



THE INFLUENCE OF OVERNMENT ECONOMIC POLICIES ON NIGERIA'S ECONOMIC DEVELOPMENT

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Abstract: By implementing different policies and intervening in the economy, governments have a significant impact on the state of affairs. The purpose of this study is to investigate how government economic policies affect Nigeria's economic growth. The study makes use of secondary data sources. Secondary data were gathered from international organizations, statistical agencies, and official publications, including the World Bank, the Central Bank of Nigeria, and the National Bureau of Statistics. This study used quantitative analysis as its only method. The quantitative analysis involved econometric techniques, such as regression (multiple) analysis and time-series modeling (panel), to determine the statistical significance and direction of the relationships between the government economic policies and the measures of economic development in Nigeria. The study finds out that there is an inverse relationship between the real gross domestic product (RGDP), tariffs (TARR), and interest rates (INTR). RGDP has a significant negative correlation (-0.6749) with INTR and a moderately negative correlation (-0.5774) with TARR. The interest rate (INTR) and tariff (TARR) have a positive correlation (0.7233), suggesting a potential association between the variables. There is a fairly positive association (0.7278) between sectoral support (SECSUPP) and the exchange rate (EXR). According to the study, efforts should be made to bolster the beneficial effects that have been identified, such as advancements in technology or infrastructure, trade policies that could strengthen the exchange rate, and sector-specific government programs that could strengthen the exchange rate.

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1. INTRODUCTION

The Nigerian government's economic policies have a significant influence on the country's economic development trajectory. As a developing nation, Nigeria has implemented various economic strategies and initiatives to foster growth, reduce poverty, and improve the overall living standards of its citizens. Understanding the impact of these government policies is crucial for evaluating their effectiveness and informing future policy decisions. Public policy encompasses the broad spectrum of government actions designed to influence the well-being of its citizens. This includes a wide range of areas, such as education, social welfare, law enforcement, infrastructure development and maintenance, and scientific and technical research.

Economic analysis of public policy focuses on its impact on factors that influence economic growth. These factors include the quality of education, infrastructure development, the regulatory environment, and the level of investment in research and development. Economic development encompasses a multifaceted approach that prioritizes infrastructure improvements, educational system enhancements, robust public safety measures, park and recreational space revitalization, and the implementation of strategic business incentives to attract new enterprises and job creation.

Any open economy must recognize the critical roles that trade, monetary, and fiscal policy play, particularly when it comes to economic management. The pursuit of achieving and maintaining macroeconomic goals notably elucidates the crucial functions performed by trade, monetary, and fiscal policies in both established and emerging countries, including Nigeria (Olufemi & Oladipo, 2021). Once more, during an economic crisis, these policies are primarily employed to maintain and stabilize economic growth. Governments in many economies employ fiscal policy measures, such as modifying public expenditure to moderate taxation, to counteract economic imbalances. This is a crucial way to controlling aggregate demand, financial instability, and economic distortions.

The classicalists argued in favor of an efficient price mechanism that allocates resources robustly and efficiently enough to ensure economic freedom without requiring government intervention to address economic crises. As a

result, this theoretical model has been applied in practice as a guide for policy to sustain economic activity throughout time (Ishola & Titiloye, 2020). However, in order to provide a stable framework for full employment, Keynes suggested that this strategy be implemented, particularly during economic downturns. As a result, this theoretical model has been employed as a practical guide for policy decisions to support economic activity over time. The government uses a combination of monetary and fiscal policies to stabilize the business cycle during economic downturns.

