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GOVERNMENTS EXPENDITURES AND ECONOMIC RESUSCITATION OF NIGERIA

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ABSTRACT

The study investigated how State governments' expenditures affects economic resuscitation efforts being made in Nigeria. The independent variables of this study comprised State governments' recurrent expenditures and State governments' capital expenditure, while dependent variable was real gross domestic product. The study adopted ex-post facto and experimental research design, covering the period 1983-2023. The choice of this period range was due to its appropriateness to yield generalised robust findings. As a result, the secondary source of data collection from CBN Statistical bulletins for various years was used. The Ordinary Least Square statistical tool was utilised to test the extent to which the variation of the dependent variable was explained by the independent variables, deploying EVIEWS 10. The results of the Ordinary Least Square Model revealed that State governments' recurrent expenditures have a positive and significant effect on the real gross domestic product of Nigeria (RGDP) of (P<.5). However, the State governments' capital expenditures have a negative and insignificant effect on the real gross domestic product (RGDP) of (P<.5), thus creating a worrisome atmosphere regarding the hundreds of billions of naira possibly expended so far by State Governments on non-productive capital projects of no economic significance. In conclusion, it is sad to note that the recurrent expenditures decisions of State governments readily play a pivotal role as a boaster to the nation's economy instead of the capital expenditures incurred annually at State level in Nigeria. It is expected that the recurrent expenditures of the State governments should ensure the smooth functioning of the public sector and immediate economic stimulation, even as the capital expenditures segment lay the needed foundation for sustained development and increased productivity. The study therefore recommended that the ministry of finance should maintain timely and efficient allocation of funds for recurrent expenditures to ensure continuous and effective delivery of public services, which in turn supports economic stability and growth. Also, State governments should increase and prioritize capital expenditures on key revenue generating infrastructure projects of economic significance and social services to foster long-term economic growth and development, thereby enhancing the overall productivity and competitiveness of the Nigeria economy.

Key words: *Capital Expenditure, Economic Resuscitation, Recurrent Expenditure, Real Gross Domestic Product, State Government Expenditure.*

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1. INTRODUCTION

The need to better the lots of citizens through government expenditure has raised questions on the impact of government expenditure on economic development and growth of nations. In Nigeria and other developing economies, over the years, there has been a steady increase in government spending without an appreciable increase in economic growth and development (Onifade, 2020; Okoye & Nwoye, 2021; Nwoye, Udunwoke & Nworie, 2023). These have led to several researches and interest on the role of government spending in the long term growth of national economics by economists. The revival of interest in growth theories has also revived interest among researchers in verifying and understanding the link between government fiscal policies and economic resuscitation and growth. Government expenditure remains an important instrument utilized in the process of development. It plays a pivotal role in the functioning of any economy at almost all stages of growth and development. Most developing and developed countries today use public expenditure to improve income distribution, direct the allocation of resources in desired areas, and influence the composition of national income Vtyurina, (2020). Every sovereign nation's goal, including States in Nigeria's, is to raise citizens' living standards while promoting the country's economic growth and development. Economic development, on the other hand, is predicated on expansion. This explains why the main policy thrust of the government's development objectives in Nigeria is always growth. Essentially, policies aimed at transforming and restructuring real economic sectors are linked to economic growth. Nonetheless, because of the gap between savings and investment, the lack of sufficient domestic resources, savings, and investment to support and sustain the sectors is a major impediment to the country's economic development (Ogbu, 2021).

Savings provide much-needed funds for investment in emerging countries, such as Nigeria. An increase in savings leads to an increase in capital formation and production activities, which in turn leads to the creation of jobs and the reduction of government external borrowing, which, according to Harrod-model, Domar's promotes economic growth. Recurrent government expenditures are made on a regular basis to keep government activities running. These expenses are frequently reflected in the budget, and they are thus identified as areas for development or improvement to which funds are allocated. They include all employees' regular salaries, money spent on essential services or regular infrastructure maintenance, and

money spent on administration. Nigeria, on the other hand, has a wealth of resources that can be used to boost the country's economy. In Nigeria, there have been problems with mineral exploration and extraction. Oil has received a lot of attention as the country's main source of revenue. Other resources, particularly those that are solid, are frequently overlooked or dismissed. National growth has become very erratic as a result. As a result, there is insufficient funding for expenditures that can help the economy recovery and growth. Whereas the country urgently requires housing, rural electrification, enough megawatts to catalyze development, health maintenance and upkeep, works and road construction, and recurrent (Onifade, et al., 2020).

