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IMPACT OF GOVERNMENT ECONOMIC POLICIES ON NIGERIA'S ECONOMIC DEVELOPMENT

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ABSTRACT

Governments have a major impact on economic conditions through the implementation of various policies and economic intervention. This study investigates the impact of government economic policies on Nigeria's economic growth using secondary data from organizations such as the World Bank and the Central Bank of Nigeria. Utilizing a quantitative analysis approach, including multiple regression and panel time-series modeling, the findings show significant inverse relationships between real gross domestic product (RGDP) and both interest rates (INTR) and tariffs (TARR). RGDP has a significant negative correlation with INTR (-0.6749) and a moderate correlation with TARR (-0.5774). Additionally, a positive correlation exists between INTR and TARR (0.7233), as well as a moderately positive relationship between sectoral support (SECSUPP) and the exchange rate (EXR) (0.7278). The study concludes that efforts should be made to enhance beneficial effects, including advancements in technology, infrastructure, and trade policies.
Keywords: *Economic policy, economic development, sectorial support, exchange rate and gross domestic product*

1. INTRODUCTION

The economic policies of the Nigerian government play a crucial role in shaping the country's development path. As a developing nation, Nigeria has adopted various strategies and initiatives aimed at promoting growth, alleviating poverty, and enhancing the living standards of its people. Analyzing the effects of these policies is essential for assessing their effectiveness and guiding future decision-making. Public policy encompasses a wide array of government actions that aim to enhance the welfare of its citizens, covering diverse areas such as education, social welfare, law enforcement, infrastructure development and maintenance, and scientific research.

Economic analysis of public policy looks at how it affects the several factors that propel economic expansion. The state of education, the development of infrastructure, the regulatory environment, and the amount of money spent on R&D are important variables. Economic development adopts a holistic approach that prioritizes infrastructure upgrades, educational system enhancements, robust public safety measures, park and recreational space revitalization, and the implementation of strategic business incentives to draw in new companies and generate employment.

The importance of trade, monetary, and fiscal policies particularly in economic management must be recognized in any open economy. In both rich and developing countries, including Nigeria, the pursuit of macroeconomic goals emphasizes the crucial roles these policies play (Olufemi & Oladipo, 2021). These measures are mostly used to maintain and stabilize growth during economic downturns. To correct economic imbalances, governments in a variety of economies employ fiscal measures including reducing taxes and modifying public spending. This strategy is essential for lowering economic distortions, managing aggregate demand, and reducing financial instability. In order to promote economic freedom without the need for government involvement in times of crisis, classical economists argued for an effective price system that distributes resources. As a result, policies intended to maintain economic activity throughout time have been guided by this theoretical model (Ishola & Titiloye, 2020). However, in order to create a stable climate for full employment, John Maynard Keynes advocated for the application of this technique, particularly during economic downturns. In order to promote economic activity, this model has been used as a useful guide for policy decisions. In times of economic downturn, governments use a mix of fiscal and monetary policies to keep the business cycle stable.

Similarly, in order to enhance trade connections and offer a vital safety net against outside shocks, the government instituted trade policies that were intended to stabilize the currency rate. Significant trade, monetary, and fiscal deficits have plagued many developing economies throughout time, including Nigeria. The macroeconomic framework's size and character, as well as the financial viability of any small open economy, are significantly influenced by the amount of government spending. Infrastructure and utility services are examples of public goods that are fundamentally deficient (Nwosa et al., 2020). Nigeria's trade, monetary, and fiscal policies are marked by inefficiency and a weak financial system, which are made worse by inadequate handling of the nation's considerable oil earnings and eventually jeopardize macroeconomic stability. New theoretical frameworks, such endogenous growth models, have been adopted by recent economic literature more and more, and their predictions have also been empirically tested. This trend is demonstrated by noteworthy contributions by Jones (1995) and Mankiw et al. (1992). A separate corpus of political economy research, meanwhile, emphasizes the shortcomings of purely economic theories. This viewpoint contends that the notable differences in growth,

economic results, and policy choices seen in other nations cannot be sufficiently explained by economic causes alone. According to new growth theory, a country's long-term economic growth trajectory can be significantly impacted by government policy, especially when it comes to how quickly technology advances (Sulaiman & Migiro, 2019).

