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Budget Performance and Economic Growth in Nigeria: A Historical Review of the 4th Republic

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Abstract: *This paper traced and analyses how effective or not, budget has been an instrument of policy achievement in governance in Nigeria. It examines the relationship between budget performance and economic growth in Nigeria over the course of the 4th Republic (1999-2019). Budget performance in Nigeria has been characterized by both successes and challenges, including increased transparency and accountability, and efforts to invest in infrastructure and social services, as well as inadequate resource allocation, poor project planning and execution, and high levels of corruption. Economic growth in Nigeria has also been mixed over the past two decades, with a period of growth and stability in the late 1990s and early 2000s followed by a period of economic slowdown and instability due to declining oil prices and other factors. In recent years, Nigeria has made efforts to diversify its economy and has achieved some growth, but the country continues to face significant economic challenges. While it is difficult to draw a direct causal link between budget performance and economic growth, it is likely that improved budget performance, particularly in the areas of transparency, accountability, and resource allocation, could contribute to more sustainable economic growth in the country.*

Keywords: *budget; economy growth; implementation; nation building; Nigeria*

I. Introduction

Intent of economic policies in both the developed and developing countries is achieved through its budget allocation and implementations. The process of raising, allocating and utilization of public resources is no stranger to both because the achievements of the objectives of public policies are to a large extent determined by these processes. Policies at any level is a vital instrument in resolving problems faced by societies, however, it is just a mere statement of what government intends to do. Suffice to say therefore that policy itself needs some supportive device to get its goals concretized (Ugoh & Ukpere, 2009). One of these vital devices is Budget. This is because; budget involves the determination of resources and their uses for the attainment of government policy objectives. However, in developing countries, effective application and management of National budget has been an uphill task, Nigeria not left out. Focusing on the preferred sectors of the economy while formulating budget, governments makes a number of choices regarding its finances as well as allocation of available resources to existing or new programmes (Akinlo & Egbetunde, 2010).

This paper reviews the performance of Budget in Nigeria and how it has impacted on the growth of the Economy especially in the 4th Republic; An introductory discourse on what budget is, why budgeting, allocations and reasons for such allocations, implementations and mechanisms of implementation along with performance monitoring. An attempt will be made at clarifying the various concepts on Budgeting and budgetary control such as the procedures and policy issues involved, An overview of implementation of budget from a historical aspect will also be looked into in the course of this paper.

The period of 1999 to 2019 marks two decades of return to civil administration in our Nigeria, this paper will take a look at how budget and budgeting within this period has impacted on Nation building, the progressive increase in the total expenditure of governance vis-à-vis increase or decrease in revenue especially from crude oil while not overlooking the

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perceived or claimed Operational challenges ,Political Will and Financial disciplines adopted for the implementation of Budget in the Nation and its effects such as deficits in fiscal operations of governance, efforts to achieve or sustain a balanced or surplus budget.

II. Review of Literature

2.1 Budget

A budget is a financial plan that outlines how you expect to earn and spend money over a period of time, such as a month, a year, or a business quarter. It helps you to make informed decisions about how to allocate your resources and manage your financial goals. A budget can help you to track your income, expenses, and savings, and to identify areas where you may be able to cut costs or increase your income. It can also help you to plan for future expenses and to save for long-term financial goals, such as buying a house or retiring. There are many different approaches to budgeting, and the right approach for you will depend on your financial situation, goals, and preferences (Babatunde, 2013). Some people prefer to use a detailed budget that tracks every expenditure, while others prefer a more general budget that simply tracks overall income and expenses. Regardless of the approach you choose, it's important to be honest with yourself about your financial situation and to be realistic about your goals.

In simple terms it is the making (generation) and spending (expenditure) of money to achieve set goals (policy). This could be by individuals or corporate bodies. The estimation of expected income/revenue and expenses over a specified future period of time .This is usually compiled and re evaluated on a set periodic basis. A budget is a microeconomic concept that shows the trade –off made when one good is exchanged for another. This impact on the bottom line as a surplus, balanced or deficit. (Ugoh & Ukpere, 2009).

2.2 Economic Development

Economic development refers to the process of improving the economic well-being and quality of life of a region or country. This can involve a range of activities, such as increasing productivity and competitiveness, attracting new businesses and investment, creating jobs, and providing access to education, healthcare, and other essential services. Economic development is often driven by public and private sector policies and investments, and it can be influenced by a variety of factors, including infrastructure, natural resources, human capital, technology, and political and economic stability (Soetan & Osadola, 2018). The goal of economic development is to improve the standard of living and overall prosperity of a community or country, and it is typically pursued through a combination of economic and social policies.

