
COMPARATIVE ANALYSIS OF COMPONENTS OF NIGERIA'S 2023 BUDGETARY ALLOCATIONS: A BUDGET OF FISCAL SUSTAINABILITY AND TRANSITION

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Abstract;

This paper conducted a comparative analysis of components of Nigeria's 2023 budgetary allocations termed budget of fiscal sustainability and transition proxied by fiscal (FS) sustainability (i.e) proxy to sustainable economy, Oil production (OP), debt services (DS), average exchange rate (AEXR) and inflation rate (INFR). Auto-regressive distributed lag (ARDL) technique was adopted for the analysis. The study discovered that that debt service had positively impact on fiscal sustainability in Nigeria. Debt servicing has significant impact on the fiscal sustainability because of its positive relationship with GDP, while exchange rate had negative significant relation to fiscal sustainability. The paper recommended that the allocation amount or value should be adjusted based on the inflation rate. Priority should be given to key sectors of the economy such as agriculture and manufacturing sectors and sectional allocations based on ethnic group mostly on infrastructural provisions should be avoided to ensure even distribution and provision of infrastructure in the country.

Keywords; Analysis, components, Budgetary Allocations, Fiscal Sustainability, Transition

Introduction

It is important to put up an outlay of modalities to earning income/revenue and apportion their expenditure according to set priorities. It means that budgets are planned based on projected income and assumed values. It is comprehensive when both revenue and expenditure are planned and distributed to various chosen components. The economic sectors are chosen and apportionments prioritized to achieve desired objectives of wise spending (Jacobs, Helis & Bouley, 2009). There are types of budgets mainly; gender, surplus, balanced, and deficit budgets (Obadan, 2000). Budgetary considerations are essential as an instrument for understanding the focus of revenue and expenditure. These considerations include; data for the Past Year, data for the current Year, data for the Budget Year, data for the out years, allowances to show the effect on the budget totals of a proposal that would affect many accounts and the baseline. The baseline as provided in BBEDCA specifies that funding for discretionary programs is inflated from the most recent enacted appropriations using specified inflation rates. The reason is to capture or consider “Current Services Estimates,” and provide more information on the baseline. And the baseline provides estimate of the receipts, outlays, and deficits or surpluses that would occur if no changes were made to current laws and policies during the period covered by the budget. It has been found that there the 2023 budget proposal is bedeviled with defects (Ayo Teriba, A., Muda Yusuf, & Ademola, 2023). The 2023 budget was pegged at N20.52tn with revenue projection of N16.87tn against budget of N17.13tn for 2022.

Worrisome is the controversy surrounding the reductions in budget component values of 2023 from the values of 2022 budget on both the revenue and expenditure sides of the budget. The affected revenue components of the budget are; oil revenue dropped from N3.36tn to N1.92tn. This has been attributed to crude oil theft mostly in the Niger Delta. The implication is projected revenue will be affected hence its effect on fulfillment of the objectives of the budget. Another challenge is the level of corruption in the high places and insecurity in the oil rich Niger Delta. Another is increased non-oil revenue from N2.13tn in 2022 to N2.43 in 2023.

However, on the expenditure side of the budget, affected components are the statutory transfers dropped from N0.87 in 2022 to N0.74 in 2023. The consequence is that the capital expenditure dropped from 5.47tn in 2022 to N5.35tn in 2023. The debt services dropped from N6.61tn in 2022 to N6.31tn in 2023. Sinking fund dropped from N0.27tn in 2022 to N0.25 in 2023. Also considered among the affected budget components comparison is non-oil recurrent expenditure dropped from N6.91tn recorded in 2022 to N8.27tn in 2023 (The Nation, 10th Oct. 2023). The question raised is how well is the projected budget going to impact on the economy? Can sustainable budget transform to economic growth? To take a stand on this issue, it is imperative to conduct a comparative analysis of Nigeria's 2023 budgetary allocations as budget of fiscal sustainability and transition. Aim of this paper is to conduct a comparative analysis of components of Nigeria's 2023 budget of fiscal sustainability and transition. Specifically, this paper conducted analyzes of the projected effects of 2023 budgetary allocations on Nigeria's economy not limited to; (a) investigate the impact of the budget on the economy, (b) find out the difference in the value of the components and (c) to inquire into the differences in values of capital expenditure and revenue.

