



Federal Government Budget Implementation on Economic Growth in Nigeria (1999 – 2023)

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Nigeria

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| Abstract | Original Research Article |
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| <p>The study examined the impact of federal government budget implantation on economic growth in Nigeria. The specific objectives of the study were to determine the impact of capital expenditure implementation, recurrent expenditure implementation and external debt on economic growth in Nigeria. The study adopted ex-post facto research design which enabled time series data to be obtained from the Statistical Bulletin of Central Bank of Nigeria for the period of 25years, spanning from 1999 – 2023. The study conducted unit root test using Augmented Dickey-Fuller (ADF) on both the dependent and independent variables to validate the data and ensure reliable regression results. The study also conducted descriptive statistics in order to determine the individual characteristics of the research variables. Ordinary least square (OLS) Multiple Regression Analysis was employed to estimate the impact of the components of budget implementation employed in the study on economic growth at 0.05 level of significance. The results of the regression analysis showed that both capital and recurrent expenditures exerted positive and significant impact on economic growth of Nigeria; while external debt had negative and significant impact on the growth of the Nigerian economy. The implication of these findings is that the positive impact of capital and recurrent expenditures cannot sustain the growth of the Nigerian economy without adequate fiscal discipline that would address the challenges of excess debt accumulation in Nigeria. The study recommended that government should prioritize the implementation of capital and recurrent expenditures as contained in the budget; and that every debt should be project linked.</p> <p>Keywords: Federal government budget implementation, Economic growth, Capital expenditure, Recurrent expenditure, External debt.</p> | |

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SECTION ONE

INTRODUCTION

1.1 Background of the Study

Developing economies all of the world is concerned on how to mobilize, allocate and utilize financial resources for the common good of it's citizens.

Primarily, they are faced with the provision of welfare services such as security, education, healthcare, housing and other social amenities to the populace is in fact the essence of governance anywhere in the world (Ogeri and Eyisi, 2023). The provision of these facilities for the socioeconomic well-being of the society requires huge amount of



money, which to a large extent determines how public policy objectives are achieved (Udoh, Chegwe, Nyema and Ndaburoma, 2023). According to Wildavsky and Caiden (1997), the government's responsibility are cost oriented, and since resources are not always adequate to address the socioeconomic and political needs of a country, a formal declaration of revenue and expenditure at a future date must be made, thereby paying attention to critical areas of development and limiting factors. There is also the need to establish systems for efficient, accountable and transparent financial transactions, as well as having a favourable balance between government revenues and expenditures. To achieve these, the government's annual budget, which has become one of the most important and pervasive instrument for resource allocation, management and control becomes vital (Odeh and Okoye, 2012).

However, in Nigeria, budget process includes budget preparation by the executive, legislative approval and implementation by the different governmental institutions such as ministries, departments and parastatals. The implementation stage involves the actual usage of government funds in carrying out the activities and projects that have been enumerated in the budget. Budget according to Akinleye, Ogunmakin and Olusola (2020) spells out how the available resources of an economy can be used to achieve whatever its producers agreed to be their priorities. It is a key instrument for macroeconomic management in most economics of the world, and its effectiveness determines the success of government in meeting its primary functions. One of the most important obligations of government to her citizens is to achieve economic growth. This objective may not be realized without adequate budgeting, as it provides the framework for the attainment of sustainable economic growth and other macroeconomic goals such as inflation control, correct balance of payment and maintaining reasonable foreign exchange reserve (Onwuka, 2022). For a public budget to perform its obligations, it must be well designed, effectively and efficiently implemented, adequately monitored and ultimately, its performance must be evaluated (Obara, 2013). Hence, the beauty of a budget does not lie in its

formulation or initiation, but in its implementation, as a well-implemented budget helps to translate government policies and programmes into outcomes that have direct positive impact on the people (Nnachi, Iheruome, Elom, Okereke and Nwogo, 2023).

In Nigeria, deficit budgeting has been the pattern of government financing over the years, as government expenditure constantly rise more than the revenues. According to Udoh, Chegwe, Nyema and Ndaburoma (2023), this may be attributed to the alarming state of insecurity, increased demand for infrastructure, corruption and persistent decline in prices of crude oil in the global market. Budgeting process in Nigeria has been challenging in terms of its preparation, implementation and control. For instance, the implementation phase of the budget has been the most problematic, and the major complaints had often been; non release, partial release and delay in disbursing approved funds for budget expenditure, which have retarded effective budget implementation and expected economic growth outcome (Akinpelu, Mohammed and Ogunbi 2022). Many countries, especially the developing economics adopt the Keynesian theory in their economics by way of massive public spending; often times the expenditures are higher than the revenues, which engenders economic growth (Orji, 2019). However, evidences have shown that many developed economies of the world adhere strictly to their annual budgets' principal principles which enable them to occupy enviable positions in the world for maintaining a sustainable economic growth on the account of their budget implementation and control (Ugwuanyi, Efang and Ndubuisi, 2021).

