Public Expenditure and Economic Development in Nigeria

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Abstract
This study empirically investigated the effect of public expenditure on economic development in Nigeria from 1970-2020. To achieve this objective theoretical, conceptual and empirical literature on public expenditure and economic development were reviewed. Public expenditure was proxied by capital and recurrent expenditure while economic development was proxied by gross domestic product and human development index. Secondary data was obtained from central bank statistical bulletin and United Nations development programme reports various years. The study adopts the used of ordinary least square regression statistical tools to test the formulated hypotheses with the aid of Eviews 10 econometric statistical software. The findings show that capital expenditure has positive and significant effect on gross domestic product in Nigeria. Empirical evidence revealed that recurrent expenditure has positive and significant effect on gross domestic product in Nigeria. Empirical evidence shows that capital expenditure has positive and significant impact on human development index in Nigeria. Empirical evidence indicates that recurrent expenditure has positive and insignificant effect on human development index in Nigeria. The study concludes that public expenditure has positive and significant effect on economic development in Nigeria. The study recommends among others that government should improved macroeconomic policies through creation of stable economic policies of low inflation and positive economic growth. The government should ensure free market supply site policies through deregulation, lower taxes, privatization and less regulation to stimulate private sector investment in Nigeria. The government should implement interventionist supply site policies through increase spending on public goods such as health care, education, public transport and massive infrastructural development. Government should ensure diversification from oil and gas to manufacturing and agriculture to promote economic development. Government should ensure less restrictive regulation; tackle corruption, effective tax structure and collection and investment in public services. Government should ensure economic stability through the use of monetary and fiscal policies, regulation of financial institution, trade and tax policies to achieve price stability, high employment rate and sustain economic development and growth. Government should prioritize capital and recurrent expenditure to the needed and desired sectors of the economy to enhance economic development.

Keywords: *Public Expenditure, Economic Development, Nigeria*

Introduction

Nigeria is the most populous country in Africa with a population of over 200 million people. Nigeria is blessed with abundant natural resources such as oil, gas, and agricultural products.

Despite these resources, Nigeria has faced several economic challenges over the years. One of the challenges is the issue of inadequate infrastructure such as roads, hospitals, schools, and power supply. The government of Nigeria has prioritized investment in public expenditure to enhance the country's economic development.Public expenditure is an important instrument utilized for fiscal policy and economic development in any country. Many countries used public expenditure to improve economic growth, economic development, income redistribution, full employment, debt control, control inflation,allocation of resources to desired aspect to economy. Equitable distribution and allocation of public expenditure enhanced employment opportunities, economic development and economic stability.The main objective of public expenditure is to ensure that government resources are used to achieve the maximum benefit for citizens and the economy as a whole. Public expenditure can be used for the control of depression proclivity in the market economy and to maintain economic stability. Government participation is important when a country faces inflation or deflation. Economic stability in a country can be maintained through the market process. Economic development is a core objective of government expenditures. Economic development is aim to improve the material standard of living by raising the absolute level of per capital income. Public expenditure plays a crucial role in stimulating the economy. The system in which government spending is expected to affect economic development depend largely upon the size of total public expenditure allocated to the development projects in the economy. Public expenditure is the expenditure incurred by public authorities to satisfy those common wants which the people in their individual’s capacity are unable to satisfy efficiently. Public expenditure is the spending, costs and expenses by the government of a particular country for the combined wants of the peoples of a nation such as security, infrastructure, social amenities, economic development, economic growth and economic stability. Public expenditure can also be seen as expenditure made by the federal, state, local government, ministries and government agencieson behalf of the country.Public expenditure is the spending by the government on goods and services that are meant to benefit the citizens of a country.Public expenditure can be divided into capital and recurrent expenditure. The recurrent expenditure are government spending on administration such as wages, salaries, pensions interest on loans, maintenance, purchases of goods and services, and current grants and subsidies etc., while capital expenditure is primarily expenditure on the creation of fixed assets that will generate future benefits and spending on capital projects like roads, health, education, infrastructure acquisition of land, buildings and intangible assets. The increase in government expenditure over the years tends to improves economic development. Public expenditure on education and health will raise the level of national output through the improvement in quality of labour and productivity. Government expenditure on infrastructures such as roads, communications, electricity, water and so on will cause reduction in production costs and increase firm’s profitability, thereby improving economic development (Taiwo & Agbatogun, 2011). Economic development is the process of ensuring quality of life and wellbeing of a nation and individual according to the target objectives. Economic development is a critical element that ensures economic growth in any economy, generating new employment opportunity and facilitating and improves quality of life. Economic development is the means of achieve sustained increases in prosperity and quality of life realized through innovation, lowered transaction costs, and the utilization of capabilities towards the responsible production and diffusion of goods and services (Feldman et al., 2016). The main objective of economic development is to improve the quality of life for citizens, promote social welfare, and create a sustainable future for generations to come.

Economic development is view as transformation of macroeconomic and economic indicators through technology, innovations and government policies to improve standard and quality of life. Public expenditure can be used to stimulate economic development through creation of employment, increase salary and wages, improve goods and services, technology, innovations and production capacity. Economic development can be enhancing through public expenditure on human capital, financial capital, productivity, entrepreneurship,infrastructure, and export and import investment.Human capital that brings people to work place such as skills, knowledge and ideas enhance innovation, productivity improvement economic development. Workers move from place to place,countries needs to improve their livability or quality of life as well as a way to keep the talent and draw a new talent. A mix of skills and occupation become increasing important to the economic wellbeing of a nation, quality of life factors increasingly influence economic development. Government expenditure on investment in both public and private sectors response to existing market or emerging opportunities thereby creating new employment, increase income redistribution and improve demand and supply of goods and services leading to continuous economic growth and development. Government expenditure on productivity increase productivity level which enhance high wages, profit and level of capital investment. Government expenditure on entrepreneurship increase job creation. Entrepreneurs contribute to capacity and dynamism in an economy. Government undertake expenditure on social services such as health, education, welfare, social security, defense, road transport services, law and orders, housing, external debt interest, administrative services infrastructure, information technology and innovation to enhance economic development and improve the economy. The dimension and composition of government expenditure will determine the structure of economic development in an economy. Public expenditure in Nigeria can also be categorized into exhaustive expenditure and transfer expenditure. Exhaustive expenditure is incurred when government actually consumes and makes purchases of factors inputs while transfer expenditure does not involve purchases of factor inputs by the government. One of the main purposes of government spending is to provide infrastructural facilities to stimulate economy growth. Expenditure on infrastructural investment and productive activities in state owned enterprises ought to contribute positively to growth, whereas government consumption spending is projected to impede growth. However, economies in transition do spend heavily on physical infrastructure to improve the economic welfare of the people and facilitate the production of goods and services across all sectors of the economy so as to stimulate rapid growth in aggregate output. If government spending is used to finance investment in roads, education, health, agriculture and other areas, these investments will have direct social and economic beneficial effects on the country. Furthermore, by providing new opportunities and expanding the capabilities of the masses, government spending plays an important role in ensuring sustainable economic development. Government expenditures in Nigeria are broadly classified into expenditures in government functions such as administration, social and community services, economic services and transfers. Expenditures on general administration, defense, internal security and national assembly come under administration. Expenditure on social and community services captures expenditures on education, health and other social and community services. Expenditure on economic services includes those on agriculture, transport, construction and communication and other economic services. Government transfers include public debt servicing, pensions and gratuities, contingencies/subventions, etc. (CBN Statistical Bulletin, 2017). All these classes of government expenditures, apart from government transfers, have capital and recurrent components. Public expenditure can also be classified into social protection, general public service, education, economic affairs, public order and safety, defense recreation, environmental protection, housing and communicating services, health.

