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Effect of Budget Implementation on Nigerian Economic Development

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Abstract

The impact of an increasing size of government operations on economic growth has become an emerging major public debate. Nigeria's public expenditure has been increasing year by year, mainly for the purpose of boosting her economic development. Unfortunately, the achievement of this objective has continued to elude the country. The major aim of this study was to determine how budget implementation by Nigeria affected her economic development during the period from 2000 to 2016. Specifically, the study sought to examine the effects of public capital and recurrent expenditures on Nigeria's real gross domestic product. Using the variables' data retrieved from the Central Bank of Nigeria Statistical Bulletin 2017, the study employed the ex post facto research design. The E-Views statistical software was employed to carry out with ex-post factor research design. The results of the study showed that government capital and recurrent expenditures during the period had negative and non - significant effects on Nigeria's real gross domestic product. These results suggest that due process was compromised at the budget implementation stage. The study recommends that government should ensure the strict adherence to due process in the implementation of its annual budgets. Future studies can be centered on assessing how the established linkages can be complemented with other policy variables so as to engender positive outcomes on economic growth.

Keywords: Budget Implementation, Economic Development, Real GDP, Government expenditure

Introduction

Budget in Nigeria has continued to spring up a lot of controversies concerning the modality for its preparation and administration as a result of the continuous change in government and the consequential change in policy and ideology (Nwala & Ogboji, 2020). Those authors assert that there was the controversy in 2013 over the oil benchmark. There was some delay in the passage of the 2013 budget by the National Assembly as a result of the dispute over the price that had to be used for budgeting purposes. Budget is considered as a framework or system for estimating revenue and expenditures for a certain time period, usually one fiscal year. It is a document that lays out the planned policies and programs aimed at achieving the government's developmental goals.

The success of any budget is determined by how well it is implemented. A budget is designed and expected to stimulate growth in the production sector and check inflationary pressure. In addition, it should be capable of correcting any balance of payment deficit and maintaining a reasonable foreign exchange reserve. However, when there are delays and imbalances in budgeting a nation's journey to economic prosperity is slackened (Nwala & Ogboji, 2020). Since 1999, Nigeria has witnessed low level of budget implementation. This has constrained the government's ability to effectively execute projects which would improve the living conditions of the citizenry (Ibrahim, 2011). According to Ogujiuba and Ehigiamusoe (2019), the cause of most problems in Nigeria is imbalance in budget formulation as well as implementation. Ogujiuba and Ehigiamusoe (2021) posit that budget is expected to be the most important economic policy instrument, even though it is shrouded with a lot of myths and illusions. However, for the fact that budgets are often shrouded with a lot of myths and illusions, they might not contribute to the economic growth and development of the country.

The birth of the Keynesian Economics School of thought that emerged immediately at the end of the Great Economic Depression of the 1930s shifted the attention of several countries to the relevance of government involvement in stabilizing and regulating aggregates of the general economy. Two main categories of economic policies have been widely employed over a vast period of time. The intention is to stabilize an economy and achieve some essential macroeconomic goals and objectives in specific terms; these are fiscal and monetary policies. Although the two policies differ in terms of their structure and the application of their fundamental instruments, they are both essentially targeted at achieving similar goals and objectives of maintaining economic stability in most countries Beetsma & Jensen 2019; Claeys, 2021).

In Nigeria, budgeting process entails budget preparation by the executive, legislative approval and budget implementation by the government ministries, departments, agencies and parastatals. During the budget implementation phase, there are usually many possibilities for interventions and manipulations. The reason for this is that the relevant senior officials of government have a great amount of discretionary power to decide which spending ministry or agency would be granted spending authorization. The implementation of the budget involves two major operations, namely commitments and payments. Concerning the commitment of expenditure, a decision has to be taken to use a particular amount of money from a specific budgetary line so as to finance a specific activity. The manner in which budget is implemented determines the budget results with regard to equitable resource allocation, performance assessment and quality control.

Arising from the frequent change in government as well as progressive change in policy and government philosophy, budgeting has created numerous difficulties concerning the modality of preparation and administration in Nigeria. It has continued to be difficult, both in terms of preparation and execution – a situation that has necessitated continual oversight to guarantee better resource use. Budget implementation in Nigeria has been a major problem for both the commercial and governmental sectors of the economy. Ekpo (2021) argues that poor attitude of administrators toward budget planning and execution, misplaced priorities, budget indiscipline, and insufficiency of money have all constituted obstacles to successful budget implementation

Before incurring an obligation to make expenditures in Nigeria, ministries and agencies are required to obtain spending authorization from the Ministry of Finance with suitable warrants. This warrant is an instrument that authorizes the vote controlling officers to spend money in line with the approved budget estimate. According to Oke (2019). If the Appropriation Act does not go into effect at the start of the year, a provisional general warrant may be issued to allow the government to continue operations at a level that does not exceed that of the previous year's budget items. The length of period of spending authorization is determined in the cash flow estimate for the period when payments are made. Because officials have a significant degree of discretionary authority over which expenditure ministry or agency will be awarded spending permission, there are numerous opportunities for manipulation, falsification, and interference throughout the budget implementation phase.

