Interrogating Fiscal Policy for National Economic Growth and Development in Nigeria

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Abstract

This paper explored the role of fiscal policy in driving national economic growth and development in Nigeria through the lens of the Structuralist theory of fiscal policy. The paper identified the strengths and weaknesses of fiscal policies within the context of Nigeria's unique economic structure, marked by its dependence on oil revenues, and highlighted the challenges posed by external factors like global market volatility and internal issues such as lack of public accountability and corruption. The paper found that despite the lessons we ought to have learnt from previous overreliance on oil during the post-independence period, successive democratic administrations in Nigeria continued to depend heavily on oil revenues. It concluded by offering policy recommendations that align with the structuralist perspective to foster inclusive growth, reduce economic disparities and to enhance sustainable development in Nigeria. The study recommended amongst others that Nigeria government should discontinue the use of external debt to finance budget deficit in the economy, but look inward through sustainable internal revenue generation, as well as embrace economic diversification policies, coupled with a drastic cut down on cost of governance in Nigeria.

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1.Introduction

Fiscal policy is a critical instrument for government intervention in the economy, particularly in developing countries like Nigeria. According to the International Monetary Fund (2024), fiscal policy is the term used to describe all of the government's decisions regarding taxation, spending as well as government borrowing strategies aimed at influencing economic activity. Fiscal policy in Nigeria has undergone significant transformations since independence in 1960; initially pigeonholed by colonial structures, it passed through different economic regimes, including periods of military rule and democratic governance with several reforms (Eze, 2024). Notwithstanding the reforms, it can be innocuously argued that fiscal policy in Nigeria tends to be more reactive than proactive, responding to immediate crises rather than long-term developmental goals.

In Nigeria, fiscal policy has been shaped by various factors, including political instability, global economic trends, and persisting domestic challenges such as poverty and unemployment. Olaoye, Al-Faryan and Tabash (2024) aver that Nigeria's history of over-reliance on oil revenues has further complicated fiscal planning, leading to budgetary imbalances and volatility in public expenditure. In contemporary Nigeria, it is argued that the pervasive nature of the macroeconomic impacts of the new fiscal regime has been an enigma with calamitous potential for further distortions of the economy. Critics are of the opinion that the ongoing tax reforms and President Tinubu's withdrawal of fuel subsidy (predicated on the need to significantly upscale government revenue to fund expenditure in critical areas), is ill-advisedly putting the economy on a retarding growth pedestal (Osinuga, 2025; Sunday and Orife, 2024).

The perceived problem is that government decisions regarding spending, borrowing, taxation and other correlates of fiscal policy have been ill-fated. In spite of continuous government spending driven by substantial revenue from crude oil production, Nigeria appears to be grappling with persistent economic challenges; amongst various challenges recently confronting fiscal policies such as lack of public interest, unstable Forex and currency devaluation, not to mention that the politics of the Central Bank of Nigeria (CBN) and fiscal policy development in Nigeria is a peril. It's on this note that evidence-based research is needed to guide Nigeria's fiscal policy authorities for the country's policy decision to be properly targeted; hence this paper interrogates the effectiveness of Nigeria's fiscal policy in fostering economic growth and development, examining its historical evolution and current challenges.

Concept of Fiscal Policy and the Role of the CBN in Developing Fiscal Policies in Nigeria

Fiscal policy according to Oguejiofor (2024) is the use of government spending and taxation to influence a nation's economic activity. In other words, fiscal policy is enacted by government as opposed to its counterpart – monetary policy which is enacted by the central bank to influence money supply. Fiscal policy is the term used to describe all of the government's decisions regarding taxation, spending and borrowing (International Monetary Fund, 2024). It is simply the means by which government adjusts its spending levels and tax rates to monitor and influence a nation's economy. Therefore, fiscal policy covers a huge array of taxes, benefits and public services, and is a powerful tool for changing the performance of the economy and the distribution of resources; an instrument for promoting strong and sustainable growth and for reducing poverty (Osinuga et al., 2025).

