Impact of Fiscal Policy on the Growth of Nigerian Economy

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Abstract
The study empirically examined the impact of fiscal policy on Nigerian economic growth between 2015 and 2019. The study used Secondary data collected from the statistical bulletin of the Central Bank of Nigeria (CBN) 2020. The study also employed ex-post facto research design and regression model to analyze the data collected. In the model, Government Expenditure and Government revenue through Companies Income Tax (CIT) were regressed against dependent variable Economic Growth proxied by GDP growth. The result revealed, that there is a significant and positive relationship between Companies Income Tax (CIT) and Economic Growth (EG) measured using Gross Domestic Product (GDP) with a p-value of 0.030 which is less than the 5% level of significance adopted. On the same note, the study found an insignificant and negative relationship between Government Expenditure (GE) and Economic Growth (GDP) with a p-value of 0.334 which is greater than the 5% significant level adopted. The study therefore recommends that: government should formulate and implement workable fiscal policy options that will enhance economic growth. This is possible if government pursues a fiscal policy measure that will enhance full employment national income. Again, Government should ensure that revenue generation through taxation and capital and recurrent expenditure of the nation are properly managed to ensure an increased productive capacity and to accelerate economic growth of the nation.

Keywords: *Fiscal Policy, Government Expenditure, Taxation, Economic Growth and GDP*

1.1 Introduction

Nigeria's potential for growth and economic stability is yet to be achieved, as a result; the country's economy has witness so many shocks and disturbances both internally and externally over the decades. The continuous fluctuations in the country's economic activities according to Gbosi (2001) has led to the periodical increase in the country's unemployment and inflation rates as well as the external sector disequilibria. National economic management became a Herculean task as the economy has to contend with volatility of revenue and expenditure. The widespread lack of fiscal discipline was further exacerbated by poor co-ordination of fiscal policy among the three tiers of government. Also, there is a weak revenue base arising from high-marginal tax rate with very narrow tax base, resulting in low tax compliance. As a result of these and other factors, serious macroeconomic imbalances have emerged in Nigeria (Agu, Idike, Okwor & Ugwunta, 2014).

The federal government uses fiscal policy and monetary policy as two major tools for affecting the macro-economy. These policy interventions according to Jeffrey (2019) are

generally used to either increase or decrease economic activity to counter the business cycle's impact on unemployment, income, and inflation. Fiscal policy as one of the major economic stabilization weapons involves measure taken to regulate and control the volume, cost and availability as well as direction of money flow in an economy to achieve some specified macroeconomic policy objective and to counteract undesirable trends in the Nigerian economy (Gbosi, 2001).

Ugwunta and Idike (2015) see Fiscal policy as a means by which government adjusts its level of spending to monitor and influence a nation's economy. They also consider Fiscal policy as when the government uses its spending and taxing powers to have an impact on the economy. The combination and interaction of government expenditures and revenue collection is a delicate balance that requires good timing and a little bit of luck to get it right. The direct and indirect effects of fiscal policy can influence personal spending, capital expenditure, exchange rates, deficit levels, and even interest rates, which are usually associated with monetary policy (Schmidt, 2018).

When the government decides on the goods and services it purchases, the transfer payments it distributes, or the taxes it collects, it is engaging in fiscal policy (Ikeora. 2007). The primary economic impact of any change in the government budget is felt by particular groups, a tax reduction for families with children, for example, raises their disposable income. Discussions of fiscal policy, however, generally focus on the effect of changes in the government budget on the overall economy (Weil, 2019).

According to Jeffrey (2019) the government through the means of Fiscal policy adjusts its expenditure and revenue generation to influence the broader economy. By adjusting its level of spending and tax revenue, the government can affect the economy by either increasing or decreasing economic activity in the short term. For example, when the government runs a budget deficit, it is said to be engaging in fiscal stimulus, spurring economic activity, and when the government runs a budget surplus, it is said to be engaging in a fiscal contraction, slowing economic activity. According to Ikeora (2007) Government can stimulate economic activity by increasing government spending, decreasing tax revenue, or a combination of the two.

