

Government Expenditure and Economic Growth in Nigeria.

Okere P. A., Uzowuru L. N. & Amako J. C.

Department of Banking and Finance,
School of Postgraduates Studies,
Imo State University,
Owerri
micpetwills@yahoo.com

Abstract

The study examined the relationship between of government expenditure and economic growth in Nigeria. The main objective of the study is to determine the impact of government expenditure on the economic growth in Nigeria. Data were sourced from Central Bank of Nigeria (CBN) Statistical Bulletin and covers the period of 1981-2016. The Granger Causality method of econometric and error correction model (ECM) technique are used. The result for stationarity shows that the series are integrated at first difference $I(1)$. Johansen Cointegration test was also employed and reveals the existence of long-run relationship among the variables. The result of Granger Causality revealed bi-directional causality between economic growth and government expenditure on administration and between economic growth and government expenditure on economic services. There is also a unidirectional causality between economic growth and Community Services. This study therefore recommends that government expenditure should be monitored. The audit should be carried on any project as this will act as a watch dog to the executive arm of the government. Effort should also be made to increase government funding on education and health to curtail the level of strike in our education and health sector.

Keywords: *Economic Growth, Granger Causality, Government Expenditure and Transfers*

Introduction

Most developing countries of the world adopt government expenditure is as most important policy instrument for promoting growth and equitable distribution. It is widely acknowledged in most of these countries that government expenditure is used to improve technology, human capital and infrastructure development necessary for growth, and also provides the incentives and enabling environment to promote private sector investments in order to further growth. Government expenditure is the government spending from revenue derived from tax, levies and other revenue sources. The government spending on various sectors have different efficacy to the economic growth (Yusuf et al. 2015). Meanwhile, the two divergent views on the discourse of government spending as stipulated in fiscal policy need to be mentioned.

The functional finance as advocated by Keynes and Lerner which opined that government has to play the positive role by manipulating public expenditure to produce desirable effects and avoid undesirable effects. This view is generally adopted in Nigeria as the government cannot remain a silent spectator of the miseries of the Nigerians. Contrarily, the traditional thinking (Classical) does not subscribes to this increasing trend of public expenditure because it rated market mechanism as a better guide to promote efficient resources allocation and economic growth.

It is noteworthy to observe that government expenditures on various sectors seem to have contributed to the economic growth at the different rate in Nigeria (Chude & Chude (2013).

Owing to the diverse feelings on the above, the argument has been inconclusive on whether or not these critical sectors contribute significantly to the economic growth in Nigeria.

Basically, to achieve a sustainable level of development, it is expected that the government participate in the provision of some basic public infrastructures that are fundamental to the economy. These public infrastructures include road, bridges, security, health, water, electricity, school and so on. The large quantum of fund injected into the economy by the Nigeria government to finance the recurrent and capital expenditure has therefore led to increase in aggregate money supply without the corresponding stability of the macroeconomic variables (employment/unemployment rate, interest rate, balance of payment, consumer price index, Gross domestic product and so on (Ajibola and Nwankanma 2013, cited in (Monogbe, Achugbu & Davies 2016).

Expenditure patterns of the government usually are categorized into recurrent and capital expenditures, according to the flowchart of government block by (Mordi, 2010). The former corresponded to government's purchase of current goods and services (labour, consumables, wages and salaries, etc.), while the latter would ideally include not merely investments in infrastructure (roads, schools, hospitals, etc) but also all other expenditures that might contribute to development. In other words, while the recurrent expenditure refers to financial outlays necessary for the day-to-day running of government businesses, the capital expenditure refers to investment outlets that increase the assets of the state. These categorization, however, were not mutually exclusive but were indeed inter-linked. For instance, while capital expenditure gave rise to recurrent expenditure in most cases through the operational and maintenance costs of completed capital projects, the amount available for investment was a function of not only the size of revenue but also the amount that goes annually into the running of government (Agbonkhese & Asekome, 2014).