1.2 Statement of the Problem

Budget is an indispensable economic plan available to government for the pursuance of economic properties of the people. Budgeting is a vital component of democracy, a fiscal instrument for self assessment and a basic pre-requisite for good governance. In Nigeria, however, the budget is veiled in myths and illusions and so, does not translate to the intended objectives. For instance, Omoniyi

(2022), opined that budgetary performance which can be measured in terms of its accomplishments has not been yielding the needed results in Nigeria over the years. Similarly, Onwuka (2022) also observed that budgeting which has been globally accepted as an essential tool in good governance has become a mere yearly rituals in Nigeria. This implies that the disparity between budget and its accomplishment are wide in Nigeria. This is evident in the kilometers of bad roads, the state of public schools, unhealthy hospitals, communities without safe drinking water, the power cuts and the population of out-of school children among other several indicators. When the expected outcomes on the target beneficiaries are not realized, the constitutional mandate of the government is left undelivered, thereby deepening poverty and exacerbating public outcry and loss of confidence in government with its attendant consequences.

Poor budget implementation has resulted in a form of public governance bedeviled by lack of accountability. Consequently, the cost of doing business in Nigeria has been on the increase. This has discouraged investors and limited the availability of foreign capitals for sustainable growth of the Nigerian economy. It is one thing to propose budget, but it is another to implement it in order to achieve the intended purposes. The major complaints in the implementation phase of budgetary process in Nigeria have been, non-release, partial release and delay in disbursing approved funds. The resultant effects of these are the prevalence of misappropriation, misallocation, wastages of public funds and uncompleted projects which undermine the intended development impacts of the budget.

Currently, several studies have been carried out in this area in Nigeria. For instance, authors such as (Ikilidih, Dibua and Bainamai, 2024; Udoh, Chegwe, Nyema and Ndaburoma, 2023; Nnachi, Iheruome, Elom and Okereke, and Nwogo, 2023; Ogeri and Eyisi, 2023; Elom and Okwo 2023, Akinpelu, Mohammed and Ogunbi, 2022, and Twaliwi, Uguanyi and Efanga, 2021) had carried out studies on the empirical relationship between federal government budget implementation and economic growth in Nigeria. However, there are variations in the findings of these prior studies. For instance,

Ikilidih, Dibua and Bainamai (2024) found that capital expenditure had positive and significant impact on economic growth in Nigeria; but Ogeri and Eyisi (2023) discovered that capital expenditure had no significant influence on the growth of the Nigeria economy. Similarly, Nnachi, Iheruome, Elom, Okereke and Nwogo (2023) found that both capital and recurrent expenditures exerted significant influence on the economic growth of Nigeria; but Elom and Okwo (2023) discovered that capital and recurrent expenditures showed no significant impact on the economy of Nigeria. Based on these mixed findings, it is obvious that there is gap to be filled, created by the inconsistent results of the prior studies. In line with this, this study is designed to examine the impact of capital expenditure implementation, recurrent expenditure implementation and external debt on economic growth in Nigeria.

1.3 Objectives of the Study

The broad objectives of the study is to examine the impact of federal government budget implementation on economic growth in Nigeria. The specific objectives of the study include the following:

- i. To evaluate the impact of capital expenditure implementation on economic growth in Nigeria
- ii. To assess the impact of recurrent expenditure implementation on growth in Nigeria.
- iii. To ascertain the impact of external debt on economic growth in Nigeria.

1.4 Research Questions

To achieve the objectives of the study, the following research questions were raised in line with the specific objectives to guide the study;

- i. What impact does capital expenditure implementation have on economic growth in Nigeria?

- ii. To what extent does recurrent expenditure implementation impact on economic growth in Nigeria?
- iii. What impact does external debt have on economic growth in Nigeria?

1.5 Research Hypotheses

The following research hypotheses were formulated in null form to guide the study in line with the specific objectives and research questions

- H0₁: Capital expenditure implementation has no significant impact on economic growth in Nigeria.
- H0₂: Recurrent expenditure implementation has no significant impact on economic growth in Nigeria.
- H0₃: External debt has no significant impact on economic growth in Nigeria.

1.6 Significance of the Study

For budget implementation to achieve economic growth, it must not be shown in figures but in the quality of lives of the people accessibility to health, additional jobs and infrastructural development amongst others. Hence, the members of the general public will immensely benefit from the findings of this study because Ministries, Departments and Agencies (MDAS) who are responsible for implementing budget will be made to know that the real essence of budget to translate government policies, plans and programs into welfare of the electorates. This is because, effective budget implementation remains. The soul of good governance by providing essential social services in a cost – effective manner for the people. If the national budget should influence the lives of the citizens positively, then, there is a need to revisit the issues of unrealistic resources allocation in the Nigeria’s annual budgets. This is a sure path to the goals of economic growth, which relates to how a nation can ensure the use of its resources to uplift the living standards of the citizenry.

