

Impact of Government Expenditure on Nigeria's Economic Growth

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Abstract

Continuous and impartial economic growth is a major objective of government expenditure policy and as such, it is obligatory of any government to allocate public spending across different sectors of the economy. Over the years some scholars contend that increase in government expenditures do not promote economic growth while some contend that government expenditure do promote economic growth. This study examined the impact of government expenditure on economic growth in Nigeria. The major objective was to investigate the extent of the impact of recurrent expenditure and capital expenditure on the Nigerian economy. The study adopted ex-post facto research design using descriptive and inferential research design. It used annual time series data extracted from the Central Bank of Nigeria statistical bulletin for the year 1981 to 2018. For the data analyses, the study used descriptive statistics and correlation matrix and employed the multiple regression techniques of the ordinary least squares (OLS) where gross domestic product (GDP) (dependent variable) is responsive to recurrent expenditure, and capital expenditure (independent variable). The results revealed that government expenditure (recurrent and capital expenditure) have significant impact on the economic growth in Nigeria. Particularly, government recurrent expenditure has positive and significant effect on the economic growth in Nigerian. The government capital expenditure has a non-positive effect on economic growth in Nigeria. The study therefore concludes that government expenditure has significant impact on the economic growth in Nigeria. The study recommended that Government should increase her budgetary allocation to capital projects and an effective utilization of such funds is also advocated and all areas of wastages should be blocked, government should pay more attention to the economic services sectors by compelling non-governmental financial institutions like commercial banks to supplement government efforts at financing agriculture through the disbursement of loans at low interest rate at the appropriate time in order to avoid the diversion of such loans.

Keywords: Government Expenditure, Recurrent expenditure, Capital expenditure, Economic Growth.

INTRODUCTION

Government expenditure refers to the purchase of goods and services, which include public consumption and public investment, and transfer payments consisting of income transfers (pensions, social benefits) and capital transfer. Many political philosophers like Hobbes and Locke considered the hypothetical disadvantages of life without government (Miles, 2003). Where market failures and other socially unwarranted vices are predominant, government has the impetus to exercise greater controls and discretion over their economies. They do this through periodic planning for the allocation of resources and productive spending in critical areas of need. Thus, government expenditure has become an important factor for self-sustaining productivity improvements and long-term growth. Continuous and equitable economic growth is clearly a predominant objective of government expenditure policy. It is therefore incumbent on government to allocate public spending across various sectors of an economy in order to maximize prospects of achieving its growth and development objectives. Government Expenditure are expenses which any government incurs for its own maintenance, for the good of society and the economy, and for assistance to external bodies and other countries, Anyanwu, 1993 refers to the expenditure of government on governmental bodies and on various segments of the economy. Government spending or expenditure includes all government consumption, investment, and transfer payments, the acquisition of goods and services by government for current use, to directly satisfy the individual or collective needs of the community which is classed as government final consumption expenditure.

A good pattern of government expenditure encourages economic growth, favors the provision of employment and good roads, and ensures increase in salaries of civil servants. Government expenditure pattern of any developing country should be geared towards this international standard of goodness. Government expenditure as argued by various scholars has significant effects on economic growth. Whenever the rate of government spending on health and education for instance increases, the outcome is higher rate of economic growth. Also, government spending on infrastructures such as road projects, transportation, agriculture, etc. attracts more investments and increases the