Schmidt (2018) sees Fiscal policy as when government uses its spending and taxing powers to have an impact on the economy. Increasing government spending tends to encourage economic activity either directly through purchasing additional goods and services from the private sector or indirectly by transferring funds to individuals who may then spend that money. Decreasing tax revenue tends to encourage economic activity indirectly by increasing individuals' disposable income, which tends to lead to those individuals consuming more goods and services (Jeffrey, 2019). This sort of expansionary fiscal policy can be beneficial when the economy is in recession, as it lessens the negative impacts of a recession, such as elevated unemployment and stagnant wages. However, expansionary fiscal policy can result in rising interest rates, growing trade deficits, and accelerating inflation, particularly if applied during healthy economic expansions. These side effects from expansionary fiscal policy tend to partly offset its simulative effects. (Jeffrey, 2019)

This ability of fiscal policy to affect output by affecting aggregate demand makes it a potential tool for economic stabilization. In a recession, the government can run an expansionary fiscal policy, thus helping to restore output to its normal level and to put unemployed workers back to work. During a boom, when inflation is perceived to be a greater problem than unemployment the government can run a budget surplus, helping to slow down the economy. Such a countercyclical policy would lead to a budget that was balanced on average (Weil, 2019).

There are a lot of mixed findings and inconclusive result on the impact of fiscal policy on economic growth, authors like Ogbole, Amadi, and Essi (2011) on their research found that there is difference in the effectiveness of fiscal policy in stimulating economic growth during and after regulation period. In the same vein, the results of Olawunmi and Ayinla (2007) revealed that fiscal policy has not been effective in the area of promoting sustainable economic growth in Nigeria. The study by Amanja and Morrissey (2005) reveals that productive expenditure has strong adverse effect on growth while there was no evidence of distortionary effects on growth of distortionary taxes. The results of Enache (2009) indicated weak evidence for the positive impact of fiscal policy on economic growth.

More so, the result of multiple regression of ordinary least square estimation of Omodero (2016) revealed that there exist no significant relationship between capital expenditure, recurrent expenditure, tax revenue and the real GDP representing the economy. Also Sharma (2012) finds an insignificant negative relationship between the capital expenditure and recurrent expenditure, and the real GDP. This is contrary to the observations and results of Abdurrauf (2015), Yasin (2003), Alexiou (2009), Muritala and Taiwo (2011), who found significant and positive relationship between fiscal policy measures and economic growth.

The study by Obiora & Nkechukwu (2018) however, revealed that there is a significant and positive relationship between tax revenue and Nigerian economic growth while Cornelius, Ogar and Oka (2016), and Margareta and Asa (2012) found no significant relationship between company income tax and the growth of the Nigerian economy.

It can be seen from the aforementioned empirical evidences; there are inconclusive and inconsistent results and the prior researchers have not established clear cut direction of the relationship between fiscal policy and economic growth. Thus, the impact of tax revenue and government expenditure as fiscal policy component on economic growth is still not clear in the previous literature and is still an open empirical question. Hence it may be concluded that the relationship must be investigated further and this study improves on the previous studies by using updated literature.

1.2 Research Hypotheses

The following research hypotheses have been formulated for testing this study:
$H_0$1: Tax revenue does not have any significant effect on the growth of Nigerian economy.
$H_0$2: Government expenditure does not have any significant effect on the growth of Nigerian economy

2.0 REVIEW OF RELATED LITERATURE

2.1 Conceptual Framework

2.1.1 Concept of Fiscal Policy

Fiscal policy as in many texts and literatures according to Abdurraut (2015) could mean the government actions affecting its receipts (revenue) and expenditure which is taken as ordinarily a measure by the government's net receipts, its surplus or deficit. The government may offset undesirable variations in private consumption and investment by anti-cyclical variation of public expenditure and tax revenue. Simply put, when the government uses government revenue and expenditure policies to regulate and stabilize the economy toward development, the action is fiscal policy. It thus serves as an economy's "shock absorber" in specific areas of development (Abdurraut, 2015).
Fiscal policy is essentially concerned with manipulating the financial operations of the government with a view to furthering certain economic policy objectives. In other words, it

consists of government decisions to vary certain fiscal aggregate such as total government spending and tax revenues as opposed to some other aspects of public finance which are primarily concerned with the effect of specific government expenditures and taxes (Stein 1968). Fiscal policy is majorly measured in terms of government expenditure, tax revenue, government investment, budgeting and debts.

Fiscal policy is undoubtedly one of the most important tools used by government to achieve macroeconomic stability of the economy of most developing countries. Fiscal policy is defined as the means by which a government adjusts its levels of spending to monitor and influence a nation's economy (Reem, 2009). Schmidt (2018) sees Fiscal policy as when government uses its spending and taxing powers to have an impact on the economy. The combination and interaction of government expenditures and revenue collection is a delicate balance that requires good timing and a little bit of luck to get it right. The direct and indirect effects of fiscal policy can influence personal spending, capital expenditure, exchange rates, deficit levels, and even interest rates

According to Jeffrey (2019) fiscal policy is the means by which the government adjusts its spending and revenue to influence the broader economy. By adjusting its level of spending and tax revenue, the government can affect the economy by either increasing or decreasing economic activity in the short term. For example, when the government runs a budget deficit, it is said to be engaging in fiscal stimulus, spurring economic activity, and when the government runs a budget surplus, it is said to be engaging in a fiscal contraction, slowing economic activity.

