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Sequence of Manuscript

I. Title page
II. Abstract (150-250 words)
III. Keywords (3-5)
IV. Introduction
V. Literature Review
VI. Methodology
VII. Results and Discussion
VIII. Conclusion and Recommendations
IX. References (APA 7th Edition)
X. Appendices (if necessary)
XI. Author Biographies (optional)

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EFFECT OF PUBLIC FINANCE ON ECONOMIC GROWTH IN NIGERIA

JOEL ADEOYE CHRISTOPHER

ABSTRACT

Public finance has long posed challenges for policy-makers, particularly in balancing the need to raise and allocate public funds effectively while controlling budget deficits and ensuring financial accountability. This study examined the effect of public finance on economic growth in Nigeria from 2014-2023. In this study, an ex-post facto research design was used. In the estimate of a time-series data model, an ordinary least squares (OLS) regression analysis and descriptive statistics were utilized. Secondary data were used in this study and these data were obtained from the National Bureau of Statistics and Central Bank of Nigeria statistical bulletin of Dec. 2014 and 2023, and E-views10 was used in the analysis of the data. The study revealed that government recurrent expenditure has positive and significant effect on economic growth in Nigeria, also the study found that Government capital expenditure has negative and insignificant effect on economic growth in Nigeria. Based on these findings, the study concluded that, the analysis by indicating that government capital expenditure has a negative and insignificant effect on economic growth in Nigeria showed significant challenges within the framework of public investment. The study recommended that policy-makers should undertake a thorough evaluation of the capital expenditure processes, by focusing on enhanced project selection criteria and ensuring rigorous feasibility studies are conducted prior to implementation.

Keywords: Government Recurrent Expenditure, Government Capital Expenditure, Real GDP a

Introduction

Economic growth remains a primary and impartial focus of most nations, as it directly influences the standard of living, employment opportunities, and overall national development (Todaro & Smith, 2020). Public finance, which refers to government revenue generation, expenditure, and debt management, plays a pivotal role in achieving sustainable economic growth. The allocation of public funds through government recurrent expenditure and capital expenditure is critical to stimulating economic activities and ensuring long-term prosperity (Musgrave & Musgrave, 2017).

Government recurrent expenditure consists of regular, ongoing expenses such as salaries, wages, and operational costs necessary for the continuous provision of public services (Aregbeyen & Akpan, 2013). On the other hand, capital expenditure represents spending on infrastructure, equipment, and other long-term investments that enhance productive capacity and economic potential (Easterly & Rebelo, 1993). The appropriate mix and efficiency in managing these expenditures significantly impact a nation's economic performance.

In Nigeria, public finance management has historically faced challenges due to fluctuating oil revenues, poor fiscal discipline, and inefficiencies in public spending (Okoro, 2013). Despite substantial budgetary allocations to capital projects, economic growth has often remained sluggish, prompting debates on the effectiveness of public finance as a driver of development (Udoh & Ebong, 2021). The relationship between government expenditure and economic growth has been extensively analyzed within the Keynesian framework, which posits that increased government spending stimulates demand and accelerates growth (Keynes, 1936). However, empirical findings in Nigeria present mixed results, with some studies indicating a positive impact while others suggest that poor governance and corruption hinder the expected outcomes (Olomola, 2020).

Economic growth has been a concept that has drawn the attention of man and Governments, right from the early period of economic history. Dating back as 17th and 18th centuries, writers like Adam Smith, David Ricardo, John Stuart Mill, as well as state theorists like Karl Marx, Friedrich List Karl Bucher, W

Rostow, and neo classical economists have all been pre-occupied with the quest for unearthing the forces and processes that cause a change in the material progress of man, (Amadi & Essi, 2011). This is also applicable to successive governments and states in these 14 modern times. In Nigeria for example, the major objective of the national economic policy is to promote sustainable economic growth for the vast majority of Nigerians through the use of various monetary and fiscal policies. Unfortunately, her economic growth performance has been characterized by fits and starts and the prospects of her rapid economic growth appear unachievable as reflected in her inability to realize sustainable full growth potentials and to significantly reduce the rate of poverty in the economy (Sikiru, & Umaru, 2010).

