

Fiscal Management and Fiscal Deficit: Evidence from Nigeria

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DOI: <https://doi.org/10.5281/zenodo.22212137>

Article History	Abstract
Original Research Article	<i>This study examined the relationship between fiscal management and fiscal deficit in Nigeria. An ex-post facto research design was adopted, using annual time-series data obtained from the Central Bank of Nigeria's Statistical Bulletin covering the period 1990–2024. Fiscal deficit was modelled as a function of government expenditure, government revenue, government expenditure-to-GDP ratio and government revenue-to-GDP ratio. The Augmented Dickey-Fuller test was employed to establish the stationarity of the variables, while the Johansen co-integration test was used to determine the existence of a long-run relationship. An Error Correction Model was subsequently estimated to examine the short-run dynamics and adjustment towards long-run equilibrium. The findings established that the variables were integrated of order one and that a long-run relationship exists between fiscal deficit and the selected fiscal management indicators. The Error Correction Model further revealed that government expenditure, government expenditure-to-GDP and government revenue significantly influence fiscal deficit at different lags, while government revenue-to-GDP has a delayed effect on fiscal deficit. The significant error correction mechanism further confirms adjustment towards long-run equilibrium following short-run disturbances. The study concludes that fiscal deficit in Nigeria is strongly influenced by the effectiveness of revenue mobilisation and expenditure management. It therefore recommends an integrated fiscal management framework that strengthens domestic revenue mobilisation while ensuring disciplined, efficient and sustainable public expenditure.</i> Keywords: Fiscal management; fiscal deficit; government revenue; government expenditure; fiscal sustainability; Nigeria.
Received: 01-07-2026	
Accepted: 04-08-2026	
Published: 31-08-2026	
Copyright © 2026 The Author(s): This is an open-access article distributed under the terms of the Creative Commons Attribution 4.0 International License (CC BY-NC) which permits unrestricted use, distribution, and reproduction in any medium for non-commercial use provided the original author and source are credited. Citation: Uranta, J. A., Adamgbo, S. L. C., Akani, H. W., & Kocha, C. N. (2026). Fiscal management and fiscal deficit: Evidence from Nigeria. UKR Journal of Multidisciplinary Studies, 2(8), 245-253.	

Introduction

Fiscal management is central to the achievement of macroeconomic stability because government decisions on revenue mobilisation and public expenditure largely determine whether the budget records a surplus or deficit. While fiscal deficits may be deliberately used to stimulate economic activity during periods of economic weakness, persistent deficits arising from expenditure that consistently exceeds available revenue can undermine fiscal sustainability. Keynes (1936) recognised the role of deficit spending in supporting aggregate demand, particularly when private-sector activity is weak. However, where expansionary expenditure is not supported by adequate revenue mobilisation or productive investment, fiscal deficits may become structural rather than counter-cyclical. Similarly, Mundell (1963) emphasised the potential

macroeconomic consequences of poorly coordinated fiscal policies, particularly where government spending is driven by short-term or political considerations rather than economic stability.

Fiscal management therefore extends beyond the size of government revenue and expenditure to include the efficiency with which public resources are mobilised, allocated and controlled. Sound fiscal management requires a sustainable relationship between public revenue and expenditure, while fiscal ratios such as revenue-to-GDP and expenditure-to-GDP provide useful indicators of government's fiscal capacity and expenditure pressure relative to the size of the economy. Fiscal policy also enables government to moderate fluctuations in private consumption and investment through adjustments in

taxation and expenditure (Ewetan, 2012). Consequently, weaknesses in revenue mobilisation, persistent expenditure expansion and poor alignment between fiscal resources and spending commitments can contribute to recurring fiscal deficits. Nigeria has experienced persistent fiscal deficits for much of its post-independence history. Moderate deficits during the 1960s and 1970s were largely associated with infrastructure development, post-war reconstruction and economic expansion. However, the decline in crude oil earnings from the early 1980s weakened government revenue and increased reliance on borrowing to finance public expenditure (Akanbi et al., 2022). Although periods of fiscal improvement were recorded in 1995 and 1996, fiscal deficits subsequently re-emerged and became a persistent feature of public finance (Saibu, 2020). The introduction of the Fiscal Responsibility Act (FRA) in 2007 was intended to promote fiscal discipline and prudent public financial management (Babatunde, 2015). Nevertheless, recent fiscal years have continued to witness substantial deficits, driven largely by weak revenue mobilisation, rising expenditure commitments and increasing debt-servicing obligations (Esu, 2024; Saibu, 2020).