2.1.2 Contractionary and Expansionary Fiscal Policies

Fiscal policy is intended to work on aggregate demand for goods and services. According to Ikeora (2007) if the overall effect of fiscal policy is the reduction in aggregate demand for goods and services such a policy is contractionary. On the other hand, a fiscal policy measure is said to be expansionary if the impact increases aggregate demand for goods and services. Fiscal policy is said to be tight or contractionary according to Weil (2019) when revenue is higher than spending (i.e., the government budget is in surplus) and loose or expansionary when spending is higher than revenue (i.e., the budget is in deficit). Often, the focus is not on the level of the deficit, but on the change in the deficit. Thus, a reduction of the deficit from $200 billion to $100 billion is said to be contractionary fiscal policy, even though the budget is still in deficit (Weil, 2019).

The government can use fiscal stimulus to spur economic activity by increasing government spending, decreasing tax revenue, or a combination of the two. Increasing government spending tends to encourage economic activity either directly through purchasing additional goods and services from the private sector or indirectly by transferring funds to individuals who may then spend that money (Jeffrey, 2019). Decreasing tax revenue tends to encourage economic activity indirectly by increasing individuals' disposable income, which tends to lead to those individuals consuming more goods and services. This sort of expansionary fiscal policy can be beneficial when the economy is in recession, as it lessens the negative impacts of a recession, such as elevated unemployment and stagnant wages. However, expansionary fiscal policy can result in rising interest rates, growing trade deficits, and accelerating inflation, particularly if applied during healthy economic expansions. These side effects from expansionary fiscal policy tend to partly offset its stimulative effects (Jeffrey, 2019).

The government can use contractionary fiscal policy to slow economic activity by decreasing government spending, increasing tax revenue or a combination of the two (Jeffrey, 2019).

Government spending is direct policy measure because it acts directly on aggregate demand. If government reduces its expenditure it leads to a reduction in aggregate demand. Therefore, reduction in aggregate demand will help to stabilize prices and reduce inflationary tendencies in the economy. Aggregate demand is denoted as C + I + G (Ikeora, 2007). Decreasing government spending tends to slow economic activity as the government purchases fewer goods and services from the private sector. Taxation to Ikeora (2007) has a direct impact on aggregate demand through its effect on the disposable income of consumers. If the fiscal authority wants to pursue a contractionary fiscal policy, it increases tax. Increasing tax revenue tends to slow economic activity by decreasing individuals' disposable income, likely causing them to reduce spending on goods and services. As the economy exits a recession and begins to grow at a healthy pace, policymakers may choose to reduce fiscal stimulus to avoid some of the negative consequences of expansionary fiscal policy, such as rising interest rates, growing trade deficits, and accelerating inflation, or to manage the level of public debt.

In recent history, the federal government has generally followed a pattern of increasing fiscal stimulus during a recession, then decreasing fiscal stimulus during the economic recovery. Prior to the "Great Recession" of 2007-2009 the federal budget deficit was about 1% of gross domestic product (GDP) in 2007 (Jeffrey, 2019). During the recession, the budget deficit grew to nearly 10% of GDP in part due to additional fiscal stimulus applied to the economy. The budget deficit began shrinking in 2010, falling to about 2% of GDP by 2015. In contrast to the typical pattern of fiscal policy, the budget deficit began growing again in 2016, rising to nearly 4% of GDP in 2018 despite relatively strong economic conditions. This change in fiscal policy is notable, as expanding fiscal stimulus when the economy is not depressed can result in rising interest rates, a growing trade deficit, and accelerating inflation. As of publication of this report, interest rates have not risen discernibly and are still near historic lows, and inflation rates show no sign of acceleration. The trade deficit has been growing in recent years; however, it is not clear that this growth in the trade deficit is a result of increased fiscal stimulus (Jeffrey, 2019).

2.1.3 Concept of Economic Growth

According to Potters (2021) economic growth refers to an increase in aggregate production in an economy. It is an increase in the production of economic goods and services, compared from one period of time to another. Cornwell (2019) sees economic growth as the process by which a nation's wealth increases over time. Although the term is often used in discussions of short-term economic performance, in the context of economic theory it generally refers to an increase in wealth over an extended period. Economic growth is an increase in the production of goods and services over a specific period. To be most accurate, the measurement must remove the effects of inflation (Michael, 2020). Economic growth creates more profit for businesses, as a result, stock prices rise and that gives company's capital to invest and hire more employees. As more jobs are created, incomes increase and consumers have more money to buy additional products and services. Purchases drive higher economic growth. For this reason, all countries want positive economic growth. This makes economic growth the most-watched economic indicator (Michael, 2020).

