

Effect of Federal Government Capital Expenditure Profiling on Economy Health of Nigeria (1981 -2023)

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Abstract

The study examined the effect of federal government capital expenditures on economic health of Nigeria. The independent variables of this study are administration, social and community service and transfer expenditure, while dependent variable is real gross domestic product. The study adopted Ex-post facto and experimental research design. The study covered the period of 1981-2023 based on the convenient and systematic sampling techniques. This period is adopted because of the duration is considered appropriate because it help to have robust finding. The study makes used of secondary source of data (time series data), the data was collected from CBN statistical bulletin for the period 1981-2023. The area of the study is in Nigeria, as the study focuses on economic health of Nigeria up to 2023. Ordinary Least Square Regression Model was developed to test the effect between dependent and independent variables. It was operated using EVIEWS 10. The results of the Ordinary Least Square Model revealed that, administration expenditure has negative and significant effect on the real gross domestic product (RGDP) of ($P < .5$), social and community services expenditure has a positive but insignificant effect on the real gross domestic product (RGDP) of ($P > .5$). While transfer expenditure shows positive and significant effects on real gross domestic product (RGDP) of ($P < .5$). In conclusion, both administration, social and community service and transfer expenditure in Nigeria play pivotal roles in boosting the country's economic growth. The study recommended that, The federal government is encourage to conduct thorough audit of administrative expenses to identify inefficiencies and areas where costs can be reduced without impacting essential services. It should increase funding in social and community

services with the aim of achieving a more substantial and measurable impact on GDP. The federal government should also increase funding in social and community services with the aim of achieving a more substantial and measurable impact on GDP.

Keywords: *Federal Government Expenditure, Administration Expenditure, Social and Community Service Expenditure, Transfer Expenditure and Real Domestic Product.*

1.0 Introduction

Every country's budget has two sides of its expenditure, the recurrent expenditures and capital expenditures. The former are governments' payments for non-repayable transactions within a year while the latter are governments' payments for non-financial (non-profit) assets used in the production for more than one year (CBN2010). Most developing countries in Africa including Nigeria experience high demand for capital projects that require high government expenditure and attention. But it is sad to know that most developing countries put less resources in financing capital projects and more resources in financing recurrent needs of the country (Okang et al, 2020). The expenditure of government has been on the geometric increase through the interactions with and activities of government agencies, departments and ministries. This continuous increase in the volume of government expenditure has been the experience in Nigeria if not very common in all countries world over due to the continuous state/federal expansion activities (Nwankwo et al 2022). The development of the state activities since the 20th century in areas including industrial innovations, public health, education, commercial activities, etc have accelerated government expenditure increases to a large extent (Okang et al 2020). According to Abdullah (2010), public expenditure is assumed to be the most powerful economic factor of all modern societies. The form and pattern of the output growth of any economy is determined by the structure and size of its public expenditure. (Akpan, 2005).

Government expenditure remains an important instrument utilized in the process of development. It plays a pivotal role in the functioning of any economy at almost all stages of growth and development. Most developing and developed countries today use public expenditure to improve income distribution, direct the allocation of resources in desired areas, and influence the composition of national income (Vtyurina, 2020). In developing countries for instance, the variation in government spending pattern is not only projected to guarantee stabilization but also to spur economic growth and expand employment opportunities (World Bank, 2015).

The Nigerian public expenditure structure can be segmented into recurrent expenditure and capital expenditure. The components of the recurrent expenditure include expenditure on administration. (Interest on loans and maintenance, salaries and wages) while capital expenditure captures government projects on the generation of the electricity, education, telecommunication, airports, roads, and so on (Andinyanga & Anietie, 2023). The provision of public infrastructural facilities has been one of the fundamental bases for public spending. Providing and maintaining these infrastructural amenities cost a huge amount financing. Hence, investment on infrastructures and productive activities spending is expected to positively contribute to the growth of the economy whereas spending on consumption by the government retard growth (Fasewa & Aderinto, 2023). It is argued that the country will benefit socially and economically from government investment

(spending) on health, roads, education, agriculture, etc. Among the world of scholars, the issue of impact of public expenditure on the growth of the economy has sponsored continuous debate (Okang et'al 2020).

The emergence of public expenditure in achieving macroeconomic objectives has been a topical issue between two contending proponents; the Wagnerians and Keynesians presenting two parallel and polarized views in terms of the relationship between public expenditure and growth. According to Essien (1997), Wagner introduced a model showing that public expenditures are endogenous to economic growth, and that there exist long-run tendencies for public expenditure to grow relatively to some income aggregates such as the Gross Domestic Product (GDP). Keynes (1936) however, argued that the causality between public expenditure and national income runs from public expenditure to national income. Perspectives of variations growth models opens for further discourse. Interestingly, achieving a sustained economic growth is a macro-economic objective that every name drives at achieving. Admittedly, Ijuo & Andohol (2020) observed that ensuring a rapid and sustainable economic growth and development is a major goal of most economies of the world (to which developing countries, Nigeria to be specific is not left out in the pursuit). In this regard, Essien (1997) opined that economic growth is the most important objective of government in developing countries. Accordingly, government spending has formed a point of debate for achieving economic growth in public economics. This is important for developing countries like Nigeria, most of which have experienced increasing level of public expenditure over time. This tends to be associated with rising fiscal deficits, resulting from inadequate system of expenditure control, intense competition for funds among various Ministries, Agencies and Departments (MDAs), suggesting their limited ability to raise sufficient revenue to finance higher levels of government expenditure (Kolawole, 2016). For instance, between 2010 and 2015 total government expenditure increased from ₦153.9 billion to ₦5.06 trillion while GDP continued to wobble between 4.9% in 2010 and 2.7% in 2015 with less than 1% in the first and second quarters of 2016. In general, it is believed that Nigerian economic policies have had a big influence on the trend of government expenditures for economic growth. However, the reality in Nigeria leads the policy makers to become divided as whether the expansion of government expenditure promotes or impedes economic growth. Meanwhile, in most of the previous empirical studies (Bonmwa & Ishmael, 2017; & Onifade et al., 2020), no consensus evidence exists for the relationship between government expenditure and economic growth. Results and evidences differ by countries/regions, analytical methods employed, and categorization of public expenditures which therefore made relevance the place of this study. Thus this study fill this gap, by examining the effects of government capital expenditures on economic health in Nigeria between 1983 and 2023 in order to validate if government capital expenditure has effect on the economic health of Nigerian or not the specific objectives of the study are to:

1. Determine the effect of administration on economic health of Nigeria.
2. Evaluate the effect of social and community service on economic health of Nigeria.
3. Examine the effect of capital transfer on economic health of Nigeria.

2.0 Literature Review

2.1 Conceptual Review

2.1.1 Federal Government Capital expenditure

According to Odior (2011) government capital expenditures are funds used to develop buildings, machinery, equipment, educational and healthcare facilities, etc. Additionally, it covers the costs incurred by the government to make investments that will yield dividends in the future and to acquire fixed assets. Spending on development or investment has benefits that last for years in the future, and these expenditures are referred to as capital spending (Okang et'al 2020). Purchasing fixed and intangible assets, improving an existing asset, fixing an existing asset, and loan repayment are all considered capital expenditures. Repaying a debt is a capital expenditure because it reduces obligation in addition to creating assets. The long-term character of capital investment, which results in the formation of assets, enables the economy to generate income for many years by expanding or upgrading manufacturing facilities and increasing operational effectiveness. Additionally, it raises labor force participation, assesses the state of the economy, and increases the economy's potential for future growth. Government spending continues to be a crucial tool in the development process. At all stages of growth and development, it is crucial to the operation of any economy. Today, the majority of industrialized and emerging nations employ public spending to alter the composition of national income, improve income distribution, and steer resource allocation in desirable directions (Assi et al., 2019; Vtyurina, 2020; World Bank, 2008). In various emerging nations, the variety in government spending patterns is anticipated to not only ensure stabilization but also to spur economic growth and increase employment possibilities (World Bank, 2015).

2.1.2 Administration expenditure and Real Gross Domestic Product

According Andinyanga and Anietie (2023) this refers to the funds allocated for the purchase, improvement, or maintenance of long term assets used in the administration of an organization. This could include expenditure on office building, furniture and equipment infrastructure improvements, vehicles, large scale software purchases. These expenditures are typically recorded as capital assets on the balance sheet and are depreciated over their useful lives, rather than being expensed immediately.

Administrative expenditure is the amount spent to keep the mechanisms of government functioning. It includes expenditure by government on general administration, defense, internal security and national assembly (Udochukwu & Chukwu, 2019). Administration expenditure refers to government spending on the general administrative functions of running the government, this includes civil service salaries, operational costs, administrative support services, policy development and implementation, public sector pensions. Administration is essential for the effective functioning of the government and ensuring that public services are delivered efficiently. Administrative expenditure can lead to better governance, efficient public service delivery, and enhanced business environments, all of which can contribute to higher economic productivity and growth, positively impacting real GDP. Investment in administrative capacity can improve the quality and accessibility of public services, which supports human capital development and economic growth. Excessive administrative costs can strain public finances, reducing the funds

available for productive investments and potentially hindering economic growth. Well-managed administration expenditure ensures that government programs and policies are effectively implemented, which can enhance economic stability and growth. Administrative expenditure is necessary for maintaining the functioning of government, its efficiency and effectiveness can significantly influence the broader economic environment and contribute to the real GDP of a country (Ugochukwu, 2023).

2.1.3 Social and Community Services expenditure and Real Gross Domestic Product

Social and community services expenditure includes government spending on services and programs aimed at improving the well-being and quality of life of individuals and communities. This encompasses areas such as, health services, education, housing and urban development, social welfare, public safety, community development, recreation and culture (Ayoka and Nzotta, 2021).

Government consumption in social and community services refers to government spending on such items as education, health, and other social and community services (Babatunde, 2018). Social and community consumption includes government spending on such item as educational materials, health care supplies, and others for societal wellbeing. Investment in education and health improve the skills and productivity of the workforce, leading to higher economic output and growth, spending on social welfare and public safety can reduce poverty, crime, and social unrest, creating a more stable environment for economic activities. Enhancements in housing urban development, and community services improve living conditions, attracting businesses and talent, and fostering economic development. By addressing social inequalities and providing essential services, social and community services expenditure can promote inclusive growth, ensuring that all segments of society contribute to and benefit from economic progress, spending in these areas can have multiplier effect, where increased demand for goods and services leads to further economic activity and job creation, boosting real GDP. Social and community services expenditure is crucial for creating a healthy, educated, and stable population, which is fundamental for sustainable economic growth and an increase in real GDP. These investments not only improve the immediate quality of life but also lay the groundwork for long-term economic prosperity (Odior, 2011).

