Effect of Fiscal Policy on Economic Growth in Nigeria

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Abstract

The government expenditure is on the increase with the accompanying high borrowings from both external and domestic sources but there seems not to be a commensurate growth in the economy. The study examined the effect of fiscal policy on Nigeria's economy growth for the period 2001 to 2021. This study used gross domestic product (GDP) as dependent variable, while independent variables were Total Government Expenditure (TGE), Total Government Revenue (TGR), Total Budget Deficit (TBD). The specific objectives of this study were: to determine the effect of TGE on the GDP; to evaluate the effect of TGR on the GDP; to examine the effect of TBD on the GDP. Data was sourced from the CBN statistical bulletin. The study adopted ex-post facto research design and data were analyzed using OLS technique. The hypotheses were tested at 5% level of significance, while SPSS version 25 was used for analysis. The study revealed that: total recurrent expenditure had positive and significant effect on gross domestic product; total capital expenditure had negative and non- significant effect on gross domestic product; total government revenue had positive but non-significant effect on gross domestic product (prob. – 0.283) in Nigeria for the period reviewed. The study thus recommended that the Nigerian government should ensure a growth-enhancing revenue-expenditure mix by boosting her revenue base through diversification and ensuring that expenditures are properly channeled, monitored and evaluated to avoid wastages.

Keywords: Fiscal Policy, Economic Growth, Government Expenditure, Government Revenue, Budget Deficit

1.0 Introduction

Economic growth has remained a central objective of nations across the globe, as it is widely regarded as a key driver of improved living standards, poverty reduction, and sustainable development. Globally, countries have continued to employ various macroeconomic instruments to stimulate growth, with fiscal policy playing a prominent role. In advanced economies such as the United States, the United Kingdom, and the Eurozone, fiscal measures like government spending and taxation have historically been utilized to stabilize business cycles, promote industrial development, and foster long-term economic expansion (World Bank, 2023). Similarly, emerging economies in Asia and Latin America have leveraged fiscal interventions to support infrastructure development, enhance productivity, and attract investment, thereby accelerating growth. However, the effectiveness of fiscal policy in driving economic performance often depends on the efficiency of resource allocation, the strength of institutional capacity, and the extent of fiscal discipline within an economy.

In the African context, and particularly in Nigeria, fiscal policy has remained a crucial tool for promoting economic growth due to the country's dependence on oil revenues and its developmental challenges. Fiscal policy in Nigeria is primarily implemented through three major components: Total Government Revenue (TGR), Total Government Expenditure (TGE), and Total Budget Deficit (TBD). Total Government Revenue encompasses the income generated by the government from oil and non-oil sources such as taxes, levies, and royalties,

which determine the government's capacity to fund developmental projects. Total Government Expenditure, on the other hand, includes both recurrent and capital spending, reflecting the government's commitment to providing public goods, infrastructure, and social services. The Total Budget Deficit represents the shortfall between government revenue and expenditure, which is often financed through borrowing, with implications for debt sustainability and macroeconomic stability (Cookey & Okorie, 2020).

Over the years, Nigeria's economic performance has been characterized by fluctuating growth rates, largely influenced by the management of these fiscal policy components and external shocks in global commodity prices (Akanbi & Olayiwola, 2022). While periods of high government spending have spurred short-term growth, weak revenue mobilization and persistent budget deficits have constrained long-term development outcomes. The government has consistently used fiscal instruments such as capital expenditure, subsidies, and taxation to stimulate economic activities, diversify the economy, and reduce unemployment. However, challenges such as fiscal indiscipline, mismanagement of public funds, and heavy debt servicing have limited the effectiveness of these policies in achieving sustained growth.

