

FISCAL POLICY AND NIGERIA'S ECONOMIC GROWTH

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Abstract

This study examined the impact of fiscal policy on Nigeria's economic growth, with specific objectives of determining the effects of government expenditure, government revenue, and public debt on gross domestic product. The research covered a 30-year period (1994-2023) and adopted an ex post facto research design, relying solely on secondary data obtained from the Central Bank of Nigeria, the National Bureau of Statistics, and the World Bank. The study population comprised key fiscal indicators influencing national output, and the sample size consisted of 30 annual observations. The Ordinary Least Squares estimation technique was employed using E-Views 13, supported by diagnostic tests to ensure statistical reliability. Descriptive statistics revealed high volatility in expenditure and debt, while unit root tests confirmed that the variables were integrated of order one, I(1). The regression analysis showed that government expenditure ($\beta = 16.55$, $p = 0.0000$) had a significant positive effect on economic growth, government revenue ($\beta = 0.74$, $p = 0.5324$) had an insignificant positive effect, and public debt ($\beta = -1.47$, $p = 0.0522$) had a negative but weakly significant effect. The model exhibited strong explanatory power with an R^2 of 0.9616 and F-statistic probability of 0.0000, confirming the model's overall significance. Expansionary government expenditure enhances growth, whereas inefficient revenue mobilization and unsustainable debt hinder economic performance. The study recommended that government expenditure should be strategically directed toward productive sectors, such as infrastructure, education, and health, to ensure sustainable growth and fiscal stability.

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1.0 Introduction

Across the world, governments routinely employ fiscal policy as a primary macroeconomic instrument for steering economic growth and development. Fiscal policy broadly refers to government decisions on spending, taxation, and borrowing to influence national output, aggregate demand, and resource allocation (International Monetary Fund, 2025). Fiscal policy has often been invoked in advanced and emerging economies alike to counter macroeconomic downturns, stimulate investment, build infrastructure, and reduce poverty. The COVID-19 pandemic triggered a global economic shock that re-emphasized the critical role of fiscal policy when many countries deployed stimulus packages, expanded public expenditure, and increased borrowing to stabilize their economies and protect their livelihoods (Long, 2025).

Fiscal policy can influence economic growth through various channels. Government spending on infrastructure, education, healthcare, and public services can enhance productive capacity, human capital, and overall welfare, thereby laying the foundations for long-term growth. Tax policy and revenue mobilization shape the ability of the government to finance these expenditures without resorting to unsustainable debt. When managed prudently, borrowing and public debt can provide resources for non-oil sectors or structural investments, especially in developing economies where revenues may be volatile. However, empirical and theoretical debates have highlighted that the effectiveness of fiscal policy is conditional on many factors for example, the composition of expenditure (whether toward recurrent or capital spending), the quality of institutions, debt sustainability, and economic context (Poku, 2022; IMF, 2025).

Theoretical frameworks underpin the fiscal policy and growth analysis. The Keynesian model underscores that fiscal expansion via increased public spending can stimulate aggregate demand and output in times of underemployment or capacity underutilization. In contrast, classical and neoclassical perspectives argue that heavy government intervention may distort resource allocation, crowd out private investment, and engender inefficiencies. Endogenous growth theories insinuate that fiscal policy can foster long-term growth by investing in human capital, innovation, and infrastructure, thereby raising the productive potential of the economy. These frameworks collectively underscore that not only the scale but also the composition and quality of fiscal policy matter for economic outcomes.

In recent years, empirical studies have continued to investigate how fiscal policy impacts growth, especially in developing and low-income countries. A cross-country analysis of middle-income economies found that fiscal policy, when properly structured and implemented, significantly contributes to economic development, primarily through increased public investment and efficient revenue mobilization (Joseph, 2020). Evidence suggests that fiscal policy can boost output and employment in low-income and least developed countries when fiscal aggregates are managed prudently and directed toward growth-enhancing sectors (Long, 2025). The same study warns that excessive public debt burdens may impair growth prospects, especially when debt servicing crowds out productive investment.