The persistence of fiscal deficits has important implications for the Nigerian economy. Deficit financing may contribute to inflationary pressures, particularly where financing results in excessive monetary expansion (Adebayo et al., 2023). Persistent borrowing also increases public debt and debt-servicing obligations, potentially reducing the resources available for infrastructure and social expenditure (Ibrahim et al., 2024). In addition, excessive government borrowing may raise interest rates and constrain the availability of credit to the private sector, thereby discouraging private investment and economic expansion (Obasi et al., 2023). These concerns make the effective management of government revenue and expenditure particularly important in an economy such as Nigeria, where fiscal deficits have increasingly been financed through borrowing.

Existing studies have examined several factors associated with fiscal deficits. Samson (2024) highlighted the role of populist governance, subsidies and politically motivated expenditure in generating persistent fiscal pressures, while Conti and Wosinska (2025) associated widening fiscal deficits with adverse commodity price shocks and weak fiscal buffers. Chohan (2024) emphasised the importance of tax reforms, expenditure rationalisation and the removal of inefficient subsidies in addressing fiscal imbalances. Similarly, Tapsoba (2012) and Bergman et al. (2016) found that stronger fiscal rules, improved tax effort and sound budgetary institutions are associated with more stable fiscal outcomes. However, Bird (2001) cautioned that fiscal

consolidation may produce adverse long-term consequences where expenditure reductions undermine investment in health, education and infrastructure. Mohan (2000) also observed that political considerations may weaken fiscal discipline and encourage short-term policy decisions.

Despite these contributions, the existing literature remains fragmented. Many studies have focused on fiscal rules, political institutions, commodity-price shocks, debt or broad determinants of budget deficits, with considerable attention given to foreign economies and cross-country evidence. Less attention has been given to the combined role of government revenue, government expenditure, government revenue-to-GDP and government expenditure-to-GDP as direct indicators of fiscal management in explaining Nigeria's fiscal deficit. Differences in variables, study periods and methodological approaches have also produced mixed findings. This creates the need for a country-specific assessment of whether the manner in which Nigeria mobilises public revenue and manages public expenditure contributes to its persistent fiscal deficit. From the above consideration this study examines Fiscal Management and Fiscal Deficit: Evidence from Nigeria. Specifically, the study investigates the effect of government revenue, government expenditure, government revenue-to-GDP ratio and government expenditure-to-GDP ratio on fiscal deficit in Nigeria. By focusing directly on key indicators of fiscal management, the study seeks to provide clearer evidence on the fiscal conditions underlying Nigeria's persistent deficit and their implications for effective fiscal policy management.

Literature Review

Conceptual Review

Fiscal Management: Fiscal management refers to systematic planning, mobilisation, allocation and control of public financial resources through government revenue and expenditure decisions. It encompasses the entire budgetary cycle, from formulation and approval to implementation, monitoring and evaluation, with the broader objective of promoting fiscal discipline, resource efficiency and macroeconomic stability (Alesina & Perotti, 1999; Schick, 1998). Effective fiscal management requires government to maintain a sustainable relationship between public revenue and expenditure while ensuring that available resources are directed towards priority economic and social objectives (International Monetary Fund [IMF], 2018). Consequently, fiscal management is closely associated with fiscal sustainability, budgetary discipline and the government's capacity to control persistent fiscal imbalances (Tapsoba, 2012; Bergman et al., 2016).

Public Revenue: Public revenue management refers to the mobilisation, administration and efficient utilisation of

government financial resources to finance public programmes and services. A strong revenue base enhances government's capacity to meet expenditure obligations, whereas weak revenue mobilisation can widen fiscal imbalances and increase dependence on borrowing (Bird, 2001; Chohan, 2024). The revenue-to-GDP ratio is an important indicator of fiscal capacity because it measures the proportion of national economic output mobilised as government revenue and provides an indication of the strength of the public revenue base (Tapsoba, 2012; Bergman et al., 2016).