2.1.4 Transfers expenditure and Real Gross Domestic Product

According Okang, (2020) transfer expenditure of government refers to government spending on payments that are not for the purchase of goods and services but for redistributing income in the economy. These expenditure do not directly result in the production of goods and services. Key example include social security payments, unemployment benefits, welfare programs, subsidies, grants. These expenditure aim to support vulnerable population, stabilize the economy, and promote social welfare and equity. Transfers expenditure refers to obligations of government as a result of external financing, employee compensations, contingencies and subventions, and other related expenditure. Transfers expenditure includes public debt servicing, pensions and gratuities, contingencies/subventions, among others (John, 2017). Transfer payments can increase disposable income for recipients, leading to higher consumption and demand for goods and services, this can boost economic activity and contribute to real GDP growth. By redistributing income, transfer expenditures can reduce economic disparities, leading to a more equitable society (Nwankwo et'a

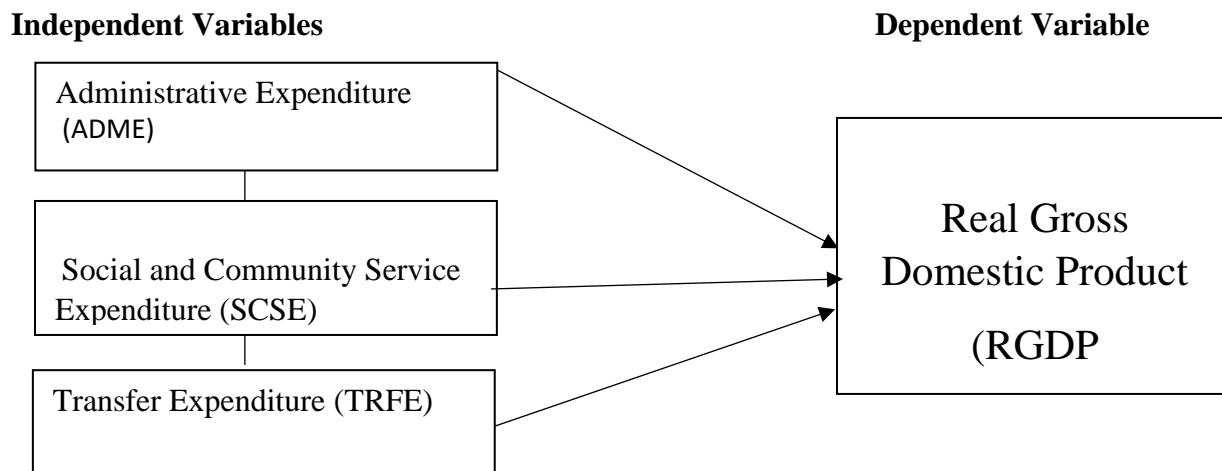
2022). This can enhance social stability and productivity, supporting long-term economic growth, transfer payments, such as unemployment benefits, can act as automatic stabilizers during economic downturns by maintaining consumption levels and preventing deeper recessions, thereby supporting real GDP. Programs like social security and welfare can improve health and living standards, contributing to a more productive workforce, which is crucial for sustainable economic growth, transfer payments can have a multiplier effect, where increased spending by recipients generates further economic activity and job creation, boosting real GDP. Excessive transfer expenditure can lead to higher government debt if not managed properly, which might have long term negative effects on economic growth, over-reliance on transfer payments might reduce incentives to work or invest, potentially leading to lower productivity and economic output. While transfer expenditures are essential for social welfare and economic stability, their impact on real GDP depends on how they are structured and financed. When effectively managed, they can support economic growth and stability, contributing positively to real GDP (Ilonze et'al, 2023).

2.1.5 Economic Growth

Nwogwugwu et al. (2022) defines economic growth as the process whereby the country's real national and per capita income increases over a long period of time. The increase in per capital income is the better measure of economic growth since it reflects increase in the improvement of living standards of masses. Another measure of economic growth is the increase in real national income. This increase should be in terms of increase in output of goods and services, and not due to a mere increase in the market prices of existing goods.

Economic growth simply refers to an increase in the value of a country's goods and services produced over time, and it may be used to measure a country's size. (Ewa et al., 2020). A rise in economic activity is referred to as "growth." Economic growth is defined as a rise in the value of a country's goods and services over a period of time. (Ewa et al., 2020). Gross Domestic Product is used to measure this increase in economic growth. As a result, it is likely that a country's economic expansion will not result in economic progress in the short, medium, or long term. Uremadu, et al. (2020) clearly state that the GDP or Gross Domestic Product is the total volume of production that has taken place in the economy irrespective of the nationality of the people who produced the goods and services. According to him, it is the total production that has taken place in Nigeria by Nigerians themselves and foreigners living in Nigeria. The GDP does not include the incomes and property earnings of Nigerians abroad. In the same vein, it does not exclude the income of foreigners and foreign property earnings in Nigeria. To distinguish GDP from GNP, Adegbola, et'al (2023) further posit that the GNP or the Gross National Product is obtained when we add to the GDP, Nigerians' incomes from abroad and we deduct foreigners' earnings in Nigeria; that is, when we add the net factor income from abroad. To this end, it is the GNP that is a better measure of the standard of living for the people in a country because it shows the incomes accruing solely to citizens of the country. Economic growth also refers to the monetary values of commodities produced in a country over a period of time by its population, regardless of their nationality. GDP can be calculated using the current basic price (Nominal GDP), the constant basic price (Real GDP), or the current market price. Because it accounts for changes in the price level of goods and services produced inside the country at a given time, real GDP has been a good measure.