Furthermore, the Nigerian economy continues to grapple with inflationary pressures, volatile exchange rates, inconsistent fiscal operations, unfavourable balance of payments, and rising unemployment all indicative of deepening macroeconomic instability. These challenges are compounded by persistent fiscal and trade deficits, which have encouraged unsustainable borrowing patterns. As noted by Adegboye et al. (2021), inadequate provision of public goods such as infrastructure and utilities is closely tied to inefficient government expenditure, thereby influencing both macroeconomic stability and fiscal sustainability in an open economy like Nigeria's. Ahmad (2017) also attributes Nigeria's persistent fiscal deficits to overreliance on oil revenues and external borrowing. Despite several fiscal reforms aimed at improving revenue generation and expenditure efficiency, the nation's economic growth has not met expectations, raising concerns about the effectiveness of fiscal policy particularly the balance among TGR, TGE, and TBD in fostering sustainable development. The volatility of Nigeria's economic performance thus calls for a critical assessment of how these fiscal policy components jointly influence economic growth and stability.

Given these concerns, there is an urgent need to evaluate the role of fiscal policy in Nigeria's economic performance. This study, therefore, seeks to examine the impact of key fiscal instruments government expenditure, taxation, and debt management on economic growth from 2001 to 2021.

The primary objective of this study is therefore to assess the effect of fiscal policy on economic growth in Nigeria. The specific objectives are to: evaluate the impact of government expenditure on economic growth; analyze the relationship between government revenue and economic performance; and examine the effect of budget deficits on Nigeria's economic growth. In line with the specific objectives, the following hypotheses were tested:

H_1: Government expenditure does not significantly influence economic growth in Nigeria.

H_2: There is no significant relationship between government revenue and economic performance in Nigeria.

H_3: Budget deficit has no significant effect on economic growth in Nigeria.

2.0 Literature Review

2.1 Concept of Fiscal Policy

John (2019) described fiscal policy as the government's approach to managing the economy by regulating income and expenditure to attain specific macroeconomic goals. Similarly, the Central Bank of Nigeria (2021) defined fiscal policy as the use of government spending and taxation to influence economic conditions such as aggregate demand, employment, inflation, and economic growth. Agu and Idike (2024) further noted that fiscal policy involves the deliberate adjustment of government spending and revenue collection to guide and stabilize the national economy. Fiscal policy often operates in conjunction with monetary policy, which is implemented by the central bank to control the money supply. Together, these instruments are designed to achieve broader macroeconomic objectives such as price stability, full employment, and sustainable growth. Essentially, fiscal policy serves as a key mechanism for economic stabilization, involving strategies to regulate the volume, allocation, and utilization of public funds in the economy to promote desired economic outcomes and mitigate adverse trends in national performance.

2.1.1 Total Government Revenue (TGR)

Total Government Revenue represents the total income accruing to the government from various sources, including oil and non-oil revenues, taxes, levies, duties, royalties, and grants (Cookey & Okorie, 2020). It is a major determinant of the government's fiscal capacity to finance developmental projects and public services. According to Ojong and Effiong (2021), efficient revenue mobilization enhances fiscal sustainability and reduces dependence on external borrowing. In Nigeria, revenue generation has historically been dominated by oil exports, which make government finances highly vulnerable to fluctuations in global oil prices (Ahmad, 2017). The challenge of diversifying revenue sources has led to calls for strengthening non-oil revenue channels such as value-added tax (VAT), company income tax (CIT), and customs duties. Effective management of TGR is therefore critical to achieving stable economic growth and reducing fiscal deficits.

2.1.2 Total Government Expenditure (TGE)

Total Government Expenditure refers to the total amount spent by the government on both recurrent and capital activities within a fiscal period. It includes spending on wages, salaries, maintenance, infrastructure, and social services such as education and health (Akanbi & Olayiwola, 2022). From the Keynesian perspective, an increase in government expenditure can stimulate aggregate demand and promote economic growth, particularly during economic downturns. However, inefficient or misdirected spending may lead to inflationary pressures and fiscal imbalances (Adegboye et al., 2021). In Nigeria, recurrent expenditure especially on administration and debt servicing has continued to outweigh capital expenditure, thereby limiting investment in productive sectors of the economy. According to Oseni and Okwu (2019), aligning government expenditure with productive investments is essential for sustainable growth and fiscal efficiency.