Public Expenditure: Public expenditure management involves the planning, allocation and control of government spending. Public expenditure comprises recurrent expenditure, which supports the day-to-day operations of government, and capital expenditure, which is directed towards investment and expansion of the country's productive capacity (Ukah, 2009). The expansion of government responsibilities has increased public expenditure and the cost of governance in Nigeria, prompting reforms aimed at improving efficiency and reducing unnecessary expenditure (Agba, 2006; Agba *et al.*, 2011). The expenditure-to-GDP ratio therefore provides an indication of the scale of government spending relative to economic output and its potential implications for fiscal sustainability.

Fiscal Deficit: Fiscal deficit occurs when government expenditure exceeds government revenue within a fiscal period. Although deficit financing can support economic activity and public investment, persistent and excessive deficits may create debt and macroeconomic pressures. Krugman (2009) notes that deficit spending can stimulate investment and future productive capacity, but excessive deficits may become unsustainable. Deficits can be financed through taxation, borrowing or monetary financing, with borrowing through government securities being a common approach. However, excessive borrowing can increase debt-servicing obligations, while monetary financing may generate inflationary pressures. Thus, the size and sustainability of fiscal deficit are closely linked to the effectiveness of fiscal management.

Theoretical Review

Fiscal Policy in Keynesian Theory

Keynesian theory provides a strong foundation for understanding the relationship between fiscal management and fiscal deficit. Keynes (1936) challenged the classical emphasis on a neutral government role and balanced budgets, arguing that market forces may not automatically restore an economy to full employment, particularly during recessions. When income and private-sector demand decline, consumption, investment and production may also fall, reinforcing economic contractions. Keynes therefore

advocated an active fiscal role for government through public expenditure and taxation to influence aggregate demand and stabilise economic activity. In this context, fiscal deficits may arise deliberately when government increases expenditure or reduces taxation to stimulate aggregate demand. The theory is particularly relevant to this study because it suggests that government revenue and expenditure decisions are central to fiscal outcomes and that deficit financing can serve as an instrument of economic stabilisation (Keynes, 1936).

Fiscal Policy in Neoclassical Theory

The neoclassical perspective provides a contrasting view of fiscal intervention. It assumes flexible prices and wages, rational expectations, competitive markets and a tendency towards full employment. Under these conditions, anticipated fiscal policy is unlikely to generate sustained changes in real output because economic agents adjust their behaviour in response to government actions. Lucas (1975) argues that fully anticipated fiscal policy has limited effects on output, whereas unexpected policy interventions may influence economic activity in the short run. Similarly, Perotti (2007) suggests that fiscal expansion can generate negative wealth effects, causing households to reduce private consumption and increase labour supply. From this perspective, persistent fiscal expansion and deficits may not necessarily improve economic performance and could instead create distortions. The theory therefore emphasises fiscal discipline and supports the need for government to manage revenue and expenditure prudently.

Factor Endowment Theory

The Factor Endowment Theory, developed by Heckscher (1919) and Ohlin (1933), explains international trade in terms of differences in countries' relative supplies of labour and capital. A country tends to export goods that intensively use its relatively abundant and inexpensive factors while importing goods that require relatively scarce and expensive factors. Thus, labour-abundant developing economies are expected to specialise in labour-intensive and primary products while importing capital-intensive manufactured goods (Pugel *et al.*, 2000). Although the theory is primarily a trade theory, it provides useful context for understanding Nigeria's fiscal environment because the country's production and trade structure influence revenue generation and external earnings. Dependence on primary commodity exports can make government revenue vulnerable to fluctuations in international commodity prices, thereby affecting fiscal capacity and potentially widening fiscal deficits. The theory therefore provides a complementary perspective on the structural conditions within which fiscal management operates.

These theories provide complementary explanations of the relationship between fiscal management and fiscal deficit in Nigeria. Keynesian theory highlights the role of government revenue and expenditure in influencing aggregate demand and fiscal outcomes (Keynes, 1936), while Neoclassical theory emphasises fiscal discipline and the limited long-term effects of anticipated fiscal expansion (Lucas, 1975; Perotti, 2007). The Factor Endowment Theory further suggests that Nigeria's dependence on primary commodity exports can influence revenue mobilisation and fiscal capacity (Pugel *et al.*, 2000). Together, these theories provide a basis for examining how government revenue, expenditure, revenue-to-GDP and expenditure-to-GDP affect fiscal deficit in Nigeria.