Government will also benefit from the outcome of

this study because she will be made to understand that the concept of budget performance essentially places emphasis on linking budget levels to expected results, rather than to inputs. The focus on results will involve clear definition of missions and outcomes, measuring performance to gauge progress and using performance information within decision processes. Within the framework of performance budgeting, the preparation of the budget at the level of individual agencies will require proper articulation of targets and indicators and elaborate record keeping for ensuring data availability on regular basis. Such data will provide legislative decision makers with information to better evaluate budget proposals and enable them to ask key questions about the effectiveness of agency programs. There is also the need for expenditure tracking as an institutional framework for tracing the flow of resources through the various levels of government bureaucracy and providing local communities with information about funds allocated to particular service in their areas.

Finally, this study will also enrich available literature on budget implementation and economic growth in Nigeria and form the basis for further studies which will be immensely beneficial to scholars and other stakeholders.

1.7 Scope of the Study

The study examined the impact of federal government budget implementation on economic growth in Nigeria for the period of 25 years, spanning from 1999 to 2023. The independent variable (government budget implementation) was proxied by capital expenditure implementation, recurrent expenditure implementation and external debt; while the dependent variable (economic growth) was measured by gross domestic product. This is in line with Kimberly (2017), who opined that gross domestic product (GDP) is the best way to measure economic growth. This is because, GDP takes into account the country’s entire economic outputs, which include all goods and services that business in the country produce for sale, and it does not matter whether such goods and services are sold domestically or overseas. Moreover, the study selected the period, 1999 – 2023 because Nyeria has

been able to maintain steady democratic governance for the period which helped to access data that were not disjointed on annual basis.

1.8 Limitation of the Study

The study evaluated the impact of budget implementation on economic growth of Nigeria. The study employed capital expenditure implementation, recurrent expenditure implementation and external debt as proxies for federal government budget implementation. However, these explanatory variables are not the only components of budget expenditure in the Nigeria's yearly budget; but due to easy accessibility of data, they were chosen as our measurable variables. Hence, the results of this study may have been limited by other components of Nigeria's budget such as domestic debt which was not captured by this study. Moreover, this study focused in Nigeria, hence, its findings may not be universally applied.

SECTION TWO

REVIEW OF RELATED LITERATURE

2.1 Conceptual Review

2.1.1 Federal Government Budget Implementation

Budget implementation simply means the stage of the budgeting process before the monitoring stage, which involves the actual usage of public finance in carrying out the activities and projects that have been enumerated in the budget. According to Adah and Akogu (2019), the essence of budget is not in its formulation or initiation but in its implementation which is aimed at achieving the expectations and aspirations of the people. A well-implemented budget helps to translate government campaign promises, policies and programs into outcomes that have a direct bearing on the people such as provision of employment opportunities, poverty reduction as well as development of critical infrastructure such as roads, water, electricity, hospitals, schools for the good of the people. While appreciating the fact that budget implementation is the basic thing, however the size and structure of public expenditure is

expected to boost the growth. Be that as it may, implementation of policies and programs is fundamental to the attainment of socio-economic wellbeing of the society (Adah and Akogu, 2019).

Etale and Idumeasro, (2019), opined that the fundamental principles of budgetary control for the efficient and effective budget implementation are outline as follows: establish a plan or target of performance which coordinates all other activities; record the actual performance; compare the actual performance with that planned; calculate the difference or variances and analyze the reason for them and act immediately, if necessary to remedy the situation. Therefore, to implement budget entails ensuring that both revenue projections and expenditure framework contained in the approved budget document are achieved within the fiscal year (Olaoye and Alabadan, 2022).

2.1.2 Capital Expenditure Implementation

Nurudeen and Usman (2018) are of the view that capital expenditure is the part of the government spending that goes into the creation of assets like schools, colleges, hospitals, roads, bridges, dams, railway lines, airports and seaports. Capital expenditure also covers the acquisition of equipment and machinery by the government, including those for defense purposes. Capital expenditure also includes investment by the government that yields profits or dividend in future. Adenikinju (2016) defined capital expenditure as spending on assets. It is the purchase of items that will last and be used time and time again in the provision of good or service. In the case of government, examples would be the building of a new hospital, the purchase of new computer equipment or networks, constructing new roads amongst others. Also, government capital expenditure is the money spent on goods that are classified as investment goods. This means spending on things that last for a period of time. This may include investment in hospitals, schools, power sector, telecommunication and road construction. The role of government capital expenditure in output and capacity utilization of manufacturing industry in Nigeria has been a growing concern, despite the fact that, the government had embarked on several

policies aimed at improving the growth of the Nigerian economy through the contributions of manufacturing industry to the economy and capacity utilization of the sector (Abu and Abdulahi, 2015).

2.1.3 Current Expenditure Implementation

Agenor and Moreno-Dodson (2016) state that recurrent expenditure encompasses all payments other than for capital assets, including on goods and services, such as wages and salaries, employer contributions, interest payments, subsidies and transfers. Olulu, Erhieyovwe and Ukavwe (2014) are of the view that recurrent expenditure on goods and services is expenditure, which does not result in the creation or acquisition of fixed assets. It consists mainly of expenditure on wages, salaries and supplements, purchases of goods and services and consumption of fixed capital.

