

How to Cite:

Benedicta, O. (2017). Effect of budget deficit on fiscal administration in Nigeria: 1990-2019 in focus. *International Journal of Economic Perspectives*, 11(1), 100–114. Retrieved from <https://ijeponline.org/index.php/journal/article/view/47>

Effect of Budget Deficit on Fiscal Administration in Nigeria : 1990-2019 in Focus

Owonye Benedicta

Department of Accounting, Banking and Finance, Faculty of Management Sciences, Delta State University, Abraka, Nigeria

Abstract---This study investigated the effect of budget deficit on fiscal administration in Nigeria for the periods of 1990-2019, incorporating the measures of budget deficit {namely; Budget Deficit (BD), External Debt (EXTD) and Foreign Direct Investment (FDI)} in relation to fiscal administration proxy with Total Government Expenditure (TGEXP). The study adopted Ex-post facto and Quasi Experimental design and the secondary source of data (time series data), from the CBN statistical bulletin and Annual Report for the period 1990-2019. Since the data for the study are annual time series data, the stationary and normality tests will be carried out in order to ascertain the set data will give accurate regression result. The study adopted a number of techniques of data analysis such as descriptive statistics, correlation and multiple regression tool of analysis. The findings revealed that Budget Deficit (BD), External Debt (EXTD) and Foreign Direct Investment (FDI) have insignificant effect on Total Government Expenditure (TGEXP). The study concluded that budget deficit has not significant effect on fiscal administration in Nigeria. Thereby recommend that deficit financing has negative significant impact on fiscal administration in Nigeria.

Keywords---budget deficit, external debt, fiscal administration, foreign direct investment.

Introduction

Modern governments are confronted with assorted duties and difficulties which should be tackled to accomplish legitimate fiscal administration, development and advancement. Be that as it may, government caused enormous expense because of meeting its duties which some of the time are bigger than created income which lead to budget deficit. Budget deficit is a circumstance whereby government consumption surpasses income, it additionally said to be an expansion in government use over her income which may result from shortage in government

© 2017 by The Author(s).  ISSN: 1307-1637 International journal of economic perspectives is licensed under a Creative Commons Attribution 4.0 International License.

Corresponding author: Benedicta, O., Email: bennyjifili@yahoo.com

Submitted: 09 August 2017, Revised: 18 September 2017, Accepted: 27 October 2017

income or obligations (Musa, 2021). Nayab (2015), likewise characterized budget deficit financing as the public authority strategy of making asset to back shortfall by acquiring whether from nearby or unfamiliar sources which should be reimbursed with revenue inside a particular timeframe. Adesuyi & Falowo (2013), expressed that budget deficit has become a common component in both created and agricultural nations which emerges because of insufficiency in charge assortment and expanded government consumption on foundation. Budget deficit is vital in most non-industrial nations that are confronting high financial difficulties with low income to cater for colossal government expenditure (Oluwole et al., 2020).

Budget deficit fills in as a blue print and advancement apparatus utilized by government to upgrade manageable financial organization, development and improvement through expansion in expenditure of government. Budget deficit can be felt through arrangements that advance arrangement of social conveniences and infrastructural improvement by the public area which animates private area interest in the economy. Budget deficit includes the printing of cash or acquiring of assets to back the hole in the yearly financial plan of the economy. The ramifications of budget deficit financing on the economy has been the significant focal point of government and strategy creator in non-industrial nations like Nigeria (Oluwole et al., 2020).

As indicated by Hussain & Haque (2017), gigantic government venture is needed to foster the social capital and foundation which will clear way for the private area to approach and contribute then lessen joblessness, increment public yield and subsequently improved fiscal administration. Sadly, most non-industrial nations, Nigeria inclusive, have exceptionally restricted assets which are deficient to complete the required activities. The mono-economy nature of Nigeria economy with weighty dependence on income from unrefined petroleum which is profoundly unstable and its cost been controlled by outside powers put forth the defense of lacking asset more troubling (Aero & Ogundipe, 2018).

Besides, the insufficient asset to accommodate the fundamental development upgraded foundation was exacerbated by incautious public spending opposite bungle of public asset (debasement) of the little accessible asset. Additionally With globalization, non-industrial nations lost a generally solid kind of revenue from levies because of exchange progression, however neglected to recuperate the lost income by presenting charge change as a worth added charge (Shetta & Kamaly, 2014). The nation is left with not many choices of financing her spending plan and probably the least demanding ways is for the nation to work a budget deficit plan (Momodu & Monogbe, 2018). Budget deficit financing can be viewed as the act of looking to animate a country's economy by expanding government uses past income sources (CBN, 2010).

