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Empirical Analysis of Budgeting and Economic Development in Nigeria

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Abstract: *Budgeting and implementation of budget is very crucial to economic growth and development of any society. There are many evidences from Nigeria which contended that budgeting and its implementation offer only very little or nothing to economic development of Nigeria. This concern motivated this study which explored the effect of budgeting on economic development in Nigeria. The study made use of ex post facto research design and secondary data were obtained from, CBN statistical bulletin and multiple regressing and correlation analysis were adopted to analyse the data based on SPSS 2.0 and Advanced MS-Excel analytical Tool pack, 2018.The result of the analysis revealed a low positive and statistically significant effect of public capital expenditure (CAXP) on Per capita income and Life expectancy index (LEI) respectively. The finding of the study also showed a very low positive and statistically significant effect of recurrent expenditure (RCXP) on Per capita income (PCI) and life expectancy index (LEI). Thus, the study concluded that budgeting has contributed very little to economic development of Nigeria. The following recommendations are made from the findings presented above; Government should identify priority and key productive sectors that need expansion, to increase its capital investment to bring about economic development in Nigeria; Also, Government should formulate policies that ensures efficient budget implementation in Nigeria to address the problem of improper and inefficient budget implementations. Besides, government should reallocate its spending, from recurrent items to capital items to increase her expenditure on development projects to boost overall economic welfare of the Nigerian people.*

Keynote: *Budgeting, Capital Expenditures, Economic development, Life expectancy index, Per capita income, Recurrent expenditures*

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INTRODUCTION

Budgeting is simply the preparation of plans of actions for the future period. These detailed plans are usually referred to as budgets. Budget is a clear indication of what is expected to be achieved in the economy during the period**.** One most important obligation of government to her citizens is to achieve economic growth and development in the country. This objective may not be realizable without budgeting, as it provides the framework for attainment of sustainable economic development in the country together with other macro-economic goals including, but not limited to; boosting production sector, control of inflation, correct balance of payment problem and maintaining a reasonable foreign exchange reserve. The principle of budgeting supports "Keynesian theory of public expenditure and economic growth" which was postulated at the end of the great Economic depression of the 1930s, the theory laid a foundation for the principle of multiplier effect of a change in any aspect of aggregate spending (or aggregate demand) on the economy - that government expenditure could boost economic activities through the multiplier.

Many countries especially the developing countries have been said to adopt Keynesian model and have consistently intervened in their economies by way of massive public spending, often times the expenditures are higher than the revenues accruing to the government (deficit budgeting) which engenders economic growth and development in the long-run (Onwuka2022). Every nation, both developed and emerging economies are saddled with the problem of determining how to generate, allocate and efficiently use public fund, which to a large extent determine how public policy objectives are achieved. The provision of security, social and economic welfare services to the citizenry is in fact the whole essence of governance all over the world. This has, often exerts pressure on government spending yearly (Orji 2019).

Evidences has confirmed that many developed nations of the world strictly adhere to their annual budgets and such rigorous and stringent implementation of budget has played tremendous roles in reducing disparities, provision of infrastructure for economic growth and development in these Nations. Countries like the USA, China, Russia and UK have occupied enviable positions in the world for maintaining a sustainable economic growth on account of their budget implementation and control. Similarly, some countries in Africa such as; Ghana, Rwanda and South Africa in sub-Saharan Africa have been reported to record impressive GDP over time and up till now on account of their budget implementation effectiveness, (Ugwuanyi, 2021).

In Nigeria, over many decades, deficit budgeting has been the pattern of Government financing as government expenditure seem to constantly rising more than revenue. This might be accounted for by many factors including but not limited to; alarming state of insecurity, demographic pressure, increased demand for infrastructure, corruption and falling oil and gas revenue etc. Budgeting process in Nigeria has been said to be challenging in the terms of preparation, implementation and control. Implementation phase of the budget has been the most problematic and the major complaints had often been that of; non-release, partial release and delay in disbursing approved funds for budgeted expenditures – this has the effect of retarding effective budget implementation and expected economic growth and development in Nigeria, (Agbo et al, 2021). Therefore, it is important at this point to reaffirm that budgeting is the centrepiece of economic growth and development in all Nations of the world.

In this study, Government capital and recurrent expenditure are respectively used as measures of government budget (the independent variable), while GDP per capita and Life expectancy index are separately used as dimensions for economic development (the dependent variable). Capital expenditure is the total public spending on projects and infrastructure in the year. Recurrent expenditure is the public spending on items that are repetitive and non - capital in nature. GDP per capita or per capita income is the average income of citizens in the country. And life expectancy has been said to indicates the number of years a person can live before he dies, subject to specific mortality risk factors prevailing in the country. This is thought to particularly depend on some factors such as; good welfare, high standard of living and good health condition etc, which are good measurement of economic development of a country. These dimensions are carefully chosen to empirically assess the effect of budgeting on economic development in Nigeria, which has not hither to enjoyed any consensus of evidence in the literatures.

