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IS THERE REASONABLE BALANCE BETWEEN NIGERIA'S PUBLIC EXPENDITURES AND ECONOMIC PERFORMANCE?

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ABSTRACT

While the federal government continues to intensify its effort towards resuscitating the economy, which no doubt, has equally resulted in the unprecedented increase in the nation's annual public expenditures, the spate of mismanagement of this same scarce financial resources remains worrisome. In view of this, the study investigated the effect of government public expenditures on the economic performance of Nigeria with due emphasis on growth. Specifically, the study ascertained whether the effect of capital expenditure and size recurrent expenditure on the gross domestic product of Nigeria is unhealthy. Data from the Central Bank of Nigeria's Statistical Bulletins since the return of Nigeria to democratic regime (1999 – 2023) was utilized and subjected to further statistical analysis. As a result, the Ordinary Least Squares (OLS) regression method was employed to test the relevant hypotheses formulated. The findings revealed that: capital expenditure has a negative and non-significant effect on the gross domestic product (GDP) of Nigeria (b = -1.615543; p-value = 0.5374); the size of Nigeria's recurrent expenditure has a positive and significant unhealthy effect on the gross domestic product (GDP) of Nigeria (b = 17.75409; p-value = 0.0000). In conclusion, while recurrent expenditure maintained a damaging posture towards the nation's GDP growth possibilities perhaps due to the high external borrowings habitually taken by successive administrations in Nigeria from time to time to run personnel and administrative costs cum high cost of governance, the size of the nation's capital expenditure overtime has failed to demonstrate a positive effect, thus also reflecting potential inefficiencies in its implementation. The study therefore recommended that the Presidency and the National Assembly should reassess the nation's utilization of scarce financial resources, especially the external borrowed funds, ensuring that more of these are not only allocated to capital expenditures but should focus more on improving its efficiency amidst targeting high-impact productive sectors that promises commendable revenue contributions for effective debt servicing and economic sufficienc

Key words: *Capital Expenditure, Economic Performance, Gross Domestic Product, Size of Recurrent Expenditure.*

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1. INTRODUCTION

Public expenditures remain an essential part of government's managerial role in any nation. The resuscitation, revival and expansion of any economy globally depends largely on how well this constitutional obligation of the government is deployed, managed and implemented. Just as Economists are quite aware of its effects on promoting economic performance positively, the adequate explore of public expenditures by developed or developing countries on social and economic infrastructure can be growth enhancing, especially where appropriate policies, programmes and economic reforms are put in place. Asuch, public expenditures has remained one of the most important macroeconomic management tools for the efficient control of the reoccurring fluctuations in the level of demand and money supply in any economy. Where such annual public fund outflows are well managed, it can position an economy rightly on the path of sustainable growth and development. For instance, the economic policies of the Olusegun Obasanjo Regime between 1999 - 2007 appear to have ushered in some active moments in Nigeria's economic restructuring landscape (Nwoye, Obiorah & Ekesiobi, 2015) due to various result-driven public expenditures that were implemented, though not without several cases of corruption that marred the full actualization of these policies' intents/goals. Little wonder why the government has such as a consitutional responsibility towards providing essential goods and services (protection and provision of basic infrastructure/amenities) to the citizenry (Aderobaki & Falope, 2024).

Through the approved annual budget, relevant tiers of government indicate what to spend, how much to borrow to fund estimated expenditures, and sets policy priorities within overall spending limit so as to drive the desired economic growth. However, government attitude to approved budget implementation through disbursement of funds as appropriate to various Ministries, Departments and Agencies remains a great concern, considering its far reaching positive or negative consequences on the economic well being of the nation. Notably, increased government spending on socioeconomic and physical infrastructures could promote economic growth just as such public spending on education and agriculture readily boosts labour productivity and food security. Wahab (2016) opined that public spendings on infrastructural development such as safed and reliable roads netwroks, uninterrupted online communications and power, lowers production costs cum cost of doing business in any nation, boosts private sector investment/participation, and enhances the operationalization and profitability of corporate enterprises, thus contributing immensely to economic growth. While Nigerian government's expenditures have continued to climb as a result of increased demand for public goods such as roads, agriculture, power, education, security and health, despite the

nation's depleting income in recent times, the rising incidences of corruption has equally failed to receive the upright attention it deserves. Total government expenditure (capital and recurrent) and its components have continued to climb (Okoroigwe, 2024) the nation's chart of economic activities, thereby undermining its annual revenue and savings capacity For example, overall government expenditure went from N4,712 billion in 2011 to N4,989 billion in 2015, N12, 081 billion in 2020 and then N14,393 billion in 2022. Nigeria experienced an economic downturn due to dwindling oil revenue within this period, upon which the country relies for its sustenance. (Aderobaki & Falope, 2024).

