

An Empirical Evaluation of Budget Implementation on Economic Growth in Nigeria

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ABSTRACT

The main objective of this study is 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 over several years. 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 was 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 Auto Regressive Distributed Lag (ARDL) Model to analyze data, other diagnostic tests such as; test of Normality, Auto correlation test and Heteroskedasticity test and they confirmed the validity and reliability of the model employed; the inferential results suggested that budget evaluation had positive and significant impact on economic development in Nigeria. The study recommends that government of Nigeria should endeavor to increase 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 should ensure the strict adherence to due process.

1. INTRODUCTION

1.1 Background to the Study

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 payment 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.

In Nigeria, the sources of revenues to fund government budget is from Petroleum products and taxes. Budget is based 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 to reflect the current situation. Aregbeyen (2007) 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 growing needs and aspirations of its citizenry.

Olomola (2004) opined that the process of budgeting has always been attributed to unending faults and constraint with budget implementation. 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 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.

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 instruments at the disposal of Government is the key to attainment of economic stability, macro economic objectives and the 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 macro economic objectives, 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 major problem of budget in Nigeria over the years has been the implementation phase. From the foregoing, it is glaring that proposing, presenting and approval of budget estimates does not always translate or tantamount to implementation, especially in developing economies like Nigeria, hence there is need to critically ascertain the level of implementation of budget as it impacts economic development in Nigeria. Therefore, the problem this study sets out to resolve is to empirically analyze the various components of budget and the rate of implementation to see if they actually have significant impact on economic development in Nigeria.

2. REVIEW OF RELATED LITERATURE

2.1 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 Adebisi (2003) 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.

2.1.1.1 Budgeting Process in Nigeria

This budget procedurally passes through four major phases namely:

1. **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.
2. **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.
3. **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 Committee meet to iron out grey areas. Thereafter a *clean copy* of the Appropriation Act is transmitted to the President for assent.

4. **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.

2.1.1.2. Components of Budget

1. **Capital Expenditure:** 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.
2. **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.

2.2 Theoretical Framework

This segment presents theories associated with budget evaluation and economic development in Nigeria. Therefore, this study is anchored on the goal setting theory.

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 increase performance than when people strive to the slogan of do their best (Komain & Brahmašre, 2017). The performance benefits of challenging specific goals have been demonstrated in hundreds of laboratory and field studies (Komain & Brahmašre, 2017).

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 away that increases in performance achievements by ministries, departments and agencies will be applauded as a motivational factor to do more in the subsequent year.

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; Ordinary Least Square (OLS) regression results confirmed that budget implementation has a positive effect impact on Nigeria economic growth.

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.

Ohanele (2010) 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 *et al.* (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.

Nurudeen and Usman (2010) 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 this 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 influence on economic growth of Nigeria, though negative on the short run. Further more, in the long run, capital expenditure on socio community services 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 exerts significant impact on economic growth of Nigeria.

3. METHODOLOGY

3.1 Research Design

This study adopts the *ex-post facto* research design as it deals with event that had taken place and secondary data were readily available for collection. Human development index adopted as the explained (dependent) variable, while Public Capital Expenditure, Public Recurrent Expenditure and Budget Implementation Rate are employed as the explanatory (independent) variables. The model was estimated using the Auto Regressive Distributed Lag (ARDL) Model. Since we are making use of annualized time-series data and the study covers a long sample period, we made sure our data set were not impaired by unit root; hence we tested for stationarity of the series by employing the Augmented Dickey-Fuller (ADF).

3.2. Model Specification

This research adapted the econometric model previously used by Oke (2013) who empirically examined the impact of budget implementation on economic growth in Nigeria from 1993 to 2010. The econometric model of this study, which had earlier been reviewed in the preceding section, is specified below:

$$GDP = f(PEX, PRE, PCE, EXD) \quad (3.1)$$

Where

GDP = Gross Domestic Product

PEX =Public Total Expenditure

PRE = Public Recurrent Expenditure

PCE = Public Capital Expenditure

EXD = External debt

From the above function, they derived the statistical model as follows:

$$GDP = \beta_0 + \beta_1 PEX + \beta_2 PRE + \beta_3 PCE + \beta_4 EXD + \mu \quad (3.2)$$

Where

μ - Stochastic variable

f - Functional notation

$B_0 - \beta_4$ = coefficient of estimates

However, this study adapted the scholars' work by replacing Gross Domestic Product (GDP) with Human Development Index as the regressand; this was done to capture economic development. Also, Public Total Expenditure and External debt were replaced by Budget Implementation Rate, this was done to check multicollinearity and not over bloat the model since the expunged variables have the same coefficient of correlation with Budget Implementation Rate.