However, many literature on government/ public expenditure are of the opinion that government expenditure has been increasing over the years as a result of the increase in revenue from crude oil until lately when the crude oil price slashed down yet that does not mean those years could not have translated into economic growth that can be seen and handle and that will have positive impact in all areas of Nigerians economic and Social life.

According to Frank & Bernanke 2004 one of the policies required for promoting economic growth is that of increase in human capital (expenditure on education, training and skills of workers), determines labour productivity, this assertion is also supported by Anyanwu, 1997 that to fuel growth government expenditure should be channel to the provision of infrastructural facilities and favourable economic environment.

In a developing country like Nigeria, government has a key function in promoting growth and expenditure should be channel towards this objective. Thus, it is important to continually carryout study so as to identify the efficacies of government expenditure in relation to revenue generated on economic growth.

Despite the rise in government expenditure in Nigeria over these years, there are still public outcries over decaying infrastructural facilities. Also, merely few empirical studies have taken holistic examination of the effect of government expenditure on economic growth regardless of its importance for policy decisions. More so, for Nigeria to be ready in its quest to become one of the largest economies in the world by the year 2020, determining the effect of public expenditure on economic growth is a strategy to fast-track growth in the nation's economy.

In the last decade, Nigerian economy has metamorphosed from the level of millions of naira to billions naira and postulating to trillion naira on the expenditure side of the budget

(Aladejare, 2013). Despite the rising public expenditure over the years, the Nigerian economy is still described as underdeveloped. We are therefore interested in investigating if the rising public expenditure has impacted positively on the growth of Nigerian economy. With the rising public expenditure, it will not be surprising if the economy is experiencing surplus or equilibrium on the records of balance of payment. Better still, if there are infrastructures to improve commerce within the system or social amenities to raise the welfare of average citizens of the economy. All these were not there, yet we always have a high estimated expenditure. It seems that rising government expenditure has not translated to meaningful growth and development of Nigerian economy as Nigeria ranks among the poorest in the world. In addition, many Nigerians have continue to wallow in abject poverty, while more than 50 percent live on less than US \$2 per day and couple with this is dilapidated infrastructure (especially roads and power) that has led to the collapse of many industries, including high level of unemployment (Nurudeen & Usman, 2010).

Unfortunately, rising government expenditure has not translated to meaningful growth and development, as Nigeria ranks among the poorest countries in the world. In addition, many Nigerians have continued to wallow in abject poverty, while more than 50 percent live on less than US\$2 per day (Olulu, Erhieyovwe & Ukavwe 2014) Couple with this, is dilapidated infrastructure (especially roads and power supply) that has led to the collapse of many industries, including high level of unemployment. Moreover, macroeconomic indicators like balance of payments, import obligations, inflation rate, exchange rate, and national savings reveal that Nigeria has not fared well in the last couple of years. (Olugbenga & Owoye, 2008).

A crucial question that requires an urgent answer is whether the government aggregated, disaggregated expenditures impact positively on economic growth in Nigeria.

The main objective of this study is to investigate the relationship between government expenditure and economic growth in Nigeria. The specific objectives are to;

- i.** Examine the relationship between of government expenditure on administration and economic growth in Nigeria,
- ii.** Examine the relationship between government expenditure on economic services economic growth in Nigeria,
- iii.** Examine the nexus between government expenditure on social community services and economic growth in Nigeria,
- iv.** Investigate the relationship between government expenditure on transfers and economic growth in Nigeria.

The roles of government to allocate, distribute, and stabilize the economy whether primitive society or modern society demands the need for finance. Hence, assessing the impact of government expenditure on the economic growth of Nigerians can be helpful to investors, policy makers, researchers and government.

To the Investors: The output of this empirical finding will create a great colossus to the investor and hence provide a platform through which the investors can make their investment decision.

To the Government: The output of this research work will provide a measure through which the government can evaluate her spending on the economy and hence identify which of the sectors has significantly contributed to growth of Nigeria and thus lay much emphasis on such sector.