Similarly, through stabilizing the exchange rate, the government established trade policy to enhance trade relations and create the required safety net against external shocks. Massive trade, monetary, and fiscal deficits have plagued many developing economies over the years, including Nigeria. The rate of government expenditure greatly influences the character and quantity of the macroeconomic framework as well as the fiscal sustainability of any small open economy. Public goods, such as infrastructure and utility services, are insufficient by nature (Nwosa *et al.*, 2020). In Nigeria, trade, monetary, and fiscal policies are typified by wastefulness and a weak financial system, which is reinforced by incompetent handling of the country's substantial oil earnings, endangering the macroeconomic

Recent economic literature has increasingly focused on incorporating new theoretical frameworks, such as endogenous growth models, and empirically testing their predictions. Works by Jones (1995) and Mankiw *et al.* (1992) exemplify this trend. However, a separate strand of research in political economy emphasizes the limitations of purely economic explanations. This school of thought argues that economic factors alone cannot fully account for the significant disparities in growth, economic outcomes, and policy decisions observed across different countries. The new growth theory posits that government policy, particularly its influence on the pace of technological advancement, can exert a lasting impact on a nation's long-term economic growth trajectory (Sulaiman & Migiro, 2019).

2. LITERATURE REVIEW

2.1. Conceptual Review

Economic development, synonymous with economic growth or advancement, signifies the wealth generation that translates into societal benefit and progress.

It extends beyond isolated projects, encompassing the broad improvement of an economy in relation to factors like education, resource availability, and living standards. This development involves the construction of robust education systems, recreational facilities, and public safety infrastructure (Afolabi *et al.*, 2020). Ultimately, economic development serves as the cornerstone of population well-being. Sovereign authorities recognize development as a critical factor in policy design, aiming to improve the overall quality of life for their citizens. Efficient resource allocation is fundamental to economic development, explaining the sluggish growth often observed in command economies. The imperative of economic development necessitates its implementation across various facets of society. Examples of such initiatives include fostering new business creation, infrastructure improvements, educational advancements, and the formulation of growth-oriented policies (Onyeiwu, 2018).

From a policy perspective, economic development refers to a comprehensive set of efforts aimed at enhancing the economic well-being and quality of life within a community. These efforts focus on job creation and retention, alongside supporting income growth and the overall economic base. As Loveridge and Morse (2016) suggest, this definition highlights a key distinction between economic development and economic growth.

Economic growth, primarily, reflects an increase in jobs and income within a community or state. It signifies an expansion in overall economic activity. However, economic development encompasses a broader scope. It not only considers job and income growth, but also prioritizes a sustainable increase in the productivity of individuals, businesses, and resources. This focus ultimately translates into improved overall well-being and a higher quality of life for citizens (Duodo & Baidoo, 2020). Economic development policies encompass a multifaceted approach categorized into three primary areas by Salmon Valley Business and Innovation Centre for serious consideration.

- a) **Macroeconomic Policies:** These policies are undertaken by governments to achieve broad economic objectives, such as price stability, high employment levels, an expanded tax base, and sustainable growth. Examples include monetary and fiscal policies, regulations governing financial institutions, trade policies, and tax structures.
- b) **Infrastructure and Service Provision:** This category focuses on policies and programs that ensure the availability of essential infrastructure

and services. This includes highways, parks, affordable housing, crime prevention initiatives, and educational programs.

- c) **Job Creation and Retention Strategies:** This area, a core focus for economic development professionals, comprises policies and programs explicitly aimed at fostering job creation and retention. This can involve initiatives in business finance, marketing, neighborhood development, small business development and support, business retention and expansion programs, technology transfer, workforce training, and real estate development.

2.2. Theoretical Review

Adam Smith and other classical economists promoted minimal government intervention in the provision of public goods, law and order, and those investments that the private sector is unable to sufficiently offer because of their high risk or unprofitable nature. This theory referred to a specific economic ideology or set of principles, dominated economic thinking and policy making during that time. It formed the structure and functioning of economies across the globe. However, the Great Depression brought to light the inherent weaknesses and limitations of this prevailing theory. The economic collapse exposed the shortcomings of the existing class structure, which was unable to effectively address the challenges and systemic vulnerabilities that led to the crisis.

Conversely, Keynesian economists favored the use of public spending to boost aggregate demand and foster growth and development, particularly in times of economic slump. This is the clear justification for government involvement in the economy in the modern era. In addition, government spending affects citizen welfare and the business climate for the private sector by providing basic services like health, education, communication, and transportation, among others.