Fig. 2.1 Conceptual Diagram



Source: Researcher's Concept, (2024)

2.2 Theoretical Framework

2.2.1 Public Expenditure Theory

The Public expenditure theory (PET), also known as the law of increasing state spending; was propounded by Adolph Wagner (1835–1917). The theory provides that in the process of economic development, the share of the public sector in gross domestic product (GDP) increases over time. In other words, for any country, public expenditure constantly rises as income growth expands. Accordingly, the theory is premised on four principles: that growth results in increased complexity due to new and continuing increases in public expenditure; that public expenditure increases result in urbanization and externalities; that the goods supplied by the public sector should have a huge income elasticity of demand; and that growth results in an increase in demand with a resultant increase in public expenditure. This infers that the role of the public sector in society is to ensure the smooth running of economic activities. As the goals of government are numerous so also its stakeholders, thus, to avoid chaos, efficiency and equity should guide public spending. Efficiency connotes smooth running of public activities, and is concerned with the coordination, collection and monitoring of government revenue and expenditure towards the provision of services to the stakeholders. Equity, on the other hand; focuses on fair sharing of public gains among stakeholders (Magazzino et al., 2015; Cosimo et al., 2015; Babatunde, 2018). Practically, this theory expects growth in expenditure to match economic growth, and in return translates into economic development. However, the reverse has been the case in reality, particularly; in developing climes like Nigeria sometimes occasioned by elements of fiscal illusion in government activities.

2.3 Empirical Review

Fasewa and Aderinto (2023) examined the effect of government expenditure on inflation in Nigeria while disaggregating expenditure into capital and recurrent. The study also examined the response of inflation to changes in government expenditure in Nigeria. Secondary data collected from the

Central Bank of Nigeria Statistical Bulletin was employed for a period of thirty-eight years (i.e. 1981-2019). The Auto Regressive Distributed Lag technique was employed. For the first model explaining government capital expenditure, short run estimates reveal that in the current period, government capital expenditure has a significantly negative relationship with inflation. For government recurrent expenditure, it was established that government recurrent expenditure has a positive relationship with inflation. The impulse response test used in analyzing the effect of an unanticipated change in government expenditure (capital and recurrent) on inflation shows that the effects of the change in both cases are temporary as they are seen to revert to the mean. The study recommends that the government should maintain a good strategic balance between capital and recurrent expenditure to prevent the economy from being consumption - based.

Andinyanga and Anietie (2023) evaluated effect of government consumptions on performance of annual capital expenditure in Nigeria. This study seeks to investigate the effect of government consumptions on performance of annual capital expenditure in Nigeria. Government consumptions was proxied by Administration, Economic services, Social and Community services, and Transfers' consumptions while performance of annual capital expenditure was proxied by aggregate annual capital expenditure. The study employed ex-post facto research design, and used descriptive statistic and ordinary least square regression techniques to analyze the data. Secondary data used were sourced from the Federal Ministry of Finance and the Office of Accountant-General of the Federation, over a period of forty-one years (1981-2021). The data collected were analyzed using Johansen Cointegration test and vector error correction model (VECM). The findings revealed that besides administrative consumption, other explanatory variables economic service consumption, social and community services consumption, and transfers' consumption had positive and significant effect on the performance of annual capital expenditure. The study concluded that changes in the performance of annual capital expenditure are explained by changes in government consumptions. The study suggested, amongst others; that Government should put in place mechanisms, such as adequate internal control system; to reduce wastages in administrative consumption.

Okonkwo et'al (2023) examined impact of government capital expenditure on the economic growth rate of Nigeria. Public expenditure strives to provide amenities for the general public as well as distribute resources among its citizens. Government spending can be divided into three main categories: consumption, transfers, and interest payments. Capital and recurrent expenditure make up the majority of government spending in Nigeria. These are further divided into administration, social and community services, economic services, and transfers. Recurrent spending, in contrast to capital spending, does not result in the creation of assets for the future or the reduction of any government liabilities. Recurrent expenses include payments for pensions, interest on prior debt, subsidies, and employee salaries. This study attempts to scientifically examine the effects of government capital expenditure in its disaggregated form (administration, social and community service, economic services, transfers, and government deficit) on Nigeria's economic growth rate from 1981 to 2021 in addition to evaluating how well government expenditure performed in the years following the pandemic in 2021. Secondary data sourced from the CBN statistical bulletin, 2021, were used in the analysis. Because the variables have a mixed order of integration, the study used the autoregressive distributed lag model. The bounds test showed a long-run association between the studied variables. The error correction model show a

strong and positive association between administrative and economic services and the rate of economic growth in Nigeria.