Empirical Review

Mustapha (2026) examined public debt, debt servicing and economic growth in Nigeria from 2014 to 2024 using secondary data from the CBN, NBS, World Bank and IMF. The study found that rapid debt accumulation and rising debt-servicing costs increasingly constrained fiscal space and reduced resources available for capital expenditure. It concluded that stronger revenue mobilisation, expenditure prioritisation and prudent debt management are necessary for fiscal sustainability. Hassan *et al.* (2025) investigated public debt and economic growth in Nigeria between 1986 and 2024 using the ARDL approach. The findings showed that domestic and external debt had positive long-run effects on growth, whereas domestic and external debt servicing exerted negative effects. External debt servicing was particularly restrictive to fiscal space. The study therefore recommended prudent borrowing, debt restructuring and stronger oversight of government borrowing. Amu *et al.* (2025) examined public debt and economic development in Nigeria using Johansen cointegration analysis. The study established debt thresholds of approximately 50–60% for external debt and 15–17% for domestic debt. Beyond these levels, debt accumulation was associated with adverse effects on economic growth and development. The authors recommended stronger domestic revenue mobilisation and reduced reliance on debt to improve public financial management. Nuhu (2025) examined the effect of debt servicing on poverty reduction in Nigeria from 1986 to 2023 using a Vector Autoregressive model. The study found that debt servicing, debt stock and exchange rate had positive but not significant effects on poverty. It nevertheless stressed the need to limit borrowing for recurrent expenditure and direct borrowed resources towards productive investments. The study also emphasised the importance of reducing financial leakages and strengthening accountability in public expenditure. Onuoha (2025) investigated the mediating role of public spending

in the relationship between domestic debt and economic growth in Nigeria using data from 1981 to 2020. Employing structural equation modelling, the study found that both domestic debt and public spending had significant positive effects on economic growth, with public spending partially mediating the debt–growth relationship. The findings suggest that the fiscal impact of borrowing depends partly on how government resources are allocated and utilised. Ibori and Eshenake (2025) examined the relationship between public expenditure, tax revenue and fiscal deficits in Nigeria using annual data from 1981–2023 and the error correction mechanism. The findings showed that public expenditure had a positive and significant long-run effect on fiscal deficit, while tax revenue had a negative and significant effect. In the short run, both variables had negative effects on fiscal deficit, although only tax revenue was statistically significant. The study highlights the importance of strengthening revenue mobilisation and improving expenditure efficiency in managing Nigeria's fiscal imbalance. Ekeocha and Ikenna-Ononugbo (2017) investigated the determinants of fiscal deficit across Nigerian states using dynamic panel data for 2008–2015 and the Arellano-Bond difference GMM estimator. They found that the cost of governance significantly increased fiscal deficits, while inflation, population size and economic growth also significantly influenced fiscal outcomes. The study further observed that many states used deficits largely to finance recurrent expenditure rather than infrastructure, underscoring the importance of stronger public financial management and expenditure discipline. Usman and Adebisi (2017) examined the sustainability of Nigeria's fiscal deficit over 1961–2013 using ARDL cointegration and Bai-Perron structural break tests. Their findings identified a major structural shift around 1981 and showed differences in fiscal sustainability across the periods examined. The study demonstrates that changes in the relationship between government revenue and expenditure can materially affect the sustainability of fiscal deficits, reinforcing the importance of sound fiscal management. Jibrilla (2016) assessed Nigeria's fiscal deficit sustainability using government revenue, expenditure and budget deficit data covering 1961–2014, while accounting for structural breaks. The study established a long-run relationship between government revenue and expenditure and found evidence supporting the fiscal synchronisation hypothesis. However, the long-run revenue–expenditure relationship suggested difficulties in financing government debt sustainably. The findings further linked Nigeria's fiscal vulnerability to its dependence on volatile oil revenues, highlighting the need for stronger revenue management and expenditure adjustment. Adejo *et al.* (2019) examined the contribution of internally generated revenue to the fiscal viability of

Nigerian state governments between 1986 and 2018 using the Vector Error Correction Model. The study found that internally generated revenue contributed relatively little to total revenue and expenditure, although it had the expected effect of reducing fiscal deficits. The authors concluded that the limited contribution of internally generated revenue weakened fiscal viability and recommended improved tax compliance, stronger revenue administration and controls against revenue leakages.

