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EFFECTS OF OIL REVENUE ON GOVERNMENT EXPENDITURE PERFORMANCE IN NIGERIA USING CORRUPTION CONTROL AS A MODERATING VARIABLE

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ABSTRACT

Effective revenue generation and corruption control play crucial roles in enhancing economic development, government performance, and citizen welfare. However, their full potential to positively impact government expenditure performance in Nigeria remains a concern. This study aimed to assess the effects of oil revenue and corruption control on government expenditure performance in Nigeria. Specifically, the study examined how these factors influence government expenditure, considering the moderating effect of corruption control on the relationship between oil revenue and government expenditure. Inflation and foreign exchange rates were included as control variables. A longitudinal and time-series research design was used, with data collected from secondary sources, including published annual reports spanning 30 years (1993-2022). The data were analyzed using the autoregressive distributed lag (ARDL) model to estimate the regression equations. The results indicated that oil revenue ($\beta = 0.96879$; p-value = 0.000) had a significant positive effect on government expenditure. Additionally, the moderating effect of corruption control ($\beta = 0.956351$; p-value = 0.000) on the relationship between oil revenue and government expenditure was significantly negative. The study concluded that both oil revenue and corruption control significantly influence government expenditure performance, with oil revenue having a positive impact and corruption control a negative one. The study recommends reducing dependence on oil revenue, improving the

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collection and management of non-oil revenue, strengthening oversight functions, and implementing effective corruption control measures to achieve prudent debt management, effective fiscal strategies, and efficient government spending.

KEYWORDS: - Corruption, Foreign exchange rate, Government expenditure, Inflation rate, Public debt, Oil revenue.

1.0 INTRODUCTION

Globally, relationship between oil revenue and government expenditure performance is critical to understanding the fiscal dynamics within oil-dependent economies such as Nigeria. For decades, Nigeria has relied heavily on oil revenue to fund its public expenditures, making the country's economic performance highly susceptible to fluctuations in global oil prices. Oil revenue forms a significant portion of Nigeria's fiscal income, and this dependency has shaped the government's budgeting, spending, and policy-making approaches (Asaolu et al., 2018). When oil prices are high, increased revenue often leads to expansive government expenditures aimed at boosting infrastructure, social services, and other areas of public interest. Conversely, during periods of low oil prices, revenue shortfalls frequently trigger budgetary deficits and constrain public expenditure, impacting the efficiency and performance of governmental functions (Olusola & Ayodeji, 2019).

Substantial contribution of oil to Nigeria's Gross Domestic Product (GDP) and government income underscores its critical role in economic and fiscal policy decisions (World Bank, 2023; International Monetary Fund [IMF], 2023). Nigeria's reliance on oil revenues to fund public expenditure has driven significant government investments in infrastructure, education, and healthcare (Adeniyi & Omisakin, 2022). However, the volatility in oil prices and the challenges in effectively managing these revenues raise concerns about the sustainability and efficiency of government expenditure in achieving optimal economic growth and development (Akintoye & Kadiri, 2023).

Furthermore, excessive reliance on oil revenue has contributed to fiscal mismanagement and limited the government's accountability. Studies indicate that high oil revenue often leads to greater expenditure on non-productive activities rather than on sustainable development projects (Onye & Ogbonna, 2021). Consequently, government spending fueled by oil revenue has not consistently translated into improved socio-economic outcomes, raising concerns about the effective utilization of these resources (Eze & Okoye, 2022). Moreover, oil revenue dependency tends to reduce incentives for tax reform and domestic resource mobilization, which could otherwise help stabilize government income during periods of low oil prices (Sala-i-Martin & Subramanian, 2018).

