CONSEQUENCES OF VARIABLES OF FISCAL POLICY ON THE GROWTH OF NIGERIAN ECONOMY

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Abstract

The Nigerian government has measures in place to guarantee that the nation stays on the road of economic growth and development. In its effort to accomplish it, this study was designed to empirically examine the Consequences of variables of fiscal policy on the growth of Nigerian economy; using annual time-series data on explained variable, RGDP which was used as a proxy for economic growth and explanatory variables, government total expenditure (GTEXP); government total revenue (GTR); money supply (M2); government deficit expenditure (GDE) and foreign direct investment (FDI) which were used to capture fiscal policy sourced from Federal ministry of finance, Central Bank of Nigeria; Nigeria Bureau of Statistics; countryeconomy.com and World Bank for the periods 1981-2020. The study employed Ordinary Least Square (OLS) Technique; Granger Causality test; and Vector Autoregressive (VAR) technique. The result of OLS technique demonstrated that government total expenditure (GTEXP) and money supply (M2) significantly increased the economy in positive manner; whereas government deficit expenditure (GDE) and foreign direct investment (FDI) insignificantly increased the economy in positive manner; meanwhile government total revenue (GTR) significantly decreased the economy in a negative manner. More so, Granger Causality test upheld the hypothesis of GTEXP, GTR, M2, and FDI does not involve Granger causality of RGDP and the hypothesis that RGDP does not involve Granger causality of GTEXP, GTR, M2, and FDI. However, unidirectional causality runs from GDE to RGDP. The results of vector autoregressive (VAR) technique portrayed that the past period of economic growth was associated with a negative and significant decrease in itself. Whereas, the past periods of government total expenditure, money supply insignificantly depressed economic growth; while past periods of government total revenue, government deficit expenditure and foreign direct investment insignificantly boosted economic growth. Therefore, the study concluded that government should use these variables as back-up tools to run the economy in a smooth manner, and also recommended that government should focus on expansionary aspect of fiscal policy so, that will enhance the productive base of the economy.

Keywords: Fiscal Policy, Economic Growth, OLS Technique & VAR Approach

Introduction

The eighteenth and nineteenth centuries were dominated by the classical school of economic thinking, whose luminaries included Adam Smith, Thomas Malthus, David Ricardo, Jean-Baptiste Say, John Stuart Mill, Anne Robert Jacques Turgot, and Eugen Bohm von Bawerk. During these periods, it was assumed that the economy would grow independently of external pressures. They proclaimed in their theology that the market can only adjust itself if there is no control measure in place to restrain its activity. They opposed government intervention in the market, preferring instead a market process known as laissez-faire. According to them, allowing the market to clear itself results in economic growth and progress, and hence the government should relinquish control of the economy by letting the market to clear itself. Thus, government can only provide national security to encourage business; in doing so, people will engage in purchasing and selling goods and services, which will have a trickle-down effect on the economy. Say's law, or the law of markets, was one of the central tenets of this market-system economy, as he asserted in his slogan supply creates its own demand – that is,

the production of one product generates demand for another by providing something of value that can be exchanged for the value of other products. On the other hand, Smith argued that the optimal environment for economic progress was one that was free of competition and governed by universal "natural laws." Smith's economic philosophy laid the groundwork for classical economics. In 1929, after all the abracadabra and intrigues around laissez-faire failed to ensure economic growth and progress, the economy plummeted into a suicidal slump that lasted until March 1933. This resulted in the creation of Keynesian economics, which ushered in a new era of economic organization. Keynes warned against the government sitting back and watching the economy of a nation falls into the hands of some set of individuals who will solely focus on generating and consuming goods and services without exercising control over these commodities and services. Fiscal policy was born as a result of this. According to Keynes, the only option for the economy to recover from depression is for the government to interfere and implement appropriate policies that assist define a country's economic behaviour. Keynes now argued for higher government spending and lower taxation in order to generate demand and lift the global economy out of its deep crisis. Fiscal policy has evolved into and continue to be the primary policy instrument that all economies (capitalism, socialism, planned economy, and mixed economy) use to combat any force that acts as a constraint on economic growth and development. Fiscal policy in Nigeria is falling short of expectations - it is underperforming to achieve its main target. Its outcome is dropping, for example, no matter the huge sum of fund being earmarked for total expenditures, the level of economic activities is declining, output is no longer guaranteeing growth, inflation is on the rise daily, income is losing its value, high income now chases fewer goods, and not the other way round. Drawing from the experience of the great depression, government policy measure to curb the depression was in the form of increased government spending (Nagayasu, 2003). According to Okunroumu (1993), the management of the Nigerian economy in order to achieve macroeconomic stability has been unproductive, and negative one cannot say the Nigerian economy is performing. This is evident in the adverse inflationary trend, fiscal policy, rippling foreign exchange rates, the fall and rise of gross domestic product, unfavourable balance of payments as well as increasing unemployment rates which are all symptoms of growing macroeconomic instability. In the light of the above, government has employed several strategies (such as implementation of treasury single account, TSA). This was done in order to centralise the revenue collection of the various government sectors because it was believed that it hinders economic growth and development. Yet, fiscal policy has not performed any better, instead its performance is still on the decline. Fiscal policy has now become weak and inefficient that cannot be used as a tool to regulate the economy anymore, so many sectors of the economy are taxed highly, thereby lowering economic growth. Given the fact that fiscal policy is well-known as a catalyst for real economic growth and development, its low performance clearly portends great danger to the economy. Although, various studies have been conducted as regards this study, and diverse strategies have been used to tackle the problem. However, applying this method would make a more significant difference from the approaches used by different researchers and outcomes found by previous studies. It is of concern by this study to conduct an analysis of how to solve this problem by examining Consequences of variables of fiscal policy on the growth of Nigerian economy from 1981 to 2020.

LITERATURE REVIEW
2.1 Conceptual Literature Review
This research section takes a conceptual review of variables of fiscal policy and their effects on economic growth in Nigeria. This exposes readers to the concept of fiscal policy and how it spurs growth.

