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Fiscal Policy and Macroeconomic Performance in Nigeria: A Time Series Data Analysis

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Abstract

The purpose of this analysis was to determine the impact of various fiscal policies on Nigeria's GDP from 1986 until 2022. Examining the correlation between charge pay and GDP growth rate is the main focus. Determine the degree to which changes in GDP are correlated with changes in open expenditure. The Keynesian hypothesis was taken into account in this evaluation. The evaluation data was processed using a multi-loss of faith demand and E-view programming structure 12. A direct and quantitative correlation exists between the amount of tax revenue received by the Nigerian government and the rate of growth in the country's total national production. Specifically, the focus group found that government spending in Nigeria was positively and significantly correlated with GDP growth. According to the review's core principles, when properly implemented, a cash-related strategy would significantly impact macroeconomic execution constraints. The evaluation recommends partial protection due to the fact that the approaches for monetary changnge really provide savings via improved pricing procedures. Why? Considering there is substantial evidence that the rate of growth of GDP is strongly correlated with the amount of money that the government spends. We recommend maintaining the variables used in this study as they provide strong evidence of a correlation between the usage of by the government and the growth of Nigeria's gross domestic product.

Keywords*: Government tax revenue, Government expenditure, GDP Growth Rate, Fiscal policy and Macroeconomic performance.*

INTRODUCTION

Making macroeconomic development is crucial, but there are significant obstacles in the way. worries over this research have persisted for a while, but the shocking level of contamination and basic inequality in the country has lately sparked a but the shocking level of contamination and basic inequality in the country has lately sparked a reevaluation and conversations among analyse the effectiveness of financial strategy tools in improving overall financial efficiency among political pioneers and analysts. Government spending's impact on the economy may be measured by the ratio of surplus to deficit expenditure. The reasoning for this is that the government should coordinate its financial and money-related arrangements, as per the macroeconomic approach. Incorporating the views of Enyoghasim et al. (2022) and Ogar et al. (2019), it advances the goal of a strong, stable, and successful economy.

In a perfect economy, government expenditure and taxation would function as tools for financial arrangement. Governments that are administered by the state often use financial strategies to fight poverty and promote sustainable and rational economic growth. Since monetary policy affects so many different sectors of the economy, it is important to take this variable into account when studying its effects on the economy as a whole. Government spending and revenue are intentionally managed via financial planning, which impacts the market for contemporary goods. An expansionary monetary approach entails reducing taxes and increasing government spending. In the long run, this boosts macroeconomic performance because more people can afford to acquire money, which increases demand for manufactured goods. This signals to producers that they should ramp up production in preparation for higher consumer demand (Enyoghasim et al., 2022). When the monetary policy is

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contractionary, this does not occur. In addition, monetary strategy specifies rules.

The essential social and financial factors that determine a company's success. The purpose of this research is to fill a knowledge gap on the relationship between financial strategy and certain macroeconomic indicators, including the rate of growth of Nigeria's gross domestic product, because of the importance of monetary strategy to the economy.

Statement of the Problem

Apparently, Nigeria's monetary approach has failed to live up to expectations in working on compelling macroeconomic execution, despite the importance of financial strategy in advancing the accomplishment of macroeconomic execution and the execution of various measures (capital consumption, repetitive use) since independence. Because experts' findings and evaluations on the subject are inconsistent, the debate about the potential of monetary arrangement to improve Nigeria's macroeconomic presentation has persisted, as pointed out by Adeoye (2006).

In order to bolster Nigeria's macroeconomic presentation, it is unclear from the context if these initiatives are working together or competing. The study's flaw lies in the fact that it does not account for the accessibility of major assets for capital expenditures. This is happening because coping with substantial capital needs might put available assets to the test. Second, the spending power of those who benefit from this consumption will stimulate the local or homegrown economy, whether through annuities and tips, interest installments on domestic obligations, or some other means. This, in turn, will have an effect on the oversight of intermittent costs. Spending like this might either heat up or chill down the economy (Enyoghasim et al. 2022). Although other political regimes have tried and failed to impose effective monetary policies, Nigeria has persisted in dealing with a number of macroeconomic challenges over the long term. The majority of academic studies on the topic of GDP growth rate have ignored the impact of a larger and more productive workforce (Ogar et al., 2019). More importantly, apart from studies concentrating on financial development and financial organisation, no scholarly study has ever examined the relationship between monetary strategy and macroeconomic performance in Nigeria. This information gap has to be filled so that policymakers can formulate and implement strategies that boost the GDP growth rate, which in turn helps the savings rate, yield, expansion rate, and interest in capital projects. In general, our effort fills this data gap in an unbiased manner.

