Economic Policies and Growth in Nigeria: The Fiscal Policy Option

Modestus Chidi Nsonwu, Ph.D
Department of Economics
Veritas University Abuja

Abstract
This paper is on assessment of stabilization policies and economic growth in Nigeria: the fiscal policy option for the period 1981 and 2019. Time series data on government expenditure, tax revenue, lending interest rate and real gross domestic product obtained from the Central Bank of Nigeria, National Bureau of Statistic, World Bank Development Indicators and others were estimated using the error correction mechanism. The findings of the study show that government expenditure has a positive and significant relationship with real gross domestic product in Nigeria. This is an indication that higher government expenditure led to growth in the economy. Tax revenue is negatively signed and insignificant determinant of real gross domestic product an indication that high rate of tax causes reduction in economic growth. Interest rate has a significant negative relationship with economic growth. An indication that high interest rate on government borrowing limits government expenditure on infrastructures, goods and services. Based on these findings, we recommend that Government should reduce its spending when the economy is experiencing high inflationary trend as a contractionary measure and the reverse during recession. Taxation as a veritable tool of fiscal policy should be applied appropriately towards the achievement of the macro-objectives of government and economic progress. There should be an overhaul of tax administration in Nigeria and regular awareness and sensitization should be done by the relevant tax authorities for its effective use as a tool of fiscal policy. Interest rate on loans and advances should kept at a low level to stimulate investment and enhance economic growth in Nigeria.
Keywords: *Stabilization policies, Economic growth, Fiscal policies, Error Correction Model.*

I.   Introduction

Stabilization of the economy (*e.g.,* full employment, control of inflation, and an equitable balance of payments) is one of the goals that nations attempt to achieve through manipulation of fiscal and monetary policies. Fiscal policy relates to taxes and expenditures while monetary policy relates to financial markets and the supply of <u>credit</u>s, money, and other financial assets.

Fiscal policy is the way to adjust government spending and taxation to monitor and influence the economy of a nation. This is used in conjunction with the monetary policy used by the central bank to influence a nation's money supply. Both are used to achieve a nation's macroeconomic objectives. In other words, fiscal policy is a major instrument of economic stability that includes measures to regulate and control the volume, cost and availability, and the direction of money within an economy, to achieve a certain macroeconomic policy goal and counteract unwanted trends in Nigeria's economy.

No doubt, the government is a body laden with hosts of responsibilities. However, Medee and Nembee, (2011) are of the opinion that, "the ways and pattern in which these functions are carried out vary from society to society". Prior to the great depression of 1930s, there existed the economic doctrine that proposed a perfect situation in the market system. At the heart of this doctrine is Say's law which states that, "supply creates its own demand". Say's ideologies and the self-adjusting mechanism, "the invisible hand" by Adams Smith gave rise to a characterized laissez-faire economic system.

In this research however we shall look at the various channels through which the government can influence the economy positively, consider its flaws as well as propose better ways of achieving growth through its prowess.

Regardless of the nature of the economy, the achievement of macroeconomic targets has been, for political leaders, a priority since time immemorial; full employment, price stability and high and sustained economic growth and external balance. Obviously, the achievement of these objectives is not automatic, but a good measure of policy guidance is required. The aim of economic policy is the guidance of such policies. The key tools to achieve these macroeconomic objectives are fiscal and monetary policy instruments. Public

expenditure and tax are the fundamental instruments of fiscal policy while the monetary instruments include reserve requirement devices, discount rates and open market policy.

Broadly, the objective of this investigation is to ascertain the impact of fiscal policy on the growth of the Nigerian economy. Specifically, the objectives aim to investigate the contribution of taxation to the Gross Domestic Product in Nigeria, examine the effect of government spending on the economy and determine the effect of interest rate on Economic growth in Nigeria.

In order to guide this study, the following questions will be raised: what is the contribution of taxation to the Gross Domestic Product in Nigeria? How has government spending affected the Nigerian economy? And what effect has interest rate on economic growth in Nigeria?

