Price Increases Accounting and Fiscal Advancement: Validation from Nigeria

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***Abstract*—** The survey was carried out to scrutinize the special effects of price increases on fiscal advancement: Validation from Nigeria. In this study, price increases accounting was taken with inflation rate and money supply while fiscal advancement was taken with real gross domestic product. Data were gathered from secondary sources. Ex-post facto research design was used while auto-regression distribution lag was used in analysis. Results revealed that price increases rate has undesirable and immaterial link with real gross domestic product and that money supply has affirmative but inconsequential association with real gross domestic product. Based on these results, it was resolved that price increases accounting has mixed influence on fiscal advancement. Hence it was suggested that government should formulate policies and programs to control rate of price increases to a level that would allow for sufficient money supply into the economy because such policy would diminish price increases rate and at the same time allow for adequate stream of money in the country which would in turn increase fiscal advancement

***Keywords*—** Accounting, Advancement, Domestic, Fiscal, Gross, Price increases, Product.

I. INTRODUCTION

According to Asuquo (2012a), inflation is an increase in price in any given country within a particular period. It is recognized to be adapted by the neo-classical economists. It replicates reduction in the phase of purchasing a considerable value in the era of trade and barter in the emerging economies (Ihingan, 2011). Economists postulate it as an agent of excessive growth and seen as determinant to fluctuations as well as purchasing Moreover, there is an opinion that price increases determine the supplied of money faster than the economy. (Karapinar & Zaif, 2005, Lazaridis & Tryfomidis, 2006). The concept discourages investment and savings out of concern. Furthermore, there is a significant amount of prices emanating which shows the effects of inflation accounting on real, gross national products and economic growth (Asuquo, Tapang, Uwah, Dan, & Uklala, 2020). Price increases as the name implies plays a significant part on the investors for greater outcome. The working of price system results to ineptitude in the circulation of in financial resources. According to Friedman (1977), Asuquo (2012b) and Akpan, Asuquo & Udoayang (2011) price increases upsurges when economic and monetary policies varied and this affect economic growth and development. The effect of deflation on economic growth and development also affect the performance of the banking sector and cash dividend paid out by banks, when there is persistent increase in the general level of price in value of money. Furthermore, price increases as one of the macroeconomic indicators could be determined in a short run if the money demanded exceeds the money supplied. On the other hand during the long run interval, money supply could also influence price and subsequently the goods and produce within the economy (Asuquo, Tapang, Uwah, Dan, & Uklala (2020)).

In Nigeria today, price increases or inflation accounting is concerned with savers and investors. For instance, the savings that is available with the banks would unanimously reduce what is invested and tax concession given and made available to small scale businesses will boost investment decisions and facilitate pension reformation and institution in both government and commercial sectors. These affect equity owners, motivate employees for greater productivity, develop strategies for rewarding past intellectual contribution to the economic growth and development, where the prices are accustomed with inflation that are anticipated and unanticipated. Inflation affects the growth of the economy when monetary expansion boosts the leverage of the banking sector (Asuquo, Akpan & Tapang, 2012, Akpan & Asuquo, 2012a). Rahman and Serlet (2009) stated that inflation with no certainly on economic activities is dependent on the financial involvement in a developing country. Thus, this current study is intended to examine and confirm the possible effects of inflation accounting on economic growth of Nigeria from year 1985 to 2019 using inflation rate and money supply to capture inflation and real grow domestic product (GDP) to proxy economic growth.

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1.1 Objectives of the study

The main aim of this study is to investigate the impact of inflation on Nigeria monetary or economic growth from 1985 to 2019 and the specific objectives were: to examine the impact of inflation rate on Nigeria monetary or economic growth within the period reviewed, and to assess the impact of money supply on Nigeria monetary or economic growth within the period reviewed.

1.2 Research Questions

The research question designed to guide this study are: what is the relationship between price increases rate and Nigeria monetary or fiscal advancement within the period reviewed? And what is the relationship between money supply and Nigeria monetary or economic growth within the period reviewed?