Utile and Olushola (2023) reiterate that it is a critical tool for achieving macroeconomic objectives such as economic growth, price stability, full employment, and income redistribution. Fiscal policy can be categorized into two main types viz: the "Expansionary fiscal policy" which involves increasing government spending and/or decreasing taxes to stimulate economic growth, especially during periods of recession or economic downturns; then "Contractionary fiscal policy" which entails reducing government spending and/or increasing taxes to curb inflation and stabilize the economy during periods of growth (Olaoye et al., 2024). Opting for any or both of these categories can either make or mare an economy; hence it is widely held that effective fiscal policy aims to create an enabling environment for economic activities, improve public welfare, and ensure sustainable development.

The Central Bank of Nigeria (CBN) plays a pivotal role in shaping and implementing fiscal policies, although its primary mandate is focused on monetary policy (Tubor et al., 2025). Studies have revealed that the interaction between monetary and fiscal policies is crucial for achieving overall economic stability; hence the CBN works closely with the federal government to ensure that monetary and fiscal policies are aligned (Nweke, 2023; Olsoludo, 2021). It is important to note that this coordination is critical for preventing conflicts between fiscal measures (like government spending) and monetary measures (like interest rate adjustments) that can lead to economic instability. Meanwhile debt management is another crucial role which the CBN has to fulfill in developing fiscal policies in Nigeria. Eze and Ukweleni (2023) posit that this role centers on managing government's debt portfolio; because by managing government's borrowing effectively, the CBN can influence interest rates and overall economic activity.

Scholars contend that for fiscal policies to be effective and sustainable towards economic growth and development the CBN has to discharge its advisory role excellently to give expert advice to the government on fiscal matters (Kure and Salisu, 2024). Eromosele (2023) affirms that this includes apt recommendations on taxation policies, public spending priorities, and economic reforms. It ought to be that CBN's economic research and data analysis capabilities inform government decisions in Nigeria to help shape effective fiscal policies; however, this aspect is a mere rhetoric. Nweke (2023) clearly notes that currency stability and inflation control is crucial to developing meaningful fiscal policy through the CBN's monetary policy framework. The emphasis is that the effectiveness of fiscal policy depends on monetary stability, particularly as high inflation can erode the impact of fiscal measures, making it challenging for government programs to achieve their intended outcomes. Suffice that a stable financial sector is essential for effective fiscal policy implementation; thus the CBN regulates/supervises banks and financial institutions to ensure stability, consequently facilitating government borrowing and spending.

Olufemi et al., (2023) reiterate that a robust financial system enhances government's ability to fund development projects and respond to economic challenges which is a correlate of fiscal policy. Developing fiscal policy for a sound economy has been linked to the extent or level of support achieved for economic diversification. Though the CBN is still struggling in this role, it has attempted various programs to support economic diversification beyond oil dependence in Nigeria. Akure and Salisu (2024) pinpoint that by promoting sectors such as agriculture, manufacturing, and technology through targeted fiscal measures, the CBN will be able to help create a more resilient economy, which is crucial for sustainable fiscal policies. It is by ensuring fiscal and monetary policies are proper aligned and stable that the CBN can fully contribute to creating an environment conducive to sustainable economic development. Therefore moving forward, enhancing this collaboration will be essential for addressing Nigeria's economic challenges and achieving long-term growth objectives.

2.The Concept of National Economic Growth and Development

National economic growth and development are fundamental concepts in economics that reflect a country's progress and overall well-being (Urien, 2024). While often used interchangeably, they encompass distinct dimensions that capture the complexity of a nation's economic and social progress. Understanding these concepts is essential for formulating effective policies aimed at improving living standards and fostering sustainable development. Most of the theoreticians see economic development as a process that generates economic and social, quantitative and, particularly qualitative changes, which causes the national economy to cumulatively and durably increase its real national product (Dabor et al., 2025; Abigail, 2024; Abdulkarim, 2023).