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In recent years, the Nigerian government has attempted several policy interventions aimed at improving the management of oil revenue to bolster fiscal discipline and enhance expenditure performance (Akpan & Effiong, 2020). For example, initiatives such as the Sovereign Wealth Fund and the Excess Crude Account were created to manage oil price volatility and ensure that surplus revenue could be channeled towards economic stability during downturns. Despite these efforts, significant challenges remain, as evidenced by persistent budget deficits and rising public debt levels (Mohammed & Bello, 2023). Critics argue that these mechanisms have not achieved their intended outcomes due to political interference, lack of transparency, and institutional weaknesses within Nigeria's public finance management framework (Udoh & Essien, 2021).

Despite the high potential of oil revenues to enhance government expenditure performance, the issue of corruption has moderated this effect, often leading to inefficiencies, misallocation of funds, and reduced public sector performance. Corruption remains a significant constraint on economic development, with widespread implications for fiscal accountability and public trust in government institutions (Transparency International, 2024; Egbetokun et al., 2023). Studies have documented how corruption exacerbates financial leakages, weakening the transformative impact of oil revenue on government performance (Ogbonnaya & Madueke, 2023). This undermines the capacity of fiscal policies to foster inclusive growth and address socioeconomic inequalities (Oladele, 2023). Therefore, addressing corruption is essential for maximizing the positive effects of oil revenue on expenditure performance.

This study investigated the effect of oil revenue on government expenditure performance in Nigeria, using corruption control as a moderating factor. Prior research indicates that when robust mechanisms for corruption control are in place, the impact of oil revenues on public expenditure performance improves, enabling efficient allocation of resources and enhancing the effectiveness of public services (Ibrahim & Mohammed, 2023). This moderating role of corruption control may thus be critical for policy frameworks aimed at maximizing revenue impact and minimizing fiscal inefficiencies (Adamu et al., 2023). The current study contributes to this literature by investigating the nuanced relationship between oil revenue, government expenditure performance, and corruption control, offering insights into how inflation and foreign exchange rates as control variables could impact the relationships. It will provide insights into how oil revenue volatility has influenced government expenditure and explore policy recommendations to enhance fiscal stability and expenditure effectiveness in Nigeria's context.

2.0 LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1.1 Government Expenditure Performance

Government expenditure performance refers to the effectiveness with which public funds are used to achieve the intended goals of public policy. It evaluates whether expenditures are in line

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with government priorities and lead to measurable outcomes, such as improvements in infrastructure, healthcare, or education (Akinadewo et al., 2023). It assesses the efficiency of public spending, ensuring that funds are allocated and spent in a way that maximizes societal benefits while minimizing waste and inefficiencies (Awotomilusi et al., 2023). Government expenditure performance is also seen as the contribution of public spending to broader economic growth, poverty alleviation, and social welfare (Awodiran et al., 2024; Akinleye et al., 2021). This definition highlights the role of government spending in national development, including factors like GDP growth, employment, and living standards (Ologunde et al., 2020). It also considers whether actual expenditures align with approved budgets and fiscal policies, focusing on maintaining fiscal discipline. Additionally, government expenditure performance includes aspects such as transparency, oversight, and accountability in managing public funds (Akinolu & Nejo, 2020). This perspective emphasizes whether expenditures are subject to proper scrutiny and whether funds are used appropriately, without corruption or mismanagement. These various definitions each emphasize a different aspect of evaluating government spending, whether in terms of efficiency, effectiveness, economic impact, budgetary control, or accountability.

2.1.2 Oil Revenue

According to Akinadewo et al. (2023) oil revenue is the income a nation or government earns from producing, selling, and exporting oil, which includes crude oil, refined petroleum products, and other related activities within the oil industry. Friedman (2005) describes oil revenue as the financial inflows a country receives from selling oil, which may stem from royalties, taxes, or direct government ownership. For many countries, such as Saudi Arabia, Norway, and Nigeria, oil revenue is crucial for financing their national budgets.

Simply put, a rise in oil prices can stimulate economic growth by increasing the value of crude oil on international markets, though its effect on enterprises and economic growth depends significantly on how the government manages its current and past oil revenue (Awotomilusi et al., 2024). In Nigeria, the economy is highly dependent on crude oil production and export, which serve as primary sources of foreign exchange and government income. Consequently, shifts in oil prices and output considerably affect Nigeria's GDP performance (Igbodika et al., 2016). Uremadu et al. (2020) assert that oil revenues consist of income from crude oil and gas exports, petroleum profit taxes, and royalties.

