# The Impact of Fiscal Policy on Economic Growth (1986-2019)

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**Abstract:** *This study sought to examine the impact of fiscal policy on economic growth from 1986 to 2019. The specific objectives of this study were to: determine the extent to which government expenditure, government revenue and domestic debt had impacted gross domestic product in Nigeria. This study adopted ex-post facto and analytical designs. Time series data for the period 1986-2019, were collated from the Central Bank of Nigeria (CBN) Statistical Bulletin and National Bureau of Statistics. Ordinary Least square regression technique (OLS) was employed in analysis and some other tests conducted at the significance level of 5%. The results of the analysis showed that government revenue and domestic debt had positive and significant impact on gross domestic product while government expenditure had negative and non-significant impact on gross domestic product. The study, therefore, recommends that there should be a policy set by monetary authorities to help channel government expenditure into capital project in other to have positive influence in the economic growth.*

**Key words:** Government revenue, Government expenditure, Domestic debt.

## 1.0 Introduction

Fiscal policy is how a government adjusts its level of spending and tax rate to monitor and influence a nation's economy. It tries to nudge the economy in different ways through either expansionary or contractionary policy, which try to either increase economic growth. Fiscal policy is used along with the monetary policy, which the central bank uses to influence money supply in a nation. These two policies are used to achieve macroeconomic goals in a nation. These goals include price stability, full employment, reduction of poverty levels, high and sustainable economic growth, favorable balance of payment, and reduction in a nation's debt. Nigeria's potential for growth and poverty reduction is yet to be realized. A key constraint has been the recent conduct of macroeconomics, particularly fiscal and monetary policies. This has led to increasing inflation and decline in real incomes. National economic management became an enormous task as the economy has to contend with instability of revenue and expenditure. The widespread lack of fiscal discipline was further worsened by poor co-ordination of fiscal policy among the three tiers of government. Also, there is a weak revenue base arising from high-marginal tax rate with very narrow tax base, resulting in low tax compliance. As a result of these and other factors, serious macroeconomic imbalances have emerged in Nigeria. A review of these macroeconomic indices shows that inflation has accelerated to double-digit levels in 2000 and 2001. It increased from 6.94 to 18.87, respectively. This double-digit inflation continued up to 2005 and decreased to single digit in 2006 and 2007. In 2008, the inflation rate reverted to double digit (11.58) and continued to increase, and in 2010, it was 13.72% (International Monetary Fund [IMF], 2011). Unemployment is a major political and economic issue in most countries. In Nigeria, the years of corruption, civil war, military rule, and mismanagement have hindered

economic growth of the country. Nigeria is endowed with diverse and huge resources both human and material. However, years of negligence and adverse policies have led to the under-utilization of these resources (Economic Watch, 2010), and this has contributed to the increasing unemployment rate in Nigeria. In 2000, the unemployment rate was 13.1%, and 21.10% in 2010. On the average, there has been an upward trend (CBN, 2005, 2006, 2009; Nigerian Bureau of Statistics, 2010).The use of government revenues and expenditures to influence macroeconomic variables developed as a result of the Great Depression when the previous laissez-faire approach to economic management became discredited. Fiscal policy is based on the theories of the British economist John Maynard Keynes, whose Keynesian economics indicated that government changes in the levels of taxation and government spending influences aggregate demand and the level of economic activity. Fiscal and monetary policy is the key strategies used by a country's government and central bank to advance its economic objectives. The combination of these policies enables these authorities to target the inflation (which is considered "healthy" at the level in the range of 2%–3%) and to increase employment. Additionally, it is designed to try to keep GDP growth at 2%–3% and the unemployment rate near the natural unemployment rate of 4%–5%. This implies that fiscal policy is used to stabilize the economy over the course of the business cycle.