The Federal Government of Nigeria's recurrent expenditure has steadily increased over time as a result of large receipts from crude oil production and sales. Despite the fact that Nigeria's recurrent expenditure has been steadily increasing, there are still public outcries about the state of the country's infrastructure. There are no infrastructures to improve commerce within the system, and no social amenities to improve the welfare of the average economy citizen. Nigeria, however, remains one of the world's poorest countries, with more than half of the population living on less than $2 per day. (Ogbu, 2021). Interestingly, achieving a sustained economic growth is a macro-economic objective that every name drives at achieving. Admittedly, Ijuo and Andohol (2020) observed that ensuring a rapid and sustainable economic growth and development is a major goal of most economies of the world (to which developing countries, Nigeria to be specific is not left out in the pursuit). In general, it is believed that Nigerian economic policies have had a big influence on the trend of government expenditures for economic growth. However, the reality in Nigeria leads the policy makers to become divided as whether the expansion of government expenditure promotes or impedes economic recovery and growth. (Onifade et al., 2020), Government expenditure is a significant component of economic policy, utilized by the governments as an operative policy tool to promote strong and sustainable growth. It aims at stimulating economic growth through budgetary expansion that will boost private sector spending, thereby bringing in growth through the multiplier effect. However, government spending is a double-edged sword. While it could result in a higher GDP, the overall economic development might be hindered by crowding-out effects. Thus, when the government increases expenditure at the expense of higher taxes or borrowings then it could affect the permanent income of consumers, lowering the public consumption. A fundamental question in growth theory that intrigues researchers and policymakers over the last century is between government spending and economic growth, which has a higher impact on the other? At the theoretical level, there have been,

essentially speaking, two main directions of exploration: Wagner's law and Keynesian Macroeconomic.

In recent decade, it was alleged that the reason for inadequate government spending that will lead economic recovery and growth is attributed to lack of revenue, fraud in government administration, hence, the need for further study (Chandana et 'al, 2021). Prior literature provides evidence of a positive relationship between government spending and economic recovery and growth of Nigeria. Chandana et al (2021) finds that capital expenditure has positive and significant impact on economic growth both in the short run and long run while recurrent expenditure does not have significant impact on economic growth both in the short run and long run. Ogbu et'al (2021) revealed that government recurrent expenditure disaggregated into Administrative expenditure (ADMINEX), Social and Community Services (SCDEX), Economic services (ESEX), and Transfers (TREX) contribute positively to economic growth in Nigeria. Bassey, (2024) revealed that economic policies are drivers of development. He make his emphasis looking at the President Muhammadu Buhari-led administration in Nigeria (2015–2023) recognized that the economy is likely to remain on a path of steady and steep decline if nothing is done to change the trajectory of declining economic growth. This concern led to the initiation of the Economic Recovery and Growth Plan. Adole (2021), revealed that public (recurrent and capital) expenditure has significant positive impact on the growth of the economy in the long run and an insignificant negative impact on the Nigerian economy in the short run, reinforcing the Keynesian and Endogenous Growth Models that public expenditure stimulates economic growth in Nigeria when seen in the long run.

Despite the rising government expenditure in Nigeria, the problem of translating this to a meaningful growth and development of the country has been daunting over the years. This is evident by high rates of unemployment, illiteracy rate, and the number of its citizens who continue to wallop in abject poverty, while more than 65% of its people live on less than US$1 per day. As high as 70% of Nigerians also still lack medical care, do not have access to clean and portable water and basic needs of live. Macro-economic indicators do not favor Nigeria, for instance, indicators like balance of payments, import obligations (35.2 billion USD), inflation rate (15.7%), exchange rate (304.7), unemployment (14.2%) and national savings (13.1% of GDP) reveal Nigeria had not fared well in the last four decade despite being the largest economy in Africa with an estimated GDP of US$510billion (World Bank, 2012; CIA, 2016).

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In view of the importance of government expenditures in the transformation of an economy, especially that of Nigeria which is public sector driven, it is imperative that there is a need to determine the actual impact of government expenditure on the Nigeria economy recovery and growth, whether high public expenditure are responsible for the lack of development and the sectors that government needs to curtail or increase expenditure as the case may be. It is also evident that increasing government expenditure has not yielded the desired growth and development in Nigeria.

Therefore, In view of the importance of government expenditures in the transformation of an economy, especially that of Nigeria which is public sector driven, it is imperative that there is a need to determine the actual effect of government expenditure on the Nigeria economy, whether high public expenditure are responsible for the lack of development and the sectors that government needs to curtail or increase expenditure as the case may be. Therefore, specific objectives are set to guide this study, these are:

1. to determine the extent of effect that states government Recurrent Expenditures have on the economic growth of Nigeria
2. to ascertain whether states governments' Capital Expenditures have significant effect on the economic growth of Nigeria.

The following hypotheses in its null form, were formulated in this regard:

H_{o1}: Recurrent expenditures of States government in Nigeria have no significant effect on the economic growth of Nigeria

H_{o2}: Capital expenditures of State governments in Nigeria have no significant effect on the economic growth of Nigeria.