The regression model for this study is specified thus:

$$\text{HDI} = \beta_0 + \beta_1 \text{PCEX} + \beta_2 \text{PREX} + \beta_3 \text{IR} + \varepsilon \quad (3.3)$$

Where:

HDI = Human development Index

β_0 = intercept;

PCEX = Public Capital Expenditure;

PREX = Public Recurrent Expenditure;

IR = Budget Implementation Rate;

ε = Error term.

4. DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Pre-Estimation Test Result (Unit Root Test)

Table 4.1
Unit Root Test

Variables	Augmented Dickey-Fuller test statistic	Probability Value	ADF Critical at 5%	Inference
HDI	-4.749831	0.0018	-3.052169	I(1)
PCEX	-3.247887	0.0347	-3.052169	I(1)
PREX	-5.694789	0.0002	-3.040391	I(1)
BIR I(0)		-3.234776	0.0336	-3.029970

Source: Researcher's analysis using e-view 9

The unit root test from table 4.1 above shows that the stationarity of the variables were a combination of I(1) and I(0). As such, the appropriate estimation technique to employ for inference is the Auto Regressive Distributed Lag (ARDL) Model, (Pesaran *et al.*, 2001).

4.2 Descriptive Statistics

Table 4.2
Descriptive Statistics

	<i>HDI</i>	<i>PCEX</i>	<i>PREX</i>	<i>BIR</i>
Mean	0.491350	733.9685	2549.415	83.11450
Median	0.499500	697.0250	2618.705	85.50000
Maximum	0.546000	2031.890	5675.190	99.86000
Minimum	0.445000	239.4500	461.6000	53.76000
Std. Dev.	0.032592	410.1053	1506.271	14.04197
Skewness	-0.270766	1.496203	0.241622	-0.884174
Kurtosis	1.883390	6.026179	2.013072	2.751205
Jarque-Bera	1.283396	15.09355	1.006293	2.657463
Probability	0.526398	0.000528	0.604625	0.264813
Sum	9.827000	14679.37	50988.30	1662.290
Sum Sq. Dev.	0.020183	3195541.	43108207	3746.361
Observations	20	20	20	20

Source: Researcher's analysis using e-view 9

The descriptive statistics presented in Table 4.2 shows that PREX has the highest mean value of N2549.42 billion, followed by PCEX which has N733.97 billion, while BIR and HDI have N83.12 and 0.49 respectively. Note that the mean describes the average value for each data series in the model. From the analysis, PREX has the highest standard deviation as it recorded 1506.27, implying that it is the most volatile variable in the model as it has the highest percentage of dispersion from the mean. The table further reveals that two variables, HDI and BIR with -0.271 and -0.884 respectively, are skewed a little to the left, while PREX and PCEX which have 0.242 and 1.496 respectively, are skewed a little to the right.

Kurtosis measures the peakness or flatness of the distribution of a series. The kurtosis of a normal distribution is 3. If it exceeds 3, it means that the distribution is peaked or leptokurtic relative to the normal. Conversely, if it is less than 3, it shows that the distribution is flat or platykurtic relative to the normal. Table 4.2 further reveals that PCEX with a Kurtosis value of 6.03 is peaked or leptokurtic. While HDI, PREX and BIR with Kurtosis values of 1.88, 2.01 and 2.75 respectively are flat or platykurtic.

From the results of the analysis presented in Table 4.2 above, only PCEX with a Jarque-Bera statistic of 15.09 with a Probability of 0.000528 is rejected as being a normal distribution since its p-value is less than 5% level of significance, while other variables are said to be normally distributed since their p-values are greater than 5% level of significance. The number of observation of 20 depicts the duration or scope of this study, being 20 years.

Although these skewness and kurtosis indicate departure from normality, such points are not strong enough to discredit the goodness of the dataset for the analysis in view.