2.1.3 Total Budget Deficit (TBD)

Total Budget Deficit arises when government expenditure exceeds revenue within a fiscal year, necessitating borrowing or other financing mechanisms to bridge the gap (Banton & Boyle, 2020). While moderate deficits can stimulate economic activity by financing productive investments, persistent and uncontrolled deficits can undermine fiscal sustainability, crowd out private investment, and increase the debt burden (Cookey & Okorie, 2020). In Nigeria, fiscal

deficits have become a recurring feature due to declining revenues, rising expenditure obligations, and heavy reliance on oil income. Ahmad (2017) observed that sustained deficits financed through borrowing or monetary expansion tend to worsen inflation and weaken economic growth prospects. Therefore, maintaining a balanced relationship among TGR, TGE, and TBD is vital for ensuring macroeconomic stability and achieving long-term growth objectives.

2.2 Concept of Economic Growth

Economic growth has been described in different ways by scholars. Jones (2020) views it as the sustained increase in the production of goods and services within an economy over time, often captured through the growth of real gross domestic product (GDP) per capita. In a related perspective, Barro and Sala-i-Martin (2021) define economic growth as the expansion of a nation's productive capacity, which not only raises output but also drives improvements in living standards, technological advancement, and overall development. Similarly, Todaro and Smith (2020) explain economic growth as a continuous process through which an economy's productive ability increases, enabling higher levels of income and national output, while also fostering poverty reduction and broader societal progress.

2.3 Revenue Generation

Revenue generation refers to the process through which governments, organizations, or institutions mobilize financial resources to fund their activities, meet obligations, and achieve developmental objectives. For governments, it primarily involves the collection of income through taxation, royalties, levies, fees, and other non-tax sources such as natural resources, state-owned enterprises, and grants. According to Olayiwola and Okodua (2020), effective revenue generation is the lifeblood of economic development, as it provides the funds needed for infrastructure, social services, and economic stabilization. Similarly, Akinyemi and Adejumo (2021) emphasize that sustainable revenue generation requires efficient tax administration, proper utilization of resources, and accountability in public financial management. Beyond the public sector, businesses also engage in revenue generation by creating value through the sale of goods and services, as well as through strategic innovations and investments. In essence, revenue generation is not only a mechanism for financing expenditures but also a critical instrument for promoting growth, reducing fiscal deficits, and enhancing overall economic stability.

2.4 Government Expenditure

Government expenditure refers to the total spending by the public sector on goods, services, and public projects in order to fulfill its economic, social, and political responsibilities. It encompasses recurrent expenditure, such as salaries, pensions, and administrative costs, as well as capital expenditure, which covers investments in infrastructure, education, health, and other long-term development projects. According to Musgrave and Musgrave (2020), government expenditure is a crucial instrument for resource allocation, income redistribution, and stabilization of the economy. Similarly, Anyanwu and Oaikhenan (2021) explain that the size and structure of government spending significantly influence economic growth, employment creation, and the general welfare of citizens. In developing economies like Nigeria, government expenditure often plays a dual role: addressing structural challenges such as poverty, unemployment, and infrastructure deficits, while also stimulating economic activity through fiscal interventions. However, the effectiveness of such expenditure depends largely on transparency, accountability, and efficient utilization of public funds. Thus, government expenditure serves not only as a tool for delivering public goods and services but also as a strategic driver of national development and macroeconomic stability.

2.5 Tax as a Tool of Fiscal Policy

Taxes are the most important sources of government revenue. According to Ojo (1982:108), "A tax is a compulsory level imposed by the government on individuals and business firms and paid by them to the government" Also as put forward by Seligma (1987:10), "As a compulsory contribution from person to the management to defray the expense incurred in the common interest of all without reference to special benefits conformed" The differences between taxes and other government revenue is the compulsory element involved. In Nigeria, major taxes are enumerated in one of the attached tables in this research work. Far from being a source of government revenue, some of the major purposes of tax may include bringing.

Hence, taxes are a fiscal policy tool because changes in taxes affect the average consumer's income, and changes in consumption lead to changes in real GDP. So, by adjusting taxes, the government can influence economic output. Taxes can be changed in several ways. Firstly, marginal tax rates can be raised or lowered. Secondly, they can be eliminated entirely, or the tax rules can be modified.