2.1 LITERATURE REVIEW

2.1.1 Recurrent Expenditure and Economic Resuscitation

Government recurrent expenditures, in particular, relate to government spending that occurs on a regular basis throughout the year. Administrative expenses, expenditures on the provision of economic, social, and community services, and expenditures on transfer payments are all included (Ogbu et'al, 2021). Year after year, recurring expenses are incurred on a regular basis. In other words, they are operating expenses that are required for government departments to function on a day-to-day basis. These expenses include civil administration, defense forces, public health and education, and government machinery maintenance. These

expenditures must be made on a regular basis if government operations are to be maintained, and they must not result in the acquisition of permanent assets. They are divided into administration (general administration, defense, and internal security); social and community services (Education, Health, and Others); economic services, and transfers (public debt charges or interests for both internal and external debts, pensions and gratuities, and others such as transfer to contingency fund, net depreciation on investment revaluation, and extra-budget transfers) (Ogbu et'al, 2021)

Recurrent government expenditures are made on a regular basis to keep government activities running. These expenses are frequently reflected in the budget, and they are thus identified as areas for development or improvement to which funds are allocated. They include all employees' regular salaries, money spent on essential services or regular infrastructure maintenance, and money spent on administration. Nigeria, on the other hand, has a wealth of resources that can be used to boost the country's economy. In Nigeria, there have been problems with mineral exploration and extraction. Oil has received a lot of attention as the country's main source of revenue. Other resources, particularly those that are solid, are frequently overlooked or dismissed. National growth has become very erratic as a result. As a result, there is insufficient funding for expenditures that can help the economy grow. Whereas the country urgently requires housing, rural electrification, enough megawatts to catalyze development, health maintenance and upkeep, works and road construction, and recurrent.

The Federal Government of Nigeria's recurrent expenditure has steadily increased over time as a result of large receipts from crude oil production and sales. Despite the fact that Nigeria's recurrent expenditure has been steadily increasing, there are still public outcries about the state of the country's infrastructure. There are no infrastructures to improve commerce within the system, and no social amenities to improve the welfare of the average economy citizen. Nigeria, however, remains one of the world's poorest countries, with more than half of the population living on less than $2 per day. Recurrent government expenditures such as administration, economic services, social and community services, and transfers have been on the rise. Government recurrent expenditure on administration, for example, grew from N1228.99 billion in 2015 to N1584.06 billion in 2018 and N1916.64 billion in 2019. Recurrent social and community service expenditure increased from N79.63 billion in 2001 to N807.59 billion in 2015, and N1311.26 billion in 2019. Economic services recurrent expenditure increased from N255.78 billion in 2016 to N450.77 billion in 2019, while

transfers expenditure increased from N1392.93 billion in 2014 to N3188.06 billion in 2019. (CBN Statistical Bulletin, 2019). Government expenditures are the costs incurred by the government for its own upkeep, as well as for society and the economy as a whole. All government consumption, investment, and transfer payments are included.

Economic growth is a fundamental requisite to economic development. Essentially, economic growth is because of the gap between savings and investment. Savings provide developing countries (including Nigeria) associated with policies aimed at transforming and restructuring the real economic sectors. Nevertheless, the lack of sufficient domestic resources, savings and investment to support and sustain the sectors is a major impediment to economic development in the country with the much needed capital for investment which improved economic growth. Increase in savings lead to increase in capital formation and production activities that will lead to employment creation and reduce external borrowing of government. Government expenditure can be described as the expenses incurred by the government in the provision of public goods and services. Generally, the expenditure can be broadly categorized into capital and recurrent expenditures. Capital expenditure refers to expenses on capital projects like roads, airports, health, education, electricity generation, etc., it is usually aimed at increasing the assets of a state and they give rise to recurrent expenditure. On the other hand, the recurrent expenditure refers to government expenses on administration, security, maintenance of public goods, interest payment on loans.

2.1.2 Capital Expenditure and Economic Resuscitation

The expenditure of government has been on the geometric increase through the interactions with and activities of government agencies, departments and ministries. This continuous increase in the volume of government expenditure has been the experience in Nigeria if not very common in all countries world over due to the continuous state/federal expansion activities. The development of the state activities since the 20th century in areas including industrial innovations, public health, education, commercial activities, etc have accelerated government expenditure increases to a large extent. The Nigerian public expenditure structure can be segmented into recurrent exp enditure and capital expenditure. The components of the recurrent expenditure include expenditure on administration. (Interest on loans and maintenance, salaries and wages) while capital expenditure captures government projects on the generation of the electricity, education, telecommunication, airports, roads, and so on. The provision of public infrastructural facilities has been one of the fundamental bases for public spending. Providing and maintaining these infrastructural amenities cost a huge amount

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financing. Hence, investment on infrastructures and productive activities spending is expected to positively contribute to the growth of the economy whereas spending on consumption by the government retard growth. It is argued that the country will benefit socially and economically from government investment (spending) on health, roads, education, agriculture, etc. Among the world of scholars, the issue of impact of public expenditure on the growth of the economy has sponsored continuous debate.(Owui et'al, 2020)

Government capital expenditures are funds used to develop buildings, machinery, equipment, educational and healthcare facilities, etc. Additionally, it covers the costs incurred by the government to make investments that will yield dividends in the future and to acquire fixed assets. Spending on development or investment has benefits that last for years in the future, and these expenditures are referred to as capital spending. Purchasing fixed and intangible assets, improving an existing asset, fixing an existing asset, and loan repayment are all considered capital expenditures. Repaying a debt is a capital expenditure because it reduces obligation in addition to creating assets. The long-term character of capital investment, which results in the formation of assets, enables the economy to generate income for many years by expanding or upgrading manufacturing facilities and increasing operational effectiveness. Additionally, it raises labor force participation, assesses the state of the economy, and increases the economy's potential for future growth. Government spending continues to be a crucial tool in the development process. At all stages of growth and development, it is crucial to the operation of any economy. Today, the majority of industrialized and emerging nations employ public spending to alter the composition of national income, improve income distribution, and steer resource allocation in desirable directions (Vtyurina, 2020).

