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Budgetary Operations and Economic Growth:The Nigerian Perspective

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Abstract

This paper is an empirical examination of the relationships between the indicators of budgetary operations and economic growth variable (GDP). Budgetary-economic growth models patterned after multivariate model of linear formation were estimated and analyzed. The results reveal that five budgetary items: Non-oil revenue, economic, administrative, social and transfer expenditures exerted significant effects on the output level of the Gross Domestic Product (GDP). The authors conclude that effective budgetary operations strongly cause increases in GDP. They therefore recommend strict budgetary discipline on the part of public fund managers.

Keywords: Budgetary Operations, Economic Growth.

Introduction

The critical functions of public finance in an economy is the planning, control and allocation of scarce resources of government. By allocation, we mean the financial responsibility of government to appropriate and distribute or share its total generated resources among the complex requirements of a modern economy which include administration, economic and social services. The allocative function of public finance is performed through budgetary mechanism. Government expenditures and revenues are components of the budget. Budgetary operations include making an evaluation of the variables likely to influence future government operations and helping to optimize the use of government resources: human and material, by directing the total effects of the public sector into channels with optimal net benefits. As a planning tool, budgetary process compels and enable government bureaucrats to plan ahead and become more effective and efficient in managing government programmes. As a control tool, budgetary operations facilitates government internal control process by providing definite expectations in the planning phase of government fiscal operations that can be used as a logical basis for judging the subsequent performance and comparison with actual results, hence permitting the attention of government financial management to be focused on significant matters of macroeconomic interest. In the light of macroeconomic objectives of the government, budgetary operations helps to coordinate, integrate and balance the efforts of the various government departments, thus government annual estimates are an attempt to predict the future with some degree of precision.

From the foregoing, budgetary operations are expected to engage in gainful allocation activities that will ginger the economy to achieve allocational efficiency. Allocational efficiency is achieved when the budgetary operations through its resource allocation role succeeds in resolving financial imbalance that exists between the revenue and expenditure side of the national budget. As long as these two lie side by side in any budget, there abounds the syndrome of financial imbalance. It is the role of the budgetary operations to continue to correct the imbalance through fiscal mechanism. The economy will feel the effect of the budgetary activities more positively when the Gross Domestic Product (GDP) is on the increase or substantially high. (Anyafo, 1996).

To perform its allocation function optimally, the budgetary process must learn to impact appropriately on the economic growth which is evidenced by the GDP. Economic growth is defined for our purpose as a sustained rise in the output of goods, services and employment opportunities with the sole aim of improving the economic and financial welfare of the citizens. The Gross Domestic Product (GDP) and six budgetary variables: Oil Revenue, Non-oil Revenue, Administrative Expenditure, Economic Expenditure, Social Expenditure and Transfer Expenditure are cardinal for the purpose of this study.

The manner of the GDP reaction is a direct function of the degree of the effects of the budgetary variables in the economy. This manner is what this paper terms, Gross Domestic Product (GDP) response to budgetary stimuli. Stimuli, for the purpose of this paper, concerns itself with the actions, opportunities, stimulations, originating from the budgetary operations that brings about corresponding reactions, or responses by the macroeconomic variable (GDP). By definition, a budget is described as a planning, forecasting and controlling document for expenditure and revenue items contained in the budget plan. (Onoh, 2007). Government budget plan is an integral part of the government fiscal policy plan. Fiscal policy and institutional reforms are essential components of the macro-economic policy framework for moving the economy along the path leading to the realization of macroeconomic objective of growth.

In order to chart current policy paths for the GDP's response to budgetary stimuli, it is important to first determine its behaviour in the past. It is necessary to investigate the behavior of important indicators such as the GDP in the light of the effects of budgetary forces that rule the economy. Previous studies have attempted to demostrate that government expenditure, indeed influence the level of economic activities in general, and growth in output in particular. While they seem to agree on the significant global effect of budgetary factors, there appear to be disagreements in respect of the relative effects on Gross Domestic Product (GDP). For instance, in Nurudeen and Usman's (2010) study, only the government expenditure representing the expenditure side of the national budget in Nigeria was discovered to exert significant influence on the GDP. In an earlier study,

that modified slightly the variables of the budgetary correlate to include cultural change. The result shows that government expenditures may slow down economic growth (Laudau, 1986).

Unlike the earlier studies by the authors, this paper attempts to bring to light the behavioral patterns of the Gross Domestic Products (GDP) in response to stimuli provided by the various items of the national budget in Nigeria. The logical point of entry is to determine the relationship between the budgetary variables and the GDP. It also attempts to investigate the extent to which previous budgetary performance affects current performance.