STATEMENT OF THE PROBLEM

Budgeting is an indispensable economic plan available to the government for the pursuance of long-term macroeconomic goals of Government and prosperity of the people, yet in most instances, the opposite is the case in Nigeria. Nigerian budget figures have been increasing over the years – huge amount of money has been allocated yearly to pursue economic growth and development in Nigeria. Unfortunately, however, the impact of the many Trillions of Naira budgeted and spent over many decades in Nigeria have not brought about the much - needed economic wealth the citizen has expected as evidenced by stagnant GDP growth, low per capita income, shorter life expectancy, low human development index (HDI), high level of insecurity, poor state infrastructure, hyper-inflation and high level of poverty in the country.

This has been a problem to both the policy makers and the Nigerian society as a whole. Some analysts and scholars have argued that the problem is inherent in budget formulation and implementation; others opined that the problem is that of budgetary control lapses and corruption in overall system of governance in Nigeria and so on. It is this lack of consensus of opinions in the literature regarding effect of budgeting on economic development performance in Nigeria that created the gap which give rise to this study "Empirical analysis of the effect of budgeting on economic development in Nigeria''. The study also fills a dimension gap as it is one of the very few works in the reviewed literature that investigates Life expectancy index (LEI) as one of the dependent variables, so to capture average number of year people can live in Nigeria owing to economic conditions and welfare.

LITERATURE REVIEW AND HYPOTHESES

This section presents the empirical reports of the previous studies done on the effect of Government budget on economic development in Nigeria and the related topics. This was required to direct the present work and also helps the research's better understanding of the topic. This section sub-divided into conceptual, theoretical framework and empirical review.

Conceptual Framework of Government Budgeting and Economic development

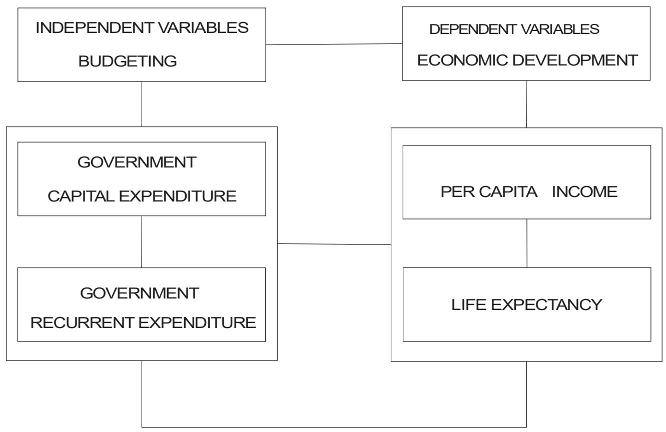

Figure 1: Conceptual framework oF budgeting and economic development.
Sources: Olukumi *et al* (2021), Goran (2021), and Elias *et al.* (2021)

Government Expenditure: Government expenditure is said to be an essential instrument for a government to control the economy. Public expenditure majorly comprised capital, and recurrent expenditures, which are both used by the government as fiscal instrumentsto fundpublic goods and achieve economic growth and development in the long-run. Government expenditure majorly comprise capital, and recurrent forms of expenditure. This very essential instrument of fiscal strategy is the totality of funds expended by a government to provide or meet collective needs or public goods which include but not limited to; expenditure on social, economic, environmental, infrastructure, administrative, defence, national debts services etc. Funds for these services are met through government revenue and/or public debts, grants, aids, among others. Public expenditure is the principle of anticipation of maximum social benefit, economy, elasticity, sanction, surplus to drive economy.

Capital Expenditure: Capital expenditure is the money spent on goods by the government which are classified as investment goods. This means public outlay on things that last for a period of time. These are investment on projects which are of a permanent nature which may include; road construction, building of schools, electricity generation, telecommunication, water, airport, schools, dams, bridges, Hospitals etc. which are meant for public benefits and impact the economy.

Recurrent Expenditure: Recurrent expenditure refers to all payments made by government other than for capital assets.They arethose expenditures that repeat yearly. These include the payments for goods and services, (wages and salaries, employer contributions), interest payments, subsidies and transfers, general administration and maintenance cost etc. (Elias *et al.,* 2021)

Per Capita Income

Per capita income is a measurement of the GDP per person in a country's population. It is an important indicator of economic performance and shows an average living standards and economic wellbeing of a country. A rise in per capita GDP signals growth in the economy and tends to reflect an increase in productivity. Ahigher per capita GDPis equal to a higher standard of living. It indicates average productivity or average living standards. Per capita GDP is often analysed alongside GDP. Economists use this metric for insight on both their own country's domestic productivity as well as the productivity of other countries. Per capita GDP considers both a country's GDP and its population. Therefore, it can be important to understand how each factor contributes to the overall result and how each factor is affecting per capita GDP growth. GDP per capita is used in this work as a proxy for the level of economic development to capture increased tax performance (the responsiveness of revenue to income growth) and collection efficiency.