H_{01}: oil revenue has a positive and significant effect on government expenditure performance in Nigeria

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2.1.3 Moderating Effect of Corruption Control in the Relationship between Oil Revenue and Government Expenditure Performance

Corruption control refers to the strategies and systems implemented by governments, organizations, and institutions to prevent, identify, and address corruption, ensuring that public resources are used properly and that officials are held accountable for their actions (Ibrahim & Mohammed, 2023). This involves the creation and enforcement of laws and regulations aimed at curbing corrupt activities, including anti-bribery legislation, the establishment of anti-corruption agencies, and the development of procedures for prosecuting and punishing corrupt behavior in both public and private sectors (Egbetokun et al., 2023).

Corruption control seeks to minimize the detrimental effects of corruption on economic growth, such as resource misallocation, and ensures that government policies promote fair competition and equitable resource distribution (Transparency International, 2024). It also aims to build an ethical society where transparency, accountability, and integrity are prioritized, strengthening public trust in both governmental and private institutions (Awotmilusi et al., 2023). Additionally, corruption control involves the implementation of proactive measures by governments to prevent the misuse of power for personal or political purposes, fostering good governance, improving public sector efficiency, and ensuring that political decisions serve the public interest (Awodiran et al., 2024). These definitions encompass various aspects of corruption control, from legal and institutional measures to its broader societal and political implications.

H_{o2}: There is a positive and significant moderating effect of corruption control on the association between oil revenue and government expenditure performance in Nigeria

2.2 Theoretical Framework

Resource Dependency Theory (RDT) offers a useful framework for examining how oil revenue and corruption control influence government expenditure performance in Nigeria. The theory highlights how diversifying revenue sources, such as oil revenue, affects a government's ability to reduce reliance on the volatile revenue from taxes, potentially stabilizing fiscal policies and improving expenditure outcomes. RDT was first developed by Jeffrey Pfeffer and Gerald R. Salancik in their influential work *The External Control of Organizations: A Resource Dependence Perspective* (1978), where they argued that organizations depend on external resources to function effectively. This dependency creates power imbalances, with those controlling crucial resources influencing the decisions and strategies of dependent organizations (Pfeffer & Salancik, 1978). According to RDT, organizations (or governments, in this context) rely on external resources to meet their goals. In Nigeria, the over-reliance on oil revenue makes the country stronger in revenue generation, which can lead to fiscal stability (Davis & Cobb, 2010). For Nigeria, oil revenue sources like taxes and fees are key alternatives for ensuring more

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stable revenue and expenditure (Hillman et al., 2009). RDT suggests that organizations adapt by seeking new resources to reduce dependency risks. In the case of Nigeria, increasing oil revenue and implementing corruption control measures could serve as adaptive strategies to lessen fiscal vulnerabilities while improving the effectiveness of these diversified revenue streams (Pfeffer, 1982).

Resource Dependency Theory (RDT) is particularly relevant for evaluating Nigeria's fiscal management, as the country has long relied on oil revenue to increase its revenue generation (World Bank, 2019). By diversifying its reliance on oil and investing in alternative sources of revenue, Nigeria can achieve a more balanced revenue structure, which could help stabilize government expenditure performance (Asongu & Odhiambo, 2019). Furthermore, incorporating corruption control measures improves the government's ability to optimize oil revenue usage, promoting more efficient and accountable spending. RDT's focus on adaptive strategies to reduce dependency offers valuable insight into how Nigeria's government can enhance expenditure outcomes and decrease vulnerability to political risks tied to oil revenue. However, some critics argue that RDT overemphasizes the role of external resources while neglecting the internal capabilities of organizations. In Nigeria's case, a focus solely on external revenue sources might overlook internal administrative inefficiencies that could also affect expenditure performance (Casciaro & Piskorski, 2005). Additionally, some scholars contend that RDT downplays the agency of organizations, assuming they are primarily reactive to external pressures. Governments, however, often make strategic choices beyond these constraints, especially when implementing corruption control measures crucial for improving expenditure efficiency (Hillman et al., 2009). While RDT was originally designed for private organizations, its application to public sector institutions like governments may be limited, as government revenue management is influenced by broader political and economic factors beyond mere resource dependency (Tolbert, 1985). Nonetheless, applying RDT in this study provides a useful framework for understanding the strategic role of oil revenue and corruption control in stabilizing Nigeria's expenditure performance.

