
GOVERNMENT EXPENDITURE AND ECONOMIC GROWTH IN NIGERIA

Akaegbobi, Tochukwu Nkem (PhD)¹ & Nwosu Kanayo Chike (PhD)²

¹Department of Accountancy, Nnamdi Azikiwe University, Awka, Nigeria

²Department of Marketing, Nnamdi Azikiwe University, Awka, Nigeria

ABSTRACT

The study ascertained the effect of government expenditure on the economic growth of Nigeria. Specifically, the study assessed the effect of government capital expenditure, government recurrent expenditure and total government expenditure on the real gross domestic product of Nigeria. This study adopted an ex-post-facto research design. The data required for this study were collected from secondary sources, primarily from the Central Bank of Nigeria (CBN) Statistical Bulletin, and the National Bureau of Statistics (NBS). The key variables for which data were collected include government capital expenditure, government recurrent expenditure, and the real GDP of Nigeria. This study relies on time-series data covering the period from 1999 to 2023. Descriptive statistics was employed to summarize the key characteristics of the data. The primary method of test of hypotheses was the Ordinary Least Squares (OLS) regression technique. The study found that: government capital expenditure has a negative but non-significant effect on the real GDP of Nigeria, government recurrent expenditure has a positive but non-significant effect on the real GDP of Nigeria, total government expenditure has a positive and non-significant effect on the real GDP of Nigeria. In conclusion, the current structure or implementation of government spending may not be effectively aligned with mechanisms that drive sustained economic output. The study recommends that the Federal Ministry of Finance, Budget and National Planning should improve the planning, execution, and monitoring of capital projects to ensure that funds allocated for infrastructure and development projects are efficiently utilized and produce measurable economic impact.

Keywords: Government Expenditure, Economic Growth, Government Capital Expenditure, Government Recurrent Expenditure, Real Gross Domestic Product

1.0 Introduction

Government expenditure plays a critical role in shaping the economic development trajectory of any nation, especially in emerging economies such as Nigeria. In the context of Nigeria, government spending has been at the center of discussions related to economic growth, fiscal policy, and developmental economics (Nwikipugi & Agbana, 2025). Nigeria, as Africa's largest economy and one of the most populous nations, relies heavily on government expenditure to drive its economic policies and development programs. Government expenditure encompasses spending on a wide range of activities, including education, healthcare, infrastructure development, defense, public services, and social welfare (Mensah & Adukpo, 2025). The effectiveness of government spending can significantly influence the economic performance of the country, impacting growth, employment, poverty alleviation, and overall living standards. As a country with vast resources but faced with numerous challenges, Nigeria's government expenditure needs to be effectively managed and allocated to achieve sustainable economic growth (Chandana, Adamu & Musa, 2024).

In today's business environment, effective government expenditure is crucial not only for the functioning of public services but also for the overall health of the economy. The relevance of government expenditure has evolved over time, especially as nations around the world face the challenges of economic instability, global competition, and the need for social equity. Effective expenditure management ensures that resources are allocated in ways that maximize their impact on economic growth and development (Nwikipugi & Agbana, 2025). In Nigeria, a country with a complex economic landscape and significant inequalities, strategic government spending can help bridge gaps in infrastructure, education, and healthcare, which in turn can foster a more competitive and resilient economy. In a rapidly changing global economic environment, where both domestic and international factors influence growth, government expenditure must be carefully planned and implemented to address emerging economic and social needs, reduce unemployment, and foster business innovation and investment (Jolaiya, 2024).

Government expenditure in Nigeria, which is predominantly financed through oil revenue, has historically been a subject of scrutiny due to its impact on both short-term and long-term economic performance (Chandana, Adamu & Musa, 2024). While the Nigerian government has made strides in addressing critical infrastructure deficits and social needs through its spending programs, challenges such as corruption, inefficiency, and over-dependence on oil revenues have hindered the optimal use of government funds. Studies have shown that despite high levels of government spending, Nigeria has experienced periods of economic stagnation, rising debt, and insufficient economic diversification (Nwikipugi & Agbana, 2025). The allocation of government expenditure to sectors such as infrastructure, education, agriculture, and healthcare is believed to have significant potential to stimulate growth and improve human capital. However, without effective implementation, these expenditures may fail to generate the desired economic benefits (Mensah & Adukpo, 2025).

Government expenditure can have a profound impact on economic growth, as it directly influences the availability and quality of public goods and services, which are essential for promoting long-term development (Jolaiya, 2024). The relationship between government expenditure and economic growth can be complex, as it involves various factors, including the allocation of funds, the efficiency of government spending, and the overall economic environment. In Nigeria, the government has made considerable investments in key sectors, such as infrastructure development, education, and healthcare, which are fundamental drivers of economic growth. However, the efficiency and effectiveness of these investments remain a point of contention. Additionally, government spending on education and health can

contribute to the development of human capital, which is essential for driving productivity, innovation, and competitiveness in the global economy. On the other hand, inefficient government spending, coupled with corruption, mismanagement, and lack of accountability, can result in wasted resources, hindering the potential benefits of such expenditure.

However, the effectiveness of government expenditure in promoting economic growth depends on several factors. First, the allocation of resources must be strategically aligned with the nation's development priorities, ensuring that public funds are directed towards areas that have the highest potential to stimulate economic growth (Nwikipugi & Agbana, 2025). In Nigeria, sectors such as infrastructure, education, agriculture, and healthcare are critical areas where targeted government expenditure can have a transformative impact on growth. Second, the efficiency of government spending is paramount. Misallocation of funds, corruption, and lack of proper monitoring and evaluation mechanisms can undermine the potential of government expenditure to drive growth (Chandana, Adamu & Musa, 2024). Third, the overall macroeconomic environment, including factors such as inflation, interest rates, and exchange rates, can influence the effectiveness of government spending. For instance, high inflation or exchange rate volatility can erode the value of government expenditure, limiting its impact on the economy.

Moreover, government expenditure can have a direct influence on the private sector, which is a key driver of economic growth in most economies. By improving infrastructure, providing public goods, and creating an enabling environment for business, government spending can enhance the competitiveness of the private sector. Additionally, government spending on social welfare programs, such as unemployment benefits and poverty alleviation initiatives, can increase the purchasing power of citizens, thereby boosting demand for goods and services. This can create a positive feedback loop, where increased demand leads to higher production and investment, further stimulating economic growth. Thus, government expenditure in Nigeria plays a critical role in shaping the nation's economic growth and development (Jolaiya, 2024). While government spending has the potential to stimulate growth and improve living standards, its effectiveness depends on how resources are allocated, the efficiency of implementation, and the broader economic context (Mensah & Adukpo, 2025). For Nigeria to achieve sustainable and inclusive economic growth, it is essential for government expenditure to be strategically directed towards sectors that foster long-term development, such as infrastructure, education, and healthcare. Additionally, addressing issues of inefficiency, corruption, and mismanagement is crucial to ensuring that government expenditure delivers the desired outcomes. Therefore, understanding the relationship between government expenditure and economic growth is key to formulating effective fiscal policies that promote development, reduce poverty, and enhance the well-being of citizens.