Fiscal policy: Government instrumentally uses this tool to direct, shape, drive the economy, and fight macroeconomic phenomena that would have appeared to derail or distort the economy from its rightful direction. The main keys of fiscal variables are government expenditures, taxes/revenue, and deficit expenditure. Government expenditure is made to regulate the economy - taxes/revenue is made to boost the economy and deficit expenditure is made to stimulate the economy. Fiscal policy refers to the use of government expenditure and taxation to smoothly affect economy. Fiscal policy often used by governments to encourage robust, long-term growth that hence lower poverty. Fiscal policy has it term to describe use of government spending and tax policies that influence economy, particularly macroeconomic indicators like employment, inflation, and economic growth. Monetary policy, which is controlled by central banks rather than governments, frequently conflicts with fiscal policy. A large portion of fiscal policy is founded on the theories of Keynes, who emphasized that shortages in the components of aggregate demand that drive consumer spending and business investment are what cause economic recessions. Keynes believed on business circle could be stabilized by governments and economic output be regulated as well thereby adjusting spending and tax policies so that private sector shortfalls can make up. In response to the great economic depression that occurred in Britain as a result of the shortcoming of the classical doctrine, Keynes theories that defied classical economics' assumptions as economic swings self-correcting was developed.

Economic growth: Economic growth measures a rise in output of economic goods and services when contrasted between historical periods. It can also be measured as nominal, meaning that the issue of inflation has not been resolved, or as real, meaning that it has been corrected for inflation. Although other measures are occasionally used, gross national product (GNP) or gross domestic product (GDP) are traditionally employed to measure overall economic growth. Economic growth is defined simply as an increase in economy's total output, which raises income and encourages people to spend more money on goods, raising their level of living or their material standard of living.

Generally speaking, economic growth of the labour force, human capital, physical capital, and technical capital is frequently modelled. To put it another way, increasing the quantity or quality of the working-age population, their access to resources, and their capacity to chain capital, raw material, and labour that will efficiently lead to increased economic output.

2.2 Theoretical Literature Review

There are diverse theories regarding consequences of variables of fiscal policy on the growth of Nigerian economy, this segment is dedicated to some of them.

2.2.1 Keynesian theory of Government Expenditure

Government spending as a tool of fiscal policy according to Keynesian economics, after the classicalists' postulation that the economy is managed by market instruments and no government participation failed and instigated the Great Depression of 1930, Keynes was first to propose using government spending as a tool of fiscal policy in 1936. If you have more money, you are more likely to save and less likely to spend. This is what Keynes predicted. Due to the fact that consumptions (aggregate demands) do not increase proportionately on savings as income rises, the economy will become unstable. To preserve employment, income, and growth that was necessary to counteract the impacts of a decrease in demand on outputs that increasing public spending. There must be either an increase in the economy's willingness to spend or an increase in government spending if the gap between expenditure and income is to be closed.

2.2.2 The Peacock-Wiseman Hypothesis: The Displacement Effect Theory

The Peacock-Wiseman hypothesis was put forth in 1961 when author studied the U.K. economy (1890-1955). They came to the conclusion that there were no sudden or step-like increases in public spending (Bhatia 1985). Remember that they were highlighting the recurrence of extraordinary circumstances like wars and depression that resulted in substantial increases in governmental spending and revenue. According to Bhatia, the explanation was that as the economy developed, structural changes within suggested that revenue and governmental spending should increase regularly and skillfully. As a result, public spending has a propensity to rise due to the systematic growth of public operations as well as their improvement in scope and standard. According to Martin and Lewis (1956), a country's spending, particularly its basic spending, is determined more by its prevalent notion of the role of the state in socioeconomic growth than by its amount of revenue.

2.2.3 The Neo-Classical Theory of Economic Growth

The present neo-classical growth theory can be credited to Robert Solow as its originator. As opposed to the preceding so-called post-Keynesian theory, which sees government involvement as the main source of economic growth, Solow's (1956) theory sought to explain economic growth by taking technical advancement into consideration. It has long been studied, starting with the classical economists, to determine why growth rates vary across nations and what the basic problems are with developing economic progress. The fundamental premise is that the most straightforward path to achieving higher economic growth is through the advancement of production elements. The traditional production elements are labour, physical capital, and natural resources. The premise of neo-classical growth theory models is that a country's initial level of per capita income tends to be inversely related to its long-term per capita growth rate under conditions of diminishing returns to capital (Barro, 1990). In other words, this would imply that nations should gradually come together and that inequality between nations should decline. Empirical evidence, however, contradicts this supposition.

After the post-war era, 100 countries' per capita growth rates, according to Barro (1990), were unrelated to their initial per capita product levels. The main problem with neoclassical growth theories is their reliance on linear methods of thinking on how the world is developing. When input was to increase, output is directly impacted, and the effect is favourable. More resources equal more results is the basic tenet. But it's not quite that simple. There is a lot of literature that claims that moving the production process from one location to another cannot be done with complete ease and flexibility. This also explains why countries do not meet as frequently as neoclassical ideas would have them. Every time, the visible reality is connected to its surroundings, such as its inhabitants, its infrastructure, its political climate, etc. The role of technical advancement as an exogenous factor was also emphasized by neo-classical growth theories. Technology change is an act of economic growth, particularly in Solow's formulation, but because it is an exogenous component, it is referred to as a "public good." In addition to exogenous nature of technological change, Solow and the neo-classicalists have a number of other postulates, including perfect markets, perfect knowledge at the markets, utility maximization, no spill overs, and positive decreasing marginal revenue. A few of these assumptions, such as ideal markets and perfect market knowledge, could easily be contested, yet they are essential to this research approach. Solow's neo-classical growth theory has effectively provided specifics on the economic growth of two-thirds of nations. However, more recently, the focus has been more on knowledge, spill overs, and innovations when it comes to researching economic development and growth at the national and regional levels.

2.3. Empirical Literature Review

Numerous empirical studies employing cross-sectional, time-series, and panel data have examined the relationship between fiscal policy and economic growth. Research is being conducted around the world as well as specific country. The following are the empirical studies that have been chosen for review. For instance;

Apata (2019) used time-series data from 1970 to 2016 to evaluate the impact of public-spending policy mechanisms on agriculture sector production in Nigeria and China. According to the Random-effects model, Nigeria had substantial but

negative PUEXP and INTEV variables, while China had significant but positive PUEXP and INTEV variables.

De & Dkhar, (2018) studied the short and long-term link between Meghalaya's agricultural production and government spending on agriculture and its affiliated sectors from 1984-85 to 2013-14. Bound test co-integration was used to determine whether the connection was long-term. According to the ARDL calculation, public spending on agriculture and related activities has a considerably negative impact on agricultural production, but public spending on education and transportation has a significantly beneficial impact.

In addition, Abutu & Agbede (2015) used a co-integration and error correction model to evaluate the link between government spending and economic development in Nigeria for the period 1970-2010. Both recurrent and capital spending were shown to have a long-term, positive, and substantial linear association with economic growth. However, the link between capital expenditure and short-term economic growth was found to be negative, but still significant. A time-series data set from 1981 to 2014 may be analysed using the Ordinary Least Squares method and the Error Correction model.