2.1.5 Life Expectancy Index

This is said to be the number of years a person can live before he dies, subject to mortality risk prevailing. Life expectancy is said to be a reflection of the actual survival experiences of people born in a specific calendar year. This is particularly influencedby some factors such as; good welfare, high standard of living and good health condition etc. Today, because of still relatively infant mortality rates, Africa has the lowest life expectancy, 53 years, while the most favourable region in western Europe, where life expectancy at birth now average about 77 years, Sanya *et al.* (2021). The health of a country’s citizens is allegedto be a key indicator of economic development. Life expectancy at birth is said to be the most comprehensive indicator of the health of a country’s citizens.Generally, the minimum and maximum values of life expectancy, are set at 25 and 85 respectively. In addition, life expectancy at birth reflects the overall mortality level of a population and summarizes the mortality pattern that prevails across all age groups - children and adolescents, adults, and the elderly.

Economic development

Economic and social development can be said to be 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 said to increasingly focus on poverty reduction. Economic development is a policy intervention aiming to improve the well-being of the people. The development of a country has been associated with different concepts but generally incorporatessustained economic growth through increased productivity, economic equality, equitable distribution of incomeand reduction in unemployment and so on,(Elias *et al.,* 2021).

Budgeting

Budget has been defined as a plan made for estimating revenue and expenditures for a set future period of time, generally a year. It is a document that stipulates the policies and programs aimed at achieving government developmental goals. Budget is said to be a projected overall financial plan that lays out the expected method for attaining financial and operational goals of any given society. 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.

Theoretical Review
This work is anchored on the Keynesian theoryas it has much bearing on economic growth and development of the society.

Keynesian theory of expenditure and economic growth
The concept of Multiplier measures the effect of a change in any component of aggregate demand (aggregate expenditure) such as; private consumption expenditure, investment expenditure and government expenditure, exports and imports on national income.The Keynesian Multiplier theory therefore asserts that a change (increase or decrease) in private consumption expenditure or investment expenditure or government expenditure or the combination of all, will elicita change (increases or decreases) onnational income (Gross Domestic Product - GDP) more than initial change on aggregate demand (aggregate expenditure), meaning; if aggregate expenditure increases by ten units, then,national income (GDP) will increase by more than ten units and vice versa.Keynesian theory was advocated by John Maynard Keynes during the 1936, who advanced that there exists a multiplier effect of a change in any component government expenditure on the national income. Hence, an increase in the government expenditure would lead to increased productive activities which would improve aggregate output (GDP) or national income, (Craig, 2020).Keynes advocated for increased government expenditures and lower taxes to stimulate demand and pull the global economy out of the depression. Keynesian theory of expenditure is deficient of empirical substantiation.

Empirical Review
This section reviews the literature of various works done on the topic“effect of budgeting on economic development of Nigeria” by different scholars in the past with their results and recommendations, which include but not limited to;

Umoh *et al*. (2023) explored the effect of budget padding on the Nigeria’s Economy. The specific objectives were to; evaluate the socio-economic implications of budget padding, examine the powers of the legislature with respect to budget processes, and analyse the ethical and moral implications of budget padding. The study involved a descriptive research design and content analysis whereby the quantitative method was adopted using secondary sources of data. Findings revealed that; the socio-economic implication of budget padding was perturbing as it affects known economic indices negatively. Also, the legislature has powers to scrutinize and approve national budgets but lack powers to insert new projects and programmes without recourse to the Executive; it is also morally and ethically wrong for the legislators to introduce new items into the budget without the consent of the budget initiators. Finally, the consequences for failure of the budget had negative impact on the implementation of strategic government projects and programmes. Following the findings, it was recommended that; to attain national development, there was need for strict adherence to the fundamental principles of good budgetary governance. Again, policy makers should ensure that budget documents and data were open, transparent, and accessible, provide for an inclusive, participative, and realistic debate on budgetary choices present, and a comprehensive report on new items inserted in the budget estimate. Finally,all abuse of powers and privileges by public office holders should attract appropriate punitive measures.

Timothy (2023) adopted ethical theory using secondary data to examine the effects of budget governance on national development. The study generated evidence on the gaps in transparency and accountability mechanisms on budgets processes in Nigeria. The study revealed that budget governance has been seriously abused by both legislatures and the executives and as a result gravely affects national development. The study envisioned that transparency and accountability could bear fruit if budget stakeholders, technocrats, and budget processes are opened up to greater participation of the target beneficiaries and scrutiny by the relevant institutions. It further recommended that access to budget information and budget processes is a potential to citizens' empowerment and could make governments respond to their demands. Finally, to attain national development, the study recommended for adherence to the fundamental principles of good budgetary governance, such as the management of budgets within clear, credible and predictable limits for fiscal policy.