The empirical literature indicates that fiscal management is closely associated with fiscal deficit in Nigeria, particularly through government revenue and expenditure. Studies show that revenue and expenditure have a long-run relationship, with fiscal synchronisation suggesting that changes in one influence the other (Jibrilla, 2016). Ibori and Eshenake (2025) similarly found that public expenditure increases fiscal deficits, while stronger tax revenue reduces them. Ekeocha and Ikenna-Ononugbo (2017) further reported that high governance costs contribute to fiscal deficits, particularly where public spending is dominated by recurrent expenditure. However, existing studies have largely focused on revenue–expenditure relationships, debt sustainability, governance costs and economic growth, rather than examining fiscal management as a broader construct. Limited attention has been given to the combined effects of government revenue, government expenditure, revenue-to-GDP and expenditure-to-GDP on fiscal deficit. Differences in variables, periods and methodologies have also produced mixed findings. This study therefore contributes to the literature by directly assessing these four fiscal management indicators and their implications for fiscal deficit in Nigeria.

Methodology

This study adopted an ex-post facto research design to examine the relationship between fiscal management and fiscal deficit in Nigeria. We collected secondary data for estimation from the Central Bank of Nigeria, Financial Stability Report. Thus, the data for this study are time series data ranging from 1990 – 2024. The model is specified as follows:

$$FD_{it} = \alpha + \gamma_1 GE_{it} + \gamma_2 GR_{it} + \gamma_3 GE/GDP_{it} + \gamma_4 GR/GDP_{it} + v_{it} \quad (1)$$

FD = Fiscal deficit, GE = public expenditure management, GR = public revenue management, GE/GDP = public expenditure to gross domestic product, GR = public revenue to gross domestic product, α = intercept, γ_1 - γ_4 = coefficients of the independent variables, v_{it} = error term. We also employed the Augmented Dickey Fuller to test for stationarity, Johansen Cointegration test to test for the long run relationship between the variable and Error correction model for estimating the coefficients of the independent variables.

Results And Discussion of Findings

Table 1 below presents the results of the Augmented Dickey–Fuller (ADF) unit root test conducted to determine the stationarity properties of the variables under study. The results show that fiscal deficit (FD), government expenditure (GE), government expenditure-to-GDP ratio (GE_GDP), government revenue (GR), and revenue-to-GDP ratio (GR_GDP) are all stationary after first differencing. This is because the absolute values of their ADF test statistics exceed the corresponding 5% MacKinnon critical values

Table 1: Unit Root Test

Variable	ADF Statistics	MacKinnon 5%	Order of Integration
FD	-7.424287	-2.957110	1(1)
GE	-6.865140	-2.951125	1(1)
GE_GDP	-8.432295	-2.954021	1(1)
GR	-5.337274	-2.951125	1(1)
GR_GDP	-6.057093	-2.954021	1(1)

Source: Researcher's Computation using E-Views 10 Output (2026)

The findings therefore confirm that all variables are integrated of the same order, I(1). This implies that the series are non-stationary at level but become stationary after first difference. The uniform order of integration provides an appropriate basis for proceeding to a

cointegration test using Johansen Cointegration test statistics to determine whether a stable long-run relationship exists between fiscal management indicators and fiscal deficit in Nigeria.

Table 2: Johansen Co-integration Test Series: FD, GE, GE_GDP, GR, GR_GDP.