There are factors that increase public expenditure in any country, such as population growth, welfare activities, increase in public revenue, raise in price, provision of public utility services, international obligation, accelerating growth, creating of super national organization, war and social crises, foreign aid, inflation and defense expenditure.

Despite the high public expenditure by various governments in Nigeria on capital and recurrent expenses, the macroeconomics variables and economic indicators in Nigeria is very low compare to other developing countries in the world. Nigeria economic potential is constrained by many structural issues, such as government expenditure deficits, social security, inflation, unemployment, poor government fiscal and monetary policies, inadequate power supply and health facilities, insecurity, ineffective leadership and corruption, over-reliance on oil and lack of diversification, inadequate infrastructure, corruption, embezzlement of funds by public officers, traffic and non traffic barriers to trade, obstacles to investment, lack of confident in currency valuation and limited foreign exchange capacity, high family debt, non retirement funds, low saving rate, lack of strong effective institutions and poor public financial management system. The Nigerian economic system is characterized by mismanagement and misappropriation of public funds which lead to high rate of unemployment or underemployment. In Nigeria past and present government have budgeted huge amount of money on government expenditure but the result is a mirage due to misplace priority and lack of proper allocation of government expenditures to the desired or needed aspect of the economy, leading to increasing income inequity with many not being including in the growth process, high rate of poverty and low growth. Nigeria economy is dependent on one major source of revenue which is oil and gas with lack of diversification of economic activities. Nigeria economy is bedeviled by macroeconomics instability and recurrent balance of payment shocks, low productivity capacity due to poor human capital development and skills migration or human capital flight due to poor wages standards. The Nigeria job environment is characterized with mismatch between skills and knowledge gap, lack of quality job and high level of informality in economic. This economic challenge is slowing down economic development in Nigeria.

Extensive empirical literature on the impact of public expenditure on economic development in Nigeria indicate that there are scanty studies in Nigeria but more of the studies are in developed countries, the few empirical studies on public expenditure and economic development in Nigeria shows contradictory views, some suggesting that government expenditure has negative effect on economic development,(see Usman, et al., 2011; Abu & Abdullahi, 2010; Egbetunde & Fasanya 2014; Gukat & Ogboru, 2017; Nurudeen & Usman, 2010;Olabisi&Funlayo 2012;Saidu& Ibrahim, 2019; Duruibe, et al., 2020; Segun & Adelowokan, 2015). Other studies indicated that public expenditure positively influence economic development in Nigeria (Oni, et al., 2014, Robinson, et al., 2014; Udoffia& Godson 2016; Taiwo & Abayomi 2011; Aigbeyisi, 2013; Akanbi, 2014; Ahuja & Pandit, 2020; Olanrewaju&Funlayo2021; Awode & Akpa, 2018; Nyarko-Asomani, et al., 2019; Okpabi, et al., 2021; Idris & Bakar, 2017; Onuoha & Agbede 2019; Ebong, et al., 2016; Chijioke & Amadi 2020; Ihugba & Njoku, 2017; Jibir & Aluthge, 2019a; Jibir & Babayo, 2015; Aluthge, et al., 2021; Srinivasan, 2013; Oloruntoba, et al., 2020; Olayungbo & Olayemi, 2018; Ugochukwu & Oruta 2021). Some of the empirical evidence indicates mixed result of positive and negative effect of public expenditure on economic development in Nigeria (Ogunrinola 2011; Modebe, Okafor, Onwumere, & Ibe 2012; Akonji, et al., 2013; Nyasha & Odhiambo 2019).Few of the above study focused on public expenditure and economic growth in Nigeria, but the current study focused on the effect of public expenditure on economic development in Nigeria, empirical evidence from 1970-2020.The current adopt capital expenditure and recurrent expenditure as proxied of public expenditure while economic development was proxied by gross domestic product and human capital development. Previous study did not used human development index as a proxied of economic development. Hence the introduction of human development index in this current study fills in the perceived gap in the conceptual framework of others studies. The time frame covered by previous study mentioned above are not enough to provide an insight into the investigation but this current study covered from 1970-2020, which is enough time to provide critical empirical evidence on the effect of public expenditure on economic development in Nigeria.There is observed evidence gap in literature considered the contradictory evidence from previous study with mixed conclusions, some studies indicating that public expenditure can influence economic growth or development while some of the study shows that public expenditure does not have any significant impact on economic growth and development in Nigeria. Also some studies show mixed result of inclusiveness. This contradictory result may be due to knowledge gap, evidence gap, methodology gap, empirical gap, theoretical gap, population gap. Thus, this study intend to investigate the effect of public expenditure on economic development in Nigeria from 1970-2020.

Statement of Problem

Past and current government in Nigeria have make provisions through the budget and other government policies for large public expenditure but the justification and manifestation of such large provisions for public expenditure is a mirage. Economic indicators shows that Nigeria economic development indices are very low compare to other developing countries in the world. The Nigeria economic system is constrained with many economic and social challenges such as lack of human development, unemployment, crime and terrorism, environment and health issues, corruption, weak judicial system,weak institutions, balance of payment problem, high inflation rate, misappropriation and embezzlement of public fund, poor power supply, poor road network, low productivity and inadequate infrastructural development. In Nigeria public expenditure is on the increasing while economic development indicatorsis decreasing, this is due to bad government fiscal policy, misplace priority, fraud,lack of political will to implement people oriented projects, lack of allocation of resources to the needed sectors of the economy, lack of maintenance culture, abandoned project littered everywhere in the country.The Nigerian government does not have a strategic development plan or blueprint that will guide the country development direction for rapid infrastructural and economic development in the near future. The Nigerian business environment is characterized with crime, kidnapping, conflict and terrorism which have driven away some multinational companies and hinder foreign direct investment in Nigeria. The Nigeria government seems very hopeless in the management of insecurity in Nigeria; this has resulted in relocation of many companies from Nigeria to other African countries, hindered economic productivity and economic development in Nigeria. The Nigerian economic systemis struggling with lack of proper fiscal and monetary policies, inequality, poverty and lack of proper income distribution to enable productive activities to take place to enhance economic development and growth.The greatest economic development and growth challenge in the Nigerian economy is corruption and lack of political will for economic development of Nigeria by the political class and leaders.