Economic growth is usually distinguished from economic development, the latter term being restricted to economies that are close to the subsistence level. The term economic growth is applied to economies already experiencing rising per capita incomes. In Rostow's phraseology economic growth begins somewhere between the stage of take-off and the stage of maturity; or in Clark's terms, between the stage dominated by primary and the stage dominated by secondary production. The most striking aspect in such development is

generally the enormous decrease in the proportion of the labor force employed in agriculture (Cornwell, 2019).

Economic growth can be measured in nominal or real (adjusted for inflation) terms. Traditionally, aggregate economic growth is measured in terms of gross national product (GNP) or gross domestic product (GDP), although alternative metrics are sometimes used. Gross domestic product is the best way to measure economic growth. It takes into account the country's entire economic output. It includes all goods and services that businesses in the country produce for sale. It doesn't matter whether they are sold domestically or overseas (Michael, 2020). GDP measures final production. It doesn't include the parts that are manufactured to make a product. It includes exports because they are produced in the country. Imports are subtracted from economic growth.

There are a few ways to generate economic growth According to Potters (2021). The first is an increase in the amount of physical capital goods in the economy. Adding capital to the economy tends to increase productivity of labor. Newer, better, and more tools mean that workers can produce more output per time period. A second method of producing economic growth is technological improvement. Improved technology allows workers to produce more output with the same stock of capital goods, by combining them in novel ways that are more productive. Like capital growth, the rate of technical growth is highly dependent on the rate of savings and investment, since savings and investment are necessary to engage in research and development (Potters, 2021).

Another way to generate economic growth is to grow the labor force. All else equal, more workers generate more economic goods and services. The last method is increases in human capital. This means laborers become more skilled at their crafts, raising their productivity through skills training, trial and error, or simply more practice. Savings, investment, and specialization are the most consistent and easily controlled methods. Human capital in this context can also refer to social and institutional capital; behavioral tendencies toward higher social trust and reciprocity and political or economic innovations like improved protections for property rights are in effect types of human capital that can increase the productivity of the economy (Potters, 2021).

2.1.4 Effects of Fiscal Policy on Economic Growth

Anytime the government pursues a fiscal policy measure, it has a target level of national income to achieve. In the economy, the national income level that measure stability is the full employment national income. Full employment national income level is referred to as the national income level where all the productive resources human and material are fully utilized (Ikeora, 2007).

Weil (2019) sees fiscal policy as an important tool for managing the economy because of its ability to affect the total amount of output produced that is, gross domestic product(GDP). The first impact of a fiscal expansion is to raise the demand for goods and services. This greater demand leads to increases in both output and prices. The degree to which higher demand increases output and prices depends, in turn, on the state of the business cycle. If the economy is in recession, with unused productive capacity and unemployed workers, then increases in demand will lead mostly to more output without changing the price level. If the economy is at full employment, by contrast, a fiscal expansion will have more effect on prices and less impact on total output (Weil, 2019).

According to Abdurraut (2015) Fiscal policy fosters economic growth and development through a number of different channels. These include the macroeconomic (influence on budget deficit on growth) as well as micro (influence on efficiency of resource use). Fiscal policy is used in gearing the economy towards achieving a variety of economic transformation such as economic development and growth, price stability, reduction in

unemployment, external equilibrium as well as income redistribution. According to mainstream economics, the government can impact the level of economic activity, generally measured by gross domestic product (GDP), in the short term by changing its level of spending and tax revenue (Jeffrey, 2019).

Expansionary fiscal policy an increase in government spending, a decrease in tax revenue, or a combination of the two is expected to spur economic activity, whereas contractionary fiscal policy a decrease in government spending, an increase in tax revenue, or a combination of the two is expected to slow economic activity. When the government's budget is running a deficit, fiscal policy is said to be expansionary: when it is running a surplus, fiscal policy is said to be contractionary (Jeffrey, 2019).

From a policymaker's perspective, expansionary fiscal policy is generally used to boost GDP growth and the economic indicators that tend to move with GDP, such as employment and individual incomes. However, expansionary fiscal policy also tends to affect interest rates and investment, exchange rates and the trade balance, and the inflation rate in undesirable ways, limiting the long-term effectiveness of persistent fiscal stimulus. Contractionary fiscal policy can be used to slow economic activity if policymakers are concerned that the economy may be overheating, which can cause a recession. The magnitude of fiscal policy's effect on GDP will also differ based on where the economy is within the business cycle whether it is in a recession or an expansion (Jeffrey, 2019).