Simply put, economic growth refers to the increase in a country's output of goods and services over time, typically measured by the rise in Gross Domestic Product i.e. GDP (Tubor et al., 2025). We could therefore estimate that economic growth is the process of increasing the sizes of national economies, the macro-economic indicators, especially the GDP per capita, with positive effects on the economic sector; whereas development shows us how growth impacts on the society by increasing the standard of life. The indicators of economic development therefore include: GDP growth rate, investment in infrastructure and technology, employment levels, life expectancy, per capital income which indicates the health of an economy and its capacity to produce wealth.

Avail to say that the key characteristics of economic growth primarily centers on quantitative measure or metric reflecting the increase in economic output. Its focus is on production since it emphasizes factors such as capital accumulation, labour force growth, and technological advancements; moreso with short-term focus because while economic growth can indicate progress, it necessarily doesn't reflect improvements in the quality of life or equitable distribution of wealth. Meanwhile economic development encompasses a broader range of improvements in the economy, including social, political, and environmental dimensions (Urien, 2024). In other words, economic development refers to the process of improving the economic, social, and political well-being of people with key characteristics of qualitative measures such as poverty reduction, income distribution and redistribution, education and health care access, etc. (Abdulkarim, 2023; Urien (2024). Consequently, economic development is a long-term process that involves structural changes in the economy and improvements in the standard of living vis-à-vis such indicators as: Human Development Index (HDI), poverty rates, access to education and healthcare, environmental sustainability measures, etc.

History of Public Financial Policies, their impact on the political and economic growth in Nigerian Developmental trajectories

Pre-Independence Era (Prior to 1960)

There's no overstating the fact that public financial policies are crucial for shaping the trajectory of a nation's political and economic development. In Nigeria, these policies have evolved through various historical phases, more or less influencing governance, economic stability, and societal welfare. Scholars aver that the historical context of Nigeria's public financial policies defectively evolved through the pre-independence era. This is because prior to Nigeria's independence in 1960, the colonial administration implemented financial policies primarily mainly aimed at resource extraction (extortion of our nation’s resources) and maintaining a well-extended control over the local economy (Eze, 2024; Onye and Umoh, 2023). As at that time, revenue generation was largely dependent on agriculture and trade, with little investment in local development as the focus was on maximizing profits for the colonial powers, which created a legacy of underdevelopment and inequality.

Post-Independence Period (1960 to the 1970s)

Upon gaining independence, Nigeria inherited a public financial system structured around colonial practices. Early post-independence governments attempted to reform fiscal policies to address developmental needs. Asaju and Ayeni (2021) buttress that the period following Nigeria's independence in 1960 was marked by significant changes in public financial policies aimed at fostering economic growth and addressing socio-economic challenges. After gaining independence, Nigeria faced the urgent need to establish a cohesive national identity and promote economic development; thus its early public financial policies focused on development planning. Suffice that the First National Development Plan (1962-1968) aimed to mobilize resources for economic development, mainly to diversify the economy and reduce dependency on agriculture; also investment in infrastructure was prioritized with significant funds pushed into developing schools, transportation and utilities; however the infrastructure did not keep pace with the rapid urbanization and population growth (Oguejiofor et al., 2024).

Inopportunely, the Nigerian Civil War of 1967 to 1970 severely disrupted economic activities and public financial policies of this post-independence era with a ‘war economy’ wherein government spending escalated due to military expenditures which diverted resources from developmental projects. Statistics indicated that the war led to inflation, food shortages, and disruption of trade, complicating fiscal management. However the post-war marked the period of recovery and oil boom (1970-1979) as Nigeria experienced an oil boom that transformed its economy and public financial policies as the discovery and export of oil became the mainstay of the economy, dramatically increasing government revenue. It is important to note that while oil revenues provided substantial funding for development, they also created a dependency that led to economic vulnerability. However the benefits of economic growth were not evenly distributed, leading to regional disparities and social tensions (Samuel and Oruta, 2021).