However, despite the substantial funds allocated to various sectors of the economy, inefficient spending, misallocation of resources, and corruption have hindered the expected outcomes (Nwikipugi & Agbana, 2025). For instance, large portions of the government's expenditure often go towards servicing debt, while critical sectors like education, healthcare, and infrastructure receive inadequate funding or are mismanaged. Additionally, public projects are often plagued by delays, cost overruns, and lack of proper monitoring and evaluation, which reduce their potential to contribute to economic growth. The reliance on oil revenues as the primary source of funding has also created an unsustainable fiscal structure, leading to economic vulnerability and instability.

As a result, the mismanagement of public funds has resulted in stagnation and slower economic growth, as critical infrastructure projects and social welfare programs fail to deliver

the intended benefits (Chandana, Adamu & Musa, 2024). Furthermore, the lack of investment in key areas such as education and healthcare has hindered human capital development, affecting the productivity and competitiveness of the workforce. The poor allocation of resources has also contributed to rising inequality, as large portions of government spending do not reach the most vulnerable segments of society. Additionally, the economic instability caused by over-reliance on oil revenues and unsustainable fiscal policies has led to a decline in investor confidence, limiting the country's ability to attract foreign investment. In the long term, these inefficiencies could undermine Nigeria's ability to achieve sustainable and inclusive growth, perpetuating the cycle of poverty and underdevelopment. Therefore, it is critical to assess and address the gaps in government expenditure management to ensure that public funds are used effectively to promote national economic growth.

1.1 Objectives of the Study

The broad objective of the study is to ascertain the effect of government expenditure on the economic growth of Nigeria. Specifically, the study will:

1. Explore the effect of government capital expenditure on the real gross domestic product of Nigeria.
2. Determine the effect of government recurrent expenditure on the real gross domestic product of Nigeria.
3. Assess the effect of total government expenditure on the real gross domestic product of Nigeria.

1.2 Research Hypotheses

H01: Government capital expenditure has no significant effect on the real gross domestic product of Nigeria.

H02: Government recurrent expenditure has no significant effect on the real gross domestic product of Nigeria.

H03: Total government expenditure does not significantly affect the real gross domestic product of Nigeria.

2.0 Review of Related Literature

2.1 Conceptual Review

2.1.1 Government Expenditure

Government expenditure refers to the total amount of money spent by the government on various public services, programs, and investments (Nwikipugi & Agbana, 2025). It is a critical element in the fiscal policy of a nation, serving as a primary tool for implementing government plans and policies (Jolaiya, 2024). These expenditures can be divided into different categories based on their nature and purpose. In general, government expenditure is aimed at addressing societal needs, enhancing public welfare, fostering economic development, and ensuring the efficient functioning of the state (Mensah & Adukpo, 2025). Governments allocate resources to various sectors such as education, healthcare, infrastructure, defense, and social welfare, all of which are essential to the overall functioning of society. The allocation of funds to these areas is expected to promote the well-being of the public and contribute to the development of the country.

Government expenditure is usually funded by the collection of revenue, which can come from taxes, duties, and other income-generating activities such as oil revenues, foreign loans, and grants. The total amount of government expenditure is a critical factor in determining the fiscal health of a country (Chandana, Adamu & Musa, 2024). When government spending is well-managed and effectively allocated, it can stimulate economic growth, create jobs, and improve living standards (Jolaiya, 2024). Conversely, inefficient or excessive government

expenditure, particularly in non-productive areas, can lead to inflation, excessive debt, and a weakened economy. The balance between government expenditure and the country's ability to generate revenue is crucial in maintaining fiscal sustainability. Thus, government expenditure plays a significant role not only in immediate public service delivery but also in shaping the long-term economic trajectory of a nation (Nwikipugi & Agbana, 2025).

A government's expenditure policies can also be a reflection of its priorities and political agenda. For instance, a government may choose to invest heavily in infrastructure to stimulate economic growth or focus on social programs to reduce inequality and improve health outcomes. The structure of government expenditure is often shaped by the political landscape, with different administrations prioritizing different sectors of the economy. Additionally, government expenditure is central to macroeconomic policies as it influences aggregate demand and economic activity (Nwikipugi & Agbana, 2025). The proper management and strategic allocation of government expenditure are necessary for achieving economic stability, reducing poverty, and promoting sustainable development.

2.1.1.1 Government Capital Expenditure

Government capital expenditure refers to the portion of government spending allocated to long-term investments that are expected to enhance the productive capacity of the economy (Mensah & Adukpo, 2025). It involves the acquisition, construction, and development of physical assets such as infrastructure, buildings, machinery, and equipment that are intended to provide benefits over a long period. This type of expenditure is usually directed towards projects that will improve the country's infrastructure, such as roads, bridges, schools, hospitals, and energy facilities, which are essential for economic development. The aim of capital expenditure is to create or improve the physical foundation that supports economic activity, thereby stimulating growth and improving the quality of life for the population (Chandana, Adamu & Musa, 2024).

Capital expenditure is distinguished from recurrent expenditure in that it is focused on assets that generate long-term economic benefits rather than ongoing operational costs (Omodero, 2020). For example, constructing a new highway or expanding the national electricity grid are capital projects because they have a long-term impact on the economy and are expected to provide returns over many years. These investments are often considered to have a multiplier effect on the economy, as they not only improve public services but also create jobs, stimulate industries, and attract private investment. For instance, building infrastructure such as ports or roads can lead to increased trade, easier movement of goods and services, and higher business activity, thereby spurring broader economic growth.

Moreover, capital expenditure is often funded through long-term financing such as bonds, loans, or other forms of borrowing, as the benefits of these investments are realized over time (Chandana, Adamu & Musa, 2024). Given its long-term nature, capital expenditure is typically a key element in government plans for national development, with strategic investment decisions being made to align with the country's economic objectives. In developing countries, capital expenditure is especially crucial in addressing infrastructure gaps and improving basic services, which can lead to enhanced productivity, competitiveness, and overall economic development. Properly executed capital expenditure can also contribute to poverty reduction, as it may directly improve access to essential services such as education, healthcare, and transportation (Omodero, 2020).

2.1.1.2 Government Recurrent Expenditure

Government recurrent expenditure refers to the portion of government spending that is allocated for the ongoing operations and maintenance of government services and institutions

(Mensah & Adukpo, 2025). Unlike capital expenditure, which is directed toward long-term investments, recurrent expenditure is concerned with the day-to-day operational costs of government functions. These expenditures cover a wide range of activities, including salaries and wages of public employees, pensions, maintenance of government buildings, social programs such as healthcare and education, and costs associated with defense and security. Recurrent expenditure is essential for the normal functioning of government institutions, ensuring that public services are delivered effectively and efficiently to the population (Chandana, Adamu & Musa, 2024).

The major distinction of recurrent expenditure is that it does not create long-term assets or investments but rather supports the daily activities of the government and its various departments (Omodero, 2029). For example, the salaries of teachers, healthcare workers, and civil servants are recurrent expenditures, as are the costs associated with running government ministries and agencies. Recurrent expenditure also includes the costs of maintaining infrastructure and providing public goods, such as utility services and transportation. This expenditure is critical in sustaining the basic functions of government and ensuring the continued provision of essential services to citizens.

