

Government Budgets and Economic Development in Nigeria: An Empirical Investigation

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Abstract

This study investigates the impact of government spending on Nigeria's economic growth. The study used ex-post facto and longitudinal research approaches to examine the role of several government budgetary factors on Nigeria's economic development as measured by gross national product during 21 years (2001-2021). For this research, secondary data were gathered from the Federal Ministry of Finance's Budget Office publications and the Central Bank of Nigeria's Statistical Bulletin and Bulletin. The analysis used a cointegrating regression model with a fully modified ordinary least squares model. The fully modified least square model was used to ascertain the combined impact of yearly budgeting drivers on GNP in Nigeria. The study found that CEX, INFR, and REX significantly influenced GNP, but DS and EXCHR did not significantly influence GNP. According to the study, Nigeria's economic growth and development are greatly influenced by government budgets. In order to guarantee that the budget's advantages are realised and to support economic development in Nigeria, the research advised that the government assess the performance of the yearly budgeting variables, system, and execution.

Keywords: Capital expenditure, exchange rate, recurrent expenditure, gross national product, inflation rate

1. Introduction

Due to the frequent ensuing shifts in government philosophy and policy, there have recently been several disputes surrounding Nigeria's budgeting process (Akinwunmi & Akinola, 2019). This has led to the need to reassess the scale of government to increase the funds available for more crucial initiatives, particularly in light of the awareness that a significant portion of the nation's populace has gained (Ibe & Obodoechi, 2020). Nigerian spending and its procedure are still challenging throughout the planning and execution phases. As a result, proper control is necessary to enhance efficient resource usage during the budget implementation phase (Ugochukwu & Oruta, 2021).

According to Ebipre and Eniekezimene (2020), the federal budget has always been significant irregularities. The spending plan implementation process is when the obstacles are most apparent. Common complaints are the non-release, partial release, and delays in delivering authorised cash for scheduled expenses. Emejulu, Onyekwelu and Aandoaka (2019) asserted that a quarter to which funds are associated might finish before the associated

funds are made accessible, as has been well documented. This has detrimental effects on institutional planning and administration in addition to the overall effect of the budget on population growth, development, and welfare. Efuntade, Efuntade, Solanke, Akinola and Ajala (2021) noted that the public administration, a significant and vital economic sector, is the area of the economy under the government's authority and is used to deliver essential public services.

Human demands are limitless, but there are only so many ways to fulfil them. This necessitates employing effective management methods to maximise the utilisation of scarce resources (Awan & Qasim, 2020). The budget is one of the tools available to the government for this goal. Since gaining independence in 1960, the federal government of Nigeria (FGN) has adopted different fiscal budgeting systems (Aderoju, 2018). The Performance-Based Budgeting Mechanism (PBS), the current system for determining public spending, and the Medium-Term Expenditure Framework (METF) are interwoven.

The Federal Government has recently started several modernisation and reform initiatives to improve the efficiency of its public financial management and budgeting processes. However, the nation has ways to go before it adopts the most recent innovations and tried-and-true methods for public budgeting, financial planning, and fiscal management. Nigeria's public financial management and public services are significantly impacted by these flaws and a relative lack of efficiency in budget processes (Babatunde & Olayinka, 2017; Onwuka, 2022).

The government's monetary policies are to blame for the public sector. These acts created a desire for fairness in dealing with structural growth at every level of society, effective resource allocation, a feeling of identity and fulfilment, and social cohesiveness (Gukat & Ogoru, 2017; Chukwujekwu, Umemezilem & Anichebe, 2018). Sadly, the argument for the public sector to achieve justice and efficiency for the benefit of her population is still depressing (Mamidu & Akinola, 2020). The country's economy is worsening rather than encouraging social, cultural, economic, and infrastructure growth; there is blatant inequality, unequal resource distribution, unemployment, devastating poverty, and social laxity (Olayungbo & Olayemi, 2018). Because of this situation, this study attempts to determine how government spending affects Nigeria's economic development.

