THE IMPACT OF BUDGET DEFICIT ON PRIVATE SAVINGS IN NIGERIA, (1980 –2012)

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ABSTRACT

This research work focused on the impact of budget deficit on private savings. The scope of the study spanned from 1980 to 2012 using time series from the CBN. Budget deficit is the difference between tax revenue and government spending when government spending exceeds tax revenue while Private Savings is the amount of money that the household did not spend on consumption but rather saves it. The existing body of theory and evidence establishes a significant likelihood that budget deficits have large effects on private savings. The broad objective of this study is to investigate the impact of budget deficit on private savings in Nigeria. The methodologies employed in this study include both the descriptive and inferential analysis. This includes summary of statistic, correlation matrix of distribution, and the inferential statistics used is the regression analysis. The variables used in the study are budget deficit, interest rate, inflation rate, population, real GDP are determinants of private savings. The test for correlation matrix shows a positive correlation between budget deficit and private savings. Also, the regression result shows a positive relationship between budget deficit and private savings in the economy of Nigeria which follows the Ricardian equivalences that increase in budget deficit leads to a rise in private savings which is against the Keynesian and Neo-classical view which supports the point that increase in budget deficit will increase aggregate demand and offset private savings. The study recommends that the mindset of people should be change so that the citizens will see budget deficit as injection to the economy and not as a future burden to them through fiscal discipline.