Literature Review

The nexus between budgetary operations (government expenditure and income) and economic growth is explained by two popular views or theoretical framework. Proponents of the Keynesian model opined that increase in government expenditure and revenue could potentially increase output level of the economy, through effective and efficient budgetary operations. It may also reduce poor resources allocation through the adoption of a planning approach to budgeting and budgetary control by the Federal Government of Nigeria. Contrary to this view, the neo-classical growth models argue that government fiscal operations (government expenditure and income) helps to improve failure that might arise from the inefficiencies of the market. Barro (1990), in a study on Government spending in a simple model of Endogenous growth, investigate the impact of fiscal policy (government expenditure & revenue) on economic growth and found a positive and significant relationship between the variables.

In a latter study that modified, slightly, the data make-up of the budgetary correlates and increased the number of observations, the results reveal that government budgetary activity exert influences on economic growth. Easterly and Rebelo (1993), studied the impact of government expenditure and income on Gross Domestic Product and found that government activities influences the direction of Economic growth in Nigeria. The significant effects of both government capital and recurrent expenditure on economic growth were underscored in the work of Brons, De Groot and Nijkamp (1999).. Dar Atui and Amirkhalkhali (2002) conducted investigation on the endogenous growth model of fiscal policy and concluded that in the endogenous growth model of fiscal policy (government expenditure and income) is very crucial in predicting future economic growth.

Apart from those studies already identified, other related studies have been conducted to examine the effect of relevant budgetary items on economic activities. Laudau (1983), for instance, studied the effect of government consumption expenditure on the economic growth for a sample of 96 countries and found a negative effect of government expenditures on economic growth of real output. Komain and Brahmasrene (2007) studied the relationship between government expenditure and economic growth in Thailand, by employing the Granger Causality test and observed that government expenditures and economic growth are not co-integrated but causality runs from government expenditure to economic growth thus indicating a unidirectional relationship. The result demonstrate a significant positive effect of government spending on economic growth.

Olugbenga and Owoye (2007) examined the relationships between government expenditure and economic growth for thirty (30) OECD countries during the period 1970 – 2005 and found the existence of a long-run relationship between government expenditure and economic growth. The result also showed a unidirectional causality from government expenditure to economic growth. The result also showed a unidirectional causality from government expenditure to economic growth for sixteen (16) out of the thirty countries thereby supporting the Keynesian hypothesis. However, direction of causality for ten (10) out of the thirty countries runs from economic growth to government expenditure, confirming the Wagner's law. Finally, the researchers found the existence of bi-directional relationship between government expenditure and economic growth for a group of four countries in the study.

Ranjan and Sharma (2008) examine the impact of government development expenditure (infrastructure) on the economic growth of India during the period 1950 – 2007. The authors discovered the existence of co-integration among the variables and a significant positive impact of government expenditure on economic growth. Al-Yousif (2000) found that government spending as highlighted in the budget has a positive relationship with economic growth in Saudi Arabia. Similarly,

Ram (1986) studied the relationahip between government budgetary expenditure size and economic growth for a group of 115 countries during the period of 1950 – 1980, using both cross-sectional and time series (panel) data in his analysis, found a positive influence of government expenditure on economic growth. Cooray's (2009) study of 71 countries revealed that both the size and quality of government expenditure are associated with economic growth.

Abu-Bader and Abu-Qarn (2003) examine the direction of causality between government expenditures and economic growth for Egypt, Israel and Syria, employing variance decomposition and multivariate co-integration approach. The authors observed a bi-directional and long run negative relationship between government spending and economic growth. The causality test within the tri-variate framework that include government civilian expenditure, military spending and economic growth demonstrate that military spending has a negative impact on economic growth in all the countries while the civilian government expenditure have positive effect on economic growth for Israel and Egypt.

Liu-chin, Hsu and Younis (2008) investigated the association between government expenditure and economic growth for the United States of America (U.S.A.) during the period of 1947 – 2002. the causality test results reveals that public expenditure raises the US economic growth indicator which means that total government expenditure causes growth of GDP. The authors concluded that Keynesian hypothesis exert more influence than the Wagner's law in the United States of America. Also, in Loizides and Vamvoukas's (2005) study, the trivariate causality test was employed to examine the direction of causality between government expenditure and economic growth in Greece, United Kingdom and Ireland. Government expenditure size was discovered to exert significant influence (granger cause) economic growth in Ireland and the United Kingdom both in the long-run and short-run while economic growth granger causes public expenditure for Greece and the United Kingdom, when inflation is included as a variable.

Gregoriou and Ghosh (2007) investigated the impact of government expenditure on economic growth using panel data and discovered that countries with large government expenditure in term of budgetary provisions tend to experience higher economic growth, but the effect varies form one country to another. In another related study, Abduliah (2000) analyzed the relationship between government expenditure and economic growth and found that the size of government expenditure is very important in determining the performance of the economy. He further advised that, government should not only support and encourage the private sector to accelerate economic growth, but should also increase its budgetary provision on infrastructure, social and economic activities.