While recurrent expenditure is vital for maintaining public services, excessive or poorly managed recurrent spending can lead to fiscal imbalances and undermine economic stability (Chandana, Adamu & Musa, 2024). For instance, if a government spends too much on wages and social programs without increasing its revenue base or generating economic growth, it can lead to unsustainable deficits and rising debt levels. Consequently, governments must carefully balance recurrent expenditure to avoid fiscal deficits that could negatively impact the economy in the long term. Efficient recurrent expenditure ensures that essential public services are provided while avoiding waste and inefficiencies. It is also crucial for the government to continually assess and reform its recurrent spending to ensure that it aligns with the country's development goals and does not become a drain on public resources (Omodero, 2019). In developing economies, recurrent expenditure often consumes a significant portion of the government budget, leaving limited funds for capital investments that can stimulate long-term economic growth. This can create a challenging dynamic, where governments must balance the need for immediate service delivery with the necessity of making long-term investments in infrastructure and development. As such, a careful and strategic approach to recurrent expenditure is essential for ensuring both short-term public service delivery and long-term economic stability.

2.1.2 Economic Growth

Economic growth refers to the increase in the production of goods and services within a country over a specific period (Mensah & Adukpo, 2025), typically measured by the change in Gross Domestic Product (GDP). It signifies the expansion of an economy's capacity to produce wealth and improve living standards for its population. Economic growth is a key indicator of a nation's economic health and prosperity (Jolaiya, 2024), reflecting the ability of the economy to generate more output and income, which in turn can lead to higher levels of employment, investment, and productivity. Governments and policymakers typically focus on fostering economic growth as a means of addressing unemployment, poverty, and inequality, as well as ensuring a higher standard of living for citizens (Chandana et al., 2024; Omaliko et al., 2023).

Economic growth is driven by various factors, including technological advancement, capital accumulation, labor force growth, and improvements in productivity (Mose, 2024). When a country experiences sustained economic growth, it is able to expand its industries, increase employment opportunities, raise wages, and improve the general welfare of its citizens. This

growth can be achieved through a combination of government policies, such as investments in infrastructure, education, and healthcare, as well as by fostering a favorable business environment that encourages entrepreneurship and private sector development. Additionally, economic growth often leads to higher government revenues, which can be reinvested into the economy to further stimulate development (Chandana et al., 2024; Ezeala et al., 2024).

Sustained economic growth also plays a critical role in reducing poverty. As the economy grows, more jobs are created, and income levels generally rise, providing individuals with better access to resources and opportunities. Moreover, growing economies can improve public services and infrastructure, which in turn enhances the quality of life for citizens (Mensah & Adukpo, 2025).

2.1.2.1 Real Gross Domestic Product (RGDP)

Real Gross Domestic Product (RGDP) is a macroeconomic indicator used to measure the total value of goods and services produced within a country, adjusted for inflation over a given period, typically a year or quarter (Nwoye, Udunwoke & Nworie, 2023). By removing the effects of inflation, RGDP provides a more accurate representation of an economy's true growth and productivity. Unlike nominal GDP, which can be influenced by changes in price levels, RGDP reflects the actual increase in the production of goods and services, providing a clearer picture of economic performance and the standard of living in a country (Fix, Nitzan & Bichler, 2019). RGDP is used to compare the economic output of different countries, track an economy's performance over time, and formulate appropriate economic policies.

Real GDP is essential for understanding the health of an economy, as it helps distinguish between nominal changes in output due to inflation and actual changes in production capacity. By adjusting for inflation, real GDP allows policymakers, economists, and researchers to assess whether an economy is growing, stagnating, or contracting in real terms (Fix, Nitzan & Bichler, 2019). It also provides an accurate basis for making cross-country comparisons, as it standardizes the economic output in constant prices, eliminating the distorting effects of differing inflation rates. Consequently, real GDP serves as a reliable guide for determining economic policy, such as monetary policy, fiscal policy, and investment strategies.

The growth or decline of RGDP is typically interpreted as an indicator of economic progress or recession. When RGDP increases, it generally signifies that the economy is producing more goods and services, which can lead to higher employment rates, greater consumer spending, and improved public welfare (Nwoye, Udunwoke & Nworie, 2023). On the other hand, a decline in RGDP suggests a contraction in economic activity, which may lead to higher unemployment, lower income levels, and reduced investment. The growth rate of RGDP is often used to gauge the success of government policies, such as those related to fiscal stimulus or economic reforms, as well as to predict future trends in the economy (Fix, Nitzan & Bichler, 2019).

2.2 Theoretical Framework

2.2.1 Keynesian Theory of Public Expenditure

John Maynard Keynes, the English economist, made the use of government expenditure as a stabilization tool popular. Keynes wrote during the Great Depression of the 1930s and argued that insufficient aggregate demand leads to decline in output and employment below their potential level. Increasing aggregate demand thus will ultimately increase output and employment which will make the economy return to its full employment potential. In addition, Keynes posited that it is through expansionary fiscal policy that the above can be realised (Olowofeso, Ankoma, Zirra, Falade & Nsonwu, 2020).

The postulation of Keynesian Theory is that rather than balancing its budget, the government should increase its spending, reduce taxes, and shift its budget towards a deficit, during a recession. This is because an increase in the level of government expenditure would directly increase aggregate demand (Tenai, 2020). More so, lower taxes tend to increase the after-tax incomes of households and they would spend most of that additional income, which would also stimulate aggregate demand (Kambua, 2014; Omaliko et al., 2016).

On the other hand, when the economy experiences a problem with inflation during an economic boom, Keynesian analysis called for restrictive fiscal policy to curtail excessive demand (Olowofeso, Ankoma, Zirra, Falade & Nsonwu, 2020). In this case, reducing government expenditure, higher taxes, and a shift of the budget toward a surplus would reduce aggregate demand and thereby help to curb inflation. The argument of Keynesian Theory is that the budgetary policy of a government should be made to tailor the prevailing economic condition of the country (Muguro, 2017). In other words, economic conditions of a country determine the appropriate budgetary policy of the country. Keynesian view posits that governments should run budget deficits during recessionary times and surpluses during periods when inflation was a problem because of excessive demand (Dikeogu, 2018). Therefore, government expenditure can be used to positively or negatively influence economic growth rate, according to the postulation of this theory. Therefore, this theory forms an underpinning to the present study.

2.3 Empirical Review

Nwikipugi and Agbana (2025) explored the long-term and short-term impacts of government spending on economic growth in Nigeria. Using data from the Central Bank of Nigeria's 2020 Statistical Bulletin, the study applied both descriptive and analytical methods commonly employed in economics. Statistical techniques such as the Johansen-Co-integration Test (JCT) and Vector Auto-regression Mechanism (VECM) were utilized to estimate the economic growth model. In the short term, the study found that government spending on education and agriculture had a positive effect on Real Gross Domestic Product (RGDP), while spending on health, transportation, and debt servicing had a negative effect. The long-term impact of government spending on education, infrastructure, and debt service was also found to be significant. The findings suggest that government spending in Nigeria acts as a growth-promoting factor.

