

## Fiscal Policy and Government Revenue Nexus: Evidence from Nigeria

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**Abstract:** This paper examined the nexus of fiscal policy and government revenue in Nigeria over a period of 41 years. The study made use of secondary data garnered from the Central bank of Nigeria Statistical bulletin for the period covered. The requisite diagnostic tests were conducted on the time series data to ensure that the data was fit for empirical use. The study employed the Ordinary Least Squares Regression (OLS) method. The method was adjudged appropriate for the study because of the Best Linear Unbiased Estimator property (BLUE) of the OLS. The estimation result revealed that all the independent variables except Government Domestic Debt (GDOD) were positively correlated with the dependent variable. It was further revealed that all the independent variables except Government Capital Expenditure are empirically significant to Total Federally Collected Revenue in Nigeria. From, the F-statistic, the study concluded that fiscal policy has strong statistical influence on government revenue in Nigeria.

**Keywords:** Fiscal Policy; Government Revenue; Nigeria

### 1. Introduction

The economic performance of Nigeria is of great interest to various researchers as it has not been very progressive Yung, Ho & Tang (2021). The government has sought to be more deliberate in economic management through the adoption of macro-economic policy options such as fiscal policy to make for growth and revenue generation. Fiscal policy refers to government spendings, taxing, borrowing and debts management. The government through its fiscal policy can influence the nature of economic activities in a country (Osiegbu & Onuorah, 2010). This is supported by Babalola (2015) who noted that fiscal policy serves as and for economic improvement in developing countries. Fiscal policies provide for economic management and any rational government seeks to adopt macro-economic tools to improve the standard of living of its populace.

Fiscal policy comprises of two major parts. These include: government expenditure and taxation. Government can influence each of these two variables with a view to achieving a certain level of economic activity and objectives which would favour the entire population. One of the tools of fiscal policy used by the government to fuel growth and development is public spending. Government

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finance on the other hand is the deliberate manipulation of revenues and expenditures of the government.

The achievement of macro-economic policy objectives depends largely on the dynamism of government in its expenditures, incomes, debts management and budget implementation process. (Osuka & Ogbonna, 2013). Borozan and Cipcic 2022 attribute inadequate resource management unstable oil prices and over dependence on external financing to the continuous budget deficit in oil producing countries. This is because the government of the oil producing countries view the oil price boom as a permanent shock (Ereghan & Mesagan 2020).

Nigeria as one of the oil producing countries in the world has over the years recorded periods of oil boom as a nation and revenues from this sector popularly referred to as windfalls have always been shared among the 3 (three) tiers of government for developmental purposes. Aside from this, government also generate revenue from tax on individuals, corporate income as well as goods and services consumed. Before now in the period of oil boom some infrastructures were still manageable, companies were still springing up in different parts of the country. Job opportunities were readily available to graduates. Nigerian external reserve was favourable and exchange rate to dollar almost at par. Debt burden was not an issue as the country could easily service them from the reserve with World Bank. Nigerian roads were motorable, railways in good shape.

Presently, our roads, railways, electricity supply, bridges etc are in very bad state. Avoidable accidents are recorded daily on our roads. Workers at federal, state and local government levels are owed salary arrears (some for as long as 9 months) without any hope of being paid.

In spite of the huge annual budgetary allocations for Capital Projects and loans obtained from both local and foreign Agencies, the government is still complaining of paucity of fund to execute some major Projects and address major infrastructural challenges like Power. Over time developing nations have had cases of fiscal deficit. The failure on the part of government to address these issues have forced many businesses to fold up while some are operating skeletally. A question to address is, what has happened to the money generated from crude oil exports and other Revenues from non-oil?

It is in the light of above that this study was undertaken to empirically establish where or what we have done wrong as a nation that has plunged us into the present condition we are in and proffer solution on the way out. The main objective of this study is to examine the nexus of fiscal policy and government Revenue in Nigeria.

## **2. Literature Review**

Valmont (2013) defined fiscal policy as “the economic term which describes the actions of a government in setting the level of public expenditure and the way in which that expenditure is funded”. Nightingale (2011) saw tax as a compulsory contribution imposed by the government on the citizen. The Nigerian tax system can be traced back to 1904 when the colonial masters introduced the personal income tax in northern Nigeria before the amalgamation of the country. Later it was implemented through the Native Revenue Ordinances to other regions of the country (western and eastern regions) in 1917 and 1928, in that order. Along with other amendments implemented in the 1930s, it was later built-in into Direct Taxation Ordinance No. 4 of 1940 (Library of Congress, 2008). From the forgoing, it can be observed that the Nigerian tax system has been based on the 1948 British

tax laws and has been going through constant changes ever since. Ever since, diverse governments have been unrelenting in improving the Nigeria's taxation system.

