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Implications of Fiscal Policy Measures on Growth of the Nigerian Economy

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ABSTRACT

The study examined factors surrounding measures of fiscal policy and its effect on economic growth in Nigeria from 1981 - 2014. The main objective of the study is to ascertain the effect of fiscal policy measures on growth of the Nigerian economy. It was expected that an increase in government expenditure ceteris paribus will increase investment and hence increase income via the multiplier. And that a higher tax reduces disposable income, investment opportunities and inhibits growth of the real gross domestic product. The researcher used Ordinary Least Squares (OLS) technique of multiple regression models using statistical time series data from 1981-2014. The statistical result' showed a positive relationship between the dependent variable (real gross domestic product) and the Independent variables (Government Expenditure and Taxes). This implies that the government expenditure is a strong determinant of economic growth especially when properly directed towards the provision of adequate basic infrastructural facilities to stabilize investment activities. The regression result also indicates that tax has a negative sign as a result of poor tax administration in Nigeria and over dependence of government on earnings from crude oil in funding her projects. Consequently, the result agreed with the endogenous theory, which supports that government involvement through the use of fiscal policy could step up economic activities hence growth. Based on the results, it was therefore suggested that there should be a total renovation of the tax system in Nigeria and the federal government of Nigeria should exaggerate her spending especially in the productive sectors of the economy that has the capability to contribute to economic growth in the country.

***Keywords**: Fiscal policy, taxation, government expenditure, economic growth*

INTRODUCTION

Central to the role of different economies of the world is the need to regulate and stabilize the system in order to achieve macroeconomic objectives. According to Festus (2004). These objectives include economic development and growth, full employment of labour, price stability, equilibrium balance of payment and equitable distribution of income, among others. In Nigeria, the conduct of economic policy is a constitutional responsibility of all tiers of government. Recently, government policies began to show more concern on the management and improvement of the economy (Yaaba, 2014; EzeandOgiji, 2013). Though, the growth and development of the Nigerian economy has not been stable over the years as a result, the country's economy has witnessed so many shocks and disturbances both internally and externally over the decades (Audu, 2012). Government have embarked on various macroeconomic policy options to grow the economy in terms of growth and development and the policy option employed is that of fiscal policy (Peter and Simeon, 2011). Fiscal policy is the use of government revenue collection (taxation) and expenditure (spending) to influence the economy. The two main instruments of fiscal policy are government taxation and government expenditure. It can also be seen as government spending policies that influence macroeconomic conditions. These policies affect tax rates, interest rates and government spending, in an effort to control the economy.

Nigeria's potential for growth and poverty reduction is yet to be realized. A key constraint has been the recent conduct of macroeconomics, particularly fiscal and monetary policies. This has led to rising inflation and decline in real incomes (Agu, Idike, Okwor and Ugwunta, 2014). National economic management became a Herculean task as the economy has to contend with volatility of revenue and expenditure. The widespread lack of fiscal discipline was further exacerbated by poor coordination of fiscal policy among the three tiers of government. Also, there is a weak revenue base arising from high marginal tax rate with very narrow tax base, resulting in low tax compliance. (Odewunmi, 2012). As a result of these and other factors serious macroeconomic imbalances have emerged in Nigeria. A review of these macroeconomic indices shows that inflation has accelerated to double-digit levels (from 6.94 in 2000 to 18.87 in 2001), (IMF, 2001). This double digit inflation continued up to 2005, and decreases to single digit in 2006 and 2007. In 2008 the inflation rate reverted to double digit - 11.58 and continued to increase and in 2010 it was 13.72% (IMF, 2011).