Turning to the Nigerian context, fiscal policy remains central to macroeconomic management in Nigeria due to the structure of the economy, revenue volatility, and public finance challenges. Several recent empirical investigations provide mixed, sometimes contradictory, evidence about Nigeria's fiscal policy effectiveness. One study covering 1981–2022 found that fiscal policy, as captured by public expenditure, revenue, and debt, shows a “convergence relationship” with economic growth, meaning that government spending appears to drive growth more strongly than revenue mobilization or debt accumulation (Adesodun & Isaac, 2025). That study reported that tax revenue has a positive but statistically insignificant effect on GDP, while public debt exerted a negative but also statistically insignificant effect.

Another study employing data from 1999 to 2023 disaggregated government expenditure into capital and recurrent components and concluded that capital expenditure had a negative but nonsignificant effect on real GDP, recurrent expenditure had a positive but nonsignificant effect, and total government expenditure had a small positive but nonsignificant effect (Akaegbobi & Nwosu, 2025). The study revealed that weaknesses in project implementation, inefficiencies, and structural governance issues underpin the muted impact of public spending on growth.

In contrast, a recent analysis from 2025 that adopted an error-correction modeling approach found that fiscal policy exerts a significant effect on economic growth in Nigeria and argued for broadening the revenue base, especially non-oil tax revenue, while curtailing unproductive recurrent spending (Chimeruo, Jerome, Onyekachi & Henry, 2025). Similarly, a study investigating the dynamics of public debt over 1981–2021 found that while past values of real GDP, gross fixed capital formation, and external debt positively influence growth, domestic debt had a negative impact, highlighting the importance of debt composition and service cost (Okeke, Anisiobi & Madueke, 2023). More recently, an analysis covering 1981 to 2022 suggested a nonlinear relationship between debt and growth, pointing to an “optimal debt threshold” beyond which additional borrowing becomes detrimental to output (Ekong, Umoh & Akpan, 2025). Across these studies, public expenditure, revenue mobilization, and debt dynamics emerge as critical fiscal policy components, but their effects on growth remain ambiguous and dependent on structural, governance, and economic conditions.

These mixed empirical findings highlight a compelling research problem: Nigeria’s growth performance remains volatile despite significant government intervention and fiscal activity, and there is no clear consensus on how and to what extent fiscal policy components contribute to sustainable economic growth. The divergence in findings may stem from variations in data periods, model specifications, definitions of fiscal variables, and the neglect of possible nonlinearities or interactions among fiscal aggregates. Moreover, many studies focus on one fiscal component (e.g., expenditure or debt) in isolation rather than examining the combined and interactive effects of expenditure, revenue, and debt. Given the evolving economic context, including post-pandemic recovery, structural reforms, and rising debt burdens, an updated, comprehensive analysis is needed that captures these variables together, employs robust econometric methods, and is sensitive to possible nonlinear dynamics.

To clarify the key concepts used in the present study, the following definitions are offered. Government expenditure refers to the total government spending, often divided into recurrent expenditure (e.g., salaries, pensions, and administrative expenses) and capital expenditure (e.g., infrastructure, public investment, and capital projects). Empirical work in Nigeria often distinguishes between these components to assess their differential impacts on growth (Akaegbobi & Nwosu, 2025). Government revenue denotes funds generated by the government through tax collections, non-tax revenues, and other receipts. Revenue mobilization determines the fiscal space available for public spending without resorting to debt. Public debt signifies the total stock of government borrowing, including domestic and external debt, which may be used to finance budget deficits or capital projects, but whose sustainability depends critically on debt servicing obligations and the structure of debt (Okeke, Anisiobi & Madueke, 2023; Ekong, Umoh & Akpan, 2025). Economic growth is commonly proxied by real gross domestic product (real GDP), which adjusts nominal output for inflation and reflects an economy’s real increase in goods and services. In Nigerian studies, real GDP is the standard dependent variable for assessing the fiscal policy effect (Akaegbobi & Nwosu, 2025; Okeke, Anisiobi & Madueke, 2023).

Finally, a fiscal deficit or budget deficit refers to the difference between government expenditure and revenue in a given period, which is often financed through borrowing and contributes to public debt. Several investigations

into the relationship between deficit financing and growth in Nigeria have underscored the importance of deficit sustainability and its nonlinear effects (Kolawole, 2023; Elias & Elijah, 2024).