According to Schmidt (2018) when the government is exercising its powers by lowering taxes and increasing their expenditures, they are practicing expansionary fiscal policy**.** While on the surface expansionary efforts may seem to lead to only positive effects by stimulating the economy, there is a domino effect that is much broader reaching. When the government is spending at a pace faster than tax revenues can be collected, the government can accumulate excess debt as it issues interest-bearing bonds to finance the spending, thus leading to an increase in the national debt.

When the government increases the amount of debt it issues during an expansionary fiscal policy, issuing bonds in the open market will end up competing with the private sector that may also need to issue bonds at the same time. This effect, known as crowding out, can raise rates indirectly because of the increased competition for borrowed funds. Even if the stimulus created by the increased government spending has some initial short-term positive effects, a portion of this economic expansion could be mitigated by the drag caused by higher interest expenses for borrowers, including the government. Since most consumers tend to use price as a determining factor in their purchasing practices, a shift to buying more foreign goods and a slowing demand for domestic products could lead to a temporary trade imbalance. These are all possible scenarios that have to be considered and anticipated. There is no way to predict which outcome will emerge and by how much, because there are so many other moving targets, including market influences, natural disasters, wars and any other large-scale event that can move markets (Schmidt, 2018).

Fiscal policy measures also suffer from a natural lag or the delay in time from when they are determined to be needed to when they actually pass through Congress and ultimately the president. From a forecasting perspective, in a perfect world where economists have a 100% accuracy rating for predicting the future, fiscal measures could be summoned up as needed. Unfortunately, given the inherent unpredictability and dynamics of the economy, most economists run into challenges in accurately predicting short-term economic changes (Schmidt, 2018).

2.1.5 Objectives of Fiscal Policy to National Economy

According to Ikeora (2007) the goals of Fiscal Policy to National Economy are stated below:

1. **Price Stability**

One of the aims of fiscal policy is to stabilize prices in the economy. If the economy is experiencing inflation the government usually adopts a contractionary fiscal policy. On the other hand when there is deflation, an expansionary fiscal policy is adopted to stimulate the economy.

2. **Income Redistribution**

Inequality in income distribution stratifies the society into haves and have nots which leads to economic injustice, social and political crisis. Fiscal policy helps to redistribute income to achieve social equity and economic justice.

3. **Promotion of Economic growth and development**

One of the cardinal objectives of fiscal policy is to promote and accelerate steady economic growth and development.

4. **Balance of Payment and Exchange Rate Stability**

Government usually adopts certain fiscal policy measures to ensure the maintenance of exchange rate stability and correct adverse balance of payments.

5. **Generation of Employment**

Fiscal policy can be used to increase government revenues which will in turn lead to more investment in the major sectors of the economy. This engenders economic growth through the multiplier process and provides more employment opportunities for the country's citizens.

2.2 Theoretical Framework

2.2.1 Keynesian Theories

Fiscal policy is based on the theories of British economist John Maynard Keynes whose theory basically states that governments can influence macroeconomic productivity levels by increasing or decreasing tax levels and public spending. This influence, in turn, curbs inflation, increases employment, and maintains a healthy value of money (Reem, 2009). John Maynard Keynes developed most of his theories during the Great Depression, and Keynesian theories have been used and misused over time, as they are popular and are often specifically applied to mitigate economic downturns.

Keynesian economic theories however, are based on the belief that proactive actions from our government are the only way to steer the economy. This implies that the government should use its powers to increase aggregate demand by increasing spending and creating an easy money environment, which should stimulate the economy by creating jobs and ultimately increasing prosperity. The Keynesian theorist movement suggests that monetary policy on its own has its limitations in resolving financial crises, thus creating the Keynesian versus the Monetarists debate.

While fiscal policy has been used successfully during and after the Great Depression, the Keynesian theories were called into question in the 1970s after a long run of popularity. Monetarists, such as Milton Friedman, and supply-siders claimed the ongoing government actions had not helped the country avoid the endless cycles of below-average gross domestic product (GDP) expansion, recessions, and gyrating interest rates.