profits of firms and incomes of individuals thereby accelerating economic growth. The government's investment in physical and social infrastructures, health care facilities, and educational institutions has significant effects on economic growth for it provides a suitable climate for investments in a country. However, some scholars contend that increase in government expenditures do not promote economic growth rather, it slows down the overall performance of the economy. The question which arises therefore is how does government expenditure impacts the economic growth in Nigeria? This paper aims at investigating the impact of government expenditure (recurrent expenditure and capital expenditure) on economic growth in Nigeria from 1981 – 2018. In Nigeria, like in most developing countries, the role of government in economic development can be categorized into stabilization, resource reallocation and income distribution. Therefore the government intervenes in the economy using fiscal and monetary policies. Specifically, fiscal policy refers to the manipulation of government revenue and expenditure towards influencing the workings of the economic system. Government revenue sources include different forms of taxes, rents, profits and sales of natural resources, etc. The expenditure include government spending on defense, education, health as well as subsidies. For budgetary purposes, government revenues sometimes absorb government expenditure in a situation referred to as a balanced budget while in some other instances the revenue falls short of the expenditure and this is referred to as the deficit budget. Yet in some instances, the revenue exceeds the expenditure and this is referred to as a surplus budget. In Nigeria, given the superiority of oil revenue in the total government revenue, government expenditure traces the volatility in oil prices. When oil price rise government revenue and expenditure also rises, and when price fall, so does revenue and the expenditure.

LITERATURE REVIEW

Conceptual Framework

Concept of Government Expenditure

Government expenditures are the costs that are usually incurred by the government for the provision and maintenance of itself as an institution, the economy and society. Anyafo (1996) describes expenditure as an actual payment or the creation of an obligation to make a future payment for some benefit, items or service received. Hales (1994) defines expenditure as payment, or promise of future payment and the obligation incurred thereunder, for goods and services delivered. Attamah (1999) writes that the traditional function of government expenditure is the maintenance of the bureaucratic structure (i.e. the civil service) and defense. Today, governments perform a variety of economic functions. According to him during the industrial revolution, poverty was increasing at an alarming rate, and as an offshoot of the increasing suffering of the laborers, Karl Marx and his followers agitated for a communist revolution. In reaction to this growing suffering, the governments of many countries started to increase their presence in the economic arena by acting as a redistributive agent to lessen the burden of the poor. Government expenditures usually tend to increase with time as the economy becomes large and more developed or as a result of increase in its scope of activities. Ogboru (2010) identified recurrent and capital budget as one of the major types of budget in an economy. It is sometimes referred to as revenue budget and it covers recurrent items or expenditure. The capital budget has to do with expenditures necessary to procure capital assets. According to Taiwo (2012), government's spending is a fiscal instrument which serves a useful role in the process of controlling inflation, unemployment, depression, balance of payment equilibrium and foreign exchange rate stability. In the period of depression and unemployment, government spending causes aggregate demand to rise and production and supply of goods and services follow the same direction. As a result of the increase in the supply of goods and services couple with a rise in the aggregate demand exerts a downward pressure on unemployment and depression. In Nigeria, the federal government's expenditures are broadly divided into recurrent and capital expenditure. The recurrent expenditure consist of government expenditure on administration such as wages, salaries, interest on loans, maintenances etc. whereas the capital expenditure are on projects like roads, airport, health, education, electricity generation, telecommunication, water etc.

Capital expenditures are investments with multiplier effects on the economy in terms of public benefits. In most cases government intervention has brought stability in income and employment in the economy. According to Barro and Grilli (1994), Government spending (or government expenditure) includes all government consumption and investment but excludes transfer payments made by a state. Government expenditure can be for the acquisition of goods and services for current use to directly satisfy individual or collective needs of the members of the

community or it can be for acquisition of goods and services intended to create future benefits such as infrastructure investment and the expenditures can represent transfers of money, such as social salaries and cost of administration. Current expenditure is recurring spending or, in other words, spending on items that are consumed and only last a limited period of time. They are items that are used up in the process of providing a good or service. In the case of the government, current expenditure would include wages and salaries and expenditure on consumables - stationery, drugs for health service, bandages and so on. By contrast, capital expenditure is spending on assets. It is the purchase of items that will last and will be used time and time again in the provision of a good or service. In the case of the government, examples would be the building of a new hospital, the purchase of new computer equipment or networks, building new roads and so on. The breakdown between these two types of spending is very important. While capital expenditure has a lasting impact on the economy and helps provide a more efficient, productive economy. Current expenditure, however, doesn't have such a lasting impact. Once the money is spent, it is gone and the effect on the economy is simply a short-term one. Public expenditure is therefore an important tool that brings about egalitarian society through the provision of welfare facilities (Ogba, 1999). Public expenditure is functionally classified into four (4) categories in Nigeria: administration, economic services, social and community services, and transfers with capital and recurrent expenditure consumptions for each class (CBN, 2011).