Fiscal Policy as a tool of macroeconomic management used by the government to control the economy via its revenue and expenditure portfolios is an important concept in economics. The revenue portfolio consists of components like tax revenue, trade surplus, and foreign aid, while the expenditure portfolio consists of recurrent and capital expenditure. In other words, fiscal policy is the government's deliberate actions towards spending money and for levying taxes aimed at influencing macro-economic variables so as to achieve desired macroeconomic objectives. The relationship between fiscal policy and economic growth has been discussed extensively in the literature using empirical analysis. According to Tanzi and Zee (2017), there are three cardinal indicators of fiscal policy-government expenditure, taxes, and deficits. There have been macroeconomic imbalances of varying degrees in Nigeria. Inappropriate public expenditure and revenue policies, a large deficit in the public sector have been identified by experts as responsible for the macroeconomic disequilibrium (Ajisafe and Folorunso, 2002). Evidence reveals that there was a substantial increase in government spending, primary deficit, and debt in Nigeria between 1991 and 2005 (CBN Statistical Bulletin, 2012). This was a result of the oil windfall between 1991 and 1992 which was followed by rapid growth in government spending with an average of about 21 percent of GDP during that period. However, as the oil market weakened in subsequent years, oil receipts were not adequate to meet increasing levels of demands and expenditures as being reinforced by political pressures. Although the democratically elected government in 1999 adopted policies to restore fiscal discipline, the rapid monetization of foreign exchange earnings between 2000 and 2004 and another era of oil windfall resulted in large increases in government spending. The growth and development of the Nigerian economy have not been stable over the years. As a result, the country's economy has witnessed so many shocks and disturbances both internally and externally over the decades. Internally, the unstable investment and consumption patterns, as well as the improper implementation of public policies, changes in future expectations, and the accelerator, are some of the factors responsible for it. Similarly, the external factors identified are wars, revolutions, population growth rates and migration, technological transfer and changes, as well as the openness of the country's economy are some of the factors responsible. Fiscal policy is a major economic stabilization weapon that involves measures taken to regulate and control the

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volume, cost, and availability, as well as direction of money in an economy to achieve some specified macroeconomic policy objective and to counteract undesirable trends in the Nigerian economy (Gbosi, 2016). Therefore, economic stabilization cannot be left to the market forces of demand and supply and as well, other instruments of stabilization such as monetary and exchange rate policies among others, are used to counteract the problems identified (Ndiyo and Udah, 2013). This may include either an increase or a decrease in taxes, government expenditures, as well as public debt which constitute the bedrock of fiscal policy but in reality, government policy requires a mixture of both fiscal and monetary policy instruments to stabilize an economy because none of these single instruments can cure all the problems in an economy (Ndiyo and Udah, 2013). Advocates of government intervention in economic activity maintain that such intervention can spur long term growth. They cite the government's role in ensuring efficiency in resource allocation, regulation of markets, stabilization of the economy, and harmonization of social conflicts as some of the ways in which government could facilitate economic growth. In the context of endogenous growth, government role in promoting accumulation of knowledge, research, and development, productive public investment, human capital development, law, and order can generate growth both in the short and long run [Osuala & Jones, (2014), Success, Success & Ifurueze, (2012), Okafor, (2012), Rena, R. (2011)]. Opponents hold the view that government operations are inherently bureaucratic and inefficient and therefore stifle rather than promote growth. It seems then that as to whether the government's fiscal policy stimulates, or stifles growth remains an empirical question. Even so, the existing empirical findings are mixed, with some researchers finding the relationship between fiscal policy and growth either positive, negative, or indeterminate. Nigeria has always witnessed well-articulated economic and social reforms intended to launch the nation on the path of meaningful development, (Abdul-Rahamoh, Taiwo &. Adejare, 2013). The problem with past governments in Nigeria has always been non-achieving of the required results. The transformation Agenda is achievable only if we can break from the past and chart a new course in the implementation process more especially as it concerns fiscal policy management. We must realize that the primary goal of governance is to ensure that the services of a state are properly harnessed towards achieving an optimal quality of life for the people derived from the most feasible outcome of real gross domestic products' measurement in Nigeria otherwise called good economy.