Literature Review

Conceptual Understanding

Budgets must comprise various components to ensure equity and probity to ensure sectoral allocation of funds in every fiscal year. The major components captured in the 2023 budget are discussed below;

Budget Analysis

It encompasses study, examination, explanations and evaluation of budget components expenditure and revenue. The use of budget reflects ratios which help to understand or improve understanding of issues such as the implementation level or budget structure. The objective of budget in the public sector is to control and predict future budget expenditures needs for decision making as a prelude for the preceding year's budget preparation (Ogujiuba & Ehigiamusoe, 2014). The International Public Sector Accounting Standards Board (IPSASB) 2014 defined a number of basic concepts related to the budget, some of which are presented below: Benchmark Oil Price explains the paged price of oil based on OPEC decision which is the price that must not be bargained above but can be bargained lower when there is excess supply of crude in the international oil market.

Oil Production

Volume of oil production (bpd) is the total production of oil per day on a country based on the capacity of equipment and facilities. This local production capacity is not fixed by the OPEC rather based on the capability of the exploitation equipment.

Oil Price Benchmark

This is one of the major determinants of the total value of budgets and the amounts allocated to each component of sector of the economy. The benchmark is the OPEC set global oil price that should not be sold above. This also affects the OPEC quota which is the quantity of crude every Oil producing country is expected to present to the international oil market for sale. Any quantity of crude above the OPEC set quantity is sold as excess crude which is usually below the OPEC price (Omelehinwa, 1989). Every national budget is proposed based on the oil benchmark which establishes maximum likelihood price of oil within the year for the budget projections. It is based on this price that budgets proposals are made. When oil price is forecasted, then CBN can forecast or project revenue and expenditure for the fiscal year (Premchand, 2000).

Inflation Rate

This is the increase in the price of goods and services in country. Inflation does not consider the value of goods rather it is determined by the cost of production which most times is not realistic.

Exchange Rate

Exchange rate is the price at which the domestic currency is exchanged for foreign currencies. It is the rate at which one currency will be exchanged for another, that is, the value of a country's currency in terms of another. This variable theoretically exerts a negative impact on economic growth provision in Nigeria. The continuous depreciation of the value of naira against the dollar creates tension on the weight currencies of developing economies. It is usually paged and determined by the market value of goods and services. The determining values are based on the value of dollar exchange being world's dominant currency.

Pensions, Gratuities & Retirees' Benefits

Pension; explains the fund an employee is paid by the employer on retirement from service as retirement benefit paid by the employer usually to cover greater percentage of contributions or deductions on retirement (Ekaette, Owan, & Agbo, 2019).

Gratuity; Gratuity explains the money an employer pays to an employee for the services rendered during his/her service years. It is usually after a minimum of five years service rendered to an organization or government by an employee without gap. Gratuity can only be given when the employee completes a minimum of five years of service with an organization. However, these five years must be continuous and there should be no gap in the services of the employee with that company. It is computed with respect to the last earned income or salary in the last year of service based on the gratuity Act of 1972.

Retirement benefits account for accrued benefits payable to employee who is a pension scheme member on retirement or earlier withdrawal from service. It could be in the form of retirement pensions; retirement lump sums, gratuities such as dependants' pensions or death benefits which is payable to dependents of demised staff (Ogujiuba & Ehigiamusoe, 2014).

Average Exchange Rate;

This explains twenty days (20) of trading, its average prior to closing date. It is the official exchange rate average based on the official rate enforced in a country on the first and last business days of trading on the quarter of the calendar which differed payment was made. This is computed by dividing total amount of all earlier transactions in the foreign currency by total amount of all earlier transactions in the accounting currency. It also means taking the difference between the current and prior GDP level and divides that by the previous GDP level.

Average Exchange Rate can further be explained as the average of the official exchange rate in enforced in a country for financial transactions on the first and last business day of the calendar quarter for which the Deferred Purchase Payment is being paid. This method calculates the average exchange rate for these transactions as a result of exchange rate assigned to outgoing transaction. It can also be expressed by taking the difference between GDP values from one period to the next as a proportion of the GDP from the earlier period, usually multiplied by 100 (Kitov, 2005).

Capital Expenditure

This is when firms use fund to upgrade, acquire or maintain physical assets such as property, plants, buildings, technology, or equipment. it includes purchase of land, equipment, building, vehicle, a new factory or existing fixed asset. According to Ayeni, & Olamide, (2020), Capital Expenditure is a type of financial outlay is made by companies to increase the scope of their operations or add some future economic benefit to the operation.

