Ko rngo gpvlpi 'l qnekgu'l pf 'l ncpu'hqt 'l cevlqp<Vj e'lo rgtcvlxg'lqh'l eqqtf lpcvlqp'lp'l kuuwgt 'ò cpci go gpv'

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ABSTRACT: *This study examined the impact of Fiscal Policy on Economic sustainability and Growth of Nigeria. Specifically the study sought to; (a) evaluate the long-run effects of Capital expenditure on Economic sustainability and Growth of Nigeria (b) ascertain the impact of Domestic Debt on Economic sustainability and Growth in Nigeria(c) determine causality relationship existing between Recurrent expenditure and Economic sustainability and Growth of Nigeria (d) examine the relationship between Non-oil Revenue and Economic sustainability and Growth of Nigeria.. The researchers adopted time series data from 1990 to 2019 which were drawn from Central Bank of Nigeria (CBN) statistical bulletin and Debt Management Office (DMO). The data obtained was subjected to Johansen Co integration method of analysis because the study involves the use of multivariate estimations. The multivariate Co-integration result indicated that there are two co-integrating equations which indicate that there is long-run relationship between the dependent and the independent variables. The result of ADF reveals that all the variables are integrated of same order. The regression result indicates that Fiscal Policy has positive and significant effect on economic sustainability and growth of Nigeria. The study recommends that Nigeria should keep her assets well diversified by holding foreign mutual funds, gold and other commodities.*

Keywords: Fiscal Policy, Domestic Debt, Capital Expenditure, Recurrent Expenditure, Johansen co-integration

Introduction

The Nigerian economy has been facing many challenges over decades now. Some of these challenges as was identified are, corruption, gross mismanagement/ misappropriation of public funds, ineffective economic policies, lack of integration of macroeconomic plans and the absence of harmonization and coordination of fiscal policies. Imprudent public spending and weak sectoral linkages and other socioeconomic irregularities constitute the problems on sustainable economic growth and development of Nigeria (Amadi and Essi, 2006 in Ogbonna, Ejem and Oyedokun, 2017). It is evident that one of the Nigerian greatest problems today is the inability to efficiently manage her enormous human and material resources.

Fiscal Policy according to Agu (2010) is the use of government revenue and expenditure policy to influence the level of economic activity. Government revenue is the level of income, which accrues to the government while expenditure is the form in which the money is spent. Hence both the revenue and expenditure are the opposite sides of a balance sheet called government budget (Ojo, 1982)

The objectives of fiscal policy is to promote economic conditions conducive to business growth while ensuring that any such government actions are consistent with economic stability.

Nigerian has witnessed a long history of macroeconomic instability, occasioned by large fiscal deficits to gross domestic product. These deficits were accompanied by a high level of inflation rate; poor productive public sector investment and considerable debt overhang. Nigeria's economic performance has been characterized by large macroeconomic instability for variables such as inflation, exchange rates, and so on hostile business environment for private sector growth and poor governance. This paper was to examine the impact of fiscal policy on sustainable economic growth and development of Nigeria.

Statement of the problem

The fiscal policy failure to insulate the economy from the volatility of oil revenues have led to undue real exchange depreciation and pro cyclical fiscal policy with detrimental effects on investment and growth. Other factors include dead-weight loss from taxes that finance public spending, unproductive public spending on wages and salaries of unproductive employees, and rent-seeking incentives that reduce growth by diverting higher human capital away from productive activities (Ogbonna, Ejem and Oyedokun, 2017). The question of sustainability has become an important issue not because current unsustainable policies must later be reversed, but also because no sustainability becomes a more and more important problem as time goes on and as deficits increase because of debt accumulation. With the unsustainable deficit, macroeconomic stabilization becomes a top priority but structural economic adjustment cannot occur alongside major macroeconomic imbalances just as stabilization without structural measures to support growth may itself prove unsustainable. The problem which this paper tends to address was to examine the impact of fiscal policy on economic growth of Nigeria 1990 to 2019.

