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Research Paper

Impact of fiscal policy measures on the growth of Nigerian economy

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ABSTRACT
This paper considers the evolution of the meaning of "fiscal policy" as understood in the economics literature before the publication of Keynes's General Theory. Fiscal policy was intuitively understood to refer to the government purse and implied government action or intervention in the economy. Descriptive statistics was used to show contribution of government fiscal policy to economic growth, and to ascertain and explain growth rates, and an ordinary least square (OLS) in a multiple form to ascertain the relationship between economic growth and government expenditure components after ensuring data stationarity. Findings revealed that total government expenditures have tended to increase with government revenue, with expenditures peaking faster than revenue. Investment expenditures were much lower than recurrent expenditures evidencing the poor growth in the country's economy. Hence, there is some evidence of positive correlation between government expenditure on economic services and economic growth. Therefore, in public spending, it is important to note that the effectiveness of the private sector depends on the stability and predictability of the public incentive framework, which promotes or crowds out private investment. What constituted fiscal policy at any point in time was highly responsive to the external pressure of politics and the public's view of what economics is / was and should / could do. Thus, the history of fiscal policy is, in part, the history of changing conceptions of the government's role in the economy.

KEYWORDS: *Fiscal Policy, Public Finance, Taxation, trade policy, Public debt, Government purse.*

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I. INTRODUCTION

Fiscal policy is based on the theories by the British economist John Maynard Keynes. This theory basically state that government can influence macroeconomic productivity level by increasing or decreasing tax level and public spending. Fiscal policy refers to a government spending and taxation policies intended to maintain economic stability which is indicated by levels of unemployment interest rates, prices and economic growth.

A government is capable of directly affecting economic activity in response to fluctuation in macro-economic growth via two keys at its disposal- taxation and public spending. A government can control price inflation, unemployment, and interest rate levels.

Fiscal policy is used to slightly adjust the economy in different way through 2 kinds of fiscal policies. Expansionary fiscal policy the most common method employed attempts to enhance economic growth through taxes and spending while contrasionary fiscal policy is designed to slow economic growth to cut back inflation.

Succinctly, fiscal policy is an essential tool for government to provide peace and prosperity for its citizen. As the administrative body responsible for public wellbeing a government implements fiscal policy in an effort to defend the interest of business and consumers from economic forces which if left unchecked could have adverse consequences.

GOALS

The important goals of a government fiscal policy include maintain full levels of employment, generating a high level of economic growth and keeping prices and wages stable. Fiscal policy is also used to slow inflation, amplify aggregate demand and factor in to other macroeconomic issues. An example of fiscal policy in order to curb inflation which is associated with high level of consumer spending, a government may institute higher taxes resulting in lower level of disposable income. Likewise a government might engage in public spending in order to increase an economy's cash flow during time of recession.

FISCAL POLICY VS MONETARY POLICY

While fiscal policy is carried out through government spending and taxation monetary policy is the means by which the federal government manipulates the money supply in order to influence the national economy's overall direction. This is particularly aimed at the areas of employment, production and prices. When it comes to monetary policy many economist agree that the Federal Reserve is the moral important political tool a government has; this is because each of the monetary policy action influences the everyday financial decision of the citizens of the economy. Whether they should buy a car, save more money or start a business.

Fiscal policy is a measures employed by government to stabilize the economy, specifically by manipulating the levels and allocation of taxes and government depending (expenditure) fiscal measures are frequently used in tandem with monetary policy to achieve certain goals. The usual goals of both fiscal and monetary policy are to achieve and maintain full employment to achieve or maintain a high rate of economic growth and to stabilize prices and wages. The establishment of these ends as proper goal of government economic policy and the development of tools with which to achieve them.

In taxes and expenditure, fiscal policy has for its field of action matter that are within government immediate control. The consequences of such actions are generally predictable a decrease in personal taxation for example will lead to an increase in consumption which will in turn have a stimulating effect on the economy. Similarly a reduction in the tax burden on the corporate sector will stimulate investment. Steps taken to increase government spending by public work have a similarity.