Despite extensive scholarship, the existing literature does not decisively resolve the question of how fiscal policy components jointly shape Nigeria's economic growth, especially in recent years marked by economic shock, reforms, and increasing debt. A clear research gap exists in studies that simultaneously account for government expenditure (disaggregated where necessary), revenue mobilization, public debt (and its composition), and their dynamic interactions with growth over a sufficiently recent period. Additionally, there is limited evidence on threshold effects, i.e., whether there is an optimal level of public debt or expenditure beyond which fiscal policy becomes counter-productive. This study seeks to address this gap by providing a comprehensive, contemporaneous empirical analysis of how government expenditure, revenue, and public debt collectively and individually influence Nigeria's real GDP growth, using the most recent data and rigorous econometric methods. In another recent analysis covering 1980 to 2018, increasing public debt was shown to hamper economic growth in Nigeria, even when long-run adjustment mechanisms were considered (Yusuf, 2021) cited in (Iwugo, Agbo, Yuguda & Mbasiti, 2025).

Furthermore, much of the existing empirical literature tends to examine the effects of expenditure, revenue, or debt in isolation, rather than considering their simultaneous and interactive impact on economic growth. This fragmented approach limits the ability to understand how these fiscal variables jointly influence growth, particularly under debt accumulation, revenue volatility, and structural inefficiencies typical of developing economies. There is also a paucity of recent studies that incorporate the most recent fiscal developments, including post-pandemic fiscal adjustments, debt service pressures, and revenue reform efforts.

These gaps present a significant challenge for policymakers and scholars seeking evidence-based guidance on fiscal planning and debt management. Without a comprehensive, contemporaneous analysis of how government expenditure, revenue, and public debt individually and in combination affect real GDP, designing fiscal policies that genuinely promote sustainable growth rather than perpetuating macroeconomic fragility is difficult. This study seeks to address this problem by providing an integrated examination of the three core fiscal policy dimensions and their effect on economic growth, thereby offering more robust insights for effective fiscal governance.

2.0 Literature Review

The concept of economic growth

Economic growth is most commonly understood as an increase in an economy's production capacity, typically measured by real gross domestic product (real GDP). Real GDP adjusts nominal output for inflation, thereby capturing the real increase in goods and services produced over time (Chukwuemeka, Nwankwo & Mazeli, 2024; Chimero et al., 2025). By controlling for price-level changes, this standardization allows comparisons across time and between countries and provides a reliable proxy for assessing macroeconomic performance.

Beyond mere output, economic growth often implies structural transformation, productivity improvements, and better living standards, especially in developing economies. In such contexts, growth can result in employment generation, poverty reduction, improved public services, and higher indicators of human development. For instance, some studies argue that fiscal policies that enhance infrastructure and social services contribute to GDP growth and welfare improvements (Innocent, 2024; Samuels, 2024).

However, growth trajectories are seldom smooth, especially for economies subject to external shocks, commodity price volatility, or institutional constraints. Empirical studies on growth incorporate long time spans and control for structural breaks and external shocks to isolate the effect of policy variables. This dynamic understanding of

growth acknowledges that macroeconomic policies, global commodity trends, and institutional factors jointly influence the growth process (Adeleye & Ayorinde, 2022).

Concept of the Real GDP

Real gross domestic product (real GDP) is the inflation-adjusted value of all final goods and services produced within a country over a specific period. It removes the distortion of price changes, thereby reflecting the true change in economic activity volume. Real GDP is the standard and most widely accepted proxy for economic growth in macroeconomic and fiscal policy studies (Chukwuemeka, Nwankwo & Mazeli, 2024; Hassan, 2025). Using real GDP enables consistent comparison over time, which is especially important for economies such as Nigeria that experience significant inflationary pressures, exchange rate volatility, and monetary value shifts. By relying on real GDP, researchers ensure that observed changes in output reflect real changes in production rather than merely price effects (Chimeruo et al., 2025; Mixed ARDL studies on debt and growth, 2025).

Moreover, real GDP integrates the aggregate contributions of consumption, public and private investment, government spending, and net exports. In the context of fiscal policy analysis, real GDP allows an assessment of how public expenditure, tax revenue, and borrowing influence overall economic activity, not only in terms of immediate demand effects but also in terms of structural impacts via investment, human capital, and public services. Consequently, in most empirical studies exploring the fiscal policy growth nexus, real GDP remains the benchmark dependent variable (Chukwuemeka, Nwankwo & Mazeli, 2024).