Statement of the Problem

In recent years, particularly in the fiscal years 2023 and 2024, Nigeria has faced significant challenges in the formulation and implementation of its national budgets. These challenges have had far-reaching implications for the country's economic development and overall governance. Some of the key issues include:

- **Revenue Volatility:** Nigeria's budgets have been heavily reliant on revenues from oil exports, making the budget vulnerable to fluctuations in global oil prices. This revenue volatility has often led to budget deficits, hampering the government's ability to effectively implement planned programs and projects.
- **Inadequate Implementation and Monitoring:** Despite the allocation of funds to various sectors and projects in the budget, there has been a persistent issue of poor implementation and monitoring. This lack of effective oversight has resulted in delays, cost overruns, and in some cases, the abandonment of crucial projects, thereby hindering the achievement of desired developmental outcomes.
- **Corruption and Mismanagement:** Corruption and mismanagement have plagued budget implementation in Nigeria, siphoning off funds intended for public projects and services. This has not only undermined the credibility of the budgetary process but has also eroded public trust in the government's ability to judiciously utilize resources for the common good.
- **Infrastructure Deficit:** Despite budgetary allocations to infrastructure development, Nigeria continues to grapple with a significant infrastructure deficit, including inadequate roads, power supply, healthcare facilities, and educational institutions. This has hindered economic growth, deterred foreign investment, and impeded the overall quality of life for Nigerian citizens.
- **Debt Burden:** The increasing reliance on borrowing to finance budget deficits has resulted in a burgeoning national debt burden. High debt levels not only strain the country's fiscal position but also raise concerns about debt

sustainability and the potential for future economic instability.

- **Inflationary Pressures:** The mismatch between budgetary allocations and actual expenditures, coupled with macroeconomic challenges, has contributed to inflationary pressures in the economy. High inflation rates have diminished the purchasing power of citizens, increased the cost of living, and posed additional challenges to economic stability and growth.
- **Policy Inconsistencies**:
- Inconsistencies in policy formulation and implementation have further complicated budgetary challenges in Nigeria. Lack of policy continuity and coherence have undermined the effectiveness of budgetary interventions and impeded long-term planning for sustainable economic development.

Addressing these complex issues surrounding the 2023 and 2024 budgets in Nigeria will require a comprehensive and coordinated approach that prioritizes transparency, accountability, efficiency, and effectiveness in budget formulation and implementation. Sustainable solutions must be pursued to enhance revenue diversification, improve governance practices, combat corruption, prioritize critical infrastructure projects, manage debt levels prudently, and promote policy coherence to foster inclusive and sustainable economic development in Nigeria.

Research Questions

(i) What are the effect of public capital expenditure on Nigeria Economic Development?

(ii) To what extent is the effect of public recurrent expenditure on Nigeria Economic Development?

The main objective of this study was to examine the effect of budget implementation on Nigeria Economic Development as it concern economic growth in Nigeria. The specific objectives are to:

(i) Examine the effect of public capital expenditure on Nigeria Economic Development

(ii) Determine the effect of public recurrent expenditure on Nigeria Economic Development

Conceptual Framework

Concept of Capital Expenditure and Recurrent Expenditure

Capital expenditure and recurrent expenditure are two key components of government spending that play distinct roles in economic development, public service delivery, and fiscal sustainability. This literature review provides an in-depth analysis of capital and recurrent expenditures, highlighting their definitions, characteristics, impacts, and implications for public finance management.

- **Capital Expenditure**: Capital expenditure refers to government spending on long-term investments in assets such as infrastructure, equipment, and buildings that are expected to provide benefits over multiple years. These investments are intended to enhance the productive capacity of the economy, improve public services, and stimulate economic growth. Capital expenditure is typically characterized by its durable nature, high initial cost, and long-term impact on development.

- **Recurrent Expenditure:** Recurrent expenditure, on the other hand, comprises regular government spending on day-to-day operations, maintenance, and service delivery activities. This category includes expenditures on salaries, utilities, supplies, and other operational costs necessary for the functioning of government agencies and the provision of public services. Recurrent expenditure is essential for the ongoing operations of the government but does not typically result in the creation of new assets or infrastructure.
- **Economic Development:** Capital expenditure plays a critical role in promoting economic development by fostering infrastructure development, enhancing productivity, and attracting private sector investment. Investments in areas such as transportation, energy, and education can have multiplier effects on economic growth and contribute to long-term prosperity. Recurrent expenditure, while necessary for service delivery, may not have the same direct impact on economic development but is essential for maintaining the functioning of public services.
- **Fiscal Sustainability:** Balancing capital and recurrent expenditures is crucial for ensuring fiscal sustainability and long-term budgetary stability. Over-reliance on recurrent expenditure at the expense of capital expenditure can lead to a lack of investment in critical infrastructure and hinder long-term growth prospects. Conversely, excessive capital expenditure without adequate consideration for recurrent costs can strain government resources and lead to budget deficits.
- **Service Delivery and Efficiency:** Recurrent expenditure is vital for the provision of essential public services such as healthcare, education, and security. Efficient allocation of recurrent funds is essential for improving service delivery outcomes, enhancing government efficiency, and meeting the needs of the population. Capital expenditure, when strategically planned and implemented, can complement recurrent spending by improving the quality and accessibility of public services.