THE ROLES OF FISCAL POLICY

a. **Increase savings:** this policy is also used to increase the rate of savings in the country. In the developing countries rich class spend a lot of money on luxuries. The government can impose taxes on them and can provide the basic necessities of life to the poor class on low rate. In this way by providing incentive savings can be increased.

b. **To encourage investment:** The government can encourage investment by providing various incentives like the tax holiday in the various sector of the economy. The capital can be shifted from less productive sector to more productive sector so the resources of the country can be utilized to the maximum.

c. **To achieve equal distribution of wealth:** fiscal policy is very useful for the achievement of equal distribution of wealth. When the wealth is equally distributed among the various classes, then the purchasing power increases which ensures the high level of employment and production.

d. **To control inflation:** fiscal policy is a very useful weapon for controlling the rates of inflation when the expenditure in non-productive projects is reduced or the rates of taxes are increased.

OBJECTIVES OF FISCAL POLICY

The main objective of fiscal policy in a developing country is to quicken the rate of capital formation and utilized for the main purpose of development whereas in the developed countries the main objective of the fiscal policy is to maintain stability.

CAPITAL FORMATION

There are many economic theories that suggest that the best amount of capital formation becomes a key factor to economic growth especially in developing countries. Transfer payment; vehicles, subsidies etc. are known to benefits the economic growth by increasing the capital formation. Once the objective of fiscal policy is implemented based on the nature of requirement in an economy the success purely depend upon how effectively timely measures are put in place and ensuring effective administrative during the implementation phase.

TAXATION

Resources need to be mobilized so that there can be funds for financing the development programmes in the public sector the tax policy should be such that can be focused towards effective development of all available

resources and can be used in the implementation of other development effort. It is the most effective in the local quantum savings in an economy.

DEVELOPMENT OF PRIVATE SECTOR

Policies on direct investment is necessary stationed, both in public and private sectors with incentives attached may accelerate economic growth policies should be such that all available resources should make their way into the necessary and needed development opportunities.

REMOVAL OF ECONOMIC INEQUALITIES

The benefits of development can equally be shown and felt by all inhabitants of an economy. The income should appropriately be distributed as it is a fundamental part of economic development. This endeavour can be achieved by proper application of taxes welfare scheme where we increase public expenditure for the less privilege class can be promoted.

FISCAL POLICY AND THE NIGERIAN ECONOMY

The intent of fiscal policy is essentially to stimulate economic and social development by pursuing a policy stance that ensures a sense of balance between taxation, expenditure and borrowing that is consistent with sustainable growth. However, the extent to which fiscal policy engenders economic growth continues to attract theoretical and empirical debate in developing and advanced countries. During the global recession and financial crisis of 2008 and onward, most advanced countries implemented a variety of active fiscal policies as large stimulus packages to mitigate this recession. In particular, since monetary policy options are restricted by the very low interest rates, which were central features of this recession, most governments relied much more on fiscal policy. For example, the U.S. enacted unprecedented fiscal expansion including the American Recovery and Reinvestment Act (ARRA) of 2009 which was a combination of tax cuts, transfers to individuals and states, and government purchases equal to 5.5% of GDP Auerbach (2012). In 2008, the EU adopted the European Economic Recovery Plan (EERP) equivalent to 1.5 % of the EU GDP Beetsma and Giuliodori (2011).

These examples are just a subset of the stimulus packages by G20 governments. According to Gemmell (2011), much larger G20 stimulus packages worth $15 trillion over 2009-2010 were announced in 2009, expecting to stimulate GDP by 4% compared to the 'no stimulus' alternative. However, these large-scale fiscal stimulus packages have triggered a lively debate about the effectiveness of fiscal policy regulations. Until the early 1980s, fiscal policy was widely regarded as a useful tool for economic stabilization. However, its failure to boost economic growth in the wake of the oil shocks of the 1970s, and the associated increase in budget deficit and public debts, have led a lot of economists to be skeptical about the effectiveness of fiscal policy to smoothen cyclical fluctuations (Beetsma and Giuliodori, 2011), and fiscal policy has received less attention (Afonso and Sousa, 2012).