Donald and Shuanglin (1993) examined the effects of various forms of budgetary expenditure on economic growth for 58 countries and found that government budgetary expenditure on education and defense exert positive influence on economic growth, while spending on welfare has negative impact on economic growth. Niloy and Emrannul (1993) also adopted a disaggregated approach to investigate the impact of public expenditure on economic growth for 30 developing countries in the 1970s and 1980s and discovered that government capital expenditure has a significant positive relationship with economic growth but government recurrent expenditure was not significant in explaining economic growth. Sectorially, government investment and expenditure on education had significant effect on the economic activities, especially when budget constraint and omitted variables were included. Erkin (1988) investigated the relationship between government budgetary expenditure and economic growth for New Zealand and found that higher government budgetary expenditure does not diminish consumption, but rather raises private investment which in turn increases economic growth.

Besides the above studies, Devarajan and Swaroop (1996) examined the relationship between the composition of government budgetary expenditure and economic growth, for a group of developing countries and discovered that capital expenditure has a significant negative association with growth of real GDP per capita while the recurrent expenditure is positively related to real GDP per capita.

In Nigeria however, previous studies have also attempted to demonstrate that government budgetary expenditures and revenues indeed, influence the economic growth of the country. For instance, Oyinlola (1993), studied the impact of budgetary expenditure on the defense sector on

economic development of Nigeria and discovered that defense expenditure exert significance positive influence on economic growth. The result in the study by Fajingbesi and Odusola (1999) shows that real government capital expenditure has significant positive influence on real output level of the economy while real government recurrent expenditure exert little influence on economic growth. In contrast, the study by Ogiogio (1995), reveal a long-run relationship between government expenditure and economic growth and showed that budgeted recurrent expenditure exerts more influence on economic growth than budgeted capital expenditure. Akpan (2005) used a disaggregated approach to determine the components of Federal government budgetary expenditure (which include capital, recurrent, administrative, economic service and transfers) that enhances economic growth and those that do not. His findings reveal that there was no significant relationship between most components of government budgetary expenditure and economic growth in Nigeria. What can we attribute these varying results by different authors to? Perhaps, further investigations that modify slightly, the data make-up of the budgetary correlates and increase the number of observations to include very recent observations as well as employing more sophisticated models may help in addressing this poser.

Methodology

This paper constructs a budgetary-economic growth model patterned after multivariate regression model of linear formation. We are content with this type of model in the present study since it appears to capture the prevailing circumstances observable in Nigeria. In our model construct, we tried to remain as simple as possible without neglecting any value that enlargement can offer. For estimation purposes, we applied a single estimable model to time-series annual Nigeria data from 1972 through 2008, using the Econometric View (E-View) program. The relevant data are obtained from various issues of the Statistical Bulletin of the Central Bank of Nigeria (CBN), National Bureau of Statistics (NBS) and the National Account of Nigeria. Analyses of the estimated model are to determine the utility of the model and to determine the relative effects of the correlates. The linear ordinary least square (OLS) mechanism is employed in the analysis.

Some analyst argue that estimating a model with six or more explanatory variables may not yield reliable results, as desired. The contention is that the number of predictors is too large. For one thing, the model derived greatly from previous empirical studies and theoretical foundations based on the Keynesian and endogenous growth models that characterize the budgetary items in the country.

Model Specification

Following the arguments in Barro (1990), Easterly and Rabelo (1993) and Akpan (2005) and the theoretical underpinnings of the Keynesian model which states that expansion of government expenditure accelerates economic growth and other empirical review earlier made in this paper, we can hypothesize that GDP is a positive function of the oil revenue, non-oil revenue, administrative expenditure, economic expenditure, social expenditure and transfer expenditure of the federal government budget of Nigeria. Given these considerations, we can specify a six-predictor model of budgetary-economic growth model linearly as:

$$\mathbf{GDP} = a_1 + a_2OIR + a_3NOR + a_4ADE + a_5ECE + a_6SCE + a_7TFE + U_t \quad \ldots\ldots\ldots\ldots\ldots \quad (1)$$

$$a_2>0,\ a_3>0 \text{ and } a_4>0,\ a_5>0,\ a_6>0,\ a_7>0,$$

Where:

GDP = Gross Domestic Product
OIR = Oil Revenue
NOR = Non-Oil Revenue
ADE = Administrative Expenditure
ECE = Economic Expenditure
SCE = Social Expenditure
TFE = Transfer Expenditure
$\boldsymbol{\mu_t}$ = Stochastic Variable (Error term)

$\mathbf{a_1}$ = Intercepts

$\mathbf{a_2}$, $\mathbf{a_3}$, $\mathbf{a_4}$, $\mathbf{a_5}$, $\mathbf{a_6}$, and $\mathbf{a_7}$ = Slope

Data Analysis And Interpretation

This section of this paper seeks to investigate the relationship between budgetary operations and economic growth in Nigeria. Co integration and error correction techniques are used to determine these relationships while unit root test is conducted to determine the stationarity of the variables, using Augmented Dickey Fuller (ADF) tests. Annual time series data for the period of 1972 – 2008 are used in the present study. We start the empirical analysis by examining the characterization of the variables used. Table 2 reports the unit root tests result Augmented Dickey Fuller (ADF) tests.