From 1970 to 1975, the Second National Development Plan was launched for post-war reconstruction and development, with significant emphasis on industrialization and infrastructure development, but the influx of oil revenue exacerbated corruption and mismanagement within government institutions. Olaoye et al., (2024) aver that public funds were often misallocated, leading to inefficiencies and lack of accountability in project implementation. Eze (2024) corroborates that the rapid increase in public spending during the oil boom, contributed to inflationary pressures; the economy faced instability as price controls were implemented, often leading to black markets for essential goods. Moreover, the political landscape in Nigeria during this period was tumultuous, with several military coups disrupting governance; fueling political instability which often led to shifts in fiscal policies and development priorities that undermined long-term planning. Tubor et al., (2025) posit that the lessons learned during this period continue to inform contemporary fiscal policies and governance practices. Therefore understanding this historical context is essential for addressing ongoing issues in public financial management and developing strategies for sustainable economic growth in Nigeria.

The Structural Adjustment and Economic Liberalization Era (1980s-1990s)

The economic crisis of the early 1980s prompted the government to adopt structural adjustment programs (SAPs) with support from international financial institutions like the IMF and World Bank. Scholars emphasize that the adoption of structural adjustment programs in the 1980s marked a critical juncture, leading to economic liberalization and a shift towards privatization and deregulation (Okafor et al., 2021). Thus the financial policies of this era emphasized economic liberalization, deregulation, and reduced public spending. Though it was intended to stabilize the economy, SAP led to increase in unemployment, social unrest, and decline in public services. Different studies revealed that the focus on privatization often benefitted elites, widening socioeconomic disparities (Usman, 2020; Eze, 2024; Olaoye et al., 2024).

Democratic Transition and Economic Reforms (1999-Present)

It can be unequivocally stated that Nigeria's transition to democracy in 1999 marked a significant shift in governance, raising hope for improved public financial policies aimed at economic growth and development (Osinuga et al., 2025). Scholars buttress that returning to civilian rule in 1999 potentially marked a new phase for fiscal policies in Nigeria as successive governments implemented various reforms aimed at enhancing transparency, accountability, and efficiency in public finance management (Olaoye et al., 2024; Dabor et al., 2025). Amongst others, the introduction of the Fiscal Responsibility Act (2007) sought to institutionalize fiscal discipline, while the implementation of the Treasury Single Account (TSA) aimed to streamline government revenue management. However, this era has been characterized by numerous challenges, often stemming from misguided policy decisions that have undermined fiscal stability and development efforts. Inconsistent economic policies has become the bane of the democratic transition era, hampering long-term planning and implementation, especially as succeeding governments often reversed policies introduced by their predecessors, leading to confusion and instability in economic management.

Okpata and Ezika (2019) argues that despite promises of reform, public funds have often been mismanaged or siphoned-off, leading to underfunded public services and infrastructure projects; insufficient oversight and accountability mechanisms have allowed corrupt practices to flourish, undermining public trust. Misguided fiscal policies, including excessive recurrent spending, have limited investments in critical infrastructure, exacerbating service delivery issues. Onuoha (2024) affirms that many infrastructure projects initiated under various administrations have been poorly executed or abandoned, resulting in wasted resources and unmet development goals. Most unfortunately, democratic policies have not effectively addressed issues of inequality as the post-independence era saw growing regional disparities and social inequality. Eze (2024) reiterates that public financial policies in Nigeria often neglect of marginalized areas to favour urban centers and politically connected regions, exacerbating inequalities and neglecting rural areas. Despite the need for comprehensive social programs, policy decisions have not adequately addressed poverty alleviation and social welfare.

3.Theoretical Context

This paper is discussed within the ambit of the Structuralist theory of fiscal policy pioneered by renowned theorists such as: Raúl Prebisch (1901–1986), Celso Furtado (1920–2004), Ernst Friedrich Schumacher (1911–1977), and Andre Gunder Frank (1929–2005). The theory focuses on the structural features of the economy, particularly in developing nations, and the need for fiscal policy to address inherent challenges such as poverty, inequality, poor infrastructure and other correlates of underdevelopment (Manna, 2024; Garcia, 2023). Prebisch came up with the Prebisch-

Singer Hypothesis which argued that when developing countries depend on exporting raw materials to developed economies and importing finished goods, they subsequently face terms-of-trade deterioration (Ozkin, 2024). The implication of Prebisch-Singer hypothesis is for Import Substitution Industrialization (ISI), which depicts using fiscal policy to promote domestic industries by reducing dependency on imports. Prebisch called for Government intervention to protect budding industries, by using subsidies and tariffs; investing in human capital and infrastructural development for sustainable economic growth (Kandpal, 2024).