Economic development in Nigeria was shown to be negatively impacted by social and economic services but insignificantly affected by government spending, according to an empirical study conducted by Bonmwa & Ishmael (2016).

The Granger Causality Test was used by Komain & Brahmasrene (2007) to analyse the relationship between Thai government spending and economic development. Government spending and economic growth are not linked, according to the findings. In addition, the findings showed a one-way link, since the chain of causation goes from government spending to economic development. Finally, the findings showed that government expenditure had a large beneficial influence on economic growth.

A study conducted by Usman et al. (2011) empirically studied the relationship between governmental spending and economic development in Nigeria. Cobb-Douglas specifies the enhanced Solow model used in the research. The focus of the research is on the impact of government spending on economic growth on three different types of spending: spending to build human capital (public expenditure on education and health), spending to build infrastructure (public expenditure on transportation and communication), and spending on administration. Public spending has little immediate influence on economic development, but there is a long-term link between public spending and economic growth.

Quarterly data from 1970 to 2008 was utilized by Chuku (2010) to investigate the monetary and fiscal policy linkages in Nigeria. The article uses a vector auto-regression (VAR) model to analyse Nigeria's budgetary policy. Since 1980 to 1994 (the sample period), there has been evidence of counteracting effects between Nigerian fiscal and monetary policies, while at other times, there has been no symmetrical pattern of interaction between the two policy variables.

Nigerian fiscal and monetary policy has been examined by Olopade & Olopade (2010). According to the findings, there was no connection between the majority of spending components and either economic growth or development in general. Some factors were marginally significant because environmental effects were not taken into account in the estimations, resulting in a mixed bag of findings. It did, however, give vital hints for future study directions.

Between 1979 and 2008, Aruwa & Suleiman (2010) looked at the impact of Nigeria's total public spending and its composition on economic development in the country. Wagner's law has been the subject of nine different hypotheses in this research. For the causality test, we used the Augmented Dickey-Fuller stationarity test, the Johansen multivariate co-integration approach, and VAR-based Vector Error Correction modelling tools. Shocks to public spending and economic growth are examined in this study. To exclude transfer expenditures, which were shown to have a bidirectional link with economic development, researchers identified a Wagnerian connection between public spending and growth in the economy. During the time period under study, both productive and protective expenditures support Wagner's law in Nigeria. Increases in government spending are used as a safety net rather than an engine for economic progress. Public investment dedicated toward boosting the stock of productive physical and human capital might have a long-term influence on the economy's long-term performance. When it comes to managing public spending, the government should put an emphasis on how public spending can help allocate resources more efficiently within the economy and how it can fund growth-enhancing spending categories like infrastructure, research and development, education, and health care. To improve fiscal and public management, a long-term planning and public expenditure framework focused on productive rather than protective spending is needed.

In 2011, Ogbole, Amadi, & Fassi wrote on fiscal policy in Nigeria and its effect on economic development (1970-2006). The research compares the influence of fiscal policy on Nigerian economic development throughout eras of regulation and deregulation. The Central Bank of Nigeria's time series data was analysed using econometric methods. During and after the regulatory era, fiscal policy seems to have different effects on economic growth. Among other things, a balanced policy mix, cautious public expenditure, feasible fiscal policy aims, and a widening of the country's economic base were advocated.

Adeoye (2006) examined the influence of fiscal policy on Nigerian economic development from 1970 to 2002 in the same vein, although over a shorter time span. Output growth is adversely impacted by public investment, meaning that public spending has a negative impact on private investment.

Both Haizhou Hauang & Jorge Padilla (2020), Central Bankers and the Walsh Agreement on Fiscal Policy. We build

a basic macroeconomic model in which tax distortions cause optimum monetary policy to be inconsistent over time. The optimum monetary policy may be implemented by an independent central bank using a Walsh contract (Walsh, 1995) if the optimal level of fiscal policy is set exogenously. However, when fiscal policy is established endogenously, the government may strategically manipulate this contract, leading to a less-than-ideal policy mix. For the best policy combination to be put into action, either the central bank should be given more power than the government or the government should transfer fiscal policy to an independent body.

Amin (1999) looked at how public and private investment interacts in Cameroon, focusing on how the former might be impacted by the latter. Findings from a growth model using secondary data from the public sector suggest that the relevant elements have positive impacts on growth, whereas results from an investment model reveal infrastructure and social sector crowding.

Ram (1986) utilised Simple Regression to analyse the effect of general government spending on India's GDP growth from 1980-1981 to 2015-2016. Foreign direct investment growth rate and two dummy variables were employed to represent the 2008 financial crisis and the 1991 era of financial reform. All of the independent variables were shown to have a positive and statistically significant impact on GDP growth, with the exception of FDI expansion, which had a negative impact on GDP growth during the time periods analysed.

Using empirical regularities, William Easterly & Sergio Rebelo linked fiscal policy factors to GDP growth and development levels in 1993. Recent cross-section data, historical data, and a freshly created series on government investment expenditures were used. Their research also showed that a robust connection existed between development level and monetary system. However, a different set of results found that international trade taxes are crucial for low-income nations, whereas income taxes are only relevant for high-income ones. Further research showed that a country's population size has a significant impact on fiscal policy and that spending on infrastructure like roads and bridges is positively correlated with economic growth. However, it was found that the effects of taxation are notoriously difficult to tease apart in the real world.

Komain Jiranyakul, in 2007, assessed the Thai government's spending policies in connection to the country's economic development. Using the Granger causality test as their analytical tool, they determined that there is a real, albeit one-way, causal relationship between government spending and economic growth. Additionally, Ordinary Least Square analysis confirmed that monetary policy and government spending significantly affect GDP growth.

In 2008, researchers Ranjan Kumar Dash & Chandan Sharma analysed the effect of government spending on India's economic growth and development. The time frame of our analysis is from 1950 to 2007. Using the two-stage approach of Engle and Granger, they analysed time-series data covering the years 1950-2007. Results from the analysis showed that government spending and foreign trade both had a favourable effect on economic growth.

By analysing data from several economies, Cooray .A. was able to draw conclusions on the impact of government spending and leadership on GDP growth in 2009. The author tested the government size and quality upgraded model using data from a cross-section of seventy-one economies. Government spending was used to gauge the size of government, while governance quality was utilised to evaluate its effectiveness. The findings also suggested that the size and quality of government play important roles in fostering economic expansion.

