



## Fiscal Policy and Sustainable Development in Nigeria

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### **Introduction**

Fiscal policy is a sister strategy to monetary policy that is used by the government to facilitate the size of public spending, borrowings, and revenues in order to achieve certain macroeconomic objectives. It is well known fact that a country's budget is a vehicle through which fiscal policy is implemented thus, fiscal policy is more than just a plan for managing government operations; it also influences a sustainable growth and development of a country. However, in a poorly managed and coordinated macroeconomic environment, fiscal policy may affect the aggregate demand and long-term growth of a nation coupled with undulating movement in the inflation rate, high poverty, unemployment rate and depletion of natural resources. Since the economic sustainability encompasses a collection of plans, activities, and projects intended to protect financial resources, the study therefore investigates the impact of fiscal policy instruments on sustainable development in Nigeria.

### **Methodology:**

The study employed data from secondary source. The study used ex post facto research design and measured sustainable development by Adjusted Net Savings (ANS) while fiscal policy was proxied by Public Debt (PD), Tax Revenue (TAX) and Government Expenditure (GE). The Control of Corruption (CO) was employed as an interactive variable. The data were sourced from World Bank Development Indicators and World Governance Indicators (WGI) over the period of 34years (1990-2023). The data were also analyzed using Autoregressive Distributed Lag (ARDL) techniques.

### **Findings/Discussion:**

Prior the interaction of control of corruption with fiscal policy instruments, the ARDL results show that without with fiscal policy instruments, the current government expenditure, tax revenue and public debt have negative relationship with the sustainable development (proxied by Adjusted Net Savings). This implies a unit increase in each of these variables reduce adjusted net savings by 0.66, 8.25 and 0.09 units respectively. Although government expenditure has significant impact on adjusted net savings, tax revenue and public debt are not statistically significant. Overall, only short run relationship exists between fiscal policy instruments and sustainable development in Nigeria. Following the interaction control of corruption with fiscal policy instruments, it was found that control of corruption moderate government expenditure as it indicates positive relationship with sustainable development while the coefficients of public debt and tax revenue remained negative. Similarly, both short run and long run relationship exists between fiscal policy instruments and sustainable development as revealed by ARDL Bound Test.

### **Conclusion:**

Based on the analysis, it was discovered that only short run relationship exists between fiscal policy instruments and sustainable development. Sequel to the interaction of control of corruption with fiscal policy instruments, control of corruption moderates the effect of fiscal policy by revealing both long run and short run effect of these instruments on sustainable development in Nigeria. The study therefore concluded that fiscal policy (especially government expenditure and public debt) are the main ingredients of sustainable development in Nigeria.

**Keywords:** Public Debt, Expenditure, Taxation, Sustainability, Sustainable Development,