Objective of the Study

The objective of the study is to investigate the effect of public expenditure on economic development in Nigeria. The specific objectives are to;

1. Determine the effect of capital expenditure on gross domestic product in Nigeria.
2. Investigate the effect of capital expenditure on human development index in Nigeria.
3. Ascertain the effect of recurrent expenditure on gross domestic product in Nigeria
4. Evaluate the effect of recurrent expenditure on human development index in Nigeria

Research Questions

The following research questions were addressed:

1. What is the effect of capital expenditure on gross domestic product in Nigeria?
2. What is the effect of capital expenditure on human development index in Nigeria?
3. What is the effect of recurrent expenditure on gross domestic product in Nigeria?
4. What is the effect of recurrent expenditure on human development index in Nigeria?

Research Hypotheses

The following research hypotheses were tested

H_{01}: There is no significant relationship between capital expenditure and gross domestic product in Nigeria.

H_{02}: There is no significant relationship between capital expenditure and human development index in Nigeria.

H_{03}: There is no significant relationship between recurrent expenditure and gross domestic product in Nigeria

H_{04}: There is no significant relationship between recurrent expenditure and human development index in Nigeria

Conceptual Framework

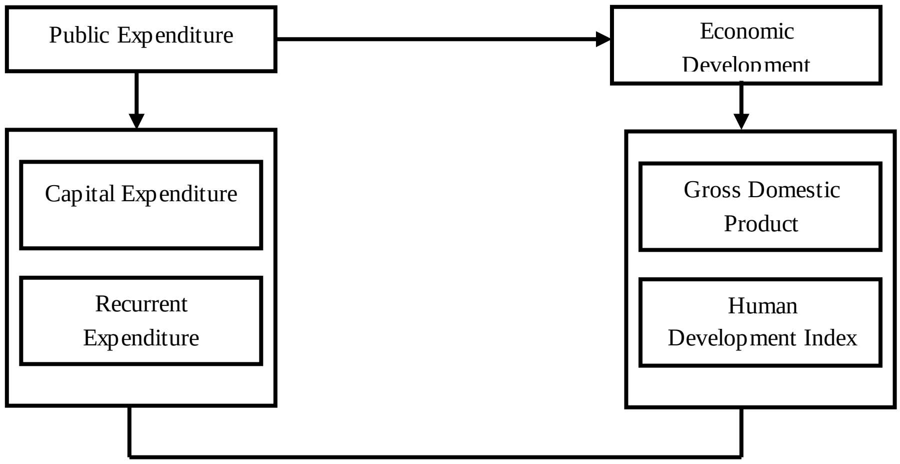

Figure 1.1: Conceptual Framework of the relationship between Public Expenditure and Economic Development in Nigeria.

Conceptual framework is a structured approach used to organize and present ideas and concepts in a systematic and coherent manner. Conceptual Framework is a set of interconnected concepts, assumptions, and expectations that form a way of thinking about a particular research problem or phenomena. Conceptual framework outlines the main concepts and theories that are relevant to the research questions and provides a foundation for the research design and data analysis. Thus the above conceptual framework highlights the interrelationship and connection between the dimension of the independent and dependent variables. The independent variable public expenditure is proxied by capital expenditure and recurrent expenditure while the dependent variable economic development is proxed by gross domestic product and human development index. The researchers in this study aims to ascertain the extent and degree to which the dimensions of the independent variables enhance the measures of the dependent variable.

Literature Review

Theoretical Framework

Keynesian Theory of Public Expenditure

The Keynesian theory of public expenditure was developed by economist John Maynard Keynes, in (1883). The Keynesian theory of public expenditure suggests that government spending can stimulate economic growth by creating demand for goods and services. Keynesian theory posits that during economic downturns, the government should increase its spending to boost demand and employment. Keynesian theory of public expenditure is a macroeconomic theory of total spending in the economy and its effects on output, employment, and inflation. Keynesian theory stated that public expenditure can be used by governments to stimulate economic growth and employment during times of recession or economic downturn. Keynesian theory holds that during times of economic recession or depression, private sector investment and consumer spending tends to decrease, leading to a decrease in economic activity and an increase in unemployment. Keynesian theory argued that governments should increase public expenditure, especially on infrastructure projects and other public works, in order to stimulate economic activity and create jobs. Keynesian theory posits that this increased public expenditure would lead to a multiplier effect, whereby the initial injection of funds into the economy would lead to an increase in economic activity and further rounds of spending. This would create a cycle of increased economic activity and employment, ultimately leading to economic recovery. Critics of the Keynesian theory of public expenditure argue that increased government spending can lead to inflation and a crowding out of private sector investment. However, proponents argue that during times of recession or depression, the benefits of increased public expenditure in terms of economic stimulus and job creation outweigh the potential negative consequences. This study is anchored on Keynesian theory of expenditure because public expenditure will led to increase in the demand for goods and services, which will stimulate economic development.

The Wagner's Theory of Increase State Spending

The Wagner's law increase state spending was developed by German economist Adolph Wagner in (1835-1971). The theory states that government spending tends to increase over time as societies become more complex and advanced. Wagner's theorystated that as societies become wealthier, there is a greater demand for public goods and services such as education, healthcare, and infrastructure. This theory suggests that as societies become more developed and complex, the role of the state expands, leading to a continuous increase in public expenditure. Wagner theory argued that as a society progresses and becomes more complex, there is a greater need for government-provided services such as education, healthcare, and social welfare programs. This increase in demand for public goods and services leads to a corresponding increase in government spending to meet these needs. Moreover, Wagner theory suggests that as economies develop, there is an inherent tendency for government spending to grow faster than the economy as a whole. He theorized that this occurs due to economies of scale in the provision of public goods and services, as well as the increasing complexity of society leading to a greater need for government intervention. Empirical evidence has generally supported Wagner's theory, as many countries have experienced an increase in government spending as a percentage of gross domestic productsover time. However, the rate of increase can vary based on factors such as political ideology, economic structure, and level of development. Critics of Wagner's Law argue that excessive government spending can lead to negative consequences such as crowding out private investment, inflation, and debt accumulation. Nonetheless, proponents of the theory argue that government spending can play a critical role in promoting economic and social development, and that Wagner's theory provides a useful framework for understanding the relationship between economic development and government expenditure. This study is anchored on the Wagner’s theory of increase public spending, because public spending will lead to multiplier effect on macroeconomic variables leading to economic development in Nigeria.