3.0 DATA AND METHODS

The study used longitudinal research design and time series data because, the research examined the federal government oil revenue and how it affected government expenditure performance in Nigeria for period of 30 years (1993-2022) taking into cognizance the moderating effects of corruption control on the relationship between oil revenue and government expenditure performance. Secondary data were used, while analysis used descriptive statistics to summarize the central tendency, dispersion, and distribution of these variables. Also, inferential statistics was conducted using autoregressive distributed lag (ARDL) to estimate the regression models which quantify the effects of key economic indicators on total government expenditure. Unit root

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test, ARDL bound Test, serial correlation test, heteroscedasticity test and normality test were conducted in the study.

3.1 Model Specification

The econometric model to assess the effect of non-oil revenue on government expenditure performance in Nigeria was specified below:

$$LGEP_t = \beta_o + \sum_i^p \gamma \Delta LGEP_{t-1} + \beta_1 \Delta LOIR_t + \beta_2 \Delta LCPI_t + \beta_3 \Delta LREX_t + \sum_i^p \beta_1 \Delta LNOI_{t-1} + \sum_i^p \beta_2 \Delta LCPI_{t-1} + \sum_i^p \beta_3 \Delta LREX_{t-1} + \rho ECM_{t-1} + \varepsilon_t$$

Where:
LGEP = Log of Government Expenditure Performance
LOIR =Log of Oil Revenue
LCPI = Log of CPI (Inflation rate)

LREX = log of Real Exchange Rate
β0 = Constant to be estimated (Interception)
β1 – β3 = Coefficient of the independent variables to be estimated
€it = Error Term.

Table 1: Measurement of Variables

Variables	Description	Measurement	Sources
Government Expenditure performance (Dependent Variable)	Total sum of capital expenditure and recurrent expenditure for a period of time	Measure by the log of the sum of capital and recurrent expenditure.	Olanrele (2020).
Oil Revenue (Independent Variable)	Total amount of income generated from the oil sector.	Log of the value non-oil revenue	Akinleye et al. (2021).
Corruption Perception Index (Moderating Variable)	Use to rank countries based on perceived level of corruption by expert opinion survey.	Percentage of misuse of public fund to GDP.	Babajide and Okafor (2024).
Inflation Rate measured by consumer price index (Control Variable)	The rate of increase in prices of goods and services over period of time.	Average change over time in price of goods and services consumed by people.	Akinola and Adekunle (2018)

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Exchange Rate (Control Variable)	The rate at which one (domestic) currency will be exchanged for another (foreign) currency.	Log of real exchange rate	Adeyemi and Adewumi (2022).

Source: Author's Compilation (2024)

4.0 RESULTS AND DISCUSSION

Results from the analysis conducted for this study are explained under the descriptive, correlation, inferential statistics and diagnostic tests.

4.1 Descriptive Statistics

The variables under consideration are oil revenue (OIR), inflation rate (consumer price index (CPI) and real exchange rate (REX). From Table 2, the average total government expenditure (GEP) in Nigeria from 1993-2022 was ₦5107.861billion with a standard deviation of 6449.997 indicating that the data series significantly varied over the years. The skewness is positive, while the P-value of the Jarque-Bera statistics is less than 0.05 suggesting that, the dataset was not normally distributed, but highly skewed to the right. The mean value of the oil revenue (OIR) in Nigeria from 1993-2022 was ₦3554.776billion, indicating that the oil revenue was more than the non-oil revenue over the years. There was a significant variation in the value of oil revenue compared to over the years. Based on skewness values and the P-value of the Jarque-Bera statistics, the oil revenue was normally distributed.