Adeyemi, (2022) investigated the impact of health care expenditure on households living standard in Ekiti state with the specific objectives of determining how the percentage of household income spent on healthcare substantially affects the living standard of Ekiti people. The study made use of qualitative methods of descriptive analysis and Logit regression analysis to explore the stated objectives of this study. The findings of the study showed that the source of treating illness is basically through primary health care facilities and it is mainly by households' out of pocket expenses. The study also revealed that the most prevalent illness is malaria which is above 90%. The surprising result of this study is that the large proportion of the respondents has no much health problem, food problem, and school fee problem despite the fact that the households' expenses is out- pocket. Judging from the findings, the study, therefore, concluded that the health care expenditure in Ekiti is fundamentally households' out of pocket expenses and that standard of living in Ekiti is not so bad owing to the finding that there is no obvious health, food and school fee challenges. In line with the foregoing findings, the study recommended that the government should establish National Health Insurance Scheme for all the persons both in an urban and rural areas of Ekiti state in order to greatly enhance the living standard of people of Ekiti. More so, the government of Ekiti must educate her people very well on how to control and prevent malaria which is the most prevalent disease that is affecting the people of the state.

Onwuka (2022) studied empirical effect of budget deficit, inflation and economic growth in Nigeria. The work was anchored by Wagner and Keynes theories on the effect of government expenditure on economic growth. The study made use of the disaggregated Vector Autoregression (VAR) approach to analyse the data. The study found, amongst others, that overall deficit financing had a positive and significant impact on economic growth when financed through external sources but had a deleterious effect when financed through domestic sources. The study also found that overall deficit financing is inflationary which also resulted to a decrease in real interest rates.

Omoniyi (2022) studied the impact of budget implementation on economic performance in Nigeria. Specifically, the study sought to examine the impacts of public capital and recurrent expenditures on Nigeria's real gross domestic product. This study revealed that recurrent government expenditure has a positive relationship with the economic growth, this implies that an increase in the units of recurrent government expenditure will lead to an increase in the economic growth of Nigeria in the period analysed, whereas capital government expenditure has a negative relationship with the economic growth, this implies that an increase in the units of capital government expenditure will lead to a decrease in economic growth of Nigeria. These results suggest that due process was compromised at the budget implementation stage. The study recommended that government should ensure the strict adherence to due process in the implementation of its annual budgets. Proper oversight functions should also be carried out by relevant supervisory agencies saddled with such responsibility to ensure maximum compliance by public service/good providers

Raphael *et al.* (2021) investigatedbudget implementation on economic development in Nigeria. The data used in the study was obtained from CBN, Statistical Bulletin and the Federal Ministry of Finance. A model was constructed based on both empirical and theoretical investigations in order to achieve this broad goal. The HDI, was the dependent variable and government capital budget, recurrent budget, and the speed of annual budget implementation were the independent variables in the model.Data were analysed using the Auto Regressive Distributed Lag (ARDL) Model.Diagnostic tests such as the test of normality, auto correlation test, and heteroskedasticity test were performed which proved the validity and reliability of the model; inferential results reveal that the use of budget evaluation had a positive and significant impact on the Nigerian economy. According to the study's suggestions, Nigeria's government should try to increase capital and recurrent expenditures in its annual budget, both of which have a significant impact on economic development. Finally, it was also recommended that the government should intensify budget monitoring and review infrastructure that will aid in the effective implementation of large budget expenditures while also ensuring compliance with legal procedures.

Okafor *et al.* (2021) investigated budget implementation on economic development in Nigeria. The primary aim of the study was to explore how a budget review approach may affect Nigeria's economic development. A model was constructed based on both empirical and theoretical investigations in order to achieve this broad goal. The HDI, which was utilized as a measure of development, was the dependent variable in the model. The government's capital budget, recurrent budget, and the speed of annual budget implementation were the other independent variables in the model. The data analysed using the Auto Regressive Distributed Lag (ARDL) Model, diagnostic tests such as the test of normality, auto correlation test, and heteroskedasticity test, which proved the validity and reliability of the model they chose; inferential results reveal that the use of budget evaluation had a positive and significant impact on the Nigerian economy. It was therefore, recommended that Nigeria's government should try to increase capital and recurrent expenditures in its annual budget, both of which have a significant impact on economic development. Finally, the government should work to build budget monitoring and review structure that will aid in the effective implementation of large budget expenditures while also ensuring compliance with legal procedures.

Ugwuanyi (2021) considered the impact of budget evaluation on economic development in Nigeria. Ex-post-facto research design was used, data were obtained from Central Bank Statistical Bulletin and Federal Ministry of Finance.Human Development Index (HDI) was used as the dependent variable while government's capital budget, recurrent budget and the rate of implementation of annual budgets were the independent variables in the model. This study employed Ordinary Least Squares (OLS) Model to analyse data. The inferential results suggested that budget evaluation had positive and significant impact on economic development in Nigeria. The study recommended that government of Nigeria should endeavour to increase her capital and recurrent expenditure in her annual budget, since both had significant impact on economic development. Finally, effective budget monitoring and evaluation machinery was also recommended.

Goran (2021) investigated the effect of the socioeconomic development on life expectancy at birth as an indicator of mortality or longevity in five EU accession candidate countries. Using aggregate time series pool data on an annual level from UN and World Bank databases for the period 1990–2017 and full information maximum likelihood model, it was found that this connection between the socioeconomic conditions and life expectancy at birth is a prerequisite for longer life in the five countries. Our dependent variable was the life expectancy at birth, and the background exploratory variables for the socioeconomic development were GDP per capita and infant mortality rate. The main results are that higher values of GDP per capita and lower values of infant mortality levels lead to higher life expectancy at birth suggesting that longevity of people in these five countries is increasing.