Kay, (2012) opined that tax avoidance takes place when facts of the transaction are admitted but they have been prearranged or presented in such a way that the resulting tax treatment is different from that intended by the appropriate legislation. Simply put, tax evasion is adjudged illegal while tax avoidance is said to be legal under the eyes of the law (Soyode & Kajola, 2013; Kay, 2012). Nigeria has recorded an upward swell in tax revenue above the given target year in and year out. The Federal Inland Revenue Service reported that there was tax increase from N2.83 trillion to N4.71 trillion between 2010 and 2014 respectively. Okoye, *et al* (2019), noted that inflation erodes purchasing power of the national currency and subsequently causes reduction in economic growth.

Some prior studies have attempted to examine the relationship between fiscal policy and other macroeconomic variables. Omodero and Okafor (2016) investigated the influence of fiscal policy on economic growth over a period of 20 years in Nigeria. The study used multiple regression to analyse data collected and revealed the existence of negative relationship between external debts and real Gross Domestic Product. In support of Keynesian theory carried out on a study on the nonlinear government expenditure cum growth nexus in South Africa. The findings of the study revealed that South Africa governments excessive spending was not a solution to any financial or monetary issue.

Morakinyo, *et al* (2018) through the use of time series data investigated the impact of macro-economic tools; fiscal policy on economic growth in Nigeria. The findings of the study revealed that recurrent expenditure and public domestic debt exert negative relationship while capital expenditure and external debt exert positive relationship in the long- run on economic growth. Okoye, *et al* (2019) using the econometric method of Auto regressive distributed lag the study investigated how macroeconomic indications influence fiscal deficits in then budgetary policy of Nigeria. The study shows a significant positive effect of inflation on fiscal deficits.

Okoye, *et al* (2021), analysed the energy consumption and economic growth nexus in Nigeria using ex-post facto design to investigate economic growth and energy consumption. The findings of the study revealed that infrastructure and energy consumption have significant influence on economic growth. Afrogha and Afrogha (2022) examined diversification for economic growth measured by the contribution of agriculture to economic growth using the Ordinary Least Square Method. The findings of the study revealed diversification had positive influence on economic growth.

### 3. Methodology

This work used the ex-post -facto design for the period that span from 1981 to 2021. The study covers the macro-economic environment of Nigeria. The consequently targeted population defines the limit within which the research findings are applicable. However, the sample size of this study is government capital expenditure (GCEX), government external debt (GEXD), government domestic debt (GDOD), government Current expenditure (GCUE), government tax revenue (GTRN) in Nigeria. The non-probability sampling technique will be used for this work. Secondary data picked from the CBN Statistical Bulletin will be used. Out of the total population of fiscal policy variables, five (5) independent variables namely Government Capital Expenditure (GCEX), government external debt (GEXD), government domestic debt (GDOD), government Current expenditure (GCUE), Government Tax Revenue (GTRN) and Total Federally Collected Revenue (TFCR) in Nigeria will be selected.

Secondary data sourced from CBN statistical bulletin (2015) and Federal Ministry of Finance. This was downloaded from the internet and visits was made to state CBN office in Asaba Delta state to ask for any other data that will be relevant for the work. Data for period covering 1981 to 2015 (i.e. 34 years) was used. The variables are Government Capital Expenditure (GCEX), government external debt (GEXD), government domestic debt (GDOD), Government Current expenditure (GCUE), Government Tax Revenue (GTRN) and Total Federally Collected Revenue (TFCR) in Nigeria.

Time series data sourced from CBN statistical bulletin will be used. Econometrics View (E-View) version 7 will be used to analyze and run regression on data and the ordinary least square (OLS) estimation will be employed to test the significance level of hypotheses.