For as far back as forty years ago, Nigeria has been working a budget deficit plan. Notwithstanding, in spite of the consistent expansion in the public authority consumption in Nigeria throughout the long term, the financial has not developed true to form. There is high pace of joblessness, helpless frameworks, and high pace of poverty among others. Thusly, this research study will explore to decide the connection between budget deficit and fiscal administration in Nigeria. For the

most part, the connection between budget deficit and fiscal administration is one of the argumentative issues both hypothetically and observationally with no end. Hypothetically, Keynesians are of the assessment that budget deficit upgrade fiscal administration and economic development, Neo-classicalists are of the view that budget deficit is inconvenient to fiscal administration and economic development, while Ricardians contended that budget deficit no affected the fiscal administration and economic development, as such this examination will explore to figure out which of the classifications did Nigeria has a place (Normandin, 1999; Arjomand et al., 2016).

Empirically, to best of the my knowledge, there is no study in Nigeria and beyond that has examined the fiscal administration, all the previous studies are centered on the fiscal administration scholars like Nwanna & Nkiruka (2019); Cheteni et al. (2018); Hussain & Haque (2017); Momodu & Monogbe (2018), found that fiscal deficit propel economic growth, while Sharma & Mittal (2019); Tung (2018); Ali et al. (2018), noted that fiscal deficit inhibits economic growth and Bhoir & Dayre (2015); Samirkaş (2014); Lwanga & Mawejje (2014), found no relationship so this study is necessitated to determine how fiscal deficit has been affecting the fiscal administration in Nigeria. On the basis of the foregoing, this study investigates the effect of budget deficits on fiscal administration in Nigeria for the periods of 1990-2019. The paper is divided into five. The first part presents the introductory section. The second section discusses the literature review, while the third section presents the methodology of the study. Section four presents the data analysis, results and discussion. The last section discusses the conclusion, recommendations and contribution to knowledge (Fjeldstad & Tungodden, 2003; Chand & Moene, 1999).

Review of related literature

This section is concerned with review of related literature. This was done under the following sub-heading, namely; conceptual, theoretical and empirical review on the relationship between budget deficit and fiscal administration in Nigeria (Ramzan & Ahmad, 2014; Alesina & Tabellini, 1989).

Conceptual review

Under this sub-domain, the ideas of the investigation are powerfully pestered. The point is to unmistakably upgrade the comprehension of perusers of the phrasings which make up the factors of interest whereupon information where sourced and broke down.

Concept of budget deficit

There are diverse meaning of budget deficit by various researchers, be that as it may, this investigation will receive the definition of IMF which defines budget deficit mathematically as $\text{Fiscal deficit} = \{(\text{revenue} + \text{grants}) - (\text{expenditure on goods and services} + \text{transfers}) - (\text{lending} - \text{repayments})\}$. It very well may be essentially put as the overabundance of government use over pay in a given period generally a year. Budget financing can be financed through homegrown borrowing and outer borrowing. It is normal that when budget deficit is

appropriately tackle, there will be infrastructural and human resources advancement decrease in joblessness and recuperation from misery/downturn which thus increment normal standard of living of the general population and subsequently advances fiscal administration (Aero & Ogundipe, 2018).

In any case, when it's anything but multiple percent of the GDP which is the global seat mark then it can antagonistically influences loan fee, expansion rate, deficiency equilibrium of installment, and hinder fiscal administration and economic development. It can lessen public reserve funds which would have been need for private venture that is it swarms out private homegrown speculation. This will prompt decrease in capital stock and public yield. As such government ought to possibly acquire when there is downturn or high joblessness, or when there is an ascent in a private area reserve funds. It can likewise be adverse to improvement when bigger levels of deficit budgets plans are utilized to fund current utilization (Cheteni et al., 2018).

Concept of fiscal administration

A fiscal administration shows the truth of government and public association in their arrangement of public good or service for the resident. It is an autonomous subject from the accounting, economic, political, and legal science, which is interdisciplinary and takes a stab at any unmistakable objective of studies. A fiscal manageability maybe would be one good that this science would wallow to take shape and wait (Chantrill, 2014). He further believed that, the examinations would be like the adjoining sciences, yet could be characterized eventually for its interesting component or trademark. The accounting or accounting sciences would plan to present the guidelines of assessing the activity and resource or obligation just as the convention to show the mathematical status or appraisal for the organizations, essentially private and optionally open (Cohen & Sachs, 1986; Mielnik & Goldemberg, 2002).