The average consumer price index (inflation rate) was 115.2149, which means that prices increased by approximately 15.21% between 1993 and 2022 compared to the base year. This suggests that inflation was moderate on average over this period. The standard deviation of 109.2347 indicates significant inflation rate fluctuations over time. This could be indicative of economic volatility or inconsistent price stability. The real exchange rate (REXR) has a mean of 114.218 and a standard deviation of 48.466, showing that the real exchange rates across the years are positively skewed and narrowly distributed. In conclusion, the values exhibit a wide distribution around the mean, with some variables deviating from a normal distribution. The variables were converted to their logarithmic forms to address the problem of non-normal distribution.

Table 2: Descriptive Statistics

	GEP	OIR	CPI	REX
Mean	5107.861	3554.776	115.2149	114.2187
Median	2845.858	3910.845	74.07034	101.0421
Maximum	24431.21	8878.970	421.0711	273.0096

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Minimum	160.8932	160.1924	6.198802	54.44336
Std. Dev.	6449.997	2510.586	109.2347	48.46652
Skewness	1.706782	0.225392	1.259247	1.864036
Kurtosis	4.838456	2.113051	3.753210	6.250667
Jarque-Bera	18.79042	1.237355	8.637666	30.58170
Probability	0.000083	0.538656	0.013315	0.000000
Observations	30	30	30	30

Source: Author's Computation (2024)

4.1.2 Correlation Matrix Analysis

Table 3 shows that there is a positive association between government expenditure performance (LGEP) and oil revenue (LOIR), with a correlation coefficient of 0.648, indicating a positive and strong correlation. Also, consumer price index (LCPI) has a positive and strong relationship with government expenditure performance (LGEP), with a correlation coefficient of 0.006, the real exchange rate (LREX) has a positive but weak relationship with LGEP. The highest correlation value, which is 0.786, indicates a strong and negative relationship between the LCPI and LGEP. The value is lower than 0.8, indicating that there is no need to worry about the presence of collinearity issues in the model.

Table 3: Correlation Matrix

	LGEP	LOIR	LCPI	LREX
LGEP	1.000			
LOIR	0.648	1.000		
LCPI	0.786	0.640	1.000	
LREX	0.006	-0.179	0.106	1.000

Source: Author's Computation (2024)

4.2.1 Lag Selection for oil revenue and government expenditure performance

For an appropriate lag length for the first model in this study, VAR lag selection criteria are employed, and the result is presented in Table 5. The Table shows that the results correspond to different criteria across different lags on the variables considered. The lag length selection criteria begin with the specification of maximum lag of 2. An asterisk indicated the selected lag from each column of the criterion statistic. Based on the Final prediction error (LR), Akaike information criterion (AIC) and Hannan-Quinn information criterion (HC), the optima lag length considered for this model is lag length of one (1).

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Table 4: Lag Length

Lag Criterion	0	1	2
Log Likelihood	13.57152	14.57194	14.69065
Sequential modified LR test statistic	NA*	1.630317	0.184657
Final prediction error	0.028978	0.028838*	0.030990
Akaike information criterion	-0.709	-0.709033*	-0.6438
Schwarz information criterion	-0.517026*	-0.4691	-0.3558
Hannan-Quinn information criterion	-0.651917	-0.687677*	-0.5581

** Indicates lag order selected by the criterion*

Source: Author's Computation (2024)

4.2.2. Bounds Co-Integration Test for oil revenue and government expenditure performance

Following the unit root result in Table 6, the study employed ARDL co-integration approach which is bound test to investigate the presence of long-run relationships among the variables. The test is conducted on the variables considered for this model and the result is presented in Table 4.5. From the Table, the computed F-statistic value is 4.827360 which is greater than the upper critical bound values of 4.35. This suggests that the null hypothesis of no co-integration can be rejected at 5% significance level and conclude that there is co-integration. Alternatively, this implies that there is a long run relationship among the variables.