Mensah and Adukpo (2025) examined the effects of government expenditure on economic growth in Ghana. The study aimed to analyze the impact of both recurrent and capital government expenditure on the country's economic growth. Using time series data from 1972 to 2021, the study focused on government recurrent and capital expenditure as independent variables, with Gross Domestic Product (GDP) as the dependent variable. A unit root test was used to determine the stationarity of the variables. The results revealed that capital government expenditure (GCE) had a significant effect on GDP growth, with a coefficient of 0.26160 ($p < 0.01$), meaning a 1% increase in GCE led to a 0.26% increase in GDP. In contrast, the coefficient for recurrent government expenditure (RGE) was 0.05581 with a p-value of 0.2664, indicating a positive relationship with GDP, though not statistically significant. The Granger causality test revealed a bidirectional relationship between capital expenditure and economic growth, while economic growth influenced recurrent expenditure unidirectionally.

Chandana, Adamu, and Musa (2024) studied the impact of government expenditure on economic growth in Nigeria, considering both capital and recurrent expenditure. Time series data from 1970 to 2019 were analyzed using the Autoregressive Distributed Lag (ARDL)

model. The study accounted for structural breaks in the unit root test and co-integration analysis to ensure the robustness of the results. The findings indicated that capital expenditure had a positive and significant impact on economic growth in both the short and long term, whereas recurrent expenditure did not significantly influence economic growth.

Jolaiya (2024) examined the effects of government expenditure on economic growth in Nigeria. The study utilized data from the Central Bank of Nigeria's statistical bulletin and employed multiple regression analysis to explore the causal relationships between government spending and economic growth. The results revealed that government spending on health and the environment had a negative impact on economic growth, while spending on education and agriculture had a positive effect.

Mose (2024) analyzed the role of democracy and corruption in shaping the effects of government expenditure on economic growth in Kenya from 1990 to 2020. Using the generalized method of moments (GMM) framework to estimate the regression model, the study found that government expenditure, corruption levels, and democracy all positively affected economic growth by improving the efficiency of government expenditure.

Ekpo et al. (2022) employed modified and extended aggregate production model to examine the effects of government expenditure at its' aggregate level on economic growth in Nigeria for the period (1981-2018) using bound test (ARDL) approach. The co-integration result indicated the existence of long-run relationship between total government expenditure (LTGE) and economic growth in Nigeria. ARDL results showed that total government expenditure (LTGE) impacted positively on economic growth in Nigeria in line with Keynesian theory. The granger causality test result indicated the existence of uni-directional causal relationship from LGDP to LTGE for the observed period, in line with Wagner's theory. It is recommended that there should be proper utilization of public fund in the provision of security and critical infrastructure especially electricity supply and road infrastructure which are precursors to effective economic performance.

Pehlivan, Ayşegül and Konat (2021) examined the relationship between public expenditure and real gross domestic product (GDP) in OECD countries. The effect of total public expenditures and sub-headings on growth was analyzed using Panel data and clustering analysis. In the study covering the years 2000-2019 for 37 OECD countries, annual data on variables were obtained from the World Bank and OECD official databases. According to the results obtained in this study, in which it is desired to determine whether the Wagner Law or the Keynesian view is valid for the selected country group, it has been found that the Wagner Law is valid for some countries and the Keynesian view is valid for some countries. Thus, public expenditure affects the RGDP of some countries while it does not affect the RGDP of other countries.

Bendahmane and Chenini (2021) examined the long-run relationship between government expenditure and economic growth for investigating Wagner's Law in Algeria from 1970-2018. By using the bounds test approach to cointegration and using the nonlinear autoregressive distributed lag bounds testing. The study found there is a relationship running from economic growth to the size of government expenditure. This empirical findings confirmed the validity of Wagner's Law in the Algerian economy.

Using time series data for the period 1970-2019, Aluthge, Jibir and Abdu (2021) investigated Nigerian government expenditure by disaggregating it into capital and recurrent as predictors of economic growth. The paper employed Autoregressive Distributed Lag (ARDL) model; to ensure robustness of results, the study accounted 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.

Tenai (2020) examined the relationship between government expenditure and selected sectoral output performance in Kenya. The specific objectives are: to determine the effect of government expenditure on agriculture sector output performance in Kenya; to determine the effect of government expenditure on manufacture sector output performance in Kenya, and to determine the effect of government expenditure on service sector output performance in Kenya. The study analyzed three sectors in Kenya which are agriculture, service and manufacturing noted as the main stimulus for the economy, and focus on the variables that affect the sector output performance such as government expenditure, public debt servicing, inflation, interest rates, private investment, terms of trade and exchange rate. The study adopted annual time series data for the period 1980 to 2016 to evaluate the effects of government expenditure on selected sectoral output performance in Kenya where ARDL model was used. Unit root test was conducted to test for stationarity and Johansen cointegration test was conducted to establish if there was short-run or long-run relationship between the variables that affected real sector output performance. The study found out a positive relationship between government expenditure and agriculture output performance. The study also found a positive relationship between government expenditure and manufacturing output performance and lastly, the study found out a positive relationship between government expenditure and service output performance.

Frank and Kereotu (2020) examined the impact of Government Expenditure on Economic Growth (proxy by gross domestic product) in Nigeria. Secondary time series panel data was collected for the period 1998 to 2017 from the Statistical Bulletin of the Central Bank of Nigeria (CBN). The study employed Ordinary Least Squares (OLS) technique based on the computer software Windows SPSS 23 version for the analysis of data, where Gross Domestic Product (GDP), the dependent variable and proxy for economic growth, was regressed as a function of Inflation rate (IFR) and Interest rate (INTR), the independent variables. The results of the analysis showed that both Inflation rate and Interest rate have no significant effect on Gross Domestic Product on the economic growth in Nigeria.

Inim, Samuel and Prince (2020) examined the determinants of inflation in Nigeria using the autoregressive distributed lag (ARDL) method on quarterly data from January 1999-December 2018. Findings showed that poor infrastructural development, exchange rate, political instability, corruption, and double taxation significantly stimulate inflation rather than just money supply. The results show a causal relationship between other determined factors and inflation. The ARDL result showed a significant long-short run relationship.

Omodero (2020) investigated the influences of selected macroeconomic factors such as: inflation, exchange rate, total expenditure, population, debt servicing and Real GDP on government capital investments using data that cover a period from 2000 to 2017. Using ordinary least squares technique, the findings revealed that Real GDP and population had insignificant negative impact on capital investments, while total expenditure had significant positive impact on capital expenditure.

Olowofeso, Ankoma, Zirra, Falade and Nsonwu (2020) examined the symmetric and asymmetric effect of Nigeria's inflation on government expenditure using the linear and nonlinear ARDL frameworks and annual data from 1981 to 2018. The result showed robust evidence of symmetric and asymmetric co-integration between inflation and government

expenditure. The linear ARDL model and Toda-Yamamoto causality test with structural break are robust, performed well and confirmed that Nigeria's inflation increased government expenditure. It was observed in the study that in Nigeria, government expenditure exerted positive impact on economic output in both short and long run.

