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GOVERNMENT BUDGETARY ALLOCATION AND NIGERIA'S ECONOMY, 2009 – 2018

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ABSTRACT

On a yearly basis, government allocates money to different ministries for sole aim of promoting economic growth and development. This study investigates the effect of budget allocation to education sector, agriculture and natural resources on gross domestic products. The study used ex-post facto research design and relied on secondary data collected from Central Bank Statistical Bulleting. The study covered the period of 2009 to 2018. Ordinary linear regression was used to analyze the data collected. The study observed that government spending on education significantly affects economic growth while government spending on agriculture and natural resources does not significantly affect economic growth in Nigeria. Therefore, the study recommends among others that government should ensure that money that is meant for farmers are disbursed to farmers and not hijacked by politicians cum business men. Farmers and herdsmen dispute should be resolved to promote enabling environment for farming that may leads to improving Nigeria economy.

Keywords: Government Allocation, Economic Growth, Education Sector, Agriculture and Natural Resources.

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1. Introduction

Budget is an economic policy instrument that shows government priorities (Mieseigha & Adeniyi, 2013). The instrument policies contains campaign promises, political commitments, statutory duties and other programmes that can affects economic growth and development positively. Therefore, government needs to channel her expenses or expenditure on programmes or projects that will have positive influence on electorates. According to Olaoye, Olaoye, and Afolabi (2017) the size and structure of public expenditure ought to boost the growth of the economy. According to Oke (2013), the issue of budget implementation has been a source of concern to the public considering the important impetus of budget implementation on economic growth. Budget implementation is the final stage of the budgeting process before the control lap. This involves the actual usage or application of public funds in carrying out the activities and projects that have been enumerated in the budget.

Government do earmarks money for different sectors in the economy to stimulate economic growth and development but Mieseigha and Adeniyi (2013) observed that there has been great difference between budgeted expenditure and level of economic development in the country. Abiola and Mustapha (2015) observe that citizens expect that larger size of budget and its appropriate allocation to pro-poor sectors could reduce poverty level. Thus, the government expenditure does not meet citizen expectations because it does not directly induce economic growth and development. For instance, government allocated ₦550.00bn to education sector in 2017 and ₦605.8bn to education in 2018. Despite this huge amount of money earmarked to this sector, University education was merely paralyzed by Academics Staff Union of Nigeria University in 2017. In 2018, Non Academic Staff Union kicks start with warning staff. The Unions agitation is basically on better condition of service. The questions being asked by education stakeholders are: how does ministry of education implements money earmarked for the ministry? What effect will constant strikes by University Unions have on economic growth and development?

Nigeria that depends sole on agriculture, natural resources is being confronted with farmers and herdsmen conflicts that seem no end in sight. Federal government allocated ₦31.75bn in 2017 and ₦149.18bn in 2018 to agriculture and natural resources.

Despite the huge allocation to this sector, agricultural produce is greatly on decline. Farmers' mainly complain about inadequate supply of farm inputs and inability to access funds. This has led to general rise in price of food stuffs. The electorates do ask: does the money allocated to agriculture and natural resource sector affects agricultural produce in the economy?

Against this backdrop, the study tends to investigate the effect of government expenditure on education and agricultural sectors in Nigeria. The study formulates the following hypotheses in the null form as follows:

Ho_1: Government spending on education does not significantly affect Gross Domestic Product in Nigeria.

Ho_2: Government spending on agriculture and natural resources does not significantly affect Gross Domestic Product in Nigeria.

2. Review of Related Literature

2.1 Empirical Review

Olaoye, Olaoye, and Afolabi (2017) examined the impact of capital expenditure on administration, economic services, socio-community services on the growth of Nigerian economy. The study employed techniques of co-integration and error correction model (ECM). The results showed that there is strong relationship between capital expenditure implementation on administration, economic services, socio community services, transfer and economic growth of Nigeria. Based on this, the study recommended that government ensures the adequate implementation of capital expenditure in the country.

Abiola and Mustapha (2015) examined the impact of public budget indicators such as federally collected government revenue and aggregate expenditure on the poverty incidence. The results show that federally government collected revenue and aggregate expenditure increase poverty incidence in Nigeria. The study did not specify in its methodology the research design, population and sampling technique with source of data. This shows that methodology employed for the study is clearly stated to induce acceptability of its findings.

Ighodaro and Okiakhi (2010) examined government expenditure disaggregated into general administration and community and social services in Nigeria for the period 1961 to 2007. The study used ex-post facto research design and applied Co integration Test with Granger Causality test to analyze the data. The results revealed negative impact of government on economic growth.

Nurudeen and Usman (2010) examined government expenditure and economic growth