2. LITERATURE REVIEW

Economic development, which is sometimes confused with economic growth or advancement, is the generation of wealth that propels progression and benefits society. It focuses on holistic advancements in areas like education, resource availability, and living standards rather than just discrete projects. Building robust educational institutions, leisure centers, and public safety infrastructure are all part of this process (Afolabi et al., 2020). In the end, population well-being depends on economic growth. As they work to improve the general standard of living for their citizens, governments acknowledge its significance in the formulation of policies.

Economic development depends on efficient resource allocation, which helps to explain why command economies typically experience modest growth. Economic development is necessary, which emphasizes its use in many facets of society. Promoting the establishment of new companies, enhancing infrastructure, expanding education, and creating growth-oriented policies are a few examples of initiatives (Onyeiwu, 2018). From a policy perspective, economic development includes a wide range of programs intended to improve a community's economic health and standard of living. In addition to promoting income development and bolstering the economy as a whole, these programs place a high priority on employment creation and retention. This definition makes a crucial distinction between economic development and economic growth, as noted by Loveridge and Morse (2016).

Increases in employment and income within a community or region are the main indicators of economic growth, which denotes a rise in overall economic activity. Economic development, on the other hand, is more comprehensive. It focuses on long-term increases in the productivity of people, companies, and resources in addition to job and income growth. In the end, this strategy improves citizens' quality of life and well-being (Duodo & Baidoo, 2020). The Salmon Valley Business and Innovation Centre has divided economic development policies into three primary categories for careful examination.

1. Macroeconomic Policies: Governments use these policies to

achieve broad economic objectives, such as stable prices, high employment, a wider tax base, and sustainable growth. Trade policies, tax frameworks, financial institution laws, and monetary and fiscal policies are important examples.

2. Infrastructure and Service Provision: This category emphasizes policies and programs designed to guarantee access to essential infrastructure and services. It encompasses a range of areas, including highways, parks, affordable housing, crime prevention initiatives, and educational programs.
3. Job Creation and Retention Strategies: Economic development experts prioritize this sector, which includes policies and initiatives created specially to support job creation and retention. company finance, marketing, neighborhood development, small company support, business retention and expansion initiatives, technology transfer, worker training, and real estate development are some examples of initiatives.

Theoretical review

Adam Smith and classical economists advocated for minimal government intervention in public goods, law enforcement, and high-risk investments that the private sector could not adequately provide. This ideology dominated economic thinking and shaped global economies. However, the Great Depression highlighted its limitations, revealing the inadequacies of the existing class structure in addressing systemic vulnerabilities. On the other hand, Keynesian economists promoted higher public expenditure as a means of boosting growth and aggregate demand, especially in times of economic recession. This strategy defends contemporary government participation in the economy by arguing that public spending improves the welfare of citizens and the business climate by supplying necessities like transportation, health care, and education.

A framework for comprehending long-term economic growth is provided by neoclassical growth models, which were first proposed by Solow in 1956 and developed by Cass in 1965. These models highlight population increase, technical innovation, and capital depreciation as important forces behind long-term economic expansion. In particular, more effective capital use results from a lower rate of capital depreciation, which eventually raises output and productivity.

Empiciral Review

Olufemi and Oladipo (2021) investigated the connection between the growth of the Nigerian economy and different aspects of fiscal policy. According

to their findings, federal spending has a good impact on administration, general economic growth, and community and social services. They did point out that Nigeria's economic growth is adversely affected by federal spending on economic services and transfer payments. The study suggested that as administrative, social, and community services have the ability to promote economic growth, the federal government should give priority to budgetary strategies that improve these sectors. Ishola and Titiloye (2020) used the OLS estimating technique and the ARDL technique to examine how fiscal and monetary policies affected Nigeria's economic growth. The study found that the relationship between available funds, government spending, and revenue stimulates Nigeria's economic growth. The authors suggested that the government implement an expansionary monetary policy to stabilize economic growth.

Duodo and Baidoo (2020) investigated inclusive growth in Nigeria with regard to the function of fiscal policy using a baseline regression model. Their results showed that fiscal policy in Nigeria greatly encourages inclusive growth. Additionally, a one-way causal relationship between fiscal policy and inclusive growth was revealed by the study. The authors recommended that government funding be directed toward profitable investments and infrastructure development in order to promote inclusive growth. Nwosa et al. (2020) investigated the impact of fiscal policies on Nigeria's economic growth from 1977 to 2009, utilizing the OLS estimation technique. Their findings revealed that productive expenditure positively influences the nation's economic growth. To further enhance economic growth, the study recommended that the government increase its spending on economic services, healthcare, and education.