Similar research was conducted by Landau, D. (1986), who examined the correlation between local economic development in China and the size of government by collecting annual panel data from 29 provinces, autonomous areas, and municipalities from 2007 to 2017. Using a fixed effect regression analysis, it was discovered that the size of a city's government is correlated with its economic development. On the other hand, we find no association between government size and economic growth in the eastern areas, but a positive correlation in the middle and western regions.

In addition, in 2016, Eugene Iheanacho analysed the long- and short-term relationships between government spending and GDP growth in Nigeria between 1986 and 2014. We used the Johansen co-integration and error-correction approach to estimate the constituent parts of public sector expenditure and the proportion of gross capital creation derived from the Cobb-Douglas production function. Recurrent spending is shown to have a negative and considerable impact on economic development in Nigeria.

In a 2015 research, Usman, Ojonugwa, & Easther Abdul Agbede of Nigeria analysed time-series data from 1970 to 2010 using a co-integration and error correction model to determine whether or not government spending was associated with higher GDP growth. The study's findings demonstrated a positive and statistically significant linear link between government spending and economic expansion. The findings also showed that, in the short term, recurrent spending was considerably and favourably connected to economic growth, whereas capital spending significantly and adversely influenced economic growth. The findings also showed that both one-time capital expenditures and ongoing recurring expenditures contributed to economic growth.

Similarly, Granger causality test was used on US federal government time series data from 1947 to 2002 by Liu, Hsu, & Younis (2008) in their research on government spending. The researchers looked at five categories of government spending: human resources, national defence, physical resources, net interest payment, and other. According to the study's findings, the federal government's overall spending pattern is consistent with Keynesian theory, however, the causal links among the five types of federal spending are complex.

Oyinlola, M. A., & Olusijibomi, A. (2013) conducted research in Nigeria that looked at the correlation between government spending and GDP growth from 1970 to 2009. The Gregory-Hansen structural breakdowns co-integration approach is used, and the data is aggregated down to the level of public expenditures. In the long term, the finding was consistent with Wagner's law since it found that a structural rupture had occurred as a consequence of the political crisis that had gripped the nation in 1993. Social and community service expenditures, particularly those involving physical investment and human resources, were found to be primarily directed at fostering economic growth and development.

The impact of fiscal policy factors on Nigeria's economic development from 1970 to 2009 was studied by Peter N. Medee & Simeon G. Nenbee in a 2011 study. The stationarity issue associated with time series data must be reduced to a minimum. They learned the secretive Vector Auto Regression (VAR) approach, which has a built-in mechanism for correcting errors. A long-run equilibrium connection between fiscal policy variables and GDP growth in Nigeria was found. Short-term mistakes in forecasting vary from 76% to 100% over a 10-year horizon, and the results also showed that fiscal variables' own shocks caused a large variability source in economic development. Therefore, with the exception of the finding for period 2, the short-run response of GDP to a standard shock in government spending is negative. More specifically, the long- and short-term growth of GDP may be influenced by the use of tax funds for innovation. Conversely, in the near term, the reaction of GDP to a single standard shock in capital inflow is positive.

2.4 Selected Gaps in Literature

A plethora of researches have been conducted throughout the years to establish causality between the factors in question. Even though authors and academics have different conclusions, this doesn't indicate the field isn't delivering legitimate and comprehensive data. Even though various researchers have come to seemingly contradictory conclusions, this opens up a potential route for further investigation. Research possibilities here seem to be infinite. Examining the void left by most of these studies and their reluctance to replace it with a comprehensive body of qualified research study, this study aims to bridge those gaps. In addition to filling these gaps, the research will also provide theoretical justification for his results. This study is concerned with the analytic methods used by previous researchers; thus, it employs suitable procedures, which are sequential in its analysis. It's also cause for alarm that several of the research included for this evaluation did not focus on the most recent available data. Using a wide variety of time-series data spanning four decades, this research attempts to address this worrisome situation. Furthermore, the majority of studies reviewed herein failed to do what is fundamental to empirical research: interpret the data. However, a particularly useful contribution of this work is the empirical interpretation of its findings. The studies included for this evaluation also lacked the visual appeal of connections to other results. Based on this, the present research offers empirical and theoretical ties

with recent discoveries of literature in the study, which adds some fascinating new information to the table. A few of the research included here were not conducted in Nigeria, which is another red flag. This study's focus on Nigeria is timely; since the nation currently lacks the stable fiscal policy that would assist propel its economy forward. Studies were conducted that did not include Nigeria, such as those by Ram (1986); Haizhou Hauang & Jorge Padilla (2020); Komain Jiranyakul (2007); Liu, Hsu, & Younis (2008), Ranjan Kumar Dash & Chandan Sharma (2008); Landau, D. (1986); Amin (1999). This research is focused on Nigeria and its economy; its primary goal is to provide policymakers with insight into how fiscal policy should be implemented in Nigeria. Additionally, the appropriate econometric methods of data analysis were not used by Easterly, William, & Rebelo, Sergio (1993), Cooray, A. (2009), Oyinlola, M. A., & Olusijibomi, A. (2013). Considerably, the present research applies appropriate econometric techniques to analyse its data since they simplify the study's variables' interpretation. More so, Onifade et al. (2020); Apata (2019); De & Dkhar; (2018); Abutu & Agbede (2015); Bonmwa & Ishmael (2016) in their various studies analysed relationship between study variables, but failed to link its findings to the principles in the theoretical framework that underpin the study, which is very important in research study. The current study follows the same methodology as previous ones, building step by step to connect almost all of its conclusions with recently selected research works in the study, which is crucial for bringing the work's beauty to light.

Medee & Nenbee 2011; Ogbole, Amadi & Fassi 2011; Adeoye 2006; Aruwa & Suleiman 2010; Olopade & Olopade 2011; Olopade & Olopade (2010); While those earlier research studies of these scholars did not fully identify the factors they used, the current study does a thorough job of doing so. The current research also supplies additional factors thought to be important for the investigation. Most importantly, this research performs a post-estimation econometrics diagnostic test to determine the model's economic health and adds a more solid interpretation of the results to the existing body of knowledge. Keynesian economic theory of public spending and other fundamental public sector theories are discussed in depth. The hypothesis that underlies the results is defended.

METHOD OF THE STUDY

This section of the study provides empirical findings of hypothesised variables.