Ironically, the effect of government spending in Nigeria in relation to the economic growth is still a puzzle and an unresolved issue (Nwoye, Ekesiobi & Ezenwafor, 2015) indeed theoretically. it is an unresolved issue Although the theoretical positions on the subject are quite diverse, the conventional wisdom is that or spending is a source of economic instability or stagnation Empirical research does not conclusive support the conventional wisdom, a few studies report position and significant negative relationship between government spending and economic growth while others find significantly negative or no relation between an increase in government spending and growth in real output. The conflicting views of the impact of government expenditure on economic growth have also led to this research Work. The uncertainty of public spending on economic growth gives rise to the various problems which include, but are not limited to the following: resource misallocation, establishment of businesses with negative externalities, partial implementation of development plans, existence of white elephant projects, and prevalence of imperfect markets (for example Monopolistic competition) which leads to continuous exploitation of the masses.

1.1 Objectives

The broad objective of this study was to conduct an investigation that readily paves room for concise understanding of the existent balance between public expenditures and economic performance of Nigeria. The specific objectives were to:

1. ascertain whether the effect of capital expenditure on the gross domestic product of Nigeria is significant.
2. investigate whether the size of Nigeria's recurrent expenditures has significant unhealthy effect on its gross domestic product.

1.2 Hypotheses

The study is guided by the following null hypotheses.

H_{o1}: The effect of Capital expenditure on the gross domestic product of Nigeria is not significant.

H_{o2}: Size of Nigeria's recurrent expenditures has no significant unhealthy effect on its gross domestic product.

2. LITERATURE REVIEW

2.1. Conceptual Review

2.1.1 Public Expenditures

In broad terms, public expenditure is a simple concept that denotes the dispensation by the state, on non-market criteria, of economic resources that it has acquired from firms and households. Ekpo (2018) observed that public expenditure includes purchases of goods and services as well as final product plus the cost of living the services of government employees and transferred payments. It is the total in cash terms of spending including transfers to ministries, parastatals, agencies and the three levels of the government. Ukah (2009) explained that public expenditures are aimed at meeting either immediate consumption needs or for capital investment to meet future consumption needs and therefore, is categorized into recurrent and capital expenditure.

John Maynard Keynes argued that public spending particularly boosts the economy. The political and social structures of a country are determinant of its economic make-up and framework. In other words, the level of economic growth and development in Nigeria are dependent on how the government manages the affairs of the country. The impact of government expenditure depends on its form. Mitchell (2015) outlined some important way in which government can increase growth to include provision of public goods and infrastructure, social service and targeted intervention (such as export subside). The country has experienced chronic stagnation since its political independence. Zhang and Zou (2021) asserted that the issue of government activities and its fiscal actions are not whether they are justified but how discretion is exercised in the use of the power involved since such actions have definite effects on the economy of the country in various dimension. Public expenditure on infrastructural facilities has a great role to play in the form of stimulating the economy. It is noteworthy that the volume of government spending on public infrastructures and capital projects is expected to affect the pace of economic growth in form and size. Unfortunately, the deteriorating spate of poor accountability of public expenditures in Nigeria remains a

major constraint to the projected improvement in the nation's economic performance. Much as still feared, Nwoye, Ekesiobi and Obiorah (2017) lamented that the gross misuse of political power, abuse of humanitarian rights of the citizenry, massive mismanagement of public funds that has paved way for gross abject poverty among most Nigerians in recent times, and the non-productive approaches adopted in the allocation of scarce national financial resources often obtained through foreign borrowing to largely personalized, leadership self-beneficial and non-substantial capital projects, are now vividly tolerated unchallenged in many developing African countries as well, than earlier pronounced.

Today, the observations of Nwoye, Abiahu, Obiorah and Ekesiobi (2017) that the Nigeria economy was suffering heavily, insecurity situations has set in and heightened, potential investors especially foreign investors are fleeing the shores of the Nigerian capital market, and the market has become generally almost tight as the cost of operating business in Nigeria has become unreasonably very high, may have been ignored and as a result grossly deteriorated lately.