**Model Specification**

The model specification will be based on the theory that fiscal policy impacts on government Finance. The functional form of the model can be written as:

$$Y = F (X_1, X_2, X_3, X_4 \dots X_n).$$

$$TFCR = F (GTRN, GCUE, GCEX, GEXD, GDOD)$$

Where:

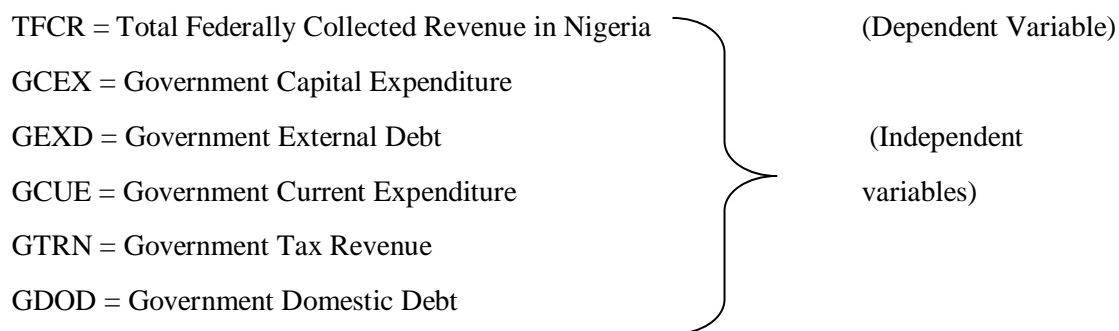
Given the above, we specify the model as:

$$TFCR = F (GTRN, GCUE, GCEX, GEXD, GDOD) \tag{1}$$

The model can be expressed in estimation form as follows:

$$TFCR_i = \alpha_1 GTRN_i + \alpha_2 GCUE_i + \alpha_3 GCEX_i + \alpha_4 GEXD_i + \alpha_5 GDOD_i \tag{2}$$

Where



Apriori Expectations are:

$$\alpha_2, \alpha_3 < 0$$

$$\text{While } \alpha_1, \alpha_4, \alpha_5 > 0$$

Total Federally Collected Revenue in Nigeria (TFCR) is expected to reduce as Government capital expenditure (GCEX) and Government Current expenditure (GCUE) increase, while increase in government external debt (GEXD), government domestic debt (GDOD) and Government Tax Revenue (GTRN) are expected to bring about proportional increase in Total Federally Collected Revenue in Nigeria (TFCR).

### **3.1. Total Federally Collected Revenue (TFCR)**

Government generates its total revenue from oil and non-oil sources. Oil sources include revenue from crude oil/gas export, petroleum profit tax, domestic crude oil sales while proceeds from company income tax, customs and excise duties, privatization/GSM income, value added tax, education tax, grants, independent government revenue among others account for non-oil revenue. In 1981 Government Total Revenue was 13.29Billion. This fell to N11.25bn in 1984. It suddenly rose to N15.05bn in 1985, but dropped the following year 1986 to 12.60bn. Thereafter Revenue assumed an astronomical rise through 1987 to 1994 from 25.38bn to 201.91bn, increasing from 0.02% to 0.20%. The upward trend was sustained from 1995 with a revenue of 459.99bn representing 0.45% of total income to 1999 with revenue of 949.19bn indicating 0.93% growth. The year 2000 recorded an unprecedented increase from 949.19bn in 1999 to 1906.16bn, which clearly is more than twice of what was earned in 1999 showing 1.87% rise. The Revenue growth trend continued in 2001 with an income of N2, 231.60bn as against the previous year 2000 that received N1906.16bn which was just 1.87% as against 2.19% collected in 2001. The year 2002 saw a drop in Total Revenue by 1.70% from 2.19% the previous year.

However, the year 2003 jump started the upward rise in Revenue with a 2.52% in income of N2, 575.10bn as against 1.70% earned the previous year. This trend was sustained through 2003 to 2008 when Revenue grew from 1.70% to an all-time high of 7.70% giving a total sum of N7, 866.59bn as total revenue generated for the year. The steady rise could not be sustained in the year 2009 as Revenue dropped drastically from N7, 866.59bn the previous year to N4, 844.59bn from 7.71% to 4.75%. The tempo rose in 2010 by revenue jumping from N4, 844.59bn the previous year to N7, 303.67 indicating a 7.16% rise from 4.75%. The growth continued to the following year 2011 with revenue increasing by 10.44% from the receipt of N11, 116.90 same year. Total Revenue dropped in 2012 through 2013 to N10, 654.75 and N9, 759.79 respectively, a downward movement from 10.44% to 9.56%. However, in 2014 it appreciated slightly by 9.86% with a revenue of N10, 068.85bn and nose-dived to N6, 912.50bn in 2015 representing a decline of 6.77% in income from the previous year.