3.1 Research Design

This study is designed to examine the consequences of variables of fiscal policy on the growth of Nigerian economy; the study adopts ex post facto design using already existing annual time-series data on study variables. This study covers a period of 40 years, say 1981-2020. In this study, E-view 10 software is used as a tool to regress the hypothetical relationships between variables understudy, as this is geared towards the purpose of enabling the researcher to provide answer to research questions

3.2 Model Specification

Keynesian fiscal policy theory is the foundation of this research. By positing a positive link between deficit financing and investment — and hence economic development — this theory views fiscal policy as a tool for overcoming oscillations in the economy. For example, it claims that a rise in taxes leads to an increase in spending, which in turn boosts economic growth. In the light of this theory, the model which is used for examining the effect of fiscal policy on economic growth in Nigeria is based on that proposed by Nathan (2012) with modification. The author proposed that gross domestic product in Nigeria (GDP) is affected by money supply (MS), fiscal deficit (FD), and export (EX). In this study, the model is modified to include government total expenditure (GTEXP), government total revenue (GTR), and foreign direct investment (FDI) which may significantly influence economic growth as veritable instruments of fiscal policy. Besides, the GDP is deflated while each instrument is split to enable the researcher examine its significance on the real GDP. Based on this relationship, a functional form of the Consequences of variables of fiscal policy on the growth of Nigerian economy

Nigeria is illustrated as;

$RGDP = f$ (GTEXP, GTR, M2, GDE, FDI)...………................... (1)

Where;

RGDP = Real Gross Domestic Product (Explained variable)
GTEXP= Government Total Expenditure (Explanatory Variable)
GTR = Government Total Revenue (Explanatory variable)
M2= Money Supply, (Check variable)
GDE = Government Deficit Expenditure (Explanatory variable)
FDI = Foreign Direct Investment (Check variable)

The functional relationship above can be expressed in econometric model as follows

$RGDP = \beta_0 + \beta_1 GTEXP + \beta_2 GTR + \beta_3 M2 + \beta_4 GDE + \beta_5 FDI + \mu$ .... (2)

Where: β_0 = Constant term,
β_1 = Parameter coefficient of GTEXP
β_2 = Parameter coefficient of GTR
β_3 = Parameter coefficient of M2, and
β_4 = Parameter coefficient of GDE
β_5 = Parameter coefficient of FDI
μ = Idiosyncratic Error

VAR model can be specified as follows;

$LRGDP_t = \sigma + \sum_{i=1}^{k} \beta_1 LRGDP_{t-1} + \sum_{j=1}^{k} \phi j\ LGTEXP_{t-j} + \sum_{m=1}^{k} \varphi m\ LGTR_{t-m} + \varphi n\ LM2_{t-n} + \varphi pGDE_{t-p} + \varphi q\ LFDI_{t-q} + \mu_{1t}$
…………………………. (3,1)

$LTEXP_t = \sigma + \sum_{i=1}^{k} \beta_1 LRGDP_{t-i} + \sum_{j=1}^{k} \phi j\ LGTEXP_{t-j} + \sum_{m=1}^{k} \varphi m\ LGTR_{t-m} + \varphi n\ LM2_{t-n} + \varphi pGDE_{t-p} + \varphi q\ LFDI_{t-q} + \mu_{2t}$
…………………………. (3,2)

$LGTR_t = \sigma + \sum_{i=1}^{k} \beta_1 LRGDP_{t-1} + \sum_{j=1}^{k} \phi j\ LGTEXP_{t-j} + \sum_{m=1}^{k} \varphi m\ LGTR_{t-m} + \varphi n\ LM2_{t-n} + \varphi pGDE_{t-p} + \varphi q\ LFDI_{t-q} + \mu_{3t}$
…………………………. (3,3)

$LM2_t = \sigma + \sum_{i=1}^{k} \beta_1 LRGDP_{t-1} + \sum_{j=1}^{k} \phi j\ LGTEXP_{t-j} + \sum_{m=1}^{k} \varphi m\ LGTR_{t-m} + \varphi n\ LM2_{t-n} + \varphi pGDE_{t-p} + \varphi q\ LFDI_{t-q} + \mu_{4t}$
………………………..…… (3,4)

$GDE_t = + \sigma \sum_{i=1}^{k} \beta_1 LRGDP_{t-1} + \sum_{j=1}^{k} \phi j\ LGTEXP_{t-j} + \sum_{m=1}^{k} \varphi m\ LGTR_{t-m} + \varphi n\ LM2_{t-n} + \varphi pGDE_{t-p} + \varphi q\ LFDI_{t-q} + \mu_{5t}$
………………………….. (3,5)

$LFDI_t = + \sigma \sum_{i=1}^{k} \beta_1 LRGDP_{t-1} + \sum_{j=1}^{k} \phi j\ LGTEXP_{t-j} + \sum_{m=1}^{k} \varphi m\ LGTR_{t-m} + \varphi n\ LM2_{t-n} + \varphi pGDE_{t-p} + \varphi q\ LFDI_{t-q} + \mu_{6t}$
………….…………………. (3,6)

Where:
σ = constant
k = the lag length
$\sigma, \beta, \phi, \varphi$ = short-run dynamic coefficients of the model
t = 1….,q. = each period of time
$y_{i,t,}$ = observation at time $\dot{t}$ of the $\grave{\iota}^{th}$ variable.
μ_t = Residual (stochastic error term; often called impulses, innovations or shocks).

A priori expectations

This model's a priori assumptions are based on a thorough understanding of global economic theory. This implies that the coefficient of Government Total Expenditure (GTEXP) would have positive sign and thus denote statistically significant relationship with economic growth (RGDP). This is in agreement with Keynesian position on government spending which states that government spending has positive impact on economic growth, meaning that the more government spends, the higher the economic growth is as a result of expansionary fiscal policy (Romer, 1986). Similarly, the coefficient of Government Total Revenue (GTR), is expected to have positive sign and thus denote statistically significant relationship with economic growth (RGDP) which is expected to exist. It is also expected that the coefficient of Money supply (M2), would have positive sign and thus denote statistically significant relationship with economic growth (RGDP) at 5% level of significance. It is also expected that the coefficient of government deficit expenditure (GDE), would have positive sign and thus denote statistically significant relationship with economic growth (RGDP). It is also expected that the coefficient of foreign direct investment (FDI), would have positive sign and thus denote statistically significant relationship with economic growth (RGDP). Thus, the followings are the a priori expectations of the model.
$\beta_1 > 0, \beta_2 > 0, \beta_3 > 0, \beta_4 > 0\ \beta_5 > 0$

3.3 Data Analysis Techniques

This section discusses various econometric techniques which are used to analyse time-series data in the model. Ordinary Least Square technique is applied to estimate the relationship between explained variable and explanatory variables in the study. In the same vein, widely recognised unit root tests of Augmented Dickey-Fuller is employed to check for the stationarity properties of the study variables to guard against spurious regression. Co-integration test is employed to check correlation between several time series in the long run. And lastly, Vector autoregression (VAR) technique is used to illustrate the joint dynamic behaviour of a collection of variables understudy without requiring strong restrictions as required in the identification of fundamental structural parameters. VAR depicts the dynamic behaviours of multivariate time series.