Objectives to the study

The broad objective of the study was to examine the impact of Fiscal Policy on Economic Growth of Nigeria.

Specific objectives are to;
- Evaluate the long-run effects of Capital Expenditure on GDP of Nigeria.
- Determine the impacts of domestic debt to GDP of Nigeria
- Ascertain the causality relationship between Non-oil revenue on GDP of Nigeria
- Ascertain the effects of recurrent expenditure on GDP of Nigeria

Research Questions
➢ What is the extent of long-run relationship between capital expenditure and GDP of Nigeria?
➢ What impact did domestic debt has on GDP of Nigeria?
➢ To what extent did Non-oil revenue impacted on GDP of Nigeria?
➢ What effect did recurrent expenditure has on GDP of Nigeria?

Statement of hypotheses
(i)   Capital Expenditure has no positive and significant long-run affect on GDP of Nigeria
(ii) Domestic Debt has no positive and significant impact on GDP of Nigeria
(iii) Non-oil Revenue has no causality relationship with GDP of Nigeria
(iv) Recurrent Expenditure has no positive and significant effects on GDP of Nigeria

Review of Related Literature

Conceptual Review

Fiscal Policy: Fiscal policy is the influence of economic activities through variations in taxation and government expenditure (Anyanwaokoro, 1999). Fiscal Policy comes from the word "fiscus" the Roman Emperor's purse, which was filled by taxation. Governments used of fiscal measure as a means of economic control are a comparatively recent phenomenon. Only when the ideas of John May and Keynes were accepted by the U.K government did fiscal policy assume a significant role. During the period when government felt that Keynesianism had every answer to economic problems, fiscal policy became dominant, and there can be no doubt that UK government still rely very heavily upon changes in taxation to achieve their economic objectives (Hoyle and Whitehead, 1982)

Capital Expenditure: Capital expenditures are that expenditure made on items that retain their value for more than one year (Agu, 2010). Examples of capital expenditure include cost of constructing new roads and buildings, acquisition of plant and machinery, and other fixed assets.

Recurrent Expenditure: Recurrent expenditure is expenditures made on revenue items that will use up its value within one year. Such expenditures are called recurrent expenditure because they are made repeatedly on a yearly basis. They includes salaries, and other personal costs, telephone services, stationeries, and other running cost of the various ministries and departments of governments (Agu, 2010)

Economic Growth:

According to Olopade and Olopade (2010), growth means an increase in economic activities. Ayres and Warr (2006) define economic growth as a rise in the total output (goods or services) produced by a country. It indicates a rise in the capability of a country to produce goods and services, compared from one period to another. Economic growth is defined by Dwivedi (2004) as the net national product over a period of time or a persistent rise in the nation's per capita output over a long period of time. This indicates that the rate of population growth is lower than the rate of increase in total output. The increase in the value of goods and services produced within a country over a specified period of time is known as economic growth. This increase in economic growth is measured using Gross Domestic Product (GDP). So, it is likely for a country to have an economic growth that do not certainly results in economic development in the short, medium or long run (Hadjimichael, Kemeny, & Lanahan, 2014) as economic growth does not automatically translates to economic development. In this regard, tax revenue could have a positive or negative effect on the economic growth of any nation depending on its level of management by the relevant tax authorities. Government in a bid to increase tax revenue and grow her economy should put in place measures to curtail tax revenue leakages resulting from loopholes in the tax law.

Gross Domestic Product (GDP):

Onuoha, Ibe, Njoku, and Onuoha (2015), described Gross Domestic Product as the most detailed and widely acceptable measure of total output or performance of an economy. Central Bank of Nigeria (2010), defined as the monetary value of goods and services produced within a period of time in an economy regardless of the ethnic nationality of those who produced the goods and services. Onuoha et al., (2015) states the discrepancy between Gross Domestic Product and Gross National Product by saying that while Gross Domestic Product concentrates on the county in which income is generated with emphasis on where the output is produced, Gross National Product is concerned with those who produced the income. Ruffin (1998) posits that Gross Domestic Product broadly measures the total output of the economy which includes only the final goods and services to avoid double counting of products. GDP is

calculated by measuring the total income value. Nominal GDP measures the monetary value of final goods and services in current market prices and rises either because of increasing output or rise in the price of products. Real GDP measures the quantity of real goods and services by removing the effect of inflation in prices. However, some categories of goods and services such as illegal goods, non-market goods, and leisure value are excluded from Gross Domestic Product since GDP merely measures economic welfare to the people and not a measure of economic "bads" (Ruffin, 1998).