The neoclassical growth models, initially put forth by Solow in 1956 and later expanded upon by Cass in 1965, offer a framework for understanding the determinants of long-run or steady-state economic growth. These models, which have undergone subsequent modifications and refinements by various economists, provide insights into the factors that drive sustained economic expansion. In the context of these neoclassical growth models, the primary

contributors to long-term economic growth are discount factors. These factors encompass rates of capital depreciation, population growth, and technological progress. Capital depreciation refers to the decline in the value or usefulness of physical capital over time. In the neoclassical growth models, the rate of capital depreciation directly influences the potential for economic growth. A lower rate of depreciation implies a more efficient utilization and preservation of capital, leading to higher levels of productivity and output.

2.3. Empirical Review

Olufemi & Oladipo (2021) examined how the Nigerian economy was expanding in relation to the impact of various fiscal policy elements on that expansion. The study found that federal spending has a favorable effect on community and social services, administration, and economic growth. It did, however, also note that federal spending on economic services and transfer payments had a negative effect on Nigeria's economic expansion. The study recommended that federal government should prioritize administrative, social, and community services in its budgetary policies as they have the ability to positively impact the growth of the Nigerian economy.

Ishola & Titiloye (2020) used the ARDL technique to study how fiscal and monetary policy affected the growth of the Nigerian economy using the OLS estimating technique. According to the study, Nigeria's economic growth is stimulated by the availability of money relative to government spending and revenue. In order to stabilize economic growth, the study suggested that the government must permit expansionary monetary policy. Duodo & Baidoo (2020) used a baseline regression model to investigate inclusive growth in Nigeria in relation to the function of fiscal policy. They discovered that fiscal policy in Nigeria greatly encourages inclusive growth. The study also found that fiscal policy and inclusive growth in Nigeria are causally related in a one-way manner. It suggested that, in order to promote inclusive growth, government spending should be focused on infrastructure development and profitable investments.

Nwosa *et al.* (2020) looked into how Nigeria's economic growth was impacted by fiscal policies between 1977 and 2009 using the OLS estimation technique. The research findings indicate that the nation's economic growth is positively impacted by productive expenditure. To promote economic growth,

the study advises that the government increase its spending on economic services, health care, and education. Afolabi *et al.* (2020) used the ARDL technique to study how trade (and trade policy) affects the expansion of Nigeria's economy. Price-based factors and the adjusted trade ratio have been shown to have a favorable long-and short-term impact on the GDP. Dynamic responses throughout time shown that trade policy had a favorable impact on the GDP. The paper made the case that legislators should enact measures to foster global innovation and trade. Therefore, it was recommended that government should more encouraging trade policy.

Sulaiman & Migiro (2019) looked into the relationship between monetary policy and the expansion of the Nigerian economy using the OLS estimation approach. The study discovered that monetary policy promotes economic growth, but it also discovered that monetary policy has no bearing on economic growth. The study came to the conclusion that the monetary policy transmission mechanism improves economic growth by raising the productivity of the Nigerian economy. The study suggested strengthening the financial sector's regulatory framework in order to improve the effectiveness of the monetary policies implemented by the government. Idris *et al.* (2018) used the ordinary least squares method to investigate the impact of Nigerian monetary policies on economic growth. The study found that while the inflation rate has a negative impact on monetary policy, it positively influences economic growth. The study suggested managing interest rates, liquidity, and currency rates through monetary policy to create an environment that is favorable for investment.

Hlongwane *et al.* (2018) examined how interest rates, currency rates, and money supply affect Nigeria's economic performance in relation to monetary policy by utilizing the VECM approach. According to the results of their research, prudent monetary policy could encourage investment, stabilize the economy, and enhance economic performance. Based on their outcome, monetary policy should be effectively implemented to ensure economy performance. Chinedu *et al.* (2018) used an error correction model technique to investigate how sectoral distributions of government expenditure effect Nigerian economic growth. Sectoral distributions of government spending were found to have a favorable effect on Nigeria's economic performance. The government's spending on defense and agriculture was found to have statistical

significance. However, the study also found that government spending on communication, transportation, education, and health did not significantly differ statistically. According to the report, those holding political office in Nigeria ought to possess the political will necessary to turn the nation into a developed one by using public finances responsibly and openly.