3.4 Reason for Log Transformation of Study Variables

Here, a semi-log transformation is taken on the variables understudy. This transformation is done so as to improve the interpretability of the results, henceforth, log transformation of economic growth is taken and it is thus denoted as LRGDP. Also, log transformation of government total expenditure is taken and it is thus denoted as LGTEXP, similarly a log transformation of government total revenue is taken and it is thus denoted as LGTR. On the contrary, a log transformation of government deficit expenditure is not taken and it is thus denoted as GDE and finally a log transformation of foreign direct investment is also taken and it is thus denoted by LFDI.

4.0 Discussion of Results and Data Analyses

4.1 Ordinary Least Square Method

In this section, Ordinary Least Square method is used to estimate the coefficients of linear regression equations which describe the relationship between target variable - economic growth (RGDP) and explanatory variables - government total expenditure (GTEXP), government total revenue (GTR), money supply (M2), government deficit expenditure (GDE) and foreign direct investment (FDI). The results of Ordinary least Square regression technique is computed in Table 4.1 below.

Table 4.1: Ordinary least Square regression Results

Dependent Variable: LRGDP

Dependent

Variables	Coefficient	Std. Error	TStatistic	Prob.
C	9.240462	0.065311	141 4832	0.0000
LGTEXP	0.210346	0.069690	3.01 8304	0.0048
LGTR	-0.226934	0.041557	-5.46 0786	0.0000
LM2	0.200249	0.049234	4.06 7283	0.0003
GDE	7.06E-07	2.33E-06	0.30 3439	0.7634
LFDI	0.039942	0.023556	1.69 5634	0.0991

R-squared	0.976356	Mean dependent var		10.37770
Adjusted R-squared	0.972879	S.D. dependent var		0.524780
S.E. of regression	0.086423	Akaike info criterion		-1.921654
Sum squared resid	0.253941	Schwarz criterion		-1.668322
Log likelihood	44.43309	Hannan-Quinn criter.		-1.830058
F-statistic	280.8034	Durbin-Watson stat		1.013889
Prob(F-statistic)	0.000000			

Decision criteria: reject null hypothesis if $P < 0.05\%$; otherwise fail to reject if $P > 0.05\%$

The result from Ordinary Least Square in Table 4.1 above reveals that the parameter of government total expenditure (LGTEXP) is 0.210346 with its corresponding P-value being 0.0048. On this note, since the probability value is less than the 5% level of significance, hence the null hypothesis of no relationship between economic growth (LRGDP) and government total expenditure (LGTEXP) is rejected. It is thus concluded that there is a significant relationship between economic growth (LRGDP) and government total expenditure (LGTEXP). On the average, this implies that a 1% increase in the value of government total expenditure (LGTEXP) will cause a significant and positive increase of about 21.03% in the value of economic growth (LRGDP). The result is in line with the position of Keynes who said output/growth can be increased as government spending increases, and the position of Bhatia (1985) who stressed that the economy advanced the structural changes there in suggestion of regular and competent increments in revenue and public expenditure; and in conformity with the finding in 2012 by Ogbulu & Torbira in their study from 1999 to 2016 on government spending and economic growth in Nigeria. Which their result revealed that governmental spending significantly contributed to economic expansion. But contradicts the finding by Omitogun and Ayinla (2007) who examined the contribution of fiscal policy in the achievement of sustainable economic growth in Nigeria using Solow growth model estimated with the use of ordinary least square (OLS) method and found that fiscal policy has not been effective in the area of promoting sustainable economic growth in Nigeria. More so, the result demonstrates that the parameter of government total revenue (LGTR) is -0.226934 while its probability value is 0.0000. Hence, since the probability value is less than the 5% level of significance, thus the null hypothesis of no relationship between economic growth and government total revenue (LGTR) is rejected. It is thus concluded that there is a significant relationship between economic growth (LRGDP) and government total revenue (LGTR). This suggests that a 1% increase in the value of government total revenue (LGTR) will cause a significant and negative decrease of about 22.69% in the value of economic growth (LRGDP) ceteris paribus. Furthermore, the result portrays that the parameter of money supply (LM2) is 0.200249 while its probability value is 0.0003. Hence, since the probability value is less than the 5% level of significance, thus the null hypothesis of no relationship between economic

growth and money supply (LM2) is rejected. It is thus concluded that there is a positively significant relationship between economic growth (LRGDP) and money supply (LM2). Ceteris paribus, this infers that a 1% increase in the value of money supply (LM2) will cause a significant rise of about 20.02% in the value of economic growth (LRGDP). The result also shows that the parameter of government deficit expenditure (GDE) is 7.06E-07 with its probability value of 0.7634. Thus, since the probability value is greater than the 5% level of significance, the null hypothesis of no relationship between economic growth and government deficit expenditure (GDE) is failed to be rejected. It is thus concluded that there is positive and insignificant relationship between economic growth (LRGDP) and government deficit expenditure (GDE). On the average, this implies that a 1% increase in the value of government deficit expenditure (GDE) will cause an insignificantly increase of about 7.06% in the value of economic growth (LRGDP). In the same vein, the result also indicates that the parameter of foreign direct investment (LFDI) is 0.039942 while its probability value is 0.0991. Hence, since the probability value is greater than the 5% level of significance, thus the null hypothesis of no relationship between economic growth foreign direct investments (LFDI) is failed to be rejected. It is thus concluded that there is a positively insignificant relationship between economic growth (LRGDP) and foreign direct investment (LFDI). On the average, this implies that a 1% increase in the value of foreign direct investment (LFDI) will cause an insignificantly positive increase of about 3.99% in the value of economic growth (LRGDP).