2.1.4 External Debt

Fasoranti (2017) describes external debt as that part of a country's debt that is borrowed from foreign lenders including commercial banks, governments or international financial institutions. External debt becomes necessary when domestic financial resources become inadequate to finance public goods that increase welfare and engender economic growth. External debts are funds sourced from outside the nation's boarder usually in foreign currency and are interest-bearing to finance specific projects. The effect of external debt on a nation's economy has been a subject of controversy among academics. Some are of the view that external debt accelerates economic growth (Nurudeen and Usman, 2016). This view is in line with neoclassical model of economic growth –the Keynesian theory in which capital accumulation is viewed as a catalyst to economic growth. This has been confirmed by the significant growth by the Asian, Malaysia, Singapore, Indonesia Taiwan and South American counties, Brazil. These nations were able to transform their economy using external debt. The proponents that external debt has negative impact on economy stems from the fact that at certain level, debt accumulation becomes a burden and will no

longer stimulate economic growth (Mochael, 2016). Furthermore, the liquidity constraint referred to as 'crowding out' effect of debt, that is, the need to service debt reduces funds available for investment and growth.

2.1.5 Economic Growth

Generally, the concept of economic growth is semantically the mixture of economic and growth. Economics is the management of the factors of production. And growth is an increase in size, number, value, or strength. But from an economic perspective, "economic" and "growth" are jointly used together to mean a positive change in the standard or quality of life of the people. Balami (2006) postulates growth as a steady process which involves raising the level of output of goods and services in the economy. Jhingan, (2003) further explained that growth is related to a quantitative sustained increase in a country's per capita output accompanied by an expansion in manpower and volume of trade. This implies that economic growth is the sustained increase in an economy's output followed by other factors that influence growth such as infrastructural development, technological advancement as well as human capital development. Economic growth is the increase in the inflation-adjusted market value of the goods and services produced by an economy over time; it is measured as the percentage rate of increase in the real gross domestic output (IMF, 2012).

2.1.5.1 Gross Domestic Product

Gross domestic product is the total output of all goods and services produced in an economy. A country's economic growth is usually measured by an increase in that country's gross domestic product (GDP) In other words, a country's GDP is the total monetary value of the goods and services produced by the country over a specific period of time. 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 business in the country produce for sale.

It doesn't matter whether they are sold domestically or overseas.

2.2 Empirical Review

Ikilidih, Dibua and Bainamai (2024) examined the effect of budget implementation on Nigeria's economic development. The specific objectives of the study were to determine the effect of government capital expenditure, recurrent expenditure, inflation rate and exchange rate on gross domestic product of Nigeria. The study adopted *ex-post facto* research design which enabled secondary data to be obtained from the Central Bank of Nigeria Statistical Bulletin, from 2010 to 2023. The data was subjected to unit root test to validate the data and ensure a reliable regression results. Pearson Correlation Matrix Test was also conducted to determine the magnitude and strength of the relationship between the explanatory variables and the dependent variable. Further, the study employed autoregressive distributed lag (ARDL) regression model to estimate the empirical relationship between variables of budget implementation and gross domestic product of Nigeria. The results of the analysis revealed that capital expenditure and recurrent expenditure had positive and significant effect on gross domestic product of Nigeria. Moreover, the study found that inflation and exchange rates had negative and significant effect on economic growth in Nigeria. The study recommended that the national government should improve on budget preparation and approval processes, streamline budget release mechanisms, and establish a robust budget monitoring and evaluation frameworks

Egwu and Eyisi (2023) assessed the effect of government budget implementation on economic growth in Nigeria. Specifically, the study sought to ascertain the effect of government recurrent expenditure, government capital expenditure and effect of external debt on gross domestic product of Nigeria. The study employed time series data which were collected from the Central Bank of Nigeria's Statistical Bulletin for the period, 2011 to 2020. The study made use of descriptive statistics such as the mean, media, maximum, minimum and standard deviation amongst others to determine the

characteristic of both the dependent and independent variables. Unit root was also conducted using the conventional Augmented Dickey Fuller (ADF) test on both the explanatory and dependent variables to avoid spurious regression results. The study employed Autoregressive Distributed Lag Model (ARDL) to test the hypotheses of the study at 0.05 level of significance. The result of the regression analysis revealed that government recurrent expenditure had positive and significant effect on gross domestic product of Nigeria; while capital expenditure exerted no significant influence on the economic growth of Nigeria. Besides, the study found that external debt had positive and significant effect on the Nigeria's gross domestic product. The study recommended that government should increase its recurrent expenditure as this will be an immense boost to the growth of the Nigerian economy.