### **3.2. Government Current Expenditure (GCUE)**

In 1981 Government Current expenditure stood at N4.85bn representing 36.49% of total revenue of N13.29bn earned same year, but in the following year 1982 it rose to N5.51bn signifying a 48.19% increase in spending even though revenue dropped to N11.43billion. The year 1983 witnessed drop in total current expenditure by 45.20% representing N4.75bn. Thereafter from 1984 through 1993, the increase in spending was sustained. From 45.20% in 1983 it grew to 700.93% in 1993 from N4.75billion to N136.73bn in expenditure. However, in the following years, precisely from 1994 to 1996 current spending kept rising and falling. In 1994 it dropped from 70.93% the previous year to 44.56%. By 1995 the expenditure decreased to 27.75%, while revenue appreciated from N201.91bn to N459.99bn. Total revenue maintained steady increase from 1996 through 2001 while current spending was galloping from 23.78% in 1996 to 47.37% in 1999. In 2000 spending drastically dropped to 24.22% with revenue rising significantly from N949.19bn to N1,906.16bn the following year. Thereafter, total federally collected revenue maintained a steady growth from 2003 through 2008 while expenditure was galloping rising and falling 38.22% and 26.92%. Ironically current spending appears to be declining when revenue is on the increase. The year 2011 recorded the highest revenue in 35years. In a sharp contrast the same year almost recorded the least current spending of 29.82%. The

remaining years witnessed rising and falling revenue with current spending rising from 31.21% in 2012 to 55.44% in year 2015.

### **3.3. Government Capital Expenditure (GCEX)**

The total amount spent on Capital Projects by government from 1981 to 2021 was N12, 618.31bn as against the whopping sum of N34,091.45bn spent on Current expenditure for same period. The trend of capital spending assumed a galloping movement with expenditure rising and falling. In 1981 Capital Expenditure gulped 49.41% of total revenue of N13.29billion. The following year it increased to 56.13% of total revenue, thereafter it started falling. It fell as low as 36.43% in 1985 and rose astronomically in 1986 to 67.70%. The following year it fell sharply to 25.11%. While current spending rose sharply from 61.66% in 1986 to 70.33% in 1988, capital expenditure dropped to 25.11% then slightly increased to 30.22% in 1988. From 1989 public spending on capital projects kept declining till 1994 when there was slight appreciation to 35.12%. From 1996 through 1998 expenditure was on the increase. Thereafter, from 2001 it started nose diving from 19.66% to as low as 9.26% in 2006. Public spending assumed a galloping trend from 2007 through 2010. The lowest spending on infrastructure was recorded in 2014. Out of a total revenue of N10, 068.85bn collected by government, only 7.78% was used for capital projects.

### **3.4. Government External Debt (GEXD)**

Government may need to borrow money from internal or external sources to finance her deficits. From our data, the Nigeria government has borrowed a total sum of N40,168.72 billion from foreign organizations like the London club, Paris club and from issuance of Promissory Notes, Multilateral arrangements among others. An analysis of this reveals that in 1981, government collected total revenue of N13.29b while she borrowed N2.33b from external bodies. This represents 17.54% of total federally collected revenue (TFCR). Apart from 1982 that recorded 77.14% increase in external borrowing, other years shot up above 100% until 2005 when it went low to 48.58%. During these periods capital expenditure was on an average of 20% of total revenue while current expenditure was above 50%. In 1983 government borrowed 100.66% of what she collected as total revenue to finance the economy. By 1986, the figure tripled to N41.45b representing 329.11% rise and 1989 it further went above 400%. Thereafter, borrowing began to decline from 325.23% in 1991 to 124.74% in 2004. In 2008, external borrowing dropped drastically to 6.65% but picked up again the following year by 12.19% and end at 30.55% in 2015.

### **3.5. Government Domestic Debt (GDOD)**

During the period under review 1981 to 2015, government borrowed a whopping sum of N61, 426.64 billion from internal sources to augment total federally collected revenue. Government borrowed 84.22% of what was federally collected. The following year it rose to 131.26% until it got to 228.13% in 1984 before dropping to 185.70% in 1985. In 1986 it appreciated by 225.78%, dropped the following year to 144.95% and maintained the galloping trend of rising and falling until 1994 when it rose sharply to 201.86% of totally generated revenue. By the year 1995, the amount dropped nearly half 103.86%. In 1996 local borrowing nosedived to 80.21% but astronomically went up to 120.97% two years later, 1988. However, borrowing started declining significantly from 1999 to 2005 when the



least amount of 27.51 was sourced internally. The year 2009 recorded 66.63% growth while subsequent years were characterized by fluctuating movement of rising and falling debts. From 2010 through 2012, there was a drop from 62.32% to 61.36%. Finally, from 2013 to 2015 domestic debt resumed an upward movement starting with 72.94% and ending with 127.84%.