Likewise, Celso Furtado's work as a leading theorist in the structuralist school focused on the issue of underdevelopment and the role of the state in transforming economies (Garcia, 2023). Furtado emphasized the need for fiscal policies that promote diversification and the industrialization of developing nations, rather than relying solely on primary commodity exports. Adding more precision to the Structuralist approach to fiscal policy, Ernst Friedrich Schumacher in his 1973 work titled "Small is Beautiful", advocated for the promotion of small-scale industries, agriculture, and local self-sufficiency, focusing on human development and ecological balance. Schumacher argued that Governments should implement policies that foster decentralized economic activities and ensure that fiscal resources are directed toward projects that are relevant to local needs (Kour, 2024; Gessi, 2025). Furthermore, Andre Gunder Frank (who was a central figure in the dependency theory) argued that the global economic system was structured in a way that exploited developing nations through their dependence on exports of raw materials to wealthier countries. Frank emphasized that fiscal policies in developing countries should focus on reducing dependency on foreign powers and multinational corporations (Magnelli, 2025).

Relevance of the Structuralist Approach to Fiscal Policy

The Structuralist Theory and its tenets on fiscal policy is very important in interrogating fiscal policy in Nigeria for national economic growth and development, especially as a developing country that is tilting more towards underdevelopment instead of meaningful growth. The theory clearly emphasizes and resonates with the structural characteristics, struggle and challenges of the Nigerian economy, such as income inequality, oil and import dependency, underdeveloped infrastructure, low industrialization, and rising poverty. The Structuralist theorists opined that these structural issues must be addressed, and mainly through targeted fiscal policies that go beyond the traditional focus on aggregate demand management or macroeconomic stability. The structuralist theorists stress the importance of long-term growth and development, including improving the productive capacity of the economy, building strong institutions, and tackling systemic inequalities.

Avail to say that the application of the Structuralist policies in Nigeria would focus concretely on long-term economic reforms, with candid investment in human capital, and making profound improvement of our institutions to create conditions for sustainable growth. In other words, the structuralist approach to fiscal policy is about self-reliance strategies that can concretely address the structural weaknesses in Nigeria and other developing economies. Nunez-Barriopedro et al., (2023) aver that curbing the dependency syndrome by focusing on industrialization, diversification, income redistribution and self-reliance, the structuralist approach seeks to foster sustainable development that is not merely an offshoot of external demand or global economic cycles; instead is rooted in the nation's own capacity for growth.

For countries like Nigeria, adopting structuralist principles in fiscal policy could lead to more resilient and inclusive economic development. It is quite obvious that over dependency on oil led to several challenges confronting fiscal policies in contemporary Nigeria, whereby fluctuations in global oil prices have frequently destabilized the economy, resulting in budget deficits and fiscal crises. This goes without saying that the neglect of other sectors has been pervasive as focus on oil revenue diverted our attention from critical sectors like agriculture, technology and manufacturing, capable of sustaining the economy.

Critical Analysis of Major Challenges Confronting Fiscal Policies Recently in Nigeria

(1) Lack of public interest

The lack of public interest and engagement in fiscal policies is a significant challenge in Nigeria's history, impacting the effectiveness of these policies and their implementation (Eze, 2024). Ndukwe, Offiah and Abah (2022) emphasize that when citizens are not informed, involved or invested in public financial matters, several issues will definitely arise that hinder economic stability and development. The problem of low awareness and understanding cannot be disregarded in a country where many citizens have limited awareness of fiscal policies, government budgeting processes, and the implications of these policies on their daily lives. This lack of understanding in Nigeria has culminated in apathy and disengagement, making it difficult for the government to garner public support for necessary reforms and initiatives.