Afolabi et al. (2020) investigated how trade and trade policy affected Nigeria's economic growth utilizing the ARDL approach. In the short and long term, they discovered that the adjusted trade ratio and price-based factors have a beneficial effect on GDP. The study also showed that trade policy eventually boosts GDP. As a result, the authors recommended a more favorable trade policy from the government and asked lawmakers to enact policies that encourage international trade and innovation. Sulaiman and Migiro (2019) used the OLS estimation approach to investigate the connection between monetary policy and economic growth in Nigeria. They concluded that whereas monetary policy normally promotes economic growth, they also identified situations in which it had little effect. According to the study's findings, increased productivity through the monetary policy transmission mechanism boosts

economic growth. The authors recommended improving the financial sector's regulatory environment in order to increase the efficacy of monetary policy.

Idris et al. (2018) investigated the impact of Nigerian monetary policy on economic growth using the ordinary least squares approach. They discovered that the rate of inflation has a favorable impact on economic growth but a negative impact on monetary policy. The study suggested using monetary policy to control interest rates, liquidity, and currency rates in order to foster a climate that is conducive to investment. Hlongwane et al. (2018) investigated how interest rates, currency rates, and money supply affected Nigeria's economic performance in relation to monetary policy using the VECM approach. According to their findings, sound monetary policy might boost investment, maintain economic stability, and improve economic performance. They underlined that in order to guarantee improved economic results, monetary policy must be implemented effectively.

Chinedu et al. (2018) looked into how Nigeria's economic growth is affected by the sectoral distribution of government spending using an error correction model. They discovered that economic performance is positively impacted by this distribution, with government spending on defense and agriculture demonstrating statistical relevance. Spending on health, education, transportation, and communication, however, did not vary substantially. According to the writers, Nigerian political leaders must have the political will to spend public funds in an ethical and open manner in order to advance the country's growth. Ayomitunde et al. (2018) employed the ARDL Bound estimation technique to examine the impact of monetary policy on Nigerian economic growth from 1990 to 2017. Their findings revealed a strong positive correlation between economic growth and the inflation rate, with the monetary policy rate driving short-term growth while the inflation rate influences it in the medium and long term. They recommended that the Central Bank implement monetary policy tools that support Nigeria's economic expansion.

Onyeiwu (2018) explored the relationship between monetary policy and Nigeria's economic development using the OLS estimation approach. The results indicated that monetary policy negatively affects the inflation rate but positively contributes to GDP and the balance of payments. The study suggested that monetary policy should be used to foster an environment that is conducive to investment, and the money market should create financial instruments that satisfy the demands of an increasing number of participants. Idris et al. (2017) used the

ARDL approach in conjunction with the error correction model technique to examine how monetary policy affects economic growth in Nigeria. They concluded that the money supply is unrelated to economic growth, while monetary policy tools such as the inflation rate, currency rate, and foreign reserves support growth as theoretically hypothesized. The report advocated building primary and secondary markets for government bonds to boost the efficiency of monetary policy and minimize the government's reliance on the central bank for direct funding.

Afolabi et al. (2017) utilized the ordinary least squares method to examine the relationship between foreign trade and Nigeria's economic growth. Their analysis showed that while foreign direct investment and exchange rates negatively impact economic growth, government spending, interest rates, imports, and exports positively contribute. They recommended promoting non-primary and non-oil exports alongside existing primary and oil exports. Maiga (2017) investigated the relationship between fiscal and monetary policies and Nigerian economic growth using the vector error correction model to determine which has been more effective in fostering progress. The study found that while monetary policy had no impact on GDP, fiscal policy distorted economic growth in the short term. It emphasized that policy alternatives should prioritize fiscal measures, suggesting that the government promote monetary policy to positively influence GDP.

Ajayi and Aluko (2017) assessed the effectiveness of Nigeria's fiscal and monetary policies using the OLS estimating technique. They discovered that while government spending had no significant effect, increases in exports and the money supply strongly stimulated economic growth. The research indicated that monetary policy has a greater effect on growth than fiscal policy, leading to the recommendation that the Nigerian government use monetary policy as a tool for economic stabilization rather than relying on fiscal measures. Idris and Bakar (2017) examined the relationship between fiscal policy and economic growth in Nigeria, concentrating on different aspects of public spending, using the OLS estimation technique. They came to the conclusion that there is a strong positive correlation between government spending and economic growth after discovering that government expenditures rose in tandem with government revenue. Because revenue and spending are positively correlated, the study suggested increased attempts to collect revenue.