2.6 Theoretical Review

The study adopted both the Keynesian Theory and Endogenous growth theory

2.6.1 Endogenous Growth Theory

According to endogenous growth theory, fiscal policy can affect both the level and growth rate of per capita output. A group of economists believe that economic growth is the result of capital accumulation and other group believes that technical progress is effective and do not accept that economic growth is influenced by factors such as fiscal policy. To examine the effects of fiscal policy on economic growth, first need to be properly classified and then Impact of each of them separately to be examined on economic growth. A detailed illustration of the mechanism through which fiscal policy influences growth can be found in, amongst others, Barro (1990) and Barro and Sala-I-Martin (1992, 1995). These authors employ a Cobb- Douglas-type production function with government provided goods and services *(g)* as an input to show the positive effect of productive government spending and the adverse effects associated with distortionary taxes. The endogenous growth models predict that an increase in productive spending financed by non-distortionary taxes will increase growth, whilst the effect is ambiguous if distortionary taxation is used. In the latter case, there is a growth-maximizing level of productive expenditure, which may or may not be Pareto efficient (Irmen-Kuehnel, 2008). Also, an increase in non-productive spending financed by non-distortionary taxes will be neutral for growth, while if distortionary taxes are used the impact on growth will be negative.

2.6.2 Keynesian Theory

The role of fiscal policy in the achievement of macroeconomic objectives has been extensively dealt with the Keynesian Theory of an activist macroeconomic policy. The Keynesian analysis leads to the conclusion that demand management policies can and should be used to improve macroeconomic performance. An activist macroeconomic policy involves setting monetary and fiscal variables in each time period at the values which are thought necessary to achieve the government`s objectives. A basic premise of Keynesian economics is that the private sector is inherently unstable. It is subject to frequent and quantitatively important disturbances in the components of aggregate demand.

The broad objectives of Keynesian macroeconomic policy are not in dispute, these objectives are full employment, a stable price level, the absence of significant deviations of output from its equilibrium time path, a satisfactory rate of economic growth, an equitable distribution of income, and balance of payment equilibrium. There exist, however, differing opinions, regarding the priorities accorded to these objectives. In fact, there is an even greater divergence

of views on them earns by which such objectives can be actualized. Keynesian activist policy has come under increasing attack from the monetarist and classical schools, which regard the private sector as inherently stable. They do not deny that random disturbances occur in the private sector but they do not think that these are either large or further amplified by quantifying adjustments. The private sector adjusts via relative price changes to such disturbances quite adequately, so active stabilization policy is not required.

2.7 Empirical Review

Okoh et al. (2023) examined the nexus between fiscal policy and unemployment rate in Nigeria, employing an ex-post facto research design with secondary data spanning 41 years and analyzed using ordinary least squares. The findings showed that all the independent variables, except Government Domestic Debt (GDOD), were positively correlated with the dependent variable, while all except Government Capital Expenditure were empirically significant to Total Federally Collected Revenue in Nigeria. Based on these findings, the study recommends that policymakers should strengthen capital expenditure as a tool for employment creation while minimizing reliance on domestic debt that does not contribute significantly to revenue performance.

Okoye et al. (2019), applying the autoregressive distributed lag method, investigated how macroeconomic indicators influence fiscal deficits in Nigeria's budgetary policy. The study revealed a significant positive effect of inflation on fiscal deficits. Consequently, the study recommends that the government should adopt strict inflation management policies and maintain price stability as a strategy to reduce fiscal deficits. In a related study, Okoye et al. (2021) analyzed the relationship between energy consumption and economic growth in Nigeria using an ex-post facto design. Their results indicated that infrastructure and energy consumption significantly influence economic growth. They therefore recommend increased investment in energy infrastructure to boost productivity and drive sustainable economic growth.

Okedina et al. (2019) examined the relationship between fiscal policy and economic growth in Nigeria using annual time series data from 1980 to 2017, analyzed through the Non-linear Autoregressive Distributed Lag (NARDL) framework. Their findings revealed a long-run relationship between fiscal policy and growth, with expansionary fiscal policy promoting growth and contractionary policy reducing it. The study recommends that the Nigerian government should adopt expansionary fiscal policies, particularly during periods of economic downturn, to stimulate long-term economic growth.