The study is focused on fiscal policy in Nigeria, how the Nigerian government uses this policy to stabilize the economy. This study is carried out using data from secondary sources that cover taxation revenue and government expenditure trends from 1981 to 2019. The beginning year covered the period of Structural Adjustment Programme (SAP) while the end year was as a result of data availability.

II.   Literature Review and Theoretical Review

One of the objectives that governments aim to achieve through manipulation of fiscal and monetary policies is to stabilize the economy of a nation aimed at full employment, inflation control and a fair balance of payments. Tax and expenditure policy, monetary market policy, and supply of credit, money, and other financial assets are the areas of fiscal policy.

In a relatively recent context, tax and monetary policy is being used as a means of economic stability, mostly after the Second World War. During the 19th century, the international gold standard was the only stabilization policy. According to the gold standard gold tended to flow out of the country when a deficit occurred in the balance of payments. The monetary authorities would raise interest rates to counter this process, and increase credit requirements by reducing prices, income, and jobs, thereby reducing imports and increasing exports, thus improving the balance of payments. Gold tended to fluctuate in a country with a surplus in its balance of payments; that meant a fall in the interest rate and a rise in money and credit supplies. As a result, imports were stimulated and exports discouraged, thereby eliminating the balance of payments surplus.

Growth theory, according to Martin, (1999), is the focal point of modern economics. However, Solow, (1956) and Denison, (1985) are of the opinion that "it does not only address economic growth, but also, the implications of growth for the relative wealth of nations". Economic growth is one issue which has generated so much attention among scholars from all around the globe. Classical economic thinking held before the Keynesian economy that cyclical changes in employment and economic output would be modest and self-adjusting. According to this traditional theory, the resulting production weakness and jobs would lead to a decline in prices and wages if aggregate demand in the economy fell.

Lower inflation and wages would encourage employers to invest and employ more, boost jobs and restore economic growth. This hypothesis was however seriously tested by the depth and severity of the Great Depression. In his work Keynes maintains that structural rigidity and certain market economic features would worsen economic weakness and further plunge aggregate demand, the "general theoretical analysis of labor and interest" as well as other works.

The Keynesians are economists of the 20th century, who embraced and expanded the principle of John Maynard Keynes in the existence of an infinite level of unemployment that is inconsistent with the idea of classical economists on a market law that market economies adjust themselves, and therefore no necessity exists for government participation in the economy. They consider fiscal policy to be the most powerful policy measure for stabilizing and moving the economy forward. Sometimes they are called economists on the demand side. Keynes acknowledges that the demand and supply forces are unable to achieve full employment.

Keynesians therefore emphasized that the free enterprise economy would only remove depression and ensure steady growth by government interference (public sector). The economic regulation is governed by unrestricted policies including government expenditure and taxation. According to Keynes, government spending should grow to increase aggregate demand and then growth in order to repair a depressed economy.

The fiscal policy aims at stabilizing the economy, according to Amadi, S. N. and Essi, I. D. (2006). Increases in public expenditure or tax cuts tend to slow down boom or higher taxes and pull the economy out of recession. In essence, government intervention in economic activities takes the form of monitoring selected areas/sectors of the economy. The controls vary according to the government's specific needs or purpose.

In a 41 study, Nijkamp, P. and Poot, J. (2004) also meta-analysed past empirical fiscal and growth studies, which found 29% of the study to be negative, 17% positive and 54 % inconclusive, between fiscal and growth policies.

Khosravi, A. and Karimi, M.S. (2010) argued that fiscal policy should generally be associated with growth, or that, under special circumstances, appropriate fiscal policies may be used to encourage economic development and growth. The impact of state expenditure on economic growth was examined by the panel data

from Ghosh, S and Roy, U. (2004). There was evidence of the higher budgetary growth in countries with large government spending, but the effects vary from country to country.

The relationship between fiscal policy and financial growth in Egypt, Morocco and Tunisia has been investigated by Mansouri, B. (2013). Each country has data spans from 1970 to 2012. The empirical results showed that 1% of public expenditure in Morocco, 1.15% in Tunisia and 0.56% in Egypt increased the real GDP by 1.26%. The results have also demonstrated long-term relations between all three countries. In his study on monetary and fiscal effects in business in Bangladesh, Chowdhury (1986) also considered that fiscal and non-monetary actions had a greater impact on economic activities.