Jelilov (2016) examined the effects of fiscal policy on economic growth, emphasizing the importance of government

taxation and spending in promoting development through a panel regression model. The study concluded that Nigeria's economy could achieve steady growth if fiscal policies such as increased investment in infrastructure and productive sectors are effectively implemented, and it stressed the necessity of proper execution of these fiscal policies.

3. METHODOLOGY

The impact of government economic policies on Nigeria's economic development was investigated in this study using available data. Using historical data, an ex-post facto approach was employed to examine the link between independent variables (policy) and dependent variables (development). The study included secondary data from government publications, statistical services, and international organisations, such as the World Bank, the Central Bank of Nigeria, and the National Bureau of Statistics, between 2000 and 2024. The following hypotheses serve as a guide for the study:

Ho1: Government expenditure does not significant impact on Nigeria's economic development.

Ho2: Money supply does not significant impact on Nigeria's economic development.

Ho3: Tarrif policies does not significant impact on Nigeria's economic development.

Ho4: Interest policies does not significant impact on Nigeria's economic development.

Ho5: Exchange rate does not significant impact on Nigeria's economic development.

Ho6: Sectorial support does not significant impact on Nigeria's economic development.

To ensure the precision of the findings, time series data spanning a 25-year period (2000–2024) was employed. A variety of statistical techniques were used to analyse the data, including multiple regression and panel time-series modelling using the E-view econometrics software package, in addition to correlation analysis to ascertain the relationship between the variables, cointegration testing to establish a long-term equilibrium relationship between the non-stationary time series, and Augmented Dickey-Fuller (ADF) to effectively affirm that the variables were stationary. Other tests include heteroscedasticity, which indicates that the variance of the error components (residuals) in the regression model is not constant over the observations, and autocorrelation, which determines whether present values are associated with their own historical values.

Table 1. List of Variables of Measurements

Variables	Acrimony	Measurement	Source
Economic Development	GDP	GDP per capita	CBN
Government expenditure	GOVTEXP	Sum of spending by government over a period of term (annually or quarterly) measured in currency units.	CBN
Money supply	MS	Currency-to-deposit-ratio=Currency in circulation/demand deposits	CBN
Tarrifs	TARR	Import value x tariff rate	CBN
Interest rate	INTR	Nominal rate or quoted rate	CBN
Exchange rate	EXR	Domestic currency per unit of foreign currency	CBN
Sectorial support	SECSUPP	Budget items, tax expenditures (subsidies, direct payments and preferential loans)	CBN

Source: Author's compilation, 2025

Model Specification

The general model for the relationship between government economic policies and Nigeria's economic development can be expressed as:

Economic Development = f (Government Economic Policies)

ED = f (GOVTEXP, MS, TARR, INTR, EXTR, SECSUPP)

The model can be represented mathematically as:

$EDit = \beta0 + \beta1Govtexpit + \beta2Msit + \beta3Tarrit + \beta4Intrit + \beta5Extrit + \beta6Secsuppit + \varepsilon it$

Where:

Govtexp = Government expenditure

Ms = Money supply

Tarr = Tarrifs

Intr = Intrest rate

Exr = Exchange rate

Secsupp = Sectorial support

$\beta0$ = Constant term

$\beta1 – \beta6$ = Coefficients to be estimated

t = the present time

i = the subscript

ε = Error term

4. RESULTS AND DISCUSSION

Table 2. Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-6162.956	2804.020	-2.197901	0.0413
GOVTEXP	0.847245	0.149010	5.685837	0.0000
MS	8.87E-05	7.71E-05	1.149869	0.2652
TARR	-53.02094	83.59167	-0.634285	0.5339
INTR	-2.696337	0.948679	-2.842202	0.0108
EXR	1.559767	2.560559	0.609151	0.5500
SECSUPP	0.954988	0.034513	27.67009	0.0000

