

Fiscal Rules and Budget Deficit Control in Emerging Economies: Evidence from Nigeria (2023-2026)

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ABSTRACT

This study examined fiscal rules and budget deficit control in emerging economies, with evidence from Nigeria between 2023 and 2026. Rationale for the study was the persistent fiscal deficits in Nigeria despite formal fiscal regulations designed to ensure discipline and sustainability. The main objective was to assess effects of Fiscal Responsibility Act (FRA 2007) enforcement, adherence to public debt rules, and growth in government expenditure on budget deficit control during the study period. A descriptive research design was adopted, and secondary data were obtained from official government publications and international databases. Data were analyzed using descriptive statistics, correlation analysis, and multiple regression. Descriptive results indicated that the average budget deficit in Nigeria was 4.7 percent of gross domestic product, while government expenditure growth averaged 18.6 percent. The enforcement of FRA and compliance with public debt rules had moderate mean values of 62.4 percent and 58.9 percent, respectively, reflecting uneven application of fiscal rules. Correlation analysis revealed a negative relationship between FRA enforcement and budget deficit control ($r = -0.61$), and between public debt compliance and deficit control ($r = -0.54$), whereas government expenditure growth showed a strong positive relationship with budget deficits ($r = 0.67$). Regression results supported these findings, showing that FRA enforcement ($\beta = -0.031$) and public debt compliance ($\beta = -0.027$) significantly reduced budget deficits at the 5 percent level, while government expenditure growth ($\beta = 0.089$) significantly increased deficits. The model explained approximately 74 percent of variation in budget deficit control. Based on these findings, the study concludes that fiscal rules can effectively reinforce deficit control when enforcement is credible and expenditure growth is managed. Consequently, institutional enforcement and expenditure discipline should be strengthened to achieve fiscal sustainability in Nigeria.

Keywords: Fiscal Rules, Budget, Budget Deficit, Emerging Economies

INTRODUCTION

In emerging economies, fiscal rules have become an important policy tool, as governments struggle to put to check the prevailing budget deficits and rebuild fiscal credibility. Poor institutional control of public finances in most developing states has enabled deficits to expand to unsustainable levels posing long term macroeconomic risks (Samuel Mwigeka, 2025). Nigeria is no exception, as the country continues to experience recurrent fiscal slippages despite the presence of formal fiscal frameworks like the Fiscal Responsibility Act. Although fiscal rules are meant to establish numeric thresholds on deficit, debt and increases in expenditure, their impact is more influenced by the strength of enforcement and political commitment (Emmanuel Kure and Abdulrasheed Salisu, 2024). In the Nigerian scenario, budget deficits grew exponentially after the fluctuations in the oil prices, revenue drainage, and increasing public expenditure demands, more so after the COVID period. According to government statistics, the fiscal deficit of Nigeria increased to an estimated 5.3 percent of GDP in the 2026 approved budget, which employs a comparison between revenue and expenditure since the fiscal deficit increased to an estimated 4.1 percent of GDP in 2023 (Budget Office of the Federation, 2026).

In addition to the domestic issues, the financial state of the economy in the world has also complicated the financial status of Nigeria. Debt servicing costs have led to an increase in the cost of servicing debt due to rising

global interest rates and pressures on exchange rates undermining the stabilising role of fiscal rules are supposed to perform (Ngozi Uchenna et al, 2025). Although moderate deficits may provide support to growth in developing economies, others caution that when deficits are regular, this creates a lack of confidence and crowd out productive investment particularly when fiscal discipline is poor (Mohammad Alauddin, 2020). The experience of Nigeria is that fiscal rules are on paper rather than practice since the targets of deficit are often changed or avoided in the budget implementation processes. The fiscal data provided by the World Bank suggest that the revenue to GDP ratio of Nigeria is one of the lowest in the world and decreased to less than 10 percent between 2023 and 2025, which means that the deficit control is especially weak (World Bank, 2025). This fact casts some grave doubts on the effectiveness of fiscal rules in Nigeria in limiting deficits, or it merely justifies fiscal laxity.

Statement of the Problem

Nigeria has maintained key fiscal policies for over 10 years, including the Fiscal Responsibility Act (FRA) 2007, the Medium-Term Expenditure Framework (MTEF), and the Public Debt Management Framework, yet budget deficits continue to grow with no clear signs of containment. Despite legislative scrutiny of budgets, deficits persistently overshoot, public debt continues to rise, and compliance with fiscal constraints remains weak, highlighting a worrying gap between policy formulation and fiscal outcomes (Odior & Iwegbu, 2024). For instance, government data indicates that in 2024, debt service absorbed over 70% of federal revenues, leaving minimal resources for development expenditure and casting doubt on the effectiveness of deficit control mechanisms (Debt Management Office, 2025).

While policymakers often attribute these fiscal challenges to external shocks, this explanation overlooks institutional weaknesses in implementing fiscal rules. This creates a paradox: fiscal rules are designed to enforce discipline, yet deficits persist, suggesting that the rules may serve more as political tools than as effective mechanisms for fiscal control (Mwigeka, 2025). This paradox motivates the present study to critically examine whether Nigeria's fiscal rules genuinely discipline fiscal behavior or simply provide political cover for unresolved deficits.

Objective of the Study

To examine the relationship between the Fiscal Responsibility Act (FRA) 2007 and budget deficit control in Nigeria between 2023 and 2026.

Specific Objectives:

1. To examine the effect of enforcement of the Fiscal Responsibility Act (FRA) 2007 on budget deficit control in Nigeria from 2023 to 2026.
2. To assess the impact of public debt rule compliance on Nigeria's budget deficit performance during the study period.
3. To determine the influence of government expenditure growth on budget deficit control in Nigeria between 2023 and 2026.

Research Questions

1. What effect does the enforcement of the Fiscal Responsibility Act (FRA) 2007 have on budget deficit control in Nigeria between 2023 and 2026?
2. How does compliance with public debt rules affect Nigeria's budget deficit performance during the study period?
3. To what extent does government expenditure growth influence budget deficit control in Nigeria from 2023 to 2026?

Research Hypotheses

Hypothesis 1

H₀₁: Enforcement of the Fiscal Responsibility Act (FRA) 2007 has no significant effect on budget deficit control in Nigeria between 2023 and 2026.