Table 2: Augmented Dickey-Fuller Test Results

S/NO	VARIABLES	ADF STATISTIC AT LEVEL	CRITICAL VALUE 5 %	ADF STATISTIC 1ST DIFFERENCE	CRITICAL VALUE (5%)	ORDER OF INTEGRATION
1	GDP	5.2120	3.3077	7.3391	3.3077	1(1)
2	OIR	-2.3452	-3.3077	-4.6230	3.3077	1(1)
3	NOR	4.2357	3.3077	6.3650	3.3077	1(1)
4	ADE	3.2132	3.3077	4.2231	3.3077	1(1)
5	ECE	3.3256	-3.3077	-5.3265	3.3077	1(1)
6	SCE	2.2510	3.3077	-3.3411	3.3077	1(1)
7	TFE	3.2200	3.3077	4.2420	3.3077	1(1)

Source: Self-computed

Cointegration Test

In testing for co-integration, we shall make a residual series from the static OLS as valid error correction variable and conduct unit root test on the variable to confirm whether the variables are co-integrated or not. If the absolute value of the ADF test statistic is greater than the critical value at levels, it confirms that the variables are co integrated. Co-integration indicates the stability among the variables in the long run, hence co-integration shows the long run equilibrium among the variables.

Table 3: Co-Integration Test (Residual Test)

ADF Test Statistic	-3.730561	1% Critical Value*		-3.6576
		5% Critical Value		-2.9591
		10% Critical Value		-2.6181
***MacKinnon critical values for rejection of hypothesis of a unit root.**				
Augmented Dickey-Fuller Test Equation				
Dependent Variable: D(RESID01)				
Method: Least Squares				
Sample(adjusted): 1972 — 2008				
Included observations: 37 after adjusting endpoints				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
RESID01(-1)	-0.532092	0.255070	-2.830564	0.0085
D(RESID01(-1))	-0.245453	0.202343	-0.807798	0.4260
C	-0.004361	0.071527	-0.116887	0.9078
R-squared	0.445178	**Mean dependent var**		-0.001128
Adjusted R-squared	0.505548	**S.D. dependent var**		0.514509
S.E. of regression	0.497690	**Akaike info criterion**		1.080444
Sum squared resid	4.406170	**Schwarz criterion**		1.219217
Log likelihood	-13.74688	**F-statistic**		11.23332
Durbin-Watson stat	1.925361	**Prob(F-statistic)**		0.000262

Source: Researcher's Computation

Table 4: Johansen Co-Integration Test

Sample: 1972—2008

Included observations: 37

Test assumption: Linear deterministic trend in the data

Series: GDP OIR NOR ADE ECE SCE TFE

Lags interval: 1 to 1

	Likelihood	5 Percent	1 Percent	Hypothesized
Eigenvalue	**Ratio**	**Critical Value**	**Critical Value**	**No. of CE(s)**
0.734246	112.7803	47.21	54.46	None **
0.474892	36.65100	29.68	35.65	At most 1 **
0.312681	8.975267	15.41	20.04	At most 2
0.055389	3.204555	3.76	6.65	At most 3

*(**) denotes rejection of the hypothesis at 5% (1%) significance level L.R. test indicates 2 co integrating equation(s) at 5% significance level.

Source: Researcher's Computation

The asterisk Johansen co -integration test indicates the co – integrating equation at the significance level.

- Co – integrating equation at 5% significance level
- Number of co – integrating equation at 1% significance level.

From above we have 2 co – integration at 1 % significance.

From the above, it shows that the variables in focus are co-integrated since the absolute value of the ADF is greater than the critical values at levels, also co-integration among the variables can also be confirmed from Table 4 which indicate one co-integrated equation at 96%. We shall therefore conclude that the variables explain each other in the long run. Hence, the regression is not spurious.

Error Correction Model

The crucial aspect of this study is the analysis of the short run model of the regression; this however, represents the dynamic error correction representations of the series. The purpose of this is to indicate how disequilibrium in oil revenue can be adjusted in the short run. The unrestricted over parameterized equations with an inclusion of one –lag error correction term are shown in figure 4.5. This usually deals with the problems of mis-specifications of model. The main focus of interest is the co-efficient of the Error Correction Variable (ECV): the ECV is highly significant at 96%, the negative sign indicate that the activities of the Nigeria's oil revenue is below equilibrium, therefore, there is need for correction in other to increase it in the short run. The significance of the ECV is an evidence of disequilibrium among the variables.