This study's primary objective is to analyse Nigeria's budget trends (2007-2021). Nigeria's economic progress will be gauged by gross national product. Additionally, the federal government's spending profile, which consists of recurrent spending, capital spending, debt service, and statutory transfers, was used to measure the government's budget during the analysis period. In order to develop good fiscal strategies and changes that will improve the performance of the country's economy, public sector authorities will find great value in this study.

2. Literature Review

Theoretical Framework

International Dependence Theory

In the 1970s and early 1980s, the international reliance hypothesis gained much traction. According to proponents of the dependency theory, rich nations and multinational companies rule over underdeveloped nations; this results in underdevelopment. The idea is viewed as a development of Marxist thought (Hein, 1992).

Industrialised countries are the only sources of markets and finance for developing nations. However, the benefits that the dependent relationship brought about were largely ignored by emerging nations. Free trade became an easy means of "exploitation" for rich countries due to the uneven exchange of commerce against developing nations. By obtaining inexpensive supplies of food and raw materials, developed countries may use the natural riches of developing nations. The allocation of the value contributed to the goods exported between developing and developed nations is, however, beyond the control of developing countries (Cohen 1973; Dos Santos 1973).

The expansion of global capitalism and multinational enterprises led to increased exploitation and reliance on rich nations in poorer nations. Therefore, dependent countries could not anticipate long-term growth. According to the international dependency thesis, developing nations should thus remove dependence by severing ties with the developed world and refusing to do business with them (Elkan 2016; Ghatak 2003; Ferraro 2008). The limited success of the phases and structural transformation models led to growing support for the approaches among developing markets.

Empirical Review

Using data from 1981 to 2020, Onwuka (2022) evaluated disaggregated government spending and economic development in Nigeria using statistical techniques such as the Augmented Dickey-Fuller test, Co-integration test, and Vector Error Correction technique (VECM). The error correction model, which is exceptionally high, correctly signed, and significant, shows a long-run equilibrium link between the human development index and several government-spending variables. Additionally, the findings demonstrate that, over time, government spending on social security, education, health care, and agriculture positively and significantly influences the human development index. In contrast, spending on infrastructure has a negative but significant impact.

Using time series data from 1986 to 2020, Yerima, Nymphas, Sani, Auta, Amos, and Abwage (2022) evaluated the effect of government spending on economic growth in Nigeria. The pair-wise causality test and the structural vector auto-regression (SVAR) model were utilised. The analysis found that public spending on health and education had little effect on economic expansion. The outcome also demonstrated that government debt has no bearing on economic expansion. Therefore, the study suggests that: Government spending on health and education should be greatly raised to at least keep up with regional and worldwide benchmarks.

Efuntade, Olaniyan and Efuntade (2022) examined the impact of debt servicing on the economy using its role in public sector financial management as a mediating factor. The study was founded on neoclassical, Keynesian, and dependency theories. In order to show the situation's realities, secondary data sources that spanned 30 years between 1990 and 2020 and were received from the debt management office were investigated. Both the descriptive and covariance estimate methods of analysis were used to analyse the collected data. The results showed co-integration (long-run relationship) between the dependent and all the explanatory variables. It showed a clear indication that working debt servicing has a positive and significant impact on the country's economic growth in the short and long runs if properly managed.

Akanbi, Uwaleke, and Ibrahim (2022) investigated the association between Nigeria's foreign debt payment and economic growth between 1981 and 2020. For this study, a quantitative research strategy was used. The Auto-Regressive Distributed Lags (ARDL) model was used for the estimate. The study's theoretical framework was based on the debt overhang theory, neo-classical theory, and endogenous theory. Although this is not statistically significant, the analysis showed indications of a negative association between foreign debt service and economic development. The outcome demonstrates how external debt services' effects on growth lead to resource depletion. Growth and external debt stock are positively correlated, but not significantly. Growth and the ratio of foreign reserves to external debt are positively correlated but not significantly. Growth and the debt service to export ratio are positively correlated.

Aluthge, Jibir, and Abdu (2021) used time series data covering 1970–2019 to examine the effects of Nigerian government spending (divided into capital and recurrent) on economic development. The Autoregressive Distributed Lag (ARDL) model is used in this study. The study takes structural breakdowns into consideration in both the co-integration analysis and the unit root test to guarantee that the results are robust. The study's main conclusions are that although recurrent spending does not substantially influence economic growth in either the short- or long-term, capital spending does, both in a positive and significant way.