2.1.2 Recurrent Expenditures

The recurrent expenditure comprises administration (general administration, defense and internal security); economic services (agriculture, construction, transport, communication and other); social and community services (education, health and others); and transfers (public debt charges or interest for both internal and external debt, pension and gratuities, and other such transfers to contingency fund, net depreciation on the revaluation of investments and extra budgetary expenditure) (Ekpo, 2018). According to Parro (2023) recurrent expenditure involves expenses that occurred after the existing expenditure had already been made for that year. It includes expenditure made regularly from year to year for maintenance of existing or new institutions and services including salaries, wages of public officers and their fringe benefits and expenses for servicing activities. Nigeria workers in recent times, through their labour and trade unions/representatives, have relentlessly asked for improved condition of service and increment in the monthly take home referred to as minimum wage in response to deteriorating economic hardships, persistently rising inflation, rising incidence of corrupt practices, outright deteriorating misappropriation and embezzlement of public funds which in most cases are rarely investigated and the worsening state of insecurity nationwide (Nwoye & Nwoye, 2021). This, no doubt, will lead to further hike in the annual recurrent expenditures of Nigeria.

It is note worthy that the component of government's recurrent expenditure include money pay for current goods and services such as expenses incurred administration, defense and other social services like education, health and pension schemes, personnel cost, overhead cost, utility services, telephones, furniture and equipment, entertainment and hospitals expenses and others. In Nigeria, this class of the nation's public expenditure has continued to maintain the tops before 1999 and after 1999 in the nation's annual budget with much emphasis made on cost of running the government yearly. This has also been referred to as the cost of governance. It is however pertinent to note that many of the items that constitute such cost of governance are glaringly unreasonable and inconsequential to appear make the often purported list. Imagine a Senator or the Presidency receiving heavy monthly outlay as newspaper allowance in this era of hyper technology and social media. What the issue of wardrobe allowance to law makers on monthly basis? Or is the release of new car allowance annually not astonishing? Aside the office of the President, why would a public servant have a motorade details of more than 10 – 15 cars daily, let alone 50 – 100 cars as largely obtainable today in Nigeria? No mention is made on the cost of fueling, maintaining/repairs, and remunerating of the drivers and other personnels often tied to such official rides. Is it economical for an economically sick nation as Nigeria to sponsor a public servant's trip oversea with over 20 – 100 other persons accompanying him/her as delegates? Who has thought about and rightly advised the concerned leadership on the additional cost of feeding and accommodation such enormous number of unnecessary delegates over the period of time the trip lasts?

These constitute the high cost of governance the nation is sickened with. At the moment, Nigeria's Due Process framework may be a big fraud and scam that requires urgent rescue (Okoye & Nwoye, 2021) as no one seem to be civic to question these excesses and anolmalies. Perhaps, this was why Okoye, Nwoye, Obiorah and Ekesiobi (2018) maintained that the development or underdevelopment of any nation depends commendably on the quality of governance maintained within that given jurisdiction.

2.1.3 Capital Expenditures

Anzaku and Odonye (2018) explained that capital expenditure involves expenses made mainly on the creation of fixed assets that could be used for future benefits and on the acquisition of permanent properties. It involves the cost of bringing into existence of a new institutions, services and project. In other words, government's capital expenditure is the spending on new construction, land and building acquisition, fixed assets which have

expected working life more than one year. Government's capital expenditure components include expenses incurred when government spends money either to buy fixed assets or to add to the value of an existing fixed asset with a useful life extending beyond the taxable year like land, buildings, bridges, power, roads, factories, schools, and equipment requirement for providing social and economic services. Others include machinery and equipment, vehicles, railways, and intangible assets, assets depreciation.