Statutory Transfer

Transfers are compulsory payments to agencies of government such as national assembly, directorates and other government institutions. It is the acceptance of monies for the purpose of transmitting them to persons resident in Nigeria or another country. However, transfer can be seen from different perspectives. These transfers are not limited to;

Voluntary Transfer

This explains the certificated employee movement from a particular location to another at different sites under agreement with employee.

Involuntary Transfer

It is any transfers or shares transfer, may be in the case of;

- (a) natural member or in the event of member's death through competent adjudicated court process
- (b) trust through a member or termination of trust.

- (c) trust as a result of dissolution or winding up of member's partnership
- (d) Fiduciary of the distribution estate for members by interest in a company
- (e) In case of a member's distribution of an estate by the interest in an organization.

In the case of filing a member's certificate of dissolution, revocation of charter or its equivalent, for an organization.

Securitization Transfer

This is the transfer of a Mortgage Loan to an entity, trust, privately or publicly-issued, rated or unrated mortgage-backed securities transaction.

Asset Transfer

It explains lease, sale of exclusively licensed substantial assets of the assets of the company.

Agency Transfer

It has to do with the purchase, transfer or sale of some or all of the Mortgage Loans under the cash purchase program or its MBS Swap Program (Special Servicing Option) or to Freddie Mac under its Freddie Mac Cash Program or Gold PC Program, retaining the company as servicer..

Debt Servicing

Debt service explains the needed money to finance interest and principal outstanding in a particular period. Debt service is the sum for the repayment of both principal and interest. It is the cash for the liquidation of financial obligations such as interest, loans, bonds, term loans, or working capital loans (Adesola, 2010). The term describes the financial actions of a country, or organization to defray or set off her financial obligations. It could also be individuals in financing his/her loans, credit cards, home mortgages and others. It is the regular payments for debts.

Recurrent Expenditure (Non-debt)

This explains that consistent expenditure of government which does not assist/contribute to economic development Such as cost of tax collection, cost of audit, printing of notes, internal law and order, expenditure on defence and all payments other than for capital assets, including on goods and services, (wages and salaries, employer contributions), interest payments, subsidies and transfers are considered as non-developmental expenditure. They differ from recurrent expenditures such as wages and salaries, employer contributions, interest payments, subsidies and transfers (Aregbeyen, & Akpa, 2013).

Budget Deficit

This accounts for more spending under less income/revenue. By the time the budget is exhausted, it may lead to emergency which may lead to financial pressures. The pressure and struggle to fill the gap in spending if not prepared (Teriba, Yusuf, & Ademola, 2023) asserted that deficit may lead to increased spending due to inflation and possible exchange rate where the funds to fill the gap is not readily available.

Types of Budget Deficits

Budget deficit is in three forms namely: (a) Fiscal deficit, (b) Revenue deficit and (c) Primary deficit.

Fiscal Deficit

Fiscal deficit explains existing difference between government's total revenue and total expenditure. It shows the required total borrowings by the government. It is excluded when computing government's total borrowing. It is the shortfall in income of the government when compared to her expenditures. The meaning is that the government is spending more

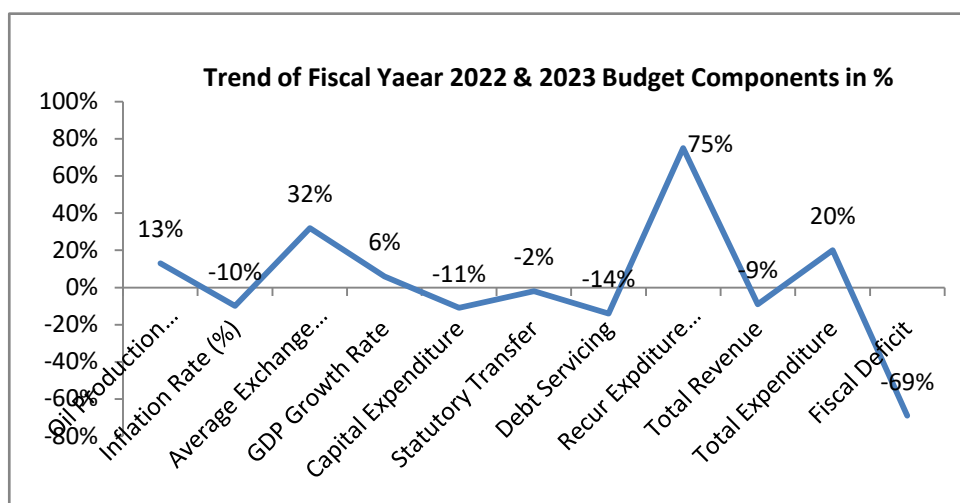
than her income or revenues (Ezeabasili, Mojekwu, & Herbert, 2012). Computation of fiscal deficit can be done in the following manner:

$$\text{Fiscal deficit} = \text{Total expenditures} - \text{Total receipts excluding borrowings}$$