1.3 Hypotheses

The hypothesis designed in null form to guide the study are: No significant relationship exists between inflation rate and Nigeria monetary or economic growth within the period reviewed, and No significant relationship was observed between money supply and Nigeria monetary or fiscal advancement within the period studies

1.4 Significance of the study

This result from this study would be useful to government agencies as major monetary policy-maker Nigeria because it will review to the them the nature and magnitude of relationship between money supplied to the economy and its inflation impact on the economy as concern rise in price of commodities and help them in making informed policies in this regard. To researcher, this study will serve of source of useful literature as concern impact of inflation on Nigeria monetary or economic growth.

II. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Conceptual Review

The major conceptual frameworks that underpin this current study is presented diagrammatically below:

Conceptual framework

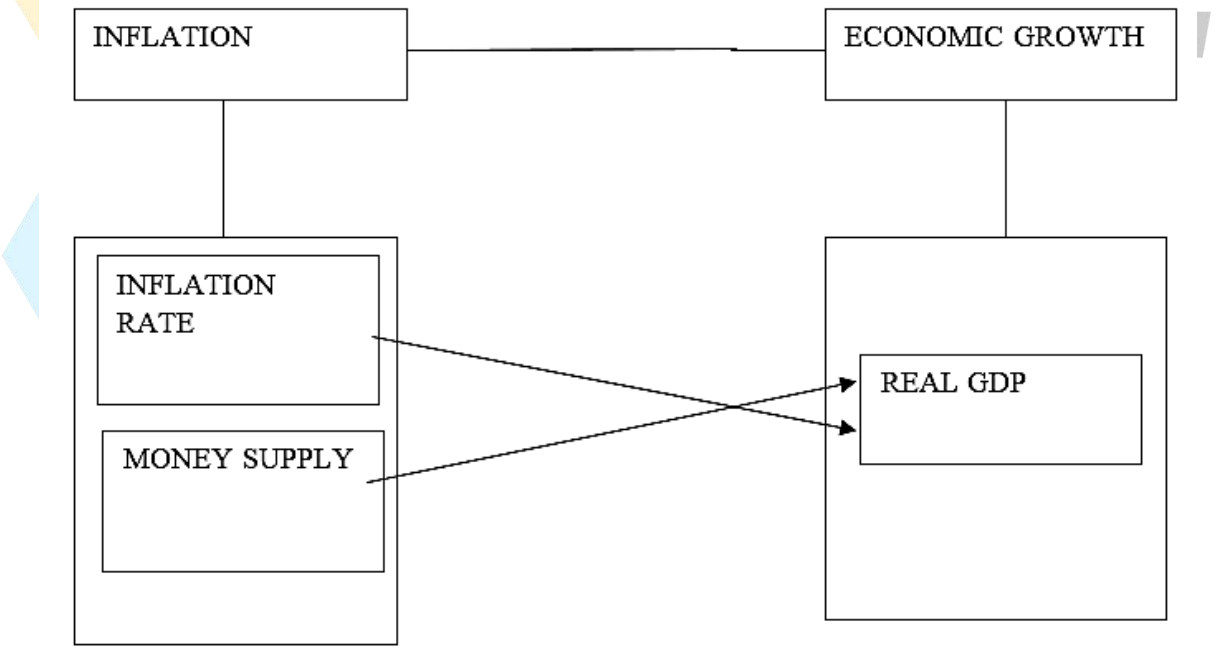

Figure 1: Conceptual framework of the study capturing all the variables

2.2 Inflation and Forensic Accounting in the era of information technology

This is a method of amending the annual report of a firm which capture the financial status when there is inflationary period. Apparently, there is concept pattern during the season of a drastic change in price. Moreover, there is a way this could affect the monetary stand of the corporation. The accounting method has been improved during inflation through the application of both forensic techniques and information technological equipment. This process is made of taking cognisance of business transactions at par change in price of a company and impact of information technology on forensic accounting practices in both government as well as private sectors. Furthermore, influence of information technology on accounting line of works, analysis and financial reporting to enhance economic growth is more predominant during inflationary periods (Asuquo,

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2012c, Asuquo & Udoayang, 2020, Asuquo, Dan & Effiong, 2020, Akdogun, 2009). This method breaks the annual record by injecting cost in a dimension way which is in tandem with price index.

Usually, the modus of operandi in an inflationary domain may not be significant rather seems to be accurately showcasing the present values. However, price level changes greatly impact on the global economy and subsequently affect the financial management practices and policies alongside profitability of establishments.