Nnachi, Iheruome, Elom, Okereke and Nwogo (2023) evaluated the effect of budget implementation on economic growth in Nigeria. The study specifically sought to determine the effect of capital expenditure, recurrent expenditure, debt servicing and government statutory transfers on the gross domestic product of Nigeria. The study adopted *ex-post facto* research design, while data was sourced from the Statistical Bulletin of Central Bank of Nigeria for the period of 21years, spanning from 1999 to 2020. The study conducted unit root test to validate the data and ensure reliable regression results. Descriptive statistics was also carried out to determine the individual characteristics of the research variables. Correlation Matrix Test was performed to determine the strength and magnitude of the relationship between components of budget implementation and economic growth of Nigeria. Multiple regression model anchored on ordinary least square was employed to estimate the effect of the explanatory variables on economic growth of Nigeria. Findings showed that both capital and recurrent expenditures had positive and significant effect on gross domestic product in Nigeria; while debt servicing had negative and significant effect on gross domestic product of Nigeria. Moreover, the study also found that statutory transfers had significant influence on the growth of the Nigerian economy. The study recommended that government

should prioritize capital expenditure in order to provide the critical infrastructure that facilitate economic growth.

Udoh Chegwe, Nyema and Ndaburoma (2023) examined the empirical relationship between budgeting and economic development in Nigeria. The study sought to specifically ascertain the effect of public capital expenditure and public recurrent expenditure on economic development of Nigeria. The study adopted *ex-post facto* research design which enabled time series data to be collected from the statistical Bulletin of Central Bank of Nigeria for the period 1981-2020. The study conducted descriptive statistics test to determine the individual properties of the research variables. Correlation Matrix Test was also performed to ascertain the magnitude and strength of the relationship between the dependent and independent variables. The study employed multiple regression model anchored on ordinary least square technique to estimate the effect of the explanatory variables on economic development in Nigeria. Results of the regression analysis showed the both capital and recurrent expenditures exerted no significant effect on the economic development of Nigeria. The study recommended that government should identify priority and key productive sectors that need expansion to increase their capital expenditure that would facilitate economic development. Also. The government should reallocate its spending from recurrent items to capital items to increase her expenditure on developmental projects that would enhance the overall economic welfare of the people.

Onabote, Ohwofasa and Ogunjumo (2023) carried out a study on the effect of government spending on human development in Nigeria. Specifically, the study sought to examine the effect of government social services, administration, economic services and school environment on economic development of Nigeria proxied by educational attainment, life expectancy and per capita income. The study obtained data from the Central Bank of Nigeria's statistical Bulletin for the period, 1986-2021. The study made use of the descriptive test to ascertain the characteristics of the model variables. Pearson

correlation test was also performed to determine the strength and magnitude of the relationship between government spending and economic development of Nigeria. The data was validated by performing unit root test on both the dependent and independent variables using the Conventional Augment Dickey Fuller test. Moreover, the study employed Autoregressive Distributed Lay (ARDL) model to estimate both the short and long run effect of government spending on human development in Nigeria. Results of the analysis showed that there is no link between components of government spending and human development in Nigeria. The findings should alert policy makers in Nigeria to take action by implementing strategies like increasing public spending to address the decline in economic development.

Nwude, Nwaeze and Nwude (2023) employed Vector Error Correction Model to determine the impact of government expenditure on the Nigerian economy. The specific objectives of the study were to determine the impact of expenditure in education, health, agriculture and debt servicing cost on economic growth in Nigeria. The study adopted *ex-post-facto* research design which enabled time series data to be collected from Central Bank of Nigeria Statistical Bulletin. Diagnostic tests on unit root was performed to make sure that the variables are stationary using the conventional Augmented Dickey-Fuller (ADF) test. Johansen co-integration test was also carried out to establish the existence of the long run equilibrium relationship among the variable. Moreover, descriptive statistics were performed to determine the individual characteristics of the research variables. The data was analyzed with Vector Error Correction Model to estimate the empirical relationship between the components of government expenditure and Nigerian economic growth. The study found the expenditure on education had long and short run positive and significant impact on economic growth in Nigeria. Moreover, expenditure on health and agriculture had positive and significant impact on the growth of the Nigerian economy; while debt servicing impact had negative and significant impact on economic growth of Nigeria.

2.3 Theoretical Framework

2.3.1 Wagner’s Theory

This theory was developed by Adolph Wagner, a famous German Political Economics in 1883. The theory states that as the per capita income of a country rises, the share of public spending to gross domestic product also rises-which connote direct positive relationship between them. Put differently, industrialization-driven growth in per capita income incentivizes government to increase its expenditures with direct bearing on social welfare such as education, health, road, security among other, produce more goods and services as aggregate demand goes up. This theory assumes that social progress constitutes the primary cause of the relative growth in industrializing economies. In an effort to validate this assumption, he drew distinction in certain forms of government activities such as: Law and order, Participation in the material production of economic goods and social products. The relevance of this theory to the study is that government increased expenditure is necessitated by the compelling needs of government to provide certain economic goods requiring large fixed investment outlays which cannot be provided by private firms on profitable basis. The theory also indentified the provision of subsidies and other welfare measures, and the pressure on these amenities as a result of increasing population, urbanization, rising cost of servicing debt and debt repayments as major stimuli to increased government expenditures.

SECTION THREE

METHODOLOGY

3.1 Research Design

The study adopted *ex-post facto* research design. *Ex-post facto* requires the use of historical records which is relevant in explaining a consequence based on antecedent conditions. The appropriateness of *ex-post facto* research design in this study is based on the fact that the event to be investigated had already taken place. Hence, data are already available to be extracted and utilized.