2.1.4 Economic Growth

Nwoye, Obiorah and Ekesiobi (2015) described economic growth as the gross domestic product (GDP) of a nation which, from the economist point of view, is the the market value of final goods and services produced within a country in a given period of time, which also serves as an effective evaluatory tool for weighing the general health of the economy towards revealing the stabilization status of the country's economy. Jhingan (2017) viewed it as an increase or the process of increasing in size, number, value or strength or simply an increase in economic activities. It is an increase over time in an economy's capacity to produce goods and services needed for the efficient improvement in the wellbeing of the citizenry. Besides, it connotes a long term rise in the level of capital to supply increasingly diverse economic goods to a country's rising or falling population size. When a country is experiencing economic growth the real output of goods and services are increasing at a faster rate than the rate of the population growth. In other words, economic growth is a substantial increase in the actual output of goods and services per head in a country. That is, a process whereby the real per capita income of a country increases over a long period (Fischer, 1987). According to Abubakar and Abu-Quarn (2023) economic growth is an increase in real per capita gross national product (GNP). It is the steady process by which the productivity capacity of an economy is increased over time to bring about rising level of national output and income. Growth is an engine of development, there can be no development without growth hence, and economic growth is desirable since it associated an increase in welfare.

2.2 Theoretical Review

2.2.1 Public Expenditure Theory

This study is anchored on public expenditure theory which assumed that if growth in Expenditure matches economic growth, then it should also translate into economic development. The applicable public expenditure theory in this study is based on Wagner's law, known as the law of increasing states pending. Wagner's law was formulated by Adolph

Wagner (1835-1917). The theory states that for any country, public expenditure constantly rises as income growth expands.

According to **Magazzino, Giolli, and Mele (2015)**, Wagner's law stipulates that in the process of economic development, the share of the public sector in GDP has been increasing overtime. **Cosimo, Lorenzo, and Marco (2015)** explained that the law is premised on four principles, as follows :that growth results in increased complexity because there are 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 resulting increase in public expenditure. However, this has not been the case in reality in developing nations like Nigeria because sometimes there are elements official illusion in government activities.

2.3 Empirical Studies:

Chandana, Adamu, and Musa (2024) investigated the impact of Nigerian government expenditure, disaggregated into capital and recurrent expenditures, on economic growth using time series data from 1970 to 2019. The study employed the Autoregressive Distributed Lag (ARDL) model and accounted for structural breaks in the unit root test and co-integration analysis to ensure the robustness of the results. The key findings revealed that capital expenditure positively and significantly impacts economic growth in both the short and long run, while recurrent expenditure does not have a significant impact on economic growth in either timeframe. The study recommends that the government increase the share of capital expenditure, particularly on projects that directly benefit citizens' welfare. Additionally, the government should improve the spending patterns of recurrent expenditure by reallocating resources towards productive activities that enhance human development in the country.

Olufemi and Omorogiuwa (2024) examined the effect of public expenditure on Nigeria's economic growth over a 23-year period, from 2000 to 2022, focusing on national defense and infrastructure development expenditures, with economic development measured by Real Gross Domestic Product (RGDP). The study utilized secondary data sourced from Central Bank of Nigeria (CBN) Annual Reports, Statements of Accounts, and various Statistical Bulletins from the National Bureau of Statistics (NBS) and the Budget Office of the Federation. A longitudinal (ex-post facto) research design was employed, and data were analyzed using descriptive statistics and multicollinearity tests via E-Views 10.0. The results

indicated a significant and positive relationship between national defense expenditure, infrastructure development expenditure, and RGDP at a 5% significance level. The study recommended that the government diversify and develop economic infrastructure such as roads, social and community services, transport, and communication to boost trade openness and economic growth in Nigeria.

Atuma, Edeh, Agwu, Chukwuajah, Nkwagu, and Udude (2024) explored the relationship between government expenditure and economic growth in Nigeria from 1981 to 2020. The study adopted an ex-post facto research design and employed multiple regression analysis using the Auto-Regressive Distributed Lag (ARDL) model to evaluate long-run and short-run interactions among the specified variables. Unit root tests conducted with the Augmented Dickey-Fuller (ADF) method revealed that the time series variables were stationary at level and first difference, but not at the second difference. The ARDL–Bound test analysis confirmed the existence of a long-run equilibrium relationship between government expenditure and economic growth in Nigeria during the study period. The error correction mechanism's coefficient was statistically significant and negatively signed. In the short run, government recurrent expenditure was statistically insignificant but positively related to economic growth, while government capital expenditure was statistically significant but negatively related to economic growth. In the long run, both government recurrent and capital expenditures were statistically significant, with recurrent expenditure showing a positive relationship and capital expenditure maintaining a negative relationship with economic growth. The study strongly recommended allocating more resources to recurrent expenditure as it stimulates economic growth.