### 3.6. Result and Discussion

Data for the specified variables in this work, which are Total Federally Collected Revenue (TFCR), Government Capital Expenditure (GCEX), Government Current Expenditure (GCUE), Government External Debt (GEXD), Government Domestic Debt (GDOD) and Government Tax Revenue (GTRN) are quantitative in nature collected from CBN statistical bulletin. The data generated had to pass through the ordinary least square (OLS) estimation procedure using E-view statistical software (version 7.0). The estimation result is exhibited in table 1

**Table 1. Estimation Result**

Dependent Variable: TFCR  
Method: Least Squares  
Date: 07/08/21 Time: 14:52  
Sample: 1 35  
Included observations: 41

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	95.44163	78.69179	1.212854	0.2350
GTRN	1.676102	0.095255	17.59603	0.0000
GEXD	0.107454	0.038933	2.759955	0.0099
GDOD	-0.612390	0.088103	-6.950879	0.0000
GCUE	1.487074	0.271068	5.485976	0.0000
GCEX	2.161247	0.361939	5.974060	0.0004
R-squared	0.994483	Mean dependent var		2916.496
Adjusted R-squared	0.993531	S.D. dependent var		3667.713
S.E. of regression	294.9864	Akaike info criterion		14.36654
Sum squared resid	2523493.	Schwarz criterion		14.63317
Log likelihood	-245.4145	Hannan-Quinn criter.		14.45858
F-statistic	1045.425	Durbin-Watson stat		2.481883
Prob(F-statistic)	0.000000			

Estimation Command:

LS TFCR C GTRN GEXD GDOD GCUE GCEX

Estimation Equation:

TFCR = C(1) + C(2)\*GTRN + C(3)\*GEXD + C(4)\*GDOD + C(5)\*GCUE + C(6)\*GCEX

Substituted Coefficients:

TFCR = 95.4416291309 + 1.67610211685\*GTRN + 0.107454206685\*GEXD - 0.612389923569\*GDOD + 1.4870740563\*GCUE + 0.161247051111\*GCEX

Source: E-view 7.0

Table 4.3.1 above contains the estimation result that gives the R-Square, T-Statistics and parameter estimates of the model of study. The result reveals that the model is well fitted given the value of adjusted R-Square of 0.993531. This implies that the model has a high predictive power which further

implies that the independent variables jointly account for over 90% variation in the dependent variable. The result also reveals that the model is in functional form and has no problem of auto correlation as evidence by the value of Durbin Watson statistics of 2.481.

The estimation result revealed that all the independent variables except Government Domestic Debt (GDOD) were positively correlated with the dependent variable as shown by the values of their coefficients. The result further established that all five (5) independent variables namely Government Capital Expenditure (GCEX), Government Current Expenditure (GCUE), Government External Debt (GEXD), Government Domestic Debt (GDOD) and Government Tax Revenue (GTRN) are statistically significant to Revenue generation as evidenced by the value of the T-Statistic (5.974, 5.485, 2.750, 6.950, 17.596) respectively along with the probability value less than 0.05 ( $P < 0.05$ ).

Other relevant diagnostic tests were conducted using E-view and the various results are exhibited below. The serial correlation test and normality tests are contained in table 2 and figure 2

**Table 2. Liner Correlation Result**

Ramsey RESET Test  
Equation: UNTITLED  
Specification: TFCR GTRN GCUE GCEX GEXD GDOD C  
Omitted Variables: Squares of fitted values

	Value	df	Probability
t-statistic	2.883385	28	0.0075
F-statistic	8.313907	(1, 28)	0.0075
Likelihood ratio	9.099870	1	0.0026

F-test summary:

	Sum of Sq.	df	Mean Squares
Test SSR	577742.4	1	577742.4
Restricted SSR	2523493.	29	87016.99
Unrestricted SSR	1945750.	28	69491.08
Unrestricted SSR	1945750.	28	69491.08

LR test summary:

	Value	df
Restricted LogL	-245.4145	29
Unrestricted LogL	-240.8645	28

Unrestricted Test Equation:

Dependent Variable: TFCR  
Method: Least Squares  
Date: 07/08/23 Time: 14:52  
Sample: 1 35  
Included observations: 41

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GTRN	2.258755	0.219270	10.30126	0.0000
GCUE	1.383002	0.244912	5.646943	0.0000
GCEX	-0.168087	0.343017	-0.490024	0.6279
GEXD	0.064404	0.037861	1.701074	0.1000
GDOD	-0.628062	0.078919	-7.958283	0.0000
C	99.46496	70.33596	1.414141	0.1683
FITTED^2	-2.30E-05	7.98E-06	-2.883385	0.0075



R-squared	0.995746	Mean dependent var	2916.496
Adjusted R-squared	0.994834	S.D. dependent var	3667.713
S.E. of regression	263.6116	Akaike info criterion	14.16369
Sum squared resid	1945750.	Schwarz criterion	14.47476
Log likelihood	-240.8645	Hannan-Quinn criter.	14.27107
F-statistic	1092.290	Durbin-Watson stat	2.752655
Prob(F-statistic)	0.000000		

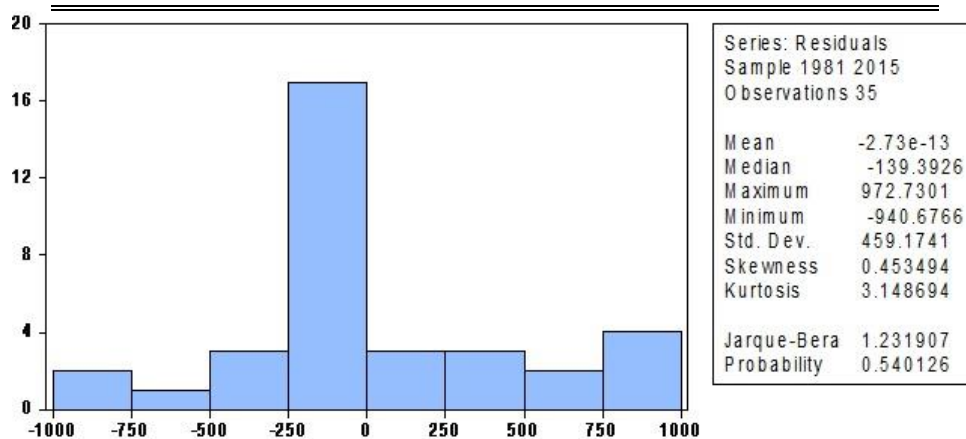


Figure 2. Normality Test

The normality test indicates that the work is in normal and functional form. This is attested to by the value of the JarqueBera (JB) statistic with the probability value. The JB statistic is greater than the probability value ( $1.232 > 0.540$ ) as can be seen in the figure above Time Series Properties of the Variables.

To establish that the work is free from problem of spurious regression, the study examines the time series properties of the variables. The result is tabulated below:

Table 3. Augmented Dickey Fuller-Test Result

VARIABLE	ADF STATISTICS	CRITICAL VALUE @ 5%	ORDER OF INTEGRATION	REMARKS
TFCR	-2.523291	-2.981038	I(0)	Stationary
GCUE	2.342649	-2.951125	I(0)	Stationary
GCEX	-0.844778	-2.951125	I(0)	Stationary
GEXD	-2.384477	-2.954021	I(0)	Stationary
GDOD	1.658980	-2.954021	I(0)	Stationary
GTRN	-2.192595	-2.981038	I(0)	Stationary

Source: Author's Computation, 2023

The above table shows the result of the Augmented Dickey-Fuller test. The test reveals that all the variables are stationary. It means variables like TFCR, GCUE, GCEX, GEXD, GDOD and GTR are integrated of order zero. This implies that the variables for this work do not have unit root.

### 3.7. Test of Hypotheses

#### 3.7.1. Test of hypotheses One

$H_{01}$  states that there is no significant relationship between Government Capital Expenditure (GCEX) and Total Federally Collected Revenue (TFCR) in Nigeria. The hypotheses desire to test if the relationship between Total Federally Collected Revenue (TFCR) and Government Capital Expenditure (GCEX) is

statistically significant. Our estimation result, contained in table 4.3.1 has established that GCEX is positively correlated with Total Federally Collected Revenue (TFCR) attested to by the value of coefficient of 2.161247. Similarly, further analysis established that GCEX is statistically significant to Total Federally Collected Revenue as evidenced by the T-Statistic value of 0.00004 ( $P < 0.05$ ). In the light of above, given that the independent variable (GCEX) is statistically significant, we reject the null hypotheses and conclude that there is significant relationship between Government Capital Expenditure (GCEX) and Total Federally Collected Revenue (TFCR).