Ogochukwu et'al (2023) studied impact of government expenditure on human capital development in Nigeria. Despite investing in human capital, the Nigerian economy is still characterized by poor human capital development. This study explored the impact of government expenditure on human capital development in Nigeria from 1987-2022 using multivariate time series data and autoregressive distributed lag (ARDL) model. The theoretical constructs employed include Human capital theory, new growth theory, Musgrave's theory of public expenditure and Endogenous growth theory. The results show that there exists a long-run dynamic relationship between the variables of government expenditure and human capital development and also that the independent variables - education expenditure (second lag), per capita income and school enrollment - all had positive and significant impacts on human capital development while health expenditure and poverty rate impacted negatively and insignificantly on the dependent variable. In addition, the study showed that the coefficient of the quality of governance impacted positively on human capital development. Based on the findings, the study strongly recommends that the federal government should boost spending in the health and education sectors and also ensure effectiveness and efficiency in its spending to including policies and programmes such as scholarship and health insurance schemes since these will contribute to the human resources development of Nigeria on a sustainable basis.

Nwankwo et'al (2022) examined effect of federal government expenditure on economic growth in Nigeria. This study presents an evaluation of the effect of federal government expenditure on economic growth in Nigeria during the period 1986–2020. Economic growth in Nigeria over the years (precisely from 1986 when the Structural Adjustment Programme was introduced) is not in tandem with the magnificent rise in total government expenditure covering this period. The citizens have seen leadership in Nigeria as a failed litmus test, some have left the country to seek for “greener pastures” abroad. Specifically, this study examined the effect of recurrent and capital expenditure of the government on real gross domestic product, gross fixed capital formation, savings, and manufacturing capacity utilization. The result of the analysis revealed that government recurrent expenditure has significant effect on real gross domestic product, gross fixed capital formation, and savings. Government recurrent expenditure is negatively related with real gross domestic product, gross fixed capital formation, savings, and manufacturing capacity utilization. Similarly, government capital has positive relationship with gross fixed capital formation and manufacturing capacity utilization, whereas it is negatively related with real gross domestic product and savings. The review of previous studies on economic growth is majorly measured using real gross domestic product. However, this study takes a new dimension by introducing three other variables: gross fixed capital formation, savings, and manufacturing capacity utilization which also reflect the level of growth in an economy. In addition, the application of the Auto-Regressive Distributive Lag (ARDL) model which takes into consideration of the different order of integration of time series data as against the Johansen co-integration that characterized previous studies in the Nigeria environment, will robustly help in determining the short run and long run effects of Federal Government expenditure on economic growth fundamentals in Nigeria. This study therefore, is re-echoing the need for government to make capital expenditure her priority. By this, the government should allocate at least 50.0 % of her total

expenditure on capital projects. The present-day practice of allocating only 16.6 % (based on year 2020 approved budget of the Federal Government) for capital expenditure will not to a great extent accelerate the pace of economic growth and development in Nigeria.

Ekong et'al (2020) studied government capital expenditure and economic growth, using annual time series data for the period from 1972-2018. In view of the need to understand public expenditure on economic growth, this study sought to establish the relationship between capital expenditure and economic growth in Nigeria. The study employed the error correction mechanism (ECM) methodology in estimating the relevant equation. However, before the final result was estimated, the study has tested for unit root using the augmented Dickey-Fuller (ADF) test and Philips-Perron (PP) test. The study also tested for the long run equilibrium relationship among the variables using Johansen-Jesulius multivariate co-integration approach. The Granger causality test was also carried out to investigate the direction of causality between gross domestic product and the various components of government capital expenditure in Nigeria. The result of the co-integration test showed that the variables are co-integrated and hence there is a long run relationship among them. The granger causality test revealed that there were bi-directional relationship between gross domestic product and capital expenditure on social and community services, expenditure on administration, expenditure on economic services and expenditure on transfers. The empirical results showed that previous one and two period values of gross domestic product have positive and significant impact on the current value of gross domestic product in Nigeria. The results also showed that public capital expenditures on administration have positive and significant impact on economic growth. Further examination of the results showed that capital expenditure on economic services has positive impact on economic growth in Nigeria. Meanwhile the results showed that capital expenditure on social and community services has positive impact on economic growth. Lastly, the results revealed that capital expenditure on transfer has negative relationship with economic growth.

Okpabi et'al (2021) studied government expenditure and economic growth in Nigeria. 1984- 2015. The study view to re-assess the Keynesian and Endogenous Growth Models proposition that public expenditure stimulates economic growth. The study employed Johansen co-integration and Error Correction Model. The empirical results showed that public (recurrent and capital) expenditure has significant positive impact on the growth of the economy in the long run and an insignificant negative impact on the Nigerian economy in the short run, reinforcing the Keynesian and Endogenous Growth Models that public expenditure stimulates economic growth in Nigeria when seen in the long run.

Ayoka et'al (2021) examined the effect of federal government revenue and expenditure on the economic growth of Nigeria for the period 1983 to 2018. Prior to now many studies have been completed on the subject matter and yet there doesn't seem to be a consensus of opinion amongst the different researchers on the relationship between revenue and expenditure interface in Nigeria. This could be ascribed to the different approaches set forward to clarify the relationship; thus warranting the need for this research .The investigation embraced an ex-post facto research design to produce test results via Bounds test, ARDL short/long run estimates and to make forecasts. The full scale economic factors used in the study includes Real Gross domestic product (proxy for economic growth), federal government retained revenue, non-oil revenue, capital expenditure and

recurrent expenditure. We chose to be different in this study with a conscious omission of oil revenue as a variable of study. Findings of the research showed that federal government retained revenue; non-oil revenue and recurrent expenditure were statistically significant in explaining the relationship with economic growth in the short run; while capital expenditure was not at 5% Alpha level. Federal government retained revenue was also found to be statistically significant in the long run. On the basis of these findings, it was concluded that the influential growth variables are federal government retained revenue; non-oil revenue and recurrent expenditure. The researchers thus recommend that government should be tactful in her efforts at fiscal policy synchronization. There is need to monitor Nigeria's expenditure pattern, increase in revenue and a consequent increase in governments retained revenue. This will make for an effective adjustment in the utilization of capital expenditures and to assist with raising the level of economic growth in Nigeria

Aluthge et'al (2021) studied impact of government expenditure and economic growth in Nigeria 1970-2019. This study investigates 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.