Review of Related Literature

Conceptual Review

Government expenditure according to Nnamocha (2008) is the expenditure of the public sector (government). It includes such expenditure on the maintenance of government itself and also for the society and the economy. The rising trend in the growth of public expenditure is a worrisome development to the traditional Economist like the classical theorist who believed that government roles in the economy should be minimal because the extolled the virtue of the “invisible hand” through the working of market mechanism

Government Expenditures are the expenses which a government incurs for (i) its own maintenance (ii) society and the economy (iii) helping other countries (Bhatia 2002). Public expenditure represents the total government spending to attain the predetermined macro-economic objectives. Governments have recorded a continuous increase over time in almost every country

However, according to the Central Bank of Nigeria (CBN), government expenditure is classified into four functions;

- i. **Administration;** this includes all government expenditure on defence, general administration, internal security and national assembly
- ii. **Social and Community Services;** this includes all government expenditure on education, health and other social and community services.
- iii. **Economic Services.** It includes government expenditure on agriculture, construction, transportation and communication and other economic services
- iv. **Transfers;** this includes all government expenditure on public debt servicing, pension and gratuities, contingencies/ subventions and other /other CFR charges.

Theoretical Review

A good number of theories have evolved on government expenditure in an effort to find predictable, long-term and functional relationship between the relative growth in the government sector and the causative factors. Some of these theories are the Wagner’s hypothesis (law of increasing government activity), Wiseman – Peacock hypothesis, Critical-Limit hypothesis, and the Leviathan Hypothesis etc.

Wiseman-Peacock (Displacement) Hypothesis

This hypothesis was put forward by Peakcock and Wiseman in their empirical investigation of public expenditure of UK. The quest for increase public expenditure resulting from the unanticipated social disturbance and inadequacy of the available revenue brings about new level of government expenditure which necessitates higher taxation. The phenomenon is known as displacement effect. Comparison of inadequate available revenue and public expenditure required to carry out government activities brings about Inspection effect. The adaptation of the citizens to this higher level of revenue obtained through taxation to carry out the required public spending is view as Tax tolerance. The combination of macro factors like population upsurge, urbanization, administration, welfare role, defence expenditure and ever increasing awareness of government responsibilities and the micro factors resulting from increasing in price level which tends to increase the cost of public activities in one hand is the cause of ever increase public expenditure. This study will anchor on this theory.

Musgrave Hypothesis: Private Goods, public Goods and Per capita Income Nexus.

Musgrave made attempt to explain the growing public expenditure on the basis of private goods that required public goods in order to be able to put into use. Meanwhile, the private acquired goods depend on the level of per capital income. In view of the foregoing, Musgrave maintained that increasing demand of private goods necessitates a corresponding demand for

public goods (Bhatia, 2002). He opined that increase in per capital income leads to increase in privately owned goods which tend to require more provision of public goods i.e. there is **complementarities link** between the two set of goods as there is increase in per capital income. The Nigeria economy is not an exception as there is increasing growth in the economy resulting from the new emerging sectors like communication, entertainment and the political zeal on the part of political office holders to prove their mettle that they are capable of improving the living standard of the citizenry in accord with the yelling of the international polity

The Wagner's Law/Peacock Wiseman Hypothesis

According to Wagner Adolph (1835-1917), in his 'law of rising public expenditures' analysed the movement in the growth of public expenditure and in the size of public sector. His hypothesis emphasized that as the economy experience more development, the financial and administrative function of the government increases. In other words, increase in economic expansion is seen as a function of government expenditure. That is, the more the country experience development, the more the government increases her financial and administrative capacity.

On the other hand, Peacock-Wiseman carried out a new study based on Wagner law, they empirically investigated the effect of government expenditure on the UK economy between the periods 1891 to 1955. The output of their findings validates Wagner's postulation and hence concludes that Wagner's law is still valid. Peacock-Wiseman hypothesis articulated that increase in government generated revenue is a function of government expenditure. In other words, the more the government generates revenue, the greater they spend on the economic welfare of the citizen. Peacock-Wiseman sees generated government revenue as a function of government expenditure. Wagner's law and peacock-Wiseman concluded that government expenditure has a tendency of increasing overtime.