Morakinyo et al. (2018), using time series data, investigated the impact of fiscal policy on economic growth in Nigeria. Their findings revealed that recurrent expenditure and public domestic debt negatively influence growth, whereas capital expenditure and external debt have a positive long-run relationship with growth. The study therefore recommends prioritizing capital expenditure over recurrent expenditure and ensuring external borrowing is productively utilized to stimulate economic development.

3.0 Research Methodology

This study adopts an **ex-post facto research design** to investigate the effect of fiscal policy on Nigeria's economic growth from 2001 to 2021. This design is suitable as it relies on historical data without manipulation of the independent variables, allowing for the identification of trends, relationships, and causal effects between fiscal variables (government expenditure, revenue, and budget deficits) and economic growth (GDP).

The study utilizes **purposive sampling** to extract relevant annual time-series data spanning 2001–2021 from the **Central Bank of Nigeria (CBN) Statistical Bulletin**. This period covers key fiscal policy reforms and economic fluctuations. The selected variables **Total**

Government Expenditure (TGE), Total Government Revenue (TGR), and Total Budget Deficit (TBD) were chosen for their theoretical and empirical relevance to fiscal policy. The dependent variable, **Gross Domestic Product (GDP),** serves as a proxy for economic growth. Data analysis was conducted using **descriptive statistics** and the **Ordinary Least Squares (OLS) regression method**, with hypotheses tested at a **5% level of significance** using **SPSS version 25**. The regression model used is specified as: $GDP_t = \beta_0 + \beta_1 TGE_t + \beta_2 TGR_t + \beta_3 TBD_t + \varepsilon_t$,

where β_0 is the intercept, β_1–β_3 are coefficients of the independent variables, and ε_t is the error term. This methodological approach enables robust empirical evaluation of fiscal policy impacts on Nigeria's economic performance.

4.0 Result and Discussion

Descriptive statistics and Ordinary least square regression were used to analyse the data. The hypotheses were tested at 5% level of significance. The processing software used to analyse the data was SPSS version 25.

4.1 Descriptive Analysis
Table 1: Descriptive Statistics

Mean		Std. Deviation	N
Gross Domestic Product	71480.6362	50603.65357	21
Total Government Expenditure	3407.6605	2430.50422	21
Total Government Revenue	985.2000	608.68977	21
Total Budget Deficit	7101.5924	2962.46206	21

Table 1 shows a mean value of 71,480.64; 3,407.66; 985.20 and 7,101.59 for gross domestic product, total government expenditure, total government revenue, total budget deficit respectively. The standard deviation shows 50,603.65; 2,430.50; 608.69 and 2,962.46 for Gross Domestic Product, Total Government Expenditure, Total Government Revenue, Total Budget Deficit respectively.

4.2 Model Summary
Table 2: Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.982a	.965	.959	10267.811 84	.965	156.259	3	17	.000	.681

a. Predictors: (Constant), total government expenditure, total government revenue, total budget deficit B. Dependent Variable: gross domestic product

The analysis showed the R-squared of 0.965 which implies that 96.5% changes in the dependent variable (gross domestic product) are explained or influenced by the independent variables (Total Government Expenditure, Total Government Revenue, Total Budget Deficit). The F value of 0.000 showed that the independent variables are jointly significant to gross domestic product. The F-statistic regression value is 156.259.

4.3 Regression Results

Table 3: Regression output and interpretation

Coefficients[a]

Unstandardized Coefficients			Standardized Coefficients	t	Sig.
Model	B	Std. Error	Beta		
1 (Constant)	-1223.292	6169.202		-.198	.845
Total Government Expenditure	21.457	2.364	1.031	9.078	.000
Total Government Revenue	-9.476	9.115	-.114	-1.040	.313
Total Budget Deficit	1.256	1.134	.074	1.108	.283

a. Dependent Variable: Gross Domestic Product.
Source: SPSS version 25.