2.3 Empirical Framework

Various researchers have written on different aspects of fiscal policy especially as it relates and affects the macroeconomics of the economy. Some of these studies are country-specific while others are cross-country. Few of the studies are selected for review as follows:

Omodero, Ihendinihi, Ekwe & Azubuike (2016) investigates the impact of fiscal policy on the economy of Nigeria between 1994 and 2014. Secondary method of data collection was used to generate data for the study and the sources of the data included annual reports /accounts and CBN statistical bulletin (2015). Multiple regression of ordinary least square estimation was the tool used to analyze the data. The study revealed that there exist no significant relationship between capital expenditure, recurrent expenditure, tax revenue and the real GDP representing the economy. However, the study found a significant negative relationship existing between external debts and the real GDP. The study therefore recommends that: Government should use fiscal policy to complement the adoption of effective monetary policy and maintain the rule of law to promote stability in the Nigerian economy. Government should ensure that capital expenditure and recurrent expenditure are properly managed in a manner that it will raise the nation's production capacity and accelerate economic growth even as it reduces external borrowing.

Abdurrauf (2015) examines fiscal policy and economic development in Nigeria. This study examined the short and long run impact of fiscal policy on economic development in Nigeria between a period of 1981 and 2013 using annual time series data sourced from World Development Indicators (2014) and the Central Bank of Nigeria (2014). The model was estimated using Pair-wise Correlation to ascertain the relationship and then Co integration and Error Correction Mechanism for impact after confirming the data's stationarity using Unit Root. The result showed that government recurrent expenditure and government investment have significant positive impact on economic development in both the short and long run within the period under consideration. Capital expenditure appeared to have a short run positive impact but not in the long run. Tax revenue had an inverse significant impact in both short and long run. The speed of adjustment to equilibrium was found to be high. The results are all in line with theories and previous studies.

Onwe (2014) looks into the Impacts of fiscal policy components on economic growth in Nigeria: an empirical trend analysis. The analysis was based on three models: a baseline model; a log linear model; and, a lagged model, each of which was designed to achieve the aim of the study. The analytical results suggest as follows: (i) existence of unit root problems hence, non-stationary time series on the relevant regression variables; (ii) non-positive impacts of federal expenditures on economic services and transfer payments on growth of the Nigerian economy; and (iii) observed positive impacts of federal expenditures on administration, as well as social and community services on economic growth. Based on these observations, the study recommends as follows: first, institution of effective and implementable political, social, and economic stabilization policy programmes; second, an in-depth scholarly study on the relationship between government expenditures on such economic services as agriculture, construction, transport and communication and economic progress in Nigeria; and, the federal government to lay special emphasis on administrative, social and community services in its fiscal policies, as these fiscal components have potential inputs to development of the Nigerian economy.

Agu et al (2014) examines the impact of various components of fiscal policy on the Nigerian economy. The study uses descriptive statistics to show contribution of government fiscal policy to economic growth, and to ascertain and explain growth rates, and an ordinary least square (OLS) in a multiple form to ascertain the relationship between economic growth and government expenditure components. Findings revealed that total government expenditures have tended to increase with government revenue, with expenditures peaking faster than revenue. Investment expenditures were much lower than recurrent expenditures evidencing

the poor growth in the country's economy. Hence, there is some evidence of positive correlation between government expenditure on economic services and economic growth. Therefore, in public spending, it is important to note that the effectiveness of the private sector depends on the stability and predictability of the public incentive framework, which promotes or crowds out private investment.

Babalola and Aminu (2011) the study investigates the impact of fiscal policy on economic growth in Nigeria. Annual data covering 1977 – 2009 were utilized. Unit roots of the series were examined using the Augmented Dickey-Fuller technique after which the co integration test was conducted using the Engle-Granger Approach. Error-correction models were estimated to take care of short-run dynamics. Over all, the results indicate that productive expenditure positively impacted on economic growth during the period of coverage and a long-run relationship exists between them as confirmed by the co integration test. The paper recommends improvement in government expenditure on health, education and economic services, as components of productive expenditure, to boost economic growth.

Obiora & Nkechukwu (2018) on their study 'Taxation and economic growth in Nigeria' using regression model to establish the relationship between tax revenue and Nigerian economic growth. The findings of the study revealed that there is a significant and positive relationship between company income tax, petroleum profit tax, value added tax, capital gain tax, personal income tax and Nigerian economic growth.

Ogbole, Amadi, and Essi (2011) wrote on fiscal policy and its impact on economic growth in Nigeria (1970-2006).The study involves comparative analysis of the impact of fiscal policy on economic growth in Nigeria during regulation and deregulation periods. Econometric analysis of time series data from Central Bank of Nigeria was conducted. Results showed that there is difference in the effectiveness of fiscal policy in stimulating economic growth during and after regulation period. Appropriate policy mix, prudent public spending, setting of achievable fiscal policy targets, and diversification of the nation's economic base, among others, was recommended.