2.3 Surplus

Surplus refers to an excess of something, typically money or resources. In the context of a budget, surplus refers to an excess of income over expenses. For example, if you earn $2,000 in a month and only spend $1,500, you have a surplus of $500. This surplus can be saved, invested, or used to pay off debts or other financial obligations.

In the context of economics, surplus can also refer to the excess of production or supply over demand. For example, if a company produces more goods than it can sell, it may have a surplus of inventory. In this case, the company may need to reduce production, lower prices, or find new markets to sell its goods in order to reduce the surplus.

Surplus can be a good thing, as it can indicate that a business is profitable or that an individual is saving money. However, if surplus is not managed effectively, it can lead to waste or inefficiency. (Levine, 1997)

III. Results and Discussion

3.1 Historical Overview of Budget Implementation in Nigeria

Implementing the budget in Nigeria has a long and complicated history, with many big problems and big wins along the way. In the past, budgets were seen as an exercise in controlling inflation, but over time they have evolved into a tool to implement much-needed social and economic reforms.

Budgeting in Nigeria dates back to colonial times, when the British government introduced a system of centralised budgeting and financial management. After gaining independence in 1960, Nigeria adopted a parliamentary system of government and a modified version of the British budgeting system (Ojo, 2012). The country's first post-independence budget was presented in 1961, and it focused on infrastructure development and economic growth. Since then, budgeting in Nigeria has evolved to include an emphasis on poverty reduction, social sector investments, and job creation. These changes reflect the growing awareness that budgeting can be used to shape social, political, and economic outcomes in Nigeria while also taking into account the challenges of the country, such as the need to reduce inequality and build a more just society. Budgeting in Nigeria has become more complex over the years, with the government utilising budgeting tools to promote economic growth, address inequality, and create jobs.

In the 1970s and 1980s, Nigeria experienced a period of economic prosperity due to the oil boom, and the government was able to invest heavily in infrastructure, education, healthcare, and other sectors. Despite this, the government was not able to reduce poverty and inequality, nor could it create enough jobs for all Nigerians. The government then realised that it needed to use more than just infrastructure investment to address inequality and create jobs, which led them to implement budgeting tools that would allow them to allocate resources for specific purposes, such as education and healthcare (Akinlo & Egbetunde, 2010). This focus on targeted budgeting, such as sectoral and capital budgeting, allowed the government to identify areas where investment was needed most so that resources could be allocated in an equitable manner and create more opportunities for Nigerians to escape poverty and experience economic prosperity. This strategy was successful in some areas, with the government managing to reduce poverty and inequality as well as create more job opportunities for Nigerians. However, this time period was also characterised by pervasive mismanagement, economic misregulation, and corruption, all of which contributed to a decline in economic performance in the 1980s and 1990s (Rotimi, et al, 2013). The government's focus on targeted budgeting, while well-intentioned, did not always yield the desired results due to a lack of political will and the widespread corruption that was occurring at the time. Despite this, the targeted budgeting initiatives implemented by the government during this period were a major step in the right direction and demonstrated that the government was serious about tackling poverty and inequality (Babatunde, 2013).

Since the turn of the 21st century, Nigeria has implemented a number of economic reforms and made significant progress in improving budget transparency and accountability (Oyewale & Osadola, 2018). But the country still has a lot of problems with putting the budget into action, such as not allocating enough resources, not planning and executing projects well, and having a lot of corruption. Despite these challenges, the government's continued commitment to targeted budgeting is a positive sign for the future of Nigeria and shows a determination to address the issues of poverty and inequality. The government's investment in targeted budgeting, even with its difficulties, is a positive move that could lead to an improvement in the nation's economic situation and provide more resources to those who need them the most. If Nigeria can continue to maintain its commitment to targeting budgeting and implementing fiscal reforms, it could lead to a more equitable and prosperous future for all its citizens.

In recent years, the Nigerian government has made efforts to improve budget implementation and has introduced a number of initiatives, such as the Fiscal Responsibility Act and the Treasury Single Account, to increase transparency and accountability. These initiatives are designed to ensure that the budget is being used efficiently and equitably so that resources are directed to those who need them most and poverty levels can be reduced. By investing in these fiscal reforms, the Nigerian government has taken a step towards creating greater economic stability and a fairer distribution of resources for its citizens (Onyeiwu, 2012). However, the Nigerian government must continue to enforce these reforms in order for them to be effective and for Nigeria's citizens to benefit from them. In order to ensure the effectiveness of these reforms, the Nigerian government must also create mechanisms to track how budget resources are used and how they impact citizens (Rotimi, et al, 2013). Even with all of these efforts, Nigeria's budget implementation is still a big problem that needs constant attention and changes. To ensure greater success and accountability, it is essential that the Nigerian government create an independent and transparent fiscal watchdog with the authority to audit government spending and identify potential conflicts of interest or fraud.