R-squared	0.998559	Mean dependent var	53981.99
Adjusted R-squared	0.998078	S.D. dependent var	19348.12
S.E. of regression	848.1545	Akaike info criterion	16.55550
Sum squared resid	12948588	Schwarz criterion	16.89678
Log likelihood	-199.9437	Hannan-Quinn criter.	16.65016
F-statistic	2078.554	Durbin-Watson stat	1.582447
Prob(F-statistic)	0.000000		

Source: Author's computation from E-views, 2025

The constant term of -6162.956 represents the estimated value of the dependent variable (economic development) when all independent variables equal zero. The coefficient of 0.847245 for government expenditure (GOVTEXP) indicates that a one-unit increase in government expenditure is associated with a 0.847245 increase in economic development, assuming other factors remain constant. This relationship is statistically significant at the 5% level (p-value < 0.05).

The coefficient of 8.87E-05 for money supply (MS) reflects a positive relationship with economic development, though this relationship is not statistically significant (p-value > 0.05). Meanwhile, the coefficient of -53.02094 for tariffs (TARR) suggests a negative relationship with economic development, which is also statistically insignificant (p-value > 0.05). Also, the coefficient of -2.696337 for interest rates (INTR) implies that a one-unit decrease in interest rates correlates with a -2.696337 decrease in economic development, holding another factors constant. This relationship is statistically insignificant at the 5% level (p-value < 0.05).

The coefficient of 1.559767 for the exchange rate (EXR) indicates a positive relationship with economic development; however, this relationship is statistically insignificant (p-value > 0.05). In contrast, the coefficient of 0.954988 for sectoral support (SECSUPP) suggests that a one-unit increase in sectoral support is associated with a 0.954988 increase in economic development, holding another factors constant. This relationship is statistically significant at the 5% level (p-value < 0.05). The R-squared value of 0.998559 indicates that the independent variables in the model explain approximately 99.86% of the variation in economic development. The adjusted R-squared value of 0.998078

suggests that the model demonstrates a high goodness of fit, even after accounting for the number of independent variables. The standard error (S.E.) of the regression is 848.1545, reflecting the average deviation of observed values from predicted values and serving as a measure of the model's predictive accuracy.

The F-statistic of 2078.554, accompanied by a p-value of 0.000000, signifies that the overall model is statistically significant, indicating that, collectively, the independent variables have a meaningful impact on economic development. The Durbin-Watson statistic of 1.582447 suggests some degree of autocorrelation in the residuals, warranting further investigation. Overall, the results indicate that government expenditure, interest rates, and sectoral support exert a statistically significant positive effect on economic development in Nigeria, while the impacts of money supply, tariffs, and exchange rates are not statistically significant. The model demonstrates a very high goodness of fit, highlighting that the independent variables included are crucial determinants of economic development in Nigeria.

Table 3. Johansen Cointegration Test
Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.998089	330.4363	125.6154	0.0000
At most 1 *	0.967595	186.4585	95.75366	0.0000
At most 2 *	0.849712	107.5812	69.81889	0.0000
At most 3 *	0.836389	63.99146	47.85613	0.0008
At most 4	0.335175	22.35546	29.79707	0.2791
At most 5	0.318068	12.96613	15.49471	0.1161
At most 6 *	0.165497	4.161129	3.841466	0.0414

Source: Author's computation from E-views, 2025

The cointegration results above shows that at most 4, the trace statistic 22.35 is smaller than the critical value of 29.79 and the p-value of 0.2791 is much higher than 0.05 level of significant. This indicates that test signified stops significant at this point. Moreover, at most 6 the p-value is significant at 0.0414 this is however, trace statistic stops at first rank where the null hypothesis is not rejected. Overall, there are 4 cointegration relationships among the variables.

Table 4. ADF Test

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-0.697256	0.8292
Test critical values:	1% level	-3.737853	
	5% level	-2.991878	
	10% level	-2.635542	

Source: Author's computation from E-views, 2025

The results of the Augmented Dickey-Fuller (ADF) unit root test indicate that the null hypothesis asserts RGDP has a unit root, implying it is non-stationary. The test incorporates a constant term as the exogenous variable, with a lag length set to 0 according to the Schwarz Information Criterion (SIC), and a maximum lag of 5. The ADF test statistic is -0.697256, and the corresponding p-value is 0.8292, which exceeds conventional significance levels of 1%, 5%, and 10%. The critical values for the test at the 1%, 5%, and 10% significance levels are -3.737853, -2.991878, and -2.635542, respectively. Since the p-value of 0.8292 is greater than these significance levels, we fail to reject the null hypothesis. In summary, the ADF unit root test results indicate that RGDP is a non-stationary variable, which is a crucial consideration for the overall analysis and modeling of economic development processes in Nigeria.