For the years between 1981 and 2020, Ugochukwu and Oruta (2021) looked at the impact of various Government expenditure components on economic growth in Nigeria. The Granger Causality Test and Error Correction model were used in the investigation. The short-run model showed that government spending, such as revenue expenditures on health, education, and agriculture, has a negligible adverse effect on economic development.

Recurrent spending on debt service, road building, and other expenses had a favourable and insignificant influence on economic development. Government capital spending on social services has been found to have a negative and considerable effect on economic growth concerning capital spending. However, government spending on financial services had a positive and negligible influence on Nigeria's economic growth. In the long run, all the components of government expenditures employed significantly affected economic growth.

Omesi, Nkak, and Orlu (2021) used data from the debt management office and the Nigerian statistical bulletin, which covered the years 2012 to 2019, to examine the relationship between debt, debt service, and economic growth in Nigeria. They used regression analysis to test their hypotheses, which were supported by e-view. The study showed that debt, which had a statistical value of 0.2232, and debt service, which had a statistical value of 0.4134, were not the driving forces behind economic development in Nigeria. In addition, the study discovered that debt (both internal and external), overall debt servicing, and inflation, which were used as control variables, are all rising, with a statistical value of 0.8445. The paper noted that the government and individuals in charge of formulating policy analyse how to allocate borrowed funds and resources to lucrative initiatives that would significantly influence economic growth.

Ebipre and Eniekezimene (2020) investigated the impact of government expenditure on economic growth in Nigeria between 1981 and 2016. Data were collected from CBN 2016 statistical bulletin. Real Gross Domestic Product (RGDP) was a proxy for economic growth, while Government capital Expenditure (GCE), Government Recurrent Expenditure (GRE)

and Credit to the Private Sector (CPS) were proxies of government expenditure. The data were tested for unit root using the Augmented Dickey-Fuller test; the results showed all the variables became stationary at first Difference. The Johansen Co-integration test revealed a long-run relationship among the variables. Thus, the study findings showed that GCE was inversely related to RGDP in the short and long run. GRE was positively related to RGDP both in the long run and in the short run, and there was an inverse relationship between CPS and RGDP both in the short and long run.

From 2004 to 2016, Emejulu et al. (2019) evaluated government spending and its impact on economic development in Nigeria. Examining how government spending affects economic expansion in Nigeria was the primary goal. An ex-post facto research design was used in the study. The statistics used in the study came from the Central Bank of Nigeria's statistical bulletin. The research's conclusions show that while transfers significantly impact Nigeria's economic growth, recurrent spending has little to no impact. The findings suggest that government debt buildup in foreign countries should be avoided.

In their study, Richardson and Nelson (2017) used a descriptive technique to analyse how well Nigeria's 2013 capital budget achieved the nation's transformation objective. According to the findings, there needs to be more capital budget execution to support the anticipated development. The inadequate budget implementation plans, the non-release or delayed release of budgeted money, and the lack of budget performance monitoring are all responsible for this subpar performance. In order to address income uncertainties, the research suggests a paradigm change in budgeting by creating a realistic and credible budget governed by applicable fiscal principles and coordinated with the requirements and financial capacity of the nation.

Olatunji, Oladipupo, and Joshua's (2017) research examined how Nigeria's capital budget expenditure execution affected the country's economic development. The Central Bank of Nigeria's (CBN) statistical bulletins were the source of the secondary data that was utilised in the study. The analysis employed the augmented Dickey-Fuller unit root test, co-integration test, and error correction model (ECM) analysis. It was determined that implementing capital expenditures is crucial for sustaining and maintaining economic growth in Nigeria. As a result, it was advised that the government oversee the proper implementation of capital expenditure in the nation, particularly in areas of economic and socio-community services, as well as overhaul ministries, government agencies, and parastatals to close any gaps obstructing the implementation and monitoring of the capital budget in the nation.