Trace Statistics Results				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.555619	73.08652	69.81889	0.0268
At most 1	0.428532	46.32110	47.85613	0.0692

At most 2	0.321425	27.85607	29.79707	0.0824
At most 3	0.232522	15.05996	15.49471	0.0580
At most 4 *	0.174459	6.326655	3.841466	0.0119

Source: Researcher's Computation using E-Views 10 Output (2026)

Table 2 presents the Johansen trace co-integration test results for fiscal deficit (FD), government expenditure (GE), government expenditure-to-GDP ratio (GE_GDP), government revenue (GR), and government revenue-to-GDP ratio (GR_GDP). The trace test indicates evidence of a long-run relationship among the variables. At the None hypothesis, the trace statistic of 73.08652 exceeds the 5% critical value of 69.81889, with a probability value of 0.0268, leading to the rejection of the null hypothesis of no co-integration. This confirms the existence of at least one co-integrating relationship among the variables. Although

the *At most 1*, *At most 2*, and *At most 3* hypotheses are not rejected at the 5% level, the rejection of the null hypothesis at *None* is sufficient to establish the presence of co-integration. Therefore, fiscal deficit and the selected fiscal management indicators exhibit a stable long-run relationship in Nigeria. The result implies that changes in government revenue, government expenditure, revenue mobilisation relative to GDP, and expenditure relative to GDP are linked to fiscal deficit over the long term. Any short-run deviation from this equilibrium relationship is therefore expected to adjust over time.

Table 3: Error Correction Model

Dependent Variable: (FD)

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
GE(-1)	0.034745	0.083886	0.414199	0.6875
GE(-2)	0.184132	0.078532	2.344681	0.0410
GE(-3)	-0.184328	0.081997	-2.247974	0.0483
GE_GDP	-0.036624	0.013725	-2.668357	0.0236
GE_GDP(-1)	-0.050580	0.020733	-2.439559	0.0349
GE_GDP(-2)	-0.062876	0.019771	-3.180246	0.0098
GE_GDP(-3)	0.062353	0.024718	2.522613	0.0303
GR	0.253577	0.042231	6.004502	0.0001
GR(-1)	-0.157536	0.063265	-2.490098	0.0320
GR(-2)	-0.136147	0.060947	-2.233847	0.0495
GR(-3)	-0.178595	0.067693	-2.638330	0.0248
GR_GDP	0.001036	0.001029	1.006559	0.3379
GR_GDP(-1)	0.000923	0.001382	0.668235	0.5191
GR_GDP(-2)	-0.003991	0.001211	-3.295186	0.0081
ECM(-1)	-0.342335	0.001319	-1.769567	0.0107
C	1.549726	0.701660	2.208655	0.0517
R-squared	0.899775	Mean dependent var		10.31251
Adjusted R-squared	0.999325	S.D. dependent var		1.507241
S.E. of regression	0.039168	Akaike info criterion		-3.418483
Sum squared resid	0.015341	Schwarz criterion		-2.447072
Log likelihood	73.98648	Hannan-Quinn criter.		-3.101827
F-statistic	2220.746	Durbin-Watson stat		1.962616
Prob(F-statistic)	0.000000			

Source: Researcher's Computation using E-Views 10 Output (2026)

The Error Correction Model results reveal that fiscal management has important short-run implications for fiscal deficit in Nigeria. Government expenditure (GE) does not have a significant immediate effect at the first lag, but its second and third lags are significant. Specifically, GE(-2) has a positive effect on fiscal deficit, whereas GE(-3) has a negative effect. This suggests that the effect of government expenditure on fiscal deficit is dynamic, as increased spending may initially widen the fiscal gap before subsequent fiscal adjustments help moderate the deficit. This finding is broadly consistent with Ibori and Eshenake (2025), who found that public expenditure significantly influences fiscal deficit in Nigeria, and Ekeocha and Ikenna-Ononugbo (2017), who associated rising governance costs and recurrent expenditure with increased fiscal deficits. Government expenditure relative to GDP (GE_GDP) has a significant negative relationship with fiscal deficit in the current period and at the first and second lags, although the third lag becomes positive and significant. This indicates that a higher expenditure-to-GDP ratio does not necessarily worsen the fiscal deficit. Rather, the outcome may depend on the timing, productivity and efficiency of government spending. The result supports the argument of Onuoha (2025) that the economic implications of public spending depend substantially on how public resources are allocated and utilised. It also reinforces the recommendations of Mustapha (2026) regarding expenditure prioritisation and improved fiscal efficiency. Government revenue (GR) exerts a positive and significant contemporaneous effect on fiscal deficit, while its first, second and third lagged values have significant negative effects. The immediate positive relationship may reflect the fact that increases in government revenue can occur alongside increased expenditure commitments. However, the negative lagged effects suggest that improved revenue mobilisation contributes to reducing fiscal deficits over time. This finding is consistent with Ibori and Eshenake (2025) and Adejo et al. (2019), who found that stronger revenue mobilisation improves fiscal viability and helps reduce fiscal imbalances. It also supports Jibrilla (2016) and Usman and Adebisi (2017), whose findings emphasised the importance of maintaining a sustainable relationship between government revenue and expenditure. In contrast, government revenue-to-GDP ratio (GR_GDP) is not significant in the current period or at the first lag. However, its second lag has a significant negative effect on fiscal deficit. This implies that improvements in revenue mobilisation relative to the size of the economy may take time before translating into meaningful reductions in fiscal deficits. The finding is consistent with Adejo et al. (2019), which emphasised that the effectiveness of revenue mobilisation depends not only on the volume of revenue