Ekpo, A, analyzed Nigeria's contribution to public expenditure to economic growth between 1960 and 1992. (1994). The results of this study supported fiscal-policy growth through massive private investment as a result of government infrastructure spending. Nurudeen, A., and Usman, M. studied the effect of government spending on economic development in Nigeria from 1970 to 2008. (2010). According to the report, overall government capital spending, total recurring expenses, and education spending all have a negative impact on economic growth, while health, transportation, and communications spending all have positive effects. On the other hand, Oyinlola, O. (1993) investigated the effect of defense spending on Nigeria's economic development, concluding that defense spending has a positive impact on economic growth.

Over the years many empirical studies have been conducted to determine the exact effect of fiscal policy on economic growth. Most of the studies supported the claim that fiscal policy is related to economic growth. Some of them are country specific while others cut across countries. In this part of this work, we are going to be analyzing as many works as possible, both those which are country-specific and those which cut across countries, while taking into consideration the various techniques applied, their results and findings and in some cases, recommendations by their writers.

The relationship between fiscal and economic growth in Nigeria was examined by Sikiru and Umaru (2018) in accordance with annual data from 1977 to 2016. The time series unit roots were examined using the Engle-granger technique Augmented Dickey-Fuller which followed the co-integration test. They estimated models of error correction to deal with short-term dynamics. Overall results show that during the study period, productive expenditure has had a positive effect on economic growth and that there is a long-term relationship between them, as confirmed in the joint integration test. They saw public expenditure on education, health and economic services as part of productive expenditure and suggested that the government embark on such productive expenditure to stimulate economic growth.

In his study, Matthew (2017) examined the impact on economic growth of South Africa of fiscal policies variables. As variables for the study, it considered the gross formation of government fixed capital, tax expenditure, government consumption and deficits. The study was carried out between 1990 and 2014.The Vector Regressive Modeling Technique and the impulse response functions were used for his estimated quarterly data. He made four key findings on the basis of the results. First, the significant positive effect on economic growth of government consumer expenditure. Second, the government's gross fixed capital formation also has a positive impact on production growth, but the impact is less than that achieved with consumer spending. Lastly, tax receipts also have a positive effect on output growth, but the size of the deficit does not appear to have a meaningful impact on growth results.

Medee et al (2014) also looked at the impact on economic growth of Nigeria from 1970 to 2013 of fiscal policy variables. In order to reduce the problems in stationary conditions that are commonly associated with time series data, they have adopted the arcane method of vector self-regression (VAR) and error correction techniques. The result showed a long-term balance between Nigeria's economic growth and fiscal policy variables and also that own shocks are an important source of economic growth variation. In addition, it revealed that short-term and long-term tax revenue shocks affect GDP.Based on the results, they recommended that the government develop and implement viable fiscal policy options to stabilize the economy. According to them, the practice of genuine fiscal federalism and the decentralization of the various levels of government in Nigeria could achieve this. They also suggested that policies in the non-oil sectors of the economy should be consistent through the provision of appropriate incentives to aliens who want to invest in the agricultural and manufacturing sectors. More importantly, an appropriate policy mix should be developed in economic management.

Funete (2013) examined the economic growth of 21 OECD countries in 1965-1995 for impact of public spending and taxation. The results of this research have demonstrated that fiscal policy influences growth through three main channels; first, public investments in infrastructure and other assets contribute directly to the accumulation of factors. Second, government spending tends, by decreasing disposable income and savings incentives, to overwhelm private investment. Third, there is evidence that government has a significant negative external impact on productivity levels.The estimates show that, when the distortions are taken into account, the effective cost of $1 of public expenditure is around $1,3. This indicates that taxes and government expenditure generate.

