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BUDGET EVALUATION AND ECONOMIC DEVELOPMENT IN NIGERIA

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ABSTRACT

The main objective of this study was to investigate the impact of budget evaluation on economic development in Nigeria. The motivation was series of imbalances in budget formulation and implementation faced by Nigerian economy. The design adopted for this study was ex-post-facto; data used for analysis were elicited from Central Bank Statistical Bulletin and Federal Ministry of Finance. To achieve this broad objective, a model was formulated based on empirical and theoretical reviews. The model used Human Development Index (HDI) as the dependent variable while government's capital budget, recurrent budget and the rate of implementation of annual budgets were the independent variables in the model. This study employed Ordinary Least Squares (OLS) Model to analyze data. The inferential results suggested that budget evaluation had positive and significant impact on economic development in Nigeria. The study recommended that government of Nigeria should endeavor to increase her capital and recurrent expenditure in her annual budget, since both had significant impact on economic development. Finally, the government should also try to put in place effective budget monitoring and evaluation machinery that will enhance high budget implementation rate and also ensure the strict adherence to due process.

Keywords: Budget evaluation, economic development, human development index, capital budget, recurrent budget and auto regressive distributed lag model.

1. INTRODUCTION

Budget is an estimate of revenue and expenditure outlays over a specified period, reflecting a reading of future financial conditions and goals usually covering one year. Budget as a framework of government is put in place to address fiscal policy instrument highlighting policies and programmes aimed at attaining economic growth and development.

Government efforts to achieve macro-economic goals and objectives of price stability, stable and full employment, economic growth, infrastructural development as well as Balance of Payments equilibrium, emanates the call for enormous budget such as Deficit, surplus, balanced, development as well as supplementary budget. Budget as a vital economic policy instrument of government reflects the government priorities in respect to her social and economic policies. Therefore, this instrument translates policies, campaign promises, political commitments and goals into decisions regarding revenue generation, funds allocation and the manner it will be expense.

The sources of revenues to fund government budget is from Petroleum products and taxes. Budget is base on expected revenue from Petroleum normally estimated at per barrel price and added to taxes revenues. Consequent upon this, where there are fluctuations in the market price of Petroleum products, there is bound to be an adjustment on the estimate tom reflects the current situation. Falete (2017) attested four basic qualities for a budget to perform its obligation – it should be well designed; effectively and efficiently implemented; adequate monitoring and finally performance evaluation. From the above named features, the primary aim of a budget is not in its formulation or initiation rather in its implementation which is expected to meet the needs and aspirations of its citizenry.

Olomola (2009) opined that the process of budgeting has always been attributed to unending faults and constraint with budget implementation. The Nigeria's budget process includes budget preparation by the executive, legislative approval and implementation by the different ministry, department and parastatal of the government. The implementation of budget by incurring expenditures is carried out by ministries and spending agencies of the government through the use of warrants issued by the Ministry of Finance. This warrant authorizes officers controlling votes to incur expenditure stated in the approved estimates which is subject to any reserved items. In a situation the Appropriation Act has not come into operation at the beginning of the year, a provisional General Warrant may be issued to ensure unhindered services of government at a level not exceeding those of the previous year. The challenges to the efficiency of budget implementation are mostly partial release or non-release, delay in releasing approved funds for budgeted expenditure.

These bottlenecks clearly have negative implications on the execution of government campaign promises, policies and programs into outcomes that will enhance the welfare of its citizens. Through the implementation of a well designed budget, attainment on provision of employment opportunities, reduction in poverty, infrastructural development could be sustain for the people. It is observed that Nigeria as an independent state for the past five decades has been initiating annual budgeting to boost the growth in output of the economy through public expenditure but to no avail. The performance appraisal of Nigeria's previous and current budgetary estimates shows failure on the state to achieve or maintain a stable economic climate due to deficits in most budgets as expected to be balanced or surplus. This situation has adversely worsens the socio-economic problems in Nigeria in the areas such unemployment, poverty, income inequality, high inflation, low standard of living as well as unfavourable balance of payment.

However, government may adopt deficit financing to stimulate economic activities in a nation as a strategy to established industries thereby reducing unemployment, provide more social amenities to its citizens. In Nigeria, the reverse is the case considering the above factors. Budgeting and its processes remains a challenge both in the areas of preparation and implementation. The macroeconomic issues such as inadequate national savings, excessive budget deficits, high unemployment, huge public debt burdens and fiscal policy have brought about policy debate in developed and mostly developing economies such as Nigeria. The attainment of socio-economic wellbeing of the society is anchored on the implementation of policies and programs. Projected expenditure of government and its anticipated revenue utilization tends to increase economic performance which is measured by Real Gross Domestic Product (RGDP) and Human Development Index (HDI) of a country.