In conclusion, capital expenditure and recurrent expenditure are integral components of government budgeting and public finance management. While capital expenditure is essential for long-term development and growth, recurrent expenditure is necessary for the day-to-day functioning of government and service delivery. Balancing these two types of expenditures, prioritizing investments in critical infrastructure, enhancing service delivery efficiency, and promoting fiscal sustainability are key considerations for policymakers seeking to achieve sustainable economic development and effective public governance. International Monetary fund (IMF 2022).

Concept of Public Expenditure

Public expenditures have two main categories, namely capital expenditure and recurrent expenditure. According to Central Bank of Nigeria (CBN) (2021), government (public) capital expenditure is the money spent on goods by the government which are classified as investment goods. This means public spending on things that last for a period of time. This may include investment in hospitals, schools, power sector, telecommunication and road construction. Government recurrent expenditure refers to all payments made by government other than for capital assets. These include the payments for goods and services (wages and salaries, employer contributions), interest payments, subsidies and transfers, etc.

Government expenditure items, whether recurrent or capital, are usually classified into four major groups, namely: administration, economic services, social and community services and transfers. Capital expenditures also include capital components of statutory transfers, alongside government owned enterprises capital and project - tied loans.

Concept of Budgeting

The concept of budgeting originated from the United Kingdom's central government. Following the revolution of 1688, the UK parliament granted the Crown the authority to authorize expenditure and taxation aside from items on the sovereign's civil list, which was subsequently decreased until it only covered the royal family's personal expenses (Bendlebury,2019).According to California Department of Finance(2020), the power and responsibility of the parliament was extended to setting the overall amount of government spending and prescribing or appropriating the amount to be spent for legislative purposes.

Budget has been defined as a plan made for estimating revenue and expenditures for a set period of time, generally a year. It is a document that specifies the policies and programs aimed at achieving a government's development goals. For Meigs & Meigs (2021), budget is a projected complete financial plan that lays out the expected method for attaining financial and operational goals of any given organization. It is considered as the plan of feasible or dominant individuals in an organization, expressed in financial terms and subject to problems imposed by other participants and the environment. In an organization, a budget spells out how the available resources can be used to achieve whatever its producers agreed to be the priorities

A government budget is essentially a financial summary of the government's projected spending and anticipated revenue for a specific time period, generally a year. It is one of the most significant tools in a government's economic policy arsenal. Budgeting and its process in Nigeria continue to be difficult in both the planning and implementation stages, necessitating the requirement for sufficient management targeted at increasing effective resource use throughout the budget implementation stage. To achieve these goals, new audit waves such as value for money audits, due process audits, cost audits, and so on, need to be implemented. Budget plans are detailed, approved, and systematic plans of operation represented in monetary terms for a certain period, generally one fiscal year. Every year, annual budget planning is carried out. The budget of any government is used to allocate resources to strategic goals and prevent resource misallocation. It is also utilized for maintaining macroeconomic and management stability. As a key tool for resource mobilization and allocation, budgets make it easier for the government to achieve its vision and goals in a given fiscal year. Furthermore, public budgets establish the resource allocation to finance both capital and recurring expenditures over a specific time period. The budget process is a series of interrelated activities that guarantee that a budget plan is delivered.

Managers may develop a habit of repeating a similar budget allocation and changing the amounts slightly to account for inflation as time passes. Budgets for projected income and expenditures have been prepared by the government for many years. The government's projected revenues are expected from oil and non-oil sources as well as grants and external assistance, among others. Capital expenditures and recurrent expenditures (personnel expenses, administration, maintenance costs, etc) are among the anticipated expenditures items found in government's annual budgets. In the public sector, budgeting is a document or set of documents that describes the government's financial situation. In the sense that it pertains to projected future revenue and spending, a budget is prospective. A government budget plan can only be implemented properly if the anticipated finances are available, prudently allocated, and accounted for. Ministry of Finance Treasury Department (MFTD 2023)

Nigeria's Public Sector Budget Process: The public budgeting system in Nigeria begins with the executive and legislative branches of government preparing and approving a three-year medium-term expenditure framework (MTEF)/fiscal strategy paper (FSP). Budget preparation, budget approval, budget implementation, and budget evaluation are all important steps in Nigeria's yearly budget process.

The legal position of the budget in the Federal Government is severely constrained. It is the president's official recommendation to Congress. Budgeting is done in a cycles. A budgeting cycle permits the system to absorb and respond to new information, holding the government accountable for its actions. However, numerous variables limit the president's ability to make substantial budget adjustments. In certain states, governors do not necessarily have budget preparation and submission authority, but in some others, the share budget-making authority is shared between the state and other elected administrative officers, civil servants, political appointees, legislative leaders, or a mix of these officials. Preparations start from the federal government level and with the relevant agencies. The agencies start by evaluating their programs and deciding which ones need to be revised and whether new ones should be proposed. At the same time, the relevant staff in the presidency make predictions about expected economic developments in order to assess potential income under current tax legislation. Ministerial approval, executive approval, and parliamentary approval are the three steps of budget approval in the public sector. The budget planning process begins five months prior to the commencement of the fiscal year. The Ministry of Budget and Planning issues guidelines in the form of circulars. When each ministry and extra-ministerial department receives the circular requesting budget estimates, each ministry and extra-ministerial department forms a departmental budget estimate committee. The ministerial head of finance and personnel chairs the committee. Its role is to examine and reconcile budget plans made by various departmental branches, divisions, and units of the ministry.