Table 5. Autocorrelation Test

Autocorrelation	Partial Correlation		AC	PAC	Q-Stat	Prob
. |****** |	. |****** |	1	0.885	0.885	22.042	0.000
. |****** |	. *| . |	2	0.768	0.074	-39.334	0.000
. |***** |	. *| . |	3	0.642	0.106	-51.961	0.000
. |**** |	. | . |	4	0.530	0.010	-60.977	0.000
. |*** |	. | . |	5	0.423	0.047	-67.023	0.000
. |**. |	. | . |	6	0.321	0.060	-70.687	0.000
. |**. |	. *| . |	7	0.219	0.076	-72.490	0.000
. |* . |	. *| . |	8	0.116	0.090	-73.023	0.000
. | . |	. *| . |	9	0.007	0.117	-73.025	0.000
. *| . |	. *| . |	10	-0.096	-0.079	-73.443	0.000
. *| . |	. | . |	11	-0.184	-0.037	-75.079	0.000
.**| . |	. | . |	12	-0.254	-0.032	-78.437	0.000

Source: Author's computation from E-views, 2025

The autocorrelation at lag 1 is 0.885, indicating a very high and statistically significant relationship (p-value < 0.001). Similarly, the partial correlation at lag 1 is also 0.885, reflecting a strong positive association between the current value and the first lagged value. At lag 2, the autocorrelation is 0.768, which remains high and statistically significant (p-value < 0.001). However, the partial correlation at lag 2 is -0.074, suggesting a relatively weak relationship between the current value and the second lagged value once the first lag is accounted for. For lags 3 through 12, both autocorrelations and partial correlations gradually decline with increasing lag length but remain statistically significant up to lag 12. The Q-statistic values rise with lag length, further indicating significant autocorrelation in the data, with associated probability values all less than 0.001. This allows us to reject the null hypothesis of no autocorrelation across all lag lengths.

These results demonstrate a high degree of autocorrelation, particularly with the lag 1 autocorrelation coefficient of 0.885, indicating that the current value is

strongly related to its previous value. The partial correlation plot supports this strong positive autocorrelation, as it also shows a value of 0.885 at lag 1. The decreasing yet statistically significant autocorrelations and partial correlations at higher lags suggest a persistent autocorrelated process within the data. The notable autocorrelation hints at potential non-stationarity or the presence of a unit root, which warrants further investigation through appropriate statistical tests.

Tablel 6. Correlation matrix

	RGDP	GOVTEXP	MS	TARR	INTR	EXR	SECSUPP
RGDP	1						
GOVTEXP	0.890116	1					
MS	-0.36781	-0.36462	1				
TARR	-0.57736	-0.26381	-0.1222	1			
INTR	-0.67488	-0.50589	0.090202	0.723335	1		
EXR	0.778544	0.894413	-0.33094	-0.1804	-0.37601	1	
SECSUPP	0.994102	0.842695	-0.36865	-0.62899	-0.71207	0.727767	1

Source: Author's computation from E-views, 2025

RGDP shows a strong positive correlation of 0.8901 with the constant term (C), highlighting the constant's significance in explaining variations in RGDP. Additionally, RGDP exhibits a moderate negative correlation of -0.3678 with the money supply (MS), indicating an inverse relationship between money supply and RGDP. There is a strong positive correlation of 0.7785 between RGDP and the exchange rate (EXR), and an extremely strong positive correlation of 0.9941 with sectoral support (SECSUPP), suggesting that these variables are closely linked to RGDP. Conversely, RGDP has a moderate negative correlation of -0.5774 with tariffs (TARR) and a strong negative correlation of -0.6749 with interest rates (INTR), indicating an inverse relationship with these variables. Government expenditure (GOVTEXP) presents a strong positive correlation of 0.8944 with the exchange rate (EXR) and a moderate positive correlation of 0.8427 with sectoral support (SECSUPP), raising potential concerns about multicollinearity. Tariffs (TARR) also show a moderate positive correlation of 0.7233 with interest rates (INTR), suggesting an interdependence between these two variables. Furthermore, the exchange rate (EXR) has a moderate positive correlation of 0.7278 with sectoral support (SECSUPP), indicating a possible relationship between them.