Fluctuations of these performance proxies (Real Gross Domestic product and Human Development Index) of a country are hung on her capital expenditure and recurrent expenditure for an enhanced economic infrastructure (Faloyin and Famoloya, 2015). Recently, literatures in developing countries proved that Human Development Index also play significant role in determining economic development (Peterson, 2015). For an economy to be enhanced and sustained, dwelling in Human Development Index (HDI) is a better tool not only Gross Domestic Product (GDP) as broader measure of economy development. Therefore, improvement in the growth and development in an economy considers appraisal of the above measurement parameters which is backed up by government fiscal policies that are properly structured with effective and efficient measures for implementation both on capital and recurrent spending. It must be emphasised that one of the yardsticks for assessing a country among either developed or developing country is how her resources are effectively and efficiently utilized to stimulate her economic performance.

Momoh (2017) observed that in many developed nations of the world, planned government expenditure as contained in their annual budget are rigorous with strict implementation of such budget has impacted tremendously in reducing disparities of exchange rate, poverty alleviation, employment generation, increase in creation of infrastructure for economic growth in the area of communication, transportation and increases production of goods and services. Budget implementations in Nigeria as continue to make waves since consistent succession of different democratic leaders in the elms of affairs from 1999 to 2019 as most of these budgets did not match expectations, as controversy concerning the implementation level.

Despite this huge continuous budgeting, the Nation is still facing dwindling economy growth which has raised questions and concern by all stakeholders (public servants, civil servants, foreigners, shareholders, managers, debtors and creditors). This study will focus on the analysis of the influence of budget implementation on the economic development in

Nigeria for the period 2000 to 2019. The findings of this study will extend the existing body of literature in this subject matter. It will also enable policy makers to understand the variables to target in the formulation of policies, process of budget preparation and implementation that will enhance the welfare of its citizens, which hitherto will improve growth and economy development.

1.2. Statement of the Problem

The Nigerian economy is faced with series of imbalances in budget formulation and implementation. Budget as one important economic policy instrument at the disposal of Government is the key to attainment of the economic prosperity of its citizens but in most situations, the reverse is the case; it is shrouded with a lot of myths and illusions and as such might not contribute to the economic growth and development of the country. However, the gap between its initiation and full implementation to achieve the desired result has been of serious concern to researchers and Nigerians alike. It is one thing to propose a budget and another to implement the proposed budget to achieve its goals of economic growth and development.

In recent time, the focus on the budget has assumed greater prominence in view of increasing democratization, civil society participation and the desire to respond to developmental challenges of poverty.

The studies on the effect of budget implementation on economic growth paid more attention to developed economies and the inclusion of developing countries in case of cross-country studies were mainly to generate enough degrees of freedom in the course of statistical analysis; previous studies carried out by various researchers to explore the relationship between economic growth and budget using the time-series annual data method focused more on a single component of budget on Gross Domestic Product (GDP) as a proxy for economic development. This study will consider the long run effect of budget implementation on the economic development in Nigeria using various components of budget (Public Capital Expenditure, Public Recurrent Expenditure and Implementation Rate) on Human Development Index (HDI) as a proxy for economic development spanning between the periods 2000 to 2019.

1.3. Objectives of the Study

The main objective of the study is to evaluate the effect of budget implementation on the economic development of Nigeria. Specifically, the objectives are to:

i. Examine the effect of public capital budget expenditure on economic development in Nigeria.

ii. Determine the influence of public recurrent budget expenditure on economic development in Nigeria.

iii. Ascertain the influence of budget implementation rate on economic development in Nigeria.

1.4. Research questions

The following are research questions for the study.

i. What is the effect of Public capital budget expenditure on economic development in Nigeria?

ii. What is the influence of Public Recurrent expenditure on economic development in Nigeria?

iii. What is the influence of budget implementation rate on economic development in Nigeria?

1.5. Hypotheses of the study

The following null hypotheses have been developed with a view to achieving the research objectives:

Ho_1: There is no significant effect of public capital budget expenditure on economic development in Nigeria.

Ho_2: There is no significant influence of public recurrent budget expenditure on economic development in Nigeria.

Ho_3: There is no significant influence of effect of Budget implementation rate on economic development in Nigeria.

2. REVIEW OF RELATED LITERATURE

Three sections will be considered in this part. The conceptual review of the study is presented in the first section. The relevant concepts in the study are discussed in this section. The theoretical framework adopted for the study is presented in section two. The empirical review is presented in the third unit of this section. In this section previous studies conducted in related area are reviewed to provide basis for this study.

2.1. The Conceptual Review

The following concepts are defined and examined, Budget, budgeting process in Nigeria, importance of budget, categories of budget, components of budget, economic development and growth as well as Human Development Index (HDI).

2.1.1. Budget

Budget is a financial plan that indicates projected expenditures and revenues of government over a given period of time usually one year. It is an instrument stipulating policies and programmed aimed at realizing the development objectives of a government. Meigs and Meigs, (2004) defined budget as a comprehensive financial plan, setting forth the expected route for achieving the financial and operational goals of an organization. The concept of government budget simply implies an estimate of government income and expenditure for a set period of time. However, Samuel and Wilfred (2009) provided a broader concept. They opined that budget is a comprehensive document that outlines what economic and non-economic activities a government wants to undertake with special focus on policies, objectives and strategies for accomplishment that are substantiated with revenue and expenditure projections.