Table 5: ARDL Bounds Test

Critical value	F- Statistics	Lower Bound Value	Upper Bound Value
10%	4.827360	2.72	3.77
5%		3.23	4.35
2.5%		3.69	4.89
1%		4.29	5.61

Source: Author's Computation (2024)

4.2.3 ARDL Analysis

To examine the effect of oil revenue on and government expenditure performance in Nigeria this study employed Autoregressive distributed lag (ARDL) approach. The choice of this method is informed by the fact that all the variables are not integrated of the same order. In these results, the dependent variable is the government expenditure performance (LGEP) while oil revenue (LOIR) is the independent variable and control variables include inflation rate proxied by the consumer price index (LCPI) and real exchange rate (LREX). From the result in Table 4.6, the R2, which is the co-efficient of determination is 0.968 implies that about 96.8% of the variations in government expenditure (LGEP) is explained by all the oil revenue (LOIR) and other

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independent variables. The adjusted R-square of 95.6% shows that even if all the other explanatory variables are included in the model, 95.6% of the variations will still be explained by the selected explanatory variables. The F-statistics (370.485; p = 0.000) is highly significant at 1% level. This confirms the usefulness of the model. Another diagnostic test that confirms the usefulness of the model is Durbin Watson statistics. The Durbin Watson statistics of 2.094 indicates the absence of serial correlation.

Table 6: ARDL Estimates

Short run effect		**Long run effect**	
Variable	**Coefficient (t-statistics)**	**Variable**	**Coefficient (t-statistics)**
D(LOIR)	0.012 (2.598)**	LOIR	0.016(2.595)**
D(LCPI)	1.126(4.861)***	LCPI	1.568(16.082)***
D(LREX)	-0.302(-2.710)**	LREX	-0.049(-0.347)
ECT(-1)	-0.718(-4.702)***	Constant	1.618(1.957)*
R-squared	0.968791		
Adjusted R-squared	0.956122		
F-statistic	370.4851		
Prob(F-statistic)	0.000000		
Durbin-Watson stat	2.094608		

*Note: t-statistics in parenthesis ***, ** and * represent 1%, 5% and 10% levels of significance*

Source: Author's Computation (2024)

Short run and long run effects of oil revenue on government expenditure performance

The selected ARDL representation for the model presented in is ARDL (1, 0, 0, 1). Following the result of the long-run co-integration, the short-run dynamic model estimated in this study shows that ECT (-1) value is -0.718. The ECT (-1) value is negative and significant at 1% level. This negative and significant value confirms the stability of the model. Alternatively, it means that the variables are co-integrated and move towards long run equilibrium. This implies that the current value of LGEP in Nigeria will adjust to change in the explanatory variables. Also, it shows that the speed of adjustment of disequilibrium in the short run towards long run equilibrium is about 71.8 percent as shown in table 4.6. Focusing on the coefficient of the explanatory variables, the result shows that in the short run; at 5% level of significance, a 1% percent increase in LOIR will increase LGEP by 0.012% meaning that oil revenue has a positive and significant effect on government expenditure performance in Nigeria. In the same vein, at 1% level of significance, a 1% percent increase in LCPI will increase LGEP by 1.126% meaning that inflation rate has a positive and significant effect on government expenditure performance in Nigeria. However, at 5% level of significance, a 1% percent increase in LREX will decrease LGEP by 0.302% meaning that real exchange rate has a negative and significant effect on

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government expenditure performance in Nigeria. In conclusion, oil revenue and inflation rate have positive and significant effects on government expenditure performance, while real exchange rate has a negative and significant effect on government expenditure performance in the short run in Nigeria.

