**AN EXAMINATION OF THE ROLE OF FISCAL POLICY IN THE DEVELOPMENT OF NIGERIA ECONOMY**

**ABSTRACT**

This research work was undertaken in order to evaluate the role of Fiscal policies in the development of Nigeria economy. A major issue in Nigerian economy recovery relates to the prospect of adoption of the most relevant fiscal policies in its economy. In view of this, the researcher addressed the following problems to be curbed in this research study.

i. Improper implementation of fiscal policies

ii. Inconsistency in the use of fiscal policies.

iii. High level of corruption

iv. Wasteful spending

Due to the nature of this research work, chi-square were used. Both primary and secondary data were used. Secondary data were gotten from Newspapers, magazines, library stork, government publications and journals etc. Questionnaires were used in generating primary data. Based on the findings made in this research study, the researcher recommends that the country should embark on the following in order to develop its economy.

i. The government should ensure that policy inconsistency are minimized.

ii. Tax and revenue generatic should be properly addressed economically to avoid leakages in the system.

iii. Government should fight the problem of corruption because without the reduction of the level of corruption in the country, fiscal policy components will not achieve the required level of economic growth in Nigeria.

**CHAPTER ONE**

**INTRODUCTION**

**1.1 Background of the Study**

The economy of any country, irrespective of its structure is regulated by certain policies developed by the government. Some of these include economic policies, social policies, monetary policies etc. however of all these policies economic policies are most fundamental. Gbosi (2001) The economic factors are cynical because they serve as a foundation for the success of the other policies of government. The constituent element of these economic policies need to be manipulated simultaneously to achieve the desired results.

One of the essential arms of economic policies; the fiscal policy, serve as a means of planning, organizing, controlling and co-ordinating the tempo of activities in the economy (Adeoye, 2006). Fiscal policy is an outgrowth of keynesion 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 (Olawumi and Ayinla 2007). Fiscal policy in itself can be said to be made up of specific course of action involving the formulation of tax structure and expenditure patterns. The effect of taxation covers all the changes in the economy resulting from the imposition of tax system. Expenditure on the other hand, was meant to directly add to the effective demand in the market and generate a high- value multiplies by distributing income to those sectors of the population which had a high managerial propensity to consume.

Before the world war, fiscal policy as a key to economic restructuring and development has been in existence. Many economists had propounded theories as a means to economic prosperity from the destruction of the world war. But in the early 20the century, Lord John Keynes put forward on articulated and constructive solution to solving economic problem.

Lord Keynes in his book suggests that increasing government spending and decreasing tax rate are the best ways to increase aggregate demand as a means of getting hold on the hyperinflation that existed after the world war

In Nigeria, the earliest known forms of fiscal policies were used. It was established as far back as 19th century by the British Administration. Then, the political system became complex due to the existence of the indigenous government under Emirs, Obas, Obongs, Obis etc. along with the colonial masters. In effect, payment for the administration of the country were made to the British government.

The government policy used by the colonial masters on revenue for development was adopted from Dr. Earl Grey report (1852) in which he advocated economic development amongst civilized people. Through self determination under the British supervision. The revenue generation method which was based on duties paid on imported goods was pursued because it avoided disruption of the indigenous social and economic system and its incidence did not directly affect the average Nigerian. Besides, revenue from duties the British government support however, began to dwindle due to increase public criticism in Britain against spreading of Brutish influence in West Africa. 1870, the government supplement stopped and was reduced from N5000 to N2000 to N1000 in 1862, 1863 and 1865 respectively. The expenditure was solely directed towards improving the comfort of the British officers and the maintenance of law and orders. The revenue and expenditure volume also increase considerably well into the 20th century.

Today, fiscal policy as a means of economic development are not developed in isolation. They are formulated and implemented simultaneously with monetary policies, foreign policies by the government with the aim of tackling economic problems.

1.2 Statement of the Problems.

 One of the major problems experienced by the Nigeria government is the persistent increase in price of goods and services without corresponding increase productive base. To correct this, the Federal Government curtails the growth of the government spending, raise taxes, especially for middle and upper income earners.

The nations worst socio-economic problem, unemployment, is characterized by low standard of living and poverty. In an attempt to solve the problem of unemployment, the federal government has established non-profit making organizations we the National Directorate of Employment (NDE) which is aimed at assisting the unemployed in search of gainful employment, poverty alleviation programme introduced by the present government. The Global System Mbode telecommunication, GSM, has no doubt created unprecedented employment opportunities for thousands of Nigerians, and the market is opening up by the day.