Musgrave Theory of Public Expenditure Growth

This theory was propounded by Musgrave as he found changes in the income elasticity of demand for public services in three ranges of per capita income. He posits that at low levels of per capita income, demand for public services tends to be very low, this is so because according to him such income is devoted to satisfying primary needs and that when per capita income starts to rise above these levels of low income, the demand for services supplied by the public sector such as health, education and transport starts to rise, thereby forcing government to increase expenditure on them. He observes that at the high levels of per capita income, typical of developed economics, the rate of public sector growth tends to fall as the more basic wants are being satisfied.

Empirical Review

There have a lot debate among researchers and scholars on the link between government expenditure and economic growth in many economies of the world. The approaches of the examination of this topic have been taking different dimensions by different scholars. Many scholars examined the discourse on the basis of the structure of public expenditure i.e. capital and recurrent expenditure by the government. Others focus on the government expenditure holistically.

However, this study focuses on the relationship between government expenditure and economic growth in Nigeria on the functional basis. The issue under review is a vital subject that should be subjected to painstaking empirical review in order to keep abreast with the positions of the concerned researchers and scholars on this subject and to determine the gap inherent in the earlier related studies.

Ebere & Osundina (2012) empirically examined the impact of government expenditure on agriculture on economic growth in Nigeria and found a significant relationship exist between government expenditure in the agricultural sector and the economic growth in Nigeria. The findings also revealed that the sector still encounter some problems like inadequate finance, poor infrastructure, and others.

Chude & Chude (2013) investigated the effects of public expenditure in education on economic growth in Nigeria over a period from 1977 to 2012, with particular focus on disaggregated and sectoral expenditures analysis. Government expenditures are very crucial instruments for economic growth at the disposal of policy makers in developing countries like Nigeria. The results indicate that Total Expenditure Education is highly and statistically significant and have positive relationship on economic growth in Nigeria in the long run.

Olulu, Erhieyovwe & Ukavwe (2014) investigated the relationship between government expenditure and economic growth. Government expenditure was disaggregated unto, total expenditure, public debt expenditure, expenditure on health and government expenditure on Education. The ordinary least square (OLS) was applied to ascertain the short-run relationship between variables, however, the Augmented Dickey Fuller (ADF) test, was used to examine long-run relationship between variables in the equation. Results of the test show that there is an inverse relationship between government expenditures on health and economic growth; while government expenditure on education sector, is seen to be insufficient to cater for the expending sector in Nigeria. It was also discovered that government expenditure in Nigeria could increase foreign and local investments.

Yusuf, Babalola, Aninkan & Salako (2015) study empirically investigated the impact of government expenditures on adjudged critical sectors on economic growth in Nigeria (1984-2013). With the purpose of determining to what extent the government expenditures on these sectors are contributing to the achievement of growth objective. The study employs quantitative analysis by the use of Auto-Regressive Distributed Lag model (Bound Test Co-integration Approach) The specific ARDL estimates of the analysis reveals that government expenditure on defence retards the economic growth and government expenditure on agriculture promote the economic growth while government expenditure on education and transport/communication have no impact on economic growth in the long-run. In the short run, none of the government expenditure on these sectors contributes to the growth objective. Ebiringa & Charles-Anyaogu (2012) examined the Impact of Sectoral Government Expenditures on Economic Growth in Nigeria: Bound Test Co-integration Approach. The result shows that expenditure on telecommunication, Defence and security, Education and Health Sector have made positive impact on Nigeria's economic growth. But transportation and agricultural expenditures have impacted negatively in the economic growth in Nigeria. The conclusion therefore is that the level of government expenditures for transportation and agricultural development is still not adequate to build the much need capacity in the sectors to impact positively to economic growth

A Disaggregated Analysis was carried out by Abu & Abdullahi (2010), using the co-integration and error correction methods, the study has its basis on the Keynesian and endogenous growth models. The result reveals that government total capital expenditure, total recurrent expenditure and government expenditure on education have negative effect on economic growth while, government expenditure on transport and communication and government expenditure on health result to an increase in economic growth.