Omodero (2019) examined the extent to which government expenditure affects human capital development in Nigeria. The study used ordinary least squares method and secondary data that covered a period from 2003 to 2017. The OLS analysis revealed that recurrent expenditure had a positive effect on human development index (HDI), but the capital expenditure impacted negatively and insignificantly on HDI. It was recommended that funding of local industries should be increased so as to enhance the capacity to affect the economy positively.

Dikeogu (2018) examined the effect of public spending on inflation in Nigeria from 1980 to 2017. Secondary data were sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin (various issues). The study used public capital (GCE) and recurrent (GRE) spending as the main explanatory variables while money supply (MSS) and exchange rate (EXR) were added as check variables. The Auto Regressive Distributed Lag (ARDL) was used to analyze the relationship between public spending and inflation in Nigeria. The result showed that government capital spending impact negatively on inflation; government recurrent spending has a negative and an insignificant impact on inflation. Also, money supply had both a positive and negative impact on inflation while exchange rate had a positive and an insignificant impact on inflation.

Muguro (2017) examined the effect of public expenditure on economic growth in Kenya between 1963 and 2015. The study used secondary data extracted from Economic Surveys, Statistical Abstracts published by the Kenya National bureau of Statistics, Kenya Institute of Public Policy Research and Analysis and the Ministry of Devolution and Planning. The study applied Vector Auto Regression estimation technique using annual time series data for the period 1963 to 2008 to evaluate the effect of government expenditure on economic growth. The study used a Distributed Lag Model with lagged explanatory variables to explain the relationship between economic growth and public expenditure. The ARDL was used to test the causal link between public expenditure and economic growth in Kenya during the period. The long run regression results showed that the effect of public expenditure components on economic growth was non-significant.

2.4 Gap in Literature

Already, there is anextensive empirical investigations into the relationship between government expenditure and economic growth in Nigeria and other developing economies. However, there remains a gap in terms of recent and comprehensive coverage. Studies by Nwikipugi and Agbana (2025), Chandana, Adamu and Musa (2024), Jolaiya (2024), Ekpo, Aiyedogbon and Ocheni (2022), Aluthge, Jibir and Abdu (2021), George and Ekpenyong (2020), Inim, Samuel and Prince (2020), Omodero (2020), Dikeogu (2018), and Idris and Baker (2017) have variously examined either capital, recurrent, or total government expenditure on economic indicators, particularly real GDP. While these studies provide useful hints, most are limited either by narrower timeframes or by focusing on disaggregated sectors and shorter-term economic conditions. Moreover, few have integrated all three expenditure components—capital, recurrent, and total—in a single, unified analysis over an extended recent period. This study addresses that gap by offering a more updated and holistic analysis covering the period from 1999 to 2024, thus capturing the impacts of several economic reforms, oil price shocks, democratic transitions, and fiscal policy adjustments within the Nigerian economy.

3.0 Methodology

This study adopts an ex-post-facto research design to examine the effect of government expenditure on the economic growth of Nigeria between 1999 and 2023. Ex-post-facto design is commonly used in studies where the researcher seeks to investigate the relationships between existing variables, especially when the events or conditions have already occurred, as in this case where government expenditure and economic growth data are already available for the past years.

The data required for this study were collected from secondary sources, primarily from the Central Bank of Nigeria (CBN) Statistical Bulletin, and the National Bureau of Statistics (NBS). The key variables for which data were collected include government capital expenditure, government recurrent expenditure, and the real GDP of Nigeria. This study relies on time-series data covering the period from 1999 to 2023 to assess the trends in government expenditure and its relationship with the economic performance of Nigeria over the years. These data provide a solid foundation for understanding the dynamics of government spending and its potential effect on the real GDP of the country. The key variables in this study include:

Table 3.1 Measurement of Variables

Variable	Type of Variable	Measurement	Source
Real Gross Domestic Product (RGDP)	Dependent Variable	Natural logarithm of the total market value of goods and services at constant market prices	Fix, Nitzan & Bichler, 2019
Government Capital Expenditure (CAPEX)	Independent Variable	Total government spending on infrastructure, development projects, and long-term investments	Mensah & Adukpo, 2025
Government Recurrent Expenditure (RECUR)	Independent Variable	Government spending on operational expenses, such as salaries, pensions, and day-to-day public administration costs	Mensah & Adukpo, 2025
Total Government Expenditure (TOTEX)	Independent Variable	Sum of capital and recurrent expenditure	Mensah & Adukpo, 2025

Source: Researcher's Compilation (2025)

The study employed an econometric model to examine the effect of government expenditure (capital, recurrent, and total expenditure) on the real GDP of Nigeria. The model is expressed as:

$$GDP_t = \beta_0 + \beta_1 CAPEX_t + \beta_2 RECUR_t + \beta_3 TOTEX_t + \epsilon_t \quad \text{eqi}$$

Where:

GDP_t represents the Real Gross Domestic Product at time t ,

$CAPEX_t$ represents Government Capital Expenditure at time t ,

$RECUR_t$ represents Government Recurrent Expenditure at time t ,

$TOTEX_t$ represents Total Government Expenditure at time t ,

ϵ_t is the error term,

β_0 is the constant term,

$\beta_1, \beta_2, \beta_3$ are the coefficients of the respective variables.

The data were analyzed using a combination of descriptive and inferential statistics. Descriptive statistics was employed to summarize the key characteristics of the data, including central tendencies (mean, median), measures of dispersion (standard deviation), and normality tests (e.g., Jarque-Bera test) to check for data distribution patterns. The primary method of test of hypotheses was the Ordinary Least Squares (OLS) regression technique, which is widely used for time-series data. OLS is chosen because of its efficiency in estimating linear relationships between variables, its unbiased nature, and its applicability to long-term economic data analysis. This method allows for the estimation of the parameters of the model and provides hints on the significance of the different types of government expenditure on Nigeria's real GDP.

The inferential tests in this study were carried out at a 5% level of significance. If the p-value is greater than 0.05, the null hypothesis is accepted, indicating that government expenditure has no significant impact on economic growth. Conversely, if the p-value is less than 0.05, the null hypothesis is rejected, suggesting that government expenditure does significantly influence economic growth.

4.0 Data Analyses

The study ascertained the effect of government expenditure on the economic growth of Nigeria. Specifically, the study assessed the effect of government capital expenditure, government recurrent expenditure and total government expenditure on the real gross domestic product of Nigeria. This study adopted an ex-post-facto research design. The data required for this study were collected from secondary sources, primarily from the Central Bank of Nigeria (CBN) Statistical Bulletin, and the National Bureau of Statistics (NBS). The key variables for which data were collected include government capital expenditure, government recurrent expenditure, and the real GDP of Nigeria. This study relies on time-series data covering the period from 1999 to 2023 (see Appendix A).