The Nigeria economy, for about three decides, has witnessed economic retardation. This is due to low productivity, political instability, high rate of population growth arte, rising unemployment, external dependence etc. in view of this, the federal government has adopted various fiscal polices. But for the first time after many years, Nigeria exceeded the growth rate of 5.5 percent as against the projected 5 percent in 2004.

The balance of payment position of Nigeria within the last two decides has been more chronic. For instance, in 1995, Nigeria’s external payment position was a deficit of $2774.4 million, which reduced to $761.0 million in 1996. In order to revamp the economy, government increased traffics on non-essential goods and services that can be produced locally to correct balance of payment deficit, and granting tax reliefs, incentive to local entrepreneur so as to stimulate and promote the local industries and increase experts.

**1.3 Objective of the Study**

The aim of this research work is to examine the role of fiscal policy in the development of Nigerian economy, the specific objective of this research work include the following:

1. To evaluate the role of fiscal policy in the development of Nigeria

2. To examine the extent at which fiscal policy is been implemented in Nigeria.

3. To determine the impact of fiscal policy in the economic growth of Nigeria.

4. To evaluate the problems hindering the proper implementation of fiscal policy in Nigeria.

5. To proffer possible solutions to the problems identified.

**1.4 Research Question**

Fiscal policy can be valuable tool for economic growth and development if accurately and timely implemented. Therefore by the end of this project the following questions will be answered.

1. What are the roles of fiscal policy in the economic development of Nigeria?

2. To what extent is fiscal policy implemented in Nigeria?

3. What are the impacts of fiscal policy in the economic growth of Nigerian economy?

4. What are the possible problems hindering the proper implementation of fiscal policy in Nigeria?

**1.5 Research Hypothesis**

Ho: Fiscal policies have not helped in the development of Nigerian economy.

Hi: Fiscal policies have helped in the development of Nigerian economy.

Ho: For some years now, fiscal policies have been properly implemented in Nigeria.

Hi: For some years now, fiscal policies have not been properly implemented in Nigeria.

**1.6 Scope and Limitation of the Study**

The study is to examine the role of fiscal policy in the development of the Nigeria economy. Also, the relationship between fiscal policies and other government economic policies, how it is used to fight inflation, unemployment, encourage, investment/production of goods and services and generally encourage private participation in economy building.

This study further highlights the relevance of fiscal policies in the Nigeria economy. Its emphasis, encompasses the component of fiscal policies. Its relationship with other disciplines, how it is used in the economy. It does not however include comparison with other countries since economic structure and system differ and therefore would amount to unfair comparison. Constraints faced during this research work include.

a. Limitation of cost and time

b. Restricted access to some classified document.

**1.7 Significance of the Study**

As a result of unequal importance of a stable and unstable economy to both the public and private sectors, this research work will be of benefit to;

a. Government for better planning of all policies related to their responsibilities to the economy in particular and the country as a whole.

b. The professional – who analyze the economic system and whom this study will give an insight into further research and application in their academic fields.

c. Students – as part of their academic pursuit.

d. The entrepreneurs and Business men who also need to understand the implications and effects of certain fiscal policies that can have on their fortunes directly or indirectly.

**1.8 Definition of Terms.**

Statutory Allocation: A fund established by the federal government for pooling of extra budgetary revenue of unexpected income especially from oil exports. It also provided a sources of fund for emergency purpose

Tax: Compulsory payments by individuals corporate organization and partnership into the pursue of government for running of its activities.

Tax Avoidance: A legitimate way of not paying tax by engaging in non-taxable activities.

Tax Evasion: An illegal way of not paying tax, one is liable to pay to the government. It is a criminal offence.

Per Capital Income: A method of assessing the standard of living in any country. It involves determining potential income per person in an economy.

Foreign Policy: Articulated course of action that defines Nigeria’s relationship with other countries and its stand and attitude towards certain international issues.

Budget: An economic tool used by government to estimate its expected revenue and project expenditure over a period of time usually a year.

Marginal Propensity of Investment: That degree of increase in investment due to increase in income.

Inflation Rate: The rate or speed at which the general price level are increasing.

Marginal Propensity to Consume: That degree of increase in consumption level as a result of increase income.