generated but also on the efficiency of revenue administration and the reduction of leakages.

The error correction term, ECM(-1), has the expected negative coefficient of -0.342335 and is statistically significant at the 5% level, given its p-value of 0.0107. This confirms the existence of a meaningful adjustment mechanism through which short-run disequilibrium in fiscal deficit gradually converges towards the long-run equilibrium. The coefficient indicates that approximately 34.2% of the short-run deviation from the long-run equilibrium is corrected within each period. Thus, following any short-run shock to fiscal deficit, the system adjusts towards its long-run equilibrium at a moderate speed. The negative and significant ECM coefficient therefore provides further evidence of a stable long-run relationship between fiscal deficit and the selected fiscal management variables in Nigeria. The model is jointly significant, as indicated by the probability of the F-statistic (0.0000), showing that the fiscal management variables collectively explain changes in fiscal deficit. The high R-squared value further suggests strong explanatory power, while the Durbin-Watson statistic of approximately 1.96 indicates no serious evidence of first-order serial correlation. Taken together, the findings demonstrate that fiscal deficit in Nigeria is strongly associated with the management of government expenditure and revenue, although the effects operate differently across time.

Summary of Findings

The study examined the effect of fiscal management on fiscal deficit in Nigeria, using government expenditure (GE), government expenditure-to-GDP (GE_GDP), government revenue (GR), and government revenue-to-GDP (GR_GDP) as indicators of fiscal management. The ADF unit root test established that all variables were stationary after first differencing and were integrated of order one, I(1). This provided the basis for testing their long-run relationship whereas the Johansen co-integration test confirmed the existence of a long-run relationship among fiscal deficit and the fiscal management variables. The trace statistic for the None hypothesis was 73.0865, exceeding the 5% critical value of 69.8189, with a p-value of 0.0268. Thus, the null hypothesis of no co-integration was rejected. For government expenditure; in the ECM, the first lag of government expenditure was not significant ($\beta = 0.0347$, $p = 0.6875$). However, GE(-2) had a positive and significant effect on fiscal deficit ($\beta = 0.1841$, $p = 0.0410$), while GE(-3) had a negative and significant effect ($\beta = -0.1843$, $p = 0.0483$). This indicates that the effect of government expenditure on fiscal deficit varies over time whereas GE_GDP had a negative and significant effect on fiscal deficit ($\beta = -0.0366$, $p = 0.0236$). Its first and second lags were also negative and significant ($\beta = -0.0506$, $p =$