The gap identified in the various existing studies reviewed is that there was a significant concentration of these studies on capital and recurrent expenditure budgeting implementation. Consequently, other macroeconomic variables of annual budgets, like debt servicing, exchange rate, and inflation rate, were isolated from the research work. Studies like (Onwuka, 2022; Yerima et al., 2022; Aluthge et al., 2021; Ugochukwu & Oruta; Richardson & Nelson, 2017; Olatunji et al., 2017) were of this nature. This study, therefore, filled this gap by covering the overall annual budgeting core variables and their influence on economic development in Nigeria.

3. Methodology

For the aims of this study, descriptive, longitudinal, and ex-post facto research approaches were used. Because the data required for analysis already exist, these research designs were used to examine the associations between two or more parameters. Additionally, it was

acceptable for evaluating the study's assumptions and contributed to the resolution of the key research concerns about the government budget and the Nigerian economy.

The data for this study came from secondary sources. The websites of the Central Bank of Nigeria, National Bureau of Statistics, Budget Office of the Federation, and African Development Bank were searched for information on the gross national product (GNP), recurring expenditures (RECEX), capital expenditures (CAPEX), debt service (DS), inflation rate (INFR), and exchange rate (EXCHR) for the years 2001–2021 (21 years).

The order of integration was examined using Augmented Dickey Fuller (ADF) test. Johansen Co-integration test was used to test the cointegrating relationship among the variables. Annual budgeting is represented by the federal government expenditure profile comprising Recurrent Expenditure (REx), Capital Expenditure (CEx), Debt Service (DSe), Inflation rate(INFR), Exchange rate(EXCHR) for the period under study. Thus, a cointegrating regression model using fully modified ordinary least squares was adopted in testing the hypotheses. The justification for this was to examine the significance of each independent variable on Gross National Product.

Model Specification

The following mathematical model was developed to analyse the relationship between annual budgeting and economic growth and development in Nigeria. The study used Recurrent Expenditure (REx), Capital Expenditure (CEx), Debt Service (DSe) and Statutory Transfer (STr) as the independent variables and regressed against the dependent variable Gross National Product(GNP) used as a proxy for economic development.

This study employed the model in the work of Emejulu, et al. (2019), as specified below.

$$GDP_t = \alpha_t + \beta_1 REx_t + \beta_2 CEx_t + \beta_3 TRANSFERS + \varepsilon_{it} \dots \dots \dots 3.1$$

This model was modified by introducing debt servicing (Efuntade, et al., 2022) as the additional independent variable. Gross national product was made the dependent variable as a proxy for economic development while inflation rate and exchange rate (Ibe & Obodoechi, 2020) served as the control variables.

The model is modified as follows:

$$GNP_{it} = f(REx_{it}, CEx_{it}, DSe_{it}, INFR_{it}, EXCHR_{it}) \dots \dots \dots 3.2$$

$$GNP_{it} = \alpha_{it} + \beta_1 REx_{it} + \beta_2 CEx_{it} + \beta_3 DSe_{it} + \beta_4 INFR_{it} + \beta_5 EXCHR_{it} + \varepsilon_{it} \dots \dots \dots 3.3$$

Where;

- α = the constant term
- REx = Recurrent Expenditure
- CEx = Capital Expenditure
- DSe = Debt Servicing
- INFR = Inflation rate
- EXCHR = Exchange rate
- β = the coefficient of the function
- e = error term

4. Results and Discussions

4.1 Descriptive Analysis

This section of the analysis provides an overview of the data set to describe the main attributes of the data.

Table 1 Descriptive Statistics

GNP	CEX	DS	EXCHR	INFR	REX
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Mean	42300080	1335963.	583586.7	161.1550	16.87778	1985292.
Median	35042277	1202229.	376837.5	149.6000	16.90000	2064181.
Maximum	92255556	5570000.	2014000.	305.0000	25.00000	3716000.
Minimum	7551729.	241688.0	115637.0	111.9400	8.050000	579300.0
Std. Dev.	29124601	1228571.	579144.5	56.26086	4.287721	904514.5
Skewness	0.462338	2.368107	1.341100	1.895734	-0.337774	0.165985
Kurtosis	1.760111	8.975769	3.581765	5.437791	3.175344	2.216353
Observations	21	21	21	21	21	21

Source: Researcher's Computation, (2022).