**CHAPTER TWO**

**REVIEW OF RELATED LITERATURE**

**2.1 Conceptual Review/Framework**

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 definition, 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 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, Ajisafe folorunso (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 the growth of financial aggregates in real terms have positive impact on economic growth of development countries, irrespective of the level of economic development attained.

2.1.1 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 Review of Related Theories

2.2.1 The Savers-Spenders Theory of Fiscal Policy

Savers-Spenders theory of fiscal policy was developed by Mankiw (2000) and used by Matsen, Sveen and Torvik (2008). This theory was developed because of the inconsistency of Barro-Ramsey (1974) theory of infinitely-lived families and DiamondSamuelson (1965) theory of overlapping generation respectively. Savers-Spenders theory is the new theory developed to explain the behaviour of fiscal policy in the economy. The theory is based on some propositions (Mankiw, 2000). The first proposition is on temporary tax changes having large effects on the demand for goods and services. This proposition states that the higher take-home pay that spenders received will be offset by higher tax payments, or by lower tax refunds. The implication is that consumers should realize that their lifetime resources were unchanged and therefore, should save the extra take-home pay to meet the upward tax liability.

The second proposition is on government debt in relation to crowd out capital in the long-run. This proposition states that extra consumption of spenders as a result of a tax cut financed by debt reduces investment, which in turn raises marginal product of capital and thus the interest rate. The higher interest rate therefore induces savers to save more, their higher savings continues until the marginal product of capital is driven back to their rate of time preference, thus, temporary decrease in the level of economic growth. It is to be noted that this proposition holds when tax is lump sum. The third proposition states that government debt increases steady-state inequality. This means that a higher level of debt means a higher level of taxation to pay the interest on debt. The tax will fall on both the savers and the spenders but the interest payment will go entirely to the savers. The implication of this is that a higher level of debt raises the income and consumption of the savers and lowers the income and consumption of the spenders. Thus, a higher level of debt raises the steady-state inequality in income and consumption.

2.2.2 The Classical Theory of Economic Growth

When Adam Smith wrote his famous 1776 treatise called “An Inquiry into Nature and Causes of the Wealth of Nations”. Some academics pointed out that he was involved predominantly with economic growth. Smith hypothesized a supply-side-determined model of growth. According to him, population growth was endogenous—it depends on the accessibility to life sustaining needs and it has the capacity for the increasing workforce; Investment was also endogenous—established by the rate of savings (mostly by capitalists); land growth was reliant on invasion of new lands (e.g. Colonisation) or technological enhancement of fertility of old lands. Technological advancements could also add to overall growth. Smith's renowned thesis that the division of labour (specialisation) enhances growth was an essential argument. Smith also saw developments in machinery and international trade as engine of growth as they aided further specialization. He also assumed that "division of labour is restricted by the size of the market”, thus speculating an economies of scale dispute. Therefore, he argued that growth was self-fortifying as it demonstrates increasing returns to scale. Lastly, because savings of capitalists is what generates investment and hence growth, he saw the allocation of income as being one of the most significant determinants of how fast (or slow) a nation would grow. Smith’s model of growth remained the main model of Classical Growth. David Ricardo (1817) adjusted it by incorporating diminishing returns to land. Output growth demands growth of factor inputs, but, unlike labour, land is "variable in quality and fixed in supply". This means that as growth continues, more land must be taken into development, but land cannot be "produced". This has two consequences for growth: firstly, raising land owner's rents over time (due to the limited supply of land) cut into the proceeds of capitalists from above;

Secondly, earnings from goods (from agriculture) will be rising in price over time and this then cuts into profits from below as workers require higher wages. This, then, brings in a quicker limit to growth than Smith allowed, but Ricardo also asserted that this fall off can be freely curbed by technological advancements in machinery (although, also with diminishing productivity) and the specialization brought by trade, although he also had static states. Ricardo's description is somewhat more pessimistic than Smith’s. The decisive depressing picture, however, was painted by T.R. Malthus (1796) with his famous assertion that if population growth was not curbed, it would rapidly surpass growth and cause rising depression all around.

2.2.3 The Keynesian Theory of Economic Growth

The Keynesians are the twentieth century economists who embraced and also broadened John Maynard Keynes’ principle in the existence of incessant unemployment equilibrium, dissimilar to the classical economists idea on Say’s law of market arguing that market economy are self-adjusting therefore there is no need for the government involvement in the economy. They believe that fiscal policy and not monetary policy is the most powerful policy measure to make the economy stable and move it forward. They are sometimes referred to as Demand-side

Economists. Keynes accepts that the forces of demand and supply could not attain full employment condition. Keynesians therefore insisted that only government interference (public sector) through the use of unrestricted policy measures would take the free enterprise economy out of depression and ensure steady growth. Variations in savings and investments are responsible for modifications in business activities and employment in an economy.