According to statistics made available by CBN (2023), the average amount of government capital expenditure increased from 1981 to 2021. After the pandemic has been entirely contained, one would reasonably anticipate that responsible governments would exercise greater caution in crucial economic sectors while purposefully paying closer attention to those that were most severely affected by its impacts. Public expenditure, a potent instrument in the toolbox of fiscal policy, can be used to not only reroute production but also to encourage and stimulate production through innovation, which will then lead to expansion in production, which will enhance output and employment. The federal government of Nigeria spent 12,164.1 billion naira in 2021 compared to 10,231.7 billion naira in 2020, an increase of 18.87%. Government deficit spending increased from 6,248.6 billion naira in 2020 to 7,118.7 billion naira in 2021, an increase of 13.9%, but it still does not leave much to be desired (CBN,

2023). Even after the pandemic is over, all economic indicators continue to fall, and markets kept contracting as output plunged. It is clear that the main goals of government spending, such as the provision of public goods and resource redistribution, are still far from being met. Economic growth should be expected to follow a pattern consistent with government capital expenditures on administration, social and community service, economic services, transfers, and government deficits. This calls for an interest in empirical research into how government capital spending affects the rate of economic growth (RGDP). Follow economic growth as Wagner hypothesized.

2.1.3 Economic Growth

Nwogwugwu et al. (2022) defines economic growth as the process whereby the country's real national and per capita income increases over a long period of time. The increase in per capital income is the better measure of economic growth since it reflects increase in the improvement of living standards of masses. Another measure of economic growth is the increase in real national income. This increase should be in terms of increase in output of goods and services, and not due to a mere increase in the market prices of existing goods. Economic growth simply refers to an increase in the value of a country's goods and services produced over time, and it may be used to measure a country's size. (Ewa et al., 2020). A rise in economic activity is referred to as "growth." Economic growth is defined as a rise in the value of a country's goods and services over a period of time. (Ewa et al., 2020). Gross Domestic Product is used to measure this increase in economic growth. As a result, it is likely that a country's economic expansion will not result in economic progress in the short, medium, or long term. Uremadu, et al. (2020) clearly state that the GDP or Gross Domestic Product is the total volume of production that has taken place in the economy irrespective of the nationality of the people who produced the goods and services. According to him, it is the total production that has taken place in Nigeria by Nigerians themselves and foreigners living in Nigeria. The GDP does not include the incomes and property earnings of Nigerians abroad. In the same vein, it does not exclude the income of foreigners and foreign property earnings in Nigeria. To distinguish GDP from GNP, Adegbola, et'al (2023) further posit that the GNP or the Gross National Product is obtained when we add to the GDP, Nigerians' incomes from abroad and we deduct foreigners' earnings in Nigeria; that is, when we add the net factor income from abroad. To this end, it is the GNP that is a better measure of the standard of living for the people in a country because it shows the incomes accruing solely to citizens of the country.

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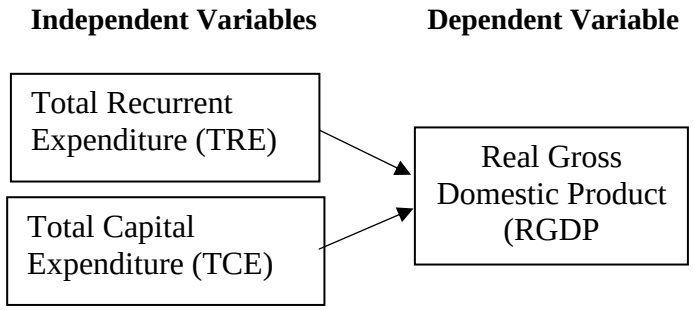
Economic growth also refers to the monetary values of commodities produced in a country over a period of time by its population, regardless of their nationality. GDP can be calculated using the current basic price (Nominal GDP), the constant basic price (Real GDP), or the current market price. Because it accounts for changes in the price level of goods and services produced inside the country at a given time, real GDP has been a good measure.