In the same vein, Olawunmi and Ayinla (2007) examined the contribution of fiscal policy in the achievement of sustainable economic growth in Nigeria using slow growth model estimated with the use of ordinary least square (OLS) method. It was found that fiscal policy has not been effective in the area of promoting sustainable economic growth in Nigeria. They, however, stated that factors such as wasteful spending, poor policy implementation, and lack of feedback mechanism for implemented policy evident in Nigeria, which are indeed capable of hampering the effectiveness of fiscal policy have made it impossible to come up with such a conclusion.

Using different regression models for time series data covering the period 1990-2006 on Jordan, Dandan (2011) finds that government expenditure at the aggregate level has positive impact on the growth of GDP. By regressing GDP on capital and recurrent expenditure (after deflating data on all variables by the consumer price index, CPI

The recent study of Cornelius, Ogar and Oka (2016) also found no significant relationship between company income tax and the growth of the Nigerian economy. It was recommended that government should endeavor to provide social amenities to all nooks and crannies of the country.

The study of Margareta and Asa (2012) which deployed the fixed effects regression on a panel data of 25 OECD country from 1970 to 2010 reports that both taxation of corporate and personal income negatively influence economic growth. The correlation between corporate income taxation and economic growth is more robust.

Modebeetal (2012), investigate the impact of recurrent and capital expenditure on Nigeria's economic growth using multiple regression analysis for data covering the period 1987 to 2010 and find that the impact of both components of expenditure was statistically insignificant, though the impact of recurrent expenditure was positive and that of capital expenditure, negative. However, the findings cannot be relied upon as the diagnostic statistics prove the estimated model to be invalid.

Yasin (2003), exploiting the inconclusive evidence of some earlier studies, re-examined the effect of government spending on economic growth/development using panel data set from Sub-Saharan Africa. The estimated model derived from an aggregate production function and had government spending, foreign assistance for development and trade-openness explicitly specified as input factors. Fixed and random-effects techniques were used to estimate the model. The results from both estimation techniques indicate that government spending; trade-openness and private investment spending all have positive and significant effect on economic growth and development.

Amanja and Morrissey (2005) used autoregressive distributed lag (ARDL) model and ordinary least square methods on time series data to analyse the relationship between fiscal policy and growth in Kenya between 1964 -2002. The study reveals that productive expenditure has strong adverse effect on growth while there was no evidence of distortionary effects on growth of distortionary taxes. Government investment was found to be beneficial to growth in the long run.

Empirically, researches conducted in the developed nations include those of Alexiou (2009) which provides evidence on the relationship between economic development and government spending, using panel data methodologies for seven transition economies in South Eastern Europe from 1995 to 2005. The study revealed significant results. More specifically, the evidence generated indicates that four out of the five variables used, including fiscal policy (government spending on capital formation) in particular had positive and significant impact on economic growth.

Adefeso*et al* (2010) examined the impact of fiscal policy on economic growth in Nigeria from 1970 to 2005, using the error-correction technique to test the predictive ability of the endogenous growth model. The findings of the study were consistent with earlier empirical findings in other countries, which revealed that productive government expenditure has positive effect on economic growth. Employing the ordinary least squares estimation technique, Muritala and Taiwo (2011), investigate the effect of recurrent and capital expenditure on GDP and finds that both components of government expenditure have significant positive effects on the GDP.

By regressing GDP on capital and recurrent expenditure (after deflating data on all variables by the consumer price index, CPI), Sharma (2012) finds an insignificant negative relationship between the capital expenditure and recurrent expenditure, and the real GDP for the Nepalese economy, attributed to mismanagement and embezzlement of public funds by government officials and political appointees

Enache (2009) investigated the connection between fiscal policy and economic growth in Romania using Forecasted time series data which covered periods between 1992 and 2013. The empirical results indicated weak evidence for the positive impact of fiscal policy on economic growth. The study concluded that government authorities could use fiscal policy to affect economic growth in an indirect manner.

3. Methodology

The study adopted the ex-post facto research design. The study evaluated impact of fiscal policies on the Nigerian economy. The study used archival data whose manifestations have already occurred and the researcher cannot manipulate the outcome. The study scope is 2015 – 2019 and data were sourced from the statistical bulletin of the Central Bank of Nigeria 2020. The independent variables; Government Expenditure and Government revenue through Companies Income Tax (CIT) were regressed against dependent variable Economic Growth proxied by GDP growth.