Furthermore, the Nigerian economy is basically an open economy with international transactions constituting an important proportion of her aggregate economic activity, therefore the prospects and development of the country economically, just like for many developing countries, lie squarely on her international interdependence. Over the years, despite the considerable degree of her trade openness, her performance in terms of her economic growth has remained sluggish and discouraging (Odedekun, 1997). The period before and leading to Nigeria political independence in 1960, agriculture was the mainstay of the economy. The current heavy dependence on a primary commodity(Oil), has led to adverse terms of trade shocks leading to huge current account deficits and exchange rate volatility and consequently, a weak external sector for Nigeria. In view of the aforementioned, the objective of this research is to investigate and determine the effect of public finance on the economic growth of Nigeria from 2014 to 2023.

Statement of the Problem

Public finance has long posed challenges for policy-makers, particularly in balancing the need to raise and allocate public funds effectively while controlling budget deficits and ensuring financial accountability. In Nigeria, government spending has steadily increased, driven by substantial revenues from crude oil and the growing demand for essential public services such as power, education, healthcare, and infrastructure. Additionally, rising security needs have further expanded public sector roles. This broader governmental involvement presents both risks and opportunities. The risks stem from inefficient resource use and government interference in areas better suited for private sector. Conversely, opportunities arise when governments effectively address market failures and provide poverty reliefs. However, Nigeria's public finance system has been plagued by mismanagement, including over-invoicing, inflated contracts, the proliferation of non-viable projects and systemic corruption. Weak financial controls and regulatory violations have exacerbated these issues, thus, hindering economic progress.

Despite the need for cost-effective public programs and improved access to social services, evidence of effective public spending remains limited, with poor infrastructure and high unemployment persisting. These shortcomings raise critical questions about why public finance has had a limited impact on Nigeria's economic growth. Previous research on this relationship has produced mixed findings, necessitating further investigation. This study aims to assess the effect of public finance on economic growth in Nigeria from 2014 to 2023. The specific objectives are to analyze the impact of government recurrent expenditure on real GDP and to examine the influence of government capital expenditure on real GDP in Nigeria.

Objectives of the Study

The broad objective of this study is to examine the effect of public finance on economic growth in Nigeria. The specific objectives are:

i. To analyze the effect of government recurrent expenditure on real GDP in Nigeria; and
ii. To evaluate the effect of government capital expenditure on real GDP in Nigeria.

Hypothesis of the study

The study formulates the following null hypothesis

H_{01}: Government recurrent expenditure has no significant effect on real GDP in Nigeria.

H_{02}: Government capital expenditure has no significant effect on real GDP in Nigeria.

Literature Review

Concept of Public Finance

Public finance can be seen as encompassing all fiscal policy provisions and activities that promote fiscal policy's macroeconomic objectives, especially long-term economic growth. To accomplish these results, it is necessary to use government funds efficiently and effectively (Barrios & Andrea, 2008). Public finance is the study of how governments raise, allocate, and spend resources to achieve economic and social objectives (Rosen & Gayer, 2014). It is concerned with the financial activities of governments at all levels, including local, state, and national. Public finance plays a crucial role in shaping the economic and social landscape of a country, as it influences the distribution of resources, the provision of public goods and services, and the overall economic performance.

Public finance examines the principles of taxation, such as the ability to pay, equity, and tax incidence. The ability-to-pay principle suggests that taxes should be levied according to an individual's or entity's capacity to pay, ensuring a fair and progressive tax system (Stiglitz & Rosengard, 2015). The equity principle emphasizes the importance of fairness in taxation, both horizontally (treating individuals with similar circumstances equally) and vertically (imposing higher tax burdens on those with greater ability to pay). Tax incidence refers to the final distribution of the tax burden among economic agents, which may differ from the initial incidence due to the shifting of tax burdens through price adjustments or changes in factor prices (Rosen & Gayer, 2014).

