

Effects of Fiscal Arrangement on Economic Growth in Nigeria 1990-2020

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Abstract – Fiscal arrangement which is about how government revenue are earned and government expenditure incurred, this study then investigates the effect of fiscal arrangement on economic growth in Nigeria for the period of 1990 to 2020. With the inflow of revenue from the oil sector and non-oil sector, Nigerian economy still suffers economic dwarfism and despite the recurrent and capital expenditure been incurred, the economy still suffers infrastructural epilepsy which warranted the need for this research work. This research used an ex-post facto research design. ADF test was conducted, the Ordinary Least Square regression model and Granger Causality test was employed and findings revealed that both oil and non-oil revenues negatively predicts economic growth indicating that periodic increase in government revenues coincided with a decline in economic growth. Recommendations was made based on findings, is that the government should take a three step approach to tackle the dwarfish growth of the economy.

Keywords – Government revenue, Government expenditure, Non-Oil revenue, Oil revenue, Capital expenditure, Recurrent expenditure.

I. INTRODUCTION

With the world fiscal arrangement, we are talking about the systemic way in which government financing is organised, a system that structures how government revenue is earned and how government expenditure are in cured by all tiers of government the federal, the state and local government in Nigeria. Fiscal arrangement comprises of fiscal policy which are being implemented by the federal state and local government. CBN 2017, defines fiscal policies as government measures, designed to influence the quantum and allocation of revenue and expenditure, with the aim to achieving internal and external economic balance, as well as sustainable development.

Ayoka, Nzotta and Kanu (2021), opined that fiscal policy is a macroeconomic instrument employed by government, to ensure stability in an economy which engenders, sustainable growth price stability, full Employment and maximum utilisation of available resources. For these goals to be achieved, policy makers have to be proactive in the implementation of fiscal policy most especially in a nation like Nigeria, where they should be quick response in infrastructural investment. Fiscal policy which could be expansionary or contractionary can be applied based on a Nation's economic objective and level of development they wish to achieve. Expansionary fiscal policy occurs when taxes are reduced and government spending increased which might lead to budget deficit at the beginning and in the long run can lead to economic growth. Contractionary fiscal policy of course when taxes are raised and government spending reduced which may lead to budget surplus at the beginning and in the long run stalled economic growth in a developing nation.

They need to understand and initiate a link between how government revenue is generated and how government expenditure is incurred. This is a sine-qua-non for an efficient and effective fiscal policy.

Nigeria's revenue base was initially hinged on agriculture (i.e proceeds from the sales of cocoa, rubber, cotton, palm trees, groundnut and Timber) in the 1970s, but changed to oil and gas as a result of the prominence of oil in Nigerian economy from the 80s till date (Usman, and Abdullahi, 2015;Ayoka, Nzotta and Kanu 2021). The Nigerian economy made its way to recession in recent times as a result of over dependency on oil, due to the continuous fall in oil price in the international market CBN 2016. According to Ohiomu and Oluyemi (2019), revenue allocation from the Federation account forms the crux of Nigeria's fiscal arrangements. In Nigeria, revenue allocation is taken as the distribution of national revenue among the various tiers of government in the Federation, in such a way as to reflect the structure of fiscal federalism. Federalism refers to the existence in one country of more than one level of government each with different expenditure responsibilities and taxing powers.

The main purpose of fiscal arrangement is to ensure effective public finance administration that Foster economic growth and development at the central and grassroots level. Fiscal arrangements involve revenue sharing and inter governmental expenditure that is intended to provide sub-national government, with the ability to supply public goods and services independently of their taxable capacity. It is particularly important in a country such as Nigeria with geographical concentration and large natural resources (Mered 1977).

Without a proper fiscal management trying to achieve economic development growth and advancement becomes exercise in futility. Economic growth development and advancement which is the prayer of every nation, needs funds for its achievement since those goals and entails incurring expenses in providing the necessary infrastructures in the society. Funds spent on providing these infrastructures are basically sourced from government Revenue, oil and non-oil revenue in the case of Nigeria.