### **3.7.2. Test of hypotheses Two**

HO<sub>2</sub> puts it that there is no significant impact of government external debt (GEXD) on Total Federally Collected Revenue (TFCR) in Nigeria. The hypothesis wants to determine if there is any significant connection between GEXD and TFCR. Our estimation result in table 4.3.1 reveals that GEXD is positively correlated with TFCR as evidenced by the coefficient value of 0.107454. It further established that statistically GEXD is significantly related to TFCR as attested to by the T-Statistic value of 0.0099 ( $P < 0.05$ ). In consideration of above result we reject the null hypotheses that says there is no significant impact of government debt servicing payments (GEXD) on Total Federally Collected Revenue (TFCR) in Nigeria.

### **3.7.3. Test of hypotheses Three**

HO<sub>3</sub>: There is no significant relationship between Government Domestic Debt (GDOD) and Total Federally Collected Revenue (TFCR) in Nigeria. The hypothesis wants to statistically establish if there exist any significant relationship between Government Domestic Debt (GDOD) and Total Federally Collected Revenue (TFCR) in Nigeria. The estimation results as shown in table 4.3.1 has revealed that GDOD is negatively correlated with TFCR as supported by the coefficient value of -0.612390. Our result has also confirmed that there is a significant relationship between Government Domestic Debt (GDOD) and Total Federally Collected Revenue (TFCR) in Nigeria as attested to by the T-Statistic value of 0.000 ( $P < 0.05$ ). The null hypotheses that there is no significant relationship between Government Domestic Debt (GDOD) and Total Federally Collected Revenue (TFCR) in Nigeria is thereby rejected.

### **3.7.4. Test of Hypotheses Four**

HO<sub>4</sub>: Government Current expenditure (GCUE) has no significant impact on Total Federally Collected Revenue (TFCR) in Nigeria. The hypothesis intends to test if GCUE has any significant impact on TFCR. Our findings from the estimation outcome as shown in table 4.3.1 has indicated that GCUE is positively related to correlated with Total Federally Collected Revenue (TFCR). However, with a T-Statistic value of 0.0000 ( $P < 0.05$ ), it clearly shows that Government Current expenditure (GCUE) statistically has no significant impact on Total Federally Collected Revenue (TFCR) in Nigeria. With the above result, we reject the null hypotheses that Government Current expenditure (GCUE) has no significant impact on Total Federally Collected Revenue (TFCR) in Nigeria.

### **3.7.5. Test of hypotheses Five**

HO<sub>5</sub>: There is no significant relationship between Government Tax Revenue (GTRN) and Total Federally Collected Revenue (TFCR) in Nigeria. The hypothesis wants to statistically establish if there exist any significant relationship between Government Tax Revenue (GTRN) and Total Federally Collected Revenue (TFCR) in Nigeria. The estimation results as shown in table 4.3.1 has revealed that GTRN is positively correlated with TFCR as supported by the coefficient value of 1.676102. Our

result has confirmed that there is a significant relationship between Government Tax Revenue (GTRN) and Total Federally Collected Revenue (TFCR) in Nigeria as attested to by the T-Statistic value of 0.000 ( $P < 0.05$ ). The null hypotheses that there is no significant relationship between Government Tax Revenue (GTRN) and Total Federally Collected Revenue (TFCR) in Nigeria is thereby rejected.

### **3.8. Discussion of Findings**

#### **3.8.1. Hypotheses One**

Judging from the total Revenue of N102,077.34bn realized from 1981 to 2021 and sum of ₦12,618.31bn only spent on Capital projects, it is obvious that in relative terms enough attention has not been given to this area of the economy. Statistics show that amount spent so far is just 12.4% of Revenue generated. This has an implication on the economy, as the productive sectors may not be adequately serviced. This view is in line with that of Kennedy, Luu, Morling and Yeaman (2012).