Panel B of Table 4.6 shows the long-run dynamics of the relationship between oil revenue and government expenditure performance. From the result, in the long run; at 5% level of significance, a 1% percent increase in LOIR will increase LGEP by 0.016% meaning that oil revenue has a positive and significant effect on government expenditure performance in Nigeria.

In the same vein, at 1% level of significance, a 1% percent increase in LCPI will increase LGEP by 1.568% meaning that inflation rate has a positive and significant effect on government expenditure performance in Nigeria. However, the real exchange rate (LREX) has a negative and insignificant effect on government expenditure performance. In summary, in the long run, oil revenue and inflation rate have positive and significant effects on government expenditure performance, while real exchange rate has a negative and insignificant effect on government expenditure performance in Nigeria. The results additionally reveal that oil revenue has a greater direct and significant impact on government spending in the short term than in the long term. In response to short-term economic requirements or political pressures, governments may quickly transfer oil revenue to expenditures. Over time, this effect may diminish due to oil price volatility, budgetary sustainability, or efforts to diversify the economy away from oil revenue.

Serial Correlation Tests

From the result in Table 8, the insignificant value (Obs*R-Statistic = 0.816; p = 0.664) of the Breusch-Godfrey Serial Correlation LM Test, suggests the acceptance of the null hypothesis of no serial correlation confirming the absence of autocorrelation in the model.

Table 7: Serial Correlation Test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.296386	Prob. F(2,19)	0.7469
Obs*R-squared	0.816876	Prob. Chi-Square(2)	0.6647

Source: Author's Computation (2024)

Normality Test

In Figure 2, the residual of ARDL model has a skewness value of 0.580 and the kurtosis is 4.312. Correspondingly, the JB test value is 3.458 with a probability value (0.177) that is not statistically significant. This indicates that the null hypothesis of normality can be safely accepted and based on this; the study concludes that the error term is normally distributed.

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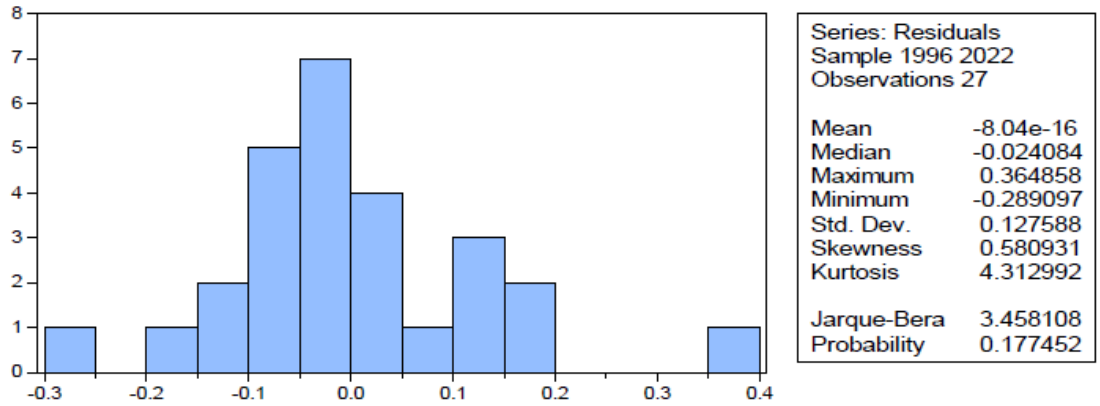
Figure 2: Normality Test



Source: Author's computation (2024)

Heteroskedasticity Test

The Breusch-Pagan-Godfrey reported in Table 9 with statistic values of 15.042 with P-value of 0.130 are insignificant. These statistically insignificant values suggest the acceptance of null hypothesis of no Heteroskedasticity in the error term and conclude that the ARDL model is homoscedastic.