Fiscal Policy Concept

Fiscal policy refers to government expenditure, taxation, and borrowing to control economic growth and stability. Keynesian theory, which focuses on the stimulation of demand, and endogenous growth theory, which focuses on the improvement of productivity due to public investment (Sosvilla-Rivero et al., 2025; Islam et al., 2025) justify it.

High debt and revenue volatility are among the challenges that may inhibit its effectiveness in developing countries, and sustainability is essential (Samuels, 2024). Based on recent empirical research, Nigeria's fiscal policy can be considered a set of joint public spending, revenue, and debt (Iwugo et al., 2025; Adebayo, 2025).

Government Expenditure

The sum of money spent by the government is known as government expenditure, which can be divided into recurrent expenditure (wages, salaries, and administration) and capital expenditure (infrastructure and development projects). Recent studies have affirmed that recurrent expenditure sustains short-term activities; however, capital expenditure pushes growth in the long term (Joseph, 2024; Adeleye & Ayorinde, 2022).

It may also be categorized according to sector, wherein the expenditure on infrastructure and human capital is more effective in terms of growth (Sosvilla-Rivero et al., 2025). The effect also relies on financing because spending with revenues is more viable than spending with debts (Olumuyinwa, 2025).

Government Revenue

Government revenue refers to the funds collected by the state through tax revenues (income, corporate, VAT, customs), non-tax revenues (fees, royalties, fines), and other receipts such as grants or returns on state-owned enterprises. Revenue mobilization is critical in fiscal policy analysis because it determines the government's capacity to finance public expenditure without excessive borrowing (Samuels, 2024; Iwugo, et al., 2025).

Revenue mobilization affects fiscal space and sustainability. A stable, broad-based revenue base reduces dependence on borrowing, thereby limiting the accumulation of public debt and the associated risks of debt servicing burdens. In resource-dependent economies, the diversification of revenue sources away from volatile

revenue items, such as commodity exports, is especially critical for stable public finance (Innocent, 2024; Chukwuemeka, Nwankwo & Mazeli, 2024).

Public Debt

Public debt refers to a government's total outstanding borrowings, encompassing both domestic and external debt, as well as the associated obligations for interest and principal repayment (Olumuyinwa, 2025; Chukwuemeka, Nwankwo & Mazeli, 2024). Debt arises when government expenditures exceed revenues, necessitating borrowing to finance fiscal deficits or to undertake development projects.

In empirical studies, public debt is often disaggregated according to its origin (domestic vs. external), maturity structure, portfolio composition, and servicing cost. Such disaggregation is important because different types of debt may have different implications for growth: domestic debt might have different macroeconomic consequences compared to external debt, and short-term debt might be more burdensome than long-term debt (Olumuyinwa, 2025).

Public debt is a double-edged instrument in fiscal policy. When used effectively, debt can enhance growth by augmenting infrastructure and public capital stock. Conversely, debt servicing can crowd out future investment, drain fiscal resources, and weaken macroeconomic stability if debt accumulates excessively without productive returns (Samuels, 2024).

Theoretical Review

Keynesian Model

According to the Keynesian Model by John Maynard Keynes (1936), low output in an economy as a result of low aggregate demand can be prolonged and must be addressed by the government using fiscal policy. It underlines the price inflexibility, monetary policy's ineffectiveness in specific circumstances, and government spending's centrality in stimulating growth and employment (Filho, 2023; Djuraskovic & Radovanic, 2018).

Fiscal expansion stimulates demand, particularly in developing economies (Majenge & Mpungose, 2024; Nguyen & Nguyen, 2023). Despite the model's criticisms, including crowding out, inflation, and debt risks (Nunes, 2024; Clift, 2019), the model is still applicable in explaining the impact of government spending, revenue, and debt on growth, especially in countries such as Nigeria (Vydobora, 2022; Trukhachev & Migunov, 2023).