Despite the oil and non oil revenue been generated, the economic growth rate of the country still remains very slow, and despite the recurrent and capital expenditure been incurred the infrastructural and human development is still nothing to write home about. Yusuf, Elija and Usaini (2018), asserted that public expenditure on infrastructure in Nigeria have continued to increase over the years. Unfortunately rising government expenditure has not translated into meaningful economic growth and infrastructural development in Nigeria, especially in rural areas. Ohiomu and Oluyemi (2019) opined that despite continuous increase in revenue generation and consistent allocation the expected impact on infrastructural development in Nigeria has not been realised, in the light of these issues, this study seeks to find out if Nigeria's fiscal management is actually boosting up economic growth. The objectives of this study is to examine the effects of fiscal arrangement on economic growth in Nigeria, furthermore to look at the relationship between an oil and oil Revenue and economic growth, as well as to find out the relationship between recurrent and capital expenditure in relation to economic growth.

II. CONCEPTUAL FRAMEWORK

A. Concept of Fiscal Arrangement

The Oxford dictionary says fiscal policy is used to describe something that relates to government revenue or public money especially taxes. The word arrangement refers to the manner in which things are placed. Hence fiscal arrangement refers to a system in which fiscal responsibilities or government financing are structured and organised in such a way that government Revenue and expenditure are earned and incurred respectively by the government.

B. Concept of government revenue

Nigeria's 1999 constitution, section 162(10) define revenue as any income Returns accruing from or derived by the government from any receipt arising from the operation or any law, property held by the government and any Returns by way of interest or loans and individuals in respect of shares or interest held by the government in any company or statutory body.

C. Sources of Government Revenue

Before the over dependence on oil in Nigeria, agriculture was the major source of revenue for the Nigerian economy as it contributed about 70% of the Nation's GDP but now has fallen to about 30% making crude oil the major source of revenue of the Federal Government. Nigerian source of revenue are classified into two namely oil and non-oil revenue.

D. Limitations of Revenue Generation

Several factors limit generation of revenue by the state and local government in Nigeria. These factors as follows, too much dependency of statutory allocation from the Federal Government, lack of efficient and truthful Manpower and inadequate mobility and infrastructures, tax evasion, policy somersault, political intrusion, problem of bylaws, lack of clear act jurisdiction, high rate of mental and financial poverty.

E. The role of public expenditure

There are several roles that public expenditure plays in a country, considering the fact that it is being made up by the government in the best interest of the Citizens. These rules range from provision of infrastructure such as; education, Healthcare, roads, housing and power supply e.t.c to security to economic growth in order to raise the standard of living of citizens and so on.

F. Tools of Fiscal policy

The tools of fiscal policy are as follows;

Public Revenue: This is the government income that is recurring by nature and available to meet the day-to-day expenses of government. Government revenue includes; taxes, privatisation proceeds, sales proceeds of goods, interest received, commission received and rent received e.t.c, it is inform of tax and non-tax , oil and non oil revenue for the case of Nigeria CBN 2017.

Public debt: this refers to the total amount of money borrowed by the government which could be internal or external public debt.

Public expenditure: this involves government expenditure on real goods and services. It includes; payment of salaries, pension, unemployment benefits, spending on subsidies and grants. Other forms of public spending are payments of interest on debt and Investment projects e.t.c. In Nigeria government expenditure is classified into capital expenditure, recurrent expenditure, non-debt recurrent expenditure and statutory transfers CBN 2017.

G. Concept of Economic growth

Economic growth can be defined as the continuous process by which the productive capacity of the economy is increased over time to achieve rising degrees of publicly yield and pay (Todaro and Smith, 2005; Ayoka, Nzottaand Kanu, 2021). It is very important to note that growth has a both quantitative and quantifiable quality, that's the reason why an economy may grow and still not develop. Just like you can't talk about monetary advancement without financial development they are two different concepts but most times used interchangeably.

H. Fiscal arrangement and Economic growth

Since fiscal arrangement is all about how government Revenue and expenditure are earned and incurred, if properly managed and structured will definitely lead to economic growth, but if mismanaged will lead to economic retardation and hardship for Citizens of such a nation.