Higher government expenditure finance with borrowing may or may not contribute positively to the overall performance of the economy. For instance, if the government increases borrowing in order to finance its expenditure, it will compete (crowds-out) away from the private sector, thus reducing private investment or it may spend the substantive amount on servicing its existing liabilities that can otherwise be used for investment. Furthermore, in a bid to score cheap popularity and ensure that they continue to remain in power, politicians and government officials sometimes increase expenditure and investment in unproductive projects or in goods that the private sector can produce more efficiently. Thus, government activity sometimes produces misallocation of resources and impedes the growth of national output. In such cases, unfortunately, rising public debt for ever-mounting public expenditure will not be translated into meaningful growth and development.

## 1.1 Objectives of the Study

The main objective of the study is to examine the impact of fiscal policy on economic growth in Nigeria. Specifically, the study examined the impact of government revenue on gross domestic product in Nigeria, impact of government expenditure on gross domestic product in Nigeria, impact of domestic debt on gross domestic product in Nigeria.

**1.2 Research Hypotheses**

The following research hypotheses have been formulated for testing this study:

H01: Tax revenue does not have any significant effect on the growth of Nigerian economy.

H02: Government expenditure does not have any significant effect on the growth of Nigerian economy

**2.1 Conceptual Review**

The term fiscal policy has conventionally been associated with the use of taxation and public expenditure to influence the level of economic activities. Fiscal policy deals with government deliberate actions in spending money and levying taxes with a view to influencing macroeconomic variables in a desired direction. This includes sustainable economic growth, high employment creation and low inflation (Microsoft Corporation, 2004). Thus, fiscal policy aims at stabilizing the economy. Increases in government spending or a reduction in taxes tend to pull the economy out of a recession; while reduced spending or increased taxes slow down a boom (Dornbusch& Fischer, 1990). Fiscal policy involves the use of government spending, taxation and borrowing to influence the pattern of economic activities and also the level and growth of aggregate demand, output and employment. Fiscal policy entails government's management of the economy through the manipulation of its income and spending power to achieve certain desired macroeconomic objectives (goals) amongst which is economic growth (Medee&Nembee, 2011). Peter and Simeon (2011) define fiscal policy as the process of government management of the economy through the manipulation of its income and expenditure and to achieve certain desired macroeconomic objectives. Central Bank of Nigeria (2011) defined fiscal policy as the use of government expenditure and revenue collection through tax and amount of government spending to influence the economy. In finance, fiscal policy is the use of government revenue collection (taxation) and expenditure (spending) to influence the economy. The two main instruments of fiscal policy are government taxation and expenditure. Geoff (2012) contended that fiscal policy involves the use of government spending, taxation and borrowing to affect the level and growth of aggregate demand, output, and jobs creation. It is the government spending policies that influence macroeconomic conditions. These policies affect tax rates, interest rates and government spending, in an effort to control the economy. Fiscal policy is the means by which a government adjusts its levels of spending in order to monitor and influence a nation's economy. From all these definitions, it was deduced that one of the regulatory policies used by government in achieving its objectives to bring about economic growth is fiscal policy. Fiscal policy is an outgrowth of Keynesian economics; its logical analysis suggests that it offers a sure-fire means of stabilizing the economy. The goal of modern fiscal policy is to achieve economic efficiency and stability. In a modern economy, no sphere of economic life is untouched by the government. Two major instruments or tools are used by government to influence private economic activity; taxes and expenditure but not limited to these two, it may include public debt, public work among others.