Budget Implementation Issues in Nigeria When the expected outcome on the target beneficiaries is not realized, a budget implementation problem develops. Some scholars argue that the difficulty with budget execution in Nigeria's fourth republic is attributed to the country's monoculture economy, deficit budgeting, delayed budget passage by the legislature, and poor supervision by the National Assembly. Others reasons include late budget releases by key agencies such as the federal ministry of finance, the Office of the Accountant General of the Federation, and the central bank, as well as the issue of corruption. There might be an implementation gap as a result of a variety of different variables, such as the budget implementers or the context in which the budget policy was developed. When the budget comes from the government rather than the target groups, the implementation gap develops from the budget itself. This indicates that the planning is done from the top down. As a result, the intended beneficiaries are not permitted to participate in the design of policies that impact their lives.

The inability of policy - makers to incorporate social, political, economic, and administrative aspects while assessing and formulating budgets causes a large implementation gap. Nigeria's main challenge is corruption, which leads to a lack of implementation. When a large sum of money is set aside for a project, but the officials in charge of implementation embezzle that sum or a significant portion of the allocated funds, there is an implementation problem.

In order to accomplish effective and efficient budget execution, the proper budget basics, strategy, and managerial responsibility must be in place. Experts contend that the budget essentials include a realistic budget that is implemented with few substantial deviations from plan, low levels of corruption in public spending, high openness in public finance, and public monies should only be used for approved public purposes. Furthermore, the budget implementation process should be under internal and external supervision, with spending units having reasonable assurance about the money that will be available. It's also important to have the proper plan in place to ensure a successful budgeting process that ends with a problem-free implementation

Economic Development

Economic and social development refers to the process by which the economic well- being and quality of life of a nation, region, local community, or an individual are improved according to targeted goals and objectives. In the more remote past, economic development policies focused on industrialization and infrastructure. However, since the 1960s, it has increasingly focused on poverty reduction (Martha, 2016*)*. Economic development is a policy intervention aiming to improve the well-being of people. The concept is said to have originated in the post-war period of reconstruction initiated by the United States.

In economics, the study of economic development is an extension of traditional economics which focused entirely on national product, or the aggregate output of goods and services. Its major concern used to be the expansion of people's entitlements and their corresponding capabilities, morbidity, nourishment, literacy, education and other socioeconomic indicators (Jaffee, 2018).

The development of a country has been associated with different concepts but generally encompasses economic growth through higher productivity. The concepts are also related to political systems which represent as accurately as possible the preferences of its citizens, the extension of rights to all social groups and the opportunities to get them as well as the proper functionality of institutions and organizations that are able to attend more technically and logistically complex tasks.

According to IMF and World Bank Outlined the following as Economic Development Indicators:

- **Gross Domestic Product (GDP):** It measures the total value of all goods and services produced within a country's borders over a specific period. GDP is a key indicator of economic performance and growth. A rising GDP indicates a growing economy, while a declining GDP may signal economic contraction.
- **Unemployment Rate:** The percentage of the labour force that is unemployed and actively seeking employment. High unemployment rates indicate underutilization of labor resources and can negatively impact economic development by reducing consumer spending and overall productivity
- **Human Development Index (HDI):** A composite index that measures a country's average achievements in three basic aspects of human development: health (life expectancy), education (mean years of schooling and expected years of schooling), and standard of living (GNI per capita). The HDI provides a broader perspective on economic development by considering social factors beyond income, such as health and education.
- **Poverty Rate:** The percentage of the population living below the poverty line, often defined by a specific income threshold. High poverty rates indicate income inequality and lack of access to basic necessities, hindering overall economic development.
- **Inflation Rate:** The rate at which the general level of prices for goods and services is rising. Inflation impacts purchasing power, consumer confidence, and investment decisions. Moderate inflation can be beneficial for economic growth, but high inflation can erode the value of money and disrupt economic stability.
- **Foreign Direct Investment (FDI):** Investment made by a company or individual in one country in business interests in another country. FDI reflects investor confidence in a country's economic prospects and contributes to job creation, technology transfer, and infrastructure development.

- **Trade Balance:** The difference between a country's exports and imports of goods and services. A positive trade balance (exports > imports) indicates economic competitiveness and can contribute to economic growth, while a negative trade balance may lead to external debt and currency depreciation.
- **Income Inequality (Gini Coefficient):** A measure of income distribution within a population, ranging from 0 (perfect equality) to 1 (perfect inequality). High income inequality can hinder economic development by limiting access to opportunities and resources for the disadvantaged segments of society.

Economic development indicators provide valuable insights into the overall health and progress of an economy. By monitoring and analyzing these indicators, policymakers, economists, and stakeholders can assess the effectiveness of policies, identify areas for improvement, and work towards sustainable and inclusive economic development.

Empirical Review

The question about the consequences of the expansion of government spending for aggregate economic growth has continued to be asked. Even though there are a lot of opinions, theories and evidence are notably sparse. Several scholars have endeavored to research on how government spending affects economic growth. The literature reviewed in this research is presented hereunder to highlight some of the related studies undertaken earlier in the past, the methodologies they used and the results they obtained. Ekpo (2019) examined the effect of government expenditure on economic growth, using ordinary least squares approach with annual data for 1960-90.The result of the study showed that capital expenditures on transport and communication, agriculture, health and education positively influenced private investments in Nigeria. This enhanced the growth of the overall economy.