2.1.1.2. Budgeting Process in Nigeria

Budget preparation is the responsibility of the President, Statutorily stated in Section 81(1) of the 1999 Constitution of the Federal Republic of Nigeria (CFRN) as amended. The President in his capacity delegates this function to the Ministry of Finance. The creation of Budget Office of the Federation (BOF) as well as the Federal Ministry of Budget and National Planning (FMBNP) heralded a departure from the traditional practice of centralizing federal government budget-related matters in the Federal Ministry of Finance (FMF). Thus, the responsibility of preparing National budget in Nigeria is now a function of multi-agency collaboration, facilitated mainly by FMBNP, BOF and FMF respectively.

This budget procedurally passes through four major phases namely:

The Ministerial Approval Phase: In this phase each Ministry Departments and Agencies (MDAs) as well as statutory bodies present their draft budget estimates, indicating projects and timelines for completion to the “Draft Committee” of the FMBNP. This is usually based on a circular earlier issued called *Budget Call Circular.* The Draft Committee will schedule MDAs to defend their respective budget proposals. Defense outcomes are then consolidated into a single document that will be presented to the President.

The Executive Council Approval: This is where receipt of consolidated draft estimates as approved by the Minister responsible for budget is presented before the President who subsequently presents same to the Federal Executive Council (FEC) for deliberations and ratification.

The Legislative Approval Stage: Here, the Nigerian legislative arm of government comprising of the Senate and House of Representatives, collectively known as National Assembly (NASS), take another critical review of the budget. It is on the basis of this critical role that the Constitution mandates the President in Section 81 (CFRN 1999) to present annual Appropriation Bill to the NASS for approval before expenditures are incurred. The NASS upon receipt of the Bill in a joint session consider it separately through its various Standing Committees, with the Appropriation Committees in both chambers serving as clearing houses. After defense by MDAs and inputs from other critical stakeholders the budget may be approved as presented by the Executive or its original content modified. Where discrepancies exist on projects or amount, a Harmonization Committee comprising of members of the NASS Appropriations Committees meet to iron out grey areas. Thereafter a *clean copy* of the Appropriation Act is transmitted to the President for assent.

The Implementation, Monitoring and Evaluation phase: At the implementation phase, MDAs are empowered to translate the budget estimates into concrete action in form of physical project execution. Approved funds are released to MDAs on a quarterly basis. Monitoring and evaluation are carried-out in other to ascertain MDAs' actual projects implementation vis-à-vis released funds. It should be noted that although Nigeria traditionally operates January to December budget calendar, there is however no legal requirement mandating clear timelines to guide the budget process.

2.1.1.3. Importance of Budget

The roles budget plays are briefly stated below:

A tool for Policy implementation and control: There is need for effective budgetary control for implemented policies to be successful.

Budget serves as a means of measuring and monitoring performance: Output should always be measured against set targets and corrective action done timely.

It is use to determine the total expenditure that is commensurate with the anticipated revenues.

It provide basis for authorizing expenditure and collection of fees and charges.

2.1.1.4. Categories of budget

Budget of the Federal Republic of Nigeria is the government document presenting its anticipated revenues and expenditures for a financial year that is often passed by the legislature, approved by the commander in chief of the arm forces (President) which is presented by the finance minister to the nation.

Samuel and Wilfred (2009) affirmed budget to be an essential tool in governance for economic policy implementation. Based on this one may state that the constitution of the federal republic of Nigeria tends to be the only document that surpasses that of budget which managerial responsibilities lies solely on the executive and legislature. Therefore, Budget could be classified on the basis of the relationship between expected revenue and anticipated expenditure and identified in this study as follows:

Zero Based Budget: This is a budgetary process that requires all Ministries, Departments and Agencies (MDAs) to justify its entire budget in detail. It is a category of budget in which all government expenditures must be justified for the new period without considering it previous status.

Supplementary Budget: This category of budget forecasts the budget of the next or coming year in respect to its anticipated revenues and expenditures. It is a type of budget drawn in aftermath of the original budget. This type of budget become unavoidable if it is noticed that the earlier amount appropriated to fund a purpose is not substantial enough to meet up expressed expenditure in that financial year.

Deficit Budget: This type of budget is noticed when the anticipated revenue of government in its entirety indicates shortfalls to its projected expenditures. This condition signifies government spending to be more than realized income. This makes government to come up with measures of refinancing. However, there are ways and means in which the budget deficit may be financed.

These includes but not limited to:

a) Raising loans from members of the public
b) Raising the level of tax
c) Borrowing from banks
d) Printing of more currency notes

Surplus Budget: This type of budget has over time expected to be perfected by government but however, prevented to be materialized by invisible forces of demand and supply. It occurs when the anticipated revenue actually exceeds its projected expenditure of a given a financial year. Here, the government generates more revenue than expected to execute the content of the budget, the budget is said to be surplus, as expected income outwits the expenditure outlay.