Over-Parameterized Model

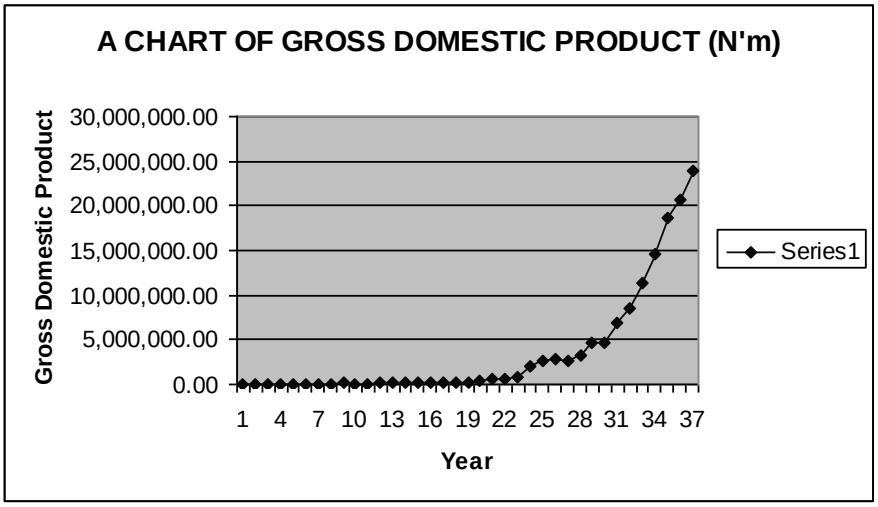
Dependent Variable: D(GDP)				
Method: Least Squares				
Sample(adjusted): 1972 – 2008				
Included observations: 37 after adjusting endpoints				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
D(OIR)	-0.991126	1.152205	1.728100	0.1011
D(NOR)	1.461914	1.038504	1.407711	0.1763
D(ADE)	1.102391	0.762202	1.446324	0.1653
D(ECE)	1.203346	0.240624	-0.845077	0.4092
D(SCE)	1.082815	0.172646	-0.479682	0.6372
D(TFE)	1.869015	0.323715	2.684504	0.0151
ECV(-1)	-1.188563	0.544000	-2.184860	0.0424
C	-0.105413	0.164288	-0.641633	0.5292
R-squared	0.955071	**Mean dependent var**		0.186238
Adjusted R-squared	0.516779	**S.D. dependent var**		0.484519
S.E. of regression	0.370022	**Akaike info criterion**		1.131186
Sum squared resid	2.464488	**Schwarz criterion**		1.649815
Log likelihood	-5.402197	**F-statistic**		3.000926
Durbin-Watson stat	2.101052	**Prob(F-statistic)**		0.020506

Source: Researcher's Computation

From table 4.6 there is an evidence of the impact of oil revenue on the Nigerian economy (considering the macroeconomic indicators in the table) this is because the co-efficient of the marginal propensity to export oil products is highly significant. The analysis is determine from the co-efficient of the GDP. This shows that sharp increase in GDP could cause oil revenue to increase its output, thus, result in exportation of such products. From the table, it was discovered that, in the short run, at 99% confidence level, 100% increase in our national income last four years, will cause activities of the oil export to increase by 0.9%. However, at 99% confidence level, 100% increase in government expenditure on administration, economic, social and transfer four years ago, will reduce the current output of the oil revenue by 55%. The error correction variable is also highly significant; this is an indication of oil revenue output adjustment to any disequilibrium in the short run. The speed of adjustment on the other hand, is the co-efficient of the Error Correction Variable (ECV), this indicates how the departure from the long run equilibrium are corrected.