Public finance also examines the efficiency and equity considerations of taxation. Tax efficiency refers to the minimization of distortions and dead-weight losses caused by taxation, which can affect economic behaviour and resource allocation (Stiglitz & Rosengard, 2015). Tax equity involves the fair distribution of the tax burden across different income groups and economic sectors, taking into account factors such as ability to pay and vertical and horizontal equity considerations. Public finance also addresses the issue of externalities, which are spillover effects (positive or negative) that are not reflected in market prices. In federal systems or decentralized governments, public finance also addresses the issues of fiscal federalism, including the allocation of responsibilities and revenue sources among different levels of government, as well as inter-governmental transfers and fiscal equalization. Negative externalities, such as pollution, can lead to market failure and require government intervention through regulations, taxes, or subsidies (Rosen & Gayer, 2014).

Government Recurrent Expenditure

Recurrent expenditure refers to expenditure of recurrent expenses that are less discretionary and are made on ongoing programmes or activities. It constitutes of wages and salaries, administration, transfers payment, debt repayment and welfare services (Bailey, 2012). Recurrent expenditure refers to expenditure on purchase of goods and services, wages and salaries, operations as well as current grants and subsidies (usually classified as transfer payments). Recurrent expenditure, excluding transfer payments, is also referred to as government final consumption expenditure. The annual budget points the direction of the expected expenditure, as it contains details of the proposed expenditure for each year, though the actual expenditures may be different from the budget estimates for several reasons such as for extra budgetary expenditures during the course of the fiscal year. Recurrent expenditure may affect economic growth through its effects on people's ability and willingness to work, save and invest.

Government Capital Expenditure

Barro and Grilli (2014) Government capital (or government expenditure) includes all government consumption and investment but excludes transfer payments made by a state. Government expenditure can be for the purchase of goods and services for current use to directly satisfy the needs of the members of the community or it can be for purchase of goods and services for the purpose of creating future benefits such as infrastructure investment and the expenditures can represent transfers of money, such as social salaries and cost of administration. In (Ijaiya 2003), government expenditure is determined by rapid population growth and subsequent demographic transitions, increase in income and taste of the people in a country that had led to increase in demand for government goods and services, increase in technology as a requirement for industrialization, increase in urbanization, increase in inflation over time, balance in productivity growth between public and private sector, and the need to address natural disasters among other things.

Concept of Economic Growth

Ayres and Warr (2016) defined economic growth as 'a rise in the total output (goods or services) produced by a country'. It represents a rise in the ability of an economy to produce goods and services, compared from one period of time to another. Economic growth refers only to the quantity of goods and services produced. Economic growth can be evaluated in nominal terms including inflation, or in real terms, which are adjusted for inflation like by the percent rate of increase in the gross domestic product (GDP). Economic growth measures growth in monetary terms and looks at no other aspects of development (Illyas & Siddiqi, 2010). Economic growth can be either positive or negative. Negative growth can be referred to as that economy that is shrinking. Negative growth is associated with economic recession and economic depression (King & Levine, 2013). On economic growth, Olopade and Olopade (2010) defines economic growth as the expansion of a country's potential GDP or output. For example, if the social rate of return on investment exceeds the private return, then tax policies that encourage can raise as the growth rate and levels of utility. Growth models that incorporate public services, the optimal tax policy lingers on the characteristics of services. Economic growth has provided understanding into why states grow at different rates over time; and this guides government in choice of tax rates and expenditure levels that will impact the growth rates. For example, exponential growth model is used when the rate of increase is proportional to the amount of quality present.