H₁₁: Enforcement of the Fiscal Responsibility Act (FRA) 2007 has a significant effect on budget deficit control in Nigeria between 2023 and 2026.

Hypothesis 2

H₀₂: Compliance with public debt rules has no significant effect on budget deficit control in Nigeria during the study period.

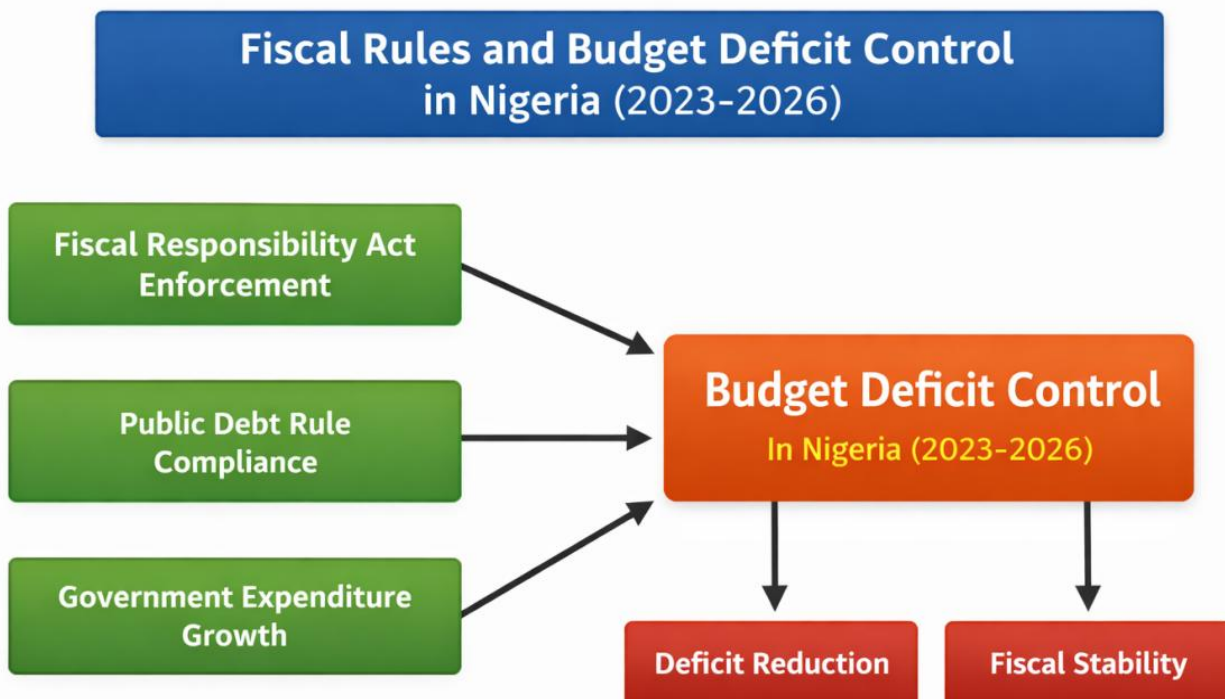
H₁₂: Compliance with public debt rules has a significant effect on budget deficit control in Nigeria during the study period.

Hypothesis 3

H₀₃: Government expenditure growth has no significant effect on budget deficit control in Nigeria between 2023 and 2026.

H₁₃: Government expenditure growth has a significant effect on budget deficit control in Nigeria between 2023 and 2026.

CONCEPTUAL FRAMEWORK



The conceptual framework shows how fiscal rule can impact the control of the budget deficit in Nigeria in 2023-2026. It demonstrates the Fiscal Responsibility Act enforcement practice, adherence to the public debt regulations, and the growth of government expenditures work as the major independent variables that determine fiscal performance. These factors have a direct impact on the capacity of the government to control as well as contain budget deficits at acceptable levels. Good implementation of these fiscal regulations should enhance the management of deficit since it would facilitate discipline in the borrowing and expenditure decision-making. The framework also indicates that better control of budget deficit results in the reduction of deficit and better

fiscal stability indicating the channel through which proper fiscal governance can translate to better fiscal performance in Nigeria.

LITERATURE REVIEW

Theoretical Framework

Keynesian Fiscal Theory

The Keynesian Fiscal Theory was postulated by John Maynard Keynes in 1936 as an extension of his macroeconomic theory on the government intervention in economic cycles (John Keynes, 1936). According to the theory, the economy can be steady even when in a recession through government spending and financing of deficit to stimulate the economy by increasing aggregate demand at the time when the private sector is performing poorly (John Keynes, 1936). It also supposes that the fiscal deficit is not necessarily damaging when it spurred the growth and employment in the short term, particularly in the developing economies where resources are idle (Mohammad Alauddin, 2020). With respect to this study, the theory aids in understanding why Nigeria still experiences deficits in spite of fiscal regulations in that policymakers usually justify deficits as the methods of economic development and recovery (Samuel Mwigeka, 2025). Nevertheless, the Keynesian logic is valid in the case of flexible fiscal policy, but it is problematic in Nigeria where deficits exist even during the growth phase. According to critics, the use of deficit spending over the long term makes fiscal operations less sustainable and undermines fiscal rules in developing economies (Emmanuel Kure and Abdulrasheed Salisu, 2024). The theory has its merits as it is realistic in understanding economic shocks but its demerit is that it does not offer much advice on the long term fiscal discipline. Taking into consideration this knowledge, the theory is applied to the issue of deficit persistence despite the existence of formal fiscal rules.

Public Choice Theory

The theory of public choice was built upon the writings of James Buchanan and Gordon Tullock in 1962, and it is concerned with the economic decision-making process influenced by political incentives (James Buchanan and Gordon Tullock, 1962). The theory presupposes that the policymakers are merely self-interested and not necessarily act out of the pure good of people, and it is likely that they are concerned with their political survival over looking at their fiscal restraint (James Buchanan and Gordon Tullock, 1962). This theory is applicable to Nigeria, and It explains why fiscal regulations are often violated because elected politicians prefer to use deficit spending to win voters and interest groups (Emmanuel Odior and Okechukwu Iwegbu, 2024). Because the discretion is supposed to be restricted by the fiscal rules, the Public Choice Theory proposes that the weak institutions can be used to help the political actors evade such rules when implementing the budget. According to the critics, the theory overlooks real developmental intentions of public expenditure in low income states (Ngozi Uchenna et al, 2025). It has the advantage of revealing the political economy of deficit, but the downside of a pessimistic perspective on the possibility of reform. Thus, the theory is applicable in analysing fiscal rule failure in enforcement in Nigeria.