Thus, financial accounting standard and practices could be creatively adopted to influence sustainable growth, financial and economic performance of any establishment during inflationary period.

All these further highlight on accounting behaviour of both private and public enterprises in Nigeria in order to put more focus on their sustainability, growth optimal capital structuring using specified models such as standard magnitude variance and cash dividend models (Akpan, Asuquo **&** Udoayang, 2011, Asuquo & Effiong, 2010, Asuquo, Effiong & Tapang, 2012, Asuquo, 2013, Asuquo, 2011a, Asuquo, 2011b, Asuquo, 2020, Daily, 1984, Asuquo, Ejabu, Bogbo, Atu, & Adejoupe. 2018).

2.2.1 Components of current and historical cost as applicable to price increases accounting

Current cost accounting explains items in the balance sheet are shown at the current cost rather than the historical cost.

Current value: Assets and liabilities are indicators in the sheet using discretional accruals and going concern concepts during inflationary period and these in turn influence the reporting profit or income measurement of the business entity as well as national income accounting or gross domestic products in the economy.

Replacement cost accounting: The cost of replacing are always recorded appropriately using current cost, differential historical cost which reflects the capabilities of entity or prevailing market prices. Moreover, inflation accounting applying the concepts of current and historical differential costs greatly impact on sustainability reporting and corporate performance of firms (Asuquo, Dada & Onyeogaziri, 2018, Asuquo, Fadenipo, Ogbeche, & Ahonkhai, 2017, Effiong, Asuquo, & Enya, 2020, Effiong, Udoayang & Asuquo, 2011).

2.2.2 Purposes of Price increases accounting and fiscal performance

Financial accounting that is use as a tool to explain financial transactions during inflationary has the following basic objectives: To discard other distortions in line with the historical cost, to provide relevant issues comparatively, to develop the debit and credit column, and to improvise decisions made by the organization.

The role of inflation in the process of decision: Allocation of capital is gotten from the expected prospect in capital markets, and there is always a certainty during the business display. Furthermore, the organisations don't neglect this concept in financial reports and assessment of interest rate fluctuations, exchange rate risk exposure and its implications on performance of companies in the economy as well as the subsequent effects on asset values, accounting line of works and capital analysis in inflationary periods (Asuquo, 2012d, Asuquo & Tapang, 2012, Asuquo, Dan & Effiong, 2020, Sophodes & Mathaids, 2015).

2.3 Theoretical framework

This study is anchored mainly on Friedman's proposition; it was developed in 1977 and cited in Asuquo, Tapang, Uwah, Dan, & Uklala (2020) to explain the disparity between real and gross national goods and services. The theory posits that when there is an increase in inflation, this may reduce the response of the monetary authority and lead to rate of inflation. He views that inflation has a positive output on the performance.

As an addendum, the existence of this theory is in tandem with savings and investment. He agreed that growth is linked with lower inflation. In line with economic theory, this states that an increase in output will automatically lead to increase in input. It is predicted that the performance of inflation could be positive or negative based on the assumptions of the existing model. The theory posit on new price that could be juxtaposed from other prices (Arsoy & Gucenme, 2009). Growth is a change and increase in income. Synonymously, it's expressed in form of human capital. When there is an additional impact, this will cause high level of productivity.

Any sector that metamorphoses in the area of goods, has more services. As an addendum most of these goods and services are more vital than others. GDP is an indicator of good performance that will yield an effective product. On the other hand, money supply is the aggregate level of currency being circulating in a particular country.

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In this case, when there is an additional supply of money, this will reduce interest rates, mutually agreed international tax rates and laws leading to thin capitalization arrangement by the multinationals and make provisions for investment through capital budgeting processes which is always aimed at wealth maximization as well as giving more funds to consumers using the concept of reduced indirect/consumer taxes and transfer pricing within and outside the international borders.

Therefore, given the above scenario or economic circumstances, professional ethics could be applied as instrument for effective and efficient management of financial resources in the public and private sectors (Asuquo & Ejabu, 2018, Asuquo & Akpan, 2012b, Malik & Chowdbury, 2002, Udoayang, Akpanuko & Asuquo, 2009, Uwah & Asuquo, 2016).