3.2 Budget and Nation Building 1999-2019

Budgeting and nation-building are closely linked, as the budget is a key tool for implementing policies and programmes that can contribute to the development and improvement of a country. It is through the use of the budget that a government can determine the scope of its public services and investment programmes, as well as allocate resources to both address short-term needs and ensure long-term stability. In Nigeria, the budget has been one of the most important parts of building the country over the past 20 years. It has helped diversify the economy and promote economic growth while also being used to reduce poverty and build infrastructure (Ugoh & Ukpere, 2009).

During the late 1990s and early 2000s, Nigeria experienced a period of economic growth and stability following the implementation of economic reforms and the adoption of a democratic system of government. This period saw the Nigerian government begin to use the budget more effectively, investing in public services and investment programmes as well as allocating resources to reduce poverty and build infrastructure in order to develop the country and create a better standard of living for its citizens (Onyeiwu, 2012). The budget has enabled Nigeria to make significant progress in its development goals, creating an environment where citizens have access to essential services such as education, health care, and clean water. In order to raise the standard of living and help the economy grow, the government put most of its money into infrastructure, education, health care, and other areas. The investments have paid off and have led to an increase in the standard of living for citizens, as evidenced by a decrease in poverty levels, improved access to healthcare services, and a reduction in unemployment rates.

In the 2010s, Nigeria faced a number of economic and political challenges, including declining oil prices, insecurity, and corruption. Even with these problems, the government continued to spend most of its budget on building the country, focusing on infrastructure, education, and health care.

In recent years, Nigeria has made progress in improving budget transparency and accountability, and the government has introduced a number of initiatives to promote economic development and reduce poverty (Babatunde, 2013). These initiatives have led to a number of positive outcomes, such as an increase in foreign investment, a better economic environment for business, and increased access to technology. In addition, the Nigerian government has worked to build a strong legal framework for protecting citizens and investors, leading to greater economic stability. But the country still has a lot of problems with putting the budget into action, such as not allocating enough resources, not planning and executing projects well, and having a lot of corruption. These issues need to be addressed in order for the country to reap the full benefits of its initiatives and strengthen the economic foundations it has worked so hard to create (Mohammed, 2013). In order to address these issues, the Nigerian government has implemented a variety of policies and reforms in recent years, such as increasing accountability and transparency, introducing public-private partnerships to expand investments, and clamping down on corruption. These measures have gone some way towards improving the economic climate in the country; however, further effort is needed to ensure their success and to ensure that the country's budget is truly put into action in a way that benefits all Nigerians.

Overall, Nigeria's budget has been a key part of building the country over the past 20 years, and it will continue to be an important tool for driving economic growth and raising the standard of living in the country. To ensure the effectiveness of this budget and maximise its impact, it is important that the Nigerian government strengthen accountability and oversight, improve public-private partnerships, introduce measures to effectively tackle corruption, and make sure that the budget is implemented in a way that truly benefits all citizens.

3.3 Challenges of Budget Implementation in Nigeria

The Budget of a nation is key to its economic performance and welfare of its citizens. A Budget is an annual fiscal estimation of government revenues and expenditure which is usually compiled and re-evaluated on a periodic basis. A budget is the nucleus of Public finance in the Country. The Nigerian government gets the bulk of its income majorly from taxes and oil. This income is split among the levels of government and states of the federation. The budget shows how the income that would be received in a year. (Oyewale & Osadola, 2018: 12)

Usually the federal state and local governments Nigeria prepare a budget to point out their basic expenditure chart, revenue estimation and evaluation. The budget process involves all the activities and key players in the growth of the budget. Estimates are firstly collected from all the governments. The identification and setting of developmental goals is key before budgetary Policies are set based on the development plan (Rotimi, et al, 2013). The president is responsible for the preparation and submission of the budget at the federal level. At the state level, it is the Governor who is responsible, and at the Local government level, it is the local Chairman. When all levels of government, ministries agencies and departments send their estimates it is reviewed and approved, then also reviewed again for conformity.