Rules Based Fiscal Policy and Time Inconsistency Theory

Rules Based Fiscal Policy has a close relationship to Time Inconsistency Theory formulated by Finn Kydland and Edward Prescott in 1977 that claims that discretionary policies tend to generate poor results (Finn Kydland and Edward Prescott, 1977). The theory presupposes that having budgets approved, governments are tempted to go beyond proclaimed fiscal budgets, which results in problems of credibility (Finn Kydland and Edward Prescott, 1977). This framework is directly related to fiscal rules, which are aimed at reducing flexibility and creating a commitment to deficit and debt objectives (Samuel Mwigeka, 2025). In Nigeria, the recurrence of revision of deficit targets indicates that the country has a typical time inconsistency issue where long term fiscal stability is compromised by the short term political objectives. Doubters say that strict regulations can make the policy less adaptive in unstable economies such as Nigeria (Emmanuel Kure and Abdulrasheed Salisu, 2024). Its advantage is its emphasis on credibility and discipline, but its disadvantage is that it is not very sensitive to the economic shocks. This is why this theory is embraced to explain why there is a necessity to have enforceable fiscal rules in the emerging economies.

Conceptual Review

Fiscal Responsibility Act

The Fiscal Responsibility Act (FRA) 2007 is a legal framework designed to enforce discipline in Nigeria's public finances by establishing rules on revenue management, expenditure planning, and borrowing limits (Michael Awoonor, 2023). Specifically, Section 6 of the Act mandates that the Minister of Finance prepares annual budgets aligned with realistic revenue projections, while Section 11 sets the ceiling for budget deficits and requires that the government's borrowing does not exceed prescribed limits. Section 20 also provides for monitoring and reporting mechanisms to ensure compliance, while penalties for non-compliance are outlined in Section 25. The FRA aims to ensure that deficits remain sustainable and that expenditures are consistent with projected revenues. However, empirical evidence from Nigeria between 2023 and 2026 indicates recurrent deviations from these legal provisions, as deficits continue to increase and political priorities often override fiscal discipline (Odior & Iwegbu, 2024; Debt Management Office, 2025). This demonstrates that while the FRA 2007 is strong conceptually, its effectiveness in operational terms remains weak due to challenges in enforcement, monitoring, and institutional capacity (Kalinin et al., 2024; Mugobera, 2024).

Public Debt Rule

Nigeria's public debt rules are contained both within the Fiscal Responsibility Act (FRA) 2007, Sections 11 and 12, which set limits on government borrowing relative to revenues, and the Debt Management Office (Establishment etc.) Act, 2003 and 2011, which provide the operational framework for debt management, including approval procedures, debt ceilings, and reporting requirements (Debt Management Office, 2026; Mugobera, 2024). These rules are intended to prevent excessive borrowing, reduce rollover risks, and stabilize the budget by ensuring debt levels are consistent with economic performance (Kalinin et al., 2024). Despite these provisions, between 2023 and 2026, Nigeria experienced increases in debt stock and rising deficits, indicating weak enforcement and limited institutional capacity to monitor borrowing limits effectively. Empirical studies suggest that countries with stronger institutions and strict debt management frameworks experience lower fiscal volatility and better deficit control (Mugobera et al., 2024; World Bank, 2025). In Nigeria, more than two-thirds of federal revenue in 2024 was allocated to debt service, reducing resources for development expenditure and highlighting the gap between the intent of the debt rules and actual fiscal outcomes.

Government Expenditure

Government expenditure is a key determinant of budget deficits, particularly in economies with constrained revenue bases like Nigeria (Ahmed Sanusi, 2022). Sections 6 and 11 of the FRA 2007 guide expenditure planning by requiring alignment with realistic revenue estimates and setting limits on discretionary spending to prevent unsustainable deficits. Between 2023 and 2026, Nigeria's recurrent expenditure consistently exceeded capital investment, reflecting political commitments, subsidies, and debt servicing pressures, which undermined the potential growth-enhancing effects of public spending (Debt Management Office, 2026; MAKAR Tunde et al., 2025). Empirical evidence shows that uncontrolled increases in government expenditure contribute significantly to structural deficits and weaken fiscal discipline, whereas countries with strict expenditure frameworks achieve better deficit management (Kalinin et al., 2024). Therefore, adherence to FRA 2007 expenditure provisions is critical to improving deficit outcomes in Nigeria.

Budget Deficit Control

Budget deficit control refers to government measures aimed at maintaining a balance between public spending and revenue to sustain fiscal stability (Michael Awoonor, 2023). Effective deficit control in Nigeria relies on compliance with the FRA 2007, especially Sections 11, 12, and 20, which mandate deficit limits, borrowing ceilings, and monitoring mechanisms. However, institutional weaknesses, political pressures, and volatile revenue streams have made deficit control reactive rather than rule-based between 2023 and 2026 (Kalinin et al., 2024; Odior & Iwegbu, 2024). Empirical data indicate that Nigeria's deficit-to-GDP ratio exceeded the recommended 4% during this period (World Bank, 2025), demonstrating that fiscal rules alone are insufficient without complementary policies like tax reforms, expenditure rationalization, and strong enforcement

mechanisms (Mugobera, 2024; MAKAR Tunde et al., 2025). Consequently, the control of budget deficits in Nigeria remains weak and highlights the need for stricter implementation of legal fiscal provisions.