Conceptual Review

Public Expenditure

Public expenditure is the spending of public funds by the government to finance public goods and services such as healthcare, education, defense, infrastructure, and social welfare programs. Government raises funds for public expenditure through various means such as taxes, borrowing, and other revenue sources. These funds are then allocated to different sectors and programs based on government priorities and objectives. Public expenditure plays a crucial role in promoting economic and social development. Public expenditure is used to improve the quality of public services, create jobs, reduce poverty, and support economic activity. Public expenditure have an impact on the economy by influencing factors such as inflation, interest rates, and the overall level of economic activity. As a result, governments must carefully manage public expenditure to ensure that it is efficient, effective, and sustainable.Public expenditure is view as the expenses or spending of central, state and local government authority and its agency, ministries and parastatals on provision of the needs and wants of the people of a nation such as infrastructure and social amenities, provision of essential goods and services, health care, education, security, social welfare, administrative services and so on.The main objective of public expenditure is to use government resources to provide goods and services that are meant to benefit the citizens of a country. These goods and services can include infrastructure development such as roads, bridges, and power supply, as well as social services such as education, healthcare, and welfare programs. The ultimate goal of public expenditure is to improve the well-being of citizens, promote economic development, and address any market failures that may exist in the economy. Additionally, public expenditure can be used to address income inequality, support economic stability, and promote sustainable development.Bhatia (2008) defines Public expenditure as the expenses which a government incursfor its own maintenance, the society and the economy, and helping other countries. Public Expenditure comprises of government payments for the goods and services acquired and for the works done pursuant to their respective laws, social security contributions, interest payments of domestic and foreign debts, general borrowing expenditures, payments resulting from the discounted sale of borrowing instruments, financial and social transfers, donations and grants, and others.It is conventional to classify public expenditure into various economic categories. Accounting classification has been there for centuries because it enables the State Executives to maintain an effective control and check over public expenditure and possible leakages and wastage, diversion and misappropriations (Bhatia, 2008).

Public spending in Nigeria can be classified into four primary categories: Administration which involves normal administration, safeguard, inside security and country wide meeting.

The second category involves social and group services like schooling, wellbeing, and different social and neighborhood offerings. The third category involves economic offerings like agriculture, development, transport & verbal exchange, other monetary services. The final class includes transfers like public debt provider, pensions and gratuities, contingencies, subventions and other charges. An alternative characterization of expenditures divides public expenditure into two; recurrent and capital expenditure (Njoku, et al., 2014). The expenditure of government which occurs regularly throughout the year is referred to as recurrent expenditure. Recurrent expenditure entails; administration, (which includes, normal administration, protection, inside protection); financial offerings (entails, agriculture, development, transport, communication and amongst others social and neighborhood services (includes, schooling, wellbeing, housing). Capital expenditure on the other hand is the expenditures of government on the acquisition of things of permanent nature (Nwaeze, 2010). They include all expenditure on capital projects such as buildings, construction of roads, bridges and all permanent structures and assets. The purposes of public spending include: the supply of goods and services that are not supplied by the private sector, such as defense, roads and bridges; merit goods such as hospitals and schools, and welfare payments and benefits including unemployment. Government expenditure in Nigeria is financed through a variety of methods. Most often, government uses taxes to fund programs and expenditure, but this is far from the only means of creating assets for spending, where government may borrow based on future projected budgets in order to fund programs. Government may also choose to take loans from foreign countries to finance expenditure. How money is spent and from what source is the main component in a government's fiscal policy. 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 technological requirements 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. Similarly, government expenditure is influenced by the expanded roles of government which include among others, the provision of pure public goods for, example, defense, law and order, properly rights, macroeconomic management, public health and education, protecting the poor through the provision of anti-poverty programmes and disaster, relief programmes, addressing externalities, for example, environmental protection, provision of social insurance, coordinating private sector activities and redistribution of income and assets.

Capital Expenditure

Capital expenditure is the funds that organization invests in long-term assets, such as property, equipment, and technology that are expected to generate revenue or provide benefits beyond the current financial year. Capital expenditures are typically large investments that require significant financial resources and planning. These investments can provide a long-term return on investment, improve operational efficiency, or increase the production capacity of the organization. Capital expenditure is the expenditures of government on the acquisition of things of permanent nature (Nwaeze 2010). They include all expenditure on capital projects such as buildings, construction of roads, bridges and all permanent structures and assets. These usually involve large sums of money and also form the basis of the physical development of a nation.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. In Nigeria, government expenditures are in the form of capital and recurrent costs. These are further categorized into administration, social and community service, financial services and transfers. Administration**:** comprises general administration, defense, internal security and national assembly. Social and Community Services**:** consists of government expenditures on health, education and other social and community services. Economic Services are Government expenditures on agriculture, road and construction, transport and communication and other economic services. Transfers are public debt servicing, domestic, pension and gratuities, contingencies and subventions. Ijaiya (2003) public 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 technological requirements 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.

Recurrent Expenditure

Public recurrent expenditure is the day-to-day expenses of a government that are required to maintain its ongoing operations and provide essential services to the public. These expenses include salaries and wages of government employees, administrative costs, maintenance expenses, and other recurring costs such as utilities, office supplies, and transportation. Examples of public recurrent expenditures include: Wages and salaries of civil servants: This includes payments made to government employees, such as teachers, police officers, and healthcare workers. Administration costs: This includes expenses related to running the government, such as office rent, utilities, office supplies, and communication costs. Maintenance expenses: This includes the cost of maintaining public infrastructure, such as roads, bridges, public buildings, and other facilities. Social welfare programs: This includes expenditures on programs such as pensions, unemployment benefits, and other forms of social assistance. Public recurrent expenditure is an essential component of government spending as it ensures that the government can provide basic services and maintain its ongoing operations. Recurrent expenditure refers to government expenses on administration, security, maintenance of public goods, interest payment on loans etc (CBN, 2009). They are expenditures of government which occur regularly throughout the year. For instance, regular salaries of all employees, money spent on running of essential services or regular maintenance of infrastructural facilities and money spent on administration.The expenditures of government which occur regularly throughout the year are referred to as recurrent expenditure. They must be made regularly if the functions of government must be maintained. Recurrent expenditure is 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. Current expenditure would include wages and salaries and expenditure on consumables - stationery, drugs for health service, bandages and so on. Recurrent expenditure is a recurring spending on items that are consumed only for a limited period of time. The recurrent expenditures refer to spending on buying of goods and service, wages and salaries, operations, current grants and subsidies (termed transfer payments).