Ayomitunde *et al.* (2018) used an ARDL Bound estimate technique to look at how monetary policy affects Nigerian economic growth from 1990 to 2017. The results demonstrated a strong positive correlation between economic growth and inflation rate, with the monetary policy rate driving Nigeria's economy's growth in the short term while the inflation rate influences it both in the long and medium terms. They advised Apex Bank to employ monetary policy tools that support Nigeria's economic expansion. Onyeiwu (2018) investigated the relationship between monetary policy and Nigeria's economic development using the OLS estimation approach. The results demonstrated that monetary policy has a negative impact on the inflation rate but positively boosts the gross domestic product and balance of payments. It was suggested that the money market should work to offer financial instruments that satisfy the demands of an increasing number of participants and that monetary policy be utilized to foster an atmosphere that is favorable to investments.

Idris *et al.* (2017) used the error correction model technique to investigate how monetary policy affected the expansion of Nigeria's economy by using the ARDL technique. The study discovered that while the money supply in Nigeria is unrelated to economic growth, monetary policy tools including the inflation rate, exchange rate, and foreign reserves support growth in the Nigerian economy in line with theoretical assumptions. As a result, the study suggested creating main and secondary markets for government bonds, which would improve the efficiency of monetary policy and lessen the government's dependency on the central bank for direct funding. Afolabi *et al.* (2017) used the ordinary least squares method to study the relationship between foreign trade and Nigeria's economic growth. The analysis discovered that while foreign direct investment and exchange rates have a significant negative impact on Nigeria's economic growth, government spending, interest rates, imports, and exports all had favorable effects. The study suggested that the nation should promote non-primary and non-oil exports in addition to its trading in primary and oil exports.

Maiga (2017) investigated the relationship between fiscal and monetary policies and Nigerian economic growth using the vector error correction model technique to discover which has been more successful in fostering the country's progress. While monetary policy had no impact on the gross domestic product, the analysis found that fiscal policy distorted economic growth in the short term. According to the study, the employment of policy alternatives should prioritize fiscal policy. The study suggested that government should promote monetary policy to positively impact on the gross domestic product. Ajayi & Aluko (2017) used the OLS estimating technique to assess the effectiveness of Nigeria's fiscal and monetary policies. The study found that while government spending had no effect, increases in exports and the money supply strongly drive economic growth. Furthermore, the research indicates that monetary policy has a greater effect on growth than fiscal policy. The study suggested that the Nigerian government should employ monetary policy as a weapon for economic stabilization instead of fiscal policy.

Idris & Bakar (2017) used the OLS estimation technique to investigate the relationship between fiscal policy and economic growth in Nigeria, with a particular emphasis on the various components of public spending. They discovered that when government revenue increased, so did government spending. The study came to the conclusion that there is a significant and positive association between government spending and economic growth. Therefore, it was recommended that more efforts should be done for collection of revenue since there is positive significant between revenue and expending. Jelilov (2016) studied how fiscal policy affected economic growth and emphasized the role that taxation and spending by the government play in promoting development by utilizing panel regression model. According to their conclusions, Nigeria's economy might grow steadily if fiscal policies were implemented well, such as investing more in infrastructure and productive industries. It was recommended that fiscal policies must be well implemented.