The result further shows that the R-squared value is 0.976356, which implies that 97.63% variation that occurs in economic growth are attributed to government total expenditure (GTEXP), government total revenue (GTR), money supply (M2), government deficit expenditure (GDE) and foreign direct investment (FDI). While the remaining 2.37% variation is explicated by variables not included in the model. The result also shows that the F-statistic value is 280.8034, while its Prob(F-statistic) is 0.000000 this explains that the joint influence of government total expenditure (GTEXP), government total revenue (GTR), money supply (M2), government deficit expenditure (GDE) and foreign direct investment (FDI) on economic growth (RGDP) is significant at 5% critical level. The result shows the Durbin-Watson stat is 1.013889, which displays an evidence of negative serial correlation. Hence, this becomes necessary to conduct pre-estimation test using Augmented Dickey-Fuller test of unit root test.

4.2 Optimal Lag Selection of the Study Variables
Though, in this study, the VAR model has five independent variables – Government total expenditure (LGTEXP) government total revenue (LGTR), Money supply (LM2), Government deficit expenditure (GDE) and foreign direct investment (LFDI). The decision of the choice of the model is based on the result of least value with Asterisk (*) which is reported by Akaike Information Criteria, (AIC). The results of the optimal lag period of the model is chosen to be 1 and it is presented in table 4.2 below.

Table 4.2: Optimal Lag Selection for LRGDP, LGTEXP, LGTR, LM2, LGDE and LFDI

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-482.7828	NA	194331.1	26.36664	26.58433	26.44338
1	-312.1690	285.8935*	75.23952*	18.49562*	19.80177*	18.95610*
2	-289.3845	32.02140	91.70181	18.61538	21.00999	19.45959
3	-262.8134	30.16177	104.1250	18.53045	22.01352	19.75840

Source: *Author's computation (E-view 10 Software)*
Table 4.2 above shows that the Akaike Information Criterion suggests using one lag for the study variables. So, one lag will be used for analysing study variables in this model.

4.3 Unit Root Test
In this section each variable is tested using Augmented Dickey-Fuller test, this is done in order to ascertain stationarity property of each variable. This test is done on each of the study variable, as a result of the test, if it comes

out that the variables understudy possess mixed order of integration, that is I(0) and I(1) then Autoregressive Distributed Lag Bound testing will be applied. But if the variables understudy are integrated of order one, that is I(1) then Johansen co-integration test will be applied to test for their long-run relationship that leads to either vector error correction model or vector autoregressive technique. The results of unit root test of Augmented Dickey-Fuller test result are presented in Table 4.3 below.

Table 4.3: Unit Root Test of Augmented Dickey-Fuller Test

Variables	ADF test	5% critical value	Prob-Value	Order of Integration	Decision

					Criterion
LRGDP	-0.335436	-2.941145	0.9100	I(0)	Accept
D(LRGDP)	-3.773117	-2.941145	0.0067	I(1)	Reject
LGTEXP	-0.741860	-2.938987	0.8241	I(0)	Accept
D(LGTEXP)	-6.637750	-2.941145	0.0000	I(1)	Reject
LGTR	-1.428373	-2.938987	0.5586	I(0)	Accept
D(LGTR)	-6.190582	-2.941145	0.0000	I(1)	Reject
LM2	-1.117309	-2.941145	0.6990	I(0)	Accept
D(LM2)	-4.018738	-2.941145	0.0035	I(1)	Reject
GDE	-1.362035	-2.941145	0.5904	I(0)	Accept
D(GDE)	-6.369100	-2.943427	0.0000	I(1)	Reject
LFDI	-1.330750	-2.941145	0.6053	I(0)	Accept
D(LFDI)	-10.01723	-2.941145	0.0000	I(1)	Reject

Source: *Author's computation (E-view 10 Software)*

The result of unit root test above shows the series are stationary after 1st Difference I(1). This necessitates the application of co-integration test.

4.4   Co-integration Test
Table 4.4: Johansen Co-integration test

Unrestricted Co-integration Rank Test (Trace)

Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None	0.583516	81.64696	95.75366	0.3118
At most 1	0.465434	48.36250	69.81889	0.7071
At most 2	0.281950	24.56308	47.85613	0.9298
At most 3	0.156740	11.97685	29.79707	0.9327
At most 4	0.120560	5.498607	15.49471	0.7538
At most 5	0.016099	0.616740	3.841466	0.4323

Unrestricted Co-integration Rank Test (Maximum Eigenvalue)

Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None	0.583516	33.28447	40.07757	0.2378
At most 1	0.465434	23.79942	33.87687	0.4703
At most 2	0.281950	12.58623	27.58434	0.9065
At most 3	0.156740	6.478243	21.13162	0.9714
At most 4	0.120560	4.881867	14.26460	0.7567

At most 5	0.016099	0.616740	3.841466	0.4323

Source: *Author's computation (E-view 10 Software)*

The estimated results in table 4.4 above represent the Johansen Co-integration test. The results show no co-integrating equation. This suggests that there exists no long-run equilibrium relationship amongst the variables under study. This is evidenced by Trace-statistic and Max-Eigen Statistic results in Johansen co-integration test and their respective probability values. Having confirmed the presence of no co-integrating relationship among the study variables, the next step in the VAR approach is to determine the explanatory variables and their lagged period influence on the RGDP.

4.5 Vector Autoregressive Estimate

In The VAR estimate is used here to explaining and forecasting the dynamic behaviour of multivariate time-series data. Its structure is that each variable is a linear function of past lags of the other variables, the results are reported in table 4.10 below.

Table 4.5: VAR Estimated Results

Variables	Coefficient	Std. Error	t-Statistic	Prob.
C(1) LRGDP(-1)	-0.876051	0.367736	-2.382279	0.0233
C(2) LGTEXP(-1)	-0.290841	0.689670	-0.421710	0.6761
C(3) LGTR(-1)	0.688291	0.412308	1.669361	0.1048
C(1) LM2(-1)	-0.319009	0.484557	-0.658350	0.5150
C(4) GDE(-1)	3.29E-05	2.27E-05	1.447180	0.1576
C(5) LFDI(-1)	0.077339	2.30378	0.335706	0.7393
C	30.96113	6.042480	5.123911	0.0000