In its "Fiscal Policy and Economic Growth" study, Fu, Taylor and Yucel (2013) used time series data set between 1983 and 2002. In order to assess simultaneous shocks of several variables, they developed a vector autoregressive (VAR) method and employed them to study the stimulus responses for simultaneous, inesperate and equivalent structural shocks to pairs of fiscal indicators. They also took advantage of identity links between fiscal, spending and deficits to evaluate one of the inclusive fiscal policy indicators with an unexpected structural shock while keeping the other indicator constant. Results show the slower economic growth rate of the federal state, and the lack of reliability of deficits as indicators of fiscal policies, as well as the most consistent financial-policy indicator for tax revenues.

For the years 1991 to 2005 Appah (2010) analyzed the economic growth impacts of the fiscal policy in Nigeria. In addition, the Commission examined the contributions to RGDP for tax revenue, state debts, recurrent government expenditure and government capital expenditures. He has applied multiple regressions to the analysis using data from both CBN's Annual Report & Accounts and the CBN Statistical Bulletin. The results show that the independent variables have a significant relationship to the RGDP. He then concluded that economic growth in Nigeria is a mirage because government policies are inconsistent, wasteful expenditure, corruption and poor implementation. Nevertheless, he recommended that, in order to emerge from this delusion, the government; avoid unnecessary borrowing, make sure policies are correctly implemented; ensure that corruption is addressed very seriously in the country; and especially, apply tax transparency and accountability to government activities.

The relationship between fiscal policy and economic growth in Egypt, Morocco and Tunisia was studied in Mansouri (2008). Each country's data coverage was 1975 to 2002, 1970 to 2002 and 1972 to 2002. The empirical results show that a 1% increase in public spending in Morocco, Tunisia and Egypt increased the real GDP by 1.26%. The findings have also shown that all three countries have a long-term relationship.

Theoretical Framework

The Keynesian theory of economic growth is the theoretical basis of this research as it recognizes the importance of the government's interference in the operation of the economy. The Keynesians are 20th century economists who embraced Johann Maynard Keynes with an endless unemployment balance and have also extended this principle, which runs counter to Say's classical market law economists who adapt their markets to prevent the government's economic participation. They are sometimes called demand economists. Keynes agrees that demand and supply forces cannot have full employment status. Keynesians therefore insisted that the free enterprise economy would only take away depression by government (public sector) interference through the use of unrestricted policy measures and ensure continuous growth. To regulate the economy, there are unrestricted policies that cover government expenditure and taxation. According to Keynes, government spending to increase the aggregate demand and then growth should be increased to correct the depressed economy.

III.   Research Methodology

The specification of the model and the definition of variables are also provided in this chapter. The research plan for this study is ex-post-facto, as secondary information is used in this study from the National Statistical Office, Statistical Bulletin of the Nigerian Central Bank, published articles, magazines and texts. The regular least square (OLS) method of estimation is used as a method of analyzing time-series data.

Second-list data were used primarily in this study and obtained in the Nigeria NBS, newspapers, magazines and various World Bank Index issues from the CBN Statistical Bulletin 2020 edition. The data is collected in areas like GDP, government expenditure, external debt and corporate tax. Furthermore, the data is gathered. The analyzed data cover a period between 1981 and 2019.

Model Specification

In order to determine the link between the addiction variable, the actual Gross Domestic product and the independent variables, the data are analyzed based on an econometric model, which includes a multiple regression analysis (2013). Their research examined the problems of fiscal policy procedures and their influence on economic growth. For multiple regression models it was performed with OLS technology, which employs statistical time series from 1970 to 2009. It was estimated that government expending and taxes, dependent variable GDP and independent variables were in a positive relationship. He concluded that the government's expenses are a significant determinant of economic growth, particularly if they are intended to provide sufficient infrastructure to stabilize investments. The results also showed that the Nigerian government has failed to pay for its expenses due to the lack of taxation, and the government has been over-reliant on crude oil income.