The cyclical fluctuations in the country's economic activities has led to the periodical increase in the country's unemployment and inflation rates as well as the external sector disequilibria (Gbosi, 2001). In other words, fiscal policy is a major economic stabilization weapon that involves measure taken to regulate and control the volume, cost and availability as well as direction of money in an economy to achieve some specified macroecoriomic policy objective and to counteract undesirable trends in the Nigerian economy (Gbosi, 1998). Unemployment is a major political and economic issue in most countries. In Nigeria, the years of corruption, civil war, military rule and mismanagement have hindered economic growth of the country. Nigeria is endowed with diverse and huge resources both human and material. However years of negligence and adverse policies have led to the under-utilization of these resources (Economic Watch. 2010), and this has contributed to the increasing unemployment rate in Nigeria. In 2000 the unemployment rate was 13.1% on the average, however, there has been an upward trend and in 2010 it was 21.10% (Nigerian Bureau of Statistics 2010, CBN 2005, 2006, 2009).

Nigeria is a country enormously gifted with both natural and human resources. The pool of resources from one end to the other is immeasurable to such an extent that given a vibrant and perceptive fiscal policy, economic growth, development and prosperity would have been long achieved. Fiscal policy as a tool for macro-economic management according to Akpapan (1994) is a purposeful use of government revenue (mainly from taxes) and expenditure to manipulate the level of economic activities in a country. It can also be referred to as part of government policy relating to the raising of revenue through taxation and other means and choosing on the level and pattern of expenditure for the purpose of manipulating economic activities or achieving some needed macro-economic goals (Anyanwu&Ohahenam, 1995). These macro-economic goals include increase in per-capita income, low unemployment rate, positive balance of payments (BOP) position and price stability. The achievement of these goals will definitely lead to economic growth.

Economic growth is a source to advanced living standard; it can be defined as a rise in the gross domestic or national product of a country (GDP/GNP) over time, which ultimately leads to higher per capita income. Despite numerous fiscal policies put in place by the federal government of Nigeria which include, expanded government spending program and improved tax system; an overview of the Nigeria's economy for the past two decades shows that inflation was one of the foremost macro-economic problems. In 1980 the rate of inflation was 9.9%, but by 1981. it had jumped up to an unpredicted high rate of 20.9% and by 1995. Nigeria witnessed the highest rate of inflation when the figure stood at 72.8% which later declined to 6.9% by the end of 2000. in 1980, Nigeria recorded a positive growth in the real GDP which later decline from 4.7% in 1991 to 2.4% in 1998 (CBN 1995). CBN available data shows that there is pressure on the balance of payments, specifically in 1994 when an overall deficit of N7,194.9 million was recorded in the balance of payments compared with the deficit of N5,959.6 million in 1991 (Gbosi, 2000). The balance of payments position further worsened in 1997 with a deficit of N251, 593.1 million from a deficit of N183, 952.6 million recorded in 1996, these perpetually leads to a rise in the average exchange rate of the Nigerian naira against the American dollar causing external sector instability. The rate of unemployment in Nigeria was also on the high side. According to CBN statistical bulletin (2005) and CBN annual report and statement of accounts (2006), the nation's unemployment rate was 2.4 percent by 1970 but by 1980, it has jumped to an extraordinary high rate of 7.4 percent and 10.2 percent in 1983. These can be credited to the neglect of the agricultural sector which was the key source of employment for the Nigerian economy during the 60s and 70s. This seminar paper will look at the extent to which fiscal policy measures have influenced economic growth in Nigeria during the period of 1981 to 2014.

In spite of several fiscal measures established since independence and given the importance of fiscal policy in macroeconomic management in Nigeria, economic growth has not accelerated. Hence, it is very important to analyze the effectiveness of fiscal policy measures on several macro-economic indices in Nigeria (such index include; per capita income, inflation rate, balance of payments and unemployment rate) to see the impact on these macro-economic indices, which are responsible for economic growth in the Nigerian economy. Fiscal policy is still widely recognized as a strong tool for improving economic growth in most economies of the world, though the Nigerian experience is tending to suggest otherwise. Several studies such as Barro& Martin (1990); Glomm&Ravikumar (1997); Genetski& Chin (1978); Eusterly and Rebelo (1993) have examined the relationship between fiscal policy variables (taxation and public expenditure) and economic growth. The statistical result from these studies are uncertain; while some studies found out that taxes have long term influence on growth rate, others found no significant effect. Hence, this seminar paper will try to find out if taxation and government spending have any substantial contribution to Nigeria's economic growth.