III. THEORETICAL REVIEW

A. The theory of Fiscal Illusion

According to Oseni, Adekule and Ogunade (2020), the theory of fiscal Illusion originates from the work of Puviani (1903) and with additional impetus from Buchana (1960). The fiscal illusion is about the Misperception of fiscal parameters. According to Oates (1985), fiscal illusion implies persistent views and biases about public budgetary decisions in any Direction based on imperfect information. The essence of this theory is to expose the fact that sometimes the real program of government is concealed to accommodate unnecessary spending.

B. Musgrave Theory on public expenditure

This states that at low level of per capita income, interest for public administration will in general be exceptionally low. Musgrave is of the opinion that public sector growth decreases at high level of per capita income, since government want to satisfy more basic wants (provision of basic infrastructure).

C. The neoclassical model this growth model

This growth model of Solow (1956), state that productive government expenditure may affect the incentive to invest in human or fiscal capital but in the long run this affects only the equilibrium Factor ratios, not the growth rate, although in general there will be transitional growth effects.

IV. EMPIRICAL REVIEW

Echekoba and Amakor(2017), examine the impact of government expenditure on Nigeria economic growth, GDP was used to proxy financial development why the first expenditure general administration education consumption and health used as logical factors. They discovered that expenditure on general administration and education to fundamentally affect monetary development in Nigeria.

Babatude (2018), investigated government spending on infrastructure secondary data from reported annual spending on selected infrastructural and annual GDP for 1980 to 2016 4 Nigeria. The data treatments used for secondary data are unit root and co-integration test using augmented Dickey Fuller and Phillip perron model. Weighted least squares was used to test the sample of 37 year annual time series using vector error correction model. Findings showed that an element of fiscal illusion was observed in the government spending on agriculture and natural resources, indicating that government is not contributing as much as the private sector in spending on agriculture and natural infrastructure in Nigeria.

Bala and Alhassan (2018) examined the effect of oil price shocks and food importation on economic growth in Nigeria from 1970 to 2015. The result of the Structural Vector AutoRegressive model showed that crude oil has a positive impact at the beginning period and a negative impact at the end period.

Azubuike and Onukwube (2019) examined the effect of government revenue on the economic growth of Nigeria. The study adopted the multiple regression method to examine the effect of oil and non-oil revenues on economic growth in Nigeria. The findings of the study revealed that oil revenue negatively affected economic growth while non-oil revenue positively and significantly affected economic growth.

Alenoghena (2020) examined the effect of oil price shocks on the macroeconomic performance of the Nigerian economy over a period of 1980 to 2018. The results of the Structural Vector Auto Regressive model revealed that oil price shocks have negatively affected economic growth and industrial output.

Efuntade, Efuntade and Akinola (2020) examined the relationship among capital expenditure, taxation and economic growth in Nigeria from 1989 to 2010. The study adopted the regression analysis, the ARDL cointegration test and the Granger causality test. The findings revealed that Company Income Tax (CIT) and Value Added Tax (VAT) had negative relationships with economic growth. Causality was also found flowing from capital expenditure to economic growth.

Onifade, Cevic, Erdogan, Asongu andBekun(2020) examined the impact of government expenditures on economic growth in Nigeria. The study adopted the Auto Regressive Distributed Lags and the Granger Causality test for the data analysis. The findings of the ARDL showed a positive impact of recurrent expenditure on economic growth in the short run and then a negative impact in the long run. The study also found that capital expenditure positively impacted economic growth but the impact was insignificant. The study found no causality between government expenditure (recurrent and capital) and economic growth at two lags.

Ayoka, Nzotta and Kanu (2021), investigated the effects of federal government revenue and expenditure on economic growth in Nigeria, the investigation use secondary data from 1983 to 2018 because it used export facto research design to produce test results via Bound test, ARDL short/long run estimates to make forecast, findings showed that the influential growth variables are federal government retained earnings revenue; non oil revenue and recurrent expenditure.

Most research work in this field tends to focus more on the oil sector as the major source of government revenue however hear this study tends to include the non-oil sector as key Factor and it's also an important note that the gap will be closed in sample size methodology and model specification.