Syder and Bello (2024) analyzed the pattern of public expenditure and its impact on economic performance in Nigeria using time series data from 1981 to 2022. The study employed econometric models and estimation procedures, including descriptive statistics to assess normality, unit root tests with Augmented Dickey-Fuller and Phillips-Perron parameters to ensure stationarity, and the Johansen co-integration model to estimate the existence of a long-run equilibrium relationship between public expenditure patterns (capital and recurrent) and real gross domestic product (RGDP). The Parsimonious Error Correction model (PECM) was also utilized to estimate the adjustment speed of RGDP from disequilibrium due to changes in public expenditure patterns. The findings indicated the presence of a long-run equilibrium relationship between public expenditure dimensions and RGDP, with the error correction coefficient (-0.129380) indicating a 12.9% adjustment speed of RGDP back to equilibrium.

The hypothetical test results suggested a positive but insignificant effect of capital expenditure on RGDP, while recurrent expenditure also positively but insignificantly affected RGDP. The study concluded that the public expenditure pattern has a positive but insignificant effect on economic performance in Nigeria.

Musa and Ismail (2023) examined the impact of government expenditure on Nigeria's economic growth rate from 1970 to 2020. OLS was used to estimate the connection between the variables over the long run. The findings show a positive link between the Log of Gross Domestic Products (LGDP) and its initial lag, which is statistically significant. The result reveals a positive association between LGDP and the log of recurrent government expenditure (RGE), as well as between LGDP and the log of the first lag of RGE. A positive link exists between LGDP and the log of capital government expenditure (CGE), but a negative relationship exists between LGDP and the log of the first lag of CGE. The link between LGDP and the domestic debt of the federal government (LFGDD) is inverse, while the relationship between the logs of the first lag of LFGDD is positive. The R2 determination coefficient is 0.698968, indicating that explanatory factors account for 70% of the variation in LGDP. The model is acceptable since the F-statistic of 3595.905 with a probability of 0.000000 is significant at 1%. The long-term trend of the explanatory variables, which has increased since 1985, is linked to GDP.

Mulugeta (2023) examined the effect of public expenditure on economic growth in Ethiopia. The time series data utilized in the study were gathered between 1980 and 2018. The time series data were subjected to the Johansen cointegration test and the vector error correction model (VECM) to evaluate the short- and long-term correlations between public spending and economic growth in Ethiopia. According to the study, both long- and short-term economic growths are positively and significantly impacted by government spending on education. Long-term economic growth is negatively impacted by government expenditure on agriculture, while short-term effects are also negative and significant. In the long run, investment spending has a positive but negligible impact on economic growth; however, in the short run, it has a negative but large effect. Defense spending by the government has a positive and negligible effect on economic growth over the short and long terms. Both in the short and long terms, spending on health has a favorable and considerable impact on economic growth. The study suggests that government spending on the education sector would help foster conditions that could result in higher labor force participation rates and, consequently, higher rates of economic growth. Policy should focus on complementary measures to scale

up initiatives in the health sector, aiming to establish a healthy and productive society that promotes economic progress.

Nwude, Nwaeze, and Nwude (2023) examined the impact of government expenditure on education, health, agriculture, pensions and gratuities, and public debt servicing on the economic growth of Nigeria over the forty-year period from 1981 to 2020. The research design is ex post facto with time series data collected from the Central Bank of Nigeria Statistical Bulletin and Nigeria Bureau of Statistics. Using Augmented Dickey-Fuller for the unit root test, all the variables were stationary at first difference. The Johansen co-integration test revealed a long-run equilibrium relationship among the variables. Analyzing the data with the Vector Error Correction Model, the results reveal that expenditure on education has long- and short-run positive and significant impacts on economic growth. Expenditure on health and agriculture also has a positive and significant impact, while pensions, gratuities, and public debt servicing have a negative and non-significant impact on economic growth in the long run, but all are positive and non-significant in the short run. The study encourages the government to increase funding for education, health, and agriculture to boost productivity and economic growth, encourage retirees to invest their pensions and gratuities in economically enhancing ventures, and limit its borrowings while seeking debt reduction.