Balanced Budget: This type budget occurs when projected expenditure is equal the same level monetarily to its anticipated revenues. Thus, it's an unattainable point in budgetary process in Nigeria. It requires dedicated financial acumen with prudence to materialize. Balanced budget is usually the best as the government is neither exposed to the dangers of corruption in view of surplus income as against expenditure nor the troubles of seeking for ways to address the challenges of deficit budget. However, it is difficult to attain. In fact it requires a high financial prudence and acumen to accomplish.

Performance Budget: This type of budget is prepared mainly by Ministries, Departments and Agencies (MDAs) saddled with the responsibility of developmental activities which is circulated among legislative members. Performance budget present the main projects, programmes and activities of government in the light of specific objectives of previous year budget and achievements.

Components of Budget: Government spending or expenditure includes all government consumption, investment, and transfer payments. In national income accounting the acquisition of goods and services by governments for current use, to directly satisfy the individual or collective needs of the community, is classed as government final consumption expenditure. Government acquisition of goods and services intended to create future benefits, such as infrastructure investment, which is otherwise known as government investment (government gross capital formation). These two types of government spending, that is: on final consumption and on gross capital formation, together constitute one of the major components listed in the budget of the federal republic of Nigeria.

Capital expenditure: This is primarily expenditure to create or acquire fixed assets and on the acquisition of land, buildings and intangible assets. In any one year, the amount of funding for cultural activities can be affected by high levels of one-off capital expenditure (Australian bureau of Statistics 2010). Capital expenditure is payments for acquisition of fixed capital assets, stock, land or intangible assets. A good example would be building of schools, hospitals or roads.

Recurrent Expenditure: Recurrent expenditure refers to payments made by governments for all purposes except capital costs. Recurrent expenditure includes payments made on goods and services as well as interest and subsidies. Recurrent expenditures exclude payments for capital assets, such as stock, bonds and property. Recurrent expenditure on goods and services is expenditure, which does not result in the creation or acquisition of fixed assets (new or second-hand). It consists mainly of expenditure on wages, salaries and supplements, purchases of goods and services and consumption of fixed capital (depreciation).

Recurrent expenditure refers mainly to expenditure on operations, wages and salaries, purchases of goods and services, and current grants and subsidies (Australian bureau of Statistics 2010). Recurrent expenditure is all payments other than for capital assets, including on goods and services, (wages and salaries, employer contributions), interest payments, subsidies and transfers (Government Spending Watch 2017).

According to Olugbenga and Owoye (2007) and Ezirim and Ofurum (2003), recurrent expenditure is composed of; administration (examples includes, general administration, defense, internal security); economic services (includes, agriculture, construction, transport, communication and among others); social and community services (includes, education, health, housing and among others); and transfers (includes, public debt charges or interests for both internal and external debts, pensions and gratuities, among others).

2.2. Theoretical framework

The theoretical foundation of this study is on the influence of budget implementation on economic performance, which is appropriate from goal setting theory and cognitive evaluation theory respectively.

2.2.1. The Theory of Goal Setting: Goal setting theory was developed by Locke in the year 1990 by the industrial psychology research carried out in 400 laboratory samples and field studies. Results of the studies revealed that adhering to set goals is a function of performance increase. Budget is a way of setting the nation's goals for a specific period of time specifically a year.

The prime axiom of goals is to increased performance than when people strive to the slogan of do their best (Locke 1990). The performance benefits of challenging specific goals have been demonstrated in hundreds of laboratory and field studies (Locke 1990).

By using budget as a direction and a standard tool which progress can be monitored will enable ministries, departments and agencies to guide and appraise their performance. This has been argued literally by scholarly and practitioner that specified goals can boost motivation and performance by leading people to focus their attention on specific objectives; increase their effort to exclusively persist in the face of setbacks and develop new strategies to goals attainment. Budgets should be set and implemented in such a way that increases in performance achievements by ministries, departments and agencies will be applauded as a motivational factor to do mores in the subsequent year.

2.2.2. Theory of Cognitive Evaluation: This theory suggests that considering task, there should be evaluation in respect of how well it meets over needs to feel competent and in control. Thinking of task completion, the intrinsic zeal to complete the task will require no further external motivation where a person has a stronger internal locus of control, they will feel in control of how they behave where they have a stronger external locus of control; they will believe the environment or others have a greater influence over what they do. Budgets create a sense of responsibility for government in charge of ministries, departments and agencies.

The feeling of being in control of the outcome of the results of the ministries, departments and agencies due to accomplishment of budget targets can be a source of motivation and thus improvement of performance.

Government may see external rewards as achieving some degree of control from them or may see the reward as informational such as where they reinforce feelings of competence and self-determination. When government is applauded for effective implementation of such budgets she will be motivated to do more but not by enhancing self requested behaviour.