Economic Development

Economic development is the process by which a country or region improves the economic, social, and political well-being of its people through sustained growth and structural transformation. It involves the use of economic policies and strategies to create jobs, increase incomes, and reduce poverty. Economic development can be measured through various indicators, including Gross Domestic Product per capita, poverty rates, employment rates, and income distribution. A country or region is said to be economically developed when it has a high level of economic activity, high levels of productivity, low unemployment rates, and a high standard of living for its citizens. Economic development is a complex process that involves a wide range of economic, social, and political factors. Some of the key factors that contribute to economic development include education and human capital development, infrastructure development, access to credit and finance, technology and innovation, and good governance. Ultimately, economic development is important because it helps to improve the well-being of people and promote inclusive growth. By creating jobs, reducing poverty, and increasing incomes, economic development can help to create a more equitable and prosperous society. The main objective of economic development is to improve the well-being of citizens through the expansion of a country's economy. Economic development is not only about increasing the size of the economy, but also improving the quality of life for citizens by providing access to goods and services that enhance their standard of living. Economic development includes creating job opportunities, reducing poverty, and increasing income levels. Other objectives of economic development may include promoting sustainable development, reducing income inequality, and ensuring that economic growth is inclusive and benefits all citizens. Economic development is a long-term process that involves the creation of an enabling environment that promotes investment, innovation, and entrepreneurship.Economic Development is a policy intervention effort designed to achieve economic and social well-being of the people (Akwe, 2014). Economic development is therefore concerned with an improvement in the quality of life of people through the introduction of new goods and services using modern technology, infrastructural development, reduction of risk and dynamics of innovation and entrepreneurship (Arnold, 2011). Economic development is the increase in the total output produced by a country reflecting an increase in the potential of an economy to provide goods and services, relative to a timeframe.Economic development is typically associated with improvements in a variety of areas or indicators (such as literacy rates, life expectancy, and poverty rates), that may be causes of economic development rather than consequences of specific economic development programs. For example, health and education improvements have been closely related to economic growth, but the causality with economic development may not be obvious.

There are several government policies that can improve economic development in Nigeria. Some of these policies include:Nigeria has a significant infrastructure deficit, which has hindered economic development. The government can invest in infrastructure projects such as roads, bridges, airports, and power supply to stimulate economic activity. Nigeria's economy is heavily dependent on oil exports, which exposes the country to volatile global oil prices. The government can implement policies that promote diversification of the economy into other sectors such as agriculture, manufacturing, and services. Nigeria has a large and youthful population that can be harnessed to drive economic development. The government can invest in education and training programs to improve the skills and knowledge of the workforce, which can increase productivity and competitiveness.Entrepreneurship is essential for economic development as it promotes innovation and job creation. The government can implement policies that support and encourage entrepreneurship such as access to finance, business development services, and incubation centers. Foreign direct investment can provide the necessary capital and technology needed for economic development. The government can implement policies that promote foreign direct investment such as investment incentives, stable regulatory frameworks, and political stability. The government can use fiscal policy to stimulate economic growth by increasing public expenditure on infrastructure and social programs, as well as cutting taxes to increase disposable income and consumer spending.Nigeria can take advantage of its large domestic market and natural resources to promote exports and attract foreign investment. The government can implement trade policies that promote export-oriented industries, encourage foreign investment, and improve the business environment.Nigeria has enormous potential for economic development. However, this potential can only be realized through the implementation of sound policies that address the structural challenges facing the economy. The government needs to take bold steps to invest in infrastructure, promote entrepreneurship, diversify the economy, and attract foreign investment to stimulate economic growth and improve the standard of living for its citizens.

Human Development Index

The Nigeria Human Development Index is calculated and published by the United Nations Development Programme as part of its annual Human Development Reports. The latest available data by United Nations Development Programme (2020) shows that Nigeria has a human development index value of 0.532, which puts it in the category of countries with medium human development. In terms of the three dimensions of the human development index: Health: Nigeria has a life expectancy at birth of 54.7 years. Education: The mean years of schooling for adults in Nigeria is 8.3 years, while the expected years of schooling for children of school-going age is 9.6 years. Standard of living: Nigeria's Gross National Income per capita is $5,950 (in purchasing power parity terms). While Nigeria has made some progress in improving human development over the years, it still faces significant challenges in all three dimensions. For example, the country has one of the highest maternal mortality rates in the world, and access to education remains a challenge in many parts of the country. Additionally, income inequality is high, with a significant proportion of the population living in poverty. Efforts to improve human development in Nigeria will require a range of policy interventions, such as investments in healthcare and education, as well as measures to reduce poverty and inequality. Addressing these challenges will be critical for achieving sustainable and inclusive development in the country. The Human Development Index is a statistical measure of human development that was created by the United Nations Development Programme. The human development index is designed to measure the overall well-being of people in a country, taking into account factors such as health, education, and standard of living. The Human Development Index is a composite statistical measure used to rank countries by their level of human development. It was developed by the United Nations Development Programme and first introduced in 1990. The human development index is calculated based on three dimensions of human development: health (measured by life expectancy at birth), education (measured by years of schooling for adults and expected years of schooling for children), and standard of living (measured by Gross National Income per capita in purchasing power parity terms). The human development index is intended to provide a more comprehensive picture of human development than traditional economic measures, such as Gross Domestic Product, by incorporating a broader range of factors that contribute to well-being and human flourishing. The human development index is calculated using three key dimensions of human development: Health: This dimension is measured by life expectancy at birth. Education: This dimension is measured by mean years of schooling for adults aged 25 years and above and expected years of schooling for children of school-going age. Standard of living: This dimension is measured by Gross National Income per capita, which takes into account the purchasing power of a country's currency. Each of these dimensions is given equal weight in the calculation of the human development index. Countries are then ranked on a scale of 0 to 1, with 1 representing the highest level of human development. The human development index is widely used as a measure of a country's development, as it takes into account a range of factors that are important for the well-being of people. It is also used to compare countries and to track progress over time. However, some critics argue that the human development index has limitations, such as its focus on average measures rather than inequality and its failure to capture non-economic dimensions of development such as political freedoms and social rights.