Fig. 2.1 Conceptual Framework



Source: Researcher's Concept, (2024)

2.2 Theoretical Framework

2.2.1 Efficiency-Based Theory of Revenue

The theory of efficiency based was propounded by Anyanwu (1993). The theory is particular about how revenues generated by the government are allocated amongst the tiers of government for optimum uses. Anyanwu (1993) believed that viable allocation of revenue would enhance economic growth of any nation. The efficiency-based principle is broadly seen as the minimization of the costs of operating government functions. In other words, it is meant to minimize the cost of fiscal administration or to obtain maximum revenues from a given cost. However, the non-oil revenue continues to underwhelm in Nigeria because Nigerian government failed to minimize the costs of operating government functions. The theory further argued that each layer of government should be able to raise and keep some revenues for its use. It is believed that if each layer of government is forced to raise revenues from their operations, over-dependence on federal allocation will be reduced, since they are constitutionally permitted to keep part of the revenues for their own use. He asserts that these revenues should as well be allocated to projects or sectors that could cause development in an economy (Anyanwu, 1993). This theory is chosen as the theoretical underpinning of this study, in that it emphasizes the need to allow all tiers of government to generate revenues, keep part of the revenues for their own use and then allocate the revenues generated to those sectors with optimally developmental projects that can help to foster economic growth and

development. If this theory can be applied in the situation of Nigeria, all our legislators and other tiers of government (judiciary and executives) will know that part of their duties is to generate revenues and the economy would grow at a faster pace.

2.3 Empirical Review

Bassey et' al (2024) examines the President Muhammadu Buhari-led administration in Nigeria (2015-2023) economic policies, which were designed to revive, develop, and sustain the Nigerian econ omy. The policies examined are the Economic Recovery and Growth Plan (ERGP), the Economic Sustainability Plan, and the National Development Plan, in Nigeria. The result of the study has shown that several factors may affect the effective implementation of the policies. The are lack of policy continuity, weak institutions and corporate governance, and inadequate funding of policy goals, among other things. The paper attempts to advise the government on the need to support the goals of the National Development Plan, by funding the policy goals and strengthening the administrative framework of the bureaucracy for effective performance and sustainability. Discussions in the study provide enlightenment to the public-on-public policy process in Nigeria.

Ogbu et'al (2021) empirically investigated the effect of government recurrent expenditure components on Nigerian economic growth. Particularly, the study was focused on finding out the variables of government recurrent expenditure (in four component categories) that yield positive economic growth in Nigeria. Annual time series secondary data obtained from the Central Bank of Nigeria (CBN) statistical bulletin from 1999 to 2019 was used. Gross Domestic Product (GDP) was used as the dependent variable, while the four major components of government recurrent expenditure: administrative, economic, social and community services, and transfer expenditures were used as independent variables. The research design adopted was ex-post facto design while the analytical tool employed was Auto-Regressive Distributed Lag (ARDL) multiple regression analysis technique. Relevant preliminary tests such as Augmented Dickey-Fuller (ADF) unit root and Jarque-Bera normality tests were considered. Findings revealed that government recurrent expenditure disaggregated into Administrative expenditure (ADMINEX), Social and Community Services (SCDEX), Economic services (ESEX), and Transfers (TREX) contribute positively to economic growth in Nigeria. However, only expenditures on social and community development and transfers translate to significant economic growth for the period. It is therefore recommended that government should improve on recurrent expenditure especially those of social and community services and transfers which have been found to translate to

substantial economic growth in Nigeria. Meanwhile, expenditures on administration and economic services should be regulated for a better standing of the Nigerian economy.

Chandana et'al (2021) investigates the impact of Nigerian government expenditure (disaggre gated into capital and recurrent) on economic growth using time series data for the period 1970-2019. The paper employs Autoregressive Distributed Lag (ARDL) model. To ensure robustness of results, the study accounts for structural breaks in the unit root test and the co-integration analysis. The key findings of the study are that capital expenditure has positive and significant impact on economic growth both in the short run and long run while recurrent expenditure does not have significant impact on economic growth both in the short run and long run. The study recommends that government should increase the share of the capital expenditure especially on meaningful projects that have direct bearing on the citizen's welfare. Government should also improve the spending patterns of recurrent expenditure through careful reallocation of resources toward productive activities that would enhance human development in the country.

Adole (2021) examined the impact of government expenditure on economic growth in Nigeria for the period, 1984 2015 with view to re-assess the Keynesian and Endogenous Growth Models proposition that public expenditure stimulates economic growth. The study employed Johansen co-integration and Error Correction Model. The empirical results showed that public (recurrent and capital) expenditure has significant positive impact on the growth of the economy in the long run and an insignificant negative impact on the Nigerian economy in the short run, reinforcing the Keynesian and Endogenous Growth Models that public expenditure stimulates economic growth in Nigeria when seen in the long run. The study therefore recommended that Nigerian government should readjust spending priority to accommodate more capital expenditure and channeling of increase expenditure into some critical sectors of the economy such as health, power, education and general infrastructure are fundamental in maximizing government expenditure in Nigeria.

Abomaye (2020) scientifically investigated how public expenditure effects economic growth in Nigeria. The Johansson co-integration test and regression analysis technique were used in this work. All of the model's variables exhibited a long-term relationship, and government capital expenditure has a positive and significant impact on Nigeria's economic growth, according to the data. With a coefficient of determination of 98.4 percent of the variance in the dependent variable explained by changes in the explanatory variables, government recurrent expenditure has a positive and significant impact on Nigerian economic growth.