V. METHODOLOGY

The research design for this study is the ex-post facto and secondary data was employed covering the 1990 to 2020. Data were obtained from the Central Bank of Nigeria statistical bulletin 2021 edition.

The study adopted historical or after the fact research design to evaluate the effects of fiscal arrangements, variables measured in this research work as, non-oil revenue, oil revenue, recurrent expenditure and capital expenditure on economic growth which was proxy by GDP. The model was structured to investigate the effect of non-oil revenue, oil revenue, recurrent expenditure and capital expenditure on economic growth which is given as thus:

$$NGDP = f(NREV, OREV, GREX, GCEX) \tag{equ.1}$$

The econometric transformation of Equ . 2 is thus expressed:

$$NGDP_t = \beta_0 + \beta_1NREV_t + \beta_2OREV_t + \beta_3GREX_t + \beta_4GCEX_t + \epsilon_t \tag{equ.2}$$

Where:

NGDP = Gross Domestic Product

NREV = Non-oil Revenue

OREV = Oil Revenue

GREX = Recurrent Expenditure

GCEX = Capital Expenditure

β_0 = The constant term

$\beta_1 - \beta_4$ = The coefficients of the independent variables

ϵ = the random disturbance term

VI. RESULTS

Stationarity Test

The stationarity of the data was tested using the Augmented Dickey Fuller (ADF) unit root test. The decision rule is to accept the hypotheses of stationarity if the obtained ADF statistic is greater than the critical value at the chosen level of significance (5%). The number of lags was automatically selected using the Schwarz Info Criterion (SIC). The result of the stationarity test is shown in table 1.

Table 1: Summary of Stationarity Results

Variable	ADF Statistic	Critical Value	Order of Integration	Lags (based on SIC)	Remark
GCEX	4.024048	-2.963972	I(0)	9	Stationary
GREX	-5.506263	-2.963972	I(0)	9	Stationary
NREV	0.346986	-2938987	-	0	Non Stationary
DNREV	-5.205536	-2.941145	I(1)	0	Stationary
OREV	-1.506544	-2938987	-	0	NonStationary
DOREV	-6.274499	-2.941145	I(1)	0	Stationary
NGDP	4.504354	-2.941145	I(0)	2	Stationary

Source: Author’s Compilation from Stationarity Test Results

From table 1, it is observed that GCEX, GREX and NGDP are all stationary at level making them integrated at level order: in other words they are I(0) variables. On the other hand, NREV and OREV were not stationary at level rather they were stationary at 1st difference. Hence they are I(1) variables (integrated at first order). The variables were differenced accordingly and used for the analysis.

Ordinary Least Square (OLS) Regression

The output of the OLS regression is shown in table 2

Table 2: OLS Regression Output

Dependent Variable: NGDP
 Method: Least Squares
 Date: 11/01/21 Time: 03:14
 Sample (adjusted): 1982 2020
 Included observations: 39 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DNREV	-22.26108	3.658673	-6.084469	0.0000
DOREV	-1.903500	0.870274	-2.187242	0.0357
GCEX	0.749096	5.481394	0.136662	0.8921
GREX	24.16322	1.564581	15.44389	0.0000
C	-1160.225	1400.353	-0.828523	0.4132
R-squared	0.983149	Mean dependent var		34460.87
Adjusted R-squared	0.981167	S.D. dependent var		45710.30
S.E. of regression	6272.973	Akaike info criterion		20.44510
Sum squared resid	1.34E+09	Schwarz criterion		20.65837
Log likelihood	-393.6794	Hannan-Quinn criter.		20.52162
F-statistic	495.9345	Durbin-Watson stat		2.093674
Prob(F-statistic)	0.000000			

Source: Eviews 11.0 OLS Regression Output, 2021

The results shown in table 2 indicates that there is a negative relationship between DNREV and NGDP ($r = -22.2611$) and this relationship is significant ($p < 0.05$). Similarly, there is a negative and significant relationship between DOREX and NGDP ($r = -1.9035$; $p < 0.05$). On the other hand GCEX and GREX both have positive relationships with NGDP. However, the relationship is only statistically significant in the case of GREX.