Gross Domestic Product

Gross Domestic Product is the total monetary value of all the goods and services produced within the borders of a country during a specific period of time, usually a year. It is an important measure of a country's economic activity and is used as a key indicator of the size and health of its economy. Gross domestic product takes into account all types of economic activity, including personal consumption, private investment, government spending, and net exports (exports minus imports). Onuoha et al. (2015) stated that gross domestic product is the most detailed and widely acceptable measure of total output or performance of an economy. Central Bank of Nigeria (2010) noted that gross domestic product is defined as the monetary value of goods and services produced within a period of time in an economy. Nnamocha (2002) stated that Gross Domestic Product as the total money value of all goods and services produced in the domestic economy by everybody in that economy no matter where they come from provided they reside within the economy. Nnamocha (2002) further posits that gross domestic product comprises both the citizens and non- citizens of an economy and it must be equal only to the value of the end products. The organization for economic co-operation and development defines gross domestic product as an aggregate measure of production equal to the sum of the gross value added of all resident and institutional units engaged in production (plus any taxes, and minus any subsidies, on products not included in the value of their outputs). International monetary fund (2015) states that gross domestic product measures the monetary value of final goods and services that is, those that are bought by the final user produced in a country in a given period of time (say a quarter or a year). Total gross domestic product can also be broken down into the contribution of each industry or sector of the economy. The ratio of gross domestic product to the total population of the region is the per capita gross domestic product and the same is called Mean Standard of Living. Gross domestic product is considered the world's most powerful statistical indicator of national development and progress. The gross domestic product is one of the primary indicators used to gauge the health of a country's economy.

Empirical Review

Aluthge et al. (2021) investigate the impact of Nigerian government expenditure (disaggregated 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.

Chijioke and Amadi (2020) examine the effects of government infrastructural expenditure on economic development in Nigeria. Secondary data sourced from reported annual spending on selected infrastructure and annual Gross Domestic Products were statistically analyzed. The study adopt the used of unit root and co- integration tests, Augmented Dickey–Fuller and Phillip–Perron model. Weighted least square was also used to test the sample of 37-year annual time series using vector error correction model. The data analysis was done with descriptive statistics. Findings show that government spending on transport, communication, education and health infrastructure has significant effects on economic growth; spending on agriculture and natural resources infrastructure recorded a significant inverse effect on economic growth in Nigeria. An element of fiscal illusion was observed in the government spending on agriculture and natural resources indicating that government is not contributing as much as the private sector in spending on agriculture and natural resources infrastructure in Nigeria.

Olabis and Funlayo (2012) explore the relationship between the composition of public expenditure and economic growth in Nigeria. Government expenditure is expected to be means of reducing the negative impacts of market failure on the economy. However, allocations of public expenditure with lack of consideration for the urgent needs of the country may engender greater distortion in the economy which may be detrimental to growth. To this end, we have analyzed the relationship between public expenditure compositions from 1960 to 2008 on economic growth using the vector Autoregressive models (VAR). The finding shows that expenditure on education has failed to enhance economic growth due to the high rate of rent seeking in the country as well as the growing rate of unemployment. We also noted that expenditure on health and agriculture should be encourage due to their positive contributions to growth while further studies is necessary to identify empirically why public expenditure on water and education are negatively related with growth.

Research Methodology

The study adopted the ex-post facto research design which allows for causal association between the dependent and independent variables. This was used to ascertain the effect of public expenditure on economic development in Nigeria from 1970-2020. Without undue influence or manipulation of the study variable data which was already in existence. Secondary data were collected from central bank of Nigeria statistical bulletin from 1970-2020. Conveniences sampling techniques was used in selecting the sample size of the study which is non probability method of selection. The independent variable public expenditure is proxied by capital expenditure and recurrent expenditure while the dependent economic development is proxied by gross domestic product and human development index. The study adopts the used of ordinary least square regression statistical tools to test the formulated hypothesis, our choice of ordinary least square regression was informed by its quality of best linear unbiased estimate (Blue).

Model Specification

The study adopted econometric model in investigating the effect of public expenditure on economic development in Nigeria, public expenditure was proxied by capital and recurrent expenditure while economic development was proxied by gross domestic product and human development index. The functional model was written in explicit form as follow.

EDM	=	f(PXE) -	-	-	i
EDM	=	$\propto 0- \propto$ PXE	-	-	ii
GDP	=	f(CAP,REC)	-	-	iii
GDP	=	$\beta_0 + \beta_1$ CAP + β_2REC + μ			iv

HDI = f(CAP,REC) - - v

HDI = $\beta_0 + \beta_1$ CAP + β_2 REC + μ vi

Where

EDM = Economic Development

PXE = Public Expenditure

GDP = Gross Domestic Product

HDI = Human Development Index

CAP = Capital Expenditure

REC = Recurrent Expenditure

β_0 = Intercept, β_1 and β_2 are the coefficient of each variable of the regression whereas N represent the error term.

Data Analysis and Interpretation

The data were analysis and interpreted using descriptive statistics, bivariate and multivariate analysis through the use of ordinary least square regression with the aid of Eviews 10 econometric statistics software.

Hypothesis Testing

Decision Criterion

Accept the alternative hypothesis if the p-value is less than 0.05 and reject the null hypothesis if the p-value is greater than 0.05 significances levels.

Table 4.1: Regression Estimate for Capital and Recurrent Expenditure on Gross Domestic Product

Dependent Variable: GDP
Method: Least Squares
Date: 06/30/22 Time: 20:57
Sample: 1970 2020
Included observations: 51

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3926771.	1972056.	1.991207	0.0522
CAP	155.1906	920.6551	0.168565	0.0268
REC	8.604361	119.0832	0.072255	0.0427

R-squared	0.800685	Mean dependent var	4060572.
Adjusted R-squared	0.740953	S.D. dependent var	11604240
S.E. of regression	11839470	Akaike info criterion	35.46880
Sum squared resid	6.73E+15	Schwarz criterion	35.58244
Log likelihood	-901.4544	Hannan-Quinn criter.	35.51222
F-statistic	0.016454	Durbin-Watson stat	2.075311
Prob(F-statistic)	0.023686		

Table 4.1: Indicates the regression result of the impact of capital and recurrent expenditure on gross domestic product in Nigeria from 1970-2020. The R-square value of 0.800685 suggest that 80% variation of the dependent variablegross domestic product is attributed to the changing of our independent variable public expenditure while the remaining 20% variation

were due to other unknown factors not included in the model. The regression coefficient of 155.1906 and the probability value of 0.0522 suggest that capital expenditure has positive and significant effect on gross domestic product in Nigeria. The regression coefficient of 8.604361 and the probability value of 0.0427 indicate that recurrent expenditure has positive and significant effect on gross domestic product in Nigeria. The probability F-statistics values of 0.023685 suggest that the overall result is significant because the probability of the F-statistics is less than 0.05 significantlevels. Hence, capital and recurrent expenditure has significant effect on gross domestic product in Nigeria. Thus, we reject the null hypothesis and accept the alternate hypothesis. We conclude that capital expenditure has significant effect on gross domestic product in Nigeria. Recurrent expenditure has a significant effect on gross domestic product in Nigeria. The Durbin Watson value of 2.0 is the bench mark for no autocorrelation. The Durbin Watson value of 2.075311 suggests that our regression analysis has no serial correlation.