3.0 Methodology

This study adopts an ex post facto research design, which is appropriate for examining the impact of fiscal policy variables on economic growth in Nigeria. This study covers a 30-year period (1994–2023) to capture structural and policy shifts in Nigeria's fiscal operations. The study relies exclusively on secondary data sourced from the Statistical Bulletin of the Central Bank of Nigeria and the National Bureau of Statistics. The dependent variable is RGDP, which proxies economic growth, while the independent variables are government expenditure (GEXP), government revenue (GREV), and public debt (DEBT), representing the major fiscal policy instruments. All variables are measured in constant 2010 prices to adjust for inflationary effects. The OLS estimation technique is employed using E-Views 13 software because of its efficiency, unbiasedness, and consistency properties, supported by the Gauss–Markov theorem. The a priori expectations are that government expenditure and revenue will have positive effects on RGDP, while public debt may have either positive or negative effects depending on its productivity and sustainability. The estimation model for this study is specified as follows:

$$RGDP_t = f(EXP_t, REV_t, PDB_t)$$

$$RGDP_t = \beta_0 + \beta_1 EXP_t + \beta_2 REV_t + \beta_3 PDB_t + \mu_t$$

Where:

$RGDP_t$ = Real Gross Domestic Product

EXP_t = Government Expenditure

REV_t = Government Revenue

PDB_t = Public Debt

β_0 = Constant term

$\beta_1, \beta_2, \beta_3$ = Coefficients of the independent variables

μ_t = Error term.

4.0 Results and Discussion

The results and discussion of the study elaborate on the descriptive and inferential statistics outcome of the study presented in tabular format.

Table 1: Descriptive Statistics for the study

	RGDP	EXP	REV	PDB
Mean	64865.46	4244.693	6205.149	7398.094
Median	41277.47	3179.507	5846.306	2774.168
Maximum	229912.9	18773.77	19251.09	53258.01
Minimum	1751.280	70.91830	201.9108	407.5827
Std.Dev.	64911.57	4538.153	4642.083	10640.40
Skewness	0.966139	1.575658	0.621587	2.874920
Kurtosis	2.936717	5.131239	3.222021	12.59395
Jarque-Bera	4.672124	18.09122	1.993467	156.3807
Probability	0.096708	0.000118	0.369083	0.000000
Sum	1945964.	127340.8	186154.5	221942.8
Sum Sq.Dev.	1.22E+11	5.97E+08	6.25E+08	3.28E+09
Observations	30	30	30	30

Source: Computation of researchers

Table 1 indicates that GDP has a mean of 64,865.46, median of 41,277.47, and a high standard deviation of 64,911.57, showing large fluctuations, although it is approximately normally distributed (Jarque–Bera $p = 0.0967$). Government expenditure has a mean of 4,244.69, median of 3,179.51, and standard deviation of 4,538.15, with positive skewness (1.57) and non-normality ($p = 0.0001$), reflecting volatile spending.

Government revenue records a mean of 6,205.15, median of 5,846.31, and standard deviation of 4,642.08, with near-normal distribution ($p = 0.3691$), indicating relative stability. Public debt has a mean of 7,398.09, median of 2,774.17, and very high standard deviation of 10,640.40, with strong positive skewness (2.87) and non-normality ($p = 0.0000$), indicating significant fluctuations.

Table 2: Unit root test results (ADF)

Null hypothesis: The variable has a unit root					
	<u>At Level</u>				
		RGDP	EXP	REV	PDB
With Constant	t-Statistic	11.2148	7.4185	0.5692	2.1801
	Prob.	1.0000	1.0000	0.9862	0.9998
		n0	n0	n0	n0
With Constant & Trend	t-Statistic	4.1787	3.6445	-2.2738	2.2300
	Prob.	1.0000	1.0000	0.4335	1.0000

		n0	n0	n0	n0
Without Constant and Trend	t-Statistic	17.1801	1.5498	1.9171	2.5218
	Prob.	1.0000	0.9657	0.9844	0.9957
		n0	n0	n0	n0
	At the First Difference				
		d(RGDP)	d(EXP)	d(REV)	d(PDB)
With Constant	t-Statistic	2.1584	3.1553	-3.5313	1.9983
	Prob.	0.9998	1.0000	0.0145	0.9997
		n0	n0	**	n0
With Constant & Trend	t-Statistic	0.4045	2.1239	-3.6567	1.7529
	Prob.	0.9982	1.0000	0.0428	1.0000
		n0	n0	**	n0
Without Constant and Trend	t-Statistic	3.4411	1.3024	-3.1466	1.9502
	Prob.	0.9996	0.9461	0.0028	0.9845
		n0	n0	***	n0
Notes:					
a: (*)Significant at 10%; (**) significant at 5%; (***) significant at 1%; and (no) not significant					
b: Lag length based on AIC					
c: Probability based on one-sided p-values (MacKinnon, 1996).					