REVIEW OF RELATED LITERATURE

Fiscal policy refers to that part of government policy concerning the raising of revenue through taxation and other sources and deciding on the level and pattern of expenditure for the purpose of influencing economic activities. It is a policy under which the government uses its expenditure and revenue programmes to produce desirable effects and avoid undesirable effects on national income, production and employment. The policy can also be seen as a deliberate spending and taxation actions undertaken by government in order to achieve price stability, to dampen the swings of business cycles, and to bring about nation's output and employment to desired levels (Jhingan, 2003).

Fiscal policy may be discretionary or non-discretionary. The discretionary fiscal policy is "active" and it involves the conscious changes in government spending and taxes to create expansionary or contractionary effects. The non-discretionary fiscal policy is “passive" which relies on automatic built-in stabilizers to keep the economy on course (Zhatlau, 2013). There is need for government to stabilize the economy, specifically by adjusting the level and allocations of taxes and expenditure. Federal taxation and spending policies are designed to level the business cycle and achieve full employment, price stability and sustained growth of the economy. Keynes opined that insufficient demand causes unemployment and excessive demand leads to inflation. It therefore, aims to stimulate demand and output in periods of business decline by increasing government purchases and cutting taxes, thereby releasing more disposable income into the spending stream, and to correct over expansion by reversing the process.

The Federal Government's policies on taxes and expenditure have a large impact on the economy. The theory of Keynes advocates the use of fiscal policy to offset imbalances in the economy. According to Keynes, a government should use fiscal policy to stimulate an economy slowed down by recession through deficit, that is, by spending more than it collect from taxes. On the other hand, to slow down an economy that is threatened by inflationary pressures, there should be increase in taxes or cutting spending to create a budget surplus that would act as a drag on the economy. Stabilization policy requires that policy makers can determine feasible targets, have a reasonable knowledge of the workings of instrumental variables and can effectively control the instrumental variables, the targets of those variable for which the government seek desirable values.

Government Expenditure and Economic Growth

Economic theory has shown how government spending may either be beneficial or detrimental to economic growth. The relationship between government expenditure and economic growth has continued to generate series of debate among scholars. Government performs two functions-protection (and security) and provisions of certain public goods (Abdullah, 2000 and Al-Yousif, 2000). Protection function consists of the creation of rule of law and enforcement of property rights. This helps to minimize risks of criminality, protect life and property, and the nation from external aggression. Under the provisions of public goods are defense, roads, education, health, and power, to mention few. Some scholars argue that increase in government expenditure on socio-economic and physical infrastructures encourages economic growth. For example, government expenditure on health and education raises the productivity of labour and increase the growth of national output. Similarly, expenditure on infrastructure such as roads, communications, power, etc, reduces production costs, increases private sector investment and profitability of firms, thus fostering economic growth. Supporting this view, scholars such as (Al-Yousif, 2000; Abdullah, 2000;Ranjan& Sharma, 2008;Cooray, 2009) concluded that expansion of government expenditure contributes positively to economic growth.

In the neoclassical growth model of Solow (1956), productive government expenditure may affect the incentive to invest in human or physical capital, but in the long-run this affects only the equilibrium factor ratios, not the growth rate, although in general there will be transitional growth effects. Others have argued that increase in government expenditures may not have its .intended salutary effect in developing countries, given their high and often unstable levels of public debt. The government consumption crowd-out private investments, dampens economic stimulus in short run and reduces capital accumulation in the long run. Vedder and Gallaway (1998) argued that as government expenditures grow incessantly, the law of diminishing returns begins operating and beyond some point further increase in government expenditures contributes to economic stagnation and decline.