Table 4.2: Regression Estimate for Capital and Recurrent Expenditure on Human Capital Development Index

Dependent Variable: HDI
Method: Least Squares
Date: 06/30/22 Time: 21:01
Sample: 1970 2020
Included observations: 51

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.428745	0.014177	30.24241	0.0000
CAP	8.128307	6.624106	0.122747	0.0028
REC	1.034606	8.567407	1.204733	0.2342

R-squared	0.929854	Mean dependent var	0.424020
Adjusted R-squared	0.810569	S.D. dependent var	0.084667
S.E. of regression	0.085113	Akaike info criterion	2.032652
Sum squared resid	0.347723	Schwarz criterion	1.919015
Log likelihood	54.83262	Hannan-Quinn criter.	1.989228
F-statistic	0.738544	Durbin-Watson stat	2.021555
Prob(F-statistic)	0.023159		

Table 4.2: Describe regression estimate result of the effect of capital and recurrent expenditure on human capital development index in Nigeria from 1970-2020. The R-square value of 0.929854 show that 90% variation of the dependent variable human capital development index is as a result of changes of our independent variable public expenditure while the remaining 10% variation were attributed to unknown factors not included in the regression model. The regression coefficient of 8.128307 and the probability value of 0.0028 suggest that capital expenditure has positive and significant effect on human development index in Nigeria. The regression coefficient of 1.034606 and the probability value of 0.2342 indicate that recurrent expenditure has positive and insignificant effect on human development index in Nigeria. The probability F-statistics values of 0.023159 suggest that the overall result is significant because the probability of the F-statistics is less than 0.05 significant levels. The probability value of capital expenditure is less than 0.05 significant level while the probability value of recurrent expenditure is greater than 0.05 significant level. Thus, we conclude that capital expenditure has significant effect on human

development index in Nigeria. Recurrent expenditure has insignificant effect on human development index in Nigeria. The Durbin Watson value of 2.0 is the bench mark for no autocorrelation. The Durbin Watson value of 2.021555 shows that our regression estimate has no autocorrelation or serial correlation

Table 4.3: Breusch-Pagan-Godfrey Heteroskedasticity Test

Diagnostic Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.238785	Prob. F(2,48)	0.7885
Obs*R-squared	0.502420	Prob. Chi-Square(2)	0.7779
Scaled explained SS	6.298932	Prob. Chi-Square(2)	0.0429

Table 4.3 Described Breusch-Pagan-Godfrey Heteroskedasticity Test for conditional heteroskedasticity in the residuals. The rationale behind choosing this heteroskedasticity specification was based on the fact that in time series study, the magnitude of residuals appears to be related to the magnitude of recent residuals. The probability of the Chq. Statistic value of 0.7779 is greater than 0.05 significances levels. Suggest that there is no existence of heteroskedasticity in the model. This is in line with econometric assumption that a model should be free from problem of heteroskedasticity. The model has no heteroskedasticityrather the model is homoskedastic

Table 4.4: Ramsey Reset Test

Ramsey RESET Test
Equation: UNTITLED
Specification: HDI C CAP REC
Omitted Variables: Squares of fitted values

	Value	df	Probability
t-statistic	5.468701	47	0.8360
F-statistic	29.90669	(1, 47)	0.2780
Likelihood ratio	25.11471	1	0.5190

Table 4.4: Shows the Ramsey Reset Test which determines whether a model is correctly specified/fitted or not. It also gives an inference as whether or not variable(s) are neglected in a model. The rationale behind the test is that if non-linear combinations of the independent variables have any power in explaining the dependent variable, the model is not well specified. The p value of 0.2780 indicates that the null hypothesis that the model is correctly specified can convincingly be accepted. This revealed that the model has no specification error.

Table 4.5: Variance Inflation Factors

Variance Inflation Factors
Date: 06/30/22 Time: 21:32
Sample: 1970 2020
Included observations: 51

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.000201	1.414960	NA

CAP	4.38E-11	1.353717	1.000970
REC	7.33E-13	1.073118	1.000970

Table 4.5: The variance inflation factor for all variable are within the accepted limit which is the variables are below 10. This implies that the variance of the estimated regression coefficient is not inflated. Also the coefficient of the predictors are very small which ordinary suppose to be larger if there is multicollinearity problem. Therefore from the above result it is obvious that there is no existence of multiollinearity in the model.

Table 4.6: Correlogram Q Test

Date: 06/30/22 Time: 21:12
Sample: 1970 2020
Included observations: 51

Autocorrelation	Partial Correlation		AC	PAC	Q-Stat	Prob
. |*. |	. |*. |	1	0.110	0.110	0.6546	0.418
. |*. |	. |*. |	2	0.110	0.099	1.3227	0.516
. | . |	. | . |	3	0.067	0.046	1.5776	0.664
. | . |	. | . |	4	0.032	0.010	1.6362	0.802
. | . |	. | . |	5	0.004	-0.012	1.6370	0.897
. | . |	. | . |	6	-0.017	-0.024	1.6553	0.949
. | . |	. | . |	7	-0.035	-0.033	1.7287	0.973
. | . |	. | . |	8	-0.046	-0.036	1.8605	0.985
. | . |	. | . |	9	-0.058	-0.042	2.0773	0.990
.*| . |	. | . |	10	-0.067	-0.047	2.3760	0.993
. |*. |	. |** |	11	0.191	0.223	4.8293	0.939
. |*. |	. |*. |	12	0.146	0.137	6.3150	0.899
. |*. |	. |*. |	13	0.128	0.079	7.4760	0.876
. |*. |	. | . |	14	0.088	0.023	8.0362	0.887
. | . |	. | . |	15	0.059	-0.003	8.2953	0.911
. | . |	. | . |	16	0.031	-0.016	8.3675	0.937
. | . |	. | . |	17	0.016	-0.011	8.3871	0.958
. | . |	. | . |	18	-0.007	-0.014	8.3912	0.972
. | . |	. | . |	19	-0.007	0.009	8.3958	0.982
. | . |	. | . |	20	-0.024	0.017	8.4451	0.988
. | . |	. | . |	21	-0.029	0.036	8.5206	0.993
. | . |	. | . |	22	-0.029	-0.028	8.5991	0.995
. | . |	. | . |	23	-0.031	-0.062	8.6930	0.997
. | . |	.*| . |	24	-0.041	-0.088	8.8622	0.998

Table 4.6 shows that the result of the correlogram Q test which suggest that the variables adopted in this analysis are free from unit root and autocorrelation, since the correlogram Q test probability indicates that all the p-values were greater than 0.05%level of significant, we therefore reject the alternate hypothesis and accept the null hypothesis which state that there is no unit root and autocorrelation in the model. Thus, we conclude that the variables adopted for this research is hereby declare free from unit root and autocorrelation in the model.