2.2.4 The Neo-Classical Theory of Economic Growth

It is not far wrong to say that the father of a modern neo-classical growth theory is Robert Solow. Solow’s (1956) idea was to clarify economic growth by taking into account technological advancement, i.e., permitting it to decide growth outside the previous so-called post-Keynesian theory, where the interference taken by public sector is seen as the main engine for economic growth. Beginning from the classical economists, it has been under examination for a long time to scrutinize why growth rates differ in various countries and what are the fundamental issues in constructing economic development. The essential postulation is that the step up of factors of production is the simplest way to attain better economic growth. Traditional factors of production are: natural resources, physical capital, and labour. In neo-classical growth theory models, the postulation is that in the long run, with diminishing returns to capital, a nation’s per capita growth rate tends to be inversely related to its initial level of income per person (Barro, 1990). In other words, this would mean that countries should come together over time and thus, inequality between countries should reduce. However, empirical data does not support this assumption. According to Barro (1990), after the post-war period, per capita growth rates in 100 countries are uncorrelated with the starting level of per capita product. In neoclassical growth theories, the major dilemma is the linear ways of reasoning about how the world is being formed. If input is about to multiply, it has a direct influence on output and the impact is also positive. The fundamental rule is more resources, more outcomes. However, it is not as easy as that. There are excess literature asserting that the production procedure cannot be moved from one place to another with total ease and flexibility. This is also the explanation for why the meeting between countries, as neoclassical theories would propose, does not happen. In every case, the observable fact is associated to its environment, such as people, infrastructure, political atmosphere etc. Neo-classical growth theories also emphasized the position of technological change as an exogenous factor. Especially in Solow’s expression, technological change is an act of economic growth, but it is an exogenous factor and hence it is called a “public good”. Besides the exogenous nature of technological alteration, Solow and neo-classicalists have many postulations, such as perfect markets, perfect knowledge in the markets, utility maximization, no spillovers, and positive and reducing marginal revenue (Solow, 1956). One could simply argue in opposition to a number of these assumptions, for example, perfect markets and perfect knowledge in the markets, but such assumptions are basic to this model of study. Solow’s neo-classical growth theory has been able to practically give details on two-thirds of countries economic growth. Nonetheless, more recently, the center on studying economic development and growth, both on a national and regional level has been more on knowledge, spillovers, and innovations.

2.2.5 The Endogenous Growth Theory

Due to the fact that Solow’s theory could not give details on all models of economic growth, new theories were developed. One of these is the new theory of growth, also known as endogenous growth theory, developed by Paul Romer. Romer’s key line of reasoning is that technological alteration is not “a manna from heaven” and its trends and degree can be directed. If this is the case, technology can then be made endogenous to growth, rather than being an exogenous factor as in Solow’s model. In addition to this, human capital and investments in innovations can then be perceived to be vital in the process. The new growth theory views knowledge as a public good (Romer, 1990). In general, the new growth theory exists in complete difference to the law of diminishing returns, due to the fact that the law of diminishing returns implies that output reduces if we increase the inputs. However, over the last 100 years, output in developed countries has increased and the new growth theory attributes this to an overflow of knowledge and innovations.

2.3 Empirical Review

Researchers have attempted to examine the effect of fiscal policy on economic growth in different countries and periods, using different techniques. Amongst many others are the following:

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) cointegration 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. Olawunmi and Tajudeen (2007) used solow growth model and ordinary least squares method in analyzing the impact of fiscal policy on the Nigerian economic growth between 1981 and 2004, they found out that there is no significant impact of fiscal policy variables on economic growth in Nigeria Onyemaechi (2014) studied the impact of fiscal policy components on economic growth in Nigeria using Augmented Dickey-Fuller (ADF) test model and cointegration 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.

**CHAPTER THREE**

**RESEARCH METHODOLOGY**

**3.1 Introduction**

In this chapter, we would describe how the study was carried out.