The fiscal administration includes these perspectives, yet there are numerous different components to teach the personalities of economic scientist, like public goals or social equity past the math or mathematical necessities. The economic science would direct the standard of training for the public authority or public association when they ponder on the economic issues or difficulties. The proficiency of economic plan or fundamental ideas, i.e., sparse assets or appropriability issue, non-prohibition and non-weariness, prominent polarity between the private and public areas or privatization, qualification among arrangement and creation, etc, would unveil a nearby discourse and intelligent comprehension between the two sciences (Mikesell, 2014). By and by, there are contrasts being available constantly and reasonably between them (Bitzer & Kerekes, 2008; Akinlo, 2004).

Theoretical review

This study is anchored on the Keynesian theory, Ricardian equivalence hypothesis and Neo-classical model, which are discussed below:

- **Keynesian theory**
Keynesian hypothesis: this hypothesis was proposed by John M. Keynes. He propounded the hypothesis during the economic crisis of the early 20s of 1929 to 1932 where he thought that expansion in government consumption will invigorate total interest and thus prompts fiscal administration and economic growth. He pushed for government spending over her pay which is fiscal deficit. Keynes contended that budget deficit will invigorate homegrown creation, increment interest for useful yield, increment reserve funds, and diminish joblessness. Also, that these make private financial backers more certain about the fate of their interest specifically and the economy all in all accordingly bringing about jamming in venture. Keynes likewise noticed that when self-ruling government use builds it will increment both utilization and speculation which will thus expand yield in different of the public authority consumption through a multiplier interaction. He notwithstanding noticed that fiscal deficit could unfavorably influence the outer area, reflected through import/export imbalance when the homegrown economy can't retain the extra liquidity through a development in yield ([Momodu & Monogbe, 2018](#)).
- **Ricardian equivalence hypothesis**
The hypothesis was propounded by David Ricardo and later chipped away ([Barro, 1989](#)). The worldview expressed that budget deficit had no impact on private utilization, loan cost, therefore has no impact on economic development for example spending deficiency neither animate nor ruins fiscal administration and economic development. The hypothesis noticed that budget deficit frequently prompts decrease in government saving, which will trigger an increment in want private reserve funds, accordingly the craving public saving and venture stays unaltered. This is on the grounds that the deficiency finance implies overabundance of government expenditure over charge income and the shortfall would be financed by acquiring and the acquired asset be taken care of by a future ascent in taxation rate ([Momodu & Monogbe, 2018](#)). [Barro \(1989\)](#), contended that budget deficit and tax collection affect the economy. The hypothesis expected people keep up with perpetual consumption design over their life expectancy and since the asset acquired would be paid by future duty rise, the expansionary fiscal arrangement would not influence person's current consumptions as they would be saving in front of the unavoidable future assessment rise.
- **Neo-classical model**
The model contended that budget deficit is adverse to economic development. The model support the contention on the way that since budget deficit would be financed by expanded government borrowings, it will prompt expansion in loan cost which will swarm out private speculation and in general deflect economic development. The worldview noted budget deficit infers that government is spending more than what it is getting and this will prompt decrease in government saving or expansion in dis-investment funds. This would adversely affect the economic development and fiscal administration, if the decrease in government saving isn't completely balanced by an ascent in private saving, accordingly bringing about a fall in the general saving rate ([Navaratnam & Mayandy, 2016](#)). The hypothesis expected that each individual is center and plans their lifecycle

consumption and there is full work. This worldview has three highlights specifically: first, the consumption of any individual is learned as a clarification to a between fleeting advancement issue, where getting and loaning both are allowed as market pace of revenue. Second, every individual have limited life expectancy. Third, clearing market at unsurpassed, budget deficit animate total interest in this way making an undeniable degree of contest sought after for advance between private financial backers and government which will prompt exorbitant loan fee consequently debilitating private speculations, private reserve funds, and current record deficiencies, increment swelling rate and finally eases back the performance pace of the economy through resources crowding out investment (Momodu & Monogbe, 2018).