This theory suggests that there are actually two motivation systems, intrinsic and extrinsic that corresponds to two kinds of motivators, intrinsic motivator includes achievements of responsibilities that come from the actual performance. On the other hand extrinsic motivators include pay, promotion, feedback, working conditions. These motivators are things that come from an environment and are controlled by others.

Budget achievement is thus a powerful intrinsic motivator as it creates a sense of personal achievements and responsibility meeting a budget target leads to personal satisfaction and will thus be a boost to economic performance. This study is based on the Theory of Goal setting and Theory of cognitive Evaluation.

2.3. Empirical Review

Oke (2013) examined the impact of budget implementation on the Nigerian economic growth, data were extracted from secondary sources within the periods 1993 to 2010; The dependent variable was proxied by gross domestic product (GDP), while the independent variables were public total expenditure (PEX), public recurrent expenditure (PRE), public capital expenditure (PCE) and external debt (EXD). Ordinary Least Square (OLS) regression results affirmed that budget implementation has a positive effect impact on Nigeria economic growth. The results further showed a positive relationship between GDP and public total expenditure (PEX), public recurrent expenditure (PRE), public capital expenditure, external debt (EXD), while public capital expenditure (PCE) shows a negative relationship to GDP.

Iheanacho (2016) studied the contribution of government expenditure on economic growth in Nigeria: Disaggregated approach. The study examined the long and short run relationship between public expenditure and economic growth in Nigeria from 1986-2014. Using co-integration and Error Correlation (EC) approach, two components of public sector expenditure and gross capital formation ratio were derived from Cobb-Douglas production function. The result indicated that while recurrent expenditure is a major driver of economic growth, capital expenditure has negative and significant long-run effect on economic growth in Nigeria.

Onyele and Nwokocha (2016) examined the effect of capital flight on budget implementation in Nigeria. Secondary data were extracted within the periods 1986 to 2014. The dependent variable (budget implementation) was proxied by aggregate government expenditure, while the independent variables were capital flight, external debt, government revenue, economic openness, and real exchange rate. The results revealed that a long run equilibrium relationship existed among the variables. The results further showed that capital flight was positive and significant in influencing government expenditure in Nigeria. Furthermore, it showed that there is a significant short run causal relationship between capital flight and government expenditure in Nigeria.

Innocent and Christopher (2017) examined budget evaluation and government performance on Nigerian economy. Data for the study were obtained from secondary sources such as financial and economic reports of Nigeria. The data were analyzed both descriptively and empirically. The parameter for assessing budget credibility was the international threshold and prescribed limit for budget deficit/GDP, a minimum of 50% score performance rating for regression economic performance. The findings indicated, ranks Nigeria's fiscal performance as sub-optimal but fairly satisfactory.

Olatunji, Oladipupo, and Joshua (2017) investigated the impact of capital budget implementation on economic growth in Nigeria. The aim of the study was to assess the impact of the implementation of capital expenditure on administrative, economic services and socio-community services on the growth of Nigerian economy. Data were extracted from secondary sources. The results affirmed that capital expenditure implementation is germane in maintaining and sustaining economic growth in Nigeria.

Olaoye, OLaoye and Afolabi (2017) examined the impact of capital budget expenditure implementation on economic growth in Nigeria for the periods 1981 to 2014. Specifically the study ascertained the impact of implementation of capital expenditure on administration, economic services, and socio-community services on the growth of Nigerian economy. Secondary data were used in the study. Results from the Multiple Regression Analysis showed that there is strong relationship between capital expenditure implementation on administration, economic services, socio community services, transfer and economic growth of Nigeria; it was discovered that capital expenditure implementation on administration exert significant negative influence on economic growth of Nigeria in a long run, but positive on the short run; in a long run capital expenditure on economic services exert significant positive on economic growth of Nigeria, though negative on the short run; on the long run capital expenditure on socio community service exert significant positive impact on economic growth of Nigeria, though negative on the short run. Capital expenditure transfer on a long run exerts negative impact on economic growth but positive on the long run, and finally the study discovered that both on the long and short run capital expenditure implementation exert significant impact on economic growth of Nigeria.

Ogbonna and Azubike (2018) assessed the impact of public sector spending on economic growth in Nigeria (1981-2015). Data were extracted from secondary sources; the results indicated that education expenditure has significant impact on GDP. Health expenditure showed an inverse relationship with GDP while community services have no impact on GDP.

Ilemona and Sunday (2018) examined the implementation of budget and economic growth in Nigeria from 2014 to 2018. Data were extracted from Secondary sources; Public Capital Expenditure (PCE), Public Recurrent Expenditure (PRE) and Public Debt Expenditure (PDEX) were explanatory variables while Gross Domestic Product (GDP) was the depending variable in the model. The results of multiple regressions revealed that PCE and PRE have significant impact on GDP except PDEX exhibited insignificant influence.