While the budget is been assessed and approved by relevant arms of government such as national assembly (NASS) at the federal Level or house of Assembly at the state level, it thereby moves to the implementation phase. Budget implementation is the final phase of the budgeting process which refers to the actual usage of public funds to execute the activities and projects that have been itemized in the budget. Money is disbursed to the various departments for expenditure which can be capital or recurrent expenditure (Ibrahim & Alagidede, 2018). This stage is very crucial. Hence, poor implementation can strike a huge blow.

The final phase is the budget control which is the external control and evaluation of performance and effectiveness. It is worthy of note that a budget are of different types which could be balanced budget, surplus budget, supplementary, development budget, etc (Onyeiwu, 2012).

A budget performance which is another terms for budget implementation are very low in Nigeria and some of the reasons responsible for this are looked at below:

i. Corruption and management: This is the major problem that the Nigerian budget implementation is faced with. Government officials hive up these funds in their private banks accounts even at times stored up in buildings in Nigeria and foreign lands as assets or properties. Government offices are seen as gold mine, hence the budget implementation suffers the real purpose the money was disbursed for.

ii. Lack of proper finance: at the local level budget implementation, most of the local council's sources of income have been taken over by each state governments because they are small in size hence they have little or no resources from which to generate internally.

iii. Wrong and unquailed Personnel: some personnel in government offices today got these through politics in Nigeria where they do not possess good leadership skills and management traits. Hence, the budget implementation suffers.

iv. Tribalism: Government gives out contracts for capital expenditure and recurrent expenditure to their family members and friends who are not adequately qualified or have the skills in executing such contracts. Hence the qualified ones are not given these contracts and money to properly manage it.

v. Bribery: Most contracts given out by government in the country usually accompanies bribery. Contracts are being awarded to people who can drop some percentage of the money to be given out to execute a particular project.

vi. High level of poverty: Only a selected few, especially the rich ones actually runs everything with their money while others pay attention to their little businesses in order to make ends meet rather than participate or interested in the governments affairs.

vii. Elaborate Budget: When these approved projects enter the implementation phase, it becomes difficult to execute and maintain which are usually passed over from budget to budget effectively and thus affects the overall performance of such budget.

viii. Inadequate Monitoring: Corrupt government officials and politician divert government funds for their own personal usage rather than make judicious use of such approved projects funds for the benefit of all citizens in the country because budget implementation lack lacks proper monitoring mechanism. Hence, projects that are not carried out in particular year are again reinserted into the next budget for another fiscal year and funds are again approved for them which is siphoning the government fund.

ix. Lack of Local and foreign economic experts: Experts are not usually involved in the preparation of Nigerians budget to ensure or enhance good performance.

x. Lack of accountability and transparency: Budget any process in Nigeria usually carried out secretly and only the total sum approved is announced.

xi. Delay in preparation of budget and approval: This is a common problem of budget implementation in Nigeria both at the Federal level and the state level, Budgeting process is an annual occurrence as carried out smoothly each year, but in the case of Nigeria's own usually it is one storyto the other of late budget preparation and submission to the national assembly. There would be delay in passing the budget on the side of the National Assembly as well as the late signing of the approved budget by the executive led by the president. (Ugoh & Ukpere, 2009) (Rotimi, et al, 2013).

Fiscal and economic policy change by government at time have destabilizing effect on the entire economy as the act of Nigeria should not be disturbed with frequent policy changes. Likewise, corruption should be fought against at all levels in the country to make it difficult for one person to fudge funds to his or her advantage. There must be improvements in our technology for every citizen to be able to monitor the government's expenditure and on the part of the government to be transparent and accountable for whatever they do.

IV. Conclusion

It is difficult to draw a straightforward conclusion on the relationship between budget performance and economic growth in Nigeria over the course of the 4th Republic (1999-2019), as there are many factors that can influence both budget performance and economic growth. However, there are a few key points that can be highlighted:

Budget performance in Nigeria has been mixed over the past two decades. There have been some successes, such as increased transparency and accountability, and efforts to invest in infrastructure and social services. However, there have also been significant challenges, including inadequate resource allocation, poor project planning and execution, and high levels of corruption.

Economic growth in Nigeria has also been mixed over the past two decades. The country experienced a period of economic growth and stability in the late 1990s and early 2000s, but this was followed by a period of economic slowdown and instability due to declining oil prices and other factors. In recent years, Nigeria has made efforts to diversify its economy and has achieved some growth, but the country continues to face significant economic challenges.

It is difficult to draw a direct causal link between budget performance and economic growth in Nigeria, as there are many other factors that can influence economic growth, such as infrastructure, natural resources, human capital, and political and economic stability. However, it is likely that improved budget performance, particularly in the areas of transparency, accountability, and resource allocation, could contribute to more sustainable economic growth in the country.

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