The functional model for this study is specified thus:

$$GDP = f(GOVTEXP, TAXR, INTR)\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots(1)$$

Econometrically, the model is specified as:

$$RGDP = b_o + b_1 GOVTEXP + b_2 TAXR + b_3 INTR + U_t \dots\dots\dots\dots\dots\dots\dots(2)$$
$$b_1 > 0, b_2, b_3 < 0$$

b_0 is constant

The variables used in the study are defined below:

RGDP = Real Gross Domestic Product

GOVTEXP = Government Expenditure

TAXR = Tax Revenue

INTR = Interest Rate

U_t = Error Term

Unit Root Test

Stationarity is the quality of a process when the statistical parameters of the process (mean and standard deviation) don't change with time (Challis and Kitney 1991). The classical regression model requires the stationary variables of dependent and independent variables and the errors have a mean and finite variance of zero. The effect of non-stationarity, according to Newbold and Granger, includes a fake regression and high and low Durbin-Watson (DW) figures.

The stationarity testing of variables is relevant because it includes important behavior for those variables and analyzing them with non-static variables can lead to falsified correlations. In economic analysis, a stationary time series is superior or more important because it facilitates the study of the behavior of the variables over the long term (Gujarati, 2004).

Stationary testing of data with an Augmented Dickey- Fuller (ADF) unit root test to prevent a false regression is performed on all-time series properties.

Cointegration Estimate

Data from non static time series could still be used for regression, if it is cointegrated into time series. Cointegration is a way of preventing false regression. Cointegration is a linear combination of two or more time series, although individually non-stationary. Cointegration of two or more time series indicates a long-term or balanced relationship.

For data with non static time series, the traditional method of regression including t and F tests is applicable. The valuable contribution of unit-root, co-integration, etc. concepts is to make us know if the residual regression are stationary (0). "A cointegration test can be regarded as a pre-test to avoid 'false regression' situations, as Granger notes.

In this study, the Engel-Granger co-integration test was the best co-integration test. The procedure also enables testing of restricted versions and speed of parameter adjustment of cointegrating variable(s).

Error Correction Mechanism (ECM)

Sargan first used the Error Correction Mechanism (ECM) and then Engle and Granger popularized it for correcting the short-term imbalances in the long term. The ECM is therefore a mechanism developed by Engle and Granger to reconcile short-term behavior with long-term behaviour, an economical variable. This study used the ECM estimation and restated the model as;

$$\Delta RGDP_t = \alpha + \beta_1 \Delta GOVTEXP_t + \beta_2 \Delta TAXR_t + \beta_3 \Delta INTR_t + ECM_{t-1} + U_t$$
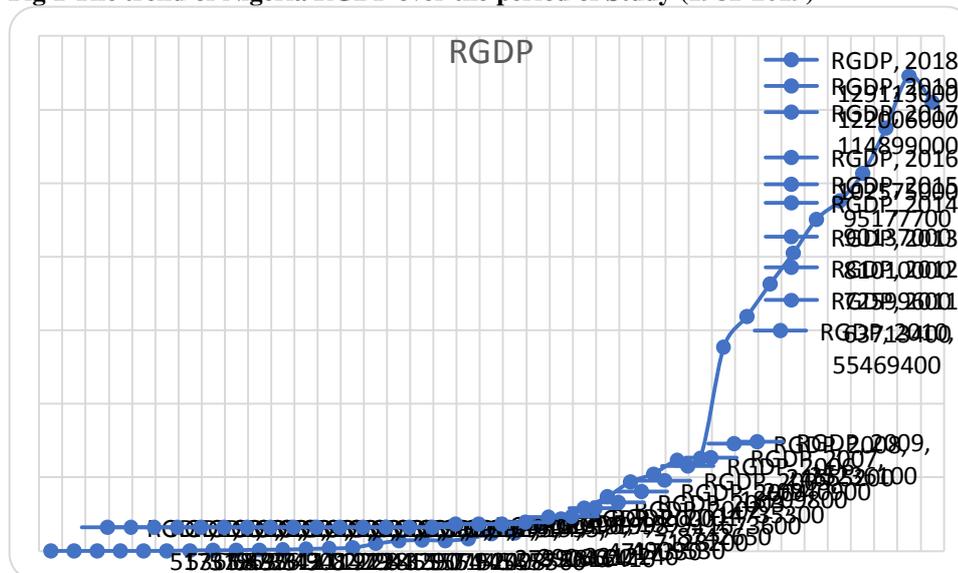
Where Δ indicates the first difference of variables. ECM stands for the error correction term (the residual series created from the cointegrating equation); and t is a time subscript.