Accountability and transparency is not just limited, but grossly abused where the public is not actively engaged in fiscal matters; therefore there is often a lack of accountability and transparency in government spending. Empirical studies indicate that Nigerian citizens are definitely not holding their leaders accountable for how public funds are allocated and utilized, leading to mismanagement and corruption (Kwemarira et al., 2023; Ndukwe and Ezika, 2018). This is evident in the sham of nation-wide protests over the course of fuel-subsidy removal and subsequent skyrocketed increase in fuel, food prices and general cost of living. We need to understand that without public scrutiny, fiscal policies can be implemented without regard for their effectiveness or impact. It is argued that Nigeria has weak civil society engagement, whereas civil society organizations play a crucial role in advocating for transparency, accountability, and good governance. Olaoye et al., (2024) emphasize that when these organizations are not empowered or supported, it limits their ability to influence policy and advocate for the needs of marginalized populations.

Moreover, with the ineffective policy feedback mechanisms replete in Nigeria, disconnect between Nigeria's policies and the people has been massive. Kure and Salisu (2024) found that this disconnect has resulted in fiscal policies that do not adequately address the needs and priorities of the population, ultimately leading to ineffective outcomes. Osinuga et al., (2025) reiterate that public interest is essential for effective policy feedback mechanisms, but when citizens are disengaged, there is limited input on policy design and implementation; hence a lack of public interest can erode trust in government institutions. Citizens feeling excluded from the fiscal decision-making process or believing that their voices do not matter eventually makes them lose faith in government efforts to address economic challenges. Dabor et al., (2025) posit that this erosion of trust hinders compliance with tax policies and reduce public support for key reforms.

(2) Unstable Forex and currency devaluation

Unstable foreign exchange rates and frequent currency devaluation pose significant challenges to fiscal policy in Nigeria. Ikwagwu and Yagboyaju (2023) buttress that these issues create a complex environment that complicates budget planning, disrupts economic activities, and impacts overall fiscal sustainability. Inflation erodes purchasing power and can lead to public discontent, making it challenging for the government to implement effective fiscal measures without risking social unrest. Budgetary constraints consequently exacerbate since unstable forex rates create uncertainty in revenue forecasting and budget planning (Garcia, 2023). Therefore the implication for a country like Nigeria, which relies on imports for many goods, is fluctuations in exchange rates which can significantly impact the cost of public projects and services. This unpredictability according to Osinuga et al., (2025) complicates fiscal policy development, as the government may struggle to align its budget with actual revenue and expenditure needs.

Debt servicing problems have been on the rise, especially as Nigeria's public debt includes obligations denominated in foreign currencies. It is important to note that when the naira depreciates, the cost of servicing these debts increases, placing additional strain on government finances. Higher debt servicing costs is diverting resources away from essential services and development projects, constraining fiscal policy effectiveness. There's also dire impact on investment as unstable forex conditions deter both domestic and foreign investment. Investors typically seek stable environments with predictable returns. Abina (2023) affirms that in situations where exchange rates fluctuate widely, it increases the risk associated with investments, leading to reduced capital inflows. This decline in investment further hampers economic growth and can create a cycle of instability. Currency devaluation can impact trade dynamics with imbalances because today in Nigeria, while currency devaluation more or less made exports cheaper, the cost of imports rises, which can worsen trade deficits if export growth does not keep pace. This imbalance is badly straining fiscal resources and complicate efforts to stabilize the economy (Tubor et al., 2025).