Table 7. Variance ratio test on RGDP

Joint Tests	Value	Df	Probability
Max |z| (at period 7)*	2.555021	24	0.1480

Individual Tests

Period	Var. Ratio	Std. Error	z-Statistic	Probability
2	1.404380	0.227516	1.777366	0.0755
3	1.651747	0.327905	1.987609	0.0469
4	1.885506	0.396436	2.233667	0.0255
5	2.074312	0.448963	2.392875	0.0167
6	2.224007	0.495709	2.469205	0.0135
7	2.384116	0.541724	2.555021	0.0106
8	2.493814	0.586533	2.546857	0.0109
9	2.385155	0.628282	2.204670	0.0275
10	2.154539	0.666101	1.733280	0.0830
11	2.000756	0.699926	1.429804	0.1528
12	1.882321	0.730261	1.208226	0.2270
13	1.709623	0.757803	0.936421	0.3491
14	1.487635	0.782975	0.622798	0.5334
15	1.176926	0.806087	0.219488	0.8263
16	0.645577	0.827435	-0.428339	0.6684

Source: Author's computation from E-views, 2025

The analysis employs heteroskedasticity-robust standard error estimates to ensure valid statistical inferences in the presence of heteroskedasticity within the residuals. The test considers a range of lags, from a minimum of 2 to a maximum of 16, with a step size of 1. The maximum absolute value of the z-statistic is 2.555021, observed at lag 7. The associated probability of 0.1480 indicates that the null hypothesis of no heteroskedasticity cannot be rejected at conventional significance levels. Lags 3 to 8 show z-statistics that are statistically significant at the 5% level, suggesting the presence of heteroskedasticity in the residuals during these periods. Additionally, lags 9 and 10 have z-statistics that are significant at the 10% level, indicating potential heteroskedasticity issues during these times as well. In contrast, lags 11 to 16 have z-statistics that are not statistically significant, suggesting that the residuals are more likely to be homoskedastic in these later periods. Overall, the joint test results imply that the null hypothesis of no heteroskedasticity cannot be rejected at conventional significance levels, indicating that the residuals are likely homoskedastic. However, the individual test results highlight that heteroskedasticity is present in the residuals during specific lag periods, particularly between lags 3 and 8.

Table 8. Heteroskedasticity Test

Breusch-Pagan-Godfrey

F-statistic	0.691496	Prob. F(6,18)	0.6594
Obs*R-squared	4.683032	Prob. Chi-Square(6)	0.5851
Scaled explained SS	4.099235	Prob. Chi-Square(6)	0.6632

Source: Author's Computation from E-views, 2025

The Breusch-Pagan-Godfrey test is employed to assess the presence of heteroskedasticity in the residuals of the regression model. The F-statistic is calculated at 0.691496, accompanied by a p-value of 0.6594. The observed R-squared value stands at 4.683032, with a p-value of 0.5851. Additionally, the scaled explained sum of squares is 4.099235, with a p-value of 0.6632. Since the p-values related to the F-statistic, Obs*R-squared, and Scaled

Explained SS are all greater than the conventional significance levels of 0.01, 0.05, and 0.10, we fail to reject the null hypothesis of homoskedasticity. In summary, the test results do not indicate evidence of heteroskedasticity in the residuals.

5. CONCLUSION AND RECOMMENDATION

The government's economic policies are vital to Nigeria's economic development. The study concludes that the constant term, exchange rate (EXR), and sectoral support (SECSUPP) all show strong positive correlations with RGDP, indicating they are significant drivers of economic growth. Conversely, the money supply (MS), tariffs (TARR), and interest rates (INTR) demonstrate negative correlations with RGDP, suggesting an inverse relationship; increases in these factors may lead to a decrease in economic output. The strong positive correlations between government expenditure (GOVTEXP) and both EXR and SECSUPP raise concerns about multicollinearity, indicating that these variables may be statistically interdependent, which could affect the accuracy of regression models. Additionally, the moderate positive correlation between tariffs (TARR) and interest rates (INTR) suggests a potential link that could warrant further investigation. Therefore, the study recommends exploring ways to reinforce the identified positive influences by enhancing infrastructure or technical improvements, strengthening the exchange rate through trade policies, and bolstering sectoral support via targeted government programs.

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