Olukumi *et al.* (2021) explored the life expectancy–economic growth nexus in Nigeria. The paper examined life expectancy–growth nexus and the role of poverty reduction with the view to determining the contribution of health to growth and poverty reduction and the threshold of health required to mitigate the adverse effect of poverty on economic growth in Nigeria. Based on the endogenous growth theoretical approach, the link between life expectancy, poverty incidence, and economic growth was estimated using the fully modified ordinary least square method. Findings showed that health contributes positively to economic growth and also mitigates the adverse effect of poverty on economic growth in Nigeria. The study determined the minimum threshold of life expectancy of 64.4 years as a health improvement annual benchmark. Therefore, for Nigeria to achieve sustainable economic growth and significant poverty reduction, policies aimed at achieving the newly determined health improvement threshold from the current annual average of 47.8 years are fundamental.

Elias *et al.,* (2021) did a work on effect of budget implementation on Nigeria's economic development. The major aim of the study was to determine how budget implementation by Nigeria affected her economic development during the period. Specifically, the independent variables in the study were public capital and recurrent expenditures and dependent variables was real gross domestic product. Data wasretrieved from the central bank of Nigeria's statistical bulletin; the study employed the ex post facto research design. The E-Views 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 recommended that government should ensure the strict adherence to due process in the implementation of its annual budgets. Future studies can be centred on assessing how the established linkages can be complemented with other policy variables so as to engender positive outcomes on economic growth.

Ugochukwu (2021) did a work on the effect of various components of government expenditures on economic growth in Nigeria for periods between. Secondary data was used. The study adopted the Error Correction model and Granger Causality Test. The short-run model revealed that the components of government expenditures like recurrent expenditures on agriculture, health and education have an insignificant negative impact on economic growth. Recurrent expenditure on debt servicing and road and construction indicated a positive and negligible impact on economic growth. Concerning capital expenditures, government capital expenditures on social services were shown to have a negative and significant impact on economic growth. In contrast, government capital expenditures on economic services indicated a positive and insignificant impact on economic growth in Nigeria. In the long run, all the components of government expenditures employed showed a significant effect on economic growth. The research finding establishes no clear conclusion about whether Keynesian or Adolf Wagner's law is operational in Nigeria. The study concludes that the Nigerian economy is on the wrong path to sustainable growth and development. The study recommended that the government should increase its allocations to priority sectors like health, education, agriculture and infrastructures and stimulate investment and output using monetary and fiscal policies to increase internally generated revenue and reduce government borrowing.

Dare *et al*. (2020) investigated the impact of government spending on Nigeria's economic growth. ex-post facto and longitudinal research approaches were used in the study. Secondary data were gathered from the Federal ministry of finance and Statistical Bulletin. Co-integrating regression model with a fully modified ordinary least squares model and the fully modified least square model were used to ascertain the combined impact of yearly budgeting drivers on GNP in Nigeria. The study found that CEX, INFR, and REX significantly influenced GNP, but DS and EXCHR did not significantly influence GNP. According to the study, Nigeria's economic growth and development are greatly influenced by government budgets. In order to guarantee that the budget's advantages are realised and to support economic development in Nigeria, the research advised that the government assess the performance of the yearly budgeting variables, system, and execution.

Nwala *et al.* (2020) studied budget implementation and economic growth in Nigeria. Ex-post facto research design was adopted for this study. Secondary data to the study were obtained from Federal Ministry of Finance and Central Bank of Nigeria Statistical Bulletin for the period 1981 to 2018. Gross Domestic Product was used as the dependent proxy, while

Capital expenditure, Recurrent expenditure and Debt as the independent proxies. Using E-Views 10, it was found that capital expenditure exerts positive and significant relationship with the Gross Domestic Product of Nigeria. Likewise, recurrent expenditure and gross domestic product show positive and significant relationship, and government debt and gross domestic product also show negative and significant relationship. Based on these was recommended that government should try to put in place effective machineries that will ensure the strict adherence to due process and total implementation of annual budget provision and avoid diversion of public funds to personal uses.

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Aluthge *et al.,* (2021) studied the impact of Nigerian government expenditure on economic growth using time series data. The paper employed Autoregressive Distributed Lag (ARDL) model. To ensure robustness of results, the study accounts for structural breaks in the unit root test and the co-integration analysis. The key findings of the study revealed that capital expenditure has positive and significant impact on economic growth both in the short run and long run while recurrent expenditure does not have significant impact on economic growth both in the short run and long run. The study recommended that government should increase the share of the capital expenditure especially on meaningful projects that have direct bearing on the citizen's welfare. Government should also improve the spending patterns of recurrent expenditure through careful reallocation of resources toward productive activities that would enhance human development in the country.

Ilemona *et al.,* (2019) examined the implementation of budget and economic growth in Nigeria. The objective is to investigate the impact of Public Capital Expenditure (PCE), Public Recurrent Expenditure (PRE) and Public Debt Expenditure (PDEX) on economic growth of Nigeria during the period under review. Using expost facto research design, data on PCE, PRE and PDEX (explanatory variables) and economic growth (dependent variable) proxied by Gross Domestic Product (GDP) were collected from Central Bank of Nigeria (CBN) and National Bureau of Statistics (NBS) reports. The data were empirically analysed using multiple regressions. The results revealed that PCE and PRE have significant impact on GDP except PDEX that do not show any impact. The study recommended that government should pay attention to budgeting more of her resources (revenues) on PCE and PRE, implement and monitor the budgets for desired economic growth.

Orji, (2019) studied the effect of budget implementation on economic growth of Nigeria. GDP was used as a proxy for economic growth while, Public Capital expenditure (PCE), Public recurrent expenditure (PRE), and public debt servicing (PDS) were used as proxies for budget implementation. Secondary data sourced from CBN statistical bulletin for the period of 1999 – 2018 was used. The study analysed both the short and long run effect of budget implementation on economic growth. The result of the study shows that in the short run all the variables have no significant effect on economic growth, and in the long run the result shows they still have no significant effect on economic growth. The study therefore recommends that the government should invest more on capital projects in other to spin the wheel of economic growth faster. The government should not consider increasing recurrent expenditure as a way of achieving economic growth.

Adah (2019) explored the effect of budget implementation on Nigeria's economic development. The key objective of the study was to scrutinize the extent to which budget implementation had impacted on the per capita GDP of Nigeria. Capital budget, Recurrent budget and the rate of implementation of annual budgets were the independent variables of the model while GDP per capita was the dependent. The Ordinary Least Square (OLS) model was used in the data analysis. In order to ascertain the data properties, unit root test was utilized and preliminary results showed that per capita GDP and Capital budget were stationary at first difference while Recurrent budget and implementation rate were stationary at level. The mixed order of integration necessitated the ARDL Bounds test for co-integration which showed that there is a long run relationship between budget implementation variables and per capita GDP in Nigeria. Consequently, the ARDL model revealed that capital budget decreased GDP per capita significantly in the short run while in the long run, it increases per capita GDP but not significantly. Recurrent budget and budget implementation rate were positive in the short run but recurrent budget remained positive in the long run and significantly too while budget implementation rate turned negative and insignificant on the economy. The conclusion is that the rate of implementation of the budget has not directly achieved the purpose for which it was meant. Budget implementation in Nigeria has not been optimal and it has been mostly tilted towards recurrent expenditures with the capital expenditure still falling short of expectations. The recommendation made was that the government should make every effort to ensure that capital budgets are fully implemented in addition to the Government putting in place effective machinery that will ensure the strict adherence to due process and total implementation of annual budget provisions and avoid misappropriations.

RESEARCH METHODOLOGY

Research Design

The study made use of Ex post facto research design to analyse the time series data which were obtained fromthe C. B. N., Statistical Bulletin, IFRS andMinistry of Finance for the periodof thirty years (1981-2020). The data were analysed using descriptive, multiple regression and correlation statistics with the use of SPSS 2.0 and AdvancedExcel Analytical Tool Pack-2018.Eempirical analysis is used to validate effects of budgeting on economic development in Nigeria. The model is developed based on the theories, related literatures on developing countries with a special interest inthe Nigeria environment.Budgeting is treated as independent variable and is measuredbypubliccapital and recurrent expenditure respectively,while the dependent variable is economic development,having Per capita income andLife expectancy index as its dimensions.The rejection criterion for testing of null hypotheses is at 5% level of significance, the p-value of individual result below 5% significance level is accepted and is rejected if otherwise. The research technique has been employed and found to be suitable in prior similar researches, such as those of; (Ilemona *et al.,* 2019, Adah 2019 & Goran 2021).

Model Specification

The study made use of Regression modelfor testing the hypotheses. Themodel is formulated by inserting the studyvariables to test the stated hypotheses meant foranswering the research questions, this is stated as follows;

To determine the responsiveness of dependent variable to the independent variables, the general panel econometric model is as specified in equation

DEV = f(CAXP, REXP).

Panel Regression model

$PCI = f\ (CAXP + RCXP + \mu)$

$LEI = f\ (CAXP + RCXP + \mu)$

Therefore, the models for the study are;

$PCI_{it} = \alpha_{0,} + \alpha_{1,}\ CAXP_{it} + \alpha_{2,}\ RCXPi_{t} + \varepsilon_{it}$ (1)

$LEI_{it} = \beta_0 + \beta_1 CAXP_{it} + \beta_2 RCXPi_{t} + \varepsilon_{it}$ (2)

Where:

DEV = Economic Development; CAXP = Public capital expenditure;RCXP = Public recurrent expenditure;PCI= Per capita income;LEI = Life expectancy index; α_0, β_0= Constant (intercept on Y-axis);$\alpha_{1,}\ \beta_1$ = Co-efficient of regression; e_{it} = error term.

Table1 Study variables: Government Budget and Economic Development

Concepts	Variables	Indicators	Measurements
ECONOMIC DEVELOPMENT	Per Capita (PCI)	Average Income Per Head	National Income Over Total Population
	Life expectancy index (LEI)	Number of years a person can live before he dies	LEI = (Country val. – Min. Val.) / (max val. – min val.)
GOVERNMENT BUDGET	Public Recurrent expenditure (RCXP)	Government spending that is not capital in nature for the observed periods.	Total spending on Non–capitalactivities of Government for the observed years.
	Public Capital expenditure (CAXP)	Government spending that is not recurrent in nature for the observed periods	Total spending on Non–recurrent government. activities for the observed years.

Source: Compiled by the researchers, 2023

RESULTS AND DISCUSSION

Descriptive Statistics

Table2. Descriptive Statistics of Government Budget and economic Development

	N	Range	Minimum	Maximum	Mean	Std. Deviation
CAXP	40	2284.9	4.1	2289.0	502.508	551.8024
RCXP	40	8116.8	4.8	8121.6	1607.493	2114.9541
PCI	40	2931	270	3201	1329.05	882.255
LEI	40	11.0	45.0	56.0	48.618	3.3106
Valid N (listwise)	40					

The descriptive statistic for this work is presented in Table 2. 'N' is equals 40 for every variable, reflecting forty years (1981-2020) time series data that is used in the investigation.The mean of public capital expenditure (CAXP), recurrent expenditure (RCXP), per capita income (PCI) and Life expectancy index LEI) are; 502.3, 1607.5, 1329.1and 48.6 respectively. The mean of Recurrent expenditure is larger than of capital expenditure, which is a depiction of Government's minimal investment in capital goods and the reason for poor level of development in Nigeria. Greater mean value of recurrent expenditure is a reflection of high cost of Governance masterminded by high level of corruption in the country.The maximum values of CAXP, RCXP, PCI and LEI are; 2289.0, 8121.6, 3201 and 56.0 respectively.While the minimum values of CAXP, RCXP, PCI and LEI are; 4.1, 4.8, 270 and 45 respectively.N270, reflects very low standard of living and 45 years represents very low life expectancy in Nigeria – these indicators confirm the low level of development in Nigeria.

Bivariate Correlation

		CAXP	RCXP	PCI	LEI
CAXP	Pearson Correlation	1	.931**	.687**	.812**
	Sig. (2-tailed)		.000	.000	.000
	N	40	40	40	40
RCXP	Pearson Correlation	.931**	1	.730**	.855**
	Sig. (2-tailed)	.000		.000	\.000
	N	40	40	40	40
PCI	Pearson Correlation	.687**	.730**	1	.683**
	Sig. (2-tailed)	.000	.000		.000
	N	40	40	40	40
LEI	Pearson Correlation	.812**	.855**	.683**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	40	40	40	40

**. Correlation is significant at the 0.01 level (2-tailed).

Pearson correlation between the variables in the study are presented in Table 3.Capital expenditure (CAXP) and recurrent expenditure (RCXP) are significant and positively correlated,signifying that CAXP and RCXP can significantly contribute to economic development if the budget is judiciously implemented. The correlation between PCI and governmentcapital expenditure(CAXP) is a high positive and significant one. A high positive and significant relationship is alsorevealed between Per capita income (PCI) and Government recurrentexpenditure (RCXP). Life expectancy index (LEI) is also found to have a high positive and significant association with Government capital and recurrent expenditure respectively.

Multivariate Analysis

Result from regression Analysis of model 1

Result of the regression analysis of (model-1) are obtained from Table 4. Model-1 addresses the relationship between economic development (PCI)and independent variables (Public capital expenditure (CAXP) and Recurrent expenditure (RCXP)) stated as follows; $PCI_{it} = \alpha_{0,} + \alpha_{1,} CAXP_{it} + \alpha_{2,} RCXPi_{t} + \varepsilon_{it}$

Table 4. Regression Result (model-1)

Model		Unstandardized Coefficients		Std. Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	829.189	135.251		6.131	.000
	CAXP	.093	.493	.058	.189	.851
	RCXP	.282	.129	.675	2.192	.035

Model	R	R Square	Adjusted R Square	Std. Error of the Est.
1	.730[a]	.533	.508	618.906

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	16183979.684	2	8091989.842	21.125	.000[b]
	Residual	14172634.216	37	383044.168		
	Total	30356613.900	39			

a. Dependent Variable: PCI, **b.** Predictors: (Constant), RCXP, CAXP

Table 4 shows that the independent variables explained about 73% of the variations in Per capita income (PCI). The coefficient of regression on Government capital expenditure (CAXP) against Per capita income (PCI) is positive and significant, depicting that the relationship between (CAXP) and (PCI) is statistically significant. Consequently, there is sufficient evidence to reject hypothesis-1, which stated thatthere is no significant effect of capital expenditure on per capita incomein Nigerian.Similarly, the coefficient of regression on Recurrent expenditure (RCXP) against Per capita income (PCI) is also positive and significant depicting a statistically significant relationship between Government recurrent expenditure (RCXP) and Per capita income (PCI). This result therefore, provides adequate evidence to reject hypothesis-2, which proposed a non- statistically significant effect ofrecurrent expenditure on per capita income(PCI)in Nigeria.

Also,P-value of 0-00 < 0.05 likewise indicate that the effect of (CAXP) and(RCXP) on (PCI) is statistically significant which is another evidence to reject the null hypothesis.

Result from regression Analysis of model-2

Result of the regression analysis of model-2 is obtained from Table 5. Model-2 addresses the relationship between economic development (LEI) and independent variables (Public capital expenditure (CAXP) and Recurrent expenditure (RCXP)), which is stated as follows;

$LEI_{it} = \beta_0 + \beta_1 CAXP_{it} + \beta_2 RCXPi_t + \varepsilon_{it.}$

Table 5. Regression Result (model 2)

Model		Unstandardized Coefficients		Std Coefficients	T	Sig.
		B	Std. Error	Beta		
2	(Constant)	46.387	.384		120.813	.000
	CAXP	.001	.001	.118	.508	.615
	RCXP	.001	.000	.745	3.194	.003

Model	R	R Square	Adjusted R Square	Std. Error of the Esti
2	.856[a]	.733	.718	1.7570

Model		Sum of Squares	Df	Mean Square	F	Sig.
2	Regression	313.223	02	156.611	50.734	.000[b]
	Residual	114.215	37	3.087		
	Total	427.438	39			

a. Dependent Variable: LEI **b**. Predictors: (Constant), RCXP, CAXP

Table 4 reveals that independent variables explained about 86% of the variations in Life expectancy index (LEI). The coefficient of regression on Government capital expenditure (CAXP) against Life expectancy index (LEI) is positive and significant, showing that the relationship between (CAXP) and (LEI) is statistically significant. So, there is sufficient evidence to reject hypothesis-3, which stated that there is no significant effect ofcapital expenditure on Life expectancy in Nigeria.Similarly, the coefficient of regression on Recurrent expenditure (RCXP) against life expectancy index (LEI) is also positive and significant,representing a statistically significant relationship between Government recurrent expenditure (RCXP) and life expectancy index (LEI). This result therefore, provides satisfactory evidence to reject hypothesis-4, which stated that there is no statistically significant effect ofrecurrent expenditure on Life expectancy index (LEI)in Nigeria.
Also,P-value of 0-00 < 0.05 equally, indicate that the effect of (CAXP) and(RCXP) on (LEI) is statistically significant which is another evidence to reject the null hypothesis-4.

In the first two regression models, the relationship between Government capital expenditure (CAXP) and economic development (measured by per capita income and life expectancy index) respectively, are positive and statistically significant. The third and fourth models also revealed a positive and statistically significant association between Government recurrent expenditure (RCXP) with economic development (measured by per capita income and life expectancy index). The findings of this work therefore, dovetails with evidences reported in prior literatures with almost same variables by;Ilemona et al., (2019),Aluthge et al., (2021), Nwala et al (2020), Omoniyi (2022) and Ugwuanyi (2021),who reported a positive and statistically significant association between budget implementation and economic development in Nigeria.Conversely,Elias et al., (2021) providedcontraryevidencethat Government capital and recurrentexpenditure have no statically and significant relationship with economic development.The findings of this study therefore, confirmed that budgeting has a positive and statistically significant effect on economic development in Nigeria – this finding, dovetails with Keynesian theory which hypothesised that, an increase in public spending can lead to economic growth and development.

CONCLUSION AND RECOMMENDATIONS

The study investigated the empirical effect of budgeting on economic development in Nigeria. The aim was to explorethe effect of budgeting on economic development in Nigeria. The dimensions of budgeting (independent variable)used in this study are; Public capital expenditure(CAXP) and Recurrent expenditure (RCXP), while economic development (dependent) was operationalized with per capita income (PCI) and Life expectancy index (LEI) respectively. Public capital expenditure (CAXP) and Recurrent expenditure (RCXP) regressed very low with per capita income, a depiction of very low contribution of budget to per capita income (economic welfare) and hence development in Nigeria. Similarly, Public capital expenditure (CAXP) and Recurrent expenditure (RCXP) positively regressed with Life expectancy index (LEI) at the same lower rate, showing a very low life expectancyarisingfromthe low level of economic welfare in Nigeria. It therefore, implies that, budgeting contributes only verylittle to economic development in Nigeria. From the results of the finding therefore, the study concluded that budgeting contributes very little to economic development in Nigeria. Therefore, the following recommendations are made from the findings discussed above; (i) Government should identify priority and key productive sectors that need expansion to increase its capital investment so to bring about economic development in Nigeria.(ii) Government should formulate policies that ensures efficient budget implementation in Nigeria to address the problem of improperand inefficient budget implementation. (iii)Government should reallocate its spending, from recurrent items to capital items to expand her expenditure on development projects to boostoverall economic welfare of the Nigerian people.

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