Based on our findings, we urge that the government raise recurring spending on salaries and transfer payments, as well as investment spending on education, health, agriculture, and basic infrastructure like as road and bridge construction.

Onifade et al. (2020) studied effect of government expenditure on economic growth In Nigeria. The study used Pesaran's ARDL approach to investigate the impacts of public expenditures on economic growth in Nigerian for the period, 1981-2017. The study found out that recurrent expenditures had significant negative effect, while capital expenditure had positive but insignificant effect on economic growth in Nigeria.

Deepti (2020) studied effect of government spending on economic growth of Nigeria. The study panel data set covering 59 countries in 1990–2019. Our empirical results confirm the unidirectional causality between economic growth and government expenditure where the causation runs between public spending and GDP growth. The results at large support the Keynesian framework that asserts the importance of government expenditure in stimulating economic growth. Further, the analysis reveals that after considering all the control variables such as trade accessibility, investment and inflation public spending positively affects economic growth. With regards to control variables, it was found that investment has a significant and positive bearing on economic growth.

Based on empirical review on government expenditure on the Nigerian economy exhibited significant variations across countries. Even among the studies carried out in Nigeria there are still some significant variations. Some of these Studies failed to adopt robust methodologies in carrying out the analysis of research data. Also most of the studies were conducted in developing and few other developed economies that differ significantly from the Nigerian context. From the review of related literature, it shows that most of the study was faced with methodological problem of using single and double independent variables as measures of government expenditure in relation to the Nigerian economy, and most of these study covered up to 2019, only few studies covered up to 2021 like the study of Bassey et' al (2024), Ogbu et'al (2021), Adole (2021) and Chandana et'al (2021) but this study will cover up to 2023. This will now serve as gap in literature this study intends to fill.

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3. METHODOLOGY

The study will adopt ex-post facto and Quasi Experimental design. The ex-post facto research design is used because this type of research is one that takes place after the event or the fact had taken place while Quasi Experimental design is adopted because it seeks to explore the causal effect of oil and non oil revenue on the Nigerian economy. The study covered the period of 1983-2023 based on the convenient and systematic sampling techniques. This period is adopted because of the duration is consider appropriate because it help to have robust finding. The study makes used of secondary source of data (time series data), the data will be collected from CBN statistical bulletin for the period 1983-2023'. The area of the study is Nigeria, as the study focuses on economic resuscitation economy of Nigeria. Normality tests will be run to ensure that the set of data will produce an accurate regression result because the data for the study are annual time series data. The study will adopt a number of techniques of data analysis such as descriptive statistics, correlation and multiple regression tool of analysis with the aid of E-VIEW 12.0.

The study adapted the model of Okere et' al, (2019) which is specified as follows:

RGDP = f (ADMIN, ECON, COMTY, TRSF)

The model was modified to suit the variables to be used. Hence the model for the study will be anchored on the objective.

RGDP = f(TRE, FGNB)----------eqn 1

This can be econometrically expressed as

RGDP = $f(\beta 0 + \beta 1t\ TREt + \beta 2FGNBt + \mu)$- ----------eqn 2

Where

RGDP = Real Gross Domestic Product

TRE = Total Recurrent Expenditure

FGNB = Federal government Bond

$\beta 0$ = Constant

$\beta 1, \ldots . \beta 4,$ = are the coefficient of the regression equation

μ = Error term

t = is the year (time series)

Accept Null if P-Value is greater than 5% and reject Alternate Accept Alternate if P- Value is less than 5% and reject Null

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4. RESULT AND DISCUSSIONS

4.1 Descriptive Analysis

The descriptive analysis of the data is shown in Table 4.1 below.

Table 1 Descriptive Analysis

	CAP	*REC*	*RGDP*
Mean	829.9438	1037.523	40903.86
Median	324.0200	545.3100	33346.62
Maximum	3982.430	3477.220	77338.85
Minimum	1.030000	4.590000	16211.49
Std. Dev.	1005.752	1146.755	21641.84
Skewness	1.222854	0.722351	0.408488
Kurtosis	3.965301	2.155708	1.527187
Jarque-Bera	11.81021	4.783317	4.845905
Probability	0.002725	0.091478	0.088659
Sum	34027.70	42538.45	1677058.
Sum Sq. Dev.	40461445	52601863	1.87E+10
Observations	41	41	41

Source: Eviews 10 Output (2024)

In Table 1, the descriptive analysis of CAP (capital expenditures) reveals a mean value of 829.9438, indicating the average capital expenditure by the state government over the period studied. The maximum and minimum values of 3982.430 and 1.030000 respectively, suggest a wide range in capital spending, with substantial variation as indicated by a standard deviation of 1005.752. The skewness of 1.222854 shows that the distribution of capital expenditures is positively skewed, meaning there are more instances of smaller expenditures but a few very large expenditures. The kurtosis value of 3.965301, slightly above the normal distribution's value of 3, indicates a moderate presence of outliers. The probability of the Jarque-Bera statistic is 0.002725, suggesting that the distribution significantly deviates from normality at 5% level of significance.