4.2 Descriptive Analysis of Data

Table 4.1 Descriptive Analysis

	RGDP (₦' Billion)	CAPEX (₦' Billion)	RECUR (₦' Billion)	TOTEX (₦' Billion)
Mean	54076.52	1161.868	3910.480	5072.348
Median	58180.35	874.7000	3314.510	4199.860
Maximum	77936.10	4486.210	14287.56	18773.77
Minimum	24215.78	239.4500	449.6600	701.0500
Std. Dev.	17768.15	1006.166	3566.664	4541.503
Skewness	-0.340598	1.852786	1.381042	1.500313
Kurtosis	1.646090	6.170220	4.317368	4.754556
Jarque-Bera	2.392812	24.77246	9.754757	12.58565
Probability	0.302279	0.000004	0.007617	0.001850
Sum	1351913.	29046.71	97762.00	126808.7
Sum Sq. Dev.	7.58E+09	24296888	3.05E+08	4.95E+08
Observations	25	25	25	25

Source: Eviews 10 Output (2025)

The descriptive statistics presented in Table 4.1 for Real Gross Domestic Product (RGDP) reveal that the average RGDP over the study period (1999–2023) was ₦54,076.52 billion, with a minimum value of ₦24,215.78 billion and a maximum of ₦77,936.10 billion. The standard deviation of ₦17,768.15 billion indicates substantial variability in RGDP over time,

reflecting the cyclical nature of Nigeria's economy and fluctuations due to external shocks, policy changes, or structural adjustments. The distribution of RGDP is slightly negatively skewed (-0.340598), suggesting that lower values were somewhat more frequent than higher values over the period. The kurtosis value of 1.646090 indicates a distribution that is flatter than the normal curve (platykurtic), implying less frequent extreme deviations. The probability value from the Jarque-Bera test (0.302279) exceeds the 0.05 threshold, suggesting that RGDP data follow a normal distribution and meet the assumption of normality for further regression analysis.

For Government Capital Expenditure (CAPEX), Table 4.1 shows a mean value of ₦1,161.87 billion, with the minimum and maximum values recorded at ₦239.45 billion and ₦4,486.21 billion respectively. The standard deviation of ₦1,006.17 billion highlights a high degree of dispersion, suggesting inconsistencies in capital investment patterns over the years. The skewness value of 1.852786 indicates a strong positive skew, showing that in several years, capital expenditure was significantly higher than the average, possibly due to major infrastructure drives or election-year spending. A kurtosis of 6.170220 further supports this with a leptokurtic distribution, reflecting the presence of outliers or peak spending periods. Importantly, the Jarque-Bera probability value of 0.000004 is below 0.05, indicating that the data for CAPEX do not conform to a normal distribution, which may necessitate data transformation or robustness checks in inferential analysis.

Regarding Government Recurrent Expenditure (RECUR), the descriptive statistics in Table 4.1 indicate a mean of ₦3,910.48 billion, with values ranging from ₦449.66 billion to ₦14,287.56 billion. The high standard deviation of ₦3,566.66 billion shows considerable variability in operational government spending, which could reflect changes in wage policies, subsidies, or public service expansion. The skewness of 1.381042 points to a right-skewed distribution, suggesting that a few years had disproportionately high recurrent spending. The kurtosis of 4.317368 signifies a distribution that is more peaked than normal, again hinting at some years with significantly higher expenditure. The Jarque-Bera test yields a probability of 0.007617, which is less than 0.05, meaning the recurrent expenditure data significantly deviate from a normal distribution and may affect the assumptions of classical linear regression unless appropriately addressed.

For Total Government Expenditure (TOTEX), which combines both capital and recurrent spending, Table 4.1 shows an average value of ₦5,072.35 billion, ranging from ₦701.05 billion to ₦18,773.77 billion. The standard deviation of ₦4,541.50 billion reveals extensive variability in total spending, which aligns with observed fluctuations in CAPEX and RECUR. The distribution is positively skewed at 1.500313, and the kurtosis value of 4.754556 suggests a leptokurtic distribution, characterized by heavy tails and a sharp peak, indicating frequent extreme expenditure values. The Jarque-Bera probability of 0.001850, being below 0.05, confirms that the TOTEX data are not normally distributed. This non-normality highlights the need for careful diagnostic checking when these variables are used in regression modeling.

Table 4.2 Unit Root Test

Group unit root test: Summary

Series: LOGRGDP, LOGCAPEX, LOGRECUR, LOGTOTEX

Date: 04/10/25 Time: 21:50

Sample: 1999 2023

Method	Statistic	Prob.**	Cross-sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-3.08597	0.0010	4	96

Source: Eviews 10 Output (2025)

The Levin, Lin & Chu unit root test was conducted on the log-transformed variables (LOGRGDP, LOGCAPEX, LOGRECUR, and LOGTOTEX) to check for stationarity. The test result shows a test statistic of -3.08597 with a probability value of 0.0010, indicating that the null hypothesis of a unit root is rejected at the 1% level. This implies that the variables are stationary in their current form and do not suffer from non-stationarity, thus suitable for further econometric analysis such as cointegration or regression.

Table 4.3 Cointegration Test

Date: 04/10/25 Time: 21:50

Sample (adjusted): 2001 2023

Series: LOGRGDP LOGCAPEX LOGRECUR LOGTOTEX

Lags interval (in first differences): 1 to 1

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.766353	70.08044	47.85613	0.0001
At most 1 *	0.629898	36.63973	29.79707	0.0070
At most 2	0.401964	13.77829	15.49471	0.0892
At most 3	0.081444	1.953897	3.841466	0.1622

Source: Eviews 10 Output (2025)

The Johansen cointegration test shown in Table 4.3 above was employed using the Trace statistic to assess the long-run relationship among the variables. The test results indicate that the null hypothesis of no cointegrating equation is rejected at both the “None” and “At most 1” levels, with trace statistics (70.08 and 36.64) exceeding the critical values (47.86 and 29.80) and p-values of 0.0001 and 0.0070 respectively. This confirms the existence of at least two cointegrating relationships, implying a stable long-run association among the variables under study.

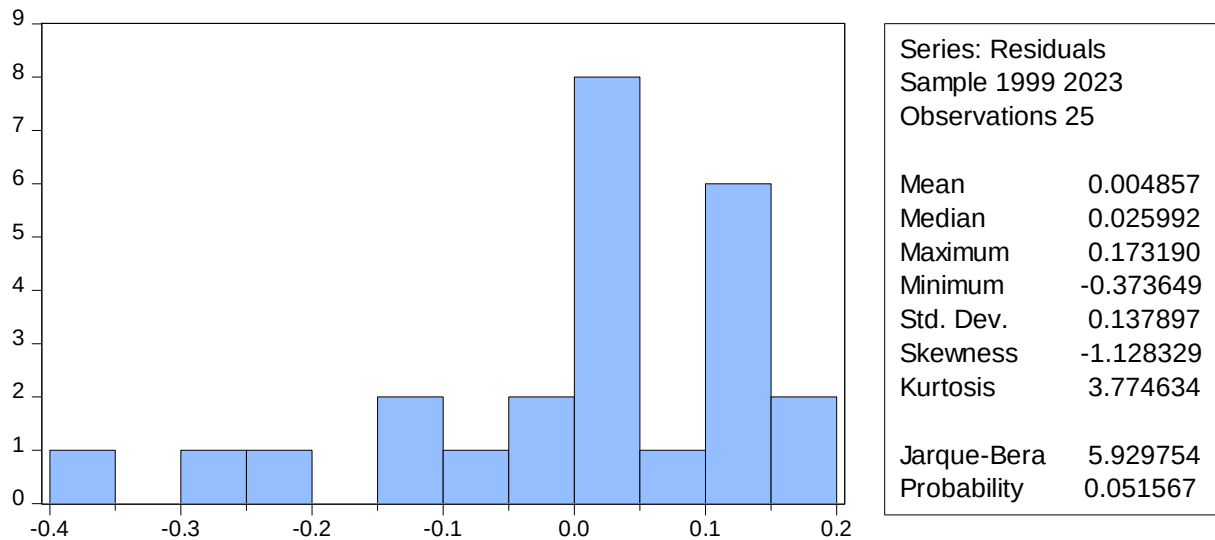


Figure 1 Normality Test
Source: Eviews 10 Output (2025)