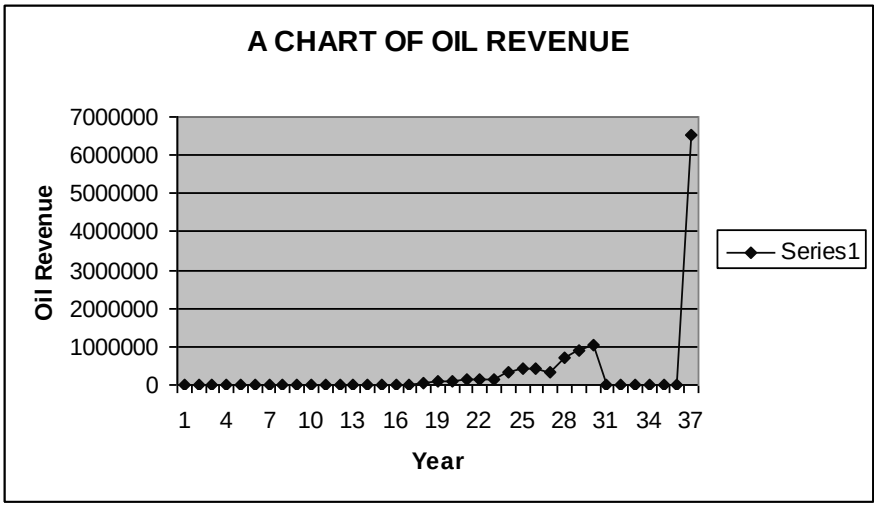
Trend Analysis

Figure 1



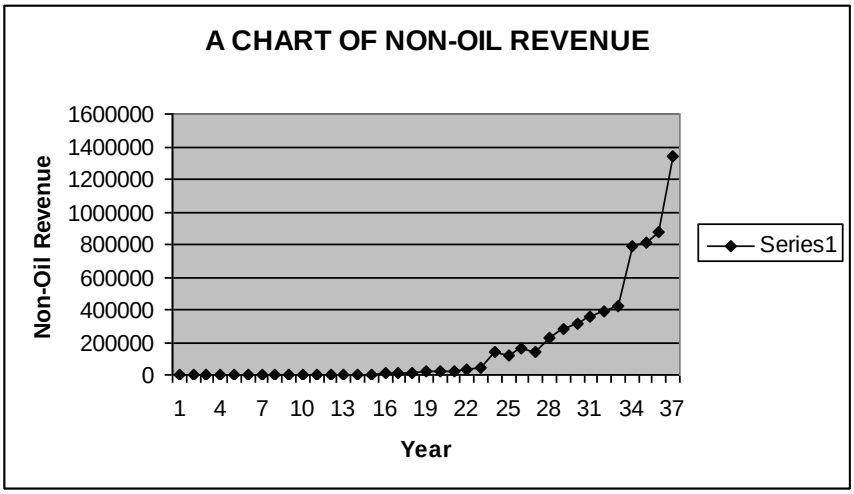
Source: Researcher's Computation

Figure 2



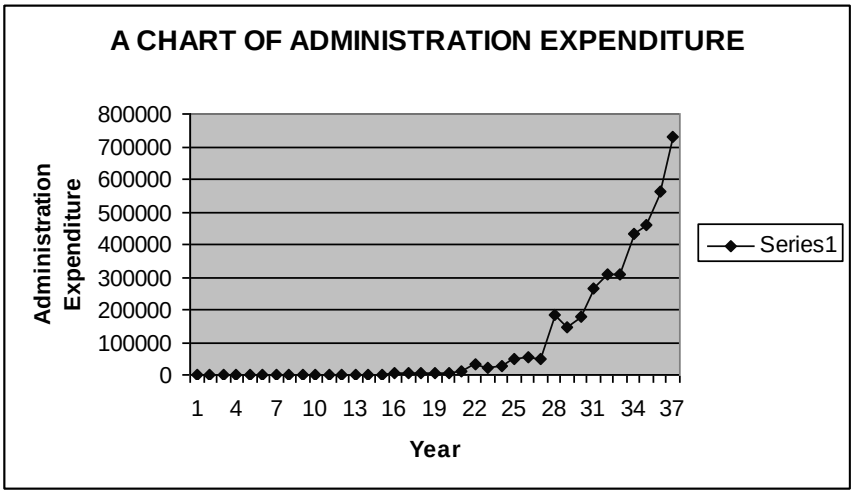
Source: Researcher's Computation

Figure 3



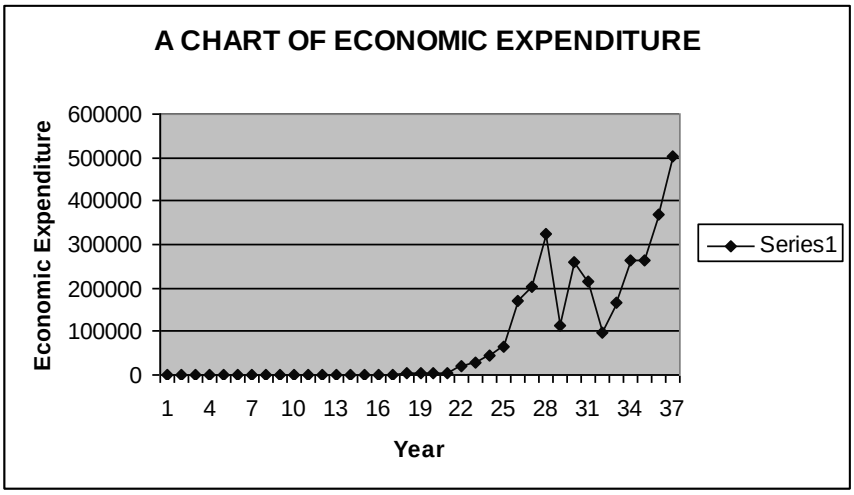
Source: Researcher's Computation

Figure 4



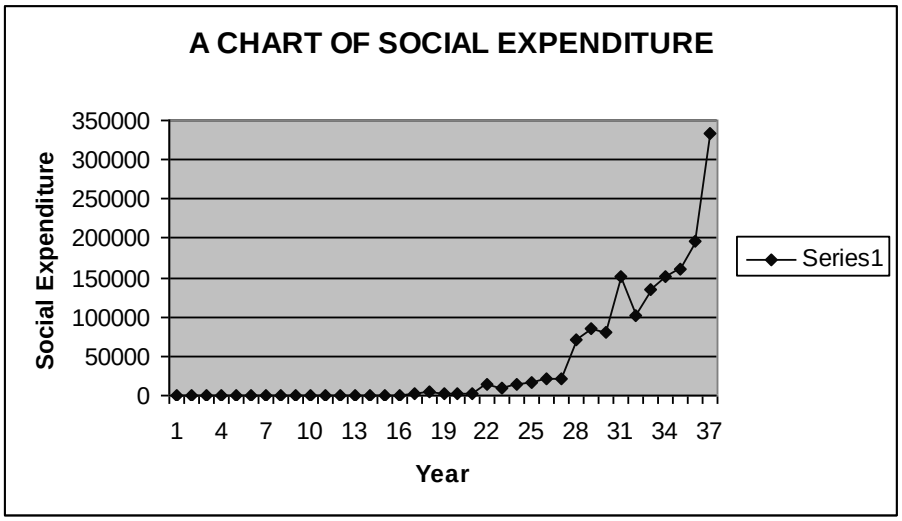
Source: Researcher's Computation

Figure 5



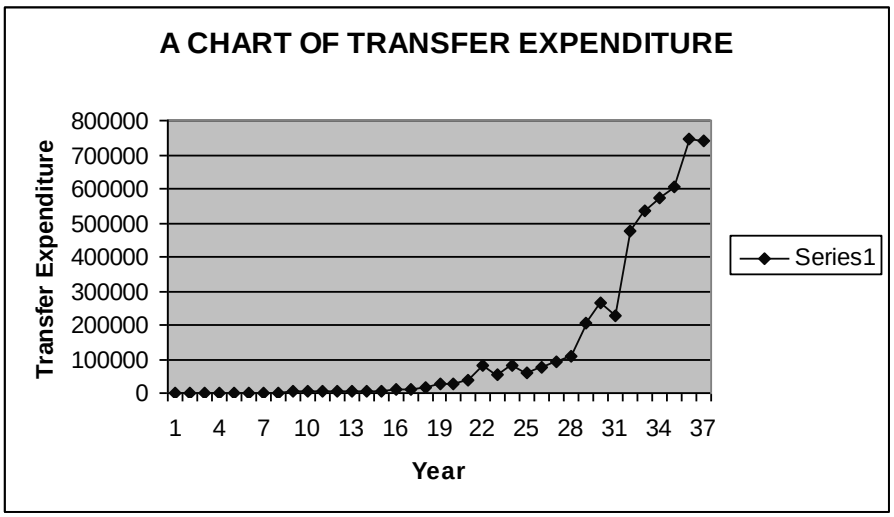
Source: Researcher's Computation

Figure 6



Source: Researcher's Computation

Figure 7



Source: Researcher's Computation

Data Presentation

Year	Gross Domestic Product (N'M)	Oil Revenue(N'M)	Non-oil Revenue(N'M)	Admin Exp.(N'M)	Economic Exp.(N'M)	Social Exp.(N'M)	Transfer Exp.(N'M)
1972	4,219.00	764	640.8	357.17	33.11	21.07	600.94
1973	4,715.50	1,016	679.3	364.37	42.03	24.94	532.16
1974	4,892.80	3,724	813.4	310.88	41.64	53.12	1,111.46
1975	5,310.00	4,272	1,243.20	610.11	76.19	166.2	1,882.40
1976	26,655.63	5,365	1,400.70	639.42	89.75	401.68	2,684.54
1977	31,520.34	1,750	1,961.80	727.91	134.19	257.68	2,699.42
1978	34,540.09	4,555.80	2,815.20	561.03	87.44	224.46	1,927.08
1979	41,974.70	8,880.80	2,031.60	452.31	47.59	214.43	2,472.88
1980	261,225.20	12,353.30	2,880.20	595.13	108.52	270.45	3,831.10
1981	94,325.02	8,564.40	4,726.10	914.90	175.65	294.75	3,461.39
1982	101,011.23	7,814.90	3,618.80	1,039.40	199.55	334.84	3,932.25
1983	110,064.03	7,253.00	3,255.70	896.80	172.18	288.91	3,392.20
1984	116,272.18	8,269.20	2,984.00	1,100.10	211.20	354.39	4,161.85
1985	134,603.32	10,923.70	4,126.70	1,430.20	274.58	460.75	5,410.87
1986	134,603.32	8,107.30	4,488.50	1,452.90	278.95	468.08	5,496.93
1987	193,126.20	19,027.00	6,353.60	3,843.10	694.66	297.53	10,810.94