0.0349; $\beta = -0.0629$, $p = 0.0098$), while the third lag was positive and significant ($\beta = 0.0624$, $p = 0.0303$). This suggests that expenditure relative to economic output can initially support fiscal adjustment, although its effect changes over subsequent periods. Current government revenue had a positive and significant effect on fiscal deficit ($\beta = 0.2536$, $p = 0.0001$). However, its first, second and third lags were all negative and significant, with coefficients of -0.1575 ($p = 0.0320$), -0.1361 ($p = 0.0495$), and -0.1786 ($p = 0.0248$), respectively. This implies that although increased revenue may coincide with higher fiscal commitments in the short term, sustained revenue mobilisation contributes to reducing fiscal deficits over time. For government revenue-to-GDP; the current and first lag of GR_GDP were not significant, with coefficients of 0.0010 ($p = 0.3379$) and 0.0009 ($p = 0.5191$), respectively. However, its second lag had a negative and significant effect on fiscal deficit ($\beta = -0.0040$, $p = 0.0081$). This indicates that improvements in revenue mobilisation relative to economic output may require time to translate into meaningful fiscal adjustment. The error correction term was negative and significant ($\beta = -0.3423$, $p = 0.0107$), confirming a stable adjustment mechanism towards long-run equilibrium. Approximately 34.2% of short-run disequilibrium is corrected within each period. The model was jointly significant, with an F-statistic of 2,220.746 and p-value of 0.0000. The model also recorded an R^2 of 0.8998, indicating that the fiscal management variables jointly explain about 89.98% of the variation in fiscal deficit.

Conclusion

This study concludes that fiscal management plays a significant role in shaping fiscal deficit in Nigeria, both in the short run and over the long run. The evidence of co-integration confirms that government expenditure, government expenditure-to-GDP, government revenue and government revenue-to-GDP maintain a stable long-run relationship with fiscal deficit. Thus, Nigeria's persistent fiscal imbalance cannot be viewed simply as a consequence of inadequate revenue or excessive expenditure in isolation; rather, it reflects how these fiscal components are planned, mobilised, allocated and managed over time. The Error Correction Model further shows that the effects of fiscal management are dynamic, with government expenditure and revenue producing different effects across periods. The significant negative error correction coefficient confirms that short-run deviations from equilibrium are corrected over time, with about 34.2% of disequilibrium adjusted within each period. This provides evidence of a functioning adjustment mechanism towards long-run fiscal equilibrium. In conclusion, the findings suggest that fiscal sustainability in Nigeria requires more than increasing government

revenue or reducing expenditure. Greater emphasis should be placed on efficient revenue mobilisation, expenditure prioritisation, fiscal discipline and ensuring that public spending is aligned with the economy's revenue-generating capacity. Strengthening these aspects of fiscal management would provide a more sustainable basis for containing fiscal deficits and improving Nigeria's long-term fiscal stability.

Recommendation

Based on the findings, the study makes the following recommendations:

1. The government should strengthen expenditure planning and control to prevent expenditure increases from translating into persistent fiscal deficits. Given the positive and significant effect of GE at the second lag, expenditure commitments should be closely aligned with realistic revenue projections. Greater emphasis should also be placed on productive capital expenditure, while unnecessary recurrent expenditure and administrative costs should be curtailed.
2. Government should maintain expenditure at a level consistent with the productive capacity of the economy. Since GE_GDP recorded predominantly negative and significant effects on fiscal deficit, the emphasis should not simply be on reducing expenditure but on improving its efficiency, productivity and economic returns. Medium-term expenditure frameworks should therefore prioritise infrastructure, human capital and other investments capable of expanding the productive base and future revenue.
3. The positive contemporaneous effect of government revenue on fiscal deficit, followed by significant negative effects in subsequent periods, suggests that revenue mobilisation alone is insufficient unless accompanied by expenditure discipline. Government should broaden the domestic tax base, strengthen tax administration, reduce revenue leakages and improve compliance. Additional revenue should be channelled towards reducing fiscal imbalances rather than creating room for unsustainable expenditure expansion.
4. The negative and significant second-lag effect of GR_GDP indicates that improvements in revenue mobilisation relative to economic output can help reduce fiscal deficits over time. Government should therefore pursue policies that sustainably increase the revenue-to-GDP ratio through improved tax collection, formalisation of economic activities, digitalisation of revenue administration and reduction of exemptions and

leakages. Such measures should be designed to broaden the tax base without unnecessarily discouraging private investment.

5. The negative and significant error correction coefficient (-0.3423; $p = 0.0107$) indicates that approximately 34.2% of short-run disequilibrium is corrected each period. Government should therefore adopt a consistent medium- to long-term fiscal consolidation framework rather than relying on short-term deficit-reduction measures. Fiscal rules should be strengthened and budget implementation closely monitored to ensure that temporary fiscal deviations do not become persistent imbalances.

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