Various empirical studies on the relationship between government expenditure and economic growth also arrived at different and even conflicting results. Some studies suggest that increase in government expenditure on socio-economic and physical infrastructures impact on long run growth rate. For instance, government expenditure on health and education raises that productivity of labour and increase the growth of national output. Similarly, expenditure on infrastructure such as road, power etc. reduces production costs, increase private sector investment and profitability of firms, thus ensuring economic growth (Barro, 1990; Barro&Sali-i-Martin, 1992; Roux, 1994; Okojie, 1995; Morrison & Schwartz, 1996). On the other hand, observations that growth in government spending, mainly based on non-productive spending is accompanied by a reduction in income growth has given rise to the hypothesis that the greater the size of government intervention the more negative is its impact on (Glomm&Ravikumar, 1997; Abu & Abdullah, 2010). This study is an improvement on other studies on fiscal policies (economic growth-government expenditure) relationship in Nigeria.

$H0_1$: Government expenditure does not significantly affected economic growth of Nigeria.

Government Tax and Economic Growth

Taxation is a vital element in any country's economy: It is the source of funding for the important necessities such as education, health care, security and the million other things that are necessary to the safe running of a country. Anyanwu (1997) defined Tax as a compulsory payment or levy imposed on income, profit, property, wealth, estate, goods and services of individuals and corporate bodies by the government for the sustenance of its expenditure on numerous activities and tor which there is no guarantee direct benefit from the government to the tax payers. The primary goal of any developing country like Nigeria is to increase the rate of economic growth and per capital income which leads to a higher standard of living thus taxation can be used as a stimulus to accelerate such growth of the Nigerian economy.

Chigbu (2012) maintained that the economic history of both developed and developing countries, reveals that taxation is an important instrument of government that generates revenue, which also creates fiscal goals that influence the direction of investment and taming the consumption and production of certain goods and services. He went further to state that taxes are imposed to regulate the production of certain goods and services, protection of infant industries, control business and commerce, curb inflation, reduce income inequalities and these in turn result to economic growth. A sound tax system that protects infant industries encourages entrepreneurial development in the country, which is paramount for the sustenance of economic growth of every economy (Nzotta, 2007).

Thus, it is evident that a good tax structure plays many roles in the process of economic growth of any nation like Nigeria (Appah, 2010a). Musgrave and Musgra.ve (2006) maintained that these roles include: the level of taxation affects the level of public savings and thus the volume of resources available for capital formation; both the level and the structure of taxation affect the level private saving. Akintoye and Tasie (2013) explained that a system of tax incentives and penalties may be designed to influence the efficiency of resource utilization; the distribution of the tax burdens plays a large part in promoting an equitable distribution of the fruit of economic development; the tax treatment of investment from abroad may affect the volume of capital inflow and rate of reinvestment of earnings there from; and the pattern of taxation on imports relative to that of domestic producers affect the foreign trade balance.

Nwezeaku (2005) opined that the scope of these functions will depend on: on the political and economic orientation of the people, their needs and aspirations as well as their willingness to pay tax. Thus, the extents to which a government can perform its functions depend largely on the ability to design tax plans and administration as well as the willingness and patriotism of the governed.

The top economic goal of Nigeria is the sustainability of its economic growth in terms of Gross Domestic Product (GDP), which is the total amount of goods and services produced within a nation, usually within one year. This top economic goal of most nations is a constant, never ending rise in the total GDP of varying percent per annum. That should be the Nigeria's economic growth target. If a country's Gross Domestic Product goes flat, that is stagnation. If it falls for more than two quarters in a row, it means recession. Both cases must be avoided at all cost.

Ho$_2$: Government tax does not significantly affect economic growth in Nigeria.