Adesoye, Maku & Atanda (2010) investigated dynamic analysis of government Spending and economic growth in Nigeria used time series data covering 1977-2006 to analyze the RAM model. The study employed three variants of Ram model were developed to regress

Real GDP on private investment. The empirical result showed that private and public investments have no significant effect on economic growth. However, the study shows that long run relationship between public expenditure and economic growth.

Research methodology

This section discussed model specification, sources and characteristics of data, techniques and model estimation procedure, employed in the study of government expenditure and economic growth.

This study utilized the Ex post facto design. It is a quasi-experimental study examining how an independent variable, present prior to the study in the participants, affects a dependent variable.

The data for this study is secondary and was collected from the National Bureau of statistics and Central Bank of Nigeria (CBN) statistical bulletin from 1981- 2016. This study looks at the inputs and output of the banking sector and how this relationship affects the entire economy of Nigeria.

Method of Data Analysis

The analytical framework of this study includes pre estimation analysis such as descriptive statistics and stationarity test. This is to reveal the behaviour of the data on the variables. The granger causality will reveal the impact of government expenditure and economic growth, while the test for the presence of long-run equilibrium relationship is carried out based on the Johansen's (1991) multivariate cointegration technique.

Model specification.

We specify that the growth of gross domestic product is a function of public expenditure on administration, public expenditure on economic services, public expenditure on social and community services, public expenditure on transfers

$$RGDP = f(\text{ADMIN, ECON, COMTY, TRSF}) \dots \dots \dots (1)$$

Putting in econometric form we have

$$RGDP = \alpha_0 + \alpha_1 \text{ADMIN} + \alpha_2 \text{ECON} + \alpha_3 \text{COMTY} + \alpha_4 \text{TRSF} + u \dots \dots \dots (2)$$

Where;

RGDP= Real Gross Domestic Product

ADMIN=Government Expenditure on Administration

ECON= Government expenditure on economic Services

COMTY= Government Expenditure on Community Services

TRSF= Government Expenditure on Transfers

μ = error term

α_0 = Model intercept

$\alpha_1, \alpha_2, \alpha_3, \alpha_4$ = Coefficients

The appriori expectation is that all the independent variable; ADMIN, ECON, COMTY and TRSF will have a direct positive relationship with the dependent variable RGDP.

This is thus stated; $\alpha_1, \alpha_2, \alpha_3, \alpha_4 > 0$.

Analysis and Interpretation of Results

Stationarity Test

In an attempt to estimate the relationship between functional government expenditure and economic growth in Nigeria, the first task is to test for presence of unit root. This is necessary in order to ensure that the parameters are estimated using stationary time series data. To do this, the Augmented Dicky-Fuller test is used. The table 1 below shows that all the series are stationary at first difference that is; 1(1) order

Table 1: Unit Root Test Result

SERIES	ADFTest Statistic	5%Critical Value	Order	Remarks
RGDP	-5.369211	2.951125	1(1)	Stationary
ADMIN	-7.301716	2.951125	1(1)	Stationary
ECON	-6.408286	2.951125	1(1)	Stationary
COMTY	-7.909347	2.951125	1(1)	Stationary
TRSF	-8.061226	2.951125	1(1)	Stationary

Source: Extracted from E-view

Test for Cointegration

In order to ascertain the significant implications of the government expenditure on economic growth in Nigeria, there is need to identify the number of stationary and long-run relationships that exist among the set of integrated variables.