Empirical review & gap

Using the secondary data sourced from the Central Bank of Nigeria Statistical Bulletin, and a test for unit root and co-integration using the Augmented-Dickey Fuller (ADF) and Bound Test were conducted among the variables namely budget deficit, inflation, money supply, total government debt and per capita income. The Pairwise Granger Causality test was carried out to determine the direction of causality among the variables. Autoregressive Distributed Lag technique was employed to examine the relationships among the variables, Oluwole et al. (2020), explored the relationship between budget deficit and inflation on economic development in Nigeria for the duration of 1981-2018. The result of the ARDL coefficient indicated that budget deficit as a percentage of gross domestic products and inflation rate had negative and significant effect on per capital income both in the short and long run. Contrarily, the Bound Co-integration test revealed that there is long run equilibrium relationship among the variables while the Pairwise Granger Causality test result showed that budget deficit did not granger cause economic development while inflation granger cause economic development. The conclusion from the findings of the study showed that as budget deficit widens, economic development (proxy as per capita income) reduces and the different sources of financing the deficit are inflationary induced. But the major shot fall of the study is that it examined budget deficit in relation to inflation rather than fiscal administration, also the study lacks conceptual and theoretical evaluation of the major variables of the study and the empirical reviewed were not recent and detailed done, this now serve as a lacuna in knowledge this study intend to fill (Ofili & Kifordu, 2017; Young et al., 2017).

Similarly, Aero & Ogundipe (2018), examined the impact of fiscal deficit on economic growth in Nigeria for period of 1980 to 2018. Sequel to the mixed level of stationarity of the variables as evidence in the result of the unit root test, this study adopts auto-regressive distributed lag (ARDL) technique and the result of the study shows that fiscal deficit is detrimental to economic growth in Nigeria. This examination is pair with neoclassical worldview. The examination contends that one of the primary reasons why budget deficit is unfavorably influencing the economic growth in Nigeria is a direct result of the example of her public spending which is vigorously slanted for repetitive consumption which may not invigorate development. The pitfall of this study, is that, it fail to introduce major variables of financing budget deficit such as external debt, foreign direct investment etc.

and the empirical reviewed were not recent and detailed done, this now serve as a gap in literature this research intend to fill.

Using panel set data and Modified Ordinary Least Squares (FMOLS) and the Dynamic Ordinary Least Squares (DOLS) estimation technique, [Molocwa et al. \(2018\)](#), explored the effect of budget deficit on the economic growth of the BRICS nations for the duration of 1997–2016. The two-result showed that budget deficit instigates economic growth in BRICS nations. Also, the study showed that there is bi-directional causal relationship between budget deficit and economic growth. Similarly, using the VAR and granger causality estimation technique to analysis the data, [Momodu & Monogbe \(2018\)](#), investigated the impact of fiscal deficit on economic growth in Nigeria for the duration of 1981-2015. The VAR result revealed that budget deficit positively influences economic growth and granger causality result showed that there is bi-directional relationship between budget deficit and economic growth in Nigeria.

On the contrary, using the smooth transition autoregressive model (STAR) to analysis the data, [Iqbal et al. \(2017\)](#), explored the relationship between fiscal deficit and economic growth in Pakistan for the duration of 1972-2014. The findings revealed that 5.57 percent of GDP is the threshold of fiscal deficit in Pakistan and that most of the country's fiscal deficit is above the threshold. The study further showed that fiscal deficit had an adverse impact on economic growth. Similarly, using Johansen cointegration and correlation matrix estimation technique, [Tung \(2018\)](#), explored the impact of fiscal deficit on economic growth of Vietnam between 2003 and 2016. The two-estimation technique showed that fiscal deficit is detrimental to economic growth. Based on the empirical review above, it is evident that findings on the investigation of the effect of budget deficit on economic growth are mixed and inclusive, there no study in Nigeria and beyond that has investigated the relationship between budget deficit and fiscal administration in Nigeria, this now served as a motivation for this study, thus, this study intends to fill the gap in literature by investigating the relationship between budget deficit and fiscal administration in Nigeria.

Methodology

Research design

The type of research design adopted in this study is the Ex-post facto and Quasi Experimental design. The ex-post facto research design is used because this type of research is one that takes place after the event or the fact had taken place while Quasi Experimental design is adopted because seeks to explore the causal effect of budget deficit on fiscal administration in Nigeria. In this circumstance, the study has no control over the variable of interest as and therefore cannot manipulate them because the variables are verifiable.

Source of data

The method of data collection used in this study was the secondary source of data (time series data), from the CBN statistical bulletin and Annual Report for the period 1990-2020. The CBN statistical bulletin and Annual Report was selected

as a source of data collection because these are report generated by government agencies reports charged with responsibility taking accurate budget deficit and fiscal administration records in Nigeria.

Techniques of data analysis

Since the data for the study are annual time series data, the stationary and normality tests will be carried out in order to ascertain the set data will give accurate regression result. The study adopted a number of techniques of data analysis such as descriptive statistics, correlation and multiple regression tool of analysis. The multiple regression analysis of E-VIEW 9.0 was used to analyze the data. This tool was used in order to establish the kind of relationship that exists between independent variables and the dependent variable used in the study.