Concept of Economic Growth

Muritala and Taiwo (2011) defined a country economic growth as a long term rise in capacity to supply increasing diverse economic goods to its population, this growth capacity is based on advancing technology and the institutional and ideological adjustment that is demand. In other words, economic growth refers to increase in a country's potential Gross Domestic Product (GDP), although this differs depending on how national product has been measured. According to Ogundipe and Oluwatobi (2010), economic growth must be sustained for a developing economy to break the circle of poverty. Economic growth can be defined as the steady process by which the productive capacity of the economy is increased over time to bring about rising levels of national output and income (Todaro and Smith, 2005). However, it is pertinent to note that growth is concerned solely with quantitative and measurable attributes (Ogboru, 2006). Furthermore, Lipsey and Chrystal (2007) regarded economic growth as the engine for generating long-term increase in the overall standard of living. This justifies why every economy aims at achieving economic growth annually. Economic growth is also defined as the increase in the market value of the goods and services produced by an economy over time. It is conventionally measured as a percent rate of increase in real gross domestic product (GDP). Jhinghan (2011) stated that economic growth is the quantitative sustained increase in a country's per capita output or income, accompanied by expansion in its labor force, consumption, capital and volume of trade. While economic development is economic growth plus change. An economy can grow but may not develop. However, it is difficult to imagine economic development without economic growth. Though they differ in concept, they are sometimes used interchangeably.

Empirical Review

Mohsen and Nafise (2016) investigated the causal relationship between government expenditure and GDP for MENA region countries. They used panel unit root tests and panel co-integration analysis for the period 1970-2010. The results showed a strong causality from economic growth to government expenditure in these countries. However, government spending does not have any significant effects on GDP. Uguru (2016) empirically examined the relationship between public debt and government expenditure in Nigeria from 1980 to 2013. The data used was purely secondary data sourced from Central Bank of Nigeria Statistical Bulletin for various years. The study employed the ordinary least square regression technique and found that there is a significant relationship between public debt and government expenditure in Nigeria. Ebong, Ogwumike, Udongwo and Ayodele (2016) assessed the impact of government capital expenditures on economic growth in Nigeria. A multiple regression model based on a modified endogenous growth framework was utilized to capture the interrelationships. Drawing on error correction and integration specifications, an OLS technique was used to analyze the annual time series. They found that the disaggregated expenditures do not crowd out private investment. Udoffia and Godson (2016) investigated the impact of federal government expenditure on the Nigerian economy using the OLS estimation technique and found that federal government capital and recurrent expenditure have a positive effect on real GDP. Odhiambo (2015) studied the dynamic causal relationship between government expenditure and economic growth, using data from

South Africa, the apparently most advanced economy in Africa. The study employed auto-regressive distributed lag model (ARDL)-bounds testing approach to examine this linkage. The study found that, although both government expenditure and economic growth Granger-cause each other in the short run but in the long run, it is economic growth that Granger-causes government expenditure. Emori, Duke and Nneji (2015) investigated the impact of government expenditure on the Nigerian economy using ADF unit root test and OLS regression test. They found that public expenditure had a significant effect on the Nigerian economy.