Fiscal policy is undoubtedly one of the most important tolls used by government to achieve macroeconomic stability of the economy of most developing countries (Ihendinihu, Jones &Ibanichuka, 2014)). Therefore, the attempt to empirically test the efficacy of monetary and fiscal policy in an economy dates back to the pioneering studies of Friedman and Easterly and Rebelo, (1993) empirically investigated the responsiveness of general price level on economic activity represented by aggregate consumption to change in money supply and

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autonomous government expenditure using ordinary simple linear regression model to estimate the US data from 1897-1957. In their conclusion, they found out that a stable and predictable causal relationship existed between demand and money supply while no such significant relationship was observed for government expenditure (Abdul-Rahamoh, Taiwo&. Adejare, 2013). Hence, there was a stable aggregate and money supply for the period. According to Ogbonna&Appah (2012), in his article unit root of variables tests confirm that the model assumed the irrelevance of anticipated monetary policy for short-run deviations of domestic output from its natural level. Therefore, only the unanticipated components of external price changes in the level of external economic activity leads to the deviation of domestic output from natural and observed that monetary tightening once anticipated in an economy would have no effect on real domestic output in the short run. Also, Okafor, (2012) in his study "Tax Revenue Generation and Nigeria Economic Development" analyzed the monetary and fiscal policy implication Nigeria's full employment level. However, on the other hand, all the fiscal variables significantly reduced unemployment in Nigeria. This except one was highly significant in reducing the level of unemployment generation in Nigeria than monetary policy measure. Also, Ajisafefolorunso (2001) in their study found out that monetary policy rather than fiscal policy exerts a great influence on economic activity in Nigeria. They therefore observed that the emphasis of government fiscal actions on the economy has led to a greater distortion of the Nigerian economy. Appah, (2010) in his study, 'The Relationship between fiscal policy and Economic growth in Nigeria (1991–2005)' also confirms that thegrowth of financial aggregates in real terms have positive impact on economic growth of development countries, irrespective of the level of economic development attained.

**Concept of Economic growth**

Growth Economic growth has long been considered an important goal of economic policy with a substantial body of research dedicated to explaining how this goal can be achieved (Fadare, 2010). Economic growth has received much attention among scholars. According to Khorravi and Karimi (2010), classical studies estimate that economic growth is largely linked to labour and capital as factors of production. The emergence of the endogenous growth theory has encouraged specialists to question the role of other factors in explaining the economic growth phenomenon (Bogdanov, 2010).

Economic growth represents the expansion of a country"s potential GDP or output. For instance, if the social rate of return on investment exceeds the private return, then tax policies that encourage can raise the growth rate and levels of utility. Growth models that incorporate public services, the optimal tax policy lingers on the characteristic of services (Olopade&Olopade, 2010). Economic growth has provided insight into why state growth at different rates over time; and this influence government in her choice of tax rates and expenditure levels that will influence the growth rates.

**2.2 Theoretical Framework**

**Keynesian Theories**

Fiscal policy is based on the theories of British economist John Maynard Keynes whose theory basically states that governments can influence macroeconomic productivity levels by increasing or decreasing tax levels and public spending. This influence, in turn, curbs inflation, increases employment, and maintains a healthy value of money (Reem, 2009). John Maynard

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Keynes developed most of his theories during the Great Depression, and Keynesian theories have been used and misused over time, as they are popular and are often specifically applied to mitigate economic downturns. Keynesian economic theories, however, are based on the belief that proactive actions from our government are the only way to steer the economy. This implies that the government should use its powers to increase aggregate demand by increasing spending and creating an easy money environment, which should stimulate the economy by creating jobs and ultimately increasing prosperity. The Keynesian theorist movement suggests that monetary policy on its own has its limitations in resolving financial crises, thus creating the Keynesian versus the Monetarists debate.

While fiscal policy has been used successfully during and after the Great Depression, the Keynesian theories were called into question in the 1970s after a long run of popularity. Monetarists, such as Milton Friedman, and supply-siders claimed the ongoing government actions had not helped the country avoid the endless cycles of below-average gross domestic product (GDP) expansion, recessions, and gyrating interest rates.