While policymakers continued to rely heavily on active fiscal policy as a policy instrument, as demonstrated during the current global recession, academic researchers have not reached a consensus about the effects of fiscal policy on macroeconomic variables, or about the magnitude of such effects. This stands in stark contrast to monetary policy, where a substantial consensus has been established between academics and policymakers as regards current inflation-targeting strategies and its effects on the economy Perotti, (2007); Beetsma, (2008); Fontana, (2009); and Auerbach, (2012). According to Arestis (2009), the new consensus on monetary policy has an implication that monetary policy is effective as a means of inflation control through changes in the interest rate via the Taylor Rule. Moreover, this new consensus model is based on the new Keynesian theory of nominal rigidities and long-run vertical Phillips curve as well as the neoclassical theory of rational expectation and explicit optimization behaviour. However, there is less agreement regarding fiscal policy in both the theoretical model and empirical approach. The paper intends to examine the effect of fiscal policy as a regulatory tool on the growth of Nigeria's economy. The study is organized as follows: section two reviews theoretical and empirical literatures on fiscal policy, section three deals with the methodology, section four presents the data analysis and discussion while the last section 5 concludes the study.

II. LITERATURE REVIEW

Theoretical models on the effects of fiscal policy can be often distinguished by two main views developed with micro foundations: neoclassical theory and new Keynesian theory. For a fiscal expansion such as an increase in government spending or tax cut, both views predict rising output in the short term, but envisage different transmission mechanism. These different channels are attributed to different assumptions adopted by each theory and to the corresponding responses of private consumption and the labor market. Therefore, the key point of debate between the two theoretical views is about the effects of fiscal policy on private consumption and real wage in that predictions about the responses of these two variables to fiscal policy are consistent according to theoretical models in spite of various underlying assumptions.

For example, the neoclassical model predicts that an expansionary fiscal policy decreases private consumption and increases labor supply due to negative wealth effects and consequently an increase of labour supply causes a decline in the real wage. On the other hand, the new Keynesian model predicts that after positive fiscal shocks, real wage increases because of an increase in labour demand due to nominal price rigidities and imperfect competition, and the rising real wage also raises private consumption because of 'rule-of-thumb' by consumers Galí et al. (2007) or 'deep habits' Ravn et al. (2006). There is a similar disagreement about the effects of fiscal adjustments such as spending cuts or tax hikes: even the response of GDP is predicted differently to some degree.

In consequence, the need for empirical evidence to elucidate the issues in the theories examined has become expedient. Olawunmi and Ayinka (2007) examined the contribution of fiscal policy in the achievement of sustainable economic growth in Nigeria using slow growth model estimated with the use of ordinary least square method. It was found that fiscal policy has not been effective in the area of promoting sustainable economic growth in Nigeria. They however, stated that factors such as wasteful spending, poor policy implementation and lack of feedback mechanism for implemented policy evident in Nigeria, which is indeed capable of hampering the effectiveness, of fiscal policy, have made it impossible to come up with such a conclusion.

Adefeso and Mobalaji (2010) wrote on the fiscal-monetary policy and economic growth in Nigeria. Their major objective was to re-estimate and re-examine the relative effectiveness of fiscal and monetary policies on economic growth in Nigeria using annual data from 1970-2007. The Error correction mechanism and co-integration technique were employed to analyze the data and draw policy inferences. Their result showed that the effect of monetary policy is much stronger than fiscal policy. They suggested that there should be more emphasis and reliance on monetary policy for the purpose of economic stabilization in Nigeria.

Mueller (2011) investigated economic, political and institutional constraints to fiscal policy implementation in sub-Saharan Africa. It was found that planned fiscal adjustments or expansions are less likely to be implemented. The larger they are, the more inaccurate the growth forecasts they are based on. The finding supports ongoing efforts in the region to improve the quality and timeliness of economic data, enhance forecasting capacity, adopt realistic fiscal plans, and strengthen governance, budgetary institutions, and public financial management procedures. Ogbole, Amadi and Essi (2011) wrote on fiscal policy: its impact on economic growth in Nigeria (1970-2006). The study involves comparative analysis of the impact of fiscal policy on economic growth in Nigeria during regulation and deregulation periods. Econometric analysis of time series data from Central Bank of Nigeria was conducted. Results showed that there is difference in the effectiveness of fiscal policy in stimulating economic growth during and after regulation period. Appropriate policy mix, prudent public spending, setting of achievable fiscal policy targets and diversification of the nation's economic base, among others, were recommended.

In the same vein but covering a shorter period Adeoye (2006) analyzed the impact of fiscal policy on economic growth in Nigeria in 1970-2002. The finding shows that public investment negatively affects output growth implying that public expenditure has a crowding out effect on private investment.