Objectives of 2023 Budget

The 2023 Budget of Fiscal Sustainability and Transition was designed to achieve the following strategic objectives of the National Development Plan 2021 – 2025 not limited to; (i) enhance macroeconomic stability, human capital development, and food security, (ii) promote industrialization focusing on Small and Medium Scale Enterprises, (iii) improve business environment and transport infrastructure, (iv) improve defence and internal security, (v) ensure energy sufficiency, (vi) boost manufacturing and (vii) economic performance (Ajayi, 2022).

Fig. 1. Analysis of 2022 vs 2023 Fiscal Year Component Difference in Percentage



The figure 1 diagram revealed that many of the components were in deficit. Such as oil production, GDP Growth, capital expenditure, statutory transfers, and recurrent expenditure. The implication is that objectives of the budget in these areas are not achievable considering possible struggle to generate funds to complete required on needed expenditures or services in these sectors.

Oil production revealed -10 per cent. This is followed by GDP growth rate of -11 per cent. The capital expenditure revealed -2 per cent deficit while a deficit of -14 per cent was found in debt services. While recurrent expenditure showed -9 per cent. The implication is that all these components will require additional sum or allocations to fully accommodate all that are required in administering services involved in those components.

The Classical Approach (Balanced Budget)

Annual balanced budget is favoured by the Classical Economists. The assumption of Classical budgeting is that there should not be borrowing to finance deficit budget revenue and expenditure. And government expenditure must be sponsored by current revenues while capital expenditure such as self-liquidating projects and emergencies can be sponsored through borrowings. This approach accepts full employment economic conditions. The implication is that government borrowing during situations of full employment withdraws funds that would have been used for more productive and efficient purposes in the private sector to finance unproductive public sectors of the economy.

The Classical was against extravagant government expenditure activities. They asserted that currency devaluation is always as a result of deficit budgeting. They were of the view that government should carry economic responsibilities according to her fund and adopt balanced budgeting. Secondly, the Classical consider unemployment situations and control of the economy as normal through budgetary approach. This is contrary to Keynesian view which sees conditions of full employment as abnormal conditions with some challenges or under-employment in the economy. Therefore, to guarantee high employment level and control of fluctuations in the economy, flexibility in budgetary allocations is appropriate.

Empirical Literature Review

Several studies have shown the effect of sustainable budgetary allocations on economic growth and development; (Obadan, 2000, Teriba, Yusuf & Ademola, 2022 and Ogujiuba & Ehigiamusoe, 2014). The table below is adopted summary of the reviewed empirical studies done in Nigeria and elsewhere as used by Thabani, (2018) in his study on modeling and forecasting naira/USD exchange rate in Nigeria: a box -Jenkins Arima approach.

Author	Year	Country	Method	Key Findings
Uma, Eboh, & Obidike,	2013	Nigeria	Ordinary Least Square (OLS)	Gnverse relationship between total domestic and external debt to real gross domestic product,
Ayaraman & Choong	2011	Fiji	Long-run estimation of equilibrium model	there has been no large, persistent instance of misalignment of Fiji's Real Effective Exchange Rate (REER).
EZeabasili, Mojekwu & Herbert	2012	Nigeria	Modeling & co-integration techniques	Positive but insignificant relationship between inflation and fiscal deficits in Nigeria
Okafor, Etim & Efang	2012	Nigeria	Auto-regressive Distributed Lag (ARDL) Model	Budget evaluation had a positive and significant impact on the Nigerian economy.
Jimoh, Ejabena & Pibowei	2012	Nigeria	Ordinary Least Square (OLS)	Gross federation, state & government allocations, value added taxes, and external
Olusegun1, Oladipo, & Omotayo	2013	Nigeria	Covariance estimate method	significant impact of debt servicing on economic growth but negative on domestic product.
Uche	2014	Nigeria	Regression Analysis	Deficit Financing, Non-banking Deficit Financing (NBPF) & Exchange Rate significantly affect Economic Stability
Hossein-Ali	2016	Asia	Group estimation-based error correction model	Budget deficit, real GDP and exchange rate are statistically significant determinants of inflation
Ibekwe, Nwokoye & Ekemini	2016	Nigeria	Ordinary least square technique	Deficit financing has positive but not significant impact on real GDP
Manion, Ralston Matthews, & Allen	2017	Nigeria	Budget analysis method	Ability to monitor state allocation and work with governments are important in budgeting
Edeme & Nkalu	2017	Nigeria	Descriptive Statistics	Level of capital budget implementation cannot foster the desired development
Odigwe, & Jos.	2018	Nigeria	Descriptive statistics	Low allocation to education between 2009-2018 below UNESCO benchmark.
Eze	2019	Nigeria Venezuela & Norway	ARDL estimation technique	Decrease in revenue due to deperdent on oil