Domestic debt:

Domestic or internal as well as national debt consists of liabilities that a country's citizens and government owe. It is the amount of money raised by the government in local currency and from its own residents. Generally, domestic debt consists of two categories - bank and non-bank borrowings. Bank borrowing is made up of advances to the Government by the Central Bank. Although, borrowing from the Central Bank is usually discouraged, time usually arises when the Government is compelled to resort to it. Non-bank borrowing-Securitized debt is made by the government from the general public through the issuance of government securities such as TBs, DS and bonds. The TBs have short maturity period of one year maximum, usually 3 to 12 months or 91 to 364 days. It includes the gross liabilities of Federal, states and local governments transfer obligations to the citizens and corporate firms within the country (Odozi, 1996). Essentially, the concept of domestic debts in Nigeria entails debt instruments issued by the Federal, States and Local Governments and denominated in local currency (Okwu, Obiwuru, Obiakor and Oluwalaiye,2016)

Non-oil revenue:

Non-oil revenues are revenues generated from sources other than the oil producing activities (such as petroleum revenue from the upstream activity and other oil related operations). Examples of non-oil revenue include revenues from companies not engaged in oil & gas explorations, such as Companies Income Tax, Personal Income Tax, Custom and Excise Duties and Value Added Tax, etc. Thus, tax imposed on these non-oil producing activities by the government is called non-oil tax, and the revenue realized by the government in the imposition of non-oil tax is known as non-oil tax revenue (Adeusi, Uniamkogbo and Erah, 2020)

Theoretical Framework:

The theoretical framework of this study was anchored on Wagner's law (1911). The Wagner's law states that, as the economy's per capita income grows, the public expenditure grows also in a relative size while the relative size of government will also grow along. He expressed the view that there was an inherent tendency for the activities of different layers of government (such as central and state government) to increase both intensively and extensively. That is, there is a functional relationship between the growth of an economy and the of government activities so that the government sector grows faster than the economy.

In the original version of Wagner's theory, it is not clear whether he was referring to an increase in absolute level of public expenditure, the ratio of government expenditure to GNP or proportion of public sector in the total economy but Musgrave (1970) interpreted that Wagner was thinking of the proportion of public sector in the total economy. Wagner expressed the view that public expenditure increases at a faster rate than the national output. That is, the share of public sector in the economy will increase as the economic growth proceeds. Wagner argued also that a functional cause and effect relationship exists between the growth of an industrializing economy and the relative growth of its public sector.

This long-term hypothesis has it that social progress was the basic cause of the relative growth of the government in industrializing economies. The chain reaction circumstances are that social progress leads to a growth of government functions, which in turn, leads to the absolute and relative growth of economic activity (Ogbonna, Ejem and Oyedokun, 2017)

Empirical Review:

Ogbulu, Torbira and Umezinwa (2015) investigated the impact of fiscal policy operations on stock price performance: empirical evidence from Nigeria over the period of 1985 to 2012. Unit root of the series were examined using the Augmented Dickey –fuller technique after which the co-integration test was conducted the Engle- Granger approach. Error correction model were estimated to take care of short- run dynamics. The overall results indicated that Government Domestic Debt outstanding exerts a significant and positive influence on stock prices.