While examining the growth impact of recurrent, capital and sectoral expenditures over the period 1970-93, Ogiogio (2020) observed the existence of a longrun relationship between economic growth and government expenditure. The study also found that government investment programs in socio-economic infrastructure provided conducive environment for private-sector-led growth. Guseh (2019) carried out a study on the effect of government spending on economic growth in some middleincome countries. The result indicated that there was an indication of the case where government spending can negatively affect economic growth. It also showed that growing public expenditures on some specific sectors of an economy might also serve as a disincentive to economic growth. Foister and Henrekson (2019) also carried out a similar study in rich countries between the years 1970 – 1999 and found a robust negative relationship between government expenditure and growth.

Abu-Bader and AbuQarn (2022) conducted some study and found that larger government spending on the military slowed down economic growth in the cases of Syria, Egypt, and Israel. However, empirical findings from Bose, Haque and Osborn (2017) as well as Baldacci, Clements, Gupta and Cui (2018) indicated a significant positive impact of public capital expenditures on the economic growth of some developing economies within a disaggregated analysis framework. The study by Alexiou (2019) on some countries in southeast Europe also revealed a significant positive impact of government spending on capital formation, combined with some other factors like private investment and trade openness, on economic growth. Garry, Carlos and Valdivia (n.d.) developed different complementary approaches to determine the impact of public expenditure on economic growth in Mexico, Central America and the Dominican Republic. The evolution of the countries' fiscal performance was analyzed; the strong link between public spending and economic growth was verified and the long-run relationship between current and capital expenditure with GDP growth was identified. The results of the study showed that public spending had a significant multiplier effect in the short and long-term, highlighting its persistence over time.

The empirical evidence suggests that (i) The contribution of public spending to GDP growth in 2005-2014 in most countries was significant, but the contribution of investment to GDP growth had moderated; (ii) the correlation coefficients show that there was a positive and strong relationship between economic growth and current expenditure in all countries in the sample, but it was weak between capital spending and economic growth; (iii) Cointegration tests for economic growth and public expenditure (current and capital) showed the existence of a long-term relationship for all countries included in the study; (iv) In terms of the multipliers: the cases of Mexico, Costa Rica and Panama stood out, as the sum of multiplier effects in the long-term for these three countries reached values of 2.9, 2.6 and 2.3,respectively.The Dominican Republic and Honduras registered values of 2.2 and 2.1, respectively. However, Guatemala and Nicaragua reported values of 1.6 and 1.8, respectively, (v) the analysis of the impulse-response functions confirmed that current expenditure had a significant cumulative effect on economic growth and that capital expenditure had a small and even negative effect on GDP growth in most of the countries of the sub-region, with the exception of Costa Rica and Panama. It was also observed that the effects of public expenditure on economic growth were persistent over time. The implication is that it is possible to promote a budget reengineering to efficiently use scarce public resources in the long-term.

Using panel data estimation techniques while carrying out a related research on some group of Sub-Saharan African countries, Yasin (2011) found a significant positive impact of government expenditures on their economic growth. A handful of similar studies have been carried out in Nigeria. Nurudeen and Usman (2010) investigated the impact of government expenditure on economic growth in Nigeria.

Fajingbesi and Odusola (2019) empirically investigated the relationship between government expenditure and economic growth in Nigeria, In a more recent period, Egbetunde and Fasanya (2013) analyzed relevant data in Nigeria for the period from 1970 to 2010 and obtained some results which showed that the total government expenditure had a negative impact on growth and that only recurrent expenditures had some weak positive impacts. Okoro (2013) investigated the effect of government expenditure on Nigerian economic growth, using time series data spanning 32 years (1980-2011), the ordinary least square multiple regression technique, the Granger Causality Test, Johansen Cointegration Test, and Error Correction Mechanism. The dependent variable was real gross domestic product (RGDP), whereas the independent variables were government capital expenditure (GCEXP) and government recurrent expenditure (GREXP). The results of the investigation revealed that there was a long-run equilibrium link between government expenditure and economic development in Nigeria. Okoro (2013) observed the existence of dynamic changes in the nature of the impacts of government expenditure on economic growth in Nigeria as regards capital and recurrent expenditure both on the shortrun and long-run bases.

Also, the study by Njoku et al (2014) that investigated the impact of government spending on Nigerian economic growth from 1961 to 2013, observed a substantial link between federal government spending and Nigerian economic growth. Nwanne (2015) investigated the effect of government capital expenditure on the manufacturing sector output in Nigeria. The study employed quantitative time series data and multiple regression techniques in the analysis. The result of the co-integration test indicated that there was some long run relationship between dependent and independent variables. It also revealed that capital expenditure on road infrastructure (CEXR) and telecommunication (CEXT) affected the manufacturing sector output in Nigeria significantly while government capital expenditure on power had insignificant effect on manufacturing sector in Nigeria. Employing the content analysis approach, Nwaorgu (2015) investigated the impact of powerful persons on Nigerian budget implementation. The literature and empirical research revealed that dominating persons' embezzlement and fraudulent activities varied from budget item manipulation before and after yearly estimate approval. They also disclosed that the failure of Nigeria's budget was due to a lack of appropriate budgeting processes.