Table: 2 Johansen Cointegration Result

Series: ADMIN COMTY ECON RGDP
TRSF

Unrestricted Cointegration Rank Test (Trace)

Hypothesized	Trace	0.05		
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.959074	203.5793	69.81889	0.0000
At most 1 *	0.805038	94.91546	47.85613	0.0000
At most 2 *	0.600257	39.32707	29.79707	0.0030
At most 3	0.209623	8.151351	15.49471	0.4494
At most 4	0.004490	0.153014	3.841466	0.6957

Trace test indicates 3 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized	Max-Eigen	0.05		
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.959074	108.6638	33.87687	0.0000
At most 1 *	0.805038	55.58839	27.58434	0.0000
At most 2 *	0.600257	31.17572	21.13162	0.0014
At most 3	0.209623	7.998336	14.26460	0.3789
At most 4	0.004490	0.153014	3.841466	0.6957

Max-eigenvalue test indicates 3 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Since the unit root test shows that the variables are stationary at first difference, we therefore test for co-integration among these variables by employing the Johansen co-integration test. The result shows that there exist five (3) co-integrating equations at 5% level of significance.

This is because the Trace Statistic is greater than critical values at 5%. This shows that there is long run relationship between economic growth of Nigeria and all the explanatory variables. The result indicates that, in the long run; the dependent variables can be efficiently predicted using the specified independent variables. Hence, error correction model can be estimated.

Error Correction Model (ECM)

The existence of long-run cointegrating relationship provides for short-run fluctuations, in order to strengthen out or absolve these fluctuations, attempt was made to apply the Error Correction Model (ECM). Therefore, ECM is meant to tie the short-run dynamics of the cointegrating equations to their Statics dispositions

Table 3: Error Correction Model (ECM)

Dependent Variable: RGDP

Included observations: 35 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.216654	0.242486	13.26532	0.0000
ECM(-1)	-0.697477	0.147198	-4.738373	0.0001
R-squared	0.988930	Mean dependent var	8.257873	
Adjusted R-squared	0.987021	S.D. dependent var	2.274116	
S.E. of regression	0.259077	Akaike info criterion	0.291423	
Sum squared resid	1.946508	Schwarz criterion	0.558054	
Log likelihood	0.900099	Hannan-Quinn criter.	0.383464	
F-statistic	518.1332	Durbin-Watson stat	2.147063	
Prob(F-statistic)	0.000000			

The result in table above shows that the coefficient of error correction mechanism (ECM) is negative -0.697477 and significant at 0.05 per cent critical level. This shows that about 69 percent disequilibria in Nigeria's economic growth in previous year are corrected for in the current year. Alternatively put, in this study, the error correction coefficient is -0.697477. The coefficient reveals that the speed of adjustment between the short-run and long-run realities of the cointegrating equations is 69% within a year. The significance of the ECM is an indication and a confirmation of the existence of a long run equilibrium relationship between economic growth of Nigeria and all the explanatory variables. This shows exactly what is needed to be done in order to absolve the short run dynamics of relationship. Again, the significance of ECM (-1) holds that a negative and statistically significant error correction model coefficient is a necessary condition for the variables to be co-integrated.

Granger Causality Test.

Table 4: Pairwise Granger Causality Result.

Sample: 1981 2016

Lags: 2

Null Hypothesis:	Obs	F-Statistic	Prob.
ADMIN does not Granger Cause RGDP	34	8.17632	0.0015
RGDP does not Granger Cause ADMIN		9.24442	0.0008
COMTY does not Granger Cause RGDP	34	18.2472	7.E-06
RGDP does not Granger Cause COMTY		15.7243	2.E-05
ECON does not Granger Cause RGDP	34	8.60548	0.0012
RGDP does not Granger Cause ECON		5.44930	0.0098
TRSF does not Granger Cause RGDP	34	4.67805	0.0173
RGDP does not Granger Cause TRSF		1.53810	0.2318
COMTY does not Granger Cause ADMIN	34	7.11380	0.0031
ADMIN does not Granger Cause COMTY		4.73572	0.0166
ECON does not Granger Cause ADMIN	34	0.50946	0.6061
ADMIN does not Granger Cause ECON		6.33057	0.0052
TRSF does not Granger Cause ADMIN	34	0.59251	0.5595
ADMIN does not Granger Cause TRSF		2.73015	0.0820
ECON does not Granger Cause COMTY	34	1.16090	0.3273
COMTY does not Granger Cause ECON		3.66072	0.0382
TRSF does not Granger Cause COMTY	34	1.13330	0.3358
COMTY does not Granger Cause TRSF		0.52526	0.5969
TRSF does not Granger Cause ECON	34	0.48753	0.6191
ECON does not Granger Cause TRSF		0.47903	0.6242