3.2 Sources and Method of Data Collection

Data for the study was obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin for the period, 1999 to 2023. Data collected covered capital expenditure implementation, recurrent expenditure implementation, external debt and gross domestic product for the period reviewed.

3.3 Model Specification

This study employed Ordinary Least Square (OLS) Multiple Regression Model to test the statistical significant relationship between the variables of federal government budget implementation and economic growth in Nigeria. For the purpose of analysis, it was proposed that components of budget implementation employed in the study are determinants of economic growth in Nigeria.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \text{et} \dots \dots \dots (1)$$

The above functional model was restated explicitly as an econometric equation to suit this present study as expressed below:

$$Y = \beta_0 + \beta_1 \text{CEI} + \beta_2 \text{REI} + \beta_3 \text{EXD} + \text{et} \dots \dots \dots (2)$$

Where:

Y = Economic growth (Proxied by gross domestic product) (dependent variable)

B₀ = Constant

B₁ – B₃ = Slopes of Coefficient of the explanatory variables

CEI = Capital Expenditure Implementation (independent variable)

REI = Recurrent Expenditure Implementation (independent variable)

EXD = External Debt (independent variable)

et = Error Term

3.4 Method of Data Analysis

The data which was obtained from secondary sources was estimated using multiple regression model with the aid of E-views 10.0 econometric software. Unit root test was performed using the conventional

Augmented Dickey Fuller (ADF) on both the dependent and independent variables to validate the data in order to obtain a regression result that is not spurious. Descriptive statistics was used to analyze data so as to determine the individual characteristics of the model variables such as the mean, standard deviation, minimum and maximum values amongst others. The study made use of ordinary least square multiple regression model to test the formulated hypotheses at 0.05 level of significant. For the purposes of taking decision, the study was guided by

the following decision rules.

Decision Rule 1: Accept the alternate hypothesis and reject the null hypothesis if the probability value (p-value) associated with the regression outcome is less or equal to than 0.05 chosen level of significance.

Decision Rule 2: Accept the null hypothesis and reject the alternate hypothesis if the p-value associated with the regression outcome is greater than 0.05 chosen level of significance.

SECTION FOUR

RESULTS

4.1 Data Presentation

Table 1: Descriptive Statistics

| | GDP | CEI | REI | EXD |
|--------------|------------|------------|------------|------------|
| Mean | 6235.46 | 8834.32 | 2384.40 | 1838.20 |
| Median | 8421.80 | 5260.40 | 4544.88 | 1038.98 |
| Maximum | 9819.60 | 8988.81 | 6822.08 | 4328.33 |
| Minimum | 6844.22 | 4382.60 | 4328.28 | 117.226 |
| Std. Dev. | 163.804 | 130.692 | 213.752 | 285.642 |
| Skewness | 3.33408 | 5.56301 | 5.34560 | 2.68230 |
| Kurtosis | 2.28260 | 3.65790 | 3.56800 | 2.68236 |
| Jarque-Bera | 232.490 | 121.386 | 118.468 | 104.224 |
| Probability | 0.04822 | 0.05346 | 0.04328 | 0.00880 |
| Sum | 81.6428 | 38.4332 | 22.8260 | 44.4860 |
| Sum Sq.Dev. | 48.6624 | 24.5640 | 22.6842 | 28.3864 |
| Observations | 25 | 25 | 25 | 25 |

Source: Author’s Computation 2024 from E-view Version 10.

Table one showed the descriptive statistics of gross domestic product (GDP), capital expenditure implementation (CEI), recurrent expenditure implementation (REI) and external debt (EXD) for

the period, 1999 – 2023. The results indicated that on average, the values of GDP, CEI, REI and EXD stood at 6235.46%, 8834.32%, 2384.40% and 1838.20% respectively. Their standard deviation

values of 163.804, 130.692, 213.752 and 285.642 revealed the rate at which gross domestic product, capital expenditure implementation, recurrent expenditure implementation and external debt deviated from their expected values. Also, the maximum values of GDP, CEI, REI and EXD for the period covered by the study were 9819.60%, 8988.81%, 6822.08% and 4328.33% respectively; while their minimum values stood at 6844.22%, 4382.60%, 4328.28% and 117.226 respectively. It was also discovered that GDP, CEI, REI and EXD were positively skewed with skewness coefficient value of 3.33408, 5.56301, 5.34560 and 2.68230 respectively. This implies that the distribution of these variables, GDP, CEI, REI and EXD clustered to the left, but had long tail to the right. The probability values of CEI, REI and EXD stood at 0.05346, 0.04328 and 0.00880 respectively, indicating that the null hypothesis of normal

distribution was rejected at 5% level of significance.