Gukat (2015), analyzed the relationship between government expenditure on human capital and economic growth in Nigeria. Using the error correction mechanism the study found that public expenditure on human capital has a positive and significant impact on economic growth in Nigeria. Also, Ohwofasa, Obeh, and Atumah (2012) and Chude and Chude (2013) have investigated the relationship between government expenditure in the education sector and economic growth in Nigeria with similar findings. Aninkan and Akinsanya (2014) studied the joint effects of capital and recurrent expenditures of government on the economic growth of Nigeria from 1980-2011, using the ordinary least square method for estimating multiple regression models. The regression results showed that both capital and recurrent expenditures impacted positively on economic growth during the period of study. The recurrent expenditure has a stronger and more accelerating effect on growth than capital expenditure. Agbonkhese and Asekome (2014) studied the impact of public expenditure on the growth of the Nigerian economy from 1981 to 2011. They employed Ordinary Least Square (OLS) method of econometric technique and found that although there is a positive relationship between the dependent and independent variables, the adjustment of economic growth or gross domestic product was a fair one which made it difficult to reject the null hypothesis which according to them implies that government over the years appears to be bad managers of resources and have failed to play their role in the process of economic growth and development. Edame (2014) critically analyzed the trends of public expenditure on infrastructure and economic growth in Nigeria, from 1970 to 2010. The study examined the trend in public expenditure on infrastructure in Nigeria between 1970 and 2010, and compared the trend in public expenditure between the various regimes in Nigeria between 1970 and 2010. Oyinlola and Akinnibosun (2013) examined the relationship between public expenditure and economic growth in Nigeria during the period 1970-2009. The study used components of public expenditure such as recurrent expenditure, capital expenditure, administrative expenses, community and social service and transfer. The result also showed the presence of a counteracting relationship between the variables in the system thus, suggesting that a long term relationship exists between them.

Okoro (2013) investigated the impact of government spending on the Nigerian economic growth for the period of 32 years (1980-2011). Employing the ordinary least square multiple regression analysis of co-integration technique, the researcher discovered that there exists a long-run equilibrium relationship between government spending and economic growth in Nigeria. Mutiu and Olusijibomi (2013) studied the relationship between public expenditure and economic growth in Nigeria from 1970 to 2009. The study used Gregory-Hansen structural breaks co-integration technique on a disaggregated public expenditure level and found that economic growth and development are the main objectives of government expenditure. Saheed (2012) examined the impact of government capital expenditure on exchange rate in Nigeria, using disaggregated approach. The findings of the study indicated that the government's capital expenditure, especially government spending on social and community services has a statistically significant impact on exchange rate in Nigeria, while capital expenditures on administration, economic services and transfer are not statistically significant in respect to their impact on exchange rate. In studying the effect of the composition of public expenditure on growth in Nigeria using the vector error correction approach (VEC), Onotaniyohwo et al (2012) found that the expenditure on transfers had a significant but negative impact on growth while the expenditure on economic and social-community services had a significant and positive impact on growth. Taiwo and Agbatogun (2011) studied government expenditure as a sine qua non for economic growth and development in Nigeria from 1980 – 2009. Using Johansen Co-integration, unit root test and error correction model, it was discovered that total capital expenditure, inflation rate, degree of openness and current government revenue are significant variables to improve growth in Nigeria. Abu and Abdullahi (2010) examined government expenditure and economic growth in Nigeria from 1970 to 2008. Employing ordinary least squares (OLS) regression technique, they found that government capital and recurrent expenditure have negative and non-significant effect on economic growth of Nigeria. Mitchell (2005) studied the impact of government spending on

economic growth in America. Using economic theory and empirical, the researcher concludes that a large and growing government is not conducive to better economic performance. Indeed, reducing the size of government would lead to higher incomes and improve America's competitiveness.