Loto (2011) investigated the effect government expenditure in Nigeria over a period of 1980 to 2008, with a particular focus on sectoral expenditures. Five key sectors were chosen (Health, education, transport, communication and agriculture) A linear ordinary least square (OLS) regression analysis was conducted. The variables were tested for stationality and co-integration analysis was also carried out using the Johansen co-integration technique. Also the error correction test was performed. The result showed that in the short-run, expenditure on education and agriculture was found to be relatively related to economic growth. While the impact of education was not significant, that of agriculture was found to be significant. Expenditure on health, transportation, communication was found to be positively related to economic growth

Ogbonna, Ejem and Oyedokun (2017) examined the impact of Fiscal Policy on economic growth for the period 1985 to 2015. The study adopted time series econometrics analysis and descriptive statistics to determine the impact of fiscal policy on economic growth on Nigeria. The result of the unit root test showed that the variables capital expenditure, domestic debt, recurrent expenditure, and non-oil revenue are all stationary at first level of difference and also co-integration at the same order in the long-run. Similarly, the Error Correction Model result revealed that there is a speed of adjustment between the short-run and long-run of the variables. The study recommended among others that to ensure macroeconomic stability and put the Nigeria economy along the path of sustainable growth, government should do the much they could to reduce domestic debt stock

3.0 Methodology
3.1 Research Design

This study adopted the *ex-post facto* research design. The choice of the *ex-post facto* design is because the research relied on already recorded events, and researchers do not have control over the relevant dependent and independent variables they are studying with a view to manipulating them (Onwumere, 2009). The secondary data employed was sourced from the Central Bank of Nigeria (CBN) statistical bulletin and DMO of various years within the period of 1990 to 2019.The time series data were subjected to the augmented Dickey-Fuller (ADF) unit root test, Johansen co-integration and Granger Causality Analysis. GDP was used as the dependent variable while Capital expenditure, recurrent expenditure, domestic debt and non-oil revenue were the independent variables.

3.2 Model Specification

The model of this study is based on the Classical Linear Regression Model of Brooks (2014). Economic growth, proxy GDP is the endogenous/ dependent variable while the exogenous/ independent/ explanatory variables are Capital expenditure, recurrent expenditure, Domestic Debt and Non-oil Revenue. The study model model is shown as follows;

$Y= \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4$-------------------------------------$\beta_n X_n + \varepsilon$ --------------- 3.1

Where;

Y = Dependent variable

X_1, X_2, X_3, X_4------------X_n = the explanatory or independent variables

B_1, β_2, β_3--------------β_n = the coefficient of the parameter estimate or the slope

ε = Error or disturbance term

`In relating this to the study;

GDP = f (CEX, REX, DBT, NOR) ----------------------- 3.2

Relating it in econometric form and the variables log linearised, it will appear thus;

$LnGDP = \beta_0 + \beta_1 LnCEX + \beta_2 LnREX + \beta_3 LnDBT + \beta_4 LnNOR$ --------------U_t --------------- 3.3

Where;

LnGDP = Gross Domestic Product

LnCEX= Capital Expenditure

LnREX= Recurrent expenditure

LnDBT = Domestic Debt

LnNOR = Non-oil revenue

B_0 = intercept (Constant term)

$B_1 – B_4$ = coefficient of each exogenous variables

U_t = stochastic/ disturbance/Error term

A priori expectation: It is expected that $\beta_1 – \beta_4 > 0$

4.0 Data Analysis

4.1 Unit root

In order to ascertain the order of integration among the variables in the model, the unit root tests were carried out. The tests employed is the Augmented Dickey-Fuller test presented as shown below

Table 4.1: Summary of ADF Unit Root Test

Variables	ADF	1% Critical value	5% Critical value	10% Critical value	p-value	Order of integration
LnCEX	-5.718638	-3.646342	-2.954021	-2.615817	0.0000	1(1)
LnDBT	-5.450815	-3.646342	-2.954021	-2.615817	0.0001	1(1)
LnGDP	-5.685896	-3.646342	-2.954021	-2.615817	0.0000	1(1)
LnNOR	-4.523367	-3.646342	-2.954021	-2.615817	0.0010	1(1)
LnREX	-5.815376	-3.646342	-2.954021	-2.615817	0.0000	1(1)

Source: Author's computation, 2020

Table 4.1 shows the test for stationary properties of the series following the Augmented Dickey Fuller statistics. It indicates that all the variables have unit root but attained statioarity at first difference with the ADF statistics for the respective variables being more negative than the critical values at 1%, 5% and 10% level of significance respectively. The reported p-values are less than 0.05. Hence the null hypothesis of the presence of unit root in all the variables convincingly rejected.