Methodology

This study examined the long run effect of 2023 federal budgetary allocations as a budget of fiscal sustainability in Nigeria using the budget components proxied by oil price Benchmark, oil production volume (bpd), inflation rate, average exchange rate, GDP growth rate, capital expenditure, statutory transfer, debt servicing, recurrent expenditure (non-debt), total revenue, total expenditure and fiscal deficit as released by federal budget office 2023. These variables act as mediating factors. In this article, linear regression model analysis is performed. In assessing the relationship between the budget components used as variables. Analysis will be carried out by first presenting the descriptive inferential statistics such as regression correlation.

Data Presentation

The budget of sustainability proposed for 2023 by the federal government revealed Revenue and Expenditure budgets of ₦9.73 trillion for 2023 and ₦20.51 trillion, respectively, resulting in ₦10.78 trillion fiscal deficit, which represents 4.78% of GDP. The budget has the following key proposed fiscal parameters between the approved 2022 and 2023 Budgets shown in table 1 below:

Table 1. Federal Government of Nigeria Fiscal Year for 2022 and 2023 Budgetary Allocation

Budget Assumption/Fiscal Parameter	2022 Approved Budget	2023 Proposal Budget	Percentage Change (%)
Benchmark Oil Price	US\$62 Par barrel	US\$70 per barrel	
Oil Production Volume (bpd)	1.88tn	N1.69m	13
Inflation Rate (%)	13%	17.16%	-10
Average Exchange Rate	N410.15/US\$1	N435.67US\$1	32
GDP Growth Rate	4.20%	N3.75%	6
Capital Expenditure	N5.47tn	N5.35tn	-11
Statutory Transfer	N860.67bn	N744.11tn	-2
Debt Servicing	N3.61bn	N6.31tn	-14
Recurrent Expenditure (Non-debt)	N6.91tn	N8.27tn	75
Total Revenue	N10.74tn	N9.73tn	-9
Total Expenditure	N17.13tn	N20.51tn	20
Fiscal Deficit	N6.30tn	N10.78tn	-69%

Source; Federal Budget Office, 2023.

Model specification

This study uses empirical data obtained from budget office 2023 being project proposal by the president of Nigeria. This is mathematically formulated in the following terms;

$$Y_{it} = \alpha_{it} + \beta_1 OP_{it} + \beta_2 FS_{it} + \beta_3 DS + \beta_4 AEXR_{it} + \beta_5 INFR + \epsilon_{it} \text{ --- (1)}$$

Where;

Y = Dependent variable (Fiscal Sustainability)

$\beta_1 - \beta_4$ = Coefficients of independent variables

$FS = f(OP, FS, DS, AEXR, INFR, \dots)$ --- (2)

α = the constant term

FS = fiscal sustainability (i.e) proxy to sustainable economy

OP = Oil production

DS = Debt Service

$AEXR$ = Average Exchange Rate

$INFR$ = Inflation Rate

ϵ = Stochastic Error Term

Analysis of Data and Results

Estimation of Covariance and Descriptive Statistics

Table 2. Descriptive Statistics Table

Variables	LOG(FS)	LOG (OP)	LOG (DS)	LOG (AEXR)	LOG (INFR)
Mean	12.74182	8.674212	8.417511	10.31452	10.31452
Std. Dev.	2.344621	1.671706	1.25061	1.916866	1.156503
Skewness	-0.18343	-0.705415	-0.101035	-0.216617	-0.015155
Kurtosis	1.686253	2.342327	1.510221	1.855272	1.717646
Jargue-Beta	2.081141	3.574653	2.268154	1.616628	1.50253
Probability	0.341285	0.14725	0.203237	0.312531	0.337411
Observations	10	10	10	10	10