Dwivedi (2004), economic growth is a sustained increase in per capita national output or net national product over a long period of time. It implies that the rate on increase in total output must be greater than the rate of population growth. Another quantification of economic growth is that national output should be composed of such goods and services which satisfy the maximum want of the maximum number of people. Economic growth can be determined by four important determinants namely, human resources, national resources, capital formation and technological development. The theories of economic growth can be examined under the Harrod-Domar theory of growth, Kaldor model of distribution, Pasinetti model of profit and growth, Joan Robinson's model of capital accumulation, Meade's 10 Neo-Classical model of economic growth and the slow model of long run growth. All these models of economic growth are the various views of scholars on the most suitable explanation of growth. Economic growth includes expansion of a country's potentials such as its gross domestic product (GDP). Jarker (2011) concluded that at the early stage of economic development, the rate of growth in public expenditure maybe very high because the government will be providing basic infrastructural facilities and these facilities are capital intensive. Therefore, government's spending and investment in these projects could be in the form of education, health, roads, electricity as well as water, which are the key necessities that launch an economic growth and development in a country.

Empirical Review

Oshiobugie and Akpokerere (2019) examined the effect of public revenue on economic growth in Nigeria. Secondary data were sourced from Central Bank of Nigeria's Statistical Bulletin of various editions. The study adopted the ex-post facto research design while ordinary least square regression techniques was used to process the data gathered using E-view 8.0 software. The null hypotheses (Ho) were tested at 5% level of significance. The findings revealed that there is insignificant effect of public revenue on economic growth. The study concluded that public revenue in the form of personal income tax and company income tax affect economic growth in Nigeria either negatively or positively. The study failed to encompasses the total population and the size of the population as well as recommendations in the study.

Ironkwe and Agu (2019) investigated the relationship between public revenue and economic growth in Nigeria. Time series data on different types of revenue and economic development from 1986-2016 were collected from Central Bank of Nigeria statistical bulletin, Federal Inland Revenue Service and National Bureau of Statistics. Multiple regression analysis was used in analyzing the data. Their results indicated that there is a significant positive relationship between public revenue and economic growth in Nigeria. The study concluded that public revenue relates positively to economic growth and recommends that government should distribute its social welfare programmes in such a way to provide direct benefit to its citizens. The study failed to include the methodology items such as sample size of the study, sample technique of the study, sources of data, method of data collection, and method of data analysis as well as the population of the study.

Awa (2020) examined the relevance of public revenue in driving economic growth in emerging market economy context. Using data extracted from Central Bank of Nigeria statistical bulletin for various years and auto-regression estimation model, the study show significant and positive relationship between public revenue on economic growth in Nigeria. This study provides further evidence that the higher the amount of public revenue generated, the higher the level of economic growth in the economy. There is a recommendation therefore that strong institutional reforms are panacea to prevent leakages of revenue. The above study failed to indicate the methodology contents such as research design, population of the study, sample size of the study, sample technique of the study, source of data, method of data collection, method of data analysis, reliability of the instruments and viability of the instruments. The study failed to indicate the statistical tool and test such as correlation analysis and regression analysis as well as t-test and f-test.

Isubalew et' al (2023) examined the effect of government revenue-institutional quality interaction on the economic growth of 43 Sub-Saharan Africa countries for the period of 2012–2022. Methodology-wise, the study employed the System Generalized Method of Moment (SGMM) to analyze the panel data gained from dependable data sources; the World Development Indicator and the Heritage Economic Freedom Index. The novelty of this study emanates from the estimation technique designated and the introduction of revenue-institutional quality into the economic growth model of SSA. The result of the study revealed that government revenue adversely affects economic growth while institutional quality positively enhances economic growth before interacting with each other. However, the interactive coefficient of government revenue and economic growth positively affected the real GDP growth rate of SSA countries over the study periods. Precisely, before interacting with institutional quality, a percentage change in government revenue, keeping all other things constant, leads to percent decline in economic growth while percent upsurge in economic growth in the presence of institutional quality. The result of the study further shows that government revenue promotes the economic growth of the region when combined with institutional quality. On the other hand, foreign direct investment and openness to trade were the key sources of economic growth whereas the population growth rate adversely impacted economic growth in SSA countries. The policy implication of the study is that SSA needs to strengthen government revenue management. Further, the findings of the study implied that SSA countries need to improve institutional quality through promoting efficiency of the regulatory quality and the size of the SSA governments. In addition to this, the fast real GDP growth rate of SSA countries demands improved institutional quality indicators such as the rule of law and extended access to the open market.

