow for meaningful achievement in government progrmmes and projects.

- Government should have the political will to enforce penalties and addition returns assessment provision on the tax collectors; this will go a long way in enhancing tax collection.
- Fast disposition of tax cases will help administration machinery. A good tax system most ensure that tax laws which include tax laws must satisfy the basic principles of taxation.
- The list of tax exemption items should be clearly defined in simple language. This should be properly articulated to ensure those goods that are taxable and those goods that must be exempted.
- Government through Federal Inland Revenue Service should create an effective and reliable data base for every taxable persons to minimize (if not eliminate) the incidence of tax evasion.
- government should establish a strong fiscal accountability and transparency scheme in the country, adopt tax reforms that would support increase in investment, fight corruption, and ensure that government debts are used to invest in critical infrastructure and reduce external debt collections.
- Government should use fiscal policy to complement the adoption of effective monetary policy and maintain the rule of law to promote stability in the Nigerian economy.
- Government should ensure that capital expenditure and recurrent expenditure are properly managed in a manner that it will raise the nation's production capacity and accelerate economic growth.

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Appendix 1

Table 1: The Impact of Fiscal Policy on the Nigerian Economy (1994-2014)

YEARS	CAPITAL EXPENDITURE N' BILLIONS	RECURRENT EXPENDITURE N' BILLIONS	TAXATION REVENUE N'BILLIONS	EXTERNAL DEBT % OF GDP	RGDP IN %
1994	70.92	89.97	8.2	334.99	3.552
1995	121.14	127.63	20.32	274.01	2.236
1996	212.93	124.49	32.47	185.18	7.606
1997	269.65	158.56	14.74	175.16	5.298
1998	309.02	178.1	38.28	297.55	5.15
1999	498.03	449.66	47.68	208.35	2.8
2000	239.45	461.6	60.68	149.09	7.701
2001	438.7	579.3	91.75	151.34	7.035
2002	321.38	696.8	108.6	163.3	6.898
2003	241.69	984.3	131.42	123.99	11.889
2004	351.25	1110.64	163.3	95.9	8.791
2005	519.47	1321.23	192.7	35.83	8.677
2006	552.39	1390.10	232.7	6.49	8.327
2007	759.28	1589.27	312.6	5.35	9.061
2008	960.89	2117.36	401.7	4.47	8.014
2009	1152.8	2127.97	481.4	11.4	8.971
2010	883.87	3109.44	564.89	8.79	9.969
2011	918.55	3314.44	659.15	8.9	4.887
2012	874.84	3325.16	710.5	10.16	4.279
2013	1108.39	3689.08	795.6	14.01	5.394
2014	2681.08	2530.34	802.95		6.31

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Appendix 2: Regression Analysis of the Impact of Fiscal Policy on the Nigerian Economy (1994-2014)

Descriptive Statistics

	Mean	Std. Deviation	N
RGDP	6.8267	2.54352	20
C Exp.	540.2320	340.41156	20
R Exp,	1347.2550	1208.93565	20
Tax Rev	253.4340	257.74590	20
Ext D	113.2130	109.11216	20

Correlations

		RGDP	C Exp	R Exp	Tax Rev	Ext D
Pearson Correlation	RGDP	1.000	.180	.160	.092	-.520
	C Exp	.180	1.000	.891	.903	-.824
	R Exp	.160	.891	1.000	.991	-.817
	Tax Rev	.092	.903	.991	1.000	-.779
	Ext D	-.520	-.824	-.817	-.779	1.000
Sig. (1-tailed)	RGDP	.	.224	.250	.349	.009
	C Exp	.224	.	.000	.000	.000
	R Exp	.250	.000	.	.000	.000
	Tax Rev	.349	.000	.000	.	.000
	Ext D	.009	.000	.000	.000	.
N	RGDP	20	20	20	20	20
	C Exp	20	20	20	20	20
	R Exp	20	20	20	20	20
	Tax Rev	20	20	20	20	20
	Ext D	20	20	20	20	20

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.738[a]	.545	.424	1.93119	.545	4.490	4	15	.014	2.322

a. Predictors: (Constant), Ext D, Tax Rev, C Exp, R Exp

b. Dependent Variable: RGDP

ANOVA[b]

Model	Sum of Squares	df	Mean Square	F	Sig.