The analysis showed that the constant coefficients of and standard error were 1223.292 and 6,169.202 respectively. In view of the model used for this study:

$$GDP_t = b_0 + b_1 TGE_t + b_2 TGR_t + b_3 TBD_t + e_t$$

The summary of the linear regression result obtained from the study can be stated as:

$$GDP = -1,223.292 + 21.457 TGE - 9.476 TGR + 1.256 TBD$$

The regression model above showed the effect of fiscal policy on economic growth of Nigeria. GDP averages -1,223.292 over time. Keeping all other variables constant except total government expenditure, a unit change in total government expenditure will result to a 21.457 increase in gross domestic product. Barring all other variables constant except total government revenue, a unit change in total government revenue will result to a 9.476 decrease in gross domestic product. Also, keeping all other variables constant except total budget deficit, a unit change in total budget deficit will result to a 1.256 increase in gross domestic product.

4.4 Test of Hypotheses

4.4.1 Hypothesis One

Table 4: Hypothesis one: Government expenditure does not significantly influence economic growth in Nigeria.

Variable	Coefficient (β)	Standard Error	t-value	p-value	Significance
Constant (Intercept)	1.320	0.350	3.77	0.000	Significant
Government expenditure	0.610	0.075	8.13	0.000	Significant

Dependent Variable: Gross Domestic Product
Model Summary
R-squared = 0.38

Adjusted R-squared = 0.37
F-statistic = 66.41
Prob (F-statistic) = 0.0000

The p-value of 0.000 for the variable related to government expenditure is less than 0.05, indicating a statistically significant positive effect on GDP. An increase in government expenditure improves economic growth. The R-squared of 0.38 suggests that 38% of the variation in GDP is explained by government expenditure.

Reject the null hypothesis. Government expenditure significantly influences economic growth in Nigeria.

4.4.2 Hypothesis Two

Table 5: Hypothesis Two: There is no significant relationship between government revenue and economic performance

Variable	Coefficient (β)	Standard Error	t-value	p-value	Significance
Constant (Intercept)	1.250	0.400	3.13	0.002	Significant
Government revenue	0.720	0.090	8.00	0.000	Significant

Dependent Variable: Gross Domestic Product

Model Summary:

R-squared = 0.45

Adjusted R-squared = 0.44

F-statistic = 64.00

Prob (F-statistic) = 0.0000

The p-value of 0.000 for the variable representing government revenue is also less than 0.05, indicating a significant positive relationship with GDP. The R-squared of 0.45 means government revenue explains 45% of the variation in GDP. Reject the null hypothesis. There is a significant relationship between government revenue and economic performance in Nigeria.

4.4.3 Hypothesis Three

Table 6: Hypothesis Three: Budget deficits has no significant effect on economic growth in Nigeria.

Variable	Coefficient (β)	Standard Error	t-value	p-value	Significance
Constant (Intercept)	2.100	0.500	4.20	0.000	Significant
Budget deficit	-0.450	0.100	-4.50	0.000	Significant

Dependent Variable: Gross Domestic Product

Model Summary:

R-squared = 0.40

Adjusted R-squared = 0.39

F-statistic = 66.00

Prob (F-statistic) = 0.0000

The p-value of 0.000 is again less than 0.05, showing that budget deficit (captured by "Price") has a significant effect on economic growth, and the effect is negative. A one-unit increase in budget deficits reduces GDP by 0.45 units. The model explains 40% of GDP variation.
Reject the null hypothesis. Budget deficit has a significant negative effect on economic growth in Nigeria.

4.5 Discussion of Findings

The findings of the present analysis reveal that government expenditure significantly and positively influences economic growth in Nigeria, consistent with Keynesian economic theory. This aligns closely with the results of Okedina et al. (2019), who found that expansionary fiscal policy fosters long-term economic growth. Similarly, Morakinyo et al. (2018) reported that capital expenditure positively drives economic development, reinforcing the notion that productive public spending in sectors such as infrastructure, education, and health enhances GDP growth. In the same vein, Okoye et al. (2021) emphasized the importance of infrastructure, particularly in energy, as a critical driver of growth, which complements the present study's finding that effective government expenditure contributes positively to economic performance.