Source: E-views statistical package

In considering the impact of government expenditure on economic growth of Nigeria, the granger causality test is used to find the relationship between Real Gross Domestic Product (RGDP) and government expenditure. Based on the table above, it was found that there is bi-causality between RGDP and ADMIN and between RGDP and ECON. With the same level of significance, it was found that COMTY does not Granger cause RGDP and RGDP does not Granger cause COMTY. Again, there is uni directional causality between RGDP and COMTY. While COMTY granger causes RGDP, RGDP does not granger cause COMTY.

Summary, Conclusion and Recommendations

Summary

This study entitled “**Government Expenditure and Economic Growth in Nigeria**” has the main objective of finding out effects of government expenditure on economic growth of

Nigeria over the period (1981-2016). Other specific objectives include to:

- To examine the relationship between of government expenditure on administration and economic growth in Nigeria,
- To examine the relationship between government expenditure on economic services and economic growth in Nigeria,
- To examine the nexus between government expenditure on social community services and economic growth in Nigeria,
- To investigate the relationship between government expenditure on transfers and economic growth in Nigeria.

The studies utilized the ex-post facto design and time series data for thirty five years period (1981-2016) and were collated from secondary source from National Bureau Of Statistics and Central Bank Of Nigeria (CBN) Statistical Bulletin of 2016. The test for autocorrelation revealed absence of both autocorrelation.

The test of cointegration shows that there is long-run equilibrium relationship between government functional expenditure and economic growth in Nigeria. The result of ECM also confirms that about 69 percent short-run adjustment speed from long-run disequilibrium.

The result of the granger causality shows bi-directional causality between RGDP and ADMIN and between RGDP and ECON. While there is no causality between TRSF and RGDP, There is also a unidirectional causality between RGDP and COMTY. This findings agrees with the Wagner's Law/Peacock Wiseman Hypothesis

The coefficient of determination (R^2) indicates that about 98 percent of the variations in economic growth are explained by the functional government expenditure in Nigeria within the period of study.

This study observed that there is a strong and positive significant relationship between government expenditure and economic growth in Nigeria. Government expenditure on administration, economic services and community services granger cause economic growth within the period (1981-2016). On the basis of the discussion above, this study concludes that increase in government expenditure on social community services, government expenditure on administration and government expenditure on economic services are capable of promoting economic growth in Nigeria.

Conclusion

The study is on the government expenditure and economic growth in Nigeria, covering a period of thirty five years, from 1981-2016. In conclusion, the empirical findings as seen above clearly indicate that there is significant relationship between government expenditure and economic growth of Nigeria with the period of study. The study concludes that increase in government expenditure on social community services Government Expenditure on Administration and Government Expenditure on Economic Services are capable of promoting economic growth in Nigeria.

5.3 Recommendation

Based on the forgoing, the paper recommends as follows;

1. Government expenditure should be monitored at all time to ensure that money budgeted is not diverted to other project or to private pockets. The audit should be carried on any project as this will act as a watch dog to the executive arm of the government.
2. Again, Effort should be made to increase government funding on education and health to curtail the frequency of strikes in our education and health sectors
3. Finally, government should increase funding to the productive sectors of the economy

which the capable to increase the country's output.

4. Government should drastically reduce its public debt in order to save more that could have been used to service the debts and pay interest.

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