1988	263,294.46	19,831.70	7,765.00	5,777.80	1,221.20	2,114.20	10,296.20
1989	216,797.50	39,130.50	14,739.90	6,270.50	3,926.30	4,230.10	14,074.60
1990	267,550.00	71,887.10	26,215.30	6,540.20	3,485.70	3,396.00	24,669.70
1991	312,139.70	82,666.40	18,325.20	6,953.80	3,145.00	2,676.90	27,309.40
1992	532,613.80	164,078.10	26,375.10	8,684.50	2,336.70	1,336.15	39,933.34
1993	683,869.80	162,102.40	30,667.00	30,570.20	18,344.70	14,659.82	83,747.25
1994	899,863.20	160,192.40	41,718.40	20,535.60	27,102.80	10,085.42	55,443.97
1995	1,933,211.60	324,547.60	135,439.70	28,757.90	43,149.20	13,820.80	79,133.20
1996	2,702,719.10	408,783.00	114,814.00	46,547.30	63,581.10	15,989.18	57,201.87
1997	2,801,972.60	416,811.10	166,000.00	56,184.30	169,613.10	22,060.13	74,118.63
1998	2,708,430.90	324,311.20	139,297.60	50,678.80	200,861.90	21,441.43	94,402.87
1999	3,194,015.00	724,422.50	224,765.40	183,637.30	323,580.80	71,371.20	107,577.16
2000	4,582,127.30	919,317.50	280,063.03	144,530.10	111,508.60	84,785.05	203,692.91
2001	4,725,086.00	1,043,612.80	316,610.83	180,800.90	259,757.80	79,630.41	265,860.19
2002	6,912,381.30	1,230.90	353,158.63	266,509.80	215,333.40	152,185.38	225,153.41
2003	8,487,031.60	2,074.30	389,706.43	307,973.30	97,982.10	102,607.58	477,648.37
2004	11,411,066.91	3,354.80	426,254.23	306,830.60	167,721.80	134,385.34	532,704.85
2005	14,610,881.45	4,762.40	785,101.10	434,661.10	265,034.70	151,642.87	573,089.00
2006	18,564,594.70	4,934.30	812,233.40	458,282.70	262,207.30	159,883.89	604,233.49
2007	20,657,317.70	5,445.50	876,541.30	564,512.40	367,900.00	196,944.89	744,294.48
2008	23,842,170.70	6,530,630.10	1,335,960.00	731,000.00	504,400.00	332,900.00	739,700.00