Source: Computation of researchers

Table 2 presents the results of the ADF unit root test for the time series data used in this study. The outcome shows that at the level, all the variables, namely, gross domestic product, government expenditure, government revenue, and public debt, are not stationary, as their respective probability values exceed the 5% significance level, indicating the presence of unit roots. This implies that the variables exhibit non-constant mean and variance over time, rendering them unsuitable for DR estimation at levels. However, after the first differencing, the results reveal that government revenue becomes stationary, with a t-statistic of -3.5313 and a probability value of 0.0145, which is significant at the 5% level. In contrast, gross domestic product, government expenditure, and public debt remain non-stationary at first difference, suggesting the need for further differencing or alternative estimation techniques such as co-integration and error correction models to address non-stationarity. Overall, the result indicates that the data series are integrated of mixed order, primarily I (1), which supports the use of co-integration analysis to capture the variables' long-run equilibrium relationship.

Table 3: Correlation Analysis: Ordinary

		Correlation	t-Statistic	Probability
RGDP	RGDP	1.000000	-----	-----
EXP	RGDP	0.976863	24.16981	0.0000
EXP	EXP	1.000000	-----	-----
REV	RGDP	0.882523	9.930213	0.0000
REV	EXP	0.887238	10.17714	0.0000

REV	REV	1.000000	-----	-----
PDB	RGDP	0.896308	10.69569	0.0000
PDB	EXP	0.944958	15.28231	0.0000
PDB	REV	0.819728	7.573246	0.0000
PDB	PDB	1.000000	-----	-----

Source: Computation of researchers

Table 3 presents the results of the correlation analysis among GDP, government expenditure, government revenue, and public debt. The results reveal that all fiscal policy variables are positively and strongly correlated with economic growth. Specifically, government expenditure has the highest positive correlation with gross domestic product at 0.9769, this revealed that public spending increases are closely associated with higher economic output. Government revenue also exhibits a strong positive correlation of 0.8825 with GDP, implying that improved revenue mobilization enhances growth through better fiscal capacity. Similarly, public debt shows a strong positive correlation of 0.8963 with gross domestic product, indicating that when borrowing is effectively utilized, it supports productive investment and growth. The high correlation values among the independent variables further revealed a close interrelationship between fiscal instruments, implying that changes in one fiscal policy component can influence the others.

Table 4: Regression Summary (Dependent Variable: RGDP)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	857.9292	4496.747	0.190789	0.8502
EXP	16.55459	2.103238	7.871002	0.0000
REV	0.743350	1.174600	0.632853	0.5324
PDB	-1.469867	0.722498	-2.034425	0.0522
R-squared	0.961556	Mean dependent var		64865.46
Adjusted R-squared	0.957121	S.D. dependent var		64911.57
S.E. of the regression	13441.45	Akaike infocriterion		21.97364
Sum squared resid	4.70E+09	Schwarz writerion		22.16047
Log likelihood	-325.6046	Hannan-Quinn criter.		22.03341
F-statistic	216.7721	Durbin-Watson stat		0.281037
Prob(F-statistic)	0.000000			

Source: Computation of researchers

$$RGDP_t = 857.9292 + 16.55459GEXP_t + 0.743350GREV_t - 1.469867DEBT_t + \mu_t \quad (1)$$

Table 4 presents the regression summary of the estimated model examining the effect of government expenditure, government revenue, and public debt on Nigeria's gross domestic product for 1994–2023. The coefficient of the constant term is 857.9292 with a *t*-statistic of 0.1908 and a probability value of 0.8502, indicating that the intercept is not statistically significant at the 5% level. This means that when all fiscal policy variables are held constant, the gross domestic product would be approximately 857.93 units, although this value is not significantly

different from zero. The insignificance of the constant implies that variations in fiscal policy instruments influence economic growth in Nigeria more than other autonomous factors during the study period.