This investigation seeks to address a knowledge gap by analysing Nigeria's financial strategy and macroeconomic performance. The primary objective of this research is to analyse how Nigeria's financial strategy relates to the country's overall financial performance:

HO1: The pace of increase of Nigeria's Gross Domestic Product is unrelated to government tax income.
Ho2: There is no statistically significant correlation between government spending and the pace of GDP growth in Nigeria.

1. Literature Review Concept of Fiscal Policy

Financial arrangement, which affects both wages and consumption, is used by state-run governments to stabilise economies. Taxes, grants, and exchange surpluses are all part of the state's revenue stream that goes towards government salaries. Charging is the primary way that legislators generate revenue since it provides the greatest significant benefit. "Spending" refers to the way the government spends the money it has collected. For the most part, the government uses it for long-term or once-speculative purposes. Both long-term and one-time investments account for the bulk of government spending. Thus, deficit financing, taxes, and government expenditure are all tools of fiscal management. According to Chukuwigwe and Plausible excuse (2008), financial strategy aims to achieve both internal and external equilibrium by guiding the economy towards a state of calibrated macroeconomic activity.

Dimensions of Fiscal Policy

The dimensions of fiscal policy are discussed below as follows:

1. Government Expenditure

Since the turn of the century, government expenditure as a percentage of GDP has been steadily increasing. This is true for the great majority of countries, regardless of their GDP per capita (Lindaver and Valenchik, 1992). Based on empirical evidence, Wagner (1893) concluded that, historically speaking, administrative duties would grow at a faster pace than public pay growth. According to Kusi (1997), if Wagner's benchmark is normally understood, a similar increase in publicly funded expenditure is necessary for improvement. Wagner argues that industrialisation more thoroughly ensnares the social, financial, and legal ties of a population (Mohsen and Mosayeh, 2011).

Indicators of Government Expenditure

A. Capital Expenditure:

Investment projects can't be funded without capital expenditures, which need capital planning and include substantial monetary inflows and outflows. Some people think it's the most crucial consideration for businesses when making investment decisions. Permanent and long-term decisions are often made about capital expenditures. According to Shuib et al. (2015), none of these plans can be relied upon with any degree of certainty since future events are completely unpredictable.

B. Recurrent Expenditure

Any installment that isn't for capital resources is handled by repeating uses. Included in this category are obligations to representatives and businesses, as well as payments for goods and services, interest, transportation, appropriations, compensations, and salaries. What are known as "recurring uses" are the operational and maintenance costs that are anticipated to ensure the proper functioning and protection of a public venture project over its typical lifespan. To back up their claim, Ben et al. (2018) notes that if another school were

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to accept more understudies, they would have to shell out more money for things like paying teachers a fair wage and buying more books and other learning resources.

2. Government Tax Revenue

One might look at the concept of complete governance from several angles. Government, state, and local legislatures rely on three primary sources of funding: tax assessment, resource pay, and move earnings. The government may raise funds (via bond sales) to cover expenses, even if this is not considered revenue. A percentage of revenue, which is the total amount of money received by federal, state, and local legislatures, is resource pay, move earnings, and charges. Taxes and other forms of revenue collection help the government pay for essential services. Government pay or public income refers to the total amount of money received by an administration from all sources, including taxes and non-tax revenue.

Accordingly, public purposes might be considered (Mohsen and Mosayeh, 2011).

Overview of Macroeconomic Performance

Overall, after achieving independence in 1960, the macroeconomic implementation has been lacklustre.Even if a country's oil and gas reserves get a flood of capital during an economic downturn, many people may still wind up destitute. Governments worldwide, including Nigeria's, aim to improve their citizens' quality of life and economic situation (Ismaila and Imoughele, 2015).