### 2.3 Empirical Review

Khosravi and Karimi (2010) studied the relationship between monetary policy, fiscal policy, and economic growth in Iran for the period 1960 to 2006 using Autoregressive Distributed Lag (ARDL) co-integration approach and they found out that the impact of exchange rate and inflation on growth was negative, but government expenditure was found to have a significant positive impact on growth.

Onyemaechi (2014) studied the impact of fiscal policy components on economic growth in Nigeria using Augmented Dickey-Fuller (ADF) test model and co-integration test and he found out that government expenditure on economic services and transfer payments have not yielded positive results as regards economic growth in Nigeria though statistically insignificant, expenditures on administration as well as social and community services yielded positive results in improving economic growth in Nigeria.

Ozougwo (2012) assessed the impact of fiscal policy on the economic growth of Nigerian for the period 1978 to 2011 using the Augmented Dickey-Fuller (ADF) test of stationarity and granger causality test. The result showed that taxation has an insignificant negative influence on economic growth although it granger-causes economic growth. On the other hand, deficit financing revealed an insignificant positive effect and a bi-directional causality on economic growth while government expenditure has an indisputable, significant, and positive effect (but lacks causality) on economic growth in Nigeria.

### 3. Methodology

The study adopted *ex-post facto* research design to test the impact of fiscal policy on economic growth in Nigeria. The datasets are of secondary nature, sourced from the Central Bank of Nigeria (CBN) Statistical bulletins from 1986 to 2019.The dataset was analyzed using the Ordinary least square approach.

In order to test for stationarity, robustness, and long-run equilibrium relationship among the variables, unit root and co-integration tests were performed. Johansen co-integration test was adopted. The model further helps the study to check for the presence of co-integrating relationships among the variables and also to identify the number of stationary long-run relationships that exist among the integrating variables.

### 3.1 Model Specification

In this study, the impact of fiscal policy on economic growth in Nigeria is examined. This study adopted quantitative means and the variables for this study are specified below:

$RGDP_t = f(GEXP, GREV, DMDT,)_t$ (1)

Where;

RGDP= Real gross domestic product

GEXP= Government expenditure

GREV= Government revenue

DMDT= Domestic debt

To substitute in the equation, we have the following equation

$RGDP_t = \beta_o + \beta_1 GEXP_t + \beta_2 GREV_t + \beta_3 DMDT_t + \mu_t$ (2)

Where $\mu$ denotes the error term, t, is time series, $\beta_o$ is a constant parameter while $\beta_1$ to $\beta_3$ are parameter coefficients.

### 4.1 Data Presentation

*Table 4.1 presents the descriptive statistics which is used to explain the movement of the model proxies in line with the objective of this study.*

**Table 1 Descriptive Statistics**

|  | GDP | GEXP | DMDT | GREV |
|---|---|---|---|---|
| Mean | 37650.30 | 2339.396 | 3294.688 | 3967.391 |
| Median | 30333.58 | 1122.085 | 1247.840 | 2403.350 |
| Maximum | 71387.83 | 9714.840 | 14272.64 | 11116.85 |
| Minimum | 15237.99 | 16.22000 | 28.44000 | 12.60000 |
| Std. Dev. | 20029.25 | 2595.948 | 4262.548 | 3905.846 |
| Skewness | 0.505049 | 1.082982 | 1.337688 | 0.492478 |
| Kurtosis | 1.667673 | 3.318850 | 3.477119 | 1.745677 |
| Jarque-Bera | 3.960140 | 6.790175 | 10.46248 | 3.603243 |
| Probability | 0.138060 | 0.033538 | 0.005347 | 0.165031 |
| Sum | 1280110. | 79539.47 | 112019.4 | 134891.3 |
| Observations | 34 | 34 | 34 | 34 |

**Source: Researcher's Review 9**

Table 1 present the descriptive statistics for the period of 1986-2019. The table explains the aggregative averages of the mean, median and standard deviation, a measure of spread and variation. Skewness measures the degree of symmetry and kurtosis measures the degree of peakedness or flatness of a series. As revealed by the skewness of, RGDP, GEXP, DMDT,GREV it indicates positive skewness. The Kurtosis of RGDP, and GREV are <3, this indicates that they are platykurtic in nature. The distribution produces fewer and less extreme outliers than the normal distribution while the kurtosis of GEXP and DMDT are >3 and the variable is leptokurtic in nature. It means the dataset produces more outliers than normal distribution.