Chikelu and Okoro (2016) sought to find out if Nigeria's low manufacturing growth is due to a lack of capital expenditure allocation and whether there is a causal link exists between capital expenditure and manufacturing sector growth. The study applied the Augmented Dickey Fuller (ADF) unit root test as well as Johansen Co-integration analysis to the variables in the model. The result of the study showed that capital investment had a substantial influence on the manufacturing sector's growth, it also revealed that capital expenditure Granger drives Nigeria's industrial sector growth. In the same direction,

Olaoye, et al (2017) sought to determine the influence of capital budget spending execution on economic development in Nigeria. The study's secondary data were gathered from the Central Bank of Nigeria's (CBN) statistical bulletins Some preliminary analysis were carried out, using the Augmented Dickey-Fuller unit root test, co-integration test, and error correction model (ECM) analysis. The results of the study indicated that capital expenditure execution is critical to Nigeria's economic progress. Although there are overwhelming empirical evidences supporting the positive effect of government spending on economic growth, nevertheless, there are other empirical findings that have supported the contrary about the same relationship. In addition, some studies such as that carried out by Oteng-Abayie (2011) for some West African countries have emerged with the findings that found no causal relationship between government spending and economic growth. Also, from their study, Usman et al (2011) obtained a result showing that public expenditure has no impact on economic growth in Nigeria. However, their findings further showed that a long-run relationship exists between public expenditure and economic growth in the country. From the foregoing review of the related literature, it is obvious that there were inconsistencies among the results obtained. Hence, the need and justification for furthering the investigation.

Theoretical Framework

This study adopt Keynesian Theory by the British economist John Maynard Keynes. According to Keynesian theory, government spending, particularly deficit financing, can offer short-term stimulus to assist prevent a recession or depression. On the other hand, the Keynesians encourage policymakers to be ready to cut government spending once the economy improves in order to avoid inflation. Increases in government spending (on infrastructure) contribute to better economic growth in this model. Other models claim that government fiscal policy has no influence on national output growth. Many economic theories exist, but the Keynesian notion of increased government action as a catalyst for economic growth was judged the most suitable. Consequently, this work was anchored on the Keynesian theory

Relevance of Keynesian Theory to the Study

Keynesian economics, formulated by British economist John Maynard Keynes, has significant relevance to the study of the effect of budget implementation on the Nigerian economy. Here's a detailed exploration of the key points:

- **Demand Management:** Keynesian theory emphasizes the role of government intervention in managing aggregate demand to stabilize the economy. In the context of Nigeria, effective budget implementation can be viewed as a tool for demand management. By allocating funds for infrastructure development, social programs, and other projects, the government can stimulate economic activity and boost aggregate demand, leading to economic growth.
- **Counter-Cyclical Policies:** Keynesian economics advocates for counter-cyclical policies to address economic downturns. During periods of recession or low growth in Nigeria, the government can use budgetary measures such as increased public spending and tax

cuts to stimulate demand and support economic recovery. Conversely, during periods of high inflation, the government can implement contractionary fiscal policies to curb excessive aggregate demand.

- **Unemployment Reduction:** Keynesian theory highlights the role of government spending in reducing unemployment. By allocating funds towards labor-intensive projects in areas such as infrastructure, healthcare, and education, budget implementation can create job opportunities and reduce unemployment rates in Nigeria, thereby contributing to economic stability and social welfare.
- **Multiplier Effect:** The Keynesian multiplier effect suggests that an initial increase in government spending can lead to a larger increase in national income through subsequent rounds of expenditure. In the context of budget implementation in Nigeria, targeted spending on key sectors can have a multiplier effect, generating income, consumption, and investment, thus fueling economic growth.
- **Infrastructure Development:** Keynesian economics underscores the importance of infrastructure investment in driving long-term economic growth. Effective budget implementation that prioritizes infrastructure projects such as roads, bridges, energy, and telecommunications can enhance productivity, reduce transportation costs, and attract private sector investment, laying the foundation for sustained economic development in Nigeria.
- **Income Distribution:** Keynesian economics also addresses income distribution and social welfare. Through progressive taxation, targeted social programs, and budget allocations for healthcare and education, budget implementation in Nigeria can help reduce income inequality, improve access to essential services, and promote social cohesion, contributing to overall economic well-being.

The application of Keynesian theory to the study of budget implementation in the Nigerian economy underscores the importance of proactive government intervention, strategic fiscal policies, and targeted investments to promote economic growth, stability, and equitable development. By aligning budgetary measures with Keynesian principles, Nigeria can harness its economic potential, address key challenges, and foster a more resilient and inclusive economy.

Methodology

This study employed the ex-post facto research design The Ordinary Least Squares (OLS) regression technique was used to analyze the annual time-series data for the period from 2000 to 2016. Economic development was proxied by real gross domestic product while budget implementation, the explanatory variable, was represented by public capital expenditure and public recurrent expenditure. The secondary data were retrieved from the CBN Statistical Bulletin 2017.