Theoretical Framework

Adolph Wagner's Theory of Increasing State Activities

The earliest of all theories of government growth is Wagner's Law of Increasing State Activity. This theory posits a relationship linking industrialization, urbanization and education to the expansion of the public sector (Bird, 1971). The activities of the different tiers of government (federal, state and local) increase both intensively and extensively arising from increasing demand for public utilities. Wagner advanced the theory of rising public expenditure by analyzing trend in the growth of government expenditure and in the size of government expenditure. Wagner's law postulates three focal bases for the increase in state expenditure. Firstly, during industrialization process, public sector activity will replace private sector activity and state functions like administrative and protective functions will increase. Secondly, governments needed to provide cultural and welfare services like education, public health, old age pension or retirement insurance, food subsidy, natural disaster aid, environmental protection programs and other welfare functions. Thirdly, increased industrialization will bring out technological change and large firms that tend to monopolize economic activities. Governments will have to offset these effects by providing social goods through budgetary means. Wagner further pointed out that public spending is an endogenous factor, which is determined by the growth of national income. Hence, it is national income that causes public expenditure. The Wagner's Law tends to be a long-run phenomenon: the longer the time-series, the better the economic interpretations and statistical inferences. It was noted that these trends were to be realized after fifty to hundred years of modern industrial society. So it is the economic growth that determines government size. The theory explains that increases in public goods are a product of increased demands by organized industrial workers, coming at the costs of growth in the private sector (Wagner, 1958). The government sector tends to grow faster than the economy.

Musgrave's Theory of Public Expenditure Growth

The Musgrave's theory of public expenditure and growth explained that, at low level of per capita income, the demand for public services tend to be very low, arguing that such income is devoted to satisfying primary needs and it is only when the per capita income starts to rise above these level of low income that the demand for services provided by the public sector such as education, health, and transports starts to rise, thereby forcing government to increase expenditure on them. The theory observed that with high per capita income typical in the developed nations, the rate of public spending falls as most basic wants are being satisfied. Therefore the theory suggested in connection to Wagner that as progressive nations become more industrialized, the share of public sector in the national economy grows continually (Musgrave, 1988). Iyoha stated five stages of expenditure growth; "Traditional society, preconditions for take-off, the take-off; the drive to maturity and the eye of high mass consumption." What determines the accepted expenditure-growth depends critically on the assumption of the type of economy, i.e. whether it is a free market economy, a mixed economy or a command economy (Iyoha, 2002).

Wiseman-Peacock Hypothesis

Peacock and Wiseman (1967) suggested that the growth in public expenditure does not occur in the same way that Wagner theorized. Peacock and Wiseman choose the political propositions instead of the organic state where it is deemed that government like to spend money, people do not like increasing taxation and the population voting for ever-increasing social services. In another thesis put forth by Peacock and Wiseman in 1961, they studied public expenditure in the UK. It explained the reason of increasing public expenditure from the social-political perspective. It argues that Government expenditure will increase as income increases but because the leaders want re-election into political offices, additional infrastructures must be provided in order to convince the electorate that their interests are being catered for by the people voted into power. However, the citizens of the country are less willing to pay tax. The resistance of the care of the government in form of increased spending to avoid social crises in the

economy. The resistance to pay tax by the people will make the state to have low revenue hence the cost of providing more facilities is borne by the government, making government expenditure to increase rapidly.

Classical Economists Theory

Classical economists believed that government intervention brings more harm than good to an economy and that the private sector through the forces of supply and demand should carry out most of the economic activities. According to the classical dichotomy, an increase in the total amount of money leads to a proportionate increase in all money prices, with no change in the allocation of resources or the level of GDP, which is known as money neutrality. The classical economy have a clear message that except for certain unavoidable responsibilities like national defense, the administration of justice and provision of certain socially necessary institutions such as educational institutions that private interest might neglect, the government ought to stay out of economic sphere. Laissez-faire became the motto and the policy was to leave the economy alone out of the government control (Akor, 2010).