Orji (2019) assessed the effect of budget implementation on economic growth of Nigeria. Gross Domestic Product was used as a proxy for economic growth, while Public capital expenditure (PCE), Public recurrent expenditure (PRE), and public debt servicing (PDS) were used as proxies for budget implementation. Secondary data sourced from CBN statistical bulletin for the period of 1999 to 2018. The result of the study indicated that in the short run all the variables have no significant effect on economic growth, and in the long run the result showed they still have no significant effect on economic growth.

Effiom and Edet (2019) assessed the constraints to capital budget implementation in Nigeria. Primary sources of data was used through survey instrument developed and distributed to 200 respondents in 20 federal ministries, departments and agencies within two contiguous states in the South-south geopolitical zone in the country. The multiple regression results indicated that the delay in budget presentation by the presidency as well as delays in approval by the national assembly, leakages associated with corruption and poor monitoring and evaluation of the budget were significant factors militating against effective capital budget implementation in Nigeria.

Adah and Akogu (2019) investigated the effect of budget implementation on Nigeria's economic development for the period 1999 to 2017. The model used per capita GDP as the dependent variable while government's capital budget, recurrent budget and the rate of implementation of annual budgets were the independent variables of the model. The Ordinary Least Square (OLS) model was used in the data analysis. The results attested that capital budget decreased GDP per capita significantly in the short run while in the long run; it increases per capita GDP but not significantly. Recurrent budget and budget implementation rate were positive in the short run but recurrent budget remained positive in the long run and significantly too while budget implementation rate turned negative and insignificant on the economy.

Eze and Apiri (2020) examined the inhibiting intrigues of budget implementation on economic performance in Nigeria within the periods 1999 to 2018. Secondary data was used and the results of regression analysis attested that a unit reduction in government capital expenditure and government recurrent expenditure will decline Nigerian economic performance. The study indicated that there is a significant effect of budget implementation determinants on economic performance in Nigeria within the study span.

Nwala and Ogboji (2020) investigated budget implementation and economic growth in Nigeria within the period's 1981 to 2018 using Ex-post facto research design and Secondary data extracted from various sources. Gross Domestic Product was used as the dependent proxy, while Capital expenditure, Recurrent expenditure and Debt as the independent proxies. The results from regression analysis proved that capital expenditure exerts positive and significant relationship with the Gross Domestic Product of Nigeria. Also, recurrent expenditure and gross domestic product show positive and significant relationship, and government debt and gross domestic product also show negative and significant relationship.

3. METHODOLOGY

In this section, the research design, population and sample of the study, method and sources of data collection, measurement of variables, model specification and data analysis techniques are presented.

3.1. Research design

This study used ex-post facto design to examine the influence of Budget implementation on economic development of Nigeria. The research design for the study is appropriate because it allows a complete assessment of the influence of one variable on another without any manipulation since the variables data already exists.

3.2. Population and sample of the study

All the Ministries, Departments and Agencies (MDAs) in Nigeria formed the population and the sample of this study.

3.3. Method and Sources of data collection

Secondary data used in this study were sourced from different institutions and ministries such as Central Bank of Nigeria Bulletin, United Nations Development Programme (UNDP), Federal Ministry of Finance, and National Bureau of Statistics (NBS) for the period 2000 to 2019.

3.4. Model Specification

In this section, we specify the models used to deal with the effects and relationships between the dependent and independent variables contained in the hypotheses. The implicit economic model to be used in this study is given as:

$$y = Q + \beta_1 X_1 + \beta_2 X_2 + \hat{a}_3 X_3 + \varepsilon \qquad \text{(i)}$$

The model adopted is similar to the one used by Oke (2013) which is specified below as:

HDI = f (Public Recurrent Exp, Public Capital Exp, Implementation rate) . . . . (ii)

However, to avoid the violation of the ordinary least square principles which is referred to as multicollinearity, the above model will be modified by removing public total expenditure, exchange rate and capital formation and introducing the rate of implementation of the budget.

Explicitly, the regression model is specified as:

$$HDI = Q + \beta_1 PCEX + \beta_2 PREX + \beta_3 IR + \varepsilon \qquad \text{(iii)}$$

Where:

HDI = Human development index

a = intercept;

PCEX = Public Capital Expenditure;

PREX = Public Recurrent Expenditure;

IR = Budget Implementation Rate;

ε = Error term.

3.5. Data Analysis Techniques

The technique for data analysis employed in this study was the panel multiple regression method. The technique was adopted because the researcher needs to explore the effect and relationship between one continuous dependent variable (economic development – Human Development Index) and measures of independent variables (Public capital expenditure, public recurrent expenditure and implementation rate). The regression coefficients provided a numerical summary of the direction and strength of the linear relationship between these variables. The negative or positive sign of the regression coefficients indicated the direction of the relationship. This study will use the individual statistical significance test (t-test) and the overall statistical significance test (F-test); the model fitness will be adjusted by using the coefficient of determination (R^2). All analyses will be conducted at 5% level of significance using SSPS software.