**Stationarity Test Results**

Since, most time series data exhibit a non-stationary characteristic, the individual variables are passed through stationary test, specifically unit root, in order to make the variables stationary and amendable for further analysis. The results are summarized on table below.

**Table 2 Augmented Dickey-Fuller (ADF) Unit Root Test**

| Variables | ADF Statistic. | Critical value @ 5% | Order of integration | Inference |
|---|---|---|---|---|
| RGDP | -3.140870 | -2.957110 | I(1) | Stationary |
| GEXP | -5.263624 | -3.580623 | I(1) | Stationary |
| DMDT | -4.0703117 | -3.562882 | I(1) | Stationary |
| GREV | -5.432569 | -2.957110 | I(1) | Stationary |

**Source: Researchers' Review 9**

Table 2 above presents the summary results of the ADF unit root tests. The results revealed that the null hypotheses of a unit root test for first difference series for all the variables can be rejected at all the critical values indicating that the level series which is largely time-dependent and non-stationary can be made stationary at the first difference. Thus, the reduced form model follows an integrating order of I(1) process and is therefore a stationary process. Also, this indicates that the regression is no more spurious, but real. That is to say, all the variables are individually stationary and stable. At this level, all the t-statistic became significant at 5 percent.

Having established the stationarity of the individual variables, meaning the criteria for conducting co-integration has been met, the study now attempts to establish the stationarity of the linear combination of the variables to ascertain whether there could be a long-run equilibrium relationship between the dependent variables and the independent variables (that is, they form co-integrating equations). The study used Johansen co-integration test and the results are presented below.

**Table 3 Johansen Co-Integration test results**

| | | |
|---|---|---|
| Date: 09/14/20   Time: 07:01 | | |
| Sample (adjusted): 1989 2019 | | |
| Included observations: 31 after adjustments | | |
| Trend assumption: Linear deterministic trend | | |
| Series: RGDP DMDT GREV GEXP | | |
| Lags interval (in first differences): 1 to 1 | | |
| Unrestricted Co-integration Rank Test (Trace) | | |
| | | |

| Hypothesized | | Trace | 0.05 | |
|---|---|---|---|---|
| No. of CE(s) | Eigenvalue | Statistic | Critical Value | Prob.** |
| | | | | |
| None | 0.509027 | 46.79205 | 47.85613 | 0.0627 |
| At most 1 | 0.438812 | 24.73967 | 29.79707 | 0.1709 |
| At most 2 | 0.182759 | 6.831004 | 15.49471 | 0.5974 |
| At most 3 | 0.018364 | 0.574563 | 3.841466 | 0.4485 |
| | | | | |
| Trace test indicates no co-integration at the 0.05 level | | | | |
| * denotes rejection of the hypothesis at the 0.05 level | | | | |
| **MacKinnon-Haug-Michelis (1999) p-values | | | | |
| | | | | |
| Unrestricted Co-integration Rank Test (Maximum Eigenvalue) | | | | |
| | | | | |
| Hypothesized | | Max-Eigen | 0.05 | |
| No. of CE(s) | Eigenvalue | Statistic | Critical Value | Prob.** |
| | | | | |
| None | 0.509027 | 22.05238 | 27.58434 | 0.2177 |
| At most 1 | 0.438812 | 17.90866 | 21.13162 | 0.1333 |
| At most 2 | 0.182759 | 6.256441 | 14.26460 | 0.5805 |
| At most 3 | 0.018364 | 0.574563 | 3.841466 | 0.4485 |
| | | | | |
| Max-eigenvalue test indicates no cointegration at the 0.05 level | | | | |
| * denotes rejection of the hypothesis at the 0.05 level | | | | |
| **MacKinnon-Haug-Michelis (1999) p-values | | | | |

**Source: Researchers' Review 9**

The results of the Johansen co-integration test presented above indicate no co-integration equations for both trace and max-eigen statistics. The result, therefore, confirms the absence of co-integration among the variables.