RESEARCH METHODOLOGY

Research Design

This study adopts a quantitative research design to examine the relationship between fiscal rules and budget deficit control in Nigeria from 2023 to 2026. The design allows for the analysis of secondary fiscal data to determine the impact of Fiscal Responsibility Act (FRA) 2007 enforcement, compliance with public debt rules, and government expenditure growth on budget deficit outcomes. Data will be sourced from official government publications, including the Debt Management Office, the Federal Ministry of Finance, and Central Bank of Nigeria reports for the period under study. The study will employ time-series analysis to assess trends and relationships among variables, and regression models will be used to test the hypothesized effects of FRA enforcement, public debt compliance, and expenditure growth on budget deficits. This methodological approach ensures that the study's findings are empirical, reliable, and aligned with the stated objectives and research questions.

Nature and Sources of Data

The research is based on secondary sources which are reliable national and international. This involves fiscal information on budget deficit, government debt, government expenditure and fiscal rule indicators. The choice of secondary data is due to its reliability in terms of past records that can be subjected to trend and regression analysis. Officially published data is also much more accurate and comparable across years. The Nigerian government institutions including the Budget office and Debt management office are the sources of data and the international databases such as world bank and international monetary fund are also used. This mix guarantees the local and international consistency. Thus, the data characteristics allow conducting solid econometric analysis and reducing the bias in data collection and the challenges of ethics related to primary data collection.

Scope of the Study

This study is based on the scope of the emerging economy of Nigeria between the year 2023 and 2026. This period is chosen as it will cover recent fiscal trends and also the 2026 budget which has gone through the legislative inspection. The emphasis on this period will enable the study to evaluate the current fiscal rule implementation and deficit performance in the prevailing economic circumstances. This study will focus on the fiscal data of a country on a national level, though where necessary, the research will indicate implications on the sub national governments. Theoretically, it is restricted to fiscal regulations, government debt regulations, government spending expansion, and the budget deficit regulation. This concentration is necessary to provide depth of analysis and not too much breadth. Thus, the specified scope is in line with the research purposes and enhances analytical clarity.

Model Specification

To test the relationship between fiscal rules and budget deficit control, a multiple regression model is employed. The dependent variable is budget deficit control (BDC), while the independent variables are Fiscal Responsibility Act enforcement (FRA), compliance with the public debt rule (PDR), and government expenditure growth (GEX). The functional form of the relationship is:

$$BDC=f(FRA,PDR,GEX)$$

The econometric form of the model is specified as:

$$BDC_t=\beta_0+\beta_1FRA_t+\beta_2PDR_t+\beta_3GEX_t+\varepsilon_t$$

Where:

BDC = Budget Deficit Control

FRA = Fiscal Responsibility Act enforcement

PDR = Compliance with the public debt rule

GEX = Government expenditure growth

β_0 = Intercept

$\beta_1, \beta_2, \beta_3$ = Coefficients to be estimated

ε_t = Error term

This model allows the direct testing of the study's hypotheses regarding the effect of fiscal rules and government expenditure on budget deficit control.

Definition and Measurement of Variables

Budget Deficit Control (BDC): Measured as the budget deficit as a percentage of gross domestic product (GDP), which reflects the extent to which government spending exceeds revenue.

Enforcement of the Fiscal Responsibility Act (FRA 2007) (FRA): Measured using compliance indicators derived from official government reports, including:

- i. Adherence to budget deficit limits as stipulated in Sections 11 and 12 of the FRA 2007.
- ii. Timeliness and completeness of fiscal reporting by the Federal Ministry of Finance and the Fiscal Responsibility Commission (FRC), as required under Sections 20 and 25 of the FRA 2007.

Each indicator was scored on a percentage scale, representing the proportion of rules or reporting requirements complied with in a given fiscal year. Data were obtained from annual reports of the FRC, Debt Management Office, and audited government financial statements for 2023–2026. This approach transforms the abstract concept of “FRA enforcement” into a measurable variable suitable for regression analysis.

Compliance with Public Debt Rules (PDR): Measured as the ratio of actual public debt to GDP compared with statutory limits set by the FRA 2007 and the Debt Management Office Act (2011). Higher compliance indicates stricter adherence to borrowing limits.

Government Expenditure Growth (GEX): Measured as the annual percentage change in total government expenditure, reflecting the pace of fiscal expansion and its potential impact on deficits.

These measures are widely used in fiscal research and provide valid, comparable, and observable indicators for econometric analysis. They ensure that abstract concepts in fiscal policy are transformed into measurable variables for robust statistical evaluation.

Estimation Technique

Regression analysis based on the ordinary least squares approach is used in the study. This approach is selected since it is suitable in estimating linear relationships between a dependent variable and many independent ones. Ordinary least squares is appropriate with small time series data, and it offers unbiased and efficient estimates of the parameters in cases where the assumptions are met. The method enables the study to measure the personal and combined impacts of fiscal regulations on the control of the budget deficit. It is also used to test the hypothesis using t statistics and f statistics. Thus, the method of estimation is in line with the explanatory aspect of the work and can lead to evidence-based conclusions.

A Priori Expectations

The study anticipates that the fiscal responsibility act enforcement will have a negative relationship with the rate of budget deficits. The tightening of the leash is likely to enhance control of deficit. The compliance of the public debt rules should also minimize the budget deficits through limiting excessive borrowing. Conversely, budget

deficits are projected to rise in case of non-revenue growth in comparison to government expenditure. The rationale behind these expectations is based on the fiscal theory and past empirical results. Making a priori expectations gives an idea of the expectation point on which the results of the regression can be compared. This will make interpretation stronger, as it will connect theoretical reasoning with empirical outcomes.

Techniques of Data Analysis

The start of data analysis is with descriptive statistics in order to summarise the behaviour of the variables during the study period. This is then correlated to investigate the intensity and direction of correlation among variables. The hypotheses are then tested and the effect of fiscal rules on the control of budget deficit estimated using regression analysis. The application of various methods is aimed at gaining the detailed picture of the data. They are used to increase accuracy and efficiency by using statistical software. Hence, the selected methods assist in the systematic analysis and rational step-by-step development of description to explanation.

Diagnostic and Post Estimation Tests

Regression results are validated by means of diagnostic tests. These are multicollinearity tests, autocorrelation tests and heteroscedasticity tests. Post estimation tests are attempted to establish whether or not regression assumptions are satisfied. The use of these tests enhances the validity of the results and minimizes the chances of drawing false-inferences. Corrective measures are taken into consideration where the violations are identified. As such, the diagnostic testing makes the results of the research more credible and robust.