More so the variables are all integrated of the same order and significantly co-integrated among the variables under study as opined by Engle and Granger (1985). They argue that when time series data are integrated of the same order 1(1), the data series tend to co-integrate. This implies that their short-run relationship is sustainable in the long-run.

4.2 Co-integration Test

Seeing that the series was integrated of order 1(1) suggesting the presence of a unit root, there was the need to determine if there is the existence of long-run relationship by conducting a co-integration test among the variables. In order to establish the long –run equilibrium relationship, the study employed the Johansen co-integration method.

Table 4.2: Johansen Co-integration Test

Date: 11/25/20 Time: 14:35
Sample (adjusted): 3 35
Included observations: 33 after adjustments
Trend assumption: Linear deterministic trend
Series: LNCEX LNDBT LNGDP LNNOR LNREX
Lags interval (in first differences): 1 to 2

Unrestricted Co integration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.628135	77.60075	60.06141	0.0008
At most 1 *	0.551857	44.95632	40.17493	0.0153
At most 2	0.275343	18.46913	24.27596	0.2264
At most 3	0.165505	7.841268	12.32090	0.2492
At most 4	0.055109	1.870626	4.129906	0.2017

Trace test indicates 2 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.628135	32.64443	30.43961	0.0261
At most 1 *	0.551857	26.48720	24.15921	0.0238
At most 2	0.275343	10.62786	17.79730	0.4212
At most 3	0.165505	5.970642	11.22480	0.3530
At most 4	0.055109	1.870626	4.129906	0.2017

Max-eigenvalue test indicates 2 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values
Source: Author's computation from E-view (2020)

The co-integration test results indicated two co-integration equations at 5% level of significance for both unrestricted Rank Test and Maximum Eigenvalue Test. The values of the test statistics in each of the co-

integration equations were found to be greater than their critical values at 5 per cent significance level. The results concluded that since there is co-integration among the variables, there is the existence of the long-run relationship.

4.3 Granger Causality Test
Table 4.3
Pairwise Granger Causality Tests
Date: 11/26/20   Time: 03:18
Sample: 1 35
Lags: 2

Null Hypothesis:	Obs	F-Statistic	Prob.
LNDBT does not Granger Cause LNCEX	33	1.15004	0.3311
LNCEX does not Granger Cause LNDBT		0.24579	0.7838
LNGDP does not Granger Cause LNCEX	33	1.19247	0.3184
LNCEX does not Granger Cause LNGDP		3.96136	0.0306
LNNOR does not Granger Cause LNCEX	33	2.42133	0.1072
LNCEX does not Granger Cause LNNOR		2.51357	0.0991
LNREX does not Granger Cause LNCEX	33	1.31248	0.2852
LNCEX does not Granger Cause LNREX		1.64402	0.2113
LNGDP does not Granger Cause LNDBT	33	0.00797	0.9921
LNDBT does not Granger Cause LNGDP		6.68829	0.0042
LNNOR does not Granger Cause LNDBT	33	0.05078	0.9506
LNDBT does not Granger Cause LNNOR		0.45808	0.6372
LNREX does not Granger Cause LNDBT	33	0.09972	0.9054
LNDBT does not Granger Cause LNREX		0.80073	0.4590
LNNOR does not Granger Cause LNGDP	33	6.53762	0.0047
LNGDP does not Granger Cause LNNOR		0.30779	0.7375
LNREX does not Granger Cause LNGDP	33	4.26873	0.0241
LNGDP does not Granger Cause LNREX		0.81884	0.4512
LNREX does not Granger Cause LNNOR	33	0.31275	0.7340
LNNOR does not Granger Cause LNREX		0.20866	0.8129