4.3 Inferential Result

Results of ARDL Model

Table 4.3
Results of ARDL Model

<i>Variable</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-Statistic</i>	<i>Prob.*</i>
HDI(-1)	0.876581	0.012656	69.26001	0.0092
PCEX(-1)	2.62E-05	5.23E-07	50.03023	0.0127
PREX(-1)	3.82E-05	2.12E-07	180.0277	0.0035
BIR(-1)	0.000761	1.44E-05	52.95597	0.0120
C	-0.116783	0.005734	-20.36807	0.0312
R-squared	0.999999	Mean dependent var		0.499529
Adjusted R-squared	0.999980	S.D. dependent var		0.028063
S.E. of regression	0.000125	Akaike info criterion		-16.08385
Sum squared resid	1.57E-08	Schwarz criterion		-15.29965
Log likelihood	152.7127	Hannan-Quinn criter.		-16.00590
F-statistic	53571.73	Durbin-Watson stat		2.979756
Prob (F-statistic)	0.003390			

Source: Researcher's analysis using e-view 9 output with data in Appendix

The ARDL result as shown in the Table 4.3 above suggests that all the explanatory variables have positive impact on the explained variable. That is, the independent variables in the model exerted positive impact on the dependent variable. The result further revealed that a unit increase in Public Capital Expenditure would bring about a 2.6 unit increase in Human Development Index, while a unit increase in Public Recurrent Expenditure would bring about a 3.8 unit increase in Human Development Index. Also, a unit increase in Budget Implementation Rate would bring about 0.00076 unit increase in Human Development Index.

A keen observation of the result showed that the Adjusted R-squared was approximately 0.99. This means that the explanatory variables accounted for about 99% variations in the explained variable. Put differently, about 99% variation in Human Development Index was explained by the independent variables, while the remaining 1% may be attributed to variables not captured in the model (stochastic variables).

F-statistic of 53571.73 showed that the model was a good fit as confirmed by its corresponding probability value of 0.003390 which means that the model is significant both at 1% and 5% levels of significance.

Durbin-Watson stat. of approximately 2.9 suggests that the variables were free from auto-correlation since the Durbin-Watson value is close to the region of 2.

4.4 Diagnostic Test

4.4.1. Test for Heteroskedasticity

Table 4.4.1
Test for Heteroskedasticity

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	121.6285	Prob. F(15,1)	0.0710
Obs*R-squared	16.99069	Prob. Chi-Square(15)	0.3194
Scaled explained SS	0.047373	Prob. Chi-Square(15)	1.0000

Source: Researcher's analysis using e-view 9 output with data in Appendix

The Heteroskedasticity test above suggests that the variables are free from the problem of Heteroskedasticity since the p-values of F-stat. and Obs *R-squared of 0.7 and 0.32 respectively are > 5% significance level. This outcome is further strengthened by the p-value of approximately 1.0 for the Scaled explained SS which also suggest the absence of Heteroskedasticity.

4.4.2. Test for Auto Correlation

Table 4.4.2: Correlogram Q-statistic

Q-statistic probabilities adjusted for 3 dynamic regressors

Autocorrelation	Partial Correlation		AC	PAC	Q-Stat	Prob*
*** .	*** .	1	-0.503	-0.503	5.1139	0.024
. .	. ** .	2	0.052	-0.270	5.1718	0.075
. * .	. ** .	3	-0.123	-0.326	5.5210	0.137
. * .	. * .	4	0.122	-0.172	5.8914	0.207
. .	. * .	5	-0.053	-0.150	5.9683	0.309
. .	. ** .	6	-0.060	-0.261	6.0752	0.415
. ** .	. * .	7	0.249	0.135	8.0749	0.326
. *** .	. ** .	8	-0.368	-0.281	12.930	0.114
. * .	. ** .	9	0.177	-0.253	14.192	0.116
. .	. * .	10	-0.009	-0.153	14.196	0.164
. * .	. * .	11	0.110	-0.106	14.846	0.190
. * .	. .	12	-0.092	-0.013	15.391	0.221

Source: Researcher's analysis using e-view 9 output with data in Appendix

This test is carried out to further test for auto correlation and to consolidate on the result of Durbin Watson Stat in table 4.3. The result of Correlogram Q-Statistic in table 4.4.2 above, suggest that the variables are free from auto correlation, since the correlogram Q- Stat. table indicates that all p-values were >5% hence, the conclusion that the model was free from auto correlation.