Chuku, (2010) uses quarterly data to explore the monetary and fiscal policy interactions in Nigeria between1970-2008. The paper examines the nature of fiscal policies in Nigeria using vector auto-regression (VAR) model. The evidence indicates that monetary and fiscal policies in Nigeria have interacted in a counteractive manner for most of the sample period (1980-1994) while at other periods no symmetric pattern of interaction between the two policy variables was observed.

Huang and Padilla (2002) wrote on fiscal policy and implementation of the Walsh Contract for Central Bankers. They developed a simple macroeconomic model where the time inconsistency of optimal monetary policy is due to tax distortions. They concluded that implementing the optimal policy mix requires either that central bank enjoy primacy over the fiscal authority or that fiscal policy be also delegated to an independent authority.

Omitogun and Ayinla (2007) examined empirically the contribution of fiscal policy in the achievement of sustainable economic growth in Nigeria. They used Solow growth model estimated with the use of ordinary least square method and found out that fiscal policy has not been effective in the area of promoting sustainable economic growth in Nigeria. They suggested that Nigerian government should put a stop to the incessant unproductive foreign borrowing, wasteful spending and uncontrolled money supply and embark on specific policies aimed at achieving increased and sustainable productivity in all sectors of the economy.

Amin (1999) analyzed the relationship between public and private investment stressing the crowding in or crowding out of private investment by public expenditures in Cameroon. Based on secondary data from the public sector, the results of a growth model show that the relevant factors have positive effects on growth while those of the investment model show the crowding in of infrastructures and social sector. The study concluded by recommending the relocation of more resources to productive sectors and increasing and sustaining of spending on those productive sectors or those components of public expenditures that crowd in the private sector.

Njoku and Ihugba (2011) looked at the relationship between unemployment and growth in Nigeria (1985-2009). One major findings of the study is that the economy grew by 55.5 percent between 1991 and 2006 and the population increased by 36.4 percent. This should ordinarily have resulted to a decrease in the rate of unemployment but rather unemployment increased by 74.8 percent. Davis, Ossowski and Fedelino (2003) looked at fiscal policy formulation and implementation in oil producing countries. Their study showed that resource dependent economies tend to grow more slowly than non-resource dependent ones at comparable levels of development.

Poverty is still widespread in a number of oil-producing countries. They concluded that a pattern of fluctuating fiscal expenditures associated with oil volatility has entailed significant economic and social costs for a number of oil producers. Auerbach, (2009) suggested that for fiscal discretionary policy to be practiced on a large-scale attention must be paid to policy design.

III. RESEARCH METHODOLOGY

The study used data covering 2009-2018 mainly from secondary sources as fiscal policy and economic growth variables; the sources include Central Bank of Nigeria statistical bulletin and World Bank development economic indicators. The choice of secondary data is based on their authenticity and reliability. The operational methodology adopted is the multiple regression analysis ordinary least square (OLS) econometric technique, multiple regressions of the dependent variable (annual growth rate of gross domestic product per capita) and the independent variables (tax revenue, recurrent and capital expenditure, internal and external borrowing) in the specification of the model with a view to determining the nature and extent of the relationship that exists among the variables.

Statistical significance of the a priori theoretical relationship was tested and statistical significance or insignificance of the coefficients of the independent variables was established. Analysis of the mathematical sign of the coefficients was undertaken. A positive and statistically significant coefficient for the various dependent variables was interpreted as supporting the given hypothesis. The following linear models guided the analysis. To gain better insight into the contribution of government fiscal policy to Nigeria's economic growth, we examine the growth effects of public income and spending via budget surplus or deficit. To motivate our discussion initially, we examined the contribution of public income and expenditure to economic growth in Nigeria. More so, we tried to disaggregate the public expenditures into the different components and examined each component growth rates and the share of each component in total expenditure. We then find how each component correlates with economic growth (GDP). We simply used descriptive statistics to show contribution of government fiscal policy to economic growth to ascertain and explain growth rates, and an OLS in a multiple form to ascertain the relationship between economic growth and government expenditure components after ensuring data stationarity.

In this study, annual data, spanning a period of 10 years, from 2009 to 2018 were used. Data were obtained from the Central Bank of Nigeria statistical bulletin. To measure the relationship between GDP and other explanatory variables, we adopt a generic regression equation specified in the following form:

MODELS

$Yt=f(\text{GOVC}t)+ut$,

where Y_t = GDP, GOVC = Government consumption.