Odior (2011) studied government expenditure on health, economic growth and long waves in a CGE micro-simulation analysis: the case of Nigeria. This paper analyses the dynamic direct and indirect effects of government policy on health and its relation to the cyclical economic growth in the long run. The main objective is to simulate if government expenditure on health would help to improve economic performance in Nigeria in long run. The paper provided a brief structure of government expenditure on health in Nigeria, growth profile for Nigeria and a brief review of theoretical literature, as well as new empirical evidence on the relationship between government expenditure on health and growth. The paper used an integrated sequential dynamic computable general equilibrium (CGE) model to examine the potential impact of increase in government expenditure on health in Nigeria. The model is calibrated with a 2004 social accounting matrix (SAM) data of the Nigerian economy. The result shows that the re-allocation of government expenditure to health sector is significant in explaining economic growth in Nigeria. This paper therefore recommends that in order to achieve a steady economic growth, investment in health services should also receive great attention in the public investment portfolio. The policy implication of the paper is that, the Nigerian government should be able to move resources from other sectors to provide quality health for her citizens.

3.0 Methodology

The study adopted *ex-post facto* and Quasi Experimental design. The *ex-post facto* research design is used because this type of research is one that takes place after the event or the fact had taken place while Quasi Experimental design is adopted because it seeks to explore the causal effect of government capital expenditure on the economic health of Nigerian. The study covered the period of 1981-2023 based on the convenient and systematic sampling techniques. This period is adopted because of the duration is consider appropriate, it help to have robust finding. The study makes

used of secondary source of data (time series data), the data will be collected from CBN statistical bulletin, the National Bureau of Statistics (NBS) journals for the period 1981-2023'. The area of the study is Nigeria, as the study focuses on economic health of Nigeria. Normality tests will be run to ensure that the set of data will produce an accurate regression result because the data for the study are annual time series data.

Model specification

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

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

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

$$RGDP = f(\text{ADME, SCSE, TRFE})\text{-----}1$$

This can be econometrically expressed as

$$RGDP = f(\beta_0 + \beta_1 \text{ADME}_t + \beta_2 \text{SCSE}_t + \beta_3 \text{TRFE}_t + \mu)\text{-----}2$$

Where

RGDP = Real Gross Domestic Product

ADME = Administration Expenditure

SCSE = Social and Community Service Expenditure

TRFE = Transfer Expenditure

β_0 = Constant

β_1, \dots, β_4 , = are the coefficient of the regression equation

μ = Error term

t = is the year (time series)

Decision Rule

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

4.1 Descriptive Analysis

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

Table 4.1 Descriptive Analysis

	RGDP	ADME	SCSE	TRFE
Mean	2.990017	175.9992	84.70470	117.7094
Median	2.604420	73.57740	32.46730	43.58760
Maximum	9.084192	1030.635	492.2900	779.1550
Minimum	0.637198	0.262700	0.237600	0.000000
Std. Dev.	1.803576	232.9717	111.2570	175.0274
Skewness	1.096565	1.853138	1.809275	2.109422
Kurtosis	4.304272	6.415381	6.292978	7.217827
Jarque-Bera	11.66544	45.51069	42.88822	63.76310
Probability	0.002930	0.000000	0.000000	0.000000
Sum	128.5707	7567.966	3642.302	5061.503
Sum Sq. Dev.	136.6213	2279585.	519881.3	1286652.
Observations	43	43	43	43

Source: Eviews 10 Output (2024)

In Table 4.1, the descriptive analysis of ADM (administrative expenses) reveals a mean value of 175.9992, indicating the average administrative expenditure by the federal government over the period studied. The maximum and minimum values of 1030.635 and 0.262700 respectively, suggest a wide range in administrative spending, with substantial variation as indicated by a standard deviation of 232.9717. The skewness of 1.853138 shows that the distribution of administrative expenditures is positively skewed, meaning there are more instances of smaller expenditures but a few very large expenditures. The kurtosis value of 6.415381, slightly above the normal distribution's value of 3, indicates a moderate presence of outliers. The probability of the Jarque-Bera statistic is 0.000000, suggesting that the distribution significantly deviates from normality at 5% level of significance.

For SCS (social community service expenditures), Table 4.1 shows a mean value of 84.70470, indicating the average social community service expenditure by the federal government. The maximum value of 492.2900 and the minimum value of 0.237600 indicate a substantial disparity in social community service spending levels, further supported by a standard deviation of 111.2570. With a skewness of 1.809275, the distribution of social community service expenditures is moderately positively skewed, indicating more frequent smaller expenditures and fewer large ones. The kurtosis value of 6.415381 is slightly above the normal distribution's value of 3, indicates a moderate presence of outliers. The probability of the Jarque-Bera statistic at 0.000000 suggests that the distribution of social community service expenditures does not significantly deviate from normality at 5% level of significance.