The Keynesian Theory

This theory favored government intervention to correct market failures. In 1936, John Maynard Keynes (1883-1946) "General Theory of Employment, Interest and Money" criticized the classical economists for putting too much emphasis on the long run. According to Keynes, "we are all dead in the long run". Keynes believed depression needed government intervention as a short term cure. Increasing saving will not help but spending. Government should increase public spending giving individuals, purchasing power and producers would produce more, creating more employment. This is the multiplier effect that shows causality from public expenditure to national income. In the Keynesian macroeconomics, increase in government expenditure has an expansionary effect on income and employment through the multiplier effects on aggregate demand. On the other side, government expenditure crowds out private investment as a result of increase in the rate of interest and this slows down economic growth and reduces the rate of capital accumulation in the long run. Keynes (1936) regarded government expenditure as an exogenous variable that contributes positively to economic growth. Hence, an increase in government expenditure would likely lead to increase in employment, profitability and output through the multiplier effects on aggregate demand. With the introduction of government expenditure (G) by Keynes, the national income determination model is expanded which becomes; $AD=C+I+G$. Where, AD represents aggregate demand which equals the sum of consumption (C), Investment (I), and government expenditure. The government expenditure has direct and positive impact on the GDP. An increase in government expenditure will boost aggregate demand, resulting in higher level of national income. All things being equal, an increase in government spending has an expansionary effect on output and income while a decrease has contractionary effect on output and income. From the Keynesian thought, public expenditure can contribute positively to economic growth. Hence, an increase in the government consumption is likely to lead to an increase in employment, profitability and investment through multiplier effects on aggregate demand. As a result, government expenditure augments the aggregate demand, which provokes an increased output depending on expenditure multiplier. The Keynesian analysis of government expenditure formed the bases for this research.

METHODOLOGY

The study focused on time series data for three economic variables for the period from 1981 to 2018. This study concentrated on the following variables; dependent variable, economic growth measured by the nominal GDP and independent variables which is government expenditure as recurrent and capital expenditure. This study used secondary data which was collected from the Central Bank of Nigeria Statistical Bulletin. The Ex-post-facto research design was adopted for this study using both descriptive and inferential research design. Based on the objectives of the study, this research adopted the Keynesian model. The Keynesian model believes that increase in government spending should promote economic growth. The study employed a multiple regression model and applied Ordinary Least Squares estimation technique because of its trait as a best linear unbiased estimator. The research technique has been employed and found to be suitable in similar researches like Abu and Abdullahi (2010) and Okoro (2013). An econometric model was developed to examine the nexus or linkage between recurrent and capital expenditure and gross domestic product.

$$GDP = f(REC, CEP)$$

The transformation of the above model into a regression function is given below:

$$GDP_{it} = \beta_0_{it} + \beta_1 (REC)_{it} + \beta_2(CEP)_{it} + e_{it} \dots\dots\dots(1)$$

Where,

GDP = Gross Domestic Products (dependent variable)

REC = Recurrent Expenditure (independent variable)

CEP = Capital Expenditure (independent variable)

β_0 = Constant term

β_1 = Coefficient of the parameter estimates

e = Error Term

The emphasis of the study is to test whether recurrent expenditure (REC) and capital expenditure (CEP) has a positive and significant impact on gross domestic products (GDP).

4. RESULT AND DISCUSSION

Table 1: Descriptive Statistic

	GDP	REC	CEP
Mean	27569.37	1286.977	426.2259
Median	6102.422	455.6312	289.3337
Maximum	127762.5	5675.186	1682.099
Minimum	144.8312	4.750800	4.100100
Std. Dev.	37734.90	1637.927	441.8904
Skewness	1.279906	1.119582	0.901350
Kurtosis	3.322978	2.981852	2.989323
Jarque-Bera	10.54017	7.939124	5.145582
Probability	0.005143	0.018882	0.076322
Sum	1047636.	48905.14	16196.59
Sum Sq. Dev.	5.27E+10	99263783	7224884.
Observations	38	38	38

Source: Author's computation using E-views 10

From the above table, it is seen that REC has a mean of 1286.977, a standard deviation of 1637.927 which means REC can vary from its mean by 1637.927. CEP has a mean of 426.2259, a standard deviation of 441.8904 which means CEP can vary from its mean by 441.8904. GDP has a mean of 27569.37, a standard deviation of 37734.90 which means GDP can vary from its mean by 37734.90.