IV.   Analysis and Discussion of Findings

Trends in the Variables

The trends in the variables are shown in the fig below:

Fig 1 The trend of Nigeria RGDP over the period of Study (1981-2019)

Source: Author Generated

From the above graph, growth in RGDP was constant for the period 1981 up to 1999 when it witnessed a sharp increase getting to its peak in 2016 and decline in 2017 up to 2019.
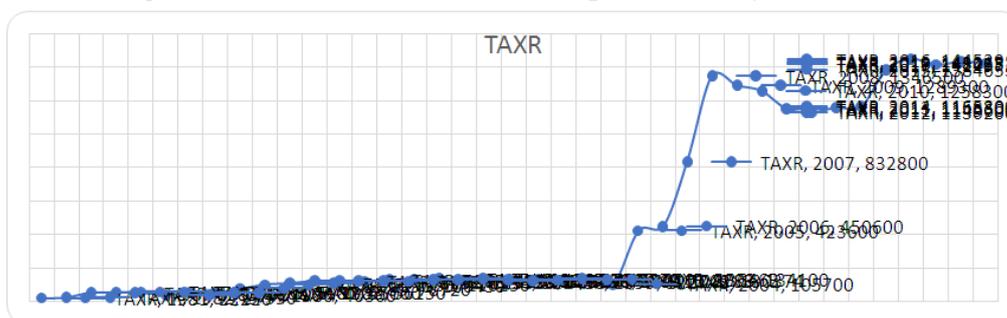
Fig 2 The trend of Government expenditure over the period of Study (1981-2019)
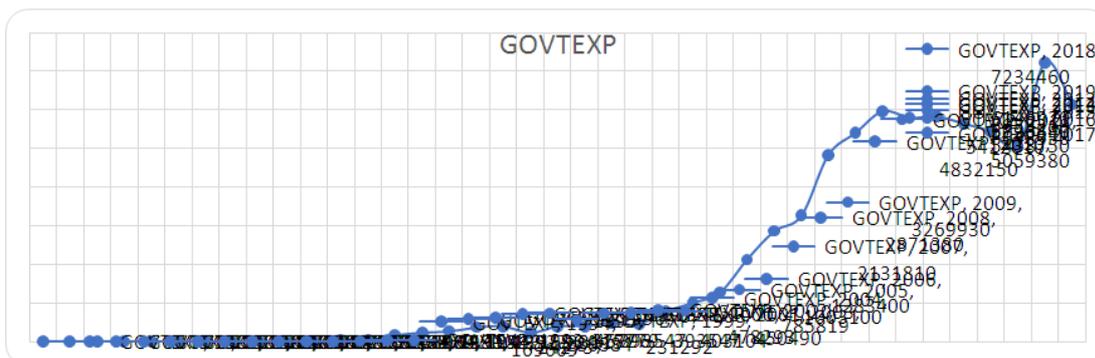
Source: Author Generated

Government Expenditure was low between the period 1981 to 1993 and get to the peak in 2017

Fig 3 The trend of Tax Revenue over the period of Study (1981-2019)

Source: Author Generated

Tax revenue witnessed a sharp increase between 2004 and 2009, fluctuated and get to the peak in 2016