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Correlations

		RGDP	C Exp	R Exp	Tax Rev	Ext D
Pearson Correlation	RGDP	1.000	.180	.160	.092	-.520
	C Exp	.180	1.000	.891	.903	-.824
	R Exp	.160	.891	1.000	.991	-.817
	Tax Rev	.092	.903	.991	1.000	-.779
	Ext D	-.520	-.824	-.817	-.779	1.000
Sig. (1-tailed)	RGDP	.	.224	.250	.349	.009
	C Exp	.224	.	.000	.000	.000
	R Exp	.250	.000	.	.000	.000
	Tax Rev	.349	.000	.000	.	.000
	Ext D	.009	.000	.000	.000	.
N	RGDP	20	20	20	20	20
	C Exp	20	20	20	20	20
	R Exp	20	20	20	20	20
	Tax Rev	20	20	20	20	20
	Ext D	20	20	20	20	20

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.738[a]	.545	.424	1.93119	.545	4.490	4	15	.014	2.322

a. Predictors: (Constant), Ext D, Tax Rev, C Exp, R Exp

1	Regression	66.978	4	16.744	4.490	.014[a]
	Residual	55.943	15	3.730		
	Total	122.920	19			

a. Predictors: (Constant), Ext D, Tax Rev, C Exp, R Exp

b. Dependent Variable: RGDP

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
1	(Constant)	11.408	2.876		3.966	.001			
	C Exp	-.001	.004	-.159	-.324	.751	.180	-.083	-.056
	R Exp	.002	.003	1.055	.645	.528	.160	.164	.112
	Tax Rev	-.016	.016	-1.643	-.996	.335	.092	-.249	-.173
	Ext D	-.025	.009	-1.069	-2.699	.016	-.520	-.572	-.470

a. Dependent Variable: RGDP

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Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	3.0398	9.9039	6.8267	1.87754	20
Std. Predicted Value	-2.017	1.639	.000	1.000	20
Standard Error of Predicted Value	.521	1.381	.939	.230	20
Adjusted Predicted Value	2.6859	10.3365	6.7431	2.06757	20
Residual	-3.04832	3.80445	.00000	1.71591	20
Std. Residual	-1.578	1.970	.000	.889	20
Stud. Residual	-1.980	2.202	.017	1.069	20
Deleted Residual	-4.79500	4.75302	.08362	2.52337	20
Stud. Deleted Residual	-2.225	2.586	.030	1.153	20
Mahal. Distance	.433	8.766	3.800	2.233	20
Cook's Distance	.000	.605	.107	.167	20
Centered Leverage Value	.023	.461	.200	.118	20

a. Dependent Variable: RGDP

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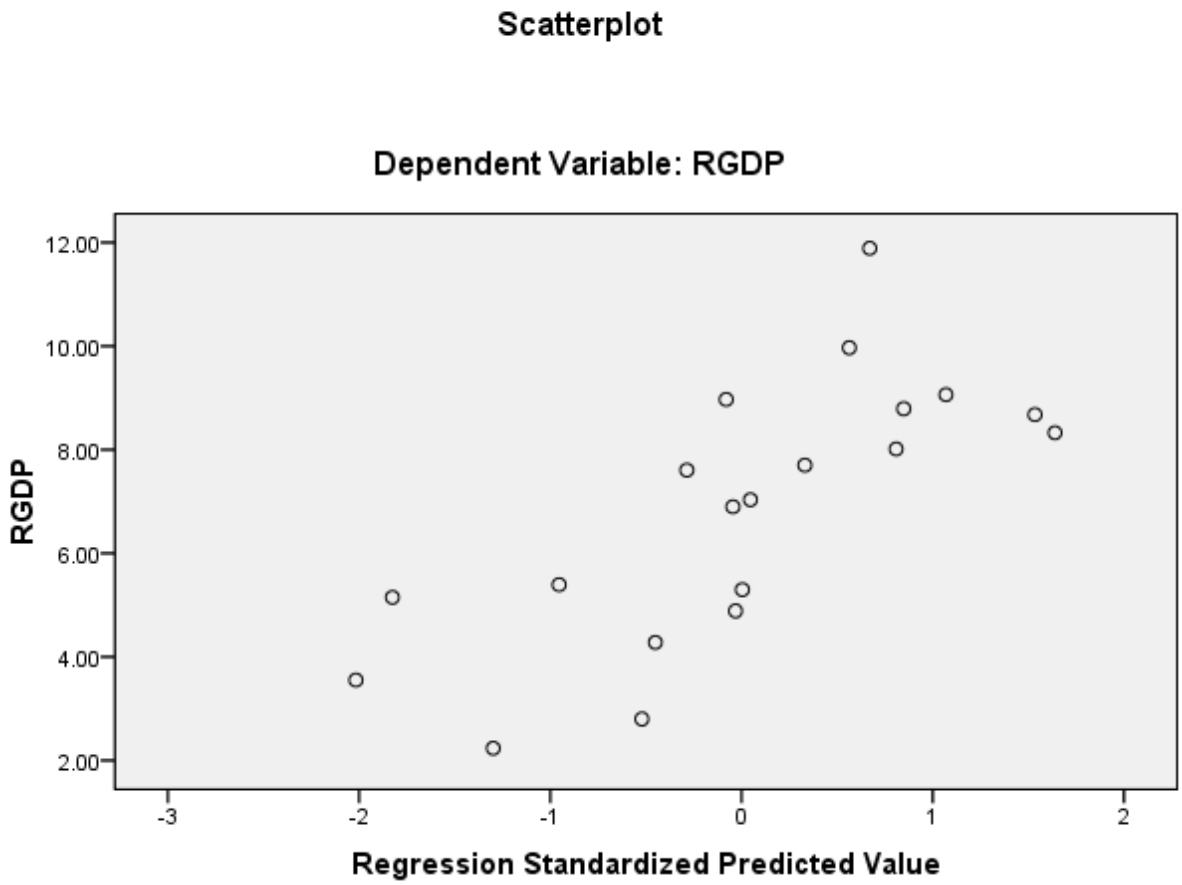