2.4 Empirical Review

Daily (1984) evaluated the effect of inflation on the economy. It was discovered that capital stabilised on a current cost basis. Akdogin (2003) conducted a study on accounting application. Karapinar and Zaif (2005) examined inflation practice on companies' ratios.

Results proved that liquidity and activity ratios were significant. Empirical studies showed that domestic factors such as government spending, money supply have positive influence on inflation.

The effect of inflation on economic growth is embedded on the flow of money in an economy, increase in inflation with market frictions will have a negative effect on the performance of the sectors inflation as it is observed, also increase marginally in the sector, for instance the banking sector which inversely affects the economic growth in generating.

The leading processes in the banking sector leads to a reduction as it affect the process of resource allocation. In many developed and developing economies, the outcome of inflation shows a negative outcome on the sectors of the economy, and marginal rise inflation could be dangerous to stock market performance during the period of inflation.

As an addendum, the purchasing power of currency has no valuable effect on performance of banks. Exchange rate and money supply also affect the performance of inflation because of the uncertainties made by prices of products especially in the area of investment. The flow of loans and advances could be deterred when there is deficit spending.

A lot of studies as proved that inflation has a positive and negating impact on growth of Nigeria economy. According to Gurn (2002) he depicted that inflation is seen an endogenous factor that induces performance with a positive outcome other scholars view that inflation has a negative influence on growth of Nigeria economy.

III. RESEARCH METHODOLOGY

3.1 Research design:

This study employed Ex-post facto research design because it is most suitable for this kind of study. As it is said, the design made measuring and explaining the cause-effect relationships that among variables (outcome/dependent and predicting/independent) concise.

3.2 Model specification:

An econometric technique of autoregressive distributive lag of Inflation accounting proxies by inflation rate (INFR) and money supply (MS) on the economic growth of Nigeria proxies with real GDP, the model is stated thus:

RGDP = F (INFR, MS)

RGDP = Real Gross Domestic Product,

INFR = Inflation Rate,

MS = Money Supply

$RGDP = b_o + b_1 INF + b_2 MS + e$

b_o = Regression Constant

b_1-b_2 = Regression Parameters

e = Stochastic error term

3.3 Estimation and validation:

In other to measure the effect of inflation accounting on Nigeria economic growth, pre estimation test was carried out on the variables and based on the result, the estimation and post estimation test were also conducted and hypotheses tested.

The augmented dickey fuller test was employed for both. The test was conducted at levels and also first differencing if necessary using E-view software.

3.4 Sources of data:

Data were collected from Central Bank of Nigeria Statistical **B**ulletin, Annual reports of Federal Office of Statistics and through interaction with the staff of the CBN and National Office of statistics, Calabar.

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IV. RESULTS AND ANALYSIS

Trend lines of Inflection rate, Money supply and Real GDP.