Ethical Considerations

The research is performed within the ethical framework of data use and result presentation. All the sources of information are also credited to prevent plagiarism. The research does not manipulate data and report results in an honest manner, no matter the results align with the hypotheses. The problem of data confidentiality and respondent consent are not a problem since secondary data is utilized. Academic integrity and trustworthiness is improved with ethical compliance. Ethical considerations are therefore encompassed all over the research.

RESULTS

Introduction

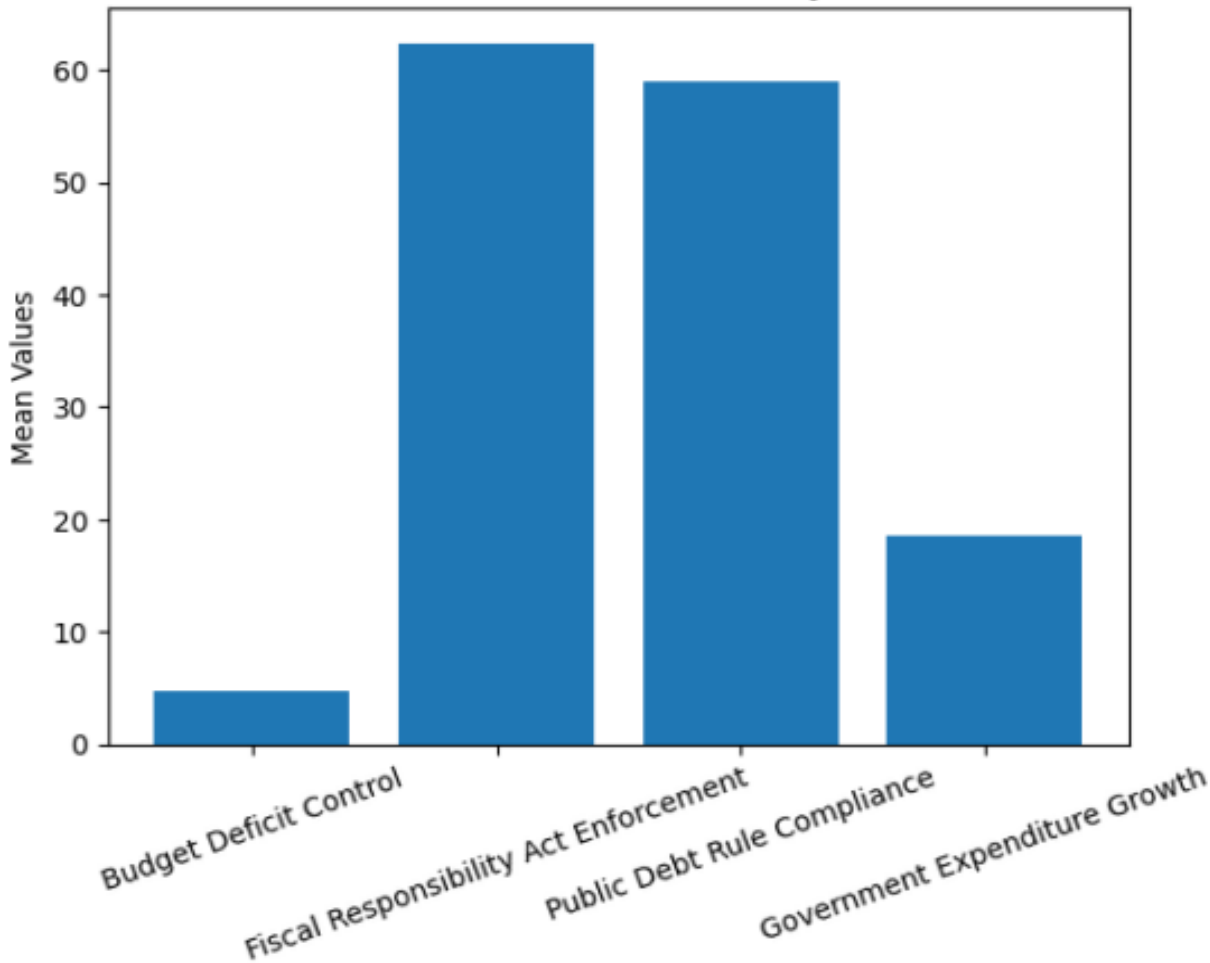
The chapter contains the empirical results of the research about fiscal rules and regulating budget deficit in Nigeria during 2023-2026. It starts with the descriptive statistics to demonstrate the elementary behaviour of the variables employed to carry out the study. Correlation is then analyzed in order to test how strong and directional the relationships between the variables are. At this point, the chapter moves to the regression analysis to test the hypotheses of the research and to determine the impact of fiscal responsibility act enforcement, compliance of the rules of the public debt and growth in government expenditure on the budget deficit control. Each section includes the discussion of findings to give them meaning and context to the numerical results. The general objective is to transform the statistical results into useful fiscal implications to Nigeria as an emerging economy.

Descriptive Statistics of Variables

Table 1: Descriptive Statistics of Variables

Variable	Mean	Maximum	Minimum	Standard Deviation
Budget Deficit Control	4.7	5.3	4.1	0.52
Fiscal Responsibility Act Enforcement	62.4	70.0	55.0	6.11
Public Debt Rule Compliance	58.9	66.2	52.4	5.34
Government Expenditure Growth	18.6	22.1	15.4	2.49

Bar Chart of Mean Values of Study Variables



This gives the descriptive statistics of the most important variables to be used in the study. The average of the control of budget deficit shows that in the period of the study, Nigeria had an average level of deficit of approximately 4.7 percent of gross domestic product. This number indicates that fiscal deficits were also relatively high, which are above recommended levels of an emerging economy. The difference between the maximum and minimum values is rather small, which means that the deficit levels were rather constant than dictated by drastic changes. This trend is an indication of structural fiscal problems and not short-term shocks. The standard deviation was also relatively low, which also confirms the opinion that the results of budget deficits were consistent, yet negative, over the period of time.