Fig 4 The trend of Interest rate over the period of Study (1981-2019)
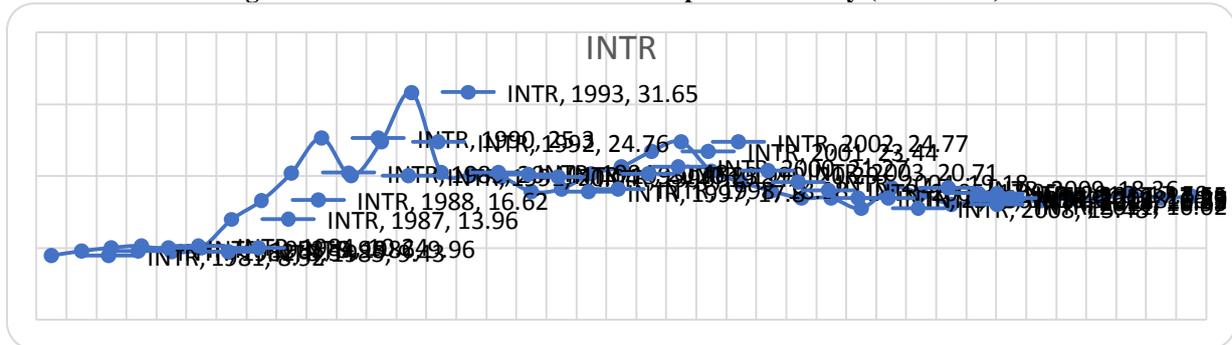
Source: Author Generated

Interest rate fluctuated over the period of study and became stable from 2011 to 2019. It got to the peak in 1993 and lowest in 1981.

Presentation of Unit Root Results

A stationarity of all the macroeconomic variables used in the study were tested with the Augmented Dickey Fuller (ADF) and Phillip-Perron unit Root Test. The results are shown in the following table:

Table 4.3: Unit Root Test Result using Augmented Dickey Fuller (ADF)

Variable	P-value@ level	t-statistic @first difference(5%)	P-value @1st difference	Critical value(5%)	Order of Integration
RGDP	0.6019	-5.383	0.0000	-2.966	I(1)
GOVTEXP	0.7880	-3.001	0.0492	-2.969	I(1)
TAXR	0.7466	-3.629	0.0052	-2.969	I(1)
INTR	0.1283	-4.535	0.0002	-2.969	I(1)

Source: Extract from computing Stata version 15

In this case, when the t-statistical value is higher than the critical value at 5% and the P-value is less than 0.05 it shows the variable to be stationary at level, otherwise it will be the difference until it is stationary. The results show that the tested variables were not stationary at level but at first. All of the variables are t-statistical values which are all lower than the standard critical levels of five per cent and their probability values at first difference are less than 0.05.

Cointegration Test

Using the Engle-Granger estimation technique, the model was predicted for co-integration and tested for the root of the unit. If the model's residual is not stationary at levels, the absence of cointegration is indicated. The following is the result:

Table 4.4 Engle-Granger Cointegration test on the residual of the Model

Variable	Coefficient	t-statistic	P-value	Critical value @ 5%	Order of Integration
Residual of LRGDP Model	0.13967	0.81	0.422	-4.399	Not Stationary

Source: Computer extract on data regression with Stata version 15, (2021).

The above results show that the model's residual is not stationary at levels, hence no cointegration. The Engel and Granger two-stage Error Correction Model was used for error correction. The following is the result;

Error Correction Model (ECM)

Table 4.5: Engle-Granger 1st –Step Regression

Engle-Granger 1st –Step Regression Result for D.RGDP Model

Variables	Coefficients	T-statistics	Probability
C	0.1410	3.95	0.000
D.GOVTEXP	0.3215	3.12	0.004
D.TAXR	-0.0014	-0.01	0.989
D.INTR	0.3898	1.77	0.086
R^2 = 0.9874 Adjusted R^2 = 0.9864 F-Statistic = 80.11 Prob>F = 0.0000 DW = 2.227			

Source:Computation by Researcher Using Stata 15.

Table 4.6: Engle-Granger 2nd –Step Regression (ECM)
Engle-Granger 2nd –Step Regression Result for D.RGDP Model

Variables	Coefficients	T-statistics	Probability
C	95843.44	0.12	0.903
D.GOVTEXP	0.2756	0.37	0.011
D.TAXR	-0.0619	-0.85	0.401
D.INTR	-0.4070	-2.27	0.031
ECM (-1)	-1.3255	-4.70	0.000

Source: Computation by Researcher Using Stata 15.