**3.2 Research design**

Research design is a detailed outline of how an investigation took place. It entails how data is collected, the data collection tools used and the mode of analyzing data collected (Cooper & Schindler (2006). This study used a descriptive research design. Gill and Johnson (2002) state that a descriptive design looks at particular characteristics of a specific population of subjects, at a particular point in time or at different times for comparative purposes. The choice of a survey design for this study was deemed appropriate as Mugenda and Mugenda (2003) attest that it enables the researcher to determine the nature of prevailing conditions without manipulating the subjects.

Further, the survey method was useful in describing the characteristics of a large population and no other method of observation can provide this general capability. On the other hand, since the time duration to complete the research project was limited, the survey method was a cost effective way to gather information from a large group of people within a short time. The survey design made feasible very large samples and thus making the results statistically significant even when analyzing multiple variables. It allowed for many questions to be asked about a given topic giving considerable flexibility to the analysis. Usually, high reliability is easy to obtain by presenting all subjects with a standardized stimulus; observer subjectivity is greatly eliminated. Cooper and Schindler (2006) assert that the results of a survey can be easily generalized to the entire population..

**3.3 Research settings**

This study was carried out in GSS Lugbe in AMAC of Abuja Nigeria.

**3.4 Sources of Data**

The data for this study were generated from two main sources; Primary sources and secondary sources. The primary sources include questionnaire, interviews and observation. The secondary sources include journals, bulletins, textbooks and the internet.

**3.5 Population of the study**

A study population is a group of elements or individuals as the case may be, who share similar characteristics. These similar features can include location, gender, age, sex or specific interest. The emphasis on study population is that it constitute of individuals or elements that are homogeneous in description (Udoyen, 2019). The population of the study were all staff at federal inland revenue service Abuja branch.

**3.6 Sample size determination**

A study sample is simply a systematic selected part of a population that infers its result on the population. In essence, it is that part of a whole that represents the whole and its members share characteristics in like similitude (Udoyen, 2019). In this study, A total of 120 respondents were purposively selected by the researcher using simple random sampling technique.

**3.8 Instrumentation**

This is a tool or method used in getting data from respondents. In this study, questionnaires and interview are research instruments used. Questionnaire is the main research instrument used for the study to gather necessary data from the sample respondents. The questionnaire is structured type and provides answers to the research questions and hypotheses therein.

This instrument is divided and limited into two sections; Section A and B. Section A deals with the personal data of the respondents while Section B contains research statement postulated in line with the research question and hypothesis in chapter one. Options or alternatives are provided for each respondent to pick or tick one of the options.

**3.9 Reliability**

The researcher initially used peers to check for consistence of results. The researcher also approached senior researchers in the field. The research supervisor played a pivotal role in ensuring that consistency of the results was enhanced. The instrument was also pilot tested.

**3.10 Validity**

Validity here refers to the degree of measurement to which an adopted research instrument or method represents in a reasonable and logical manner the reality of the study (Udoyen, 2019). Questionnaire items were developed from the reviewed literature. The researcher designed a questionnaire with items that were clear and used the language that was understood by all the participants. The questionnaires were given to the supervisor to check for errors and vagueness.

**3.11 Method of Data Collection**

The data for this study was obtained through the use of questionnaires administered to the study participants. Observation was another method through which data was also collected as well as interview. Oral questioning and clarification was made.

**3.12 Method of Data Analysis**

The study employed the simple percentage model in analyzing and interpreting the responses from the study participants while the hypothesis was tested using chi-square.

**3.13 Ethical consideration**

The study was approved by the Project Committee of the Department. Informed consent was obtained from all study participants before they were enrolled in the study. Permission was sought from the relevant authorities to carry out the study. Date to visit the place of study for questionnaire distribution was put in place in advance.

**CHAPTER FOUR**

**DATA PRESENTATION AND ANALYSIS**

This chapter presents the analysis of data derived through the questionnaire and key informant interview administered on the respondents in the study area. The analysis and interpretation were derived from the findings of the study. The data analysis depicts the simple frequency and percentage of the respondents as well as interpretation of the information gathered. A total of hundred and twenty (120) questionnaires were administered to respondents of which 100 were returned. The analysis of this study is based on the number returned.