4.2 Unit Root Test

Preliminary test such as unit root test was carried out to check the existence of stochastic error terms properties that might have entered the research model which could result to spurious regression outcome. For the purpose of accomplishing the basic assumption of ordinary least square (OLS) and to obtain reliable regression results, all the variables (CEI, REI, EXD and GDP) are required to be stationary before applying them in the regression tests. Consequently, the unit root was conducted using the Conventional Augmented Dickey-Fuller (ADF) statistics on both the dependent and independent variables as shown in table 2 below:

Table 2: Unit Root Test

| Variable | Constant and trend level prob. | | Constant and trend level | |
|----------|--------------------------------|-------|----------------------------|-------|
| | | | 1 st difference | Prob. |
| GDP | -55.422 | 0.248 | -4.382 | 0.018 |
| CEI | -1.166 | 0.956 | -3.912 | 0.033 |
| REI | -3.613 | 0.218 | -5.688 | 0.012 |
| EXD | -2.268 | 0.322 | -4.272 | 0.038 |

Source: Author’s Computation from E-views, 2024 version 10.0

The result of table 2 with respect to ADF unit root test showed that all the variables, gross domestic product (GDP), capital expenditure implementation (CEI), recurrent expenditure implementation (REI) and external debt (EXD) are non-stationary at levels. However, considering their series in 1st difference,

all the series became stationary. Therefore, the ADF statistical results showed that the time series on the variables are integrated in the order of 1(1). Hence, the series do not have unit root, and the researcher proceeded to run the multiple regression analysis.

4.3 Test of Research Hypothesis

Table 3: Regression Result

Dependent Variable: GDP

Method: Least Squares

Date: 07/08/2024

Time: 1.30

Sample: 1999 2023

Included Observations 25

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---------------------|-------------|-----------------------|-------------|----------|
| C | 4.22842 | 0.12668 | 33.37875 | 0.0000 |
| CEI | 0.68802 | 0.22650 | 3.037616 | 0.0043 |
| REI | 0.58688 | 0.25664 | 2.28678 | 0.038 |
| EXD | -0.89564 | 0.38255 | -2.34124 | 0.0016 |
| R-squared | 0.68936 | Mean dependent var | | 0.64622 |
| Adjusted R-squared | 0.67944 | S.D. dependent var | | 0.08623 |
| S.E. of regression | 0.30688 | Akaike info criterion | | -2.56926 |
| Sum squared resid | 44.2562 | Schwarz criterion | | -2.6692 |
| Log likelihood | 0.46520 | Hannan-Quinn criter | | -2.18254 |
| F-statistic | 42.26132 | Durbin-Watson start | | 1.88250 |
| Prob. (F-statistic) | 0.00000 | | | |

Source: Author’s Computation from E-views, 2024, Version 10.0

4.3.1 Decision Rules

In this study, the decision rule is anchored on the conventional probability values associated with regression results obtained for each of the research hypotheses. **Decision Rule One:** Accept the alternate hypothesis (HA) and reject the null hypothesis (HO) if the probability value (P-value) is less or equal to 0.05 chosen level of significance. **Decision Rule Two:** Accept the null hypothesis (HO) and reject the alternate hypothesis (HA) if the P-value is greater than 0.05 chosen level of significance.

4.4 Interpretation of Regression Results

The results of the multiple regression analysis presented in table 3 showed that the coefficient values of CEI and REI were 0.68802 and 0.58688

respectively; while their P-values stood at 0.0043 and 0.0380 respectively. Based on these results and in line with the guiding decision rules, we accepted the alternate hypothesis and concluded that capital and recurrent expenditure implementation had positive and significant impact on economic growth of Nigeria. This implies that capital and recurrent expenditure implementation had a direct relationship with the Nigerian gross domestic product. Meaning that any increase in expenditures of recurrent or capital will lead to enhancement in the growth of the Nigeria’s economy. Moreover, external debt had coefficient value of -0.89564 and a P-value of 0.0016. in line with the decision rules, 0.0016 is less than 0.05 level of significance. Hence, external debt (EXD) had negative and significant impact on the economy of Nigeria. The implication is that there is an inverse relationship between EXD and the gross

domestic product (GDP) of Nigeria. That is N1 increase in Nigeria’s external debt will lead to 89% reduction in the growth of the Nigerian economy.

R-square value stood at 0.68936, which means that about 0.69% of the variation in the growth of the Nigeria’s economy can be explained by the impact of the variables of federal government budget implementation employed in this study. However, about 0.31% is caused by other factors not captured in the model, but which are capable of affecting the growth of the Nigeria’s economy.

4.5 Discussion of Findings

The results obtained from the test of hypotheses one, two and three formed the basis of discussion of the study.

4.5.1 Impact of Capital Expenditure Implementation on Economic Growth in Nigeria

The results of the regression analysis presented in table 3 showed that capital expenditure implementation (CEI) with coefficient value of 0.68802 and P-value of 0.0043 had positive and significant impact on economic growth of Nigeria. This result is in line with the study conducted by Ikilidih, Dibua and Bainamai in 2024 on budget implementation and Nigeria’s economic development. Finding from this prior study revealed that capital expenditure exerted positive and significant effect on the development of the Nigeria’s economy. However, our result is inconsistent with the finding of Egwu and Eyisi (2023) who found that capital expenditure implementation had no significant impact on the economic growth of Nigeria.