For more effective financial planning, a stronger economy is a must. For the same reason, the Nigerian government has identified monetary development as one of its key priorities.Macroeconomic execution and strategies aiming to reconstruct and alter the actual financial domains are intrinsically related. However, the reserve funds speculation hole prevents the venture that is needed to keep regions functioning, which is a major obstacle to the country's financial turn of events and execution, along with insufficient domestic assets and stocks (Imimole and Imoughele, 2012).

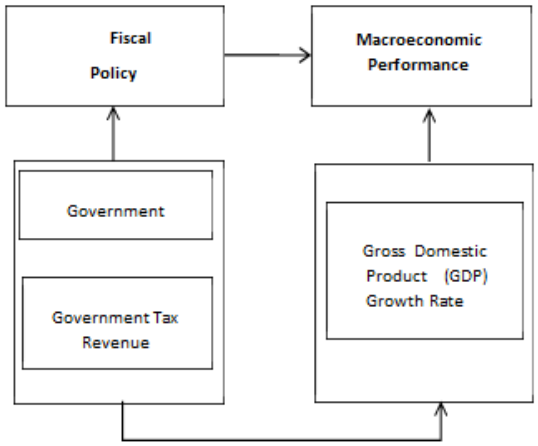
Measures of Macroeconomic Performance

The measures of macroeconomic performance are seen and explained below:

GDP Growth Rate

An alternative term for the GDP growth rate is the total public result growth rate. For a certain public sector during a given time period, it is defined as the average annual growth rate of GDP (Total national production) at market prices taking stable local currency into account. These days, the vast majority of market watchers agree that the US economy can safely sustain annual GDP growth of 2.5% to 3.5% without suffering any unforeseen consequences. The most often used percentage of monetary activity, total national production (Gross domestic product) is an outstanding indicator of a nation's financial health. The rate of change in real GDP, which alters the apparent GDP measurement for development, is known as the total national output improvement rate or financial turn of events (Kitov, 2005).

Conceptual Framework



Conceptual Framework of the relationship between fiscal policy and macroeconomic performance in Nigeria.
Sources: Enyoghasim et al. (2022). Okiakpe (2021) and Ogar et al. (2019).

Theoretical Review

As mentioned in Okiakpe (2021), this study is based on the Keynesian perspective on financial strategy, which aims to improve macroeconomic execution by utilising dynamic government use of capital and repetitive consumption. This, in turn, will increase duty income, pay off government obligations, and decrease the unemployment rate in the nation.

(i) Keynesian View of Fiscal Policy

Keynesianism is a school of thought in macroeconomics that proposes full government expenditure as a guiding principle. The powerful financial process is a fundamental tool in this framework.

Keynes, in order to address economic issues and fight against indicators such as the unemployment rate, financing costs, development rates, etc. Keynes advocated for more government spending, a low interest rate, and a credit charge to revive macroeconomic powers and save the global economy from the continuing crisis and COVID. Financial strategy as a tool for change was advocated by John Maynard Keynes, an expert in English money. In his writings during the Great Depression of the early to mid-Thirties, Keynes blamed a lack of public interest for outcomes and efforts that failed to meet expectations when it came to assumptions. If the solicitation could be broadened, it would lead to longer results and more business, which is great for the economy. An expansionary monetary structure may do this, as Keynes also noted. In a recession, the government should do what Keynes says: raise consumption while cutting taxes and driving expenditure towards a deficit, rather than altering its spending plan. Keynes argued that higher levels of government spending would lead to higher interest rates on loans in general. Additionally, households' after-tax incomes would rise due to lower assessments, and they would spend most of that increased money, which would also stimulate overall revenue (Ogar et al, 2019).

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Empirical Review

The implications of financial strategy on the implementation of Nigeria's macroeconomic goals have been the subject of many observational studies. Even though only a small fraction of them are really participating in the evaluation, many of them have already left Nigeria. focus their evaluation of Nigeria's monetary stability, Enyoghasim et al. (2022) zeroed focus on the country's monetary methodology providers. Focusing on GDP, a critical macroeconomic indicator, the study examines the impact of monetary methodology evaluations. We examined our data from 1970 to 2019 using typical least squares econometric tools and the cointegration/blunder amendment strategy. We found that monetary methodology evaluations affected monetary related improvement when all factors were included. This may be aided by looking at the model's assertion coefficient. This model consistently has a high R2 value. The model also did quite well with public income and consumption. According to the assessment, the government should take an active role in financial management by increasing capital usage and decreasing unnecessary use in order to foster an environment that allows greater concealed interest in the economy, which would in turn encourage establishment progress.