Ex post facto research design, also known as causal-comparative research, is a valuable methodology in the field of social sciences, especially when experimental manipulation of variables is impractical, unethical, or impossible. Here are some detailed justifications for using this research design:

- **Ethical Considerations:** In certain situations, it is unethical or impractical to manipulate variables intentionally. Ex post facto research allows researchers to study variables that have naturally occurred, without interfering with the participants or the environment. This design ensures that the study is conducted ethically and without causing harm to individuals.
- **Naturalistic Observation:** Ex post facto research provides a way to examine and understand real-world phenomena that have already taken place. It allows researchers to study variables as they naturally occur in the environment, providing insights into behaviors, attitudes, or outcomes without artificial manipulation.
- **Causal Inference:** While ex post facto research does not establish causation as definitively as experimental designs, it can still help in identifying potential causal relationships between variables. By studying the effects of naturally occurring independent variables on dependent variables, researchers can draw inferences about possible causal relationships, contributing to the understanding of complex phenomena.
- **Time and Cost Efficiency**: Conducting experimental research can be time-consuming, resource-intensive, and logistically challenging. Ex post facto designs are often more efficient in terms of time and cost, as researchers can capitalize on existing data sets or naturally occurring events to study relationships between variables.
- **Complexity of Variables:** In some research contexts, variables are inherently complex or multi-faceted, making it difficult to isolate and manipulate them experimentally. Ex post facto research allows researchers to explore these intricate relationships in a more natural setting, providing a richer understanding of the complexities involved.
- **Longitudinal Studies:** Ex post facto research designs are particularly useful for longitudinal studies, where researchers track changes in variables over an extended period. By examining data collected at different points in time, researchers can analyze how variables interact and influence outcomes over time, providing valuable insights into developmental processes or trends.
- **External Validity:** Ex post facto research enhances the external validity of studies by investigating phenomena in real-world settings. Findings from these studies are often more generalizable to broader populations or contexts, as they reflect natural variations and conditions that are not artificially manipulated.

In conclusion, ex post facto research design serves as a valuable tool in the social sciences, allowing researchers to explore complex phenomena, draw causal inferences, and study naturally occurring variables in an ethical and efficient manner. By leveraging existing data and real-world events, researchers can gain valuable insights into relationships between variables and contribute to the advancement of knowledge in their respective fields.

Table 2 Exchange Rate (EXR)

Yea r	Capital (CAPEXP) Expen diture N Billion	Recurrent Expenditure(RECEXP) Billion	Reel GDP(RGDP) N Billion
2000	239.45	461.6	22688.28
2001	438.7	579.3	25267.54
2002	321.38	696.8	28957.71
2003	241.69	984.3	31709.45
2004	351.25	1110.64	35020.55
2005	519.47	1321.23	37474.95
2006	552.39	1390.1	39995.5
2007	759.29	1589.27	42922.41
2008	960.89	2117.36	46012.52
2009	1152.8	2127.97	49856.1
s201 0	883.87	3109.44	54612.26
2011	918.55	3314.51	57511.04
2012	874.7	3325.16	59929.89
2013	1108.39	3214.95	63218.72
2014	783.12	3426.94	67152.79
2015	818.35	3831.98	69023.93
2016	634.79	4178.59	67931.24

Source: **CBN Statistical Bulletin, 2017**

Capital, Recurrent Expenditure and Real Gross Domestic Product (RGDP) from 2000-2016

YEARS	EXCHANGE RATE
2000	58.25
2001	70.58
2002	83.13
2003	106.68
2004	126.69
2005	143.78
2006	148.33

2007	155.75
2008	90.31
2009	97.44
2010	93.39
2011	89.82
2012	79.58
2013	74.2
2014	69.51
2015	70.83
2016	78.7

Source: CBN Statistical Bulletin, 2017

Data Analysis and Results

Like in the study of Boye, Mireku-Gyimah and Okpoti (2017), the Ordinary Least Squares (OLS) normality assumption which could introduce errors in the statistical; analyses was dealt with in the modelling by log transformation of the date. The purpose was to ensure the data were normally distributed and that there was no correlation between them. In addition, minimizing of sum of squares error method was utilized to derive the model coefficients. Further, from the above variables it is evidenced that some of the data are in rate while others are not. Consequently, for all the variables to be in the same appropriate coefficient, variables that are not in rates will be logged.

Unit Root Test

Table 3 Philip Perron Test for Stationarity

Variables	PP test Stat	5% critical Value	Order of Integration
LNRGDP	-6.474672	-3.791172	1(2)
EXR	-16.41752	-3.791172	1(2)
LNCAPEXP	-4.380375	-3.759743	1(1)
LNRCEXP	-5.012739	-3.759743	1(1)

Source: Author's Computation using E-view 8

Since time series data are generally characterised by unit not, the Philip Perron (PP) Unit root test was performed on the time series to determine the stationarity of the data utilized for analysis. The ADF assume asymptotic distribution. However, as the time series is limited to 17 observations (2000-2016), the PP method was used to established the order if integration of the variables. The study used a full log llinear model for logging all of the variables provided in the model. The results of the test as shown in table 3 indicates that none of the variables was stationary at level form. While the

LNCAPEEXP and LNRECEXP became stationary at first difference, the LNRGDP and LNEXR were stationary at second difference. After determining the alternative orders of integration of variables and confirming that the variables were cointegrated, we proceeded to the regressing analyses using E-views 8 (see table 5).