Source: Author's Computation (2022)

Table 2 showed the descriptive statistics of values of fiscal sustainability average values (FS), oil production (OP), debt servicing (DS), average exchange rate (AEXR), and inflation rate (INFR), reflecting 12.74182, 8.674212, 8.417511, 10.31452, 10.31452 with a standard deviation revealing fiscal sustainability in variables volatile with 2.344621 with rate if inflation least in the volatility of variables showing 1.156503. Analyses in the table further revealed negative skewness statistics variables. The Kurtosis statistics showed a leptokurtic exchange value, implying peaked relative and normal distributions that is bell shaped Jargua-Beta statistic for normal null hypothesis for the variables expected fiscal sustainability (FS) cannot be rejected at 5% significant level being at 5% level of confidence.

Table 3 Unit Root Test

Variables	Level	After Difference	Status
LOG (OP)	-2.358	-3.615	1(1)
LOG (FS)	-1.606	-4.514	1(1)
LOG (DS)	-2.708	-5.428	1(0)
LOG (EXR)	-2237	-3827	1(1)
LOG (INFR)	-2133	-5058	1(1)

Source: Author's computation (2022)

Augumented Dickey-Fuller test was employed in the variables stationarity investigation. The unit root test revealed stationarity of all variables. The table 3 test indicated stationarity of of all variable at first difference without the rate of inflation that is stationary at level. This integration order mix uses Auto-regression model Distribution Lag Bound techniques of co-integration due to it estimation techniques which can accommodate integration mixed order.

Estimation of Co-integration

Table 4 co-integration test

Model Estimation	F-Statistics	
81.7137		
Critical Value	Lower Bound	Upper Bound
1%	3.05	3.14
5%	2.28	2.27

Source: Author's computation (2022)

Bound co-integration shown in table 4 above showed that 81.7137 for F-statistics greater than upper and lower critical bound at 5% explaining co-integration presence in the variables in the model.

Table 5. Diagnostics Tests

Heteroskedasticity test;	F-Statistic 1.31	Prob. F(21 2) 0.136
Breusch-Godfrey Serial		
Breusch-Godfrey Serial	F-Statistics 2.363	Prob. F(2, 1) 0.310
Correlation test		
Ramsey RESET test	F-Statistic 2.455	Prob. F(1, 2) 0.2.46

Source: Author's computation (2022)

Regression Estimates on Debt Servicing and the Budget of Fiscal Sustainability

ARDLEM as shown in table 5 above revealed negative and significant impact of the Average Exchange Rate fiscal sustainability of the 2023 budget. Being a major determinant of growth level of a country, a country's higher currency value explains growth level less import and more export devoid of inflation adjustment of value of goods and services. It shows expensiveness of a country's products in the international market. This confirms the apriori expectation who found that positively impacted inflation will has a positive effect on fiscal sustainability. It was also discovered that the rate of inflation (INFR) impacted positively on fiscal sustainability. This agrees with the findings of Olusegun, Oladipo, & Omotayo, (2013) who found a positive impact of inflation on gross domestic product. The paper also revealed debt servicing has positively significant impact on fiscal sustainability. The impact is that managed debt servicing can improve productivity and sustain the economy of a country. This also conforms with the finding of Ajayi, (2022). This finding as proposed in the apriori expectation also that if debt services are properly managed in the country it will improve the level of the economy positively.

To add, the regression in table 4 below revealed analysis of the results of Error correction. which showed negative and significant of the term at 5% confidence level. In addition, the table below displayed the Error Correction Mechanism results which revealed the level of adjustment within the model. The result showed that the ECM term is. It revealed coefficient of -0.15 percent in the preceding year's fiscal sustainability. This is being rectified by Exchange Rate, Inflation rate. This error correction further revealed possible adjustment of the model to suit speedy equilibrium.