$Yt=f(\text{Admin}t,\text{SCS}t,\text{EconS}t)+ut$,

where Y_t = GDP, Admin_t = Administration, SCS = Social and Community Services, Econs = Economic Services.

Expressing the relation in linear form using the variables in natural log to minimize the scale effect of numbers, we arrive at the following estimating equations:

$\text{Logn}Yt=X0+X1\text{lognGA}t+X2\text{lognDef}t+Ut$,

$\text{Logn}Yt=X0+X1\text{lognEdut}+X2\text{lognHealtht}+Ut$,

$\text{Logn}Yt=X0+X1\text{lognAgric}t+X2\text{lognConst}t+X2\text{lognTrans\&Com}Ut$,

where GA = General Administration expenditure, Def = Defense expenditure, Edu = Education expenditure, Health = Health expenditure, Agric = Agriculture expenditure, Const = Construction expenditure, Trans&Com = Transport and Communication.

Description of Variables

GDP is the naira value of goods and services produced in Nigeria during a time period irrespective of the nationality of the individuals who produced the goods or services. It is calculated without making deductions for depreciations. GDP at current basic prices is simply nominal GDP equals GDP less indirect taxes net of subsidies (CBN Statistical Bulletin, 2007). The GDP is a widely acknowledged measure of economic growth and is used in this article as a proxy for Nigerian economic growth.

The size of government (GOVC): We use government consumption measured by recurrent expenditure and capital expenditure for the size of the government. This may have either a negative or positive impact depending on the magnitude of the negative effects caused by the financing effects of this consumption. Empirical studies (Blejer & Khan, 1984; Ekpo, 1994; Gramlich, 1994; Kelly, 1997 as cited by Aloysius, 1998) have shown that public spending on such components as infrastructure is complementary with private investment. Government expenditures would have both direct and indirect effects on long-run growth. Direct capital spending would improve physical infrastructure, while spending on education and health contribute to human capital formation, thus increasing productive capacity. Public expenditures have been increasing. The trend shows that the country started in 1981 with a surplus budget until 1990 when it recorded its first deficit of N455.10 billion. Afterward, the country recorded a surplus of N171.60 billion, N166.10 billion, N1,796.40 billion, N1,461.70 billion, N1,000.00 billion, and N32,049.40 billion in years 1971, 1973, 1974, 1979, 1995, and 1996, respectively. The rest of the period was marked with deficit financing as the years progressed and reached its peak at the end of the period, year 2010, with N1,105,439.78 billion deficit. Ever since, the country has being recording budget deficit till the period under review.

Government's Expenditure

The size of the government sector in the economy could be measured in terms of employment, economic activities, or expenditure (Aloysius, 1998). Usually, the importance of the public sector is in the expenditures (Aloysius, 1998). Total public expenditure in Nigeria can be classified into four main categories:

a. Administration (General administration, Defense, Internal Security, National Assembly).

b. Social and Community Services (Education, Health, and other social and community services).

c. Economic Services (Agriculture, Construction, Transport and Communication, and other economic services).

d. Transfers (Public debt servicing, Pensions and gratuities, Contingencies/subventions, and Other/Other cost and freight [CFR] charges).

Nigeria's expenditures are actually in two main accounts: current and investment accounts. Usually, investment, development, or capital spending is separated from public consumption or current budget with revenues earmarked for consumption expenditures, and any surplus may be allocated to the investment budget. Because of demands and pressures on the government, it has not been easy to apply this system of budgeting.

Given the growth rates and shares of different components of public expenditures since the 1980s, there have been two major periods of economic performance in Nigeria pre- and post-structural adjustment program (SAP) in 1986. The Nigerian Government in June 1986 adopted a comprehensive SAP that signaled a radical departure from previous reform efforts. It emphasized reliance on market forces and the private sector in dealing with the fundamental problems of the economy. The objectives of the SAP were, among others, to

- restructure and diversify the productive base of the economy so as to reduce dependency on the oil sector and imports,
- achieve fiscal and balance of payments viability over the medium term, and
- promote non-inflationary economic growth

IV. FINDINGS AND DISCUSSIONS

Although the preceding sub-section has provided some insight into the interactions between monetary and fiscal policies, here we summaries the results obtained from the reaction functions of monetary policy (IR) and fiscal policy (G and R). Once again, due to the short sample for the extended model, we focus on the impulse-response functions obtained from the baseline model, which excludes public debt.