V.   Discussion Of Findings

The estimated negative and relevant factor (i.e. -1.32) as the absolute value of the t-statistics (i.e. -4.70) and probability statistics (i.e.0.000) of less than 2.0 respectively less than 0.05 is the error correct term [(ecm(-1)] in the model. This means that at a rate of 132 percent, short-term imbalances are significantly reversed and adjusted to the long-term balance.

The result from table 4.5 above shows the model's explanatory capacity to be 98% as the R2 value shows. Though f-statistic 80.11 and prob>F 0.0000 are confirmed as being the importance of the entire model, the non-autocorrelative null hypothesis has also been confirmed as 2.2 from Durbin Watson. A F statistic prob-value of 0,0000 indicated the important factors in the explanation of changes in real gross domestic product to be considered in government (GOVTEXP), tax income (TAXR) and interest rate (INTR) (RGDP).

The results from the estimated model show that the relationship between GOVTEXP and RGDP has been positive and important. This means that the RGDP is increased by 0.2756 by unit modification in GOVTEXP. This meets the expectations of a priori. This means it is a viable tool of fiscal policy, because increased government expenditure will increase aggregate demand and thus growth in the economy.

The sign of the estimated coefficient of Tax Revenue is -0.061 with p-value of 0.401. This confirms that, Tax Revenue has an insignificant and negative relationship with RGDP (a unit change in Tax revenue will reduce RGDP by 0.061) this is because an increase in Tax will bring about a decrease in aggregate demand and hence RGDP. Therefore, TAXR is a viable tool of fiscal policy since it can be used to influence the level of aggregate demand positively or negatively. Based on the above findings, if the motive is to resuscitate a recessed economy, the fiscal policy would be to either increase government expenditure or reduce taxes or both. On the other hand, if it is to curtail inflation either government expenditure is reduced or tax increased or both. On same hand, interest rate (INTR) has a negative and significant relationship with RGDP with a negative coefficient and p-value of 0.031. an increase in interest rate will lead to a reduction in RGDP and vice versa.
The following are the major findings:
a)   Government expenditure is related to Nigeria's economic growth level positively and significantly. A 1-unit increase in government expenditure will increase economic growth by 0.2756 units. This shows that government spending is an important instrument of fiscal policy to achieve the desired economic progress.

b)	Tax income has little negative to economic growth at the level. A 1-unit increase in tax will adversely affect economic growth by 0.061 units. An indication that taxation may be used in the process of development in Nigeria to influence macroeconomic activities.

At the same time, the interest rate (INTR) has a significant and negative relationship in Nigeria with economic growth. An increase in the interest rate will cause economic growth to decrease and vice versa. Based on these findings, the following recommendations were suggested:

a)	Government should reduce its spending as indicated by the findings of this study when the economy is experiencing high inflationary trend as a contractionary measure and the reverse during recession.

b)	Taxation as a veritable tool of fiscal policy should be applied appropriately towards the achievement of the macro-objectives of government and economic progress. There should be an overhaul of tax administration in Nigeria and regular awareness and sensitization should be done by the relevant tax authorities for its effective use as a tool of fiscal policy.

c)	Interest rate on loans and advances should be kept at a low level to stimulate investment and enhance economic growth in Nigeria.

# VI.	Concluding Remarks

Fiscal policy cannot overemphasize Nigeria's role in economic stabilization and growth. The research aims to empirically examine the connection between fiscal and economic growth measures in Nigeria from 1981 to 2019. Over the years, expenditure and taxation by the federal government have been feasible fiscal action that ensures economic growth in Nigeria. If Nigeria's federal government wants to stimulate economic growth, it increases its investment expenditure and lowers taxes.

Without taxation, government financial transactions are almost impossible. In addition, taxation can be a powerful way of achieving the objectives of social progress and economic development. It serves as a means of promoting the growth of certain activities by providing exemptions, by discouraging the use of certain products by levying higher charges such as the duty to impose on tobacco products or by strengthening anemic undertakings, including through fiscal exemptions. By imposing high customs duties on foreign goods, local industries may be protected by taxation. In addition, taxation can also be utilized to decrease inequalities and income inequalities by increasing taxes, as in the case of property and income tax.

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