Source: Author's computation from E-view

Since the variables are co-integrated, this suggests that there is some sort of causal relationship among the variables. The Pairwise Granger causality test was employed in order to establish the causality relationship among the variables; this is presented above in table 4.3. From the test result, it showed a bi-directional relationship between gross domestic product and non-oil revenue and recurrent expenditure. This means that an increase in gross domestic product and hence aggregate national income will result in a positive increase in non-oil revenue and recurrent expenditure which will in turn increase the GDP in Nigeria

Table 4.4: Over -Parameterized Error Correction Model
Dependent Variable: D(LNGDP)
Method: ARMA Maximum Likelihood (OPG - BHHH)
Date: 11/27/20   Time: 07:00
Sample: 6 35
Included observations: 30
Failure to improve objective (non-zero gradients) after 34 iterations
Coefficient covariance computed using outer product of gradients

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.807691	0.953441	-0.847133	0.4249
D(LNGDP(-1))	0.624996	0.379575	1.646570	0.1436
D(LNGDP(-2))	-1.654587	0.527274	-3.138003	0.0164
D(LNGDP(-3))	0.478033	0.468933	1.019405	0.3419
D(LNGDP(-4))	-0.585017	0.733512	-0.797555	0.4513
D(LNCEX(-1))	1.231616	0.333154	3.696834	0.0077
D(LNCEX(-2))	-0.030244	0.544198	-0.055575	0.9572
D(LNCEX(-3))	0.514231	0.917513	0.560462	0.5926
D(LNCEX(-4))	-0.462183	0.616093	-0.750184	0.4776
D(LNDBT(-1))	0.887348	0.850735	1.043036	0.3316
D(LNDBT(-2))	-0.033831	1.500165	-0.022552	0.9826
D(LNDBT(-3))	-0.039731	0.903339	-0.043982	0.9661
D(LNDBT(-4))	0.090310	0.507541	0.177936	0.8638
D(LNNOR(-1))	0.068022	0.042331	1.606908	0.1521
D(LNNOR(-2))	0.042448	0.765997	0.055415	0.9574
D(LNNOR(-3))	-0.773252	1.073125	-0.720561	0.4945
D(LNNOR(-4))	1.027057	0.803119	1.278836	0.2417
D(LNREX(-1))	-1.565233	0.413262	-3.787504	0.0068
D(LNREX(-2))	0.103652	0.839191	0.123515	0.9052
D(LNREX(-3))	0.297010	0.720670	0.412130	0.6926
D(LNREX(-4))	0.702798	0.397725	1.767048	0.1206
ECM(-1)	-0.6131982	1.404840	-8.057731	0.0001
SIGMASQ	1.81E-06	7.55E-07	2.398093	0.0476

R-squared	0.993997	Mean dependent var		0.108691
Adjusted R-squared	0.893988	S.D. dependent var		0.789934
S.E. of regression	0.002785	Akaike info criterion		-2.872394
Sum squared resid	5.43E-05	Schwarz criterion		-1.798143
Log likelihood	66.08592	Hannan-Quinn criter.		-2.528732
F-statistic	106059.1	Durbin-Watson stat		2.511856
Prob(F-statistic)	0.000000			

Source: Author's computation from E-view, 2020

Table 4.3 above shows the over- parameterized ECM estimate with a maximum lag of four.

The result showed that the factor of the error correction was correctly signed and found to be significant statistically in line with theoretical expectation. The co-efficient of the error correction variables of 0.613 showed that above 61 per cent of the disequilibrium in economic growth has been corrected each year. The R-square of 0.994 and adjusted R-square of 0.894 showed the model estimate has a good fit. The

independent variables were responsible for the total variation of about 89.4% (Adjusted R-square) in the dependent variable. The model therefore has a high explanatory power. The Durbin-Watson statistic is approximately 2.511856. From the over-parameterized ECM, we obtained the parasimonious ECM as presented in table 4.4.