Model specification

This study adapted the empirical model of [Ahmad \(2013\)](#), which is given as:

$$GDP = f(BD, FDI)$$

Where:

GPD = Gross domestic product

BD = Budget deficit

FDI = Foreign direct investment

The model for this study is modified by using Total Government Expenditure (TGEXP) as a proxy for Fiscal Administration and External Debt (EXTD) is also incorporated in the model. The model is specified as:

$$TGEXP = f(BD, EXTD, FDI) \quad 1$$

It is empirically stated as:

$$TGEXP = \beta_0 + \beta_1 BD + \beta_2 EXTD + \beta_3 FDI + U \quad 2$$

Where:

TGEXP = Total Government Expenditure

BD = Budget Deficit

EXTD = External Debt

FDI = Foreign Direct Investment

β_0 = Regression intercept

$\beta_1 - \beta_3$ = Coefficient of the independent variables to the dependent variable

U = Error term

A priori, $\beta_1 < 0$, $\beta_2 > 0$, $\beta_3 > 0$

Table 1
A priori expectation

Variables	Predicted Signs
Budget Deficit (BD)	-/+

External Debt (EXTD)	+/-
Foreign Direct Investment (FDI)	-/+

Our model above is differentiated from that [Ahmad \(2013\)](#), in the following areas. Firstly, their study made use of two independent variables while this study made use of three major components of budget deficit as independent variables. Finally, their study lacks robustness in their findings because of the data for the analysis are not recent since the study was conducted in 2013 while the study will have more robust finding because the data used are recent and update.

Results discussion

Table 2
Descriptive statistics

	TGEXP	BD	EXTD	FDI
Mean	13349.12	-2387.335	2145.343	423.5297
Median	1624.150	-187.6600	806.8600	263.2300
Maximum	324082.0	32.05000	9022.420	1360.400
Minimum	60.27000	-21312.00	298.6100	4.730000
Std. Dev.	58746.61	5984.597	2358.336	409.6943
Skewness	5.182921	-2.650580	1.524179	0.830872
Kurtosis	27.92328	8.161623	4.473668	2.471746
Jarque-Bera	910.7754	68.43081	13.37488	3.800554
Probability	0.000000	0.000000	0.001246	0.039527
Sum	400473.7	-71620.05	60069.59	12705.89
Sum Sq. Dev.	1.00E+11	1.04E+09	1.50E+08	4867633.
Observations	30	30	30	30

Source: Computed from E-Views 9.0

The descriptive statistics of the variables are presented in Table 2. The mean values of the Total Government Expenditure (TGEXP), Budget Deficit (BD), External Debt (EXTD) and Foreign Direct Investment (FDI) are 13349.12, -2387.335, 2145.343 and 423.5297 respectively, while their standard deviation are 58746.61, 5984.597, 2358.336 and 409.6943 respectively. Budget Deficit (BD) has both the highest and lowest values with 32.05000 and -21312.00 respectively. The standard deviation shows that Budget Deficit (BD) is the most volatile variable and follows by Total Government Expenditure (TGEXP). The kurtosis that measures the Preakness of the distribution reveals that Budget Deficit (BD) and Total Government Expenditure (TGEXP) are leptokurtic indicating that the distributions are peaked relative to normal distribution, while External Debt (EXTD) and Foreign Direct Investment (FDI) are platykurtic, which implies that the distribution of the variables are flat relative to normal distribution. Lastly, the Jarque-Bera statistics reveals that the variables are normally distributed at 5% significant level.

Table 3
Correlation matrix

	TGEXP	BD	EXTD	FDI
TGEXP	1.000000			
BD	0.040786	1.000000		
EXTD	-0.108021	-0.802298	1.000000	
FDI	0.277610	0.068202	-0.189450	1.000000

Source: Computed from E-Views 9.0

The Pearson correlation test is presented in Table 3 and it shows the absence of multi-co linearity among the variables since the correlation values are less than 0.7. Furthermore, the result shows the explanatory variables namely; Budget Deficit (BD) and External Debt (EXTD) have negative correlation with Total Government Expenditure (TGEXP) while Foreign Direct Investment (FDI) has positive correlation with Total Government Expenditure (TGEXP).