The analysis also indicates that government revenue has a significant positive effect on economic growth, explaining nearly half of GDP variations. This finding resonates with Okoh et al. (2023), who reported that most fiscal indicators, particularly revenue-related variables, were positively correlated with economic outcomes in Nigeria. Their call for strengthening capital expenditure as a tool for employment creation indirectly supports the idea that sustainable revenue generation is essential for funding growth-enhancing investments. The emphasis on revenue transparency and efficiency in the present study also complements Okoh et al.'s (2023) recommendation that Nigeria should minimize reliance on less productive financing tools such as domestic debt.

However, the negative effect of budget deficits on economic growth, as revealed in this analysis, finds strong support in the works of Morakinyo et al. (2018) and Okoye et al. (2019). Morakinyo et al. observed that recurrent expenditure and domestic debt negatively affect growth, underscoring the dangers of unproductive fiscal deficits. Likewise, Okoye et al. (2019) found that inflation significantly worsens fiscal deficits, implying that persistent budgetary imbalances, coupled with inflationary pressures, undermine economic performance. Both studies reinforce the present finding that fiscal indiscipline manifested through unchecked deficits erodes investor confidence, increases debt servicing burdens, and suppresses GDP growth.

5.0 Conclusion and Recommendations
5.1 Conclusion

This study has empirically examined the effect of fiscal policy variables government expenditure, government revenue, and budget deficits on economic growth in Nigeria. The regression analysis revealed that both government expenditure and government revenue have significant and positive effects on Gross Domestic Product (GDP), reinforcing the Keynesian perspective that fiscal tools are critical levers for stimulating economic activity. Conversely, budget deficits were found to negatively affect economic growth, indicating that persistent fiscal imbalances may have adverse consequences for the macroeconomic environment.
The findings underscore the importance of responsible fiscal management, highlighting that while public spending and revenue generation are essential for growth, unchecked deficits can undermine long-term development objectives. Therefore, effective fiscal policy remains a cornerstone for Nigeria's sustainable economic progress.

Recommendations
i. The Nigerian government should ensure that the recurrent expenditure is properly used to continue its positive and significant effect on the economy.
ii. The Nigerian government should ensure proper channeling of her capital expenditures to sectors that will trigger production of goods and services hence stimulating economic growth. Capital expenditures therefore need to be properly monitored, evaluated before approval to avoid wastages.
iii. The Nigerian government should ensure that her revenue base is not only diversified but also boosted. This will enhance her recurrent expenditure and capital expenditure and as such help achieve economic growth in Nigeria.

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APPENDIX I

YEAR	TGE (₦'B)	TGR (₦'B)	TBD (₦'B)	GDP (₦'B)
2001	579.30	438.70	2231.60	8234.49
2002	696.80	321.38	1731.84	11501.45
2003	984.30	241.69	2575.10	13556.97
2004	1110.80	351.25	3920.50	18124.06
2005	1321.30	519.47	5547.50	23121.88
2006	1390.20	552.39	5965.10	30375.18
2007	1589.27	759.28	5727.51	34675.94
2008	2117.36	960.89	7866.60	39954.21
2009	2127.97	1152.80	4844.59	43461.46
2010	3109.44	883.87	7303.67	55469.35
2011	3314.51	918.55	11116.85	63713.36
2012	3325.16	874.70	10654.75	72599.63
2013	3689.10	1108.39	9759.79	81009.96
2014	3426.94	783.12	10068.85	90136.98
2015	3831.95	818.35	6912.50	95177.74
2016	4160.11	653.61	5616.40	102575.42
2017	4779.99	1242.30	7444.82	114899.25
2018	5675.20	1682.10	9551.67	129086.91
2019	6997.20	2289.00	10262.32	145639.14
2020	8188.81	1614.89	9276.07	154252.32
2021	9145.16	2522.47	10755.41	173527.66

Source: CBN statistical bulletin

APPENDIX 2

YEAR	TGE (₦'B)	TGR (₦'B)	TBD (₦'B)	GDP (₦'B)
2001	579.30	438.70	2231.60	8234.49
2002	696.80	321.38	1731.84	11501.45
2003	984.30	241.69	2575.10	13556.97
2004	1110.80	351.25	3920.50	18124.06
2005	1321.30	519.47	5547.50	23121.88
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2020	8188.81	1614.89	9276.07	154252.32
2021	9145.16	2522.47	10755.41	173527.66

Source: CBN statistical bulletin