Table 4.5: Parsimonious Error Correction Model

System: UNTITLED
Estimation Method: Least Squares
Date: 11/27/20   Time: 07:11
Sample: 3 35
Included observations: 33
Total system (balanced) observations 33

	Coefficient	Std. Error	t-Statistic	Prob.
LNGDP(-1)	0.197723	0.191951	1.030069	0.3142
LNGDP(-2)	-0.003759	0.188523	-0.019938	0.9843
LNDBT(-1)	0.598248	0.556162	1.075672	0.2937
LNDBT(-2)	0.224277	0.554418	0.404526	0.6897
LNCEX(-1)	0.164988	0.295355	0.558610	0.5821
LNCEX(-2)	-0.235935	0.286990	-0.822101	0.4198
LNREX(-1)	0.481666	0.330048	1.459379	0.1586
LNREX(-2)	-0.072549	0.307278	-0.236101	0.8155
LNNOR(-1)	-0.810683	0.289160	-2.803583	0.0104
LNNOR(-2)	0.505478	0.219251	2.305478	0.0309
ECM(-1)	-0.611982	1.404840	-8.057731	0.0001
Determinant residual covariance		0.155464		
R-squared	0.956314	Mean dependent var	15.79894	
Adjusted R-squared	0.936457	S.D. dependent var	1.915699	
S.E. of regression	0.482904	Sum squared resid	5.130320	
Durbin-Watson stat	2.184034			

Source: Author's computation from E-view, 2020

Table 4.4 above present's result of the parasimonious ECM conducted to further analyze the long-run relationship between fiscal policy and economic growth and also to capture the short-run deviation of the parameters from the long run equilibrium by incorporating period lagged residuals. The result shows that LN (CEX) at lag one, is positive and insignificantly related to GDP, while LN (DBT) at the present period is positive and not significance. LN (NOR) at lag one is negative and significant. LN(REX) at lag one is positive and not significance. From the model, the Adjusted R-square is approximately 93.64% showing that the model jointly explains 93.64 of the total variations in GDP. The Durbin-Watson is approximately 2.18 showing the absence of auto-correlation in the estimated model. The error correction coefficient is appropriately signed with a value of -0.61982 and is significant. The error correction coefficient shows that the speed of adjustment of the model due to any short-run shock is approximately 61.19% per annum. We therefore, conclude that fiscal policy (CEX, DBT, NOR, REX) impact

Summary of findings

- Capital expenditure exerts negative and no significant effects on the Gross Domestic Product of Nigeria
- Domestic Debt has positively and significantly impacted Gross Domestic product of Nigeria
- Non-oil Revenue positively and non-significantly affected Gross Domestic Product of Nigeria
- Recurrent Expenditure negatively and non-significantly affected Gross Domestic Product of Nigeria

Conclusion

The study empirically examined the impact of Fiscal Policy on Economic sustainability and Growth of Nigeria for the period 1990-2019. The study employed the Johansson co-integration method of analysis because they involve the use of multivariate estimations. The multivariate co-integration results indicated that capital expenditure and recurrent expenditure exerts negative and no significant on GDP. While domestic debt positively and non-significantly impacted GDP. In Nigeria, government spending has been on a steady rise as a result of the crude oil sales and production huge receipts together with the increase demand for public goods. However, the poor socio-economic indices in the country have last doubt as to whether government spending has brought about economic growth in Nigeria. Government expenditure is assumed to be the most powerful economic factor of all modern societies. The form and pattern of the output growth of any economy is determined by the structure and size of the government expenditure. It is concluded that government expenditure is the incurred costs of the government for its maintenance, economy and society and assisting other nations.

Recommendations

The study recommended that

- Appropriate measures that will focus primarily increasing the aggregate output level that would be implemented.
- Government should provide the needed amenities such as a transport system that are functional, constant and a steady supply of power, efficient communication system, and maintenance of stable political and macroeconomic environments in Nigeria.
- Government should strengthen the non-oil revenue sources to encourage economic growth of Nigeria.
- Nigeria should keep her assets well diversified by holding foreign mutual funds. Gold and other commodities.

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