In order to examine the effect of monetary and cash-related actions on the improvement of Nigeria's monetary situation, Timothy and Ishola (2019) commissioned an observational study. What effects a monetary system could have on boosting Nigeria's economy is key to this analysis. This investigation took many factors into account, including government overall use, government full scale pay, advancement, GDP, credit charge, unemployment rate, and expanded cash supply. The Public Bank of Nigeria Quantifiable Statement and the World Improvement File (WDI) provided useful data for our request. The research shows that the whole usage and revenue of the public authority have an effect on the nation's money supply, which in turn affects the growth of Nigeria's financial area. Thus, it is suggested that in order for Nigeria to maintain steady monetary development, the central bank should inject more funds into the economy and the government should increase its revenue. To make the call, the Autoregressive Conveyed Slack Model (ARDL) was used as the evaluation tool.

The effect of monetary policies on Nigeria's macroeconomic performance from 1970 to 2017 was examined by Dikeogu and Karma (2018). You may want to check out the CBN Quantifiable Statement (different focuses) if you're truly interested in further details. The Engle-Granger Co-mix, Screw up Alteration, and ARDL are all thoroughly tested in the review. Providing options for handling the request. The CBN Genuine Notice (Different Issues) and other supporting reports provided the data used in the observational evaluation. A long point of contact between the sections, such as financial process and macroeconomic execution, was found via research using the Bound co-joining test and the Engle-Granger co-compromise test. Additional findings from the study include an antagonistic effect of DUM on INF, an effect of RXP and TGR on INF, and a detrimental effect of CXP on EGR. Additionally, it was discovered that UNE is influenced by the following: (1) the past breathing space of CXP, (2) the past slack of RXP, (3) the past elbowroom of TGR, (4) the present and past room of DUM. The evaluation predicted that strict conformity with the financial responsibility law would help alleviate some of the challenges faced by competent public area asset leaders. The development of fiscal restraint, transparency, and accountability, as well as macroeconomic stability, depend on verifiable consistency. Improving the country's money supply, reasonable government expenditure, the correct mix of affiliations, and the establishment of attainable financial interaction goals are all important factors to consider.

By using OLS and ECM, Falade and Folorunso (2015) assessed the impact of various monetary and monetary approach devices on the sustainability of Nigeria's monetary growth from 1970 to 2013. All monetary and non-monetary components of pay were assumed to be cointegrated with the country's monetary progress series based on the results. This bolsters the probability that improvements in financial matters are associated with cash-related components in the long run. Considering all factors, the paper predicted that the following variables—the cost of local support, the level of government pay, the level of cash supply, and the constant level of progress—contain the optimal combination of system instruments for promoting both short- and long-term monetary outcomes.

Based on their analysis of data from several retrospective studies conducted between 1987 and 2010, Modebe et al. (2012) concluded that the impact of capital and repeated consumption on Nigeria's monetary growth was negligible. Using capital had a negative effect, while using it irregularly produced a positive one, according to the designers. Whatever the situation may be, the results aren't rock solid since encounters with logic undermine the evaluated model.

3. Methodology

The ex-post facto research system will serve as the evaluation tool for this inquiry. For this audit, ex-post facto research is the way to go since the data is already at hand and not dependent on control. Finding substantial observational relationships among the components requires on detailed investigation. From 1986 to 2022, we will specifically examine the time series data of two monetary components. The rate of improvement of the country's overall performance, or macroeconomic execution, served as the auxiliary variable in this evaluation. Neither the public fee nor the public usage were obstacles. Avoiding problems with crucial breakdowns is another reason to choose this era. It is unnecessary to conduct targeted testing since the results will cover the whole evaluation area. The data used to fulfill this request came from a plethora of non-mandatory sources. World Bank's Advancement Record and CBN's Quantifiable Notification (2022) were among the sources used to compile the quarterly entrance series data used in the center. The study evaluated the present effects of the monetary process on the implementation of macroeconomic goals using the surrender

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of trust method, an econometric tool. Also included in the evaluation will be the standard least square (OLS), which aids the master in determining the work's content, serious degree of clarity, and overall authenticity. In accordance with the tests, a 5% safety margin is used. Diverse Viewpoints As per Okiakpe (2021), the data will be examined using 12 measurable packs.