For TRF (transfer expenditures), Table 4.1 shows a mean value of 117.7094, indicating the average transfer expenditure by the federal government. The maximum value of 779.1550 and the minimum value of 0.000000 indicate a substantial disparity in transfer spending levels, further

supported by a standard deviation of 175.0274. With a skewness of 2.109422, the distribution of transfer expenditures is moderately positively skewed, indicating more frequent smaller expenditures and fewer large ones. The kurtosis value of 7.217827 is slightly above the normal distribution's value of 3, indicates a moderate presence of outliers. The probability of the Jarque-Bera statistic at 0.000000 suggests that the distribution of transfer expenditures does not significantly deviate from normality at 5% level of significance.

Analyzing RGDP (real GDP) from Table 4.1, we see a mean value of 2.990017, reflecting the average real GDP over the period. The maximum and minimum values of 9.084192 and 0637198 respectively indicate considerable variability in economic output, which is further evidenced by a standard deviation of 1.803576. The skewness of 1.096565 indicates a slight positive skewness, suggesting a fairly symmetrical distribution of real GDP values but with a tendency towards higher values. The kurtosis of 4.304272 is slightly above the normal distribution's value of 3, indicates a moderate presence of outliers. The probability of the Jarque-Bera statistic at 0.002930 suggests that the real GDP distribution does not significantly deviate from normality at 5% level of significance.

The hypotheses for the study were tested using the estimates from Ordinary Least Squares, as shown below in Table 4.2.

4.2 Test of Hypotheses

The hypotheses for the study were tested using the estimates from Ordinary Least Squares, as shown below in Table 4.2.

Table 4.2 Hypotheses Testing with OLS

Dependent Variable: **RGDP**

Method: Least Squares

Date: 08/22/24 Time: 02:20

Sample: 1981-2023

Included observations: 43

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ADME	-0.018523	0.009059	-2.044657	0.0477
SCSE	0.015559	0.017064	0.911788	0.3675
TRFE	0.010237	0.003701	2.765641	0.0086
C	3.727260	0.283049	13.16826	0.0000
R-squared	0.384970	Mean dependent var	2.990017	
Adjusted R-squared	0.337660	S.D. dependent var	1.803576	
S.E. of regression	1.467828	Akaike info criterion	3.693852	
Sum squared resid	84.02622	Schwarz criterion	3.857685	
Log likelihood	-75.41783	Hannan-Quinn criter.	3.754269	
F-statistic	8.137174	Durbin-Watson stat	0.886265	
Prob(F-statistic)	0.000250			

Source: Eviews 10 Output (2024)

Table 4.2 presents the results of the hypotheses testing using Ordinary Least Squares (OLS) regression, where the dependent variable is real GDP (RGDP). The R-squared value of 0.384970 indicates that approximately 38.50% of the variability in Nigeria's real GDP can be explained by the federal government administrative expenditures, social and community service and transfer expenditures included in the model. This high R-squared value suggests a moderate explanatory power of the independent variables on the dependent variable, implying that federal government expenditures are significant determinants of economic growth in Nigeria. Additionally, the probability value associated with the F-statistic is 0.000250, which is highly significant. This indicates that the overall regression model is statistically significant and that the independent variables, administrative, social and community service and transfer expenditures, jointly have a significant effect on real GDP

4.2.1 Test of Hypothesis I

H01: administrative expenditures of Federal Governments in Nigeria have no significant influence on Real Gross Domestic Product of Nigeria

In Table 4.2, the regression coefficient for ADM (administrative expenditures) is -0.018523 with a probability (p-value) of 0.0477. This coefficient suggests that for every unit increase in federal government administrative expenditures, the real GDP (RGDP) of Nigeria is expected to decrease by -0.018523 units, holding all other factors constant. The p-value being 0.0477 which is less than 0.05 indicates that this relationship is statistically significant, implying strong evidence that federal government administrative expenditures have a negative and significant effect on Nigeria's economic growth. Therefore, administrative expenditures of federal governments in Nigeria have a negative and significant influence on real gross domestic product of Nigeria.

4.2.2 Test of Hypothesis II

H02: social and community service of federal governments in Nigeria have no significant effect on real gross domestic product of Nigeria.

For SCS (social community service expenditures), Table 4.2 shows a regression coefficient of 0.015559 with a probability (p-value) of 0.3597. This coefficient suggests that for every unit increase in federal government social community service expenditures, the real GDP of Nigeria is expected to increase by 0.015559 units, holding other factors constant. However, the p-value of 0.3675 which exceeded 0.05 is not statistically significant, indicating that there is no strong evidence to suggest that federal government social, community service expenditures have a significant effect on Nigeria's economic health. This implies that social and community service expenditure of State governments in Nigeria have a positive but non-significant effect on real gross domestic product of Nigeria.

4.2.3 Test of Hypothesis III

H03: Transfer of federal governments in Nigeria have no significant effect on real gross domestic product of Nigeria.

For TRF (transfer expenditures), Table 4.3 shows a regression coefficient of 0.010237 with a probability (p-value) of 0.0086. This coefficient suggests that for every unit increase in federal government transfer expenditures, the real GDP of Nigeria is expected to increase by 0.010237 units, holding other factors constant. However, the p-value of 0.0086 which less than 0.05 is statistically significant, indicating that there is strong evidence that federal government expenditures have a significant effect on Nigeria's economic health. This implies that transfer expenditure of federal governments in Nigeria have a positive and significant effect on real gross domestic product of Nigeria.