**Table 4: Regression Result of Hypotheses**

| Dependent Variable: RGDP | | | | |
|---|---|---|---|---|
| Method: Least Squares | | | | |
| Date: 09/14/20   Time: 07:49 | | | | |
| Sample: 1986 2019 | | | | |
| Included observations: 34 | | | | |
| | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| | | | | |
| DMDT | 2.541396 | 0.829276 | 3.064597 | 0.0046 |
| GEXP | -0.485774 | 1.787298 | -0.271792 | 0.7876 |

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| GREV | 2.860932 | 0.488063 | 5.861809 | 0.0000 |
|---|---|---|---|---|
| C | 19063.17 | 1043.554 | 18.26755 | 0.0000 |
| | | | | |
| R-squared | 0.959918 | Mean dependent var | | 37650.30 |
| Adjusted R-squared | 0.955910 | S.D. dependent var | | 20029.25 |
| S.E. of regression | 4205.685 | Akaike info criterion | | 19.63639 |
| Sum squared resid | 5.31E+08 | Schwarz criterion | | 19.81596 |
| Log likelihood | -329.8187 | Hannan-Quinn criter. | | 19.69763 |
| F-statistic | 239.4874 | Durbin-Watson stat | | 0.961451 |
| Prob(F-statistic) | 0.000000 | | | |
| | | | | |

*Source: Researcher's Review 9*

Table 4 presents the regression result of the hypotheses and it reveals that domestic debt for the period of this study had a positive and significant impact on gross domestic product. This is confirmed by the p-value $0.005 < 0.05$ level of confidence. The coefficient of domestic debt is 2.54, indicating that a 1% increase in gross domestic product is due to 2.54 increase in domestic debt, government revenue for the period of this study had a positive and significant impact on gross domestic product. This is confirmed by the p-value $0.000 < 0.05$ level of confidence. The coefficient of government revenue is 2.86, indicating that a 1% increase in gross domestic product is due to 2.86 increase in government revenue. Government expenditure for the period of this study had a negative and insignificant impact on gross domestic product. This is confirmed by the p-value $0.7876 > 0.05$ level of confidence. The coefficient of government expenditure is -0.486, indicating that a 1% increase in gross domestic product is due to 49% increase in government expenditure. The coefficient of determination ($R^2$) is 0.96. Specifically, the coefficient of determination ($R^2$) indicates that 96% of the variation in the dependent variable (gross domestic product) is explained by changes in the independent variable. It was adjusted by 95%.

## 5.1 Findings/ Discussion

The study was set to examine the impact of fiscal policy on gross domestic product in Nigeria. Indicators of fiscal policy include government expenditure, government revenue, and domestic debt. The individual variables results are as follows; government revenue has positive and significant impact on gross domestic product, domestic debt has positive and significant impact on gross domestic product, government expenditure does not have positive and significant impact on gross domestic product. However, the results of the empirical analysis jointly revealed significant impact of fiscal policy on economic growth in Nigeria (prob(F-statistics =0.0000< 5% level of confidence).

## 5.2 Conclusion

This research study reveal that government revenue has positive and significant impact on gross domestic product, domestic debt has positive and significant impact on gross domestic product, government expenditure does not have positive and significant impact on gross domestic product. The Prob (F-statistic) 0.0000 is jointly significant. The study therefore, concludes that fiscal policy has a positive and significant impact on economic growth in Nigeria.

## 5.3 Recommendation

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Based on these findings, it is recommended that there should be a policy set by monetary authorities to help channel government expenditure into capital project in other to have positive influence in the economic growth.

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