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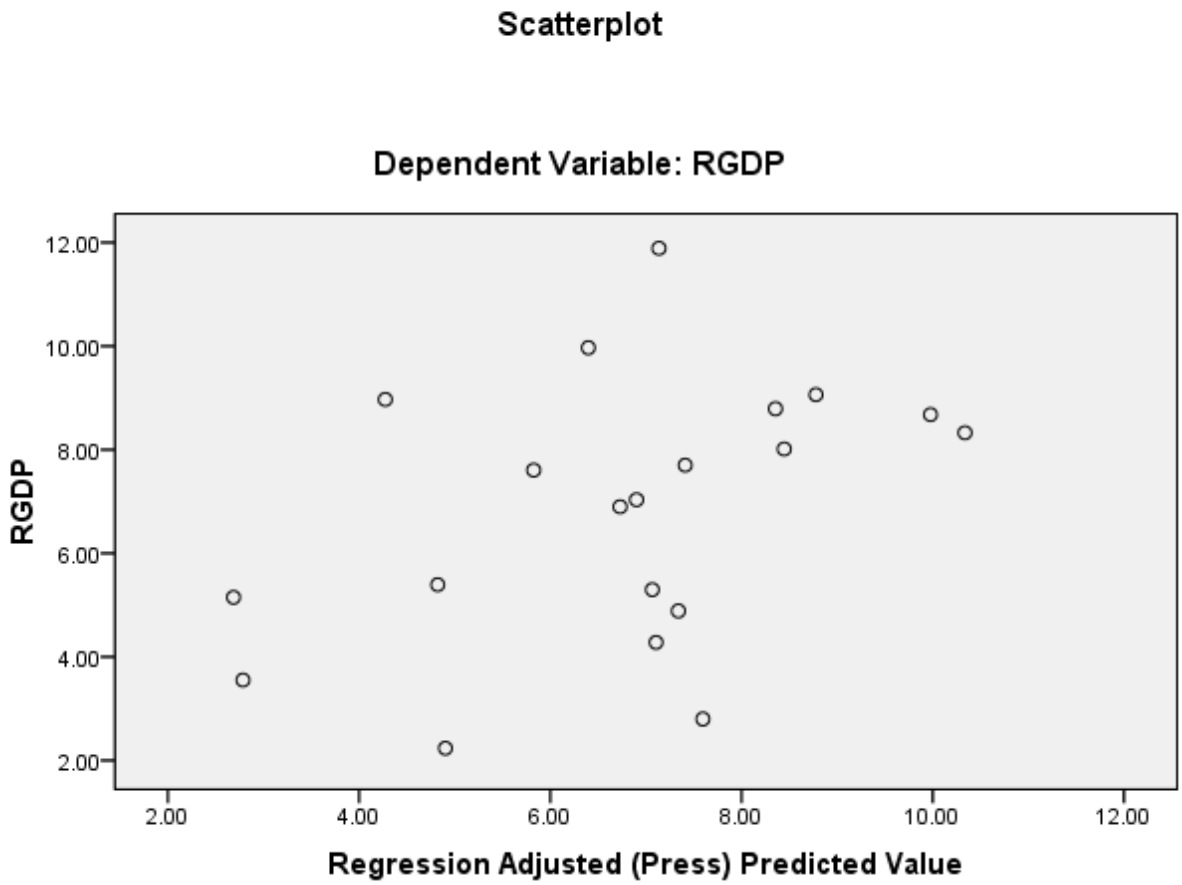

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