Aremu et' al (2020) investigated the impact of government expenditures in critical sectors on economic growth in Nigeria (1984-2019). The study employed Auto-regressive Distributed Lag Model (Bound Test Co-integration Approach) to estimate both short and long run impact of Government expenditures on economic growth. The result revealed that government's expenditure on defence impacts negatively on economic growth while government expenditure on agriculture enhanced economic growth. Government expenditure on education, transport and communication did not impact on economic growth in the long-run. The above study failed to indicate the methodology contents such as research design, population of the study, sample size of the study, sample technique of the study, source of data, method of data collection, method of data analysis, reliability of the instruments and viability of the instruments.

Stephen et' al (2020) examined the impacts of public expenditures on economic growth with respect to capital expenditure, recurrent expenditure and the government fiscal expansion in line with support for the budgetary allocations to various sectors in the context of the Nigerian economy. Pesaran's AR DL approach has been applied to carry out the impact analysis using annual time-series data from 1981 to 2017. Incisively, recurrent expenditures of government were found to be significantly impacting on economic growth in a negative way while the positive impacts of public capital expenditures were not significant to economic growth over the period of the study.

Theoretical Framework

Wagner's Law

The law was propounded by a German Economist named Adolf Wagner in 1893. He conducted an empirical research into the rising expenditure of Germany and other European nations in the 19th century. According to his findings, he proposed legislation entitled “An Act to Increase Public Participatory Government Activity”. Wagner stated that as economic develops due to increased industrialization and urbanization, the volume of public expenditure increases as a result of increased function of the government. Wagner indicated that government expenditure is occasioned by increased economic growth. Wagner identified three factors that can cause an increase in government spending, namely: (i) as population grows and the level of industrialization and urbanization increased, the government expenditure would increase because of the need for government to provide both administrative and protective services. (ii) As the economy gets urbanized and industrialized, the need for government to provide social and welfare services increase. (iii) As the country gets industrialized the level of science and technology would advance and this would lead to higher government spending on various projects. Wagner argued that “there are inherent tendencies for the activities of the different layers of the government (such as central and state government) to increase both extensively and intensively” (Bhatia, 2012).

The proponent of the hypothesis, Adolph Wagner was a famous German Political Economist. Anyanwu (1993) reports that Wagner's work was focused on the inherent tendency of the activities of the various layers of government to increase, intensively and extensively, thus establishing a functional, and cause – and – effect relationship between economic growth and the growth of government activities, with the later growing faster. Wagner argued that government, at all times, and in all circumstances, show a strong penchance at increasing public expenditure. Therefore, in his opinion social progress constitutes the primary cause of the relative growth in industrializing economies.

Over one hundred years ago, Adolph Wagner, a leading German economist of the time, formulated a “law of increasing state activities” otherwise called the “Functional Theory” which pointed to the growing importance of government activities and expenditures as an “inevitable” feature of a “progressive” state. He studied the German economy over time and observed a correlative growth of national economy and public expenditure in the economy. According to Wagner, there were inherent tendencies for the activities of different tiers – federal government, state and local governments to increase both intensively and extensively. There was a functional relationship between growth of an economy and growth of government activities so that the later grew faster than that of the economy. This theory was able to explain government expenditure according to functions. In addition, he was able to explain influence of industrial development on government functions and expenditure. In accordance to the views expressed by Wagner, government functions include: Administrative and protective functions, cultural and welfare functions and direct provision of social and public goods, etc. Wagner argued that the development of the industrial sector would bring a structural change which will compel government to spend more money in carrying out the itemized functions above. Wagner's theory was supported by other writers like T. S. Nitti, Nitti showed that the law also applies to various other countries like it does to Germany.

Wagner's theory of government expenditure in economic, also states that as the per capita income of a country rises, the share of public spending to gross domestic product also rises - which connote direct positive relationship between them. Put differently, industrialization-driven growth in per capita income incentivizes government to increase its expenditures with direct bearing on social welfare (education, health, etc.), which in turn encourages industries to produce more goods and services as aggregate demand goes up. Increased industrial production finally raises aggregate output. Since the emergence of Wagner's law, there has been debate over the role of government spending on the performance of an economy.