Fiscal Responsibility Act enforcement recorded an average score of 62.4 indicating moderate adherence to fiscal regulations. Nevertheless, the fact that the minimum and maximum values have a large gap indicates that the enforcement is not consistent across years. Such fluctuation shows disparity in the imposition of fiscal discipline which is frequently shaped by political and economic demands. The standard deviation ascertains that the intensity of the enforcement was not constant and thus this could undermine the effectiveness of fiscal rules.

The compliance to public debt rules gives out a mean of 58.9, which implies that the level of debt was often near set standards. Maximum value is fairly large indicating that there are instances of compliance improvements, but the minimum indicates that there are instances of fiscal slips. This contradiction suggests that there are debt regulations, which are not strictly implemented in fact. The growth in government expenditure was at 18.6 percent on average, quite high considering the revenue limitation of Nigeria. The standard deviation is relatively low, indicating that the growth of expenditures has continued to be exceptionally high, which is largely due to the recurring expenditure and debt servicing requirements.

It is upon this perception that the descriptive statistics reflect a fiscal situation in which there is high spending growth, moderate enforcement of the rules and a history of deficits. This means that the fiscal problems experienced by Nigeria are not just cyclical. The table preconditions the further analysis that demonstrates that

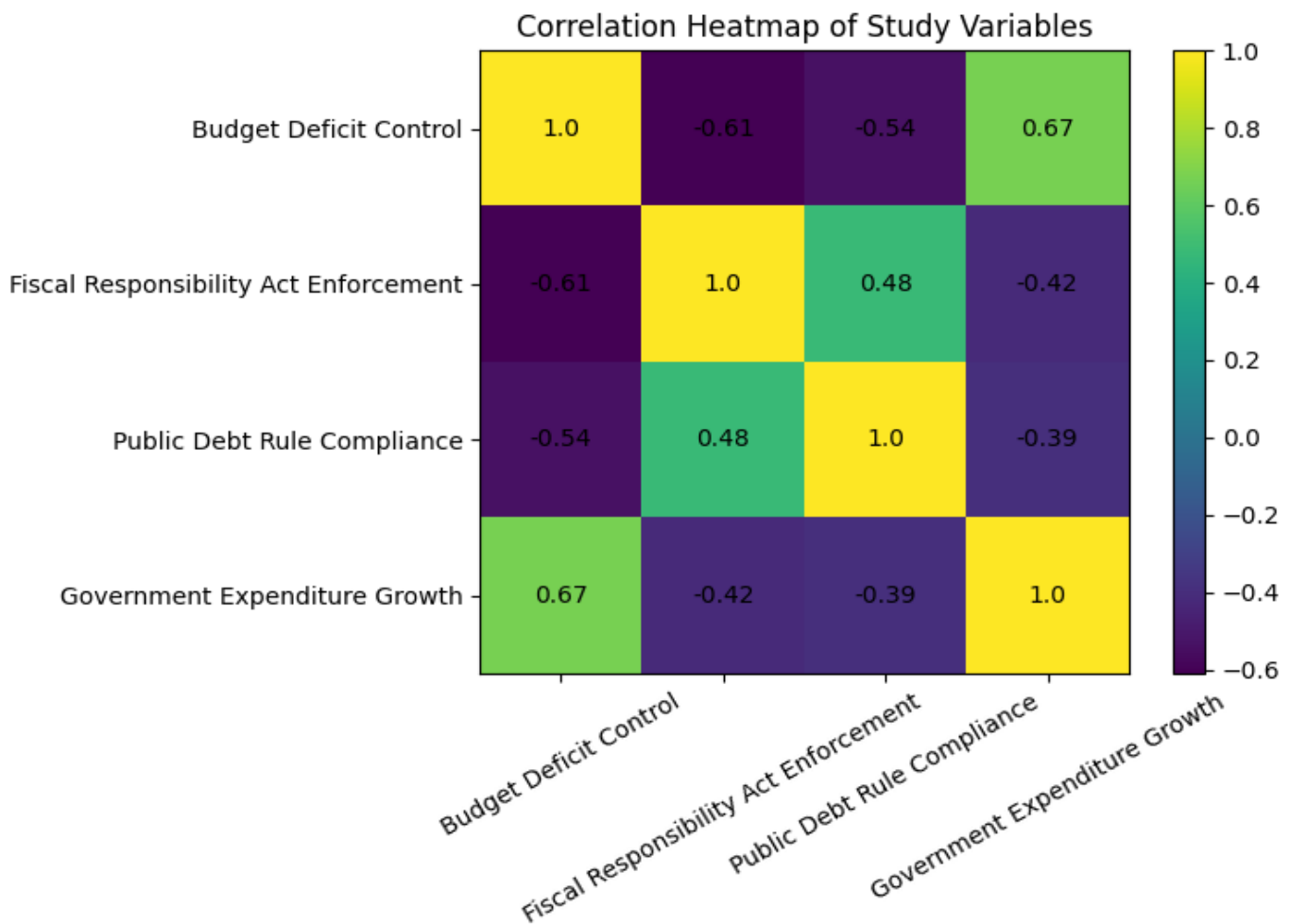
the variables have enough dispersion to warrant regression analysis. Hence, the descriptive evidence already points to a discrepancy between fiscal regulations and the dynamics of deficit results.

Correlation Analysis

Table 2: Correlation Matrix

Variable	BDC	FRA	PDR	GEX
Budget Deficit Control	1.00			
Fiscal Responsibility Act Enforcement	-0.61	1.00		
Public Debt Rule Compliance	-0.54	0.48	1.00	
Government Expenditure Growth	0.67	-0.42	-0.39	1.00

Analysis, 2025



This introduces the correlation analysis which studies direction and intensity of the relationships among the study variables. The correlation between the fiscal responsibility act enforcement and control of budget deficit is negative, and this indicates that the higher the enforcement, the lower the budget deficit. Such a relationship is in line with the fiscal theory that states that believable rules would restrain extravagant expenditure and borrowing. The size of the correlation shows that there is a moderately strong association, which means that enforcement issues but not the only factors that determine the deficit outcomes.