For REC (recurrent expenditures), Table 1 shows a mean value of 1037.523, indicating the average recurrent expenditure by the state government. The maximum value of 3477.220 and the minimum value of 4.590000 indicate a substantial disparity in recurrent spending levels, further supported by a standard deviation of 1146.755. With a skewness of 0.722351, the distribution of recurrent expenditures is moderately positively skewed, indicating more

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frequent smaller expenditures and fewer large ones. The kurtosis value of 2.155708 is below the value of 3 for a normal distribution, implying a relatively flatter distribution with fewer extreme values. The probability of the Jarque-Bera statistic at 0.091478 suggests that the distribution of recurrent expenditures does not significantly deviate from normality at 5% level of significance.

Analyzing RGDP (real GDP) from Table 1, we see a mean value of 40903.86, reflecting the average real GDP over the period. The maximum and minimum values of 77338.85 and 16211.49 respectively indicate considerable variability in economic output, which is further evidenced by a standard deviation of 21641.84. The skewness of 0.408488 indicates a slight positive skewness, suggesting a fairly symmetrical distribution of real GDP values but with a tendency towards higher values. The kurtosis of 1.527187 is well below 3, indicating a relatively flatter distribution compared to a normal distribution, with fewer and less extreme outliers. The probability of the Jarque-Bera statistic at 0.088659 suggests that the real GDP distribution does not significantly deviate from normality at 5% level of significance.

4.2 Test of Hypotheses

The hypotheses for the study were tested using the estimates from Ordinary Least Squares, as shown below in Table 2.

Table 2 Hypotheses Testing with OLS

Dependent Variable: RGDP

Method: Least Squares

Date: 06/28/24 Time: 09:02

Sample: 1983 2023

Included observations: 41

Variable	Coefficient	Std. Error	t-Statistic	Prob.
REC	20.18471	2.049626	9.847994	0.0000
CAP	-2.166661	2.336977	-0.927121	0.3597
C	21759.97	1044.865	20.82563	0.0000

R-squared	0.950834	Mean dependent var	40903.86
Adjusted R-squared	0.948247	S.D. dependent var	21641.84
S.E. of regression	4923.388	Akaike info criterion	19.91174
Sum squared resid	9.21E+08	Schwarz criterion	20.03712

Log likelihood	-405.1906	Hannan-Quinn criter.	19.95739
F-statistic	367.4474	Durbin-Watson stat	1.089251
Prob(F-statistic)	0.000000		

Source: Eviews 10 Output (2024)

Table 2 presents the results of the hypotheses testing using Ordinary Least Squares (OLS) regression, where the dependent variable is real GDP (RGDP). The R-squared value of 0.950834 indicates that approximately 95.08% of the variability in Nigeria's real GDP can be explained by the state government recurrent expenditures and capital expenditures included in the model. This high R-squared value suggests a strong explanatory power of the independent variables on the dependent variable, implying that state government expenditures are significant determinants of economic growth in Nigeria. Additionally, the probability value associated with the F-statistic is 0.000000, which is highly significant. This indicates that the overall regression model is statistically significant and that the independent variables, recurrent and capital expenditures, jointly have a significant effect on real GDP.

4.2.1 Hypothesis I

H_0: Recurrent expenditures of State governments in Nigeria have no significant influence on real gross domestic product of Nigeria.

H_1: Recurrent expenditures of State governments in Nigeria have significant influence on real gross domestic product of Nigeria.

In Table 2, the regression coefficient for REC (recurrent expenditures) is 20.18471 with a probability (p-value) of 0.0000. This coefficient suggests that for every unit increase in state government recurrent expenditures, the real GDP (RGDP) of Nigeria is expected to increase by 20.18471 units, holding all other factors constant. The p-value being 0.0000 which is less than 0.05 indicates that this relationship is highly statistically significant, implying strong evidence that state government recurrent expenditures have a positive and significant effect on Nigeria's economic growth. Therefore, recurrent expenditures of state governments in Nigeria have a positive and significant influence on real gross domestic product of Nigeria. This positive influence can be attributed to several factors. First, recurrent expenditures help maintain and improve the efficiency of the public sector, ensuring that essential services such as healthcare, education, and security are consistently delivered. By paying salaries and wages, the government injects money into the economy, which in turn increases consumption and stimulates economic activity. Moreover, a well-compensated workforce tends to be more

productive, contributing further to economic growth. The stability and predictability of recurrent spending also provide a steady demand for goods and services, bolstering businesses and encouraging investment. Ogbu et al. (2021) found that while overall recurrent expenditures positively contribute to Nigeria's economic growth, expenditures on social and community services and transfers are the most impactful, with administrative and economic services also showing positive effects to a lesser extent. In contrast, Chandana et al. (2021) found no significant impact of recurrent expenditures on economic growth in both the short and long term but recommended improving spending patterns to enhance human development.

4.2.2 Hypothesis II

H_0: Capital expenditure of State governments in Nigeria have no significant effect on real gross domestic product of Nigeria.

H_1: Capital expenditure of State governments in Nigeria have no significant effect on real gross domestic product of Nigeria.