The estimated coefficient for government expenditure is 16.55459 with a *t*-statistic of 7.8710 and a probability value of 0.0000, which is significant at the 1% level. This positive and statistically significant coefficient indicates that a one-unit increase in government expenditure leads to an average increase in gross domestic product of approximately 16.55 units, holding other variables constant. This revealed that public spending has a strong expansionary effect on economic growth, aligning with Keynesian fiscal theory, which emphasizes government spending as a catalyst for stimulating aggregate demand and output. The strength of this relationship confirms that increased government expenditure substantially contributes to Nigeria's economic performance during the study period.

For government revenue, the coefficient is 0.743350 with a *t*-statistic of 0.6329 and a probability value of 0.5324, indicating that it is statistically insignificant at the conventional 5% level. This implies that a one-unit increase in government revenue leads to only a 0.74-unit increase in gross domestic product, which is insufficient to exert a meaningful impact on growth. The insignificance of this relationship suggests that Nigeria's revenue generation during the study period may not have been efficiently channeled into productive sectors of the economy, possibly due to inefficiencies in tax administration or the dominance of non-growth-enhancing revenue sources.

The coefficient of public debt is -1.469867 with a *t*-statistic of -2.0344 and a probability value of 0.0522, which is marginally significant at the 10% level. The coefficient's negative sign indicates that a one-unit increase in public debt leads to a decrease of approximately 1.47 units in gross domestic product, holding other factors constant. This inverse relationship implies that debt accumulation, particularly when not directed toward productive investment, may have imposed a drag on economic performance through increased debt servicing obligations and fiscal crowding-out effects. The marginal significance further revealed that the influence of public debt on growth is not completely neutral but exhibits a weakly adverse effect within the Nigerian fiscal context. The goodness of fit statistics show that the model has a high explanatory power, with an R-squared value of 0.9616 and an adjusted R-squared of 0.9571, indicating that the combined effects of government expenditure, government revenue, and public debt explain approximately 96% of the variations in gross domestic product. The F-statistic value of 216.7721 with a corresponding probability of 0.0000 confirms the statistical significance of the overall regression model, implying that the independent variables jointly exert a significant effect on Nigeria's economic growth. However, the Durbin-Watson statistic of 0.2810 revealed the possible presence of a positive serial correlation among the residuals, which may warrant further diagnostic testing.

5.0 Conclusion and Recommendations

Findings of this study provide clear empirical evidence that fiscal policy plays a critical role in shaping Nigeria's economic growth. The regression results reveal that government expenditure exerts a strong and statistically significant positive influence on gross domestic product, underscoring the central role of public spending in stimulating economic activity and enhancing aggregate demand. Conversely, although government revenue is positively related to economic growth, it does not exhibit statistical significance, indicating inefficiencies in revenue mobilization and allocation mechanisms that undermine its growth potential. Public debt, on the other hand, demonstrates a negative and weakly significant effect, suggesting that debt accumulation during the study period may have been largely unproductive, contributing little to output expansion while increasing the country's fiscal burden. Overall, the analysis affirms the Keynesian proposition that judicious fiscal expansion through targeted expenditure can foster economic growth. However, it highlights the need for improved fiscal discipline, efficient revenue utilization, and sustainable debt management to ensure long-term macroeconomic stability.

Recommendations

Based on the empirical results, the study recommends that the Nigerian government prioritize productive expenditure by channeling more resources into infrastructure, education, health, and industrial development, as these sectors yield high economic multipliers capable of sustaining growth.

To ensure that increased revenues are effectively translated into developmental projects, revenue mobilization should be strengthened through tax reforms that broaden the tax base, reduce evasion, and enhance administrative efficiency.

Furthermore, public debt should be contracted primarily for capital projects with measurable economic returns rather than for recurrent spending, while debt servicing should be carefully managed to prevent fiscal stress.

Fiscal transparency and accountability should be enforced to minimize leakages and ensure optimal utilization of public resources.

Finally, a balanced fiscal framework that combines prudent expenditure control, effective revenue generation, and sustainable borrowing will enhance Nigeria's fiscal resilience and promote inclusive and stable economic growth.

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