**4.1 DATA PRESENTATION**

**Table 4.1: Demographic data of respondents**

|  |  |  |
| --- | --- | --- |
| **Demographic information** | **Frequency** | **percent** |
| GenderMale |  |  |
| 60 | 60% |
| Female | 40 | 40% |
| Religion |  |  |
| Christian | 76 | 76% |
| Muslim | 24 | 24% |
| **Age** |  |  |
| 18-25 | 5 | 5% |
| 26-30 | 10 | 15% |
| 31-39 | 29 | 29% |
| 40+ | 56 | 56% |
| **Family Economic Status** |  |  |
| Very High | 24 | 24% |
| High | 32 | 32% |
| Very Low | 21 | 21% |
| Low | 23 | 23% |

**Source: Field Survey, 2021**

**ANSWERING RESEARCH QUESTIONS**

**Question 1:** What are the roles of fiscal policy in the economic development of Nigeria?

**Table 4.2:**Respondent on question 1

|  |  |  |
| --- | --- | --- |
| **Options** | **Frequency** | **Percentage** |
| Economic stability | 48 | 48 |
| Mobilization of resources | 30 | 30 |
| Accelerate economic growth | 22 | 22 |
| **Total** | **100** | **100** |

**Source: Field Survey, 2021**

From the responses obtained as expressed in the table above, 78 respondents constituting 48% said economic stability. While the remain 22 respondents constituting 22% fiscal policy accelerates the rate of economic growth. The remaining 30% said that fiscal policy aids the mobilization of resources through appropriate taxation.

**Question 2:** To what extent is fiscal policy implemented in Nigeria?

**Table 4.3:**Respondent on question 2

|  |  |  |
| --- | --- | --- |
| **Options** | **Frequency** | **Percentage** |
| High extent | 60 | 60 |
| Low extent | 19 | 19 |
| Undecided | 21 | 21 |
| **Total** | **100** | **100** |

**Source: Field Survey, 2021**

From the responses obtained as expressed in the table above, 60 respondents constituting 60% said high extent. 19 respondents constituting 19% said low extent. While the remain 21 respondents constituting 21% were undecided.

**Question 3:** What are the impacts of fiscal policy in the economic growth of Nigerian economy?. in other words does fiscal policy impact the economic growth of Nigerian?

**Table 4.4:**Respondent on question 3

|  |  |  |
| --- | --- | --- |
| **Options** | **Frequency** | **Percentage** |
| Yes | 56 | 56 |
| No | 21 | 21 |
| Undecided | 23 | 23 |
| **Total** | **100** | **100** |

**Source: Field Survey, 2021**

From the responses obtained as expressed in the table above, 56 respondents constituting 56% said yes. 21 respondents constituting 21% said no. While the remain 23 respondents constituting 23% were undecided.

**Question 4:** What are the possible problems hindering the proper implementation of fiscal policy in Nigeria?

**Table 4.5:**Respondent on question 4

|  |  |  |
| --- | --- | --- |
| **Options** | **Frequency** | **Percentage** |
| Weak policies | 61 | 61 |
| Lack of adequate data | 17 | 17 |
| Undecided | 22 | 22 |
| **Total** | **100** | **100** |

**Source: Field Survey, 2021**

From the responses obtained as expressed in the table above, 61 respondents constituting 61% said weak policy formulation. 17 respondents constituting 17% said lack of adequate data for policy making. While the remain 22 respondents constituting 22% were undecided.

**TESTING OF HYPOTHESIS**

Ho: Fiscal policies have not helped in the development of Nigerian economy.

Hi: Fiscal policies have helped in the development of Nigerian economy.

Ho: For some years now, fiscal policies have been properly implemented in Nigeria.

Hi: For some years now, fiscal policies have not been properly implemented in Nigeria.

**HYPOTHESIS ONE**

 Fiscal policies have helped in the development of Nigerian economy

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Options** | **Fo** | **Fe** | **Fo - Fe** | **(Fo - Fe)2** | **(Fo˗-Fe)2/Fe** |
| Yes | 60 | 33.33 | 32.67 | 1,067.3289 | 32.023 |
| No | 19 | 33.33 | -14.33 | -205.3489 | -6.161 |
| Undecided | 21 | 33.33 | -12.33 | -152.0289 | -4.561 |
| **Total** | **100** |  |  |  | **21.3** |

**Source: Extract from Contingency Table**

X2 = ∑ (fo – fe)2/fe = 21.3

Fe= 60+19+21 = 33.33

 3

Degree of freedom = (r-1) (c-1)

 (3-1) (2-1)

 (2) (1)

 = 2

At 0.05 significant level and at a calculated degree of freedom, the critical table value is 5.991.

**Findings**

The calculated X2 = 21.3 and is greater than the table value of X2 at 0.05 significant level which is 5.991.