Table 4
Result of stationary using ADF test

Test Variables	ADF Test Statistic Value	Mackinnon Critical Value @ 5%	Order of Integration	P-Value	Decision
TGEXP	-8.667297	-3.580623	1(1)	0.0000	Stationary
BD	-6.844926	-3.644963	1(1)	0.0002	Stationary
EXTD	-4.063566	-3.612199	1(1)	0.0370	Stationary
FDI	-6.393711	-3.580623	1(1)	0.0001	Stationary

Source: Computed from E-Views 9.0

The summary of the ADF unit root test output in table 4 above revealed that all the variables under investigation i.e. Total Government Expenditure (TGEXP), Budget Deficit (BD), External Debt (EXTD) and Foreign Direct Investment (FDI) contain unit root test at their first difference 1(1). Evidence of this could be seen from the value of their respective ADF statistics which is more than the critical value at 5%. Moreover, additional evidence of stationary series could also be seen from the p-value for all variables which is less than 5% level of significance greater than 95% confidence level. Based on this result, the null hypothesis of non-Stationary is rejected while the alternative hypothesis specifying the presence of Stationary is accepted instead.

Table 5
Summary of Johansen cointegration test output

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.924663	82.49963	47.85613	0.0000	62.05884	27.58434	0.0000
At most 1	0.458255	30.44078	29.79707	0.0034	24.71102	21.13162	0.0097

					25.09487		
At most 2	0.191267	25.729767	15.49471	0.0072	3	14.26460	0.0298
At most 3	0.026107	7.634893	3.841466	0.0056	6.634893	3.841466	0.0056

Researcher's computation Based E-views 9.0. Output

Trace test indicates 4 cointegratingeqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Table 5 above revealed that the result of the multivariate cointegration test by Johansen and Juselius cointegration technique revealed that both the trace statistic and the Maximum Eigenvalue statistic shows evidence of two cointegration relationship (at None and at most 1), where the values of the trace statistic and the Maximum Eigen value statistic is greater than their respective critical values at 5% level of significance level.

Table 6
Multiple regression analysis

Dependent Variable: TGEXP				
Method: Least Squares				
Date: 07/11/21 Time: 17:14				
Sample: 1990 2019				
Included observations: 28				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2953.402	22978.76	0.128527	0.8988
BD	-0.661559	3.248866	-0.203628	0.8404
EXTD	-2.907238	8.678495	-0.334993	0.7405
FDI	37.51469	28.94480	1.296077	0.2073
R-squared	0.081840	Mean dependent var		13915.22
Adjusted R-squared	-0.032930	S.D. dependent var		60842.47
S.E. of regression	61836.13	Akaike info criterion		25.03393
Sum squared resid	9.18E+10	Schwarz criterion		25.22424
Log likelihood	-346.4750	Hannan-Quinn criter.		25.09211
F-statistic	0.713079	Durbin-Watson stat		2.376297
Prob (F-statistic)	0.553762			

Source: Computed from E-Views 9.0

The p-value of Budget Deficit (BD) is 0.8404 which is more than the significance value of 0.05 and the t-ratio value of -0.203628 lesser than 2, which indicates the extent of insignificance to which Budget Deficit (BD) to Total Government Expenditure (TGEXP). The coefficient of Budget Deficit (BD) of -0.661559, which imply that Budget Deficit (BD), have a negative effect on Total Government Expenditure (TGEXP). The implication is that a one percent (1%) increase in Budget Deficit (BD) would lead to 66% decrease in Total Government Expenditure (TGEXP). This finding agrees with the findings of [Oluwole et al. \(2020\)](#); [Aero & Ogundipe \(2018\)](#), but contrary to the findings of [Molocwa et al., \(2018\)](#).

The p-value of External Debt (EXTD) is 0.7405 which is more than the significance value of 0.05 and the t-ratio value of -0.334993 lesser than 2, which indicates the extent of insignificance to which External Debt (EXTD) to Total Government Expenditure (TGEXP). The coefficient of External Debt (EXTD) of -2.907238, which imply that External Debt (EXTD), have a negative effect on Total Government Expenditure (TGEXP). The implication is that a one percent (1%) increase in External Debt (EXTD) would lead to 291% decrease in Total Government Expenditure (TGEXP). This finding agrees with the findings of (Oluwole et al., 2020). The p-value of Foreign Direct Investment (FDI) is 0.2073 which is more than the significance value of 0.05 and the t-ratio value of 1.296077 lesser than 2, which indicates the extent of insignificance to which Foreign Direct Investment (FDI) to Total Government Expenditure (TGEXP). This finding agrees with the findings of (Oluwole et al., 2020).