The monetary policy reaction function shows how the central bank's main policy instrument (the interest rate on the central bank bills) responds to the changes in various economic and policy variables (output, inflation, foreign exchange reserves, public expenditure, and public revenue). As reflected in the write-up, the central bank raises its policy rate (monetary policy becomes restrictive) following a shock in the public expenditure (expansionary fiscal policy). Similarly, the central bank's interest rate declines (loose monetary policy) when fiscal policy tightens (higher public revenue). Therefore, monetary policy acts as a strategic substitute to fiscal policy, i.e. it attempts to offset the behaviour of fiscal authorities. As for the reaction to the other economic variables, the central bank raises its interest rate in response to an increase in the price level, to a decline in the foreign exchange reserves and to the aggregate output contraction. This reaction is quite expected reflecting the central bank's primary goal (price stability), the prevailing monetary policy strategy (the exchange rate peg), as well as the traditional 'leaning against the wind' approach in the wake of aggregate demand pressures.

As for the fiscal policy reaction function, the government expenditure increases (procyclical fiscal policy) in response to positive output shocks in an attempt to take advantage of the economic expansion. This opportunistic behaviour by the fiscal authorities is reflected in the fact that government expenditure increases in

the presence of positive public revenue shocks, too. In addition, we observe that public expenditure increases in response to positive shocks to the price level, the foreign exchange reserves and the central bank's interest rate. The fiscal policy reaction function can be rationalized as follows: since price stability is the explicit goal of the central bank, fiscal policy does not tighten when the price level rises. On the contrary, given that price hikes are generally associated with economic expansions; this type of reaction by fiscal authorities implies a procyclical behaviour. The opportunistic behaviour of the fiscal authorities is reflected in their reaction to the changes in foreign exchange reserves, too. The level of reserves is the crucial variable monitored by the central bank given its commitment to maintain the exchange rate peg. Hence, the fiscal authorities anticipate that the central bank would loosen its policy (or remain neutral) in the presence of positive shocks to the official reserves. As a result, the government would try to exploit these favourable circumstances by increasing public expenditure, knowing that the central bank would not act in an offsetting manner. Furthermore, the fiscal policy reaction function confirms that fiscal and monetary policies act as strategic substitutes. Indeed, we observe that public expenditure increases when monetary policy becomes restrictive (positive interest rate shocks). Obviously, this type of strategic interaction between the two policies reflects the different weights of output and inflation in their loss functions, implying that the fiscal authorities are primarily concerned with output stabilization, while the goal of price stability is left to the central bank. Finally, from the extended VAR, we observe that public expenditure declines when the level of public debt increases. This reaction suggests that the public debt imposes a constraint on the behaviour of the fiscal authorities, who take an explicit account of the level of public debt in their reaction function.

V. SUMMARY, CONCLUSION AND RECOMMENDATION

This paper examines fiscal policy regulation as a tool in enhancing economic growth in Nigeria. The results of the OLS Test-Statistics indicates that tax revenue, external borrowings, government domestic debt and government capital expenditure have not contributed significantly to economic growth and poverty reduction in Nigeria. However, government recurrent expenditure was found to be statistically significant and impacted on the gross domestic product per capita. The results form the F-statistics analyzed suggest that a significant relationship exists between the explanatory variables (tax revenue, government domestic debt, government external debt, government recurrent expenditure, government capital expenditure) taken together and gross domestic product per capita as proxy for economic growth, for the period 2009 to 2018. The fiscal policy variables and the gross domestic product per capita were found to have a long run relationship as a result of the co-integration test. Vector auto-regression estimates; further indicates the effect of fiscal policy variables (tax revenue, government domestic debt, government external debt, government recurrent expenditure, government capital expenditure) employed in the study on economic growth and the existence of long run equilibrium between the endogenous and exogenous variables. The study suggests that total recurrent expenditure is a vital fiscal policy tool in enhancing economic growth in Nigeria. The outcome of this result lends credence with and strongly supports the Keynesian's hypothesis that government expenditure causes economic growth. A good performance of an economy in terms of per capita growth may therefore be attributed to a judicious use of total government expenditure in Nigeria. The major policy implication of this result is that concerted effort should be made by policy formulators to ensure that the disbursement of government expenditure to various sectors of the economy are well monitored and also ensure its adequate spending so as to enhance economic growth in Nigeria.

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