Source: Central Bank of Nigeria, Statistical Bulletin, Various Issues.

Source: National Bureau of Statistics, National Account of Nigeria, Various Issues.

Discussion

The estimated result of the six-predictor model seem to confirm that the utility of the model is enhanced and reveal that the explanatory variables except oil revenue, impact on the GDP. The estimation results show that the variables – non-oil revenue (NOR), administrative expenditure (ADE), economic expenditure (ECE), social expenditure (SCE) and transfer expenditure (TFE) are positively significant in explaining changes in (GDP) economic growth. However, oil revenue budgetary provision is negative related to the growth in GDP. Inspite of the negative coefficient of oil revenue, it was found to be significant. The result also shows that an increase in GDP causes oil revenue to increase through the exportation of such products.

The results also revealed that 100% increase in government budgetary expenditure on administration, economic, social and transfer four years ago, will reduce current output of oil revenue by 55%, and 100% increase in GDP in the last four years will cause activities of the oil export to increase by 0.9%. The result demonstrate that 95% changes in GDP can be explained by the changes in budgetary operations leaving only 5% outside the used model. Thus, higher, efficient, appropriate and effective government budgetary operations in the area of oil and non oil revenue, administrative, economic, social and transfer expenditures creates an enabling environment for business to strive through reduced cost of production and in turn increases productivity (output level). The negative coefficient of oil revenue is not surprising because budgetary provisions or fund generated from oil which is meant for the development of the production sector have not been properly utilized and in most cases embezzled, thus precipitating the increasing dependent on imported goods. The error-correction and co-integration has been found to be significant and that a long-run relationship exist between budgetary variables and GDP.

Conclusion

The study sought to determine the effects of selected budgetary variables on the economic growth of Nigeria. The result indicate that significant relationships exist between the oil and non oil revenue, administrative, economic, social and transfer expenditures and GDP. By implication, an increase in all budgetary variable except oil revenue is adequate in strongly causing an increase in the output level of GDP. The inability of oil revenue to strongly cause an increase in the output level of GDP is occasioned by the fact that, most equipments, technology, fund and even expert man power used in the oil sector are imported. As such, the home economy where these things are imported from feels the positive impact of the oil activities in Nigeria than the Nigeria economy. The revenue accruing to these imported equipment, technology, fund and expert manpower helps to boost the national income of their home countries and do not positively help in the growth of the gross domestic product in Nigeria.

The researcher, however recommend that these imported human and material resources in the oil sector be made available at the home front. Also, indigenous participation in the oil sector operations should be improved in line with the Senator Lee Ledogo Maeba's sponsored local content bill be encouraged by the government.

The researcher observed that, the oil sector activities have a contagion effect on the non-oil revenue in that, the growth in the non-oil revenue is an indirect function of the oil activities. The oil sector activities lead to the establishment and growth of other business that boost economic activities on the domestic scene and increase the output level of goods and services and also generates both tax and non-tax revenue to the government. Hence the non-oil revenue having a positive and significant relationship with the output level of the Gross Domestic Product (GDP). This effect will be possible in the face of strict budgetary discipline by the governments of the states and the federation.

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