Source: *Author's computation (E-view 10 Software)*

From the results of VAR(1) estimate presented above; it is demonstrated that the absolute value of the coefficient of the past year of economic growth (LRGDP) is associated with a significant decrease of about 87.60 % in economic growth (LRGDP) on average. Meaning that the past year of economic growth (LRGDP) significantly influence itself. The result further depicts that the past year of government total expenditure (LGTEXP) has negative and insignificant influence on economic growth (LRGDP) by 29.08%. This result is in line with the finding of Chuku (2010) who used quarterly data to explore the monetary and fiscal policy interactions in Nigeria between 1970 and 2008; using vector auto-regression (VAR) model and found that monetary and fiscal policies in Nigeria have interacted in a counteractive manner for most of the sample period (1980-1994). And also in conformity of the finding by Nurudeen & Usman (2010) who investigated the effect of government expenditure on economic growth in Nigeria from 1970 to 2008, employing a disaggregated analysis with results revealing that government total expenditure has negative effect on economic growth. And negates the empirical result of Yasin (2003) that re-examined the effect of government spending on economic growth/development using panel data set from Sub-Saharan Africa. The results of his study indicated that government spending has positive and significant effect on economic growth. This result shows that the past year of government total expenditure (LGTEXP) insignificantly influence economic growth (LRGDP). More so, the result further portrays that the past year of government total revenue (LGTR) shows that economic growth (LRGDP) is insignificantly increased by 68.82% on the average. This result reveals that government total revenue (GTR) cannot significantly influence on economic growth (RGDP). Furthermore, the result indicates that the absolute value of the coefficient of the past year of money supply (LM2) is seen to have insignificantly retarded economic growth (LRGDP) by 31.90%. The result infers that money supply (LM2) retards economic growth (LRGDP). Whereas, the result shows that the absolute value of the coefficient of the past year of government deficit expenditure (GDE) insignificantly stimulates economic growth (LRGDP) by 3.29%. The result indicates that government deficit expenditure (GDE) insignificantly stimulates economic growth (LRGDP). While it is demonstrated on the average that the absolute value of the coefficient of the past year of foreign direct investment (LFDI) insignificantly boosts economic growth (LRGDP) by 7.73%. The result suggesting that foreign direct investment (LFDI) insignificantly boosts economic growth (LRGDP).

4.6 Granger Causality Test

In order to investigate the patterns of correlation by using empirical datasets in the model; this study employs Granger causality test, so as to check the robustness of results and to determine the nature of the causal relationship between economic growth (RGDP); Government total expenditure (GTEXP); government total revenue (GTR); money supply (M2); government deficit expenditure (GDE); foreign direct investment (FDI). The results are presented in table 4.6 below.

4.6 Granger Causality Test Results

Null Hypothesis:	Obs	F-Statistic	Prob.
LGTEXP does not Granger Cause LRGDP	39	0.00670	0.9352
LRGDP does not Granger Cause LGTEXP		0.64569	0.4269
LGTR does not Granger Cause LRGDP	39	0.39438	0.5340
LRGDP does not Granger Cause LGTR		0.08434	0.7732
LM2 does not Granger Cause LRGDP	39	0.00892	0.9253
LRGDP does not Granger Cause LM2		1.51329	0.2266
GDE does not Granger Cause LRGDP	39	8.87240	0.0052
LRGDP does not Granger Cause GDE		0.36645	0.5487
LFDI does not Granger Cause LRGDP	39	0.40916	0.5264
LRGDP does not Granger Cause LFDI		1.29115	0.2633

Source: *Author's computation (E-view 10 Software)*

Table 4.6 illustrates the results of the pairwise Granger Causality Tests. When one lag is applied, the hypothesis that LGTEXP does not involve Granger causality of LRGDP cannot be rejected at the 5% level of significance, and the hypothesis that LRGDP does not involve Granger causality of LGTEXP cannot be rejected at the 5% level of significance. This result is not in conformity with the finding by Olugbenga & Owoye (2007) who studied the correlations between fiscal policy and GDP growth; and found evidence of a unidirectional correlation between government spending and growth, lending credence to the Keynesian theory. Again, the hypothesis that LGTR does not involve Granger causality of LRGDP cannot be rejected at the 5% level of significance, and the hypothesis that LRGDP does not involve Granger causality of LGTR cannot be rejected at the 5% level of significance. Also, the hypothesis that LM2 does not involve Granger causality of LRGDP cannot be rejected at the 5% level of significance, and the hypothesis that LRGDP does not involve Granger causality of LM2 cannot be rejected at the 5% level of significance. More so, the hypothesis that GDE does not involve Granger causality of LRGDP is rejected at the 5% level of significance; and the hypothesis that the hypothesis that LRGDP does not involve Granger causality of GDE cannot be rejected at the 5% level of significance. Thus unidirectional causality runs from GDE to LRGDP. This

result is in accordance with the findings of Inuwa (2012): Danmola (2013) etc. who investigated the relationship between fiscal policy instruments and economic growth in Nigeria using Granger causality method, and found causality between two variables and negate the findings of Ogujuba & Abraham (2013) who also examined the relationship between fiscal policy instruments and economic growth using Granger causality approach, and found no causality between the two variables. It further states that the hypothesis that LFDI does not involve Granger causality of LRGDP cannot be rejected at the 5% level of significance, and the hypothesis that LRGDP does not involve Granger causality of LFDI cannot be rejected at the 5% level of significance.

5.0 Conclusion and Recommendation for Policy Inference

Economic growth is a process of achieving economic development. Many policies have been sacrificed to achieve economic growth. Government outlines programmes, policies, etc. however, lack of proper monitoring and implementation of these actions pose setbacks to achieving growth in the process. Fiscal policy is one of the major tools the government of Nigeria uses to drive the economy on the path of growth and development. Fiscal policy should be a supportive instrument that needs the inputs of all individuals, groups, policy-makers, and different political parties. It should not be solely seen as a tool of a particular government and/or his or her political party - the government's interest should be of that of the generality of the economy. The key variables of fiscal policy, such as government expenditures and tax revenue be given so much attention, since these key variables are tools government uses to run or regulate the economy. If these key variables are seriously handled and utilized effectively and efficiently - the economy will be in a good state of health. This is so because, as it is believed economically that, in order to regulate some level of the economy, the government taxes the household sector and the business sector (as in the case of three-sector model), etc., and uses the taxed money to spend back to the society. Where the household and business sectors then become beneficiaries of government expenditures on items like socio-economic infrastructure, education, security of property and life, national defence, and protection of fire among others. Government deficit spending should be encouraged, as far as, such spending is done on infrastructures such as road networks, railway lines, etc., and on recurrent expenditure such as payment of salary, minimum wages, or social investment programmes – this variable is also an important tool to shape the economy. Money supply and foreign direct investment as another check variables play important role in the economy, especially in the context of this study. Therefore, the study concluded that government should use these variables as back-up tools to run the economy in a smooth manner, and also recommended that government should focus on expansionary aspect of fiscal policy so, that will enhance the productive base of the economy.

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