Model Specification Descriptive Analysis

Table 4.1: Descriptive Data Analysis

	GDPGR	GTR	GEX
Mean	4.555135	4539.284	3119.459
Median	4.200000	3920.500	1504.200
Maximum	15.33000	13003.51	15209.40
Minimum	0.060000	12.60000	16.20000
Std. Dev.	3.363859	4241.110	3729.450

This sub-segment aims to demonstrate the link between fiscal policy and macroeconomic performance in Nigeria, following the interest in the hypothetical system and the wide review of the financial approach.Several model configurations are formed in the process of developing the models used in this research. This leads us to the utilitarian framework for addressing the models:

GDPGR = f(GTR, GEX). (3.1)

The structural specifications of the models are given as follows:

GDPGR = **-0**+ **-1**GTR + **-2**GEX (3.2)

A Priori Expectation:

-1 > 0, **-2** > 0, **-3** > 0.

β**1** < 0, β**2** < 0, β**3** < 0.

Where:

GDPGR = Gross Domestic Product Growth Rate GTR = Government tax revenue

GEX = Government expenditure

-0, β**0** = Intercepts of GDP growth rate models

-1, β**1** = Parameter of government tax revenue

-2, β**2** = Parameter of government expenditure et t = Error term.

4. Result and Discussion

Skewness	1.019134	0.383423	1.513817
Kurtosis	4.272179	1.673325	4.897116
Jarque-Bera	8.900002	3.620020	19.68033
Probability	0.011679	0.163653	0.000053
Sum	168.5400	167953.5	115420.0
Sum Sq. Dev.	407.3597	6.48E+08	5.01E+08
Observation	37	37	37

Source: Researcher's Computation, 2023.

Table 4.1 displays the crystal-clear metrics of GDP growth rate (GDPGR), government tax revenue (GTR), and government expenditure (GEX).

The average GDP growth rate for the country is 4.555. Table 4.1 shows that the perceptions have a base GDP development rate of 0.06 and a maximum GDP development rate of 15.33. With a standard deviation of 3.364, we can see how far off the mean the GDP development rate is. The GDP growth rate is significantly skewed at 1.019, with a probability value of 0.0116. On top of that, the average of government charge income (GTR) is 4539.284. The most recent data from table 4.1 shows that the highest government charge income is 13003.51 and the base charge income is 12.60. At 4241.110, the standard deviation reveals the threshold where the There is a deviation from the mean in government charge income. 0.383 with a probability value of 0.164 is a very skewed estimate of government charge income. The average for government expenditure (GEX) is 3119.459 as well. According to table 4.1, the minimum amount that the government spends on perceptions is 16.20 and the maximum amount is 15209.40. The disproportion between the mean and the amount of public authority consumption is shown by the standard deviation of 3729.450. There is a significant bias of 1.514 with a probability value of 0.000 in government consumption.

Table 4.2: OLS Regression Results of GDPGR Model

Dependent Variable: GDPGR Method: Least Squares
Date: 05/22/23 Time: 15:43 Sample: 1986-2022
Included observations: 37

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.593352	0.968507	0.612646	0.5443
GTR	1.366954	0.488142	2.800323	0.0085
GEX	1.244424	0.550820	2.259222	0.0306

R-squared	0.664772	Mean dependent var	1.082520
Adjusted R-squared	0.597933	S.D. dependent var	1.228242
S.E. of regression	1.099992	Akaike info criterion	3.130288
Sum squared resid	39.92939	Schwarz criterion	3.304441
Log likelihood	-53.91033	Hannan-Quinn criter.	3.191685
F-statistic	3.961338	Durbin-Watson stat	1.978561
Prob(F-statistic)	0.016197		

Source: *E-views 12 Regression Output*

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Interpretation of Regression Results

GDPGR = 0.593352 + 1.366954GTR + 1.244424GEX

1. **Regression Parameters**

Government Tax Revenue (GTR) and GDP Growth Rate (GDPGR)

Administration charge income has a substantial impact on the GDP growth rate, as shown in table 4.2 by the positive value (1.366954) of the government charge income coefficient.

Government Expenditure (GEX) and GDP Growth Rate (GDPGR)

Administration usage greatly influences the Gross Domestic Product growth rate, as shown by the positive value (1.244424) of the coefficient of government consumption in table 4.2.