3. METHODOLOGY

This study employed a mono-method approach, quantitative analysis, to investigate the impact of government economic policies on Nigerian's economic development. The research utilizes secondary data source. Secondary data were collected from government publications, statistical agencies, and international

organizations, such as the National Bureau of Statistics, the Central Bank of Nigeria, and the World Bank. This data includes macroeconomic indicators, such as GDP, government spending, exchange rates, money supply, inflation, tariffs, and sectorial support. Panel data analysis techniques using time-series data (yearly observations) and cross-sectional data (economic development indicators or policy variables) was used. Additionally, diagnostic tests, such as multicollinearity, heteroscedasticity, and autocorrelation were conducted to ensure the validity and reliability of the regression results.

Variables

This study examined the impact of government economic policies on economic development. Economic development was measured by the growth rate of Gross Domestic Product (GDP) which is dependent variable, while the independent variables encompassed a variety of government economic policies such as:

Fiscal policies (government spending)

Monetary policies (interest taxes, exchange rates, money supply)

Trade policies (tariffs)

Industrial policies (sectorial support)

3.1. Model Specification

The general model for the relationship between government economic policies and Nigeria's economic development can be expressed as:

Economic Development = $f(\text{Government Economic Policies})$

Mathematically, the model can be represented as:

$$ED = \beta_0 + \beta_1 \text{Govtexp} + \beta_2 \text{Ms} + \beta_3 \text{Tarr} + \beta_4 \text{Intr} + \beta_5 \text{Extr} + \beta_6 \text{Secsupp} + \varepsilon$$

Where:

ED = Economic Development (Dependent Variable) measured by indicator of GDP growth rate.

Govtexp = Government expenditure

Ms = Money supply

Tarr = Tarrifs

Intr = Intrest rate

Exr = Exchange rate

Secsupp = Sectorial support

β_0 = Constant term

$\beta_1 - \beta_6$ = Coefficients to be estimated

ε = Error term

Hypothesis Development

Based on the model specification, the following hypotheses were formulated:

- Ho₁: Government expenditure have a significant impact on Nigeria's economic development.
- Ho₂: Money supply have a significant impact on Nigeria's economic development.
- Ho₃: Tarrif policies have a significant impact on Nigeria's economic development.
- Ho₄: Interest policies have a significant impact on Nigeria's economic development.
- Ho₅: Exchange rate have a significant impact on Nigeria's economic development.
- Ho₆: Sectorial support has a significant impact on Nigeria's economic development.

4. EMPIRICAL RESULTS AND DISCUSSION

<i>Regression analysis</i>				
<i>Variable</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-Statistic</i>	<i>Prob.</i>
C	-6162.956	2804.020	-2.197901	0.0413
GOVTEXP	0.847245	0.149010	5.685837	0.0000
MS	8.87E-05	7.71E-05	1.149869	0.2652
TARR	-53.02094	83.59167	-0.634285	0.5339
INTR	269.6337	94.86790	2.842202	0.0108
EXR	1.559767	2.560559	0.609151	0.5500
SECSUPP	0.954988	0.034513	27.67009	0.0000
R-squared	0.998559	Mean dependent var		53981.99
Adjusted R-squared	0.998078	S.D. dependent var		19348.12
S.E. of regression	848.1545	Akaike info criterion		16.55550
Sum squared resid	12948588	Schwarz criterion		16.89678
Log likelihood	-199.9437	Hannan-Quinn criter.		16.65016
F-statistic	2078.554	Durbin-Watson stat		1.582447
Prob(F-statistic)	0.000000			

Source: Author's computation from E-views, 2024

The constant term of -6162.956 represents the estimated value of the dependent variable (economic development) when all the independent variables are zero. The coefficient of 0.847245 for government expenditure (GOVTEXP) suggests that a one-unit increase in government expenditure is associated with a 0.847245 increase in the measure of economic development, holding other factors constant. This relationship is statistically significant at the 5% level (p -value < 0.05). The coefficient of 8.87E-05 for money supply (MS) indicates a positive, but statistically insignificant (p -value > 0.05), relationship between money supply and economic development.

The coefficient of -53.02094 for tariff (TARR) suggests a negative relationship between tariffs and economic development, but the relationship is statistically insignificant (p -value > 0.05). The coefficient of 269.6337 for interest rate (INTR) implies that a one-unit increase in interest rate is associated with a 269.6337 increase in the measure of economic development, holding other factors constant. This relationship is statistically significant at the 5% level (p -value < 0.05).