(3) The politics of CBN and fiscal policy development in Nigeria

We have established the fact that the Central Bank of Nigeria (CBN) plays a crucial role in shaping the country's fiscal policies. However, the interplay between politics and fiscal policy development presents significant challenges that affect the effectiveness of these policies. This relationship is influenced by political interests, institutional dynamics, and economic realities, creating a complex environment for fiscal management. Of note is that the CBN's autonomy is often compromised, especially as politicians are exerting influence over monetary policy decisions, pushing for expansionary policies that prioritize short-term gains over long-term stability. According to Eromosele (2023) this interference is worsening conflicts between fiscal and monetary policies, undermining overall economic management. Pressure for debt financing is apparent as the CBN is constantly pressurized to accommodate government borrowing through the purchase of government bonds or treasury bills. This has led to a rise in public debt and exacerbated fiscal challenges, particularly if the borrowing is not directed toward productive investments. Nweke (2023) found that the bureaucracy often plays a significant role in fiscal policy development; however Nigerian political appointees are increasingly prioritizing their interests and those of their cabals over sound economic principles. Thus resulting in the implementation of policies that are more politically motivated than economically beneficial; complicating the fiscal landscape. Onuoha (2024) submits that the politics surrounding the Central Bank of Nigeria significantly impacts fiscal policy development and implementation with potential for multiplier effects on debt financing, transparency and other issues that can further complicate the fiscal landscape.

(4) Lack of Economic Stability

Economic stability is a fundamental prerequisite for effective fiscal policy implementation. In Nigeria, the lack of economic stability poses significant challenges that impede the government's ability to formulate and execute sound fiscal policies. Volatile oil prices are exposing the Nigerian fiscal policies weaknesses. Nigeria's economy heavily relies on oil exports, making it vulnerable to fluctuations in global oil prices. Eze and Ukweleni (2023) aver that periods of declining oil prices lead to reduced government revenue, resulting in budget deficits and limiting the government's ability to fund essential services and infrastructure projects. This volatility complicates fiscal planning and can lead to reactive rather than proactive fiscal policies. High inflation can result from various factors, including rising food prices, currency depreciation, and supply chain disruptions. In such an environment, fiscal policies aimed at stimulating growth may become ineffective, as increased spending can further fuel inflation. The Nigerian naira has experienced significant depreciation against major currencies, contributing to economic uncertainty; hence currency instability is affecting the cost of imports and can lead to inflationary pressures. In turn, this instability makes it challenging for the government to maintain consistent fiscal policies, as budget forecasts become unreliable.

Unemployment and poverty level in Nigeria is at terrible condition with high levels of unemployment and pervasive poverty undermining economic stability. It is important to note that when a significant portion of the population is unemployed or living in poverty, government spending on social programs increases, placing additional strain on fiscal resources. This situation in Nigeria has led to a vicious cycle where limited economic growth exacerbates fiscal challenges. This goes with saying that insufficient investment in infrastructure, such as transportation, power, and healthcare, hampers economic growth and stability has not fared any better. Poor infrastructure increases operational costs for businesses and limits productivity, making it difficult for fiscal policies to achieve their intended outcomes. Scholars maintain that the lack of a stable infrastructure base can deter both domestic and foreign investment (Okafor et al., (2021).

The economic volatility in Nigeria is not unconnected with political instability that has often led to uncertainty in economic policies. Frequent changes in leadership, policy direction, and governance structures can disrupt economic activities and discourage investment. This unpredictability makes it difficult for fiscal policies to gain traction and for businesses to plan for the future with rising public debt levels posing a significant challenge to fiscal stability. Yusuf and Mohd (2024) reiterate that as the government borrows to finance budget deficits, debt servicing costs consume a large portion of public revenue. This situation restricts available funds for investment in infrastructure, education, and health which are key areas necessary for long-term economic stability. Suffice that the lack of economic stability in Nigeria presents multifaceted challenges to effective fiscal policy implementation. Addressing issues such as oil dependency, inflation, currency instability, and inadequate infrastructure is essential for creating a stable economic environment.

(5) Foreign Relations, Debt Crises, and Bureaucratic Corruption

Nigeria's fiscal policies face numerous challenges, among which foreign relations, debt crises, and bureaucratic corruption are particularly significant. These issues not only hinder economic growth but also exacerbate existing vulnerabilities in the country's financial management. Nigeria's foreign relations significantly affect its economic landscape. Strained relationships with key trading partners can lead to reduced foreign direct investment (FDI) and hinder trade. Political tensions, trade restrictions, and diplomatic conflicts can create an unpredictable environment, discouraging investors and impacting government revenue.