Empirical Studies

Imoisi (2013) studied an appraisal of fiscal policy measures and its implication for growth of the Nigerian economy. The research was conducted using an Ordinary Least Squares (OLS) technique of multiple regression models using statistical time series data from 1970-2009. The regression result also shows that tax was not properly signed and this could largely be credited to poor tax administration in Nigeria and over dependence of government on earnings from crude oil in funding her projects. Based on the results, it was therefore suggested that there should be a total renovation of the tax system in Nigeria and the federal government of Nigeria should intensify her spending especially in the productive sectors of the economy that has the capability to contribute to economic growth in the country.

Eze and Ogiji (2013) examined impact of fiscal policy on the manufacturing sector output in Nigeria: an error correction analysis. An ex-post facto design (quantitative research design) was used to carry out this study. The results of the study indicate that government expenditure significantly affect manufacturing sector output based on the magnitude and the • level of significance of the coefficient and p-value and there is a long-run relationship between fiscal policy and manufacturing sector output. The implication of this finding is that if government did not increase public expenditure and its implementation, Nigerian manufacturing sector output will not generate a corresponding increase in the growth of Nigerian economy. It is the recommendation of researcher that the expansionary fiscal policies should be encouraged as they play vital role for the growth of the manufacturing sector output in Nigeria; that fiscal policy should be given more priority attention towards the manufacturing sector by increasing the level of budget implementation, which will enhance aggregate spending in the economy; and consistent government implementation will contribute to the increase performance of manufacturing sector.

Agu, Idike, Okwor and Ugwunta (2014) examined the impact of various components of fiscal policy on the Nigerian economy. The annual data, spanning a period of forty nine years, from 1961-2010 were used. The study used descriptive statistics to show contribution of government fiscal policy to economic growth, ascertain and explain growth rates, and an OLS in a multiple form to ascertain the relationship between economic growth and government expenditure components after ensuring data stationarity. Findings reveal that total government expenditures have tended to increase with government revenue, with expenditures peaking taster than revenue. Investment expenditures were much lower than recurrent expenditures evidencing the poor growth in the country's economy. Hence there is some evidence of positive correlation between government expenditure on economic services and economic growth. An increase in budgetary allocation to economic services will lead to an enhancement in economic stability. Therefore, in public spending, it is important to note that the effectiveness of the private sector depends on the stability and predictability of the public incentive framework, which promotes or crowds in private investment.

Ogbole, Amadi and Isaac (2011) studied Fiscal Policy and Economic Growth in Nigeria: A Granger-Causality Analysis. Time series data (1970-2006) in respect of the independent/explanatory variable [Fiscal Policy, measured using government expenditure (GE)] and the dependent/response variable [Economic Growth, measured using gross domestic product (GDP)], sourced from the Central Bank of Nigeria, were tested and found to be stationary (using Augmented Dickey-Fuller test) and co-integrated (using Johansen's Cointegration test). Granger causality test was further employed to test for causal relationship between these variables. The result of the analysis shows the existence of causal relationship between them with a unidirectional causality running from GE to GDP, which is in line with *a priori* expectation. The study recommend refocusing Fiscal Policy to ensure: appropriate policy mix, refocusing GE to increase output, increasing government capital/investment expenditure to exceed consumption expenditure, increasing punitive measures against fraud and mismanagement of public funds and raising Nigeria to the status of a producer and exporting nation.

Omitogun and Ayinla (2007) examined empirically the contribution of fiscal policy in the achievement of sustainable economic growth in Nigeria. They used Solow growth model estimated with the use of ordinary least square method and found out that fiscal policy has not been effective in the area of promoting sustainable economic growth in Nigeria. They suggested that Nigerian government should put a stop to the incessant unproductive foreign borrowing, wasteful spending and uncontrolled money supply and embark on specific policies aimed at achieving increased and sustainable productivity in all sectors of the economy.