4. DATA ANALYSIS AND FINDINGS

4.1. Data Analysis

The table below shows the results of the ordinary least square test conducted on the specified model. The OLS results reveal the relationship that exists between the dependent variable and each of the independent variable.

Table 4.1: Summary of Result

Variable	*Coefficients*	*Standard Error*	*Probability*
C	14.161	.029	.000
PCEX	.039	.000	.036
PREX	.749	.000	.000
IR	.142	.000	.290

R^2 = 0.779 Adj R^2 = 0.734 F-STAT = 17.598, DW-STAT = 1.429

Source: Author's Computation

From Table 4.1, the relationship between the dependent variable (HDI) and the independent variables (PCEX, PREX and IR) can be deduced can be expressed mathematically as in:

$$HDI = 14.161 + 0.039\ PCEX + 0.749\ PREX + 0.142IR + \varepsilon$$

From the above results, the constant parameter is positive, showing that if all Independent variables are held constant, the dependent variable (HDI) will increase by14.161units. The coefficient of PCEX is also positively related to HDI with an estimate of 0.039. This implies that an increase in the Public Capital Expenditure (PCEX) will lead to an increase in HDI by 0.039units. Also, the coefficient of PREX also showed a positive relationship with Human Development Index (HDI) with a coefficient of 0.749. This means that an increase in the Public recurrent expenditure in the country will lead to increase in the Human Development Index (HDI) by 0.749units. The coefficient of Implementation rate (IR) on its own part showed a positive relationship with Human Development Index (HDI), with a coefficient of 0.142. This means that an increase in the value of implementation rate in the nation budget will lead to 0.142units increase in the value of Human Development Index.

The coefficient of determinations (R^2) as shown in the results of the multiple regression result is given as 0.779 which implies 78% with an Adjusted R^2 of 0.734 which implies 73%. This explains that the explanatory variables (PCEX, PREX, and IR) accounted for 78% behaviour of the Human Development Index (HDI), while the remaining 22% is accounted for by the stochastic variable. Furthermore, given that the Durbin-Watson statistic value of 1.429, it can be stated that there is no serial correlation in the data series used in the panel multiple regression since the DW-stat value is not more than 2. This shows that the results from this model can be useful for decisions making. Finally, the F-statistic value of 17.598, shows that the model is a good fit to explain the statistical significance of all the variables put together for this hypothesis. The F-statistic value of 17.598 is greater than the probability value of 0.0000 is less than 0.05 (5% acceptable level of significance).

4.2. Hypotheses Testing

In achieving the objectives of the study and answer the research questions, three null hypotheses were formulated:

Ho_1: There is no significant effect of capital budget expenditure on economic development of Nigeria.

Ho_2: There is no significant influence of recurrent budget expenditure on economic development of Nigeria.

Ho_3: There is no significant influence of effect of budget implementation rate on economic development of Nigeria.

The first hypothesis is designed to determine the effect of public capital expenditure on economic development of Nigeria. The second hypothesis is aimed at determining the influence of public recurrent expenditure on economic development of Nigeria and thirdly, the effect of budget implementation rate on economic development of Nigeria.

Test of Effect of Capital Budget Expenditure on Economic Development of Nigeria

The relationship between the variables was carried out using the panel multiple regressions. This study will use the individual statistical significance test (t-test) and the overall statistical significance test (F-test); the model fitness will be adjusted by using the coefficient of determination (R^2). All the analyses will be conducted at 5% level of significance using SSPS software. The panel regression analysis will be done using summary of regression model, ANOVA, standardised beta coefficients of the regression.

The multiple regression results of the measure of budget implementation on economic development as presented in the Appendix A and summarized in table 4.1 above shows that Human Development Index will increase by an average of 14.161% giving that all the independent variables are held constant. This shows that if public capital expenditure, public recurrent expenditure and budget implementation rate are held to zero, Human Development Index (HDI) will improve by an average of 14.161%. Furthermore, a 1% increase of public capital expenditure (PCEX) will grow HDI by 30.9%. The regression result report a P-value of 0.000 is in favour of public capital expenditure. This correlation is supported by the P-value of .000< P- alpha of 0.05. This validates the correlation drawn above.

By the assertion above, this means that public capital expenditure significantly affects economic Development of Nigeria. The Null hypothesis: There is no significant effect of public capital budget expenditure on economic development of Nigeria is rejected and the alternate accepted.

Test of influence of recurrent budget expenditure on economic development of Nigeria

The results from Table 4.1 above indicated that a 1% increase in the value of public recurrent expenditure will grow Human Development Index by 74.9%. The t-statistics and the P-value of 5.420 and 0.000 respectively are in favour of public recurrent expenditure considering the correlation assertion of P-value of .000< P- alpha of 0.05. Hence, it will be affirmed that the hypothesis: There is no significant influence of Public recurrent budget expenditure on economic development of Nigeria is rejected and the alternate accepted.