#### **3.8.2. Hypotheses Two**

Our findings reveals that GEXD is positively correlated with TFCR as evidenced by the coefficient value. It further established that statistically GEXD is significantly related to TFCR as attested to by the T-Statistic value of 0.0099 ( $P < 0.05$ ). Government external debt account for 39% of totally generated Revenue. From a total Revenue of N102,077.54bn earned, N40,160.72 was borrowed as debts to finance deficit. In support of our estimation result, Ezike and Mojekwu (2011) in an attempt to study the impact of external debt management on macro-economic performance in Nigeria. This also confirm our apriori expectation.

#### **3.8.3. Hypotheses Three**

Between 1981 and 2021 government has borrowed N61,426.64 internally as debt. The amount is 60% of was earned as revenue for these years. From our result this amount has positively and significantly impacted on revenue as evidenced by a P-Value of 0.0000. This result is in line with that of Obademi (2012).

#### **3.8.4. Hypotheses Four**

Our findings from the estimation outcome have indicated that GCUE is positively related to Total Federally Collected Revenue (TFCR). The T-Statistic value of 0.0000 ( $P < 0.05$ ) clearly shows that Government Current expenditure (GCUE) statistically has a very significant impact on Total Federally Collected Revenue (TFCR) in Nigeria. In a related study by Starr and Joharji (2011) examined the relationship between government spending and non-oil GDP in the case of Saudi Arabia. They found that increases in government spending have a positive and significant long-run effect on the rate of growth. This is also the case with Nigeria where so little (as low as 12% of totally generated revenue) is spent on capital projects.

#### **3.8.5. Hypotheses Five**

The estimation result has revealed that GTRN is positively correlated with TFCR as supported by the coefficient value of 1.676. Our result has also confirmed that there is a significant relationship between Government Tax Revenue (GTRN) and Total Federally Collected Revenue (TFCR) in Nigeria as attested to by the T-Statistic value of 0.000 ( $P < 0.05$ ). Government Tax Revenue accounted

for 46.4% of Total Revenue. In relation to Total income generated under period of review, this is quite significant. The position of FIRS supports this claim.

#### **4. Conclusion and Recommendations**

The work on the effect of Fiscal Policy on Government revenue in Nigeria examined the extent to which fiscal policy statements issued by government on financial matters have impacted on the federally collected revenues in the economy. Questions raised on why the state of infrastructure and other public facilities in the country are still at deplorable state have been addressed by the empirical result of this research. The independent variables used are Government Capital Expenditure, Government Current Expenditure, Government Debt Service Payments and Government Tax Revenue while Total Federally Collected Revenue is the Dependent variable. Theoretical and empirical literature in related field of study were reviewed to know the views or opinion of other scholars on the subject matter. The variables were subjected to various tests to ensure stationarity, correlation compliance, normality etc. Having successfully certified the data are okay for our work, The E-view statistical tool was employed to carry out analytical and estimation on time series data (1981 – 2021). The estimation result reveals that all the independent variables except Government Domestic Debt (GDOD) were positively correlated with the dependent variable. It was further reveals that all the independent variables except Government Capital Expenditure are empirically significant to Total Federally Collected Revenue in Nigeria. In addition to this, we observed the following:

- i) Government spends more on Current expenditure and less on capital Projects.
- ii) The bulk of Revenue comes from export of crude oil and Petroleum profit tax.
- iii) Government borrowings both domestic and external are outrageously high. Put together total debts from 1981 to 2015 stood at N101, 595.36 billion while Total Federally Collected Revenue for same period remained at N102,077.34 billion almost at par.

Judging from the empirical evidence, we can draw the conclusion that Government Fiscal Policy in the area Capital Expenditure has been very poor. However, going by our result we can say that the fiscal policy dynamics of government on Current Expenditure, Domestic Debt, External Debt and Tax revenue have contributed immensely to Revenue generation in Nigeria. After a careful empirical analysis of Government Finance in Nigeria, we hereby recommend as follows:

- i) Government should spend more on viable Capital Projects so as to encourage industrial development and provide job for our youths.
- ii) Government should equally cut down on current expenditure and increase spending on infrastructure. The ratio of current to capital expenditure is too high (3:1 approximately)
- iii) The Nigerian economy should be diversified from oil. Revenue should not be centred on oil alone but spread across other sectors of the economy.
- iv) While we encourage government to pay her debt, it is recommended that federal government should take loans only for productive investment and not just for political considerations.
- v) The issue of corruption must be tackled for government to realize its fiscal policy objectives.
- vi) The Fiscal Responsibility Act (FRA) of 2007 should be enforced to stop politician wasting the nation's resources through award of ghost contracts.

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