Babalola and Aminu (2011) in their study of fiscal policy and economic growth relationship in Nigeria (1977-2009) using the Engle-Granger approach to Co-integration test, stated that productive expenditure was found to be statistically significant. They utilized logarithms of real gross domestic product as proxy for economic growth representing the dependent variable while the independent variables were the logarithms of productive government consumption expenditure (defined as expenditure on health, education, and economic services), unproductive government consumption expenditure (defined as total recurrent expenditure less recurrent expenditure on health, education and economic services), direct income tax, and capital expenditure.

Appah (2010) in his study of the relationship between fiscal policy and economic growth in Nigeria (1991-2005) utilizing multiple regression analysis, adopting gross domestic product as proxy for economic growth and tax revenue, government debt, government recurrent expenditure, government capital expenditure, government recurrent expenditure budget and government capital expenditure budget as the explanatory variables argued that significant relationship exist between fiscal policy variables jointly and economic growth and that the specific variables contributing to the GDP are government recurrent and capital expenditures.

Similarly, Medee and Nendee (2011) in their study on econometric analysis of the impact of fiscal policy variables on Nigeria's economic growth (1970-2009) using gross domestic product as the dependent variable and Federal government expenditure, Federal government revenue, inflation rate and capital inflow as the regressors and by adopting arcane method of Vector autoregression and error correction mechanism techniques argued that there exists long run equilibrium relationship between fiscal policy variables and economic growth in Nigeria.

Omitogun and Ayinla (2007) in their study of fiscal policy and Nigerian economy (1981-2004) using Solow growth model estimated with the ordinary least square method claimed that fiscal policy has not been effective in the area of promoting sustainable economic growth. They used gross domestic product as proxy for economic growth representing the dependent variable while fiscal deficit ratio, debt financed deficits and money printing financed deficits were used as explanatory variables.

Summary of Related Literature

When most economists are inquired to elucidate the growth performance of any particular economy, they are liable to refer to fiscal policy as being an important determinant of growth. This deep-seated principle that taxation, government expenditure, and other aspects of fiscal policy can be a factor to economic growth of an economy has been expressed in the context of growth models during the past three decades. There are various empirical works and theories that have been proposed to describe the relationship between fiscal policy and certain macroeconomic aggregates such as economic growth, inflation, balance of payments and level of employment. Scholars submitted that fiscal policy goals include the following: increasing employment opportunities; attaining full employment; stabilization of domestic prices; promoting economic growth and development through industrialization; achieving equity in income redistribution; achieving stable exchange rate; and increasing the rate of investment in the country (Anyanwu (2004); Omitogun and Ayinla (2007); Abeng (2009); CBN (2010) and Ogbole, Sonny and Isaac (2011)). Again, Afam (2012) maintained that fiscal policy is the aspect of government policy dealing with the raising of revenue through taxation and other sources and deciding on the level and pattern of expenditure for the aim of influencing economic activities**.**

METHODOLOGY

The study is purely quantitative and relying on secondary data. The study thus, adopted an ex-post-facto research design. Therefore, the data already exist as no attempt was made to manipulate the relevant variables for the study.

The data were mainly used for this study and were obtained from Central Bank of Nigeria statistical bulletins, National Bureau of Statistical publications, newspapers, magazines and other relevant government publications. Data were collected in areas such as Real GDP, tax receipts, government expenditure and investment for the period under review.

The population of this study covers the fiscal policy measures on economic growth in Nigerian. The sample size for the study is government tax and government expenditure for the period 34 year (1981 to 2014).