In terms of aid dependency, Nigeria's reliance on foreign aid and loans is creating imbalances in fiscal policy. Onuoha (2024) argues that while external funding can support development projects, it can also lead to increased vulnerability, especially if conditions attached to such aid limit policy flexibility. Onye and Umoh (2023) affirm that dependence on external financing can undermine national sovereignty and affect long-term economic planning. Opinions are rather unanimous that rising public debt is crushing Nigeria's national economic growth and development. Nigeria has experienced a rapid increase in public debt, driven by a combination of low oil prices and high government spending. This rising debt has led to increased debt servicing costs, which crowd out essential public spending on infrastructure and social services; Moreso, the growing debt burden raises concerns about fiscal sustainability and economic stability. As concerns about Nigeria's debt levels grow, access to international financial markets is becoming more restricted or expensive. This situation is limiting the government's ability to refinance existing debt or raise funds for new projects, further constraining fiscal policy options.

Bureaucratic corruption vis-à-vis resource misallocation is prevalent in Nigeria as funds allocated for development projects are misappropriated and/or diverted, leading to poor project implementation and a lack of accountability. This misallocation is causing lost opportunities for economic growth and social development amid inefficiencies in service delivery. Usman (2020) clearly notes that corruption often leads to inefficiencies in public service delivery. Bureaucratic red tape, bribery, and lack of transparency can slow down processes, affecting the timely execution of fiscal policies and programs. Unquestionably, foreign relations, debt crises, and bureaucratic corruption are critical challenges confronting fiscal policies in Nigeria. Such inefficiencies undermine the intended benefits of government fiscal policies and can exacerbate socio-economic inequalities. By tackling these challenges, Nigeria can create a more conducive environment for effective fiscal management and sustainable economic growth.

4.Conclusion

Fiscal policy is a vital tool for achieving national economic growth and development in Nigeria. While challenges remain, strategic reforms can enhance the effectiveness of fiscal measures, driving sustainable development. First and foremost, to improve the effectiveness of fiscal policies, it is essential to strengthen the autonomy of the CBN, curb political interference to enhance coordination between fiscal and monetary policies, and promote accountability and transparency within financial institutions. We are not questioning the fact that the Central Bank of Nigeria is vital mechanism for developing and implementing effective fiscal policies through coordination with the government, debt management, and cogent advisory functions; however the actual fulfillment of these roles is called into question. By addressing these political challenges, Nigeria can create a more stable and effective fiscal environment conducive to sustainable economic growth.

Recommendations

- Apt diversification strategies should be prioritized to develop sectors beyond oil, such as agriculture and technology, which can reduce vulnerability and promote sustainable growth. Nigeria could focus on promoting the manufacturing sector, with more emphasis on renewable energy through targeted fiscal policies, such as tax breaks for local businesses and infrastructure development in key industrial zones.

- Broadening the tax base and improving tax administration can also enhance revenue generation, allowing for increased investment in development. Prioritizing capital expenditure over recurrent spending can lead to improved infrastructure and long-term economic benefits.
- Government should discontinue the use of external debt to finance budget deficit in the economy, but look inward through aggressive internal revenue generation as well as embrace economic diversification policies, coupled with a drastic cut down on cost of governance in Nigeria. However this cannot be achieved without changing the predisposition of Nigerian leaders to corruption.
- There's need to strengthen our Judiciary and other disciplinary institutions, including the Legislature to check the Executive arm effectively. Building robust institutions that promote transparency and accountability in fiscal management is essential for effective policy implementation. By prioritizing transparency, accountability, and investment in human capital, Nigeria can create a robust fiscal environment conducive to growth and prosperity.
- To address the economic growth and development issues from bottom-top, it is essential to promote greater awareness and understanding of fiscal matters among citizens, enhance transparency and accountability, and encourage active engagement in the policy-making process.
- Enhancing public engagement by involving citizens in the budgetary process can enhance accountability and ensure that fiscal policies align with the needs of the population. Avail to say that when we are able to strengthen public interest, we will stand better chances of achieving a more responsive and effective fiscal policies that can ultimately contribute to sustainable economic growth and development.

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