Table 6. ARDLECM Regression

Variables	Coefficients	Std. Error	t-Statistic	Prob.
DLOG (OP)	-3.482	0.118	-14.248	0.001
DLOG (FS)	1.873	0.041	27.381	0.002
DLOG (DS)	3.651	0.164	16.213	0.003
DLOG (EXR)	-0.616	0.121	-2.078	0.043
DLOG (INFR)	0.815	0.055	12.810	0.007
Coint-Eq.(-1)*	-0.15	0.003	-33.141	0.001
R-squared: 0.888			Adjusted R-square 0.997	
Log likelihood:31.4675			Durb-Watson Statistic 1.661	

Source: Author's Computation (2022)

Diagnostics Tests

The table 6 Diagnostics tests are conducted to determine the appropriateness and robustness of the estimate. This study conducted a Breuch-Godfrey Serial Correlation LM and heteroskedasticity ARCH tests. The results of the normality test indicated that the Jarque-Bera probability value was greater than 0. 05 confidence level indicating that the residuals from model were normally distributed. Also, Breusch-Godfrey Serial heteroskedasticity ARCH tests showed that the residuals are Homoskedasticity. Furthermore, Breuch-Godfrey Serial Correlation LM revealed that there is no serial correlation in the estimates. Lastly, Ramsey RESET Test indicated that it is appropriate and free from error

Sectoral analysis of the 2023 budget Deficiency

A critical look into allocations to key sectors of the economy in the 2023 budget when compared to allocated amounts for 2022 is discussed below;

2023 Budgetary Allocation to Education Sector

In the 2023 budget, a total of N1.08tn was allocated to education in the fiscal year representing 5.3 per cent of the total budget sum. This revealed a marginal increase of N4,153 per capita records in 2022. This is different from South Africa which had 26 per cent of her national budgetary allocations apportioned to education.

2023 Budgetary Allocation to Health Sector

When compared to the previous year budget, it was discovered that the sum of N1.09tn was apportioned to health sector in 2023 showing better and improvement when compared to N714bn in 2022 accounting for 5.4 per cent of cumulative budgetary amount last year. In the same vein, South Africa dedicated 11.9 per cent of her budget expenditure to the health sector in 2023.

2023 Budgetary Allocations to Security

Recorded budgetary allocations to security in the 2023 budget showed that the sum of N1.25tn was votes to ministry of defense which revealed an improvement of when juxtaposed with that of 2022 budgetary allocation to security in 2023. This amount accounted for 6.1 per cents in the entire budget.

Author's Observations from the 2023 Budgetary Allocations

In spite of the huge gap in infrastructural provision, Nigeria is still struggling with bad road network, no-steady electricity, inadequate railway system and others due to the reduction of capital expenditure from N5.96tn in 2022 to N5.35tn in 2023.

Apportioned allocations to education in 2023 is significantly lower than the benchmark of 26 per cent allocation which should be up to 6 per cent of the national GDP as approved by United Nations Educational Scientific and Cultural Organization (UNESCO).

Allocation to the health sector contravenes the World Health Organization's benchmark which stipulated that 15 per cent the annual budget should be dedicated to the health sector of every country. It was observed that the sum of N4, 935b in 2023 compared to the sum of N3, 295b in 2022.

The projected budget of N21.1tn in 2023 for a country struggling with inflation adjusted prices of goods and services is not going to achieve desired objectives when compared to N9.73tn in 2022. This is true following the increase in oil stealing and consequent lowering of the crude oil output. In real terms, if we factor the inflationary effects in the economy using price adjustments, it will be observed that budget of 2022 is higher than that of 2023.

Conclusion

This paper conducted a comparative analysis of components of Nigeria's 2023 budgetary allocations termed budget of fiscal sustainability and transition proxied by fiscal (FS) sustainability (i.e) proxy to sustainable economy, Oil production (OP), debt services (DS), average exchange rate (AEXR) and inflation rate (INFR). Budgetary allocations have been implemented out of the struggle for adjusted value/prices of goods and services in Nigeria. Auto-regressive distributed lag (ARDL) technique was adopted for the analysis. The paper concluded that debt service had positively impact on fiscal sustainability in Nigeria. Debt servicing has significant impact on the fiscal sustainability because of its positive relationship with GDP, while exchange rate had negative significant relation to fiscal sustainability.

Recommendations

If any federal budgetary allocations are to be productive for fiscal sustainability, recommendations not limited to the following should be adhered to;

- (a) There should be adjustment in amount of allocation based on the inflation rate.
- (b) Priority should be given to Key sectors of the economy such as agriculture and manufacturing sectors.
- (c) Sectional allocations mostly on infrastructural distributions should be avoided to ensure even distribution and provision of infrastructure in the country.

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