Figure 4.1: Recursive Cusum Test

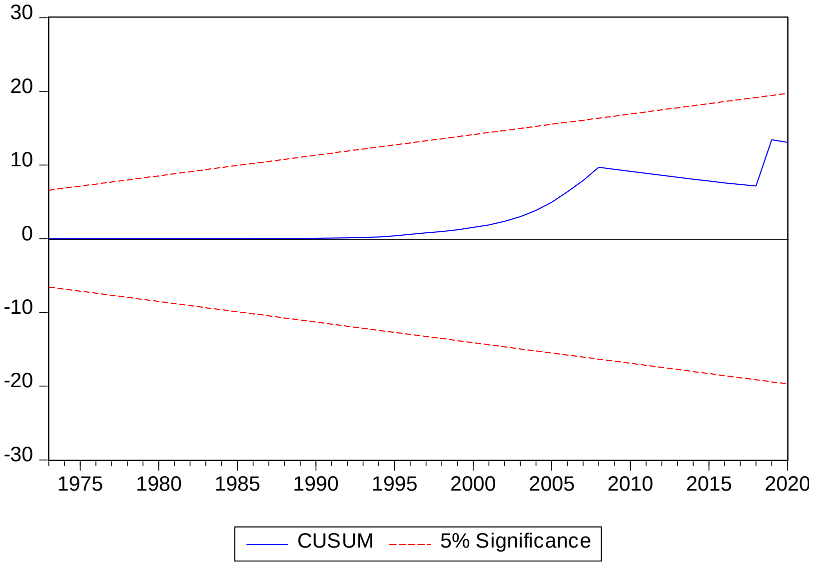

Figure 4.1: Shows recursive Cusum Test the cusum test statistics is based on cumulative sums of scaled recursive residuals and is plotting the cumulative sum together with 5% critical lines against times. If the cumulative sum goes outside of the 5% critical lines then test shows parameter instability. The model represented by the blue line in the middle is within the upper and lower bounds which indicate evidence of stability in the model. Hence we conclude that there is stability of the model and its correct specification confirmed.

Figure 4.2: Normality Test

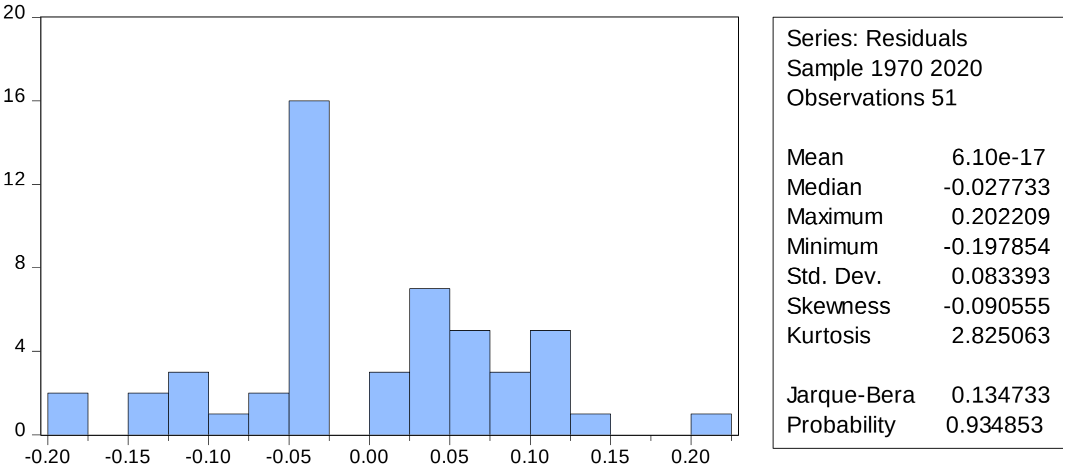

Figure 4.2: Shows normality distribution of the study variables. A normality test is used to determine whether sample data has been drawn from a normally distributed population within some tolerance. Normality is the assumption that the underling residual of the regression are normally distributed, if the residual are normally distributed, it means that your assumption is valid and model production are also valid. The result of residual normality test indicate that the Jargue- Bera value 0.134733 with the probability value of 0.934853 is greater than 0.05

significance level, therefore we conclude that the residual follows a normal distribution patterns.

Conclusion and Recommendations

This study empirically investigated the effect of public expenditure on economic development in Nigeria. The study indicates that capital expenditure has positive and significant effect on gross domestic productin Nigeria. Recurrent expenditure has positive and significant effect on gross domestic product in Nigeria. The study revealed that capital expenditure has positive and significant impact on human development index in Nigeria. Empirical evidence indicates that recurrent expenditure has positive and insignificant effect on human development index in Nigeria. Thus, the study concludes that public expenditure has positive and significant effect on economic development in Nigeria. Based on the findings of this study the study recommends among others that the Nigerian government should improved macroeconomic policies through creation of stable economic policies of low inflation and positive economic growth. The government should ensure free market supply site policies through deregulation, lower taxes, privatization and less regulation to stimulate private sector investment in Nigeria. The government should implement interventionist supply site policies through increase spending on public goods such as health care, education, public transport and massive infrastructural development. Government should implement export oriented development policies through reduction in tariff barriers and promoting free trade to improve economic development. Government should ensure diversification from oil and gas to manufacturing and agriculture to promote economic development. Government should ensure effective and efficient monetary and fiscal policies through given the central bank independency to control inflation using monetary policies and avoid large budget deficits. Government should ensure less restrictive regulation; tackle corruption, effective tax structure and collectionand investment in public services. Government should ensure economic stability through the use of monetary and fiscal policies, regulation of financial institution, trade and tax policies to achieve price stability, high employment rate and sustain economic development and growth. Government should ensure job creation and retention through public private partnership. Government must create enabling legal, regulatory and institutional reforms in line with global best practices. Government should ensure integration of the domestic economy with global economy to improve competition. Government should prioritize capital and recurrent expenditure to the needed and desired sectors of the economy to enhance economic development.Government should invest in infrastructure through public expenditure to boost economic growth by facilitating the movement of goods and services and improving the business environment. Nigerian government should invest in education and human capital development through public expenditure to improve the quality of the workforce, increase productivity, and stimulate economic development. Government should invest in the agricultural sector through public expenditure to boost productivity, increase food security, and create more jobs. Government should invest in small and medium scales enterprises through public expenditure to help create an enabling environment for their growth and development, which can boost economic growth and development. Government should ensure improvement in budget implementation and monitoring through public expenditure to increase accountability, reduce corruption, and ensure that public resources are used efficiently and effectively.

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