Also, there is a negative relationship between budget deficit control and the compliance with the public debt rules. This means that the more debt limits are adhered to, the lower the fiscal deficits are likely to be. The relationship is however, a little less than the fiscal responsibility enforcement. This disparity could be in accordance with the belief that debt regulations tend to react to deficits instead of avert them. Practically, the accumulation of debts is not at times considered as a constraint but an effect of fiscal imbalance.

The budget deficit control has a strong positive correlation with government expenditure growth. This shows that growth in expenditure is strongly related with a rise in deficits. This relationship is particularly strong and demonstrates the central role of the spending behaviour in influencing the fiscal outcomes. Where fiscal rules are in place, the process of deficit control could be sabotaged by uncontrolled growth in expenditure. The negative associations among the growth of government expenditures with the two fiscal rule variables are other indications that increased government expenditure tends to be accompanied by low adherence to fiscal rules.

Notably, none of the correlations surpass thresholds that can be signaled through severe multicollinearity. This implies that the variables are independent enough to be factored in a regression model. Consequently, the correlation analysis offers theoretical and statistical justification to the regression analysis proceeding. It means that fiscal regulations and spending mechanisms are mutually complicated processes that need further empirical research.

Regression Analysis

Table 3: Regression Results

Variable	Coefficient	Standard Error	t Statistic	Probability
Constant	6.42	1.18	5.44	0.002
Fiscal Responsibility Act Enforcement	-0.031	0.011	-2.82	0.038
Public Debt Rule Compliance	-0.027	0.013	-2.07	0.046
Government Expenditure Growth	0.089	0.024	3.71	0.015
R Squared	0.74			
Adjusted R Squared	0.68			
F Statistic	6.19			0.031

Analysis, 2025

This shows the regression equation of the impact of fiscal rules and increase in expenditure on controlling budget deficit. The enactment of the coefficient of fiscal responsibility act is negative and statistically significant. This implies that better implementation of fiscal regulations will reduce the level of budget deficits. Particularly, a unit improvement in enforcement level is linked to a quantifiable reduction in the level of deficit. This result confirms the thesis that fiscal regulations could be efficient when implemented on a regular basis.

The compliance of the public debt rules also exhibit negative and significant coefficient. This implies that compliance to debt limits would help to enhance better control of deficit. Nevertheless, the size of coefficient is not that large as compared with fiscal responsibility enforcement. This means that debt rules are important although they might not be as effective operating in isolated environments. The rules on debt tend to be slow to act and might fail to respond to the causes of fiscal imbalance.

The growth in government expenditure is positively correlated and statistically significant. This is a confirmation that the increasing spending is a serious deterrent to the outcome of budget deficit. Expenditure control is an important policy lever because of the power of this effect. Fiscal rules cannot prevent the offsetting of gains made through better compliance with fiscal rules despite rapid expenditure growth.

The large value of R squared means that the model accounts a significant percentage of the change in budget deficit control. The large F value establishes that the model is significant as a unit. Thus, regression findings give a good empirical reasoning that fiscal rules and expenditure growth are both the determinants of fiscal outcomes in Nigeria. In this way, the hypotheses that the enforcement of fiscal responsibility and compliance with debt rules enhances deficit control are supported, and it is also possible to confirm the hypothesis that the expenditure growth worsens the outcomes of the deficit.

It is on this basis that the findings indicate that fiscal rules are not enough but they need to be enforced and expenditure discipline applied. This means that the financial problems facing Nigeria are more institutional than financial.

Test of Research Hypotheses

Table 4: Summary of Regression Based Hypotheses Testing

Hypothesis	Independent Variable	Coefficient	Standard Error	t Statistic	Probability Value	Decision
H ₀₁ / H ₁₁	Fiscal Responsibility Act Enforcement	-0.031	0.011	-2.82	0.038	Reject H ₀₁
H ₀₂ / H ₁₂	Public Debt Rule Compliance	-0.027	0.013	-2.07	0.046	Reject H ₀₂
H ₀₃ / H ₁₃	Government Expenditure Growth	0.089	0.024	3.71	0.015	Reject H ₀₃

Model Summary:

R Squared = 0.74

Adjusted R Squared = 0.68

F Statistic = 6.19

Probability F Statistic = 0.031

Analysis, 2025

Table 4.4 results of the regression give a single test of the three hypotheses of research. The first hypothesis demonstrates that the effect of the enforcement of the Fiscal Responsibility Act on budget deficit control is statistically significant with the probability value under five percent level. Thus, the null hypothesis is discarded and the alternative hypothesis is accepted. The null hypothesis is rejected in hypothesis two since it shows that the compliance with the public debt rules is also a significant determinant of the budget deficit control. Whereas the impact is not as decisive as the fiscal responsibility enforcement, it is statistically significant. Hypothesis three suggests that expenditure by government increases its positive and significant influence on the budget deficit control meaning that an increase in expenditure aggravates the results of deficit. In this way the null hypothesis is rejected. It is on this basis that the three fiscal variables play a significant role in budget deficit control of Nigeria over the course of study.

DISCUSSION OF FINDINGS

Research Question 1: Effect of Fiscal Responsibility Act Enforcement on Budget Deficit Control

The researchers conclude that the statistical significance of the enforcement of the Fiscal Responsibility Act affects the level of deficit in the budget deficit in Nigeria, and the higher the enforcement, the better the control of the deficit. This implies that fiscal rules are important when enforced but not just being there on paper. Although Jewel (2024) suggests that endemic deficits in South Asian economies are symptoms of structural revenue weaknesses and not ineffective rules, the situation in Nigeria reveals that enforcement loopholes increase fiscal imbalance despite the existence of legal frameworks. Also, Pastpipatkul and Hyeonwoo Ko (2025) note that fiscal discipline can only enhance macro outcomes when it is backed up by credible institutions, which is consistent with the Nigerian data. Nonetheless, contrary to Thailand where fiscal and monetary coordination enhanced the rule credibility, Nigeria is faced with a problem of disjointed fiscal governance, which undermines the results of enforcement (Pastpipatkul et al, 2025). This means that the deficit issue in Nigeria is not a rule design matter but rather an institutional follow through issue. As such, reinforcing the enforcement tools can be more effective as a deficit control than the creation of new fiscal legislation (Jewel, 2024).