For CAP (capital expenditures), Table 2 shows a regression coefficient of -2.166661 with a probability (p-value) of 0.3597. This coefficient suggests that for every unit increase in state government capital expenditures, the real GDP of Nigeria is expected to decrease by 2.166661 units, holding other factors constant. However, the p-value of 0.3597 which exceeded 0.05 is not statistically significant, indicating that there is no strong evidence to suggest that state government capital expenditures have a significant effect on Nigeria's economic growth. This implies that Capital expenditure of State governments in Nigeria have a positive but non-significant effect on real gross domestic product of Nigeria. Capital expenditures of state governments in Nigeria, which encompass investments in infrastructure, education facilities, healthcare, and other long-term assets, also have a positive but non-significant effect on real GDP. These expenditures are critical for the long-term development and modernization of the economy. By investing in infrastructure such as roads, bridges, and power plants, the government not only creates immediate jobs but also facilitates smoother and more efficient economic activities. Improved infrastructure reduces the cost of doing business, attracts foreign investment, and enhances overall productivity. Furthermore, capital investments in education and healthcare build human capital, which is essential for sustained economic growth. The long-term benefits of these expenditures can be substantial, creating a more robust and competitive economy. This finding negates that of Chandana et al. (2021) which emphasized the positive and significant impact of capital expenditures on economic growth,

both in the short and long run. Adole (2021) reinforced these findings, showing that capital expenditures have a significant positive impact on economic growth in the long run. Abomaye (2020) also confirmed the significant positive impact of capital expenditures, advocating for increased investment in education, health, agriculture, and infrastructure.

CONCLUSION AND RECOMMENDATIONS

The role of government expenditure in fostering economic growth has been widely studied, and in the context of Nigeria, it is particularly significant due to the country's developmental needs and economic structure. A positive and significant effect of recurrent expenditures of state governments on economic growth is justifiable since recurrent spending ensures the smooth functioning of government operations and public services, which are essential for maintaining stability and efficiency in the economy. Additionally, recurrent expenditures often lead to increased consumption as government employees spend their income, thereby stimulating demand for goods and services in the economy. This increased demand can boost production and, consequently, economic growth. However, capital expenditures by state governments in Nigeria was shown to have a non-significant positive effect on economic growth.

The positive influence is because such investments are critical for building the foundational structures necessary for sustainable economic growth. Investments in education and healthcare enhance human capital, leading to a more skilled and healthier workforce that can contribute more effectively to the economy. Furthermore, capital projects can create employment opportunities both directly, through construction jobs, and indirectly, by stimulating related industries. In conclusion, both recurrent and capital expenditures by state governments in Nigeria play pivotal roles in boosting the country's economic growth. While recurrent expenditures ensure the smooth functioning of the public sector and immediate economic stimulation, capital expenditures lay the foundation for sustained development and increased productivity. Therefore, the study recommends that:

a. The Ministry of Finance should maintain timely and efficient allocation of funds for recurrent expenditures to ensure continuous and effective delivery of public services, which in turn supports economic stability and growth.

b. State governments should increase and prioritize capital expenditures on key infrastructure projects and social services to foster long-term economic growth and development, thereby enhancing the overall productivity and competitiveness of the economy.

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APPENDIX A

Year	RGDP N'Billions	REC N'Billions	CAP N'Billions
1983	16394.39	5.26	5.83
1984	16211.49	4.59	2.47
1985	17170.08	4.82	1.03
1986	17180.55	4.60	1.17
1987	17730.34	5.72	2.54
1988	19030.69	7.19	3.59
1989	19395.96	8.14	4.83
1990	21680.20	13.39	6.66
1991	21757.90	15.87	11.15
1992	22765.55	20.78	16.28
1993	22302.24	29.80	14.38
1994	21897.47	37.77	18.14
1995	21881.56	53.15	24.74
1996	22799.69	54.83	29.16
1997	23469.34	58.96	33.73
1998	24075.15	75.12	63.65
1999	24215.78	102.69	60.43
2000	25430.42	196.78	158.90
2001	26935.32	294.71	235.24
2002	31064.27	424.20	283.47
2003	33346.62	545.31	324.02
2004	36431.37	556.81	412.93
2005	38777.01	789.13	514.72
2006	41126.68	894.32	583.98
2007	43837.39	1217.43	854.79
2008	46802.76	1505.63	1455.70
2009	50564.26	1426.06	1284.16
2010	55469.35	1648.40	1522.40

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2011	58180.35	2055.70	1375.20
2012	60670.05	1664.40	1965.30
2013	63942.85	1948.43	1890.41
2014	67977.46	2120.48	1862.52
2015	69780.69	2267.34	1201.82
2016	68652.43	2007.74	1201.50
2017	69205.69	2662.99	1039.93
2018	70536.35	2291.84	1844.07
2019	72094.09	2275.51	1800.56
2020	70800.54	3257.28	2191.69
2021	73382.77	3179.63	2500.64
2022	74752.42	3477.22	3982.43
2023	77338.85	3328.43	3241.54

Source: CBN Statistical Bulletin