Residual Diagnostics Test

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	0.701352	Prob. F(2,10)	0.5188
Obs*R-squared	1.845226	Prob. Chi-Square(2)	0.3975
Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	1.755253	Prob. F (2,12)	0.2145
Obs*R-squared	3.394963	Prob. Chi-Square(2)	0.1831
Scaled explained SS	2.794654	Prob. Chi-Square(2)	0.2473

Source: Author's Computation Using E-view 8

Table 4 shows that the residual diagnostics tests done at the 5% level of significance confirm that the model's residual is not serially correlated and shows no signs of heteroscedasticity. This is based on the finding that the probabilities of both the chi-square, f-statistics, and sum of square of the Breuch-Godfrey serial correlation LM test and Breusch-Pagan-Godfrey heteroscedasticity test were greater than 5%

Table 5: Regression Analysis

Variable	Coefficient	Std. Error	T-Statistic	Prob.
C	-0.0003352	0.013061	-0.2566605	0.8018
D(LNRECEXP)	-0.013614	0.073561	-0.185067	0.8563
D(LNCAPEXP)	-0.008998	0.034486	-0.260907	0.7986
R-squared	0.006809	Mean dependent var	0.005366	
Adjusted R-squared	-0.158723	S.D dependent var	0.030432 -3.822488	
S.E. of regression	0.032758	Akaike Info criterion	-3.680878	

Sum squared resid	0.012877	Schwarz criterion	-3.823997
Log likelihood	31.66866	Hannan-Quinn criter	
Prob (F-statistic)	0.959837		

Source: Author's Computation using E-view 8

Table 8 shows the regression results. At 5% level of significance, both public capital and recurrent expenditures had weak and negative effects on the Nigerian economic development during the study period. With the likelihood of f-statistics of 0.959837 (which greater than 0.0500), the implication is that the combined influence of CAPEXP and RECEXP on Nigeria's real gross domestic product was non-significant. The results of the study also show that 1% increase in public recurrent expenditure caused a 0.013 percent drop in Nigeria's real gross domestic product while 1% increase in public capital expenditure resulted in 0.009 percent decrease in real gross domestic product in Nigeria. In addition, coefficient of determination reveals that capital and recurrent expenditure put together accounted for less than 1% (0.006809) of changes that occurred in Niger's real gross domestic product/economic development.

Discussion of the Findings

The regression results show that public capital and recurrent expenditures had weak and negative effects on the Nigerian economic development during the study period. This falls short of the a priori assumption, as government's spending is supposed to boost its economy. This means that government spending throughout the millennial period, from 2000 to 2016, had a negative influence on the Nigerian economy. The results contradict the Keynesian theory which posits that increases in government spending (on infrastructure) should contribute positively to economic growth.

These abnormal findings might not be unrelated to the fact that Nigeria's economy was being harmed by the degree of corruption among government officials and political office holders. Government officials' failure to be committed to the course of national interest and welfare, as evidenced by fiscal indiscipline, embezzlement, and diversion of public resources for personal gain, had resulted in some important sectors serving as a drag on Nigeria's economic growth.

The results contradict the findings of other studies such as Bose et al. (2007), Alexiou (2889), Njoku et al, (2014) and Egbetunde and Fasanya (2013) that all reported a significant ant positive relationship between public spending and economic growth. However, the conclusions of this study agree with those of Nwaorgu (2015),Oteng-Abaye(2011) and Usman et al.(2011) whose works were all centered on Nigeria.

Conclusion

The main purpose of this study was to determine how budget implementation by Nigeria affected her economic development during the period from 2000 to 2016. Using the data retrieved from the Central Bank of Nigeria Statistical Bulletin 2017, the study employed the *ex post facto* research design. The E-Views 8 statistical software was employed to carry out multiple linear regression of the time series data. The results of the study showed that government capital and recurrent expenditures during the period had negative and non - significant effects on Nigeria's real gross domestic product. These results suggest that due process was compromised at the budget implementation stage.

The study recommends that government should ensure the strict adherence to due process in the implementation of its annual budget. In addition, the government should ensure adequate capital and recurrent expenditure implementation in the country, particularly in areas of economic and socio-community services, as well as overhaul ministries and government agencies to eliminate and close loopholes impeding effective and efficient capital budget implementation in the country. Future studies can be centered on assessing how the established linkages can be complemented with other policy variables so as to engender positive outcomes on economic growth.

Recommendations

Based on the objectives of the study and the research findings, the study recommend the followings

- **Transparency and Accountability**: Enhancing transparency and accountability in budget implementation processes in Nigeria can significantly impact economic development. Implementing mechanisms to track budget allocations, expenditures, and outcomes can help ensure that funds are used efficiently and effectively, ultimately leading to improved economic growth and development.
- **Prioritization of Key Sectors**: It is crucial for Nigeria to prioritize key sectors such as infrastructure, education, healthcare, and agriculture in budget implementation. Allocating adequate resources to these sectors and ensuring that funds are utilized effectively can help stimulate economic growth, create employment opportunities, enhance productivity, and improve the overall quality of life for citizens.
- **Capacity Building and Monitoring:** Investing in capacity building for government officials involved in budget implementation and establishing robust monitoring and evaluation mechanisms can help enhance the effectiveness of budget execution. By improving the skills of personnel responsible for budget implementation and ensuring proper oversight, Nigeria can maximize the impact of budget allocations on economic development outcomes.
- **Public Participation and Engagement:** Encouraging public participation and engagement in the budget implementation process can foster transparency, accountability, and inclusiveness. By involving citizens, civil society organizations, and other stakeholders in decision-making processes related to budget implementation, Nigeria can ensure that resources are allocated in a manner that addresses the needs and priorities of the population, ultimately contributing to sustainable economic development.

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