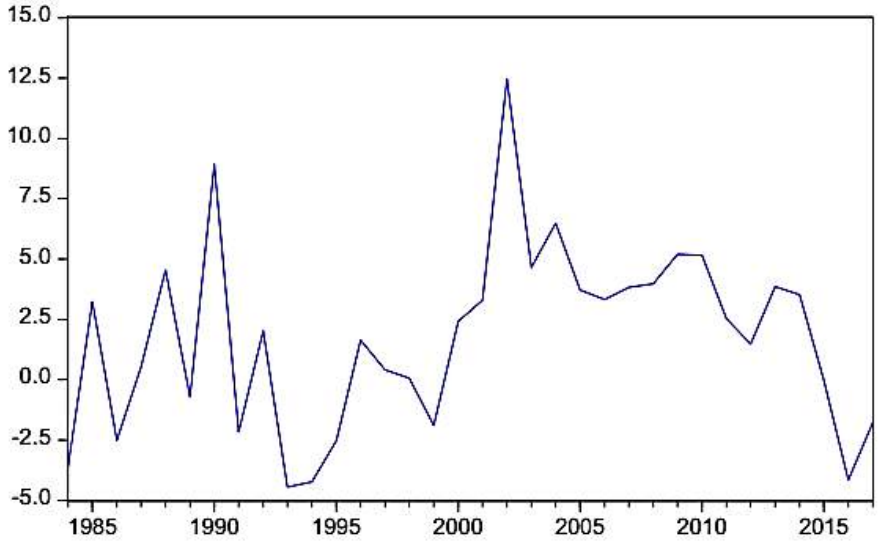

Figure 2: Trend line of RGDP in Nigeria from 1984-2019

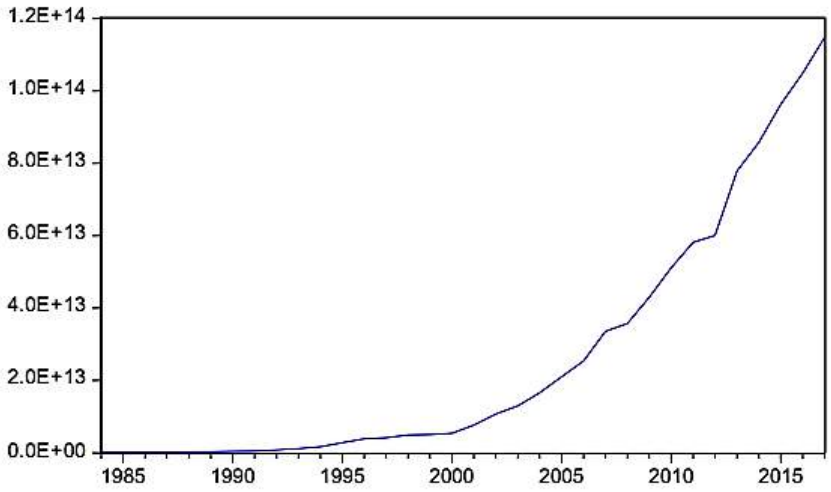

Figure 3: Trend line of Inflation in Nigeria from 1984-2019

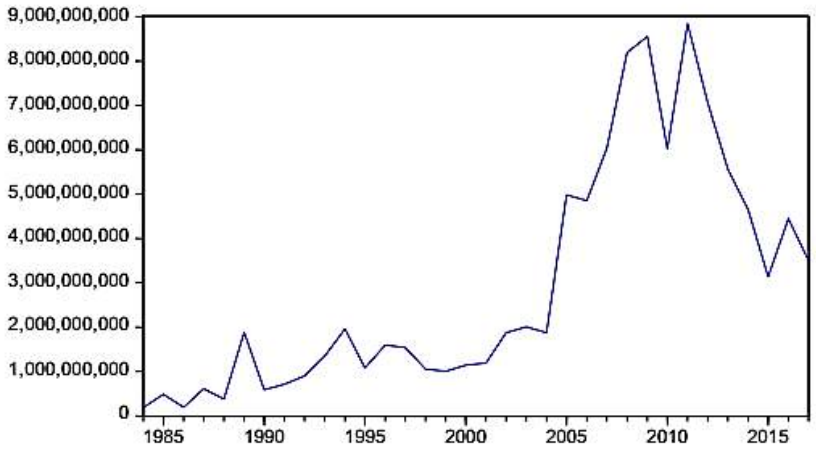

Figure 4: Trend line of Money Supply in Nigeria from 1984-2019

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4.1 Descriptive Analysis

The descriptive statistics of the variables of inflation and Nigeria economic growth were evaluated so as to know the mean value, minimum, maximum and standard deviation of the variables. Table 4.1 below shows the descriptive statistics.

Table 4.1 Descriptive statistics for RGDP, INFR and MS

	RGDP	INFR	MS
Mean	2.04E +11	3.5	2.44E+09
Median	1.50E+11	1.98	1.11E+09
Maximum	4.16E+11	1.50	9.89E+08
Minimum	4.16E+11	-4.719	-4.53E+08
Std. Dev.	1.09E+11	4.48	2.92E+09
Skewness	0.507572	0.460510	1.061932
Kurtosis	1.823509	2.401375	2.84751
Jarque-Bera	3.420750	1.709393	6.423131
Probability	0.180798	0,425412	0.040293
Sum	6.92E+12	1.20	8.29E+10
Sum Sq. Dev.	3.92E+23	6.63	2.82E+20
Observations	35	35	35

Source: Authors' computation, 2021

4.2 Unit Root Test

This test was conducted for the variables to ascertain the stationary of time series data of the variables used in the regression analysis, but before conducting the unit root test. The properties test of the variable was conducted first. This is to know if the variable has trend, intercept or none.