4.5. Discussion of Findings

This study was carried out to investigate the impact of capital budget evaluation on economic development in Nigeria between 2000 and 2019. The result of data analysis suggests the following inferences:

Public Capital Budget Expenditure had a positive significant impact on Human Development Index in Nigeria, in the same vein; Public Recurrent Budget Expenditure also recorded positive and significant impact on Human Development Index in Nigeria. Also Budget Implementation Rate was observed to have a positive and significant impact on Human Development Index in Nigeria. Amongst the three explanatory variables, Budget Implementation Rate recorded the least impact on Human Development Index with a coefficient value of 0.000761 compared to 2.6 and 3.8 for Public Capital Budget Expenditure and Public Recurrent Budget Expenditure respectively. This observation may be attributed to the poor and low level of budget implementation in Nigeria. If Nigeria is to attain sustainable economic development in terms of human development, the rate of implementation of budget should be improved upon. It is also important to note that all the variables conformed to a priori expectations earlier reported in the preceding section in table 3.7 and confirmed in this section in table 4.7. The findings of this study were in consonance with some past studies on this subject matter earlier reviewed, such as; Oke (2013), Ilemona and Sunday (2018) and Olaoye et al. (2017). The findings elicited from this study was, however in negation of the study conducted by Orji (2019) who suggested a negative impact of budget implementation on economic growth of Nigeria. Furthermore, Iheanacho (2016) in his study; contribution of government expenditure on economic growth in Nigeria, reported mixed finding that recurrent expenditure recorded positive impact on economic growth in Nigeria, while capital expenditure recorded negative impact.

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

The findings elicited from this study are summarized thus:

1. Public Recurrent Budget Expenditure impacted positively and significantly on Human Development Index in Nigeria and also exerted the highest impact on human development in terms of the coefficient when compared to other variables in the model.
2. Public Capital Budget Expenditure also recorded positive and significant impact on Human Development Index in Nigeria and was also the variable that recorded the second highest impact on Human Development Index in Nigeria when compared to the impact of other variables in the model in terms of their coefficients.
3. Just like the first two variables, Budget Implementation Rate followed in the same vein to exert positive and significant impact on Human Development Index in Nigeria. However, this was the variable that exerted the minimum impact on human development index in Nigeria. This could be attributed to the low or poor budget implementation culture observed in Nigeria.

5.2. Conclusion

This research empirically investigated the impact of capital budget evaluation on economic development in Nigeria. Past studies reveal that researchers have not arrived at a consensus about the impact that budget evaluation has on economic development in Nigeria. Therefore, the impact is yet to be well established. This study has added to already existing literature on this subject matter and brings about a different perspective on budget evaluation and economic development in Nigeria.

The study employed Human Development Index as proxy for economic development in Nigeria while Public Capital Budget Expenditure, Public Recurrent Budget Expenditure and Budget Implementation Rate were used as independent variables. Several tests and analysis has been conducted ranging from pre - estimation test, diagnostic tests such as heteroskedasticity test, normality test, auto correlation test amongst others. The ARDL model results suggested that there is a significant positive impact of capital budget evaluation on economic development in Nigeria, the diagnostic test further ensured the reliability and validity of the model, variables and estimation techniques employed. The findings of this study were in agreement with the study conducted by Oke (2013), Ilemona and Sunday (2018) and Olaoye *et al.* (2017).

5.3. Recommendations

Based on the findings elicited from this study, the following recommendations were proffered:

1. The government of Nigeria should endeavor to increase capital expenditure in her annual budget; this would facilitate the enhancement of economic development in Nigeria as shown by the positive coefficient value of public capital budget expenditure in Table 4.4.
2. There is need for government to increase her funding of recurrent expenditure as this will also enhance economic development in Nigeria as shown by the positive coefficient value of public recurrent budget expenditure in table 4.4.

5.4. Directions for Future Research

Many authors have written on the impact of budget evaluation on economic development in Nigeria, therefore, further studies in this area should cover the impact of budget evaluation on economic development using other economic development indicators such as gross fixed capital formation in order to have a broader perspective of the impact that budget evaluation has on economic development as it affects Nigeria.

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