4.3 Discussion of Findings

Administrative expenditure of state governments in Nigeria, which include spending on salaries, wages, and office supplies and equipment, building and facility costs, travel and transportation, training and development, legal and professional services other operational costs, have been found to be negative and statistically significantly influence the country's real GDP. This negative influence means that the costs of associated with the administration decreasing the overall economic out of Nigeria. While the statistically significant effect shows that there is a reliable and non-random relationship between the amount of money spent on administration and the level of real GDP. It suggests that changes in administrative spending have a measurable impact on economy output. The implication of this is that, policymakers should take administrative spending into account when planning economic strategies, as it has a proven effect on the healthy economy.

The decrease in administrative spending will help economic growth and increase demand for goods and services, bolstering businesses and encouraging investment. Chandana et al. (2021) found no significant impact of administrative expenditures on economic growth in both the short and long term but recommended improving spending patterns to enhance human development.

In contrast, Ogbu et al. (2021) found that while overall administrative expenditures is positively contribute to Nigeria's economic growth, expenditures on social and community services and transfers are the most impactful.

Secondly, social and community service expenditures of federal governments in Nigeria, which encompass provision of healthcare, education facilities, social welfare, housing, and rural development. These expenditures are part of the broader efforts to promote social development, reduce poverty, and improve the quality of life for Nigerian citizens. Social and community service expenditures have a positive but non-significant effect on real GDP. The positive effect means that an increase in social and community services expenditure is associated with an increase in real GDP. In other words, more spending on these services is correlated with economic growth. While not statistically significant means that, although there is a positive relationship between the expenditure and real GDP, the evidence is not strong enough to confidently say that this relationship is not due to random chance. The implication of this is that, policy makers should take

cautious in using this evidence to justify increases in social and community services spending as a way to GDP. It suggests that more research or data might be needed to understand the true impact of social and community services expenditure on economic growth. The lack of statistical significance might prompt economists and policy makers to look into other factors that could be influencing GDP or to refine their models to better capture the effects of social spending. It could also indicate that the effect of social and community services expenditure on GDP might be indirect or influenced by other variables not accounted for in the analysis. This finding negates that of Chandana et al. (2021) which emphasized the positive and significant impact of social and community service expenditures on economic growth, both in the short and long run. Adole (2021) reinforced these findings, showing that social and community service expenditures have a significant positive impact on economic growth in the long run. Abomaye (2020) also confirmed the significant positive impact of social and community service expenditures, advocating for increased investment in education, health, social security benefits, and other community based services that are intended to improve the quality of life for citizens.

Thirdly, transfer expenditures of federal governments in Nigeria, which encompass statutory allocations, debt servicing, pension and gratuities, subsidies and grants, social security programs. These expenditures are crucial in maintaining the fiscal balance across different levels of government and ensuring the provision of public goods services. They are typically included in the federal government's budget and are subject to oversight by various agencies to ensure that the funds are used for their intended purposes. Transfer expenditures have a positive and significant effect on real GDP. The positive effect means that an increase in transfer expenditure is associated with an increase in real GDP. This means that the money government spends on transfers like subsidies, pensions, social programs, or aid to states leads to real, measurable economic growth. While significant effect means that the relationship between transfer expenditures and GDP growth is not just a coincidence or due to random factors. It is strong enough that economists can confidently say that transfer expenditures are genuinely contributing to GDP growth in Nigeria. The policy implications suggest that such spending is an effective tool for promoting economic growth.

This finding is in-line with the study of Chandana et al. (2021) which emphasized the positive and significant impact of transfer expenditures on economic growth, both in the short and long run. Abomaye (2020) also confirmed the significant positive impact of transfer expenditures, advocating for increased investment in social security programs, pension and gratuities, increase in the allocation to local and state governments. The findings negate with the study of Adole (2021) which shows that transfer expenditures have a not significant and negative impact on economic growth in the long run..

5.0 Conclusion and Recommendations

The study concludes that federal government capital expenditure profiling affects economic health in Nigeria. The regression result suggests that expenditure on administration (ADME) shows negative and significant, while social and community service expenditure (SCSE) shows positive

and not significant but transfer expenditure (TRFE) indicates positive and significant effects on economic health of Nigeria.

Based on this, the study recommends that:

1. The federal government is encourage to conduct thorough audit of administrative expenses to identify inefficiencies and areas where costs can be reduced without impacting essential services. Redirect funds from administrative expenses to productive sectors that directly contribute to GDP growth, such as infrastructure education or healthcare and implement reforms to streamline government processes and reduce bureaucratic overhead, thereby reducing administrative costs.
2. The federal government should increase funding in social and community services with the aim of achieving a more substantial and measurable impact on GDP. It should focus on specific social and community programs that have been shown to have a stronger link to economic growth, such as those that improve workforce productivity or enhance educational outcomes.
3. The federal government of Nigeria should increase funding for transfer programs that have been shown to positively impact GDP. This could include direct transfers to individuals or targeted subsidies. Ensure that transfer programs are well targeted to maximize their economic impact. This involve refining eligibility criteria and ensuring funds reach those who will use them productively.

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