Table 4.2 Properties of the Time Series data of the Variables

Variables	Intercept(a)	Trends(b)	Decision
GDP	-0.57 (0.35)	0.070 (0.07)	Trend
INFR	-5.45 (0.47)	1.83* (0.000)	Trend
MS	2.07 (0.153)	-4.57* (0.0002)	Trend

Source: Authors' computation using Eviews9, 2021

From table 6.2 above, it was noticed that all the variables have trend, based on the results of property analysis, we proceed to unit root test proper.

Table 4.3 ADF unit root test result for the variables

	Level			
	ADF test statistics	5% test critical values	Decision	Order of integration
RGDP	-3.021	-1.951	Stationary	I(0)
INFR	-4.359	-3.55	Stationary	I(0)
MS	-5.0522	-3.55	Stationary	I(0)

Source: Authors' computation using Eviews9

From table 4.3 above, it was noticed that all the variables are stationary at level, so we then proceed to co-integration test.

4.4 Co integration Test

The outcome of co integration test for the time series data of the variables is presented below:

Table 4.4 ARDL Bound test for the Model

Computed F statistics	5% lower CV Bound [I(0)]	5% upper CV Bound [I(1)]
2.027	3.35	4.57

Source: Authors computation using Eviews9, 2021

From the above table, it will be noticed that the F-statistics is lower compare to 5% lower critical bound. This means no long run relationship exist among these variables.

Therefore, short run ARDL would be estimated. This could be represented as (2.045 < 3.23). Therefore, this research work would estimate the short run ARDL for this model.

4.5 Model Estimation

4.5.1 ARDL Short runs for the Model

The ARDL process for the model is decided instantly based on results of AIC and short run behaviours of the dependent variables are presented in table below:

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Table 4.5 ARDL Short Run to model Result

Variable	Coefficient	Probability
GDP(-1)	0.9237	0.0001
GDP(-2)	-0.4218	0.0397
INFR	-4.98	0.3206
MS	8.23	0.596
C	1-0.231	0.6663
R square : 0.728; F statistics : 7.378 ; probability (F statistics) : 0.000		

Source: Authors computation using Eviews9, 2021

V. DISCUSSION OF FINDINGS

Relationship between Inflation and economic growth: The coefficient of inflation rate INFR is -4.98. This shows that inflation rate has negative connection with RGDP which means that one unit change in inflation rate created nearly 4.98 unit reduction in RGDP in Nigeria within this researched period. The probability statistics is 0.3206 and is higher compare to 0.05. Which implies that null hypothesis would be accepted. Therefore, it would be concluded that inflation rate negatively but insignificant connection with real GDP. Relationship between economic growth and Money Supply: The coefficient of Money supply is 8.23. This shows that Money supply has positive association with real GDP. which means that one-unit alteration in money supply triggers nearly 8.23 unit rise in real GDP in Nigeria within this period studies. The probability statistics is 0.596 and is higher compare to 0.05. Which implies that null hypothesis would be accepted. Therefore, it would be concluded that money supply has positive but insignificant connection with real GDP. Explanatory Power of the Model: The determinant coefficient (i.e. R-square) is 0.728. The magnitude of this coefficient means that explanatory capacity of the model is appreciably high. Thus, 72% of the changes in real GDP in Nigeria is captured or explained by inflation rate and money supply while the remaining 28% are captured by other parameters not included in this model. Overall Significance of the Model: The F-statistics for the overall model is 7.378, which is higher compare to critical value of f-ratio theoretical value of 4.00. This justifies statistical significance of this model in predicting the explanatory variables. Moreover, the explanatory variables linearly combined significantly explain real GDP in Nigeria within this period studied.

VI. CONCLUSION AND RECOMMENDATIONS

The result of this study on effects of inflation accounting on economic or monetary growth of Nigeria from 1985 to 2019 shows that inflation accounting, captured by inflation rate and money supply; have mixed effect on economic growth; captured with real GDP, in Nigeria being that while the result revealed that inflation has negative impact or affected on Nigeria economic growth, money supply has positive effect on the economic growth within the period studied though the effects were not significant. Thus it recommended that Government should establish policies and programs to control rate of inflation to a level that would allow to sufficient money supply into the economy because such policy would minimize inflation rate and at the same time allow for sufficient flow of money in the country which would in turn increase economic growth.

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