The coefficient of 1.559767 for exchange rate (EXR) indicates a positive, but statistically insignificant (p -value > 0.05), relationship between exchange rate and economic development. The coefficient of 0.954988 for sectoral support (SECSUPP) suggests that a one-unit increase in sectoral support is associated with a 0.954988 increase in the measure of economic development, holding other factors constant. This relationship is statistically significant at the 5% level (p -value < 0.05).

The R-squared value of 0.998559 indicates that the independent variables in the model explain approximately 99.86% of the variation in the measure of economic development. The adjusted R-squared of 0.998078 suggests that the model has a high goodness of fit, even after accounting for the number of independent variables. The standard error (S.E.) of the regression is 848.1545. It represents the average deviation of the observed values from the predicted values and provides a measure of the model's accuracy in predicting the dependent variable.

The F-statistic of 2078.554 with a p -value of 0.000000 indicates that the overall model is statistically significant, meaning that the independent variables, as a group, have a significant impact on the measure of economic development. The Durbin-Watson statistic of 1.582447 suggests that there may be some degree of autocorrelation in the residuals, which should be further investigated.

Therefore, results suggest that government expenditure, interest rate, and sectoral support have a statistically significant positive impact on the measure of economic development in Nigeria, while the impact of money supply, tariffs, and exchange rate is not statistically significant. The model overall has a very high goodness of fit, indicating that the independent variables included in the model are important determinants of economic development in Nigeria.

ADF Test				
			t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic			-0.697256	0.8292
Test critical values:	1% level		-3.737853	
	5% level		-2.991878	
	10% level		-2.635542	
*MacKinnon (1996) one-sided p-values.				

The Augmented Dickey-Fuller (ADF) unit root test results show that the null hypothesis of this test is that RGDP has a unit root, meaning it is non-stationary. The test includes a constant term as the exogenous variable. The lag length is set to 0 based on the Schwarz Information Criterion (SIC), with a maximum lag of 5. The Augmented Dickey-Fuller (ADF) test statistic is -0.697256. The p-value associated with the ADF test statistic is 0.8292, which is greater than the conventional significance levels of 1%, 5%, and 10%. The test critical values at the 1%, 5%, and 10% levels are -3.737853, -2.991878, and -2.635542, respectively. Since the p-value of 0.8292 is greater than the conventional significance levels, we fail to reject the null hypothesis.

In summary, the ADF unit root test results suggest that RGDP is a non-stationary variable, which is an important consideration in the overall analysis and modeling of the economic development process in Nigeria.

Autocorrelation Test						
Autocorrelation	Partial Correlation		AC	PAC	Q-Stat	Prob
. *****	. *****	1	0.885	0.885	22.042	0.000
. *****	. * .	2	0.768	-0.074	39.334	0.000
. *****	. * .	3	0.642	-0.106	51.961	0.000
. ****	. .	4	0.530	-0.010	60.977	0.000
. ***	. .	5	0.423	-0.047	67.023	0.000

<i>Autocorrelation Test</i>						
<i>Autocorrelation</i>	<i>Partial Correlation</i>		<i>AC</i>	<i>PAC</i>	<i>Q-Stat</i>	<i>Prob</i>
. ** .	. .	6	0.321	-0.060	70.687	0.000
. ** .	. * .	7	0.219	-0.076	72.490	0.000
. * .	. * .	8	0.116	-0.090	73.023	0.000
. .	. * .	9	0.007	-0.117	73.025	0.000
. * .	. * .	10	-0.096	-0.079	73.443	0.000
. * .	. .	11	-0.184	-0.037	75.079	0.000
. ** .	. .	12	-0.254	-0.032	78.437	0.000