The table showed average values of 42300080, 1335963, 583586.7, 161.1550, 16.87778 and 1985292 for the gross national product, capital expenditure, debt servicing, exchange rate and revenue expenditure, respectively. The minimum and maximum values of gross national product are 7551729 and 92255556, respectively. The table revealed the minimum and maximum values of 241688 and 5570000, respectively for capital expenditure. The minimum and maximum values of debt servicing reported in table 4.1 stood at 115637 and 2014000, respectively. The table reported a minimum value of 111.94 for the exchange rate while the maximum value stood at 305.00.

As reported in table 1, the minimum and maximum values for the inflation rate are 8.05 and 25.00, respectively. Revenue expenditure showed minimum and maximum values of 579300 and 37160000, respectively. From the table, it was observed that all the variables except the inflation rate (-0.337774) are skewed to the right, given the corresponding positive skewness statistics of 0.462338, 2.368107, 1.341100, 1.895734 and 0.165985 for GNP, CEX, DS, EXCHR and REX respectively.

Notably, the kurtosis statistics revealed that CEX, DS, EXCHR and INFR are leptokurtic (i.e. positive kurtosis values are greater than 3). At the same time, GNP and REX are platykurtic (i.e. positive kurtosis values less than 3). The above analysis is meant only to reveal the descriptive statistics of each variable. Therefore no inference was drawn from the characteristics observed.

4.2 Correlation Analysis

Table 2 Correlation Matrix

	GNP	CEX	DS	EXCHR	INFR	REX
GNP	1.000000					
CEX	0.509546	1.000000				
DS	0.163606	0.555254	1.000000			
EXCHR	-0.035368	0.451091	0.932130	1.000000		
INFR	-0.600812	-0.660056	-0.493805	-0.425362	1.000000	
REX	0.562598	0.573971	0.681095	0.650117	-0.689174	1.000000

Source: Researcher's Computation, (2022).

The correlation coefficients between variables included in the model are presented in table 4.2 above. The result revealed a positive correlation between most of the variables used in the study, with only the exchange rate and inflation rate having a negative relationship with the gross national product. Specifically, CEX, DS and REX reported positive correlation coefficients of 0.509546, 0.163606 and 0.562598, respectively. EXCHR and INFR showed negative correlation coefficients of -0.035368 and -0.600812, respectively. The reported

correlation between the variables does not reflect any evidence of multi-collinearity among the variables, as none of the correlation statistics shows perfect correlation value.

4.3 Unit root Diagnostic Test

The Augmented Dickey-Fuller (ADF) unit root test was conducted on each series under study.

Table 3 Unit Root Test Results

	Level			1st Difference		
	ADF-Fisher Chi-Square			ADF-Fisher Chi-Square		
	Intercept	Intercept and Trend	None	Intercept	Intercept and Trend	None
GNP	0.5247	0.5271	0.3935	0.6666	0.0636	0.0250**
CEX	0.9959	0.0028**	0.9959	0.0073**	0.0149**	0.0000**
DS	1.0000	0.9990	0.9998	0.5641	0.0006**	0.3954
EXCHR	0.9911	0.9686	0.9832	0.0393**	0.0512	0.0068**
INFR	0.2251	0.0164**	0.1230	0.0013**	0.0068**	0.0001**
REX	0.6666	0.1221	0.8677	0.0013**	0.0079**	0.0002**

**5% level of significance

Source: Researcher's Computation, (2022).

Table 4 Summary of Unit root tests

Variables	Augmented Dickey-Fuller(ADF)		
	Level	First Difference	I(d)
GDP	-	0.025**	I(1)
CEX	0.0028**	0.0000**	I(0)
DS	-	0.0006	I(1)
EXCHR	-	0.0068**	I(1)
INFR	0.0164**	0.0001**	I(1)
REX	-	0.0002	I(1)

Source: Researcher's Computation, (2022).