Jibir, Abdu, Bappayaya, Wahab, and Isah (2023) examined the disaggregated impact of government expenditures on economic growth in Nigeria for the period 1986-2021, using the ARDL model for analysis. The study found that capital and recurrent expenditures on community, social, and economic services significantly boost economic growth in both the short and long run, though recurrent expenditure has a negative short-run impact. Recurrent expenditure on community, social, and economic services was also found to be positively and significantly related to real GDP. While capital and recurrent expenditures on administration and transfers initially hinder economic growth in the short run, they significantly enhance national output in the long run. The study also revealed that capital stock significantly promotes growth, whereas labor slows growth in both short and long runs. The researchers recommend that the government establish a solid foundation and provide a conducive business environment for individuals and firms, and focus on financing growth-enhancing spending categories such as infrastructure, research and development, education, and health to promote human development in the country.

Ekpo, Ekere and Inibeghe (2022) examined the effects of government expenditure 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. The study recommended that government should increase the share of the capital expenditure especially on meaningful projects that have direct bearing on the citizen's welfare. Furthermore, government should also improve the spending patterns of recurrent expenditure through careful reallocation of resources toward productive activities that would enhance human development in the country.

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. The results implied that this causation should be a vital tool for designing government expenditure policies in the economy.

While considerable researches have been conducted on the relationship between government expenditures and economic growth, significant gaps remain in the empirical literature, particularly with respect to the Nigerian context, laying closer emphasis on whether the size of the two categories of public expenditures in Nigeria have since the nation's return to democratic rule in 1999, maintained a healthy or unhealthy trend towards Nigeria'a economic growth potentials.

3. MATERIAL AND METHODS

This study employed ex-post facto research design to predict the variation of economic performance (measured with Gross Domestic Product) using proxies to the independent variable such as capital expenditure and size of recurrent expenditure. This design was considered appropriate for this study especially as it permits for the examination of the impact of past public expenditures pattern in Nigeria on its economic performance without altering the originality of the historical data. The study specifically focused on national-level data on the selected measurement variables over a sample period of twenty five (25) years from 1999 - 2023. As a result, the regression model given below was estimated and utilized for the purpose of this study:

$GDP_t = ß_0 + ß_1CE_t + ß_2SRE_t + \varepsilon_t$ ----------Eqn 1.

Where:

GDP = Gross Domestic Product

CE = capital expenditure

SRE = Size of recurrent expenditure

t = year

$ß_0$ = Constant

$ß_{1-2}$ = Coefficients

The Ordinary Least Squares (OLS) regression method was employed to evaluate the effect of public expenditure on economic performance. This approach allows for the estimation of relationships between the dependent variable (GDP) and independent variables (capital expenditure and size of recurrent expenditure). To this end, the study accepts the null hypothesis where the p-value is equal to or greater than the predetermined level of significance (usually set at 5% or 0.05), otherwise reject and accept the alternate.

4. RESULT AND DISCUSSIONS

4.2 Descriptive Analysis of Data

Descriptive analysis was used to summarize and present the basic characteristics of the data related to public expenditure and economic growth.

Table 1 Descriptive Analysis

	GDP	CE	SRE
Mean	54052.63	1351.534	1685.538
Median	58180.35	1284.160	1664.400
Maximum	77338.85	3982.430	3477.220
Minimum	24215.78	60.43000	102.6900
Std. Dev.	17735.10	979.5561	1034.652
Skewness	-0.345963	0.825312	0.112225
Kurtosis	1.642769	3.477179	1.965537
Jarque-Bera	2.417541	3.075272	1.167178
Probability	0.298564	0.214888	0.557892
Sum	1351316.	33788.35	42138.46
Sum Sq. Dev.	7.55E+09	23028722	25692133
Observations	25	25	25

Source: Eviews 10 Output (2024)

As shown in Table 1 above, the Gross Domestic Product (GDP) has an average value of ₦54,052.63 billion, indicating a fairly robust level of economic activity over the study period. The maximum GDP value of ₦77,338.85 billion suggests that the Nigerian economy experienced a peak in output at some point during the period, while the minimum value of ₦24,215.78 billion reflects periods of lower economic performance. The standard deviation of ₦17,735.10 billion indicates that GDP values fluctuate substantially, implying significant variability in Nigeria's economic output over time.

Capital expenditure (CE) has a mean value of ₦1,351.534 billion, reflecting an average investment by the government in infrastructural development and other long-term projects. The highest capital expenditure recorded is ₦3,982.43 billion, showing instances of elevated spending likely aimed at boosting economic growth, while the minimum value of ₦60.43 billion highlights periods of low government investment in capital projects. The standard deviation of ₦979.5561 billion shows a considerable variation in capital expenditure,

suggesting that the government's investment levels in capital projects have fluctuated widely over the years.