4.5.2 Impact of Recurrent Expenditure Implementation on Economic Growth of Nigeria

Based on the regression results presented in table 3, the study found that recurrent expenditure implementation (REI) with coefficient value of

0.58688 and P-value 0.0380 had positive and significant impact on economic growth in Nigeria. This implies that N1 increase in recurrent expenditure implementation will lead to 0.59% increase in Nigeria’s economic growth. This result agreed with the finding of Nnachi, Iheruome, Elom, Okereke and Nwogo (2023) who discovered that government recurrent expenditure had positive and significant impact on the economic growth of Nigeria. However, our result disagreed with the finding of Udoh, Chegwe, Nyema and Ndaburoma (2023) who found that government recurrent expenditure exerted no significant influence on the growth of the Nigeria’s economy.

4.5.3 Impact of External Debt on Economic Growth of Nigeria

The regression results presented in table 3 revealed that the coefficient and P-value of external debt were -0.89564 and 0.0016 respectively. This result is inconsistent with the finding of Egwu and Eyisi (2023), who found that Nigeria’s external debt had positive and significant impact on the growth of the Nigerian economy. Our result conformed with the researcher’s aprior expectation because, at a certain level, debt accumulation becomes a burden and will no longer stimulate economic growth since the need to service debt reduces funds available for government investments.

4.6 Implication of the Study

The study found that both capital and recurrent government expenditure had positive and significant impact on the economic growth of Nigeria. However, the study also discovered that external debt exerted negative and significant influence on the growth of the Nigerian economy. The implication of these findings is that the positive impact of capital and recurrent expenditures cannot sustain the growth of the Nigeria’s economy without adequate fiscal discipline that would address the challenges of excess debt accumulation in Nigeria.

SECTION FIVE

FINDINGS CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

The study examined the impact of federal government budget implementation economic growth in Nigeria. The following were summary of findings:

- i. The study found that capital expenditure implementation (CEI) with coefficient value (0.68802) and P-value (0.0043) had positive and significant impact on economic growth in Nigeria.
- ii. The study discovered that government recurrent expenditure implementation (REI) with coefficient value (0.58688) and P-value (0.0380) had positive and significant impact on the growth of the Nigerian economy.
- iii. Finally, the study found that external debt with coefficient value of -0.89534 and P-value of 0.0016 had negative and significant impact of economic growth of Nigeria.

5.2 Conclusion

Based on the findings, the study concluded that capital expenditure implementation, recurrent expenditure implementation and external debt variables are relevant in estimating the Nigerians real gross domestic product for the period reviewed by this study.

5.3 Recommendations

In line with the findings of this study, the following recommendations were made:

- i. Government should prioritize capital expenditure in order to provide the critical economic infrastructures that facilitate the growth of the Nigerian economy, since capital infrastructure impacted positively on the gross domestic product.
- ii. Government should continue to adequately implement recurrent expenditure as

contained in the budget in order to continue to influence gross domestic product positively.

- iii. Government should reconsider random borrowing of money from foreign countries as greater percentage of the budget is spent on external debt; and every debt should be project linked, so that it can be productive.

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**APPENDIX I
DATA**

| YR | GDP | CEI | REI | EXD |
|-----------|------------|------------|------------|------------|
| 1999 | 411.64 | 245.33 | 309.31 | 101.011 |
| 2001 | 458.99 | 248.24 | 341.76 | 342.560 |
| 2002 | 530.36 | 446.52 | 361.24 | 358.022 |
| 2003 | 689.48 | 396.85 | 383.53 | 311.256 |
| 2004 | 813.14 | 460.38 | 421.18 | 220.221 |
| 2005 | 113.32 | 242.72 | 353.60 | 190.323 |
| 2006 | 130.56 | 339.82 | 379.15 | 112.961 |
| 2007 | 173.21 | 328.96 | 467.26 | 154.887 |
| 2008 | 222.98 | 368.13 | 684.88 | 164.726 |
| 2009 | 286.62 | 331.41 | 509.22 | 192.856 |
| 2010 | 329.38 | 398.43 | 425.20 | 188.215 |
| 2011 | 391.88 | 443.19 | 380.58 | 210.033 |
| 2012 | 442.56 | 358.25 | 422.32 | 214.668 |
| 2013 | 546.26 | 454.22 | 660.86 | 244.823 |
| 2014 | 629.04 | 443.32 | 541.63 | 286.287 |
| 2015 | 717.13 | 396.34 | 736.59 | 324.134 |
| 2016 | 800.56 | 374.49 | 658.08 | 357.800 |
| 2017 | 890.43 | 460.12 | 788.15 | 485.131 |
| 2018 | 941.96 | 498.61 | 822.42 | 542.227 |
| 2019 | 679.42 | 384.40 | 901.33 | 600.470 |
| 2020 | 859.07 | 546.23 | 955.16 | 705.530 |
| 2021 | 590.44 | 317.21 | 940.94 | 800.532 |
| 2022 | 681.40 | 229.72 | 955.20 | 828.422 |
| 2023 | 599.98 | 387.30 | 980.55 | 958.454 |

Source: CBN Statistical Bulletin and DMO report, 2023.