The Jarque-Bera test as shown in Figure 1 above was used to evaluate the normality of the residuals from the regression model. The p-value obtained is 0.052, which is slightly above the 0.05 significance threshold. This suggests that the null hypothesis of normal distribution cannot be rejected at the 5% level, indicating that the residuals are approximately normally distributed. Hence, the assumption of normality required for many parametric tests and valid inference in regression is satisfied.

4.2 Test of Hypotheses

The regression output in Table 4.4 provides an analysis of the effect of government expenditure components on the real gross domestic product (RGDP) of Nigeria over the period 1999 to 2023. The raw data in appendix A were transformed to natural logarithm in order to reduce the variance in the regression analysis, as well as to minimise the effect of outliers in the estimation.

Table 4.4 Test of Hypotheses

Dependent Variable: LOGRGDP

Method: Least Squares

Date: 04/09/25 Time: 22:36

Sample: 1999 2023

Included observations: 25

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOGCAPEX	-0.177325	0.205669	-0.862187	0.3983
LOGRECUR	0.407421	0.484277	0.841297	0.4097
LOGTOTEX	0.093637	0.682789	0.137139	0.8922
C	3.505848	0.207188	16.92113	0.0000
R-squared	0.951259	Mean dependent var		4.706121
Adjusted R-squared	0.944296	S.D. dependent var		0.163380
S.E. of regression	0.038560	Akaike info criterion		-3.527537
Sum squared resid	0.031225	Schwarz criterion		-3.332517
Log likelihood	48.09422	Hannan-Quinn criter.		-3.473447
F-statistic	136.6174	Durbin-Watson stat		0.666797
Prob(F-statistic)	0.000000			

Source: Eviews 10 Output (2025)

Table 4.4 above shows that the adjusted R-squared value of 0.9443 indicates that approximately 94.43% of the variation in RGDP is explained by the combined effects of government capital expenditure, recurrent expenditure, and total expenditure. This high explanatory power confirms that the model fits the data well. Furthermore, the probability of the F-statistic is 0.0000, which is less than the 5% level of significance. This suggests that the overall model is statistically valid and that the independent variables, when considered together, significantly affect the dependent variable (RGDP). The constant term (C) has a coefficient of 3.5058 with a p-value of 0.0000, indicating it is statistically significant at the 5% level. This implies that if all government expenditures were hypothetically zero, the natural log of RGDP would still be significantly positive, suggesting that other underlying factors outside government spending also contribute to economic output in Nigeria.

4.2.1 Test of Hypothesis I

H01: Government capital expenditure has no significant effect on the real gross domestic product of Nigeria.

Concerning government capital expenditure (LOGCAPEX), the coefficient is -0.1773, which indicates a negative marginal effect on the real GDP. Specifically, a 1% increase in government capital expenditure results in an approximate 0.18% decrease in RGDP, holding other factors constant. This negative effect is counterintuitive and may suggest inefficiencies or delays in the execution of capital projects. However, this effect is not statistically significant at the 5% level as the p-value is 0.3983, which is greater than 0.05. Thus, although the coefficient shows a negative sign, we accepted the null hypothesis because the p-value is greater than 0.05. Hence, Government capital expenditure has a negative but non-significant effect on the real GDP of Nigeria ($\beta = -0.1773$, $p = 0.3983$).

4.2.2 Test of Hypothesis II

H02: Government recurrent expenditure has no significant effect on the real gross domestic product of Nigeria.

With regard to government recurrent expenditure (LOGRECUR), the coefficient is 0.4074, which implies that a 1% increase in recurrent expenditure leads to an approximate 0.41% increase in RGDP, *ceteris paribus*. This positive marginal effect suggests that recurrent spending—such as salaries, pensions, and administrative costs—may contribute to stimulating economic activity, perhaps through increased consumption or demand. However, the p-value of 0.4097 indicates that this effect is not statistically significant at the 5% level. Therefore, despite the positive coefficient, the null hypothesis was accepted that Government recurrent expenditure has a positive but non-significant effect on the real GDP of Nigeria ($\beta = 0.4074$, $p = 0.4097$).

4.2.3 Test of Hypothesis III

H03: Total government expenditure does not significantly affect the real gross domestic product of Nigeria.

Regarding total government expenditure (LOGTOTEX), the coefficient is 0.0936, implying that a 1% rise in total expenditure is associated with a 0.09% increase in RGDP, assuming other variables remain constant. This reflects a positive but minimal marginal effect of total government spending on economic output. However, this effect is not statistically significant since the p-value is 0.8922, which is far above the 5% threshold. Consequently, the null hypothesis was accepted that Total government expenditure has a positive and non-significant effect on the real GDP of Nigeria ($\beta = 0.0936$, $p = 0.8922$).

4.3 Discussion of Findings

The finding that government capital expenditure has a negative but non-significant effect on Nigeria's real GDP ($\beta = -0.1773$, $p = 0.3983$) suggests that capital projects may not be contributing meaningfully to economic growth in the short term. This could be due to poor implementation of infrastructure projects, corruption, delays in execution, or investments in non-productive assets. In Nigeria, capital expenditure often suffers from bureaucratic bottlenecks and political interference, which can limit its ability to stimulate growth. Additionally, if such spending is financed through excessive borrowing without returns, it could weigh down the economy. This result is in disagreement with several empirical studies. For instance, Mensah and Adukpo (2025) and Chandana et al. (2024) found that capital expenditure had a positive and significant impact on GDP, highlighting its role in infrastructure development and long-term productivity gains. Aluthge, Jibir, and Abdu (2021) also reported a growth-boosting effect of capital spending, while Omodero (2020) noted that high debt servicing costs hinder capital investment outcomes in Nigeria. However, Omodero (2019) aligns with the current study, revealing that capital expenditure may actually have a negative effect due to inefficiencies in execution. Thus, while capital expenditure has the potential to drive growth, its real impact depends heavily on governance and project quality.