Source: Author's computation from E-views, 2024

The autocorrelation at lag 1 is 0.885, which is very high and statistically significant (p-value < 0.001). The partial correlation at lag 1 is also 0.885, indicating a strong positive relationship between the current value and the first lagged value. The autocorrelation at lag 2 is 0.768, which is also quite high and statistically significant (p-value < 0.001). The partial correlation at lag 2 is -0.074, suggesting that the relationship between the current value and the second lagged value is relatively weak after accounting for the first. The Lags 3-12 autocorrelations and partial correlations gradually decrease as the lag length increases, but they remain statistically significant up to lag 12. The Q-statistic values increase with the lag length, indicating the presence of significant autocorrelation in the data. The probability values associated with the Q-statistics are all less than 0.001, suggesting that the null hypothesis of no autocorrelation can be rejected at all lag lengths.

This implies that the results show a very high degree of autocorrelation in the data, with the autocorrelation coefficient at lag 1 being 0.885. This implies that the current value of the variable is strongly related to its previous value. The partial correlation plot reinforces the finding of strong positive autocorrelation, as the partial correlation at lag 1 is also 0.885. The gradually decreasing but still statistically significant autocorrelations and partial correlations at higher lags suggest the presence of a persistent autocorrelated process in the data. The high and statistically significant autocorrelation indicates that the data may exhibit non-stationarity or the presence of a unit root, which should be further investigated using appropriate statistical tests.

The strong autocorrelation observed in the data has important implications for the modeling and analysis of the underlying process. It suggests the need to account for the dynamic structure of the data, potentially through the use of time series models, such as autoregressive (AR) or autoregressive integrated moving average (ARIMA) models.

Correlation matrix

	<i>RGDP</i>	<i>GOVTEXP</i>	<i>MS</i>	<i>TARR</i>	<i>INTR</i>	<i>EXR</i>	<i>SECSUPP</i>
RGDP	1	0.890116	-0.36781	-0.57736	-0.67488	0.778544	0.994102
GOVTEXP	0.890116	1	-0.36462	-0.26381	-0.50589	0.894413	0.842695
MS	-0.36781	-0.36462	1	-0.1222	0.090202	-0.33094	-0.36865
TARR	-0.57736	-0.26381	-0.1222	1	0.723335	-0.1804	-0.62899
INTR	-0.67488	-0.50589	0.090202	0.723335	1	-0.37601	-0.71207
EXR	0.778544	0.894413	-0.33094	-0.1804	-0.37601	1	0.727767
SECSUPP	0.994102	0.842695	-0.36865	-0.62899	-0.71207	0.727767	1

Source: Author's computation from E-views, 2024

RGDP has a strong positive correlation (0.8901) with the constant term (C), indicating that the constant term is an important component in explaining the variation in RGDP. RGDP has a moderate negative correlation (-0.3678) with money supply (MS), suggesting an inverse relationship between money supply and RGDP. RGDP has a strong positive correlation (0.7785) with exchange rate (EXR) and an extremely strong positive correlation (0.9941) with sectoral support (SECSUPP), implying that these variables are closely associated with RGDP. RGDP has a moderate negative correlation (-0.5774) with tariff (TARR) and a strong negative correlation (-0.6749) with interest rate (INTR), suggesting that these variables have an inverse relationship with RGDP.

Government expenditure (GOVTEXP) has a strong positive correlation (0.8944) with exchange rate (EXR) and a moderate positive correlation (0.8427) with sectoral support (SECSUPP), indicating potential multicollinearity concerns. Tariff (TARR) has a moderate positive correlation (0.7233) with interest rate (INTR), suggesting a potential interdependence between these variables. Exchange rate (EXR) has a moderate positive correlation (0.7278) with sectoral support (SECSUPP), implying a possible relationship between these variables.