Conclusion and Recommendations

Conclusion

This study investigated the effect of budget deficit on fiscal administration in Nigeria for the periods of 1990-2019, incorporating the measures of budget deficit {namely; Budget Deficit (BD), External Debt (EXTD) and Foreign Direct Investment (FDI)} in relation to fiscal administration proxy with Total Government Expenditure (TGEXP). The study adopted Ex-post facto and Quasi Experimental design and the secondary source of data (time series data), from the CBN statistical bulletin and Annual Report for the period 1990-2019. Since the data for the study are annual time series data, the stationary and normality tests will be carried out in order to ascertain the set data will give accurate regression result. The study adopted a number of techniques of data analysis such as descriptive statistics, correlation and multiple regression tool of analysis. The findings revealed that Budget Deficit (BD), External Debt (EXTD) and Foreign Direct Investment (FDI) have insignificant effect on Total Government Expenditure (TGEXP). The study concluded that budget deficit has not significant effect on fiscal administration in Nigeria.

Recommendations

Based on the findings, the study made the following recommendations:

- The study found that deficit financing has negative significant impact on fiscal administration in Nigeria, thus, the research recommended that deficit financing should be increased effectively, and that government should ensure an efficient public expenditure process and fiscal discipline as well as maintenance of macroeconomic stability so that Nigerian economy can develop.
- Secondly, there is need for government to device strategies to ensure effective management of government external debt. Government should cut all sources of inefficiency and also more policies should be formulated to eradicate corruption in government parastatals.

- Finally, the study found a negative significant association between foreign direct investment and fiscal administration in Nigeria. Hence, recommended that government should provide enabling environment for the foreign investors and be given loans in order to boost their business to promote fiscal administration in Nigeria.

Contribution to knowledge

The study will contribute immensely to knowledge because there no study in Nigeria and beyond that has investigated the relationship between budget deficit and fiscal administration in Nigeria, all the study are centered on budget deficit in relation to inflation, economic growth and industrial growth. This now served as a motivation for this study, thus, this study intends to fill the gap in literature by investigating the relationship between budget deficit and fiscal administration in Nigeria.

References

- Adesuyi, O. O., & Falowo, E. (2013). Impact of fiscal deficit financing on macroeconomic growth in Nigeria. *International Journal of Research in Management*, 3(5), 143-172.
- Aero, O., & Ogundipe, A. A. (2018). Fiscal deficit and economic growth in Nigeria: Ascertaining a feasible threshold. *International Journal of Economics and Financial Issues*, 8(3), 296.
- Ahmad, N. (2013). The role of budget deficit in the economic growth of Pakistan. *Global Journal of Management and Business Research*.
- Akinlo, A. E. (2004). Foreign direct investment and growth in Nigeria: An empirical investigation. *Journal of Policy modeling*, 26(5), 627-639. <https://doi.org/10.1016/j.jpolmod.2004.04.011>
- Alesina, A., & Tabellini, G. (1989). External debt, capital flight and political risk. *Journal of international Economics*, 27(3-4), 199-220. [https://doi.org/10.1016/0022-1996\(89\)90052-4](https://doi.org/10.1016/0022-1996(89)90052-4)
- Ali, M. B., Mandara, B., & Ibrahim, M. A. (2018). Impact of deficit financing on economic growth in Nigeria. *Global Journal of Management and Business Research*.
- Arjomand, M., Emami, K., & Salimi, F. (2016). Growth and Productivity; the role of budget deficit in the MENA selected countries. *Procedia Economics and Finance*, 36, 345-352. [https://doi.org/10.1016/S2212-5671\(16\)30046-6](https://doi.org/10.1016/S2212-5671(16)30046-6)
- Barro, R. J. (1989). The Ricardian approach to budget deficits. *Journal of Economic perspectives*, 3(2), 37-54.
- Bhoir, R. B., & Dayre, S. R. (2015). Does India's economic growth independent of fiscal deficit?. *The Business & Management Review*, 5(4), 189.
- Bitzer, J., & Kerekes, M. (2008). Does foreign direct investment transfer technology across borders? New evidence. *Economics Letters*, 100(3), 355-358. <https://doi.org/10.1016/j.econlet.2008.02.029>
- Central Bank of Nigeria (2010). Economic and Financial Review, Abuja, CBN.
- Chand, S. K., & Moene, K. O. (1999). Controlling fiscal corruption. *World Development*, 27(7), 1129-1140. [https://doi.org/10.1016/S0305-750X\(99\)00050-9](https://doi.org/10.1016/S0305-750X(99)00050-9)
- Chantrill, C. (2014). Government spending in the US.