Table 8: Heteroskedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	2.114917	Prob. F(10,14)	0.0973
Obs*R-squared	15.04244	Prob. Chi-Square(10)	0.1305
Scaled explained SS	10.30256	Prob. Chi-Square(10)	0.4144

Source: Author's Computation (2024)

5.0 DISCUSSION OF FINDINGS

This research was motivated by the poor government performance in Nigeria from 1993 to 2022, aiming to examine the impact of oil revenue on government expenditure performance. The results revealed that both oil revenue and the inflation rate have positive and significant effects on government expenditure, both in the short and long term. As a result, the null hypothesis, which suggested no significant effect of oil revenue on government expenditure performance in Nigeria, was rejected at a 5% level of significance. These findings align with the study's expectations and support previous research by Adedokun (2020) and Asher and Novosad (2019), which indicated that oil revenue significantly influences government expenditure in resource-rich economies, though its effects can be mitigated by oil price volatility.

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Additionally, oil revenue plays a crucial role in shaping fiscal policy and actual government expenditure, reducing issues related to revenue management and allocation inefficiencies. Adelegan and Out (2020) similarly found a direct and significant positive relationship between oil revenue and government expenditure performance in Nigeria. Inflation is significantly associated with government expenditure, with nominal spending increasing as inflation rises. This suggests that inflationary pressures contribute to structural increases in government spending over time. Bleaney and Greenaway (2019) and Abonazel et al. (2021) support the view that inflation is linked to government expenditure. Conversely, Adaramola and Dada (2020), Khan and Gill (2010), and Tanzi and Zee (2000) argue that inflation diminishes the real value of government revenue and expenditures, prompting adjustments in nominal spending. Furthermore, inflation indirectly influences government expenditure through its impact on other economic variables, such as exchange rates, interest rates, and borrowing costs. In line with the findings of Aizenman and Hutchison (2018), Calvo and Reinhart (2018), and Edwards and Yeyati (2019), exchange rates are significantly related to government spending.

The study also examined how corruption control moderates the relationship between oil revenue and government performance in Nigeria. The findings revealed that the interaction of oil revenue with corruption has a negative and significant impact on government expenditure performance, both in the short and long term. This revealed the devastating effects corruption increase on both oil revenue and government expenditure performance. Short-term reductions in government spending reflect better corruption control and the elimination of wasteful or corrupt expenditure. Previous studies like, Durand-Lasserve and Karanfil (2023), Adedokun (2020), Jafari et al. (2020), Fasanya and Ogundare (2018), and Aluthge and Jibir (2019), contributed significantly to the understanding of the relationship between corruption control, oil revenue, and government performance. Additionally, researchers such as Hussain et al. (2022), Muktiyanato et al. (2019), and Mirovic et al. (2023) affirmed the importance of corruption control for fiscal performance and governance. However, Ramesh and Vinayagathasan (2023) found that better corruption control could significantly enhance government expenditure efficiency.

6.0 CONCLUSION AND RECOMMENDATIONS

This research explored the impact of oil revenue on government expenditure performance in Nigeria from 1993 to 2022, highlighting the poor performance of government expenditure during this period. The study concluded that oil revenue plays a crucial role in influencing government expenditure performance in Nigeria, with both oil revenue and inflation positively impacting government spending. However, the effectiveness of oil revenue is compromised when corruption prevails. The findings suggest that better management of oil revenue, coupled with stringent corruption control measures, could lead to more efficient and effective government expenditure performance in Nigeria.

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Based on the findings, the study recommends; strengthening anti-corruption measures is essential to ensure that oil revenue is used effectively for national development rather than being misappropriated. Government should reduce its reliance on oil revenue by developing non-oil sectors to ensure a more stable and sustainable revenue base. Policymakers should develop strategies to control inflation, as its negative impact on government expenditure performance is significant and can lead to long-term fiscal challenges. Lastly, efforts should be made to improve the transparency of government spending, ensuring that funds are allocated to essential services and infrastructure projects that promote long-term growth.

Suggestions for Further Studies

Future studies should conduct a structural equation model to show new perspective. Also, additional variables such as political stability, international economic conditions, and governance quality could provide a more comprehensive understanding of the determinants of government expenditure.

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