The finding that government recurrent expenditure has a positive but non-significant effect on real GDP ($\beta = 0.4074$, $p = 0.4097$) implies that while recurrent spending—such as salaries, pensions, and maintenance—might support consumption and economic stability, it does not necessarily translate into growth. This is especially true if the bulk of recurrent expenses are directed toward non-productive administrative costs rather than enhancing human capital or public service delivery. It also reflects the limitations of short-term spending in driving sustainable economic development. This outcome aligns with the findings of Chandana et al. (2024), who also found recurrent expenditure to be statistically insignificant in influencing GDP. Mensah and Adukpo (2025) reported a similar result, noting that recurrent spending

has a positive but non-significant impact. Aluthge et al. (2021) reinforce this view, suggesting that recurrent expenditure often sustains existing systems rather than building new economic value. On the other hand, Omodero (2019) noted that recurrent spending can improve the Human Development Index, which may support long-term growth indirectly. Overall, while recurrent spending helps maintain economic functions, it may lack the transformative capacity needed for measurable GDP growth.

The study also found that total government expenditure has a positive but non-significant effect on real GDP in Nigeria ($\beta = 0.0936$, $p = 0.8922$), indicating that simply increasing the size of government spending does not necessarily lead to stronger economic performance. This may be due to inefficiencies in public finance management, corruption, or a poor mix between capital and recurrent expenditures. It suggests that the quality and composition of spending matter more than the quantity. If resources are not allocated to sectors that generate long-term returns, overall government expenditure might have little effect on growth. This finding contrasts with Ekpo et al. (2022), who reported that total government expenditure has a positive effect on growth, with GDP even influencing spending in return. Idris and Baker (2017) also found a significant positive impact of government spending on economic growth. However, Muguro (2017) observed a non-significant long-term effect, aligning with the current study. Bendahmane and Chenini (2021), along with Balkı and Göksu (2023), supported Wagner's Law, which implies that economic growth often leads to higher government spending rather than the other way around. These mixed results reflect ongoing debates in the literature about whether government expenditure drives growth or is a response to it, with effectiveness often depending on policy efficiency and institutional strength.

5.0 Conclusion and Recommendations

This study explores how different types of government spending—capital expenditure, recurrent expenditure, and total government expenditure—affect the real GDP of Nigeria. While public spending is often seen as a tool to drive economic growth, the effectiveness of each expenditure type can vary significantly depending on how the funds are allocated, economic conditions, and implementation efficiency. The findings of this study suggest that government expenditure in its various forms—capital, recurrent, and total—has not had a statistically significant effect on Nigeria's economic growth over the observed period. Despite the theoretical expectation that public spending should stimulate economic development, the results indicate that such expenditures have not produced measurable changes in real GDP. This may imply that the current structure or implementation of government spending may not be effectively aligned with mechanisms that drive sustained economic output. The non-significant results across all expenditure categories raise important concerns about the efficiency, productivity, and timing of government spending in contributing to the broader macroeconomic environment.

Moreover, the differing directions of the expenditure coefficients reflect a potential imbalance in the allocation or utilization of public funds. While recurrent and total expenditures show positive signs, suggesting a possible stimulative role, the lack of statistical significance implies that any observed economic contributions are either minimal or inconsistent. On the other hand, the negative sign associated with capital expenditure hints at underlying issues in developmental spending, such as project delays, corruption, or poor prioritization. In all, the implications point to a broader need for introspection on how government expenditures are planned and executed, especially in terms of generating tangible impacts on economic growth and improving macroeconomic outcomes. The study makes the following recommendations:

1. The Federal Ministry of Finance, Budget and National Planning should improve the planning, execution, and monitoring of capital projects to ensure that funds allocated for infrastructure and development projects are efficiently utilized and produce measurable economic impact.
2. The Office of the Head of Civil Service of the Federation should implement strict payroll audits and efficiency reviews to ensure that recurrent spending—especially on salaries and administrative costs—is directed toward productive activities that enhance public service delivery and support long-term economic growth.
3. The National Assembly's Committees on Appropriations and Economic Planning should review the structure and allocation of total government expenditure annually, with a focus on balancing recurrent and capital spending, to ensure that public funds contribute effectively to real economic growth.

5.2 Limitations of the Study and Suggestions for Further Studies

It is a major limitation of this study that it only looked at Nigeria as a whole and did not consider how government spending might affect different sectors or regions in different ways. Because the study focused only on capital, recurrent, and total expenditure, it did not look at how specific types of spending—like education, health, or infrastructure—might impact the economy differently. Lastly, other important factors that can affect economic growth, such as inflation, interest rates, or foreign investments, were not included in the analysis.

Future research could look at how government spending affects specific sectors like agriculture, education, or health to see where money is making the most difference. Researchers can also study how government spending affects different parts of Nigeria, such as northern or southern states, to find out if some regions benefit more than others. In addition, future studies could include other important factors that influence economic growth, such as inflation or foreign trade, to get a better understanding of what really drives the Nigerian economy.

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Appendix: Data Set

Year s	RGDP (₦' Billion)	CAPEX (₦' Billion)	RECUR (₦' Billion)	TOTEX (₦' Billion)	Log TOTE X	Log CAPE X	Log RECU R	Log RGD P
1999	24215.78	498.03	449.66	947.69	2.98	2.70	2.65	4.38
2000	25430.42	239.45	461.60	701.05	2.85	2.38	2.66	4.41
2001	26935.32	438.70	579.30	1018.00	3.01	2.64	2.76	4.43
2002	31064.27	321.38	696.80	1018.18	3.01	2.51	2.84	4.49
2003	33346.62	241.69	984.30	1225.99	3.09	2.38	2.99	4.52
2004	36431.37	351.25	1110.80	1462.05	3.16	2.55	3.05	4.56
2005	38777.01	519.47	1321.30	1840.77	3.26	2.72	3.12	4.59
2006	41126.68	552.39	1390.20	1942.59	3.29	2.74	3.14	4.61
2007	43837.39	759.28	1589.27	2348.55	3.37	2.88	3.20	4.64
2008	46802.76	960.89	2117.36	3078.25	3.49	2.98	3.33	4.67
2009	50564.26	1152.80	2127.97	3280.77	3.52	3.06	3.33	4.70
2010	55469.35	883.87	3109.44	3993.31	3.60	2.95	3.49	4.74
2011	58180.35	918.55	3314.51	4233.06	3.63	2.96	3.52	4.76
2012	60670.05	874.70	3325.16	4199.86	3.62	2.94	3.52	4.78
2013	63942.85	1108.39	3689.10	4797.49	3.68	3.04	3.57	4.81
2014	67977.46	783.12	3426.94	4210.06	3.62	2.89	3.53	4.83
2015	69780.69	818.35	3831.95	4650.30	3.67	2.91	3.58	4.84
2016	68652.43	653.61	4160.11	4813.72	3.68	2.82	3.62	4.84
2017	69205.69	1242.30	4779.99	6022.29	3.78	3.09	3.68	4.84
2018	70536.35	1682.10	5675.20	7357.30	3.87	3.23	3.75	4.85
2019	72094.09	2289.00	6997.20	9286.20	3.97	3.36	3.84	4.86
2020	70800.54	1614.89	8188.81	9803.70	3.99	3.21	3.91	4.85
2021	73382.77	2522.47	9145.16	11667.63	4.07	3.40	3.96	4.87
2022	74752.42	3133.82	11002.31	14136.13	4.15	3.50	4.04	4.87
2023	77936.10	4486.21	14287.56	18773.77	4.27	3.65	4.15	4.89

Source: CBN Bulletins and Bureau of Statistics, 1999-2023