- Cheteni, P., Mah, G., & Yohane, Y. K. (2018). Drug-related crime and poverty in South Africa. *Cogent Economics & Finance*, 6(1), 1534528.
- Cohen, D., & Sachs, J. (1986). Growth and external debt under risk of debt repudiation. *European Economic Review*, 30(3), 529-560.
[https://doi.org/10.1016/0014-2921\(86\)90007-3](https://doi.org/10.1016/0014-2921(86)90007-3)
- Fjeldstad, O. H., & Tungodden, B. (2003). Fiscal corruption: A vice or a virtue?. *World Development*, 31(8), 1459-1467.
[https://doi.org/10.1016/S0305-750X\(03\)00089-5](https://doi.org/10.1016/S0305-750X(03)00089-5)
- Hussain, M. E., & Haque, M. (2017). Fiscal deficit and its impact on economic growth: Evidence from Bangladesh. *Economies*, 5(4), 37.
- Iqbal, N., ud Din, M., & Ghani, E. (2017). The fiscal deficit and economic growth in Pakistan: new evidence. *The Lahore journal of economics*, 22, 53-72.
- Lwanga, M. M., & Mawejje, J. (2014). Macroeconomic effects of budget deficits in Uganda: A VAR-VECM Approach. *Advances in Management and Applied Economics*, 4(6), 81.
- Mielnik, O., & Goldemberg, J. (2002). Foreign direct investment and decoupling between energy and gross domestic product in developing countries. *Energy policy*, 30(2), 87-89. [https://doi.org/10.1016/S0301-4215\(01\)00080-5](https://doi.org/10.1016/S0301-4215(01)00080-5)
- Mikesell, J. L. (2014). Misconceptions about Value-Added and Retail Sales Taxes: Are They Barriers to Sensible Tax Policy?. *Public Budgeting & Finance*, 34(2), 1-23.
- Molocwa, G. A., Khamfula, Y., & Cheteni, P. (2018). Budget deficits, investment and economic growth: a panel cointegration approach. *Investment Management and Financial Innovations*, 15(3), 182-189.
- Momodu, A., & Monogbe, T. (2018). Budget deficit and economic performance in Nigeria. *Saudi Journal of Business and Management Studies*.
- Musa, B. K. (2021). Theoretical Review of the Impact of Fiscal Deficits on Economic Growth in Nigeria.
- Navaratnam, R., & Mayandy, K. (2016). Causal nexus between fiscal deficit and economic growth: Empirical evidence from South Asia. *International Journal for Innovation Education and Research*, 8, 1-19.
- Nayab, H. (2015). The relationship between budget deficit and economic growth of Pakistan. *Journal of Economics and Sustainable Development*, 6(11), 85-90.
- Normandin, M. (1999). Budget deficit persistence and the twin deficits hypothesis. *Journal of International Economics*, 49(1), 171-193.
[https://doi.org/10.1016/S0022-1996\(98\)00058-0](https://doi.org/10.1016/S0022-1996(98)00058-0)
- Nwanna, I. O., & Umeh, G. N. (2019). Deficit financing and economic growth: the Nigerian experience. *International Journal of Economics and Financial Management*, 4(1), 28-49.
- Ofilu, P. N., & Kifordu, A. A. (2017). Impact of capital expenditure on economic growth in nigeria: the managerial perspective. *International Journal of Economic Perspectives*, 11(1), 46-58. Retrieved from <https://ijeponline.org/index.php/journal/article/view/18>
- Oluwole, F., Solawon, M., & Odueke, H. (2020). An Analysis of Budget Deficit and Inflation on Economic Development in Nigeria.
- Ramzan, M., & Ahmad, E. (2014). External debt growth nexus: Role of macroeconomic polices. *Economic Modelling*, 38, 204-210.
<https://doi.org/10.1016/j.econmod.2013.12.014>

- Samirkaş, M. (2014). Effects of budget deficits on inflation, economic growth and interest rates: applications of Turkey in 1980-2013 Period. *Journal of Economics and Development Studies*, 2(4), 203-210.
- Sharma, V., & Mittal, A. (2019). Macroeconomic effects of fiscal deficit on Indian economy: An empirical analysis. *IOSR Journal of Humanities and Social Science (IOSR-JHSS) Volume*, 24, 60-69.
- Shetta, S., & Kamaly, A. (2014). Does the budget deficit crowd-out private credit from the banking sector? The case of Egypt. *Topics in middle eastern and African Economies*, 16(2), 251-279.
- Tung, L. T. (2018). The effect of fiscal deficit on economic growth in an emerging economy: Evidence from Vietnam. *Journal of International Studies*, 11(3).
- Young, O. U., Ediri, U. J., & Daniel, A. (2017). Strategic financial innovations and performance of oil firms in Nigeria. *International Journal of Economic Perspectives*, 11(1), 73-88. Retrieved from <https://ijeponline.org/index.php/journal/article/view/24>