<i>Variance ratio test on RGDP</i>				
<i>Joint Tests</i>		<i>Value</i>	<i>df</i>	<i>Probability</i>
Max z (at period 7)*		2.555021	24	0.1480
<i>Individual Tests</i>				
Period	Var. Ratio	Std. Error	z-Statistic	Probability
2	1.404380	0.227516	1.777366	0.0755
3	1.651747	0.327905	1.987609	0.0469
4	1.885506	0.396436	2.233667	0.0255
5	2.074312	0.448963	2.392875	0.0167
6	2.224007	0.495709	2.469205	0.0135
7	2.384116	0.541724	2.555021	0.0106
8	2.493814	0.586533	2.546857	0.0109
9	2.385155	0.628282	2.204670	0.0275
10	2.154539	0.666101	1.733280	0.0830
11	2.000756	0.699926	1.429804	0.1528
12	1.882321	0.730261	1.208226	0.2270
13	1.709623	0.757803	0.936421	0.3491
14	1.487635	0.782975	0.622798	0.5334
15	1.176926	0.806087	0.219488	0.8263
16	0.645577	0.827435	-0.428339	0.6684

The analysis is based on heteroskedasticity robust standard error estimates, which are used to ensure valid statistical inferences in the presence of heteroskedasticity in the residuals. The test is conducted for a range of lags, from a minimum of 2 to a maximum of 16, with a step size of 1. The maximum absolute value of the z-statistic is 2.555021, which occurs at lag 7. The associated probability of 0.1480 suggests that the null hypothesis of no heteroskedasticity cannot be rejected at the conventional significance levels.

Lags 3 to 8 have z-statistics that are statistically significant at the 5% level, indicating the presence of heteroskedasticity in the residuals during these periods. Lags 9 and 10 have z-statistics that are statistically significant at the 10% level, suggesting potential heteroskedasticity issues in these periods as well. Lags 11 to 16 have z-statistics that are not statistically significant, implying that the residuals are more likely to be homoskedastic in these later periods.

Therefore, the joint test result suggests that the overall null hypothesis of no heteroskedasticity cannot be rejected at the conventional significance levels,

indicating that the residuals are likely to be homoskedastic. However, the individual test results reveal that heteroskedasticity is present in the residuals during certain lag periods, particularly lags 3 to 8.

HETEROSKEDASTICITY TEST

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	0.691496	Prob. F(6,18)	0.6594
Obs*R-squared	4.683032	Prob. Chi-Square(6)	0.5851
Scaled explained SS	4.099235	Prob. Chi-Square(6)	0.6632

The Breusch-Pagan-Godfrey test is used to detect the presence of heteroskedasticity in the residuals of the regression model. The F-statistic is 0.691496, with a corresponding p-value of 0.6594. The observed R-squared value is 4.683032, with a p-value of 0.5851. The scaled explained sum of squares is 4.099235, with a p-value of 0.6632. Therefore, the p-values associated with the F-statistic, Obs*R-squared, and Scaled Explained SS are all greater than the conventional significance levels of 0.01, 0.05, or 0.10. This means that we fail to reject the null hypothesis of homoskedasticity. In other words, the test results do not provide evidence of heteroskedasticity in the residuals.

5. CONCLUSION AND RECOMMENDATIONS

The government's economic policies play a crucial role in the economic development of Nigeria. Therefore, the study concludes that the constant term, exchange rate (EXR), and sectoral support (SECSUPP) all exhibit strong positive correlations with RGDP, suggesting they are significant factors driving economic growth. Money supply (MS), tariff (TARR), and interest rate (INTR) all exhibit negative correlations with RGDP, implying an inverse relationship. In other words, an increase in these factors might lead to a decrease in economic output. The strong positive correlations between government expenditure (GOVTEXP) and both EXR and SECSUPP raise concerns about multicollinearity. This means these variables might be statistically interdependent, potentially affecting the accuracy of regression models. The moderate positive correlation between tariff (TARR) and interest rate (INTR) suggests a potential link between these two factors, which could be further investigated. Thus, the study recommended that, there is need to look for ways to reinforce the positive influences that have been

discovered, such like infrastructure or technical improvements, the exchange rate (which could be strengthened through trade policies), and sectoral support (which could be strengthened by specific government programs).

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