3.1 Model Specification

The mathematical model for the study is as follows:
GDP = f (GExp, CITRev)
Where;
RGDP = Gross Domestic Products
GExp =GovernmentExpenditure
CITRev = Companies Income Tax Revenue
The Econometric Model used for estimate in a Linear Form is:
$GDP = \beta o + \beta 1\ GExp + \beta 2\ CITRev + \mu t$
Where; βo = the parameter which represents the intercept β1 –β2= Coefficient or the regression parameters used in determining the Significance of the effect of each of the independent variables β1 –β2 on the dependent variable GDP,
GDP = Impact (Gross Domestic Products in Nigeria)
β1 = Government Expenditure
β2= Tax Revenue
μt = Error or Random disturbance term.

Priori Expectation of the Model: The expected signs of the coefficients of the explanatory variables are: $\beta 1>0$, $\beta 2>0$. GDP is used as a measure of predictive variable. The model above was used to estimate the OLS Regression. (Osuala, 2010).

4.0 Data Presentation, Analysis and Interpretation:

Table 1: The Log of Gross Domestic Product (GDP), Companies Income Tax (CIT) and Government Expenditure (GE) for the year ended 2015-2019.

Years	Gross Domestic Product (GDP)	Companies Income Tax (CIT)	Government Expenditure (GE)
2015	13.974	12.141	9.051
2016	14.006	12.008	9.062
2017	14.056	12.097	9.109
2018	14.106	12.151	9.114
2019	14.195	12.175	9.205

Source: CBN Statistical Bulletin (2020

4.1 Data Analysis and Discussions

Table 2: Regression Analysis

Source	SS	df	MS	Number of obs = 5
Model	.029060356	2	.014530178	F(2, 2) = 21.77
Residual	.001334825	2	.000667413	Prob> F = 0.0439
Total	.030395181	4	.007598795	R-squared =0.9561
				Adj R-squared = 0.9122
				Root MSE =.02583

GDP	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
CIT	.6127003	.2430007	0.05	0.030	1.032847	1.058248
GE	-.392597	.2629553	- 5.30	0.334	.2611917	2.524002
_cons	.729492	2.465850	5.50	0.007	9.380206	11.83919

The results of the multiple regression as shown on table 2 shows that there is a significant and positive relationship between Companies Income Tax (CIT) and Economic Growth (EG) measured using Gross Domestic Product (GDP) with a p-value of 0.030 which is less than the 5% level of significance adopted. Thus connotes that revenue generation through Companies Income Tax determines GDP of the nation. Likewise the positive coefficient of 0.61% indicates that increase in CIT as the other variable is held constant increases GDP by 61%. This agrees with the apriori expectation of Obiora & Nkechukwu (2018), Cornelius, Ogar and Oka (2016) and Omodero (2016), who found significant and positive relationship between Companies Income Tax (CIT) and Gross Domestic Product (GDP) and also negates the findings of Abdurrauf (2015), and Margareta and Asa (2012) who found negative and insignificant effect between the variables.

More so, the result of regression indicates that the relationship between Government Expenditure (GE) and GDP is negative and insignificant with a p-value of 0.334 which is greater than the 5% significant level adopted. This could be justified with the coefficient of correlation of -.392 which indicates that increase in government expenditure as the other variable remains constant decreases GDP by 39.2%. Thus connotes that increase in government spending decreases Gross Domestic Product of the nation. This is in tandem with the apriori expectation of shama (2012), Amanja & Morrissey 2005 and Modab at el (2012) who found insignificant and negative relationship between Government Expenditure (GE) and Gross Domestic Product (GDP) and also negates the findings of Babalola & Aminu (2011), dandan (2011), Yasin (2003), Alexiou (2009) and Agu et al (2014) who found significant and positive effect between the variables.

5.1 Conclusion

The study empirically examined the impact of fiscal policy on the growth of Nigerian economy based on evidence obtained from the period of study, it was found conclusively that: There is a significant and positive relationship between Companies Income Tax (CIT) and Economic Growth (EG) measured using Gross Domestic Product (GDP) from 2015 to 2019. Showing that revenue generation through Companies Income Tax determines GDP of the nation and there is no significant relationship between government expenditure and the growth of the Nigerian economy as represented by the GDP from 2015 to 2019

5.2 Recommendations

Based on the above findings and conclusions, the study recommends among others that:

• Government should formulate and implement workable fiscal policy options that will enhance economic growth. This is possible if government pursues a fiscal policy measure that will enhance full employment national income.

• Government should ensure that revenue generation through taxation and capital expenditure and recurrent expenditure of the nation are properly managed to ensure an increased productive capacity and to accelerate economic growth of the nation

• They suggested that Nigerian government should put a stop to the incessant unproductive foreign borrowing, wasteful spending and uncontrolled money supply, and embark on specific policies aimed at achieving increased and sustainable productivity in all sectors of the economy.

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