Size of recurrent expenditure (SRE) has an average of ₦1,685.538 billion, indicating a significant level of ongoing government spending on items such as personnel cost and maintenance. The maximum size of recurrent expenditure of ₦3,477.220 billion shows the highest level of recurrent spending, while the minimum value of ₦102.690 billion reflects periods where the government reduced its operational expenses and possible cost of governance. The standard deviation of ₦1,034.652 billion indicates a high level of variability in the size of recurrent expenditure over time, suggesting inconsistent but rising government spending on its recurrent needs.

4.2 Test of Hypotheses

The hypotheses were tested using the Ordinary least square (OLS) regression statistical tool. The outcome of the relevant analyses conducted are presented in Table 2.

Table 2 OLS Regression for Hypotheses I and II

Dependent Variable: GDP

Method: Least Squares

Date: 09/15/24 Time: 04:33

Sample: 1999 2023

Included observations: 25

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CE	-1.615543	2.578610	-0.626517	0.5374
SRE	17.75409	2.441297	7.272403	0.0000
C	26310.89	2112.120	12.45710	0.0000

R-squared	0.914554	Mean dependent var	54052.63
Adjusted R-squared	0.906786	S.D. dependent var	17735.10
S.E. of regression	5414.691	Akaike info criterion	20.14379
Sum squared resid	6.45E+08	Schwarz criterion	20.29005
Log likelihood	-248.7973	Hannan-Quinn criter.	20.18435
F-statistic	117.7364	Durbin-Watson stat	1.213880
Prob(F-statistic)	0.000000		

Source: Eviews 10 Output (2024)

Table 2 presents the OLS regression results with Gross Domestic Product (GDP) as the dependent variable, assessing whether the effect of Capital Expenditure (CE) on the Gross Domestic Product (GDP) of Nigeria is significant. It further evaluates whether the size of Nigeria's recurrent expenditures has significant unhealthy effect on its gross domestic product or not. The R square value obtained was 0.914554, implying that about 91.46% of the variation in GDP was explained by the independent variables (CE and SRE). The Prob(F-statistic) of 0.000000 further indicates that the model is statistically significant overall at the 5% significance level, suggesting that government expenditure variables significantly explain the variations in GDP.

4.3.1 Hypothesis I

H_{o1}: The effect of Capital expenditure on the gross domestic product of Nigeria is not significant.

H_{i1}: The effect of Capital expenditure on the gross domestic product of Nigeria is significant.

For Capital Expenditure (CE), the coefficient is -1.615543 as in Table 2 which means that, holding other factors constant, a one-unit increase in CE readily leads to a decrease in GDP by 1.6155 units. However, with a p-value of 0.5374 (greater than 0.05), the effect of CE on GDP is not statistically significant. This implies that the effect or contribution of Capital Expenditures to the economy measured GDP in Nigeria between 1999 and 2023 is not significant, despite the huge external borrowings claimedly occasioned by the same during this period. This goes to show why Nigeria is currently plunged into external debt servicing problem seeing that most of these cspital projects executed between 1999 and 2023 with scarce funds through capital expenditures have not been productive enough and yielding the expected revenue required to service the external debts earlier obtained during this period for capital projects implementation even as the nation has consistently failed to achieve the desired revenue savings to boost commendable economic resuscitation and self sufficiency.

The above result might also be due to inefficiencies in the allocation of capital expenditure funds to projects of non-economic significance, thus leading to wrong prioritization of such scarce funds elephant projects that are often abandoned in Nigeria. Accordingly, long delays in project completion, corruption, and mismanagement of funds could hinder the intended positive impact of capital expenditures on economic performance. Additionally, the effect

could also indicate that capital projects in Nigeria have long gestation periods, and their economic benefits are not immediately realized. The finding appears to aligns with Musa and Ismail (2023) who observed a negative link between the first lag of capital expenditure and LGDP. This finding also contrasts the outcome of the studies of Chandana, Adamu, and Musa (2024) who found out that capital expenditure positively impacts growth in both the short and long run. Similarly, Aluthge et al. (2021) reported that capital expenditure has a positive impact on growth, recommending an increase in capital expenditure to boost economic performance.

4.3.2 Hypothesis II

H_{o2}: Size of Nigeria's recurrent expenditures has no significant unhealthy effect on its gross domestic product.