Methodology

In this study, an ex-post facto research design was used. In the estimate of a time-series data model, an ordinary least squares (OLS) regression analysis and descriptive statistics were utilized. The independent variables are recurrent expenditures, capital expenditures, with real GDP serving as a proxy for economic growth. Secondary data were used in this study and these data were obtained from National Bureau of Statistics and Central Bank of Nigeria statistical bulletin of Dec. 2014 and 2023. In an attempt to established empirical evidence on the effect of public finance on economic growth. In one of studies, according to econometric model of Akpan (2005) who used a disaggregated approach to investigate the relationship. Aspects of public expenditure reviewed in his analysis were capital, recurrent, administrative, economic service, social and community service, and transfers. This model was chosen because it uses the disaggregated approach to examine the two economic variables. In this study, the model of Akpan (2005) was modified to examine the effect of public finance on economic growth in Nigeria using recurrent expenditure and capital expenditure as independent variables.

RGDP= f(GRE, GCE)……………………..1

From equation1 above the Real Gross Domestic Product (RGDP) is a function of recurrent Expenditure (RCE), Capital expenditure (CE). From equation1 we derived the econometric model below;

RGDP= $\alpha + \beta_{1GRE} + \beta_{2GCE} + \mu$………………2

Take the natural log of the equation1 above, we have the following equation.

Where:

RGDP = Real Gross Domestic Product.

GRE = Government Recurrent Expenditure GCE = Government Capital Expenditure α is the constant, $\beta1$, and $\beta2$ are the parameters and the variables have been explained above.

The apriori expectations of the variables are given as ($\beta1$, $\beta2$, > 0). This shows that the variables are expected to have positive impact on the dependent variable. The Ordinary Least Squares was used in the estimation of parameters and E-views 10 was used in the analysis of the data. The model is estimated by testing the stationarity of the variables. Given that one or more of the variables are non-stationary, we estimate the DOLS model to obtain the coefficients of the variables.

Results and Discussion:

Descriptive Statistics

Table 1: The result of descriptive statistics shows mean, median, standard deviation, skewness, kurtosis, Jarque-Bera, probability and observations from the years 2014 to 2023.

Variables	Mean	Median	Std Dev	Skewness	Kurtosis	JB	Prob	Obs
RGDP	104909.1	98876.58	30566.10	0.333798	1.893023	0.696284	0.70	10
GRE	4732.180	3996.030	1680.911	2.658405	2.658405	1.793273	0.40	10
GCE	1.138000	1.140000	0.292491	-0.187101	2.014984	0.462618	0.79	10

Source: Extracted from E-view 10.0

The result has shown the spread or movement of the variables among themselves. Measures of normality assess whether data has features of a normal distribution. This study adopted the Jarque-Berra's statistics of skewness and kurtosis to test normality. According to Gujarati (2007) for a normal statistics, the measures of skewness and kurtosis are expected to be 0 and close to 3 respectively. It is crucial to note that the skewness and kurtosis measures assess whether the independent variables affects the dependent variable in a normal distribution way. In looking at the variables of RGDP, GRE and GCE where they are normally distributed.

Correlation Matrix

Table 2: Correlations analysis between variables of public finance and economic growth proxied by RGDP.

Variables	RGDP	GRE	GCE
RGDP	-	-	-
GRE	0.053583 8.956705 0.0000	-	-
GCE	0.055032 0.155892 0.8800	0.216460 0.627108 0.5481	-

Source: Extracted from E-View 10.0

The correlation approach was adopted. The result of the test has shown that the variables within themselves exhibit perfect correlation of 1.00 which is however expected. The correlation coefficients did not signify any problem of multicollinearity. This is however not a cause for concern. Some of the variables showed a positive correlation and negative correlation between one another.

Table3: Output Result for Regression.