Test of significant influence of effect of budget implementation rate on economic development of Nigeria

From the results in Table 4.1 a 1% increase in the implementation rate will increase Human Development Index (HDI) by 14.20%. The P-vale and t-statistics (.290, 1.098) attested to the correlation between them. The Null hypothesis: There is no significant influence of effect of budget implementation rate on economic development of Nigeria is accepted and the alternate rejected.

4.4. Discussion of the Findings

The t-test decision rule is that when the t-statistics is greater than the critical value or where the P-value of .000< P- alpha of 0.05, the null hypothesis is rejected. On the other hand, it will be accepted when the critical value is greater that the t-statistics. From table

4.1, using the P-value decision rule, at 5% level of significance, there exist a positive and strong relationship between Public Capital Expenditure (PCEX) and HDI. The t-statistics of 2.301 with probability (P-value) of 0.036 is an indication. It further shows that the explanatory variable has significant influence on economic growth and development. This finding is consistent with that of Adah and Akogu (2019) which stated that spending on capital expenditure spurs/triggers economic growth. Thus, the first null hypothesis is rejected.

It was also found that government spending on Recurrent Public Expenditure has significant impact on economic development of Nigeria. The t-statistical value of 5.420 indicates that PREX has significant influence on stimulating growth and development in the economy at 5% level of significance thus rejecting the second null hypothesis. This is consistent with the findings of Eugene (2016) that spending on recurrent expenditure is a major driver of economic growth and development. Contrary to the findings on PCEX, PREX and economic development, the t-statistics value of 1.098 less than the critical value of t (i.e. 2.31) shows that IR has no significant influence on HDI at 5% level of significance. Therefore the third null hypothesis of the study is accepted. It means that the implementation rate of the nation's budget (IR) does not significantly stimulate economic development. This finding collaborates with Iheanacho (2016) that budget implementation rate do not significantly influence economic development.

Though the apriori expectation of $\beta1 > 0$, $\beta2 > 0$, $\beta3 > 0$ was not satisfied from the constant variable having positive values for all the explanatory variables, the high value of the coefficient of determination R-squared (R^2) of 0.779 shows the model is a good fit. It further reveals that about 78% variations in the percentage of HDI is explained by the predictor variables while only 22% is explained by other factors other than PCEX, PREX and IR. The adjusted R-squared (R^2) value of 0.734 indicates that 73% of changes in economic development (HDI) is explained in the model after all necessary adjustment are taken care of. This therefore compliments the high explanatory power of the coefficient of determination (R^2).

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

This section is organized in five sub- sections. The first sub-section presents summary of the findings, sub-section two draws conclusions related to the research objectives. Sub-section three present recommendations.

5.1. Summary of the Findings

The study was conducted to assess the influence of budget implementation and economic development of Nigeria. The determination of the relationship between the economic development in Nigeria and the budget implementation is necessitated by series of imbalances in budget formulation and implementation continuous faced by the Nigerian administration. Data for the study were obtained from Central Bank of Nigeria Bulletin, United Nations Development Programme (UNDP), Federal Ministry of Finance and National Bureau of Statistics (NBS) on Nigeria's budgets and HDI from 2000 to 2019. The formulated hypotheses were tested using the panel multiple regression results. From the result of data analysis in section four of this study, the following findings were made:

Multiple determinants taken together provide sufficient evidence of the existence of significant relationship between measures of budget implementation and economic development of Nigeria.

Public recurrent expenditure influences Human Development Index (HDI) than Public capital expenditure and implementation rate.

The implementation rate of the nation's budget is insignificantly influenced the economic development of Nigeria (HDI).

There are other extraneous variables (Public total budget expenditure, total debt expenditure, Capital Expenditure on Administration, Capital Expenditure on Economic Services, Capital Expenditure on Social Community Services, and Capital Expenditure on Transfer) which account for the economic development of Nigeria.

5.2. Conclusion

This study is on budget implementation and economic development of Nigeria. Based on the findings and results of the analysis, the study concludes that there is a significant relationship between the measures of budget and economic development of Nigeria. This shows that the economic development of Nigeria is determined by the level of measures of budget implementation. The relationship is influenced by the explanatory variables. These variables influence the economic development of Nigeria. From the findings, the study concludes that public spending on capital and recurrent expenditure impact significantly on economic development of Nigeria. Government budgetary function, action, implementation and monitoring affect economic activity of the nation at micro and macro level cumulating in growth and development of the economy evidence in percentage increase of HDI. Spending especially on public recurrent expenditure positively affects the Human Development Index which is needed for a nation in dire need of industrialization.

5.3. Recommendations

The following policy measures are recommended for adoption and to practice based on the findings of the study.

There is need for government to increase her funding of capital and recurrent expenditure as this can propel economic development of a nation.

Greater attention should be paid to budget implementation rate and monitoring. It is a way of ensuring that the desired objective that mainly influenced economic development of the nation is achieved.

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