H_{i2}: Size of Nigeria's recurrent expenditures has significant unhealthy effect on its gross domestic product.

Table 2 concisely shows that the the coefficient of Size of Recurrent Expenditure (SRE) is 17.75409, thereby indicating that a one-unit increase in SRE leads to an increase in GDP by 17.7541 units. The p-value 0.0000, which is highly significant at the 5% level, suggests that SRE has a statistically significant and positive unhealthy effect on the nation's economic performance measured as gross domestic product. This further attests to the fears nursed by Nigerians, who noted that the successive administrations of the federal government since 2015 were probably borrowing external funds to fund expenditures of recurrent nature, thus heightening the cost of governance in Nigeria.

In a country like Nigeria, where household consumption forms a large part of the GDP, increased recurrent expenditure likely destimulates economic activities, contributing significantly to overall GDP fluctuations, adversely stunted growth and/or poor performance. This finding may be supported by Chandana, Adamu, and Musa (2024) whose study indicated that recurrent expenditure does not significantly contribute to economic growth in either the short or long run, thus recommending for the reallocation of more recurrent spending to capital project. The finding however disagrees with the views of Musa and Ismail (2023) and Atuma et al. (2024) who found a positive link between recurrent expenditure and LGDP growth.

CONCLUSION AND RECOMMENDATIONS

Based on the analysis, increases in capital expenditure are associated with decreases in GDP, although the relationship is not statistically significant at the 5% level. This counterintuitive result could be largely due to inefficiencies on how capital projects are implemented in Nigeria. Aside the depleting annual budget allocation to capital spending occasioned by the rising cost of governance which are recurrent in nature, other factors such as bureaucratic delays, corruption, and lack of proper project management may have led to the unending misaapropriation of this class of public expenditure that lead to wastage, thus failing to stimulate desired economic growth. Additionally, if capital projects do not align with the needs of the economy or are not effectively maintained, they may most likely not generate the anticipated revenue. However, persistent rising size of recurrent expenditures, which often include personnel cost, administrative costs, social services, and maintenance of existing infrastructure, has shown to play a crucial role in exposing a nation to consumption fueled by imports rather that domestic productions that lead to improved and revenue-based economic activities. Such spending may enhance human capital and public welfare, ultimately driving economic growth. While it is most pertinent to run down or drastically reduce the cost of governance in Nigeria, it is also important to note that recurrent expenditure which also supports essential services such as education and healthcare, could lead to improved productivity and consequent economic performance.

The study recommends that:

1. The Presidency and the National Assembly should reassess the nation's utilization of scarce financial resources, especially the external borrowed funds, ensuring that more of these are not only allocated to capital expenditures but should focus more on improving its efficiency amidst targeting high-impact productive sectors that promises commendable revenue contributions for effective debt servicing and economic sufficiency.
2. The Budget Office of Nigeria should continue to prioritize the need for reduction in the cost of governance while ensuring that critical areas of recurrent expenditures such as education and healthcare are given commendable funding attention as a boost to achieving and sustaining productivity and economic performance in Nigeria.

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APPENDIX I DATA SET

Year	GDP	Recurrent Expenditure	Capital expenditure
1999	24215.78	102.69	60.43
2000	25430.42	196.78	158.90
2001	26935.32	294.71	235.24
2002	31064.27	424.20	283.47
2003	33346.62	545.31	324.02
2004	36431.37	556.81	412.93
2005	38777.01	789.13	514.72
2006	41126.68	894.32	583.98
2007	43837.39	1217.43	854.79
2008	46802.76	1505.63	1455.70
2009	50564.26	1426.06	1284.16
2010	55469.35	1648.40	1522.40
2011	58180.35	2055.70	1375.20
2012	60670.05	1664.40	1965.30
2013	63942.85	1948.43	1890.41
2014	67977.46	2120.48	1862.52
2015	69780.69	2267.34	1201.82
2016	68652.43	2007.74	1201.50
2017	69205.69	2662.99	1039.93
2018	70536.35	2291.84	1844.07
2019	72094.09	2275.51	1800.56
2020	70800.54	3257.28	2191.69
2021	73382.77	3179.63	2500.64
2022	74752.42	3477.22	3982.43
2023	77338.85	3328.43	3241.54

Source: CBN Statistical Bulletin and National Bureau