In order to investigate the order of integration among the variables such as GDP, CEX, DS, EXCHR, INFR and REX, the study used the Augmented Dickey-Fuller (ADF) TEST. The unit root test(ADF) tool is tested for all the variables by taking the null hypothesis as 'presence of unit root test (i.e. presence of non-stationarity) against the alternative hypothesis 'series is stationary'. If the absolute probability value exceeds the benchmark probability value (0.05), then the null hypothesis is accepted and it is concluded that the series is stationary and vice-versa.

It is clear from table 4 above that the result for the unit root test of ADF shows that only capital expenditure is stationary at the level indicated as I(0) in table 4. In contrast, gross national product, debt servicing, exchange rate, inflation rate and recurrent expenditure are stationary at first Difference is indicated as I(1). This implies that cointegrating regression estimate is the appropriate estimation technique as the series are in different orders of integration. Thus, it is clear that all the variables except capital expenditure have unit roots in their level form, but at the first Difference, the variables became stationary. Thus, the model follows an integrating process. Since the series under review are in different order of integration, as stated in the previous section, Johansen co-integration tests were conducted in this context.

4.4 Co-integration Analysis

Table 5 Result of Johansen Co-integration Test

Hypothesised No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.996060	175.1798	69.81889	0.0000
At most 1 *	0.929147	86.59475	47.85613	0.0000
At most 2 *	0.765322	44.24043	29.79707	0.0006
At most 3 *	0.497466	21.04781	15.49471	0.0066
At most 4 *	0.466019	10.03832	3.841466	0.0015

Trace test indicates 5 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)

Hypothesised No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.996060	88.58502	33.87687	0.0000
At most 1 *	0.929147	42.35431	27.58434	0.0003
At most 2 *	0.765322	23.19262	21.13162	0.0253
At most 3	0.497466	11.00949	14.26460	0.1537
At most 4 *	0.466019	10.03832	3.841466	0.0015

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

Source: Researcher's Computation, (2022).

The trace statistics and max-eigen statistics rejected the null hypothesis of no co-integration at the 0.05 level (i.e the values of trace and max-eigen statistics are more significant than the critical values @ 0.05). Nevertheless, the null hypothesis of one co-integration among the variables is not rejected at the 0.05 critical level ($11.00949 < 14.26460$) by the max-eigen statistics. Hence, the Johansen methodology concludes that at least three cointegrating relationships exist among the variables.

4.5 Regression Analysis

The cointegrating regression model using a fully modified ordinary least square is required in testing the hypotheses. The justification for this is to examine whether each independent variable significantly influences GNP. The decision rule was to accept the alternate hypothesis and reject the null hypothesis if the P-value obtained was lower than the 5per cent (0.05) benchmark specified in E-views for the analysis or to accept the Null Hypothesis and reject the alternate hypothesis if otherwise.

Table 6 Regression Result

Dependent Variable: GNP

Method: Fully Modified Least Squares (FMOLS)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
INFR__	-4.545333.	1894297.	-2.399483	0.0299
EXCHR	0.023639	193256.6	0.122278	0.9043
DS	0.031969	16.59036	0.001927	0.9985
REX	20.97299	8.420577	2.490684	0.0250
CEX	13.90391	6.414385	2.167614	0.0467
C	23755482	11806391	2.012087	0.0625
R-squared	0.181111	Mean dependent var	44344101	
Adjusted R-squared	0.126518	S.D. dependent var	28659255	
S.E. of regression	26785015	Sum squared resid	1.08E+16	
Durbin-Watson stat	1.176996	Long-run variance	1.02E+15	

Source: Researcher's Computation, (2022).

From Table 6, capital expenditure and GNP have a considerable positive connection. The P-value demonstrated this for capital expenditures, which was lower than the threshold of 5% set for this study (i.e. 0.0467 0.05). The outcome shows that the public sector dominates as the country's economy's main engine of economic growth. These results concur with those of (Nyarko-Asomani, Bhasin & Aglobitse, 2019; Yerima et al., 2022), who discovered a substantial and positive correlation between capital investment and economic development. However, due to improper planning, lack of adoption of a program-based financial planning strategy, late issuance of federal capital funds, and mismanagement (embezzlement) of funds by public officers, the federal capital expenditure has been hampered and prevented from fully attaining success.