**Decision**

Since the X2 calculated value is greater than the critical table value that is 21.3 is greater than 5.991, the alternate hypothesis which states that Fiscal policies have helped in the development of Nigerian economy is accepted and the null hypothesis which states that Fiscal policies have not helped in the development of Nigerian economy is rejected.

**Hypothesis two**

**For some years now, fiscal policies have not been properly implemented in Nigeria**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Options** | **Fo** | **Fe** | **Fo - Fe** | **(Fo - Fe)2** | **(Fo˗-Fe)2/Fe** |
| Yes | 56 | 33.33 | 22.67 | 513.9289 | 18.23 |
| No | 21 | 33.33 | -12.33 | -152.0289 | -4.561 |
| Undecided | 23 | 33.33 | -10.33 | -106.7089 | -3.201 |
| **Total** | **100** |  |  |  | **11.63** |

**Source: Extract from Contingency Table**

X2 = ∑ (fo – fe)2/fe = 11.63

Fe= 56+21+23 = 33.33

 3

Degree of freedom = (r-1) (c-1)

 (3-1) (2-1)

 (2) (1)

 = 2

At 0.05 significant level and at a calculated degree of freedom, the critical table value is 5.991.

**Findings**

The calculated X2 = 11.63 and is greater than the table value of X2 at 0.05 significant level which is 5.991.

**Decision**

Since the X2 calculated value is greater than the critical table value that is 11.63 is greater than 5.991, the alternate hypothesis which states that For some years now, fiscal policies have not been properly implemented in Nigeria is accepted and the null hypothesis which states that For some years now, fiscal policies have been properly implemented in Nigeria is rejected.

**CHAPTER FIVE**

**CONCLUSION AND RECOMMENDATION**

**5.1 CONCLUSION**

In this study, our focus was to carryout **a critical analysis on the role of fiscal policy in the development of Nigerian economy.** The study specifically was aimed at; evaluating the role of fiscal policy in the development of Nigeria, To examine the extent at which fiscal policy is been implemented in Nigeria, To determine the impact of fiscal policy in the economic growth of Nigeria, To evaluate the problems hindering the proper implementation of fiscal policy in Nigeria, To proffer possible solutions to the problems identified.. This study reviewed and anchored its framework on Keynesian theory.

The study adopted the survey research design and randomly enrolled participants in the study. A total of 120 responses were validated from the enrolled participants where all respondent are active workers in FIRS in Abuja.

The findings revealed that fiscal policy has a significant effect on economic development. The findings also revealed that fiscal policy accelerates the rate of economic growth, it also aids economic stability, lastly it helps in mobilization of resources.

**5.2 RECOMMENDATION**

Based on the responses obtained, the researcher proffers the following recommendations:

Government should engage in the following:

i. The government should ensure that policy inconsistency are minimized.

ii. Tax and revenue generatic should be properly addressed economically to avoid leakages in the system.

iii.Government should fight the problem of corruption because without the reduction of the level of corruption in the country, fiscal policy components will not achieve the required level of economic growth in Nigeria.

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**QUESTIONNAIRE**

**SECTION A**

|  |  |
| --- | --- |
| **Demographic information** | **Please Tick** |
| GenderMale |  |
|  |
| Female |  |
| Religion |  |
| Christian |  |
| Muslim |  |
| **Age** |  |
| 18-25 |  |
| 26-30 |  |
| 31-39 |  |
| 40+ |  |

**SECTION B**

**Question 1:** What are the roles of fiscal policy in the economic development of Nigeria?

|  |  |
| --- | --- |
| **Options** | **Please tick** |
| Economic stability |  |
| Mobilization of resources |  |
| Accelerate economic growth |  |

**Question 2:** To what extent is fiscal policy implemented in Nigeria?

|  |  |
| --- | --- |
| **Options** | **Please tick** |
| High extent |  |
| Low extent |  |
| Undecided |  |

**Question 3:** What are the impacts of fiscal policy in the economic growth of Nigerian economy?. in other words does fiscal policy impact the economic growth of Nigerian?

|  |  |
| --- | --- |
| **Options** | **Please tick** |
| Yes |  |
| No |  |
| Undecided |  |

**Question 4:** What are the possible problems hindering the proper implementation of fiscal policy in Nigeria?

|  |  |
| --- | --- |
| **Options** | **Please tick** |
| Weak policies |  |
| Lack of adequate data |  |
| Undecided |  |