Table 2: Correlation matrix

	GDP	REC	CEP
GDP	1	0.99116880...	0.88544026...
REC	0.99116880...	1	0.91798708...
CEP	0.88544026...	0.91798708...	1

Table 2 above shows the correlation matrix of the variables used in this study. It is said that there are positive correlations among the variables. GDP is positively correlated with REC and CEP.

Testing of Hypotheses and Interpretation

A summary of the results of the Ordinary Least Square (OLS) regression is presented in Table 2 below:

Hypothesis One

H⁰: there is no significant relationship between recurrent and capital expenditure and GDP

Table :2

Dependent Variable: GDP				
Method: Least Squares				
Date: 09/14/20 Time: 15:33				
Sample: 1981 2018				
Included observations: 38				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
REC	26.19783	1.120579	23.37883	0.0000
CEP	-13.96562	3.796890	-3.678173	0.0008
R-squared	0.986158	Mean dependent var	27569.37	
Adjusted R-squared	0.985773	S.D. dependent var	37734.90	
S.E. of regression	4500.834	Akaike info criterion	19.71311	
Sum squared resid	7.29E+08	Schwarz criterion	19.79930	
Log likelihood	-372.5491	Hannan-Quinn criter.	19.74377	
Durbin-Watson stat	1.162845			

Source: Author's computation using E-views 10

The result shows that the recurrent expenditure and capital expenditure both have positive significant relationship with GDP. As show in table 2.above, In terms of the fitness of the study model, the coefficient of multiple determinations indicates that R^2 is approximately 0.986 while adjusted R^2 is 0.985 of the variations in GDP (dependent Variable) are explained by the influence of recurrent and capital expenditure. The test of overall significance of regression implies testing the null hypothesis. The overall significance of the regression is tested using ordinary least square methods. In this study the calculated F probabilities has a value of 0.0000 for recurrent expenditure and 0.0008 for capital expenditure which is significant at 0.05. It is therefore, concluded that linear relationship exist between the dependent and the independent variables of the model. Base on this finding, the postulations which state that capital expenditure has no positive effect on GDP as it has a coefficient of -13.96562 while recurrent expenditure has a positive coefficient of 26.19783. The evidence established that the independent explanatory variables have individual impact economic growth. Therefore the null hypothesis is false. Government expenditure has positive and significant influence on economic growth in Nigeria.

CONCLUSION AND RECOMMENDATIONS

This study investigated the impact of the government's expenditure on economic growth in Nigeria. The regression results show that government recurrent expenditure have positive linear relationship with the economic growth in Nigeria, with a coefficient value of 26.19783, t-statistic value of 23.37883 and associated probability value of $0.0000 < 0.05$ that have a significant positive effect on the growth of Nigerian economy. The government capital expenditure have a negative coefficient value of -13.96562; t-statistic value of -3.678173 and associated probability value of 0.0008 that have a significant positive effect on economic growth in Nigeria. From the empirical analysis, given the period under study, one can safely conclude that increase in government recurrent expenditure has a positive and significant impact on the economic growth in Nigeria, and government capital expenditure has significant impact on the economic growth in Nigeria and an increase in the sending on capital expenditure will lead to a positive impact on the economy. Based on the findings of the study, this study, however, recommends that;

- i. Government should increase her budgetary allocation to capital projects and an effective utilization of such funds is also advocated and all areas of wastages should be blocked.
- ii. Government should pay more attention to the economic services sectors by compelling non-governmental financial institutions like commercial banks to supplement government efforts at

- financing agriculture through the disbursement of loans at low interest rate at the appropriate time in order to avoid the diversion of such loans.
- iii. The Independent Corrupt Practices and other Related Offences Commission and the Economic and Financial Crimes Commission should be reformed and strengthened in order to promote transparency in the conduct of government spending.
 - iv. The Nigerian government should also adopt a public medium term expenditure framework to ensure predictable and sustainable public expenditure at all levels of government.

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