Recurrent spending and GNP were shown to be positively and significantly correlated. This was clear from the P-value for recurrent spending, which was lower than the threshold of 5% set for this study (i.e. 0.0250 0.05). This suggests that, as indicated by the p-value and positive coefficient, government spending on recurrent services significantly influences the gross domestic product. As a result, this has encouraged Nigeria's economic progress.

The effect of borrowing external debt on economic development is positive but needs to be stronger. This relationship suggests that, even though debts are used adequately, they have contributed little to the gross national product. This finding is comparable to that of (Omesi et al., 2021; Akanbi et al. 2022), which discovered a positive, negligible long-term association and a bidirectional link between external debt and economic development in Nigeria. However, the outcome runs counter to (Aluthge et al., 2021; Anderu et al., 2019). They discovered that the foreign debt service has a long-term, substantial negative connection with the real gross domestic product (RGDP), meaning that a rise in debt causes a decrease in the country's RGDP. They emphasised that a debtor country must service its debt with the corresponding resource depletion, which may cause a debt overhang and uncertainty. With devastating economic repercussions, including limited investment and restricted access to the

international financial market, the uncertainty brought on by too high debt causes the macro environment (interest rate, currency rate, and inflation) to be unstable.

The association between the exchange rate and the GNP is favourable but could be stronger. This finding agrees with the theory put forward by (Dudzeviciute et al., 2018; Barlas, 2020; Efuntade et al., 2022), according to which a rise in the exchange rate inhibits import while promoting export since foreign cash may be readily converted into local currency with a lower purchasing power. As a result, local products are in more demand. Following an increase in demand, output rises, leading to more jobs, eventually improving the gross domestic product. However, the authors also discovered that negative effects primarily occur at extremes of exchange rate volatility, where the value of the currency falls so low that investment is discouraged and the cost of imported raw materials and subassemblies rises to the point that companies begin to shut down.

The link between the inflation rate and the GNP is negative and substantial. The conclusion drawn from this research is that inflation does not advance economic growth. Similar conclusions were reached (Idris & Bakar, 2017) when they investigated the relationship between inflation and economic growth in Nigeria. They discovered that, during the research period, inflation was inversely associated with economic growth in Nigeria. Therefore, low or moderate inflation is a sign of macroeconomic stability and fosters an environment favourable for investment since rising inflation rates thwart progress and growth.

5. Conclusion and Recommendations

The study indicates that capital spending helps sustain economic development in Nigeria as a result of its results. The prospects for economic development are positively influenced by the proper distribution of capital expenditure funds to various sectors and areas of the economy. Debt servicing showed a negligible positive impact on these outcomes; the exchange rate has negligible positive effects on these outcomes in Nigeria; the inflation rate has a significant negative impact on these outcomes; and reinvestment has a significant positive impact on these outcomes. The findings indicated that all budgetary factors positively impact Nigeria's economic development. The study concluded that the growth and development of Nigeria's economy are significantly influenced by good yearly budgeting.

The study makes the following recommendations.

Despite the low proportion of public investment in the total government spending programme, the government should work toward raising the ratio in light of the beneficial association between capital expenditure and economic development. This needs to be effectively managed to enhance the country's economic assets, which will boost productivity and speed up economic growth, which, if sustained, would lead to economic development. The government should limit its external debt and use any funds collected only for goals that consistently provide favourable results. Additionally, debt should be contracted for higher-priority projects and utilised for economic capital generation.

To increase the nation's export base and lower its level of deficit financing, the government should also develop policies promoting export-oriented manufacturing and high-tech products. Instead of resorting to borrowing, development initiatives might be supported by increasing export revenues. Effective inflation rate monitoring is urgently required for faster

economic development and growth. The government should monitor the annual budgeting system and its implementation to ensure that the benefits of the budget are realised to promote economic development. This will help to achieve more effective government budgeting concerning economic and infrastructural development.

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