The R-squared value of 0.983 shows that 98.3% of the variation in NGDP is explained by the combined variation in DNREV, DONREV, GCEX and GREX. The F-statistic is also statistically significant ($p < 0.05$), indicating that the overall relationship between the dependent and the independent variables are statistically significant.

Post-Estimation Tests

Normality Test

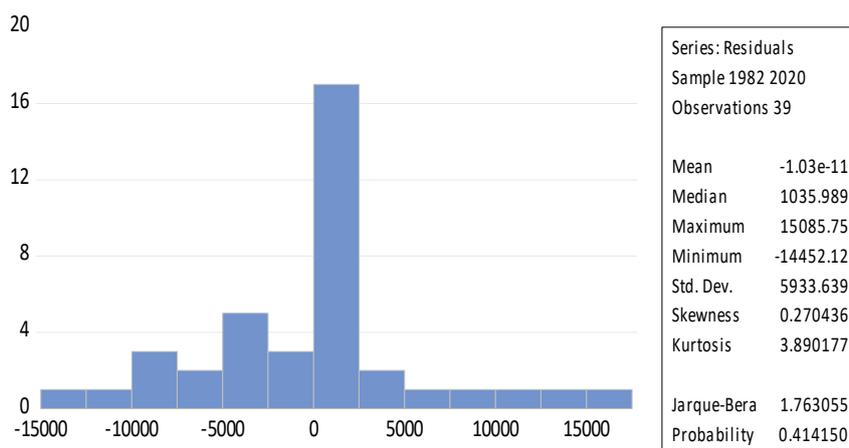


Figure 1: Normality Histogram

Source: Eviews 11.0 Normality Test Output, 2021

The results shown on the histogram reveals that the Jarque-Bera value of 1.763055 is statistically insignificant indicating that the residuals are normally distributed. The regression is therefore free of non-normality problems.

Breusch-godfrey serial correlation LM test

Table 3: LM Test for Serial Correlation

Breusch-Godfrey Serial Correlation LM Test:

Null hypothesis: No serial correlation at up to 2 lags

F-statistic	0.612218	Prob. F(2,32)	0.5484
Obs*R-squared	1.437285	Prob. Chi-Square(2)	0.4874

Source: Eviews 11.0 LM Test Output

The result of the LM Test shows that the p value is greater than 0.05 therefore the null hypothesis of no serial correlation is accepted. The residuals are therefore free from serial correlation problems.

Heteroskedasticity test: ARCH

Table 4: Heteroskedasticity Test Result

Heteroskedasticity Test: ARCH

F-statistic	1.799649	Prob. F(2,34)	0.1808
Obs*R-squared	3.541929	Prob. Chi-Square(2)	0.1702

Source: Eviews 11.0 Heteroskedasticity Test Output, 2021

The null hypothesis of Homoskedasticity cannot be rejected as the given probability value is greater than 0.05. This indicates that the data is free from Heteroskedasticity problems.

RAMSEY reset test

Table 5: Ramsey RESET Test Result

Ramsey RESET Test

Equation: UNTITLED

Omitted Variables: Squares of fitted values

Specification: NGDP DNREV DOREV GCEX GREX C

	Value	Df	Probability
t-statistic	1.616341	33	0.1155
F-statistic	2.612557	(1, 33)	0.1155
Likelihood ratio	2.971439	1	0.0847

F-test summary:			
	Sum of Sq.	Df	Mean Squares
Test SSR	98149575	1	98149575
Restricted SSR	1.34E+09	34	39350195
Unrestricted SSR	1.24E+09	33	37568396

Source: Eviews 11.0 Ramsey RESET Test Output, 2021

The hypotheses for Ramsey RESET specification test are as follows:

H₀: Model specified does not produce a non-zero mean vector

H₁: Model specified produces a non-zero mean vector

A non-zero mean vector indicates that the model is wrongly specified either in terms of omitted variables, incorrect functional form or serial correlation between the variables and the error term.