The model was analyzed using an econometric model of multiple regression analysis to test the relationship between the dependent variable (Real Gross Domestic Product) and independent variables (Government Expenditure and Government Tax Receipts). The model is specified as thus:

$$RGDP = f(GEX, GTX) \quad (1)$$

We can also specify the above equation in an econometric form

$$RGDP = \alpha_0 + \alpha_1 GEX + \alpha_2 GTX + \mu \quad (2)$$

While the log-linear function of the model is specified as thus:

$$Log\ RGDP = \alpha_0 + \alpha_1 LogGEX + \alpha_2 Log\ GTX + \mu \quad (3)$$

Where:RGDP = Real Gross Domestic Product; GEX = Government Expenditure; GTX - Government Tax Receipts and μ = Error term or Stochastic term.

The Ordinary Least Square technique was used to analyse the multiple variables. The Ordinary Least Squares Theorem, supported by Koutsoyiannis (1985), Wjmnocott and Wonnocott (1972) and Nyong (1993) as the Best Linear Unbiased Estimator (BLUE), thus this study adopted it. Tests done using OLS includes r^2, t-test, F-test and auto-correlation analysis. The Statistical Package for Social Sciences (SPSS) version 16 for windows is the computer software used for the analysis of the models above.

Decision rule: The decision rule states reject the null hypotheses for calculated significance value below 5% level of significance. Adjusted Coefficient of Determination (Adj R) Test measures the explanatory power of the independent variables on the variables in the dependent variable.

ANALYSIS AND INTERPRETATION OF REGRESSION RESULT

Effect of Government Expenditure on Economic Growth

Dependent variable: Gross Domestic Product Independent variable: GEX			
Variable	Coefficients	t-value	Sig. (Prob.)
C	11062.513	3.135	0.004
Log (GEX)	1.480	4.503	0.000
R2 = 0.388 Adjusted R2 = 0.369 F-statistic = 20.277 (Sig. @ 0.000). DW= 0.561			

From the result above, the coefficient of autonomous is 11062.513, meaning that if all the independent variables of fiscal policies are held constant; the real gross domestic product in the country will fall by 11062.513.Government expenditure appeared with the right sign; which is a positive sign and thus conforms to theoretical expectation. This implies that there is a positive relationship between real gross domestic product and government expenditure for the period under review. From the result, it was observed that the coefficient of government expenditure is 4.503, meaning that a unit increase in government expenditure would lead to a 4.503 unit increase in real gross domestic product in the country. In percentage terms, a 10% increase in government expenditure, will lead to 50% increase in real gross domestic product. The result also showed that the coefficient of multiple regression (R2) is 0.38, meaning that 38% of the dependent variable (real gross domestic product) is explained by government expenditure, while the other 62% is explained by factors not included in the model, but are captured by the error term for the period under review (1981-2014). This also indicates that the goodness of fit of the regression result is strong and implies that 38% variation in real gross domestic product is explained by government expenditure.

H0$_1$: Government expenditure does not significantly affected economic growth of Nigeria.

Since the t_{ca}i of government expenditure in absolute terms 3.135 (0.05%) is greater than the $t,_{ab}$0.004 (0.010%), the researcher therefore rejects the null hypothesis and concluded that government expenditure have significantly affected economic growth of Nigeria. That also implies that there is a significant relationship between government expenditure and real gross domestic product in Nigeria.

Effect of Government Tax on Economic Growth

Dependent variable: Gross Domestic Product			
Independent variable: GTX			
Variable	Coefficients	t-value	Sig. (Prob.)
C	-2193.753	-1.134	0.265
Log (GTX)	6.250	14.958	0.000
R^2 = 0.875			
Adjusted R^2 = 0.871,			
F-statistic = 223.740 (Sig. @ 0.000).			
DW = 0.543			

From the result above, the coefficient of autonomous is -2193.753, meaning that if all the independent variables in the model are held constant; the real gross domestic product in the country will fall by -2193.753.Government tax receipts (GTX) did not appear with the right sign; which is a negative sign; instead appeared with a positive sign and thus, does not conform to theoretical expectation. Economic theory tells us that there is a negative relationship between government tax and real gross domestic product, but the result is showing a positive relationship between government tax and real gross domestic product. This can be attributed to the following reasons; ineffective tax administrative system, tax evasion by corporations operating in the country, corrupt practices by tax officers and government officials etc. From the result above, the coefficient of government tax receipt is 14.958, meaning that a unit increase in government tax will lead to a 14.958 unit increase in real gross domestic product, instead of a 6.250 unit decrease in real gross domestic product.