Hence, to summarise the t-test investigation:

Table 4.3: Summary of T-Test

Variables	T-Calculated Value	T-Tabulated Value	Degree of Freedom	Decision Rule	Remark
GTR	2.800323	2.032	33	Reject H_0	Significant
GEX	2.259222			Reject H_0	Significant

Source: *Researcher's Computation, 2023.*

The evaluated boundaries were tested for any specific significance using the t-measurement. Comparing the t-determined value of government charge income (2.800323) to the t-arranged value of 2.032, Table 4.3 shows that the former is more significant. This points to a rather significant GTR (administrative fee revenue).

And the numbers show that the government utilizes a t-determined value of 2.259222, which is far higher than the t-arranged value of 2.032. What this means is that GEX is very important for administration.

This brings us to the conclusion of the t-test:

Table 4.4: Summary of F-Test

Variables	F-Calculated Value	F-Tabulated Value	Degree of Freedom	Decision Rule	Remark
Regression Model	3.961338	2.87	3, 33	Reject H_0	Significant

Source: *Researcher's Computation, 2023.*

Since the F-determined esteem (3.961338) is more considerable than the F-classified esteem (2.87), we consequently reject the incorrect speculation (H0) and reason that the GDRGR model (assessed is truly large. This shows that administration charge income and government usage jointly impose significant influence on Gross domestic product development rate. Accordingly, the repercussions of this is that financial arrangement influences macroeconomic strength in Nigeria

Test of Hypothesis

This section uses P-value to test our hypotheses. Tolerating or rejecting any of the hypotheses is governed by the following decision rule:

If the p-value is less than or equal to the alpha value (0.05), then reject the null hypothesis (H0) using a 5% significance level. However, at a 5% level of significance, hold the null hypothesis (H0) if the p-value is greater than the alpha value (0.05).

H01: In Nigeria, there isn't a strong correlation between tax revenue and GDP growth rate.

Interpretation: Since the *p-value (0.0085)* for government charge income is not precisely the *alpha value (0.05)* at 5% degree of relevance, the faulty hypothesis one (H01) is rejected. In this approach, we may assume that the rate of growth of Nigeria's gross domestic product is critically related to the amount of money collected by the government of the country.

H02: The pace of growth of Nigeria's gross domestic product is unrelated to government spending.

Interpretation: Government consumption's p-value (0.0306) is less than the alpha value (0.05) at the 5% level of significance, thereby rejecting the third incorrect hypothesis (H03). Therefore, we assume that the government's spending and the pace of GDP growth in Nigeria are critically related.

Discussion of Findings

Government Tax Revenue and Gross Domestic Product (GDP) Growth Rate in Nigeria

With respect to the correlation between tax revenue and GDP growth in Nigeria in Nigeria, The review's findings demonstrated a positive and substantial association between administration fee revenue and Nigeria's GDP growth rate. This conclusion is related to the one reached by Timothy and Ishola (2019), who also discovered that administration charge revenue significantly impacts monetary growth in Nigeria as a key tool for financial strategy.

Government Expenditure and Gross Domestic Product (GDP) Growth Rate in Nigeria

The review's findings demonstrated that administration consumption has a positive and crucial effect on GDP growth rate in Nigeria with regard to the association between government usage and total national output development rate. The results are consistent with those of Cyril (2016), who found that the government's capital usage and repeated use had a basic and strongly applied long-run link with GDP.

5. Conclusion

Findings from this research provide experimental evidence for a link between financial strategy and macroeconomic performance in Nigeria. The review's findings show that the growth rate of total national production is critically related to administration fee revenue and government usage. Consequently, the focus is based on the premise that financial strategy in Nigeria significantly affects macroeconomic performance.

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6. Recommendations

The following strategy recommendations are offered in light of the findings and conclusion of this review:

1. Based on our findings, it is recommended that the variables (GDP growth rate and government charge income) included in this research be maintained, as they contribute to a more effective financial system that increases income via higher expenditures, ultimately leading to better macroeconomic performance.
2. The aspects (government consumption and Gross Domestic Product development rate) that are welcomed by this research should be backed up by evidence, since the government can increase her Gross Domestic Product development rate if she uses her resources wisely and monitors them.

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