The t-statistic and the F-statistic are both statistically insignificant ($p > 0.05$), therefore the null hypothesis is accepted. The regression model does not need to be adjusted.

Granger causality test

The Granger causality test displays high sensitivity to the number of lags specified in the regression. The VAR lag order selection test shows that all criteria indicate a selection of 5 lags as shown in table 6

LAG SELECTION CRITERIA

VAR Lag Order Selection Criteria

Endogenous variables: NGDP DNREV DOREV GCEX GREX

Exogenous variables: C

Date: 11/01/21 Time: 07:08

Sample: 1981 2020

Included observations: 34

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-1411.670	NA	1.07e+30	83.33353	83.55799	83.41008
1	-1263.450	244.1275	7.75e+26	76.08528	77.43207	76.54457
2	-1223.116	54.56938	3.48e+26	75.18328	77.65240	76.02532
3	-1165.564	60.93762	6.80e+25	73.26845	76.85989	74.49323
4	-1036.007	99.07247	2.73e+23	67.11808	71.83184	68.72561
5	-816.5663	103.2664*	1.18e+19*	55.68037*	61.51645*	57.67064*

* indicates lag order selected by the criterion

LR: sequential modified LR test statistic (each test at 5% level)

FPE: Final prediction error

AIC: Akaike information criterion

SC: Schwarz information criterion

HQ: Hannan-Quinn information criterion

Source: Eviews 11.0 VAR Lag Order Selection Criteria Test Output, 2021

The study therefore examines the changes in the Granger Causality Result from lag 1 to lag 5. The lags are interpreted as years. The summary of the Granger Causality test are shown in table 6.

Table 6: Summary of Granger Causality Test (1-5 Lags)

Causality flow	Lag (Year) 1	Lag (Year) 2	Lag (Year) 3	Lag (Year) 4	Lag (Year) 5
NGDP to DNREV	0.3303	0.3508	0.0010*	0.0111*	0.0469*
DNREV to GDP	0.1407	0.2065	0.0929	0.2937	0.3844
NGDP to DOREV	0.3665	0.3943	0.4331	0.0007*	0.0003*
DOREV to NGDP	0.3382	0.1137	0.5220	0.0305*	0.0466*
NGDP to GREX	0.0282*	0.0180*	0.0255*	0.0450*	0.1090
GREX to NGDP	0.0437*	0.0006*	0.0334*	0.1249	0.2312
NGDP to GCEX	0.0116*	0.0458*	0.0183*	0.4039	0.4026
GCEX to NGDP	0.0928	0.0229*	0.1716	0.0011*	0.0053*

Source: Eviews 11.0 Granger Causality Test Output, 2021

As shown in table 6, after the first and second year, non-oil revenue and nominal GDP have no causality with each other. GDP starts to affect non-oil revenue from the third year to the fifth while non-oil revenue does not affect economic growth.

From the first to the third year, there is also no causal effect between nominal GDP and oil revenue. NGDP and oil revenue start to have significant impact on each other (bi-directional causality) in the fourth and fifth year.

Government recurrent expenditure and nominal GDP are shown to have bi-directional causal effect. However, from the fourth year, government recurrent expenditure ceases to have significant effect on NGDP.

In the case of government capital expenditure and economic growth, there is a unidirectional causality flowing from economic growth (NGDP) to government capital expenditure (GCEX) in the first and the third year. In the second year the effect seems to go both ways (Bi-directional causality). However, in the fourth and fifth year, government capital expenditure starts to affect economic growth.

VII. DISCUSSION OF THE FINDINGS

The study sought to examine the effect of fiscal arrangements on economic growth in Nigeria from 1990 to 2020. The effect of fiscal arrangements (as measured by federal government oil and non-oil revenues and current and capital expenditures) on economic growth (as measured by nominal GDP) were tested using the Ordinary Least Square Regression and the Granger Causality Test. The findings of the study revealed that both oil and non-oil revenues of the federal government negatively predicts economic growth indicating that periodic increase in government revenues coincided with a decline in the economic growth. The findings also shows that the prediction is significant in both cases. This finding agrees with the finding of Azubuike and Onukube (2019) who found a negative relationship between oil revenue and economic growth in Nigeria.