Dependent Variable: RGDP

Method: Least Squares

Date: 03/01/25 Time: 13:28

Sample: 2014 - 2023

Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	38781.57	13377.83	2.898943	0.0230
GRE	17.96533	1.817296	9.885747	0.0000
GCE	-16597.25	10443.78	-1.589200	0.1560
R-squared	0.933363			
Adjusted Rsquared	0.914323			
F-statistic	49.02306	Durbin-Watson stat		1.529073
Prob(F-statistic)	0.000076			

Source: Extracted from E-View 10.0

From the table 3 above, results showed that government recurrent expenditure with coefficient value of (17.96533, std error 1.817296, t- sta 9.885747, p-value 0.0000) while government capital expenditure proves coefficient value of (16597.25, std error 10443.78, t-sta -1.589200 and pv 0.15). the result concluded that GRE has positive and significant effect on economic growth of Nigeria likewise GCE has negative and insignificant effect on economic growth of Nigeria.

Discussion of Findings

The first hypotheses shows that government recurrent expenditure has positive and significant effect on economic growth in Nigeria with coefficient value of (17.96533, std error 1.817296, t- sta 9.885747, p-value 0.0000). This finding implies that the positive correlation indicates that government recurrent spending can stimulate economic activity through a multiplier effect. As the government spends on recurrent expenditures, it can lead to increased disposable income for public sector employees and contractors, which in turn can boost consumption and investment in the private sector. Similarly, Stephen et' al (2020) examined the impacts of public expenditures on economic growth with respect to capital expenditure, recurrent expenditure and the government fiscal expansion.

The analysis revealed that Government capital expenditure has negative and insignificant effect on economic growth in Nigeria with evidence of coefficient value of (-16597.25, std error 10443.78, t-sta -1.589200 and p-value 0.15). The negative relationship suggests that the allocation of government capital expenditure may not be effectively directed towards projects that stimulate economic growth. This may indicate inefficiencies in project selection, implementation, or management, leading to suboptimal outcomes.

Conclusion and Recommendations

In conclusion, the analysis indicates that government recurrent expenditure plays a crucial role in fostering economic growth in Nigeria, demonstrating a positive and significant relationship. The findings underscore the importance of strategic public spending in enhancing the productivity and welfare of the population. By effectively allocating resources towards recurrent expenditures, such as education, health, and social services, the government can stimulate economic activity and improve living standards, ultimately contributing to sustainable economic development.

The study also concluded that, the analysis indicating that government capital expenditure has a negative and insignificant effect on economic growth in Nigeria highlights significant challenges within the framework of public investment. This finding suggests that the current allocation and management of capital expenditures may not be conducive to stimulating economic growth, raising concerns about the efficiency and effectiveness of such investments. It underscores the necessity for a comprehensive reassessment of capital expenditure strategies to ensure that they align with the nation's developmental goals and address the underlying structural issues that impede economic progress.

It is recommended that policy-makers should prioritize recurrent expenditures in national budgets, ensuring that adequate funding is directed towards sectors that yield substantial economic returns. Furthermore, the government should implement measures to enhance the efficiency and effectiveness of spending by promoting transparency and accountability in public financial management. Additionally, while focusing on recurrent expenditures, it is essential to conduct a comprehensive evaluation of capital expenditure projects to ensure that they are aligned with the nation's development goals and are capable of yielding positive economic outcomes. By adopting a balanced approach that emphasizes both recurrent and capital spending, Nigeria can create a more resilient economic framework that supports long-term growth and prosperity.

It is also recommended that policy-makers should undertake a thorough evaluation of the capital expenditure processes, by focusing on enhancing project selection criteria and ensuring rigorous feasibility studies are conducted prior to implementation. Strengthening governance and accountability mechanisms will also be crucial to mitigate inefficiencies and corruption that may hinder the successful execution of capital projects. Additionally, fostering greater collaboration between government agencies, private sector stakeholders, and local communities can ensure that capital investments are more responsive to the needs of the economy. By adopting these measures, Nigeria can better harness the potential of capital expenditure as a catalyst for sustainable economic growth, ultimately leading to improved socio-economic outcomes for its population.

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