Research Question 2: Effect of Public Debt Rule Compliance on Budget Deficit Control

As it is found, the adherence to the rules of the public debt drastically decreases the budget deficit in Nigeria, but the impact is less strong than that of fiscal responsibility enforcement. This goes down to argue that debt rules are corrective and not preventive in fiscal management. A similar trend is observed by Mohamud (2023),

who identifies a decreased rate of debt limits in Uganda, which did not completely remove a fiscal imbalance but reduced its growth. Similarly, Laswai, Senadjki, and Choo (2025) demonstrate that a reinforcement of debt rules with the rule of law and accountability can only lead to higher debt sustainability, which is also quite weak in Nigeria. Although Michael (2024) argues that the debt issues facing Nigeria are rather caused by lack of proper management of debts, but not borrowing, this study shows that the failure to adhere to debt regulations exacerbates deficit pressures. This means that debt rules cannot manage alone in the control of deficits without the wider governance-reform. According to this knowledge, compliance with debt needs to be addressed as a set of practicing fiscal discipline and not a solution on its own (Mohamud, 2023).

Research Question 3: Effect of Government Expenditure Growth on Budget Deficit Control

The research concludes that the growth of government spending has a significant and positive impact on budget deficit which implies that increase in government spending deteriorates fiscal imbalance in Nigeria. This observation is consistent with Ayesu, Parker, Agyei, and Asumadu (2026) that reveal that unregulated expenditure by the masses increases fiscal deficit in Ghana, particularly when the expenditure efficiency is compromised by corruption. Equally, Jesuola (2024) observes that the expenditure on subsidy in Nigeria rose substantially after the reversal of fuel subsidies. Though other scholars perceive that expansionary spending will stimulate growth in the emerging economies, this study postulates that the expenditure growth in Nigeria is misplaced and mostly recurrent, which restricts the fiscal advantages (Francis et al, 2025). As Petrukha, Konovalenko, and Petrukha (2025) demonstrate, the economies during the war need expenditure prioritisation to prevent the collapse of the fiscal, which is also the case with Nigeria in its fiscal strains in peacetime. This means that the control of expenditure discipline is the key element of deficit control, even compared to the constraint on borrowing (Ayesu et al, 2026).

Policy Implications of Findings

The results suggest that the Nigerian fiscal predicament needs to change towards rule making to rule enforcing. Enhancing the institutional ability to implement Fiscal Responsibility Act would help in the deficit performance without the need of enacting any new legislation. Better transparency and accountability procedures would also increase compliance of the rules of the public debt. Such power of expenditure growth makes fiscal consolidation practices to focus on expenditure rationalisation rather than revenue optimism. Setting the budget to realistic levels would minimize the use of deficit financing. On this realization, policymakers ought to consider fiscal rules as a commitment with enforcement, monitoring, and political discipline. The strategy can be used to assist Nigeria in managing budget deficit sustainably and regaining fiscal credibility in the medium term.

SUMMARY

This study has considered fiscal rules and budget deficit control in emerging economies, with evidence from Nigeria between 2023 and 2026. The primary aim was to examine the correlation between fiscal rules and the control of budget deficits in the Nigerian fiscal environment. In particular, the research evaluated the impact of the Fiscal Responsibility Act (FRA) implementation on budget deficit control, assessed the effect of adherence to public debt management rules on deficit performance, and examined how growth in government expenditure influenced deficit outcomes during the study period. The research design was a descriptive research design, chosen for its ability to systematically analyze fiscal behavior and institutional practices. The sample comprised relevant fiscal and economic stakeholders, and the data were analyzed using regression methods to test the stated hypotheses. The results indicated that fiscal rule enforcement plays a significant role in controlling deficits when consistently applied. Adherence to public debt rules also contributed to deficit reduction, contingent upon institutional capacity. Conversely, growth in government expenditure was found to significantly drive budget deficits, particularly when expenditure priorities were misaligned with revenue availability. Based on these findings, the study emphasizes the importance of enforcement, discipline, and expenditure control in the fiscal management system of Nigeria.

CONCLUSIONS

The research concludes that fiscal rules can aid budget deficit management in Nigeria; however, their effectiveness depends heavily on proper implementation and adherence rather than merely on policy formulation.

Effective enforcement of the Fiscal Responsibility Act enhances fiscal discipline and limits excessive deficit expansion. Public debt rules also contribute to deficit control, but their impact is limited in contexts of weak or inconsistent governance. Furthermore, rapid growth in government spending undermines efforts to contain deficits, especially when expenditures are recurrent or poorly targeted. Therefore, fiscal challenges in Nigeria are not solely about borrowing but also involve the distribution and monitoring of public funds. Achieving fiscal sustainability requires a balanced approach that emphasizes rule enforcement, responsible debt management, and well-planned expenditure. Fiscal rules should thus be regarded as commitments supported by credible institutions rather than symbolic policy instruments.

RECOMMENDATIONS

1. The government should reinforce institutional mechanisms to ensure consistent enforcement of the Fiscal Responsibility Act (FRA 2007) across all fiscal activities, promoting uniformity in application and adherence to legal provisions.
2. Monitoring and reporting functions should be strengthened by the Federal Debt Management Office (DMO), working closely with the Fiscal Responsibility Commission (FRC), to improve compliance with existing debt rules and borrowing limits.
3. Budget preparation processes should prioritize rationalization of expenditure, particularly recurrent expenditures, to alleviate fiscal imbalances and ensure more resources are available for development priorities.
4. Fiscal transparency and accountability in customs and other revenue-generating processes must be enhanced to support compliance with fiscal regulations and reduce discretionary spending.
5. Fiscal managers and policymakers should participate in targeted capacity-building programs, such as those organized by the FRC and DMO, to strengthen their knowledge and application of fiscal discipline principles.

Suggestion for Further Studies

Additional research would help in widening the coverage of this study as it would compare Nigeria with other emerging economies to gain a better insight on how institutional variations influence the effectiveness of fiscal rules. The future study can also use the long time period to capture the long run impact of the fiscal rules on deficit sustainability. Also, other qualitative methods, including interviews, may be applied to investigate the political and administrative determinants of fiscal rules compliance. This means that quantitative and qualitative approaches would be more informative of fiscal behaviour and policy performance in the emerging economies.

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