The negative relationship is an indication that sources of revenue for the federal government have actually coincided with poor economic growth especially in the case of non-oil revenue. Excessive taxation, levies which is a huge component of government revenue (Gaiya, Ikenna-ononugbo and Ajala, 2016) usually discourage productive ventures (Heil, 2021). Dependence on oil has been another major impediment to economic productivity in other sectors and these factors contribute to the negative relationship between government revenue and economic growth. Efundayo et al. (2020) also found a negative relationship between taxation and economic growth.

Nigeria's dependence on crude oil is no news; majority of the nation's revenue is generated from crude oil. This has left Nigeria exposed to the harsh effects of oil price volatility. Empirical findings of Alenoghena (2020) showed that oil price shocks has had negative impact on the output growth in Nigeria. The study of Bala and Alhassan (2018) also confirmed that a crude oil price has a long run negative impact on economic growth in Nigeria.

The Granger Causality results showed that over five lags, non-oil revenue did not cause economic growth however, it was found that the level of economic growth starts to reflect causality in non-oil revenue after three lags. This indicates that improvement in economic growth starts to translate to improved non-oil revenue collected by the government after three years. Combining the negative prediction with the existence of unidirectional causal effect flowing from economic growth, the implication is that contrary to what other studies have suggested, economic growth negatively affects non-oil government revenue on the long run.

One way to justify this is the findings of the Oxfam (2017) study which showed that the contrary to stipulated progressive taxation, the Nigerian system in reality operated a regressive taxation system whereby aggressive tax burdens were shifted to poor performing sectors while larger and high performing firms evaded taxes, were given tax waivers and tax holidays. Egbon(2015) also argued that the purported progressive tax system in Nigeria is riddled with a myriad of inconsistencies that which by default benefits the high income groups than the low income earners. Going by this improved economic growth, prompted by high performance of companies would reflect in lower taxation revenue which would ultimately reduce non-oil revenue.

Similarly, from the fourth lag, economic growth in Nigeria and oil revenue exhibited bidirectional causality indicating that the value of oil revenue starts to reflect in economic growth after four years and vice versa. Supplementing this finding with the OLS results, after four years improvement in economic growth will cause oil revenue to reduce and in the same vein increase in oil revenue will cause economic growth to reduce. Dependence on oil revenue have led to neglect of other productive sectors especially agriculture, leading to decline in output growth (GDP). This deficiency in production is usually manifested increased import dependency which reduces net factor income from abroad and the situation is worsened when oil prices dip (Amodu, 2018).

On the other hand, both recurrent and capital government expenditure has been found to positively predict nominal GDP; however, the prediction of recurrent expenditure was significant while capital expenditure was not significant. It is clear from empirical findings of Onifade et al., (2020) that on the short run recurrent expenditure had a significant positive impact on economic growth in Nigeria while capital expenditure has an insignificant impact. Based on the Granger causality results, on the long-run (beyond 3 years), the effect of recurrent expenditure on economic growth fades off. However, this is the period when

capital expenditure consistently begins to affect economic growth. The findings of Efundayo et al. (2020) also confirmed that there was causality flowing from capital expenditure to economic growth in Nigeria.

VIII. RECOMMENDATIONS

Based on the findings the authors therefore recommend a three step approach for the authorities to consider;

Firstly to declare a state of emergency on infrastructure, let the revenue been generated be channelled towards massive construction of roads, as accessibility contributes towards development of the economy. Let the authorities consider liberalizing power generation license, with the aim of developing the energy sector, let the problem of insecurity be tackled head on from all aspects by law enforcement agents engaging with the community securities around the nation and the law enforcement be upgraded to using advanced tech in crime fighting.

Secondly let there be close monitoring and proper accounts for all capital expenditure to ensure standard project delivery and prompt completion of projects.

Lastly let the law makers pass a law criminalising all contractors who do not deliver on project executions or who carryout substandard jobs without guarantee.

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