Ho[2]: Government tax does not significantly affect economic growth in Nigeria.

Since the t_{ca}i of government tax receipts in absolute terms 14.958 (0.05%) is greater than the t_{ta}b 6.250 (0.000%), the researcher therefore rejects the null hypothesis and concluded that government tax has a significant effect on economic growth of Nigeria. Also, indicating that the relationship between real gross domestic product and government tax receipts is statistically significant.

Discussion of Findings

Government expenditure which is the overall spending made by the federal government of Nigeria including on consumption of goods and services and on investment activities in the economy contributed significantly to the economic growth in the country. This is revealed by the positive value of the coefficient of government expenditure. Hence, the federal government of Nigeria has been relying on policies regarding the manipulation of her spending as one of its fiscal policies in ensuring growth of the economy. This means that if the total spending by the federal government especially on productive activities is increasing in Nigeria, there would be an increase in the real gross domestic product in the country for the period under review. When there is an increase in government's expenditure in the country, especially on productive activities it would lead to an increase in investment opportunities. This increase in investment opportunities will lead to an increase in the demand for labour and through the transmission mechanism will lead to an increase in incomes and aggregate demand and this will stimulate the Nigerian economy and lead to economic growth.

Secondly, government tax receipts which is a levy by the federal government of Nigeria on products, incomes or economic activities in the country and also constitutes part of the revenue by which federal government of Nigeria finances her expenditures did not contribute significantly to the growth of the Nigerian economy. This is revealed by the wrong sign of the coefficient of government tax receipt. The coefficient of government tax receipt is supposed to appear with a negative sign; instead it appeared with a positive sign. This means that during the period under review in the country, federal government taxes on products, incomes and economic activities in the country were not effective. Thus, taxes were not an adequate source of revenue to the federal government of Nigeria; the major source of revenue for the federal government of Nigeria was from the sale of crude oil in the international market. In other words, it means that most individuals and corporate organizations in the country were not paying their taxes as at when due and this prevented the federal government of Nigeria from providing public goods and services for her citizens. Some of the factors responsible for the ugly situation include: ineffective tax administrative system, tax evasion by multinational and local corporations operating in the country, corrupt practices by tax officers and government officials etc

CONCLUSION AND RECOMMENDATIONS

This research sets to investigate empirically the implications of fiscal policy measures on growth of the Nigerian economy from 1981 to 2014. The study shows that over the years, federal government's expenditure and tax are viable fiscal measures that ensure economic growth in Nigeria. When the federal government of Nigeria wants to stimulate growth in the economy, it increases her expenditure on investment activities and reduces taxes. From the results using the ordinary Least Square Method of multiple regression analysis, the researcher discovered that federal government expenditure have significantly influenced economic growth of Nigeria. Also, that federal government tax receipts have a positive significantly influenced economic growth of Nigeria irrespective of inability of getting adequate revenue from many sources. This can be attributed to huge amount of revenue generated from crude oil into Nigerian economy.

In order to correct the ugly situation, the study recommends that there should be an overhaul of tax administration in Nigeria wherein regular awareness and sensitization should be done by the relevant tax authorities for Nigerians on the need to pay taxes regularly in order to generate more revenue for the economic growth. More so, there should be a continued and sustained re-direction of more of government expenditure to productive activities in the country and to providing and creating a conducive and enabling investment environment i.e. provision of belter infrastructural facilities to compliment local investment which should impact on economic productivity. This study however noted that for fiscal policy to have its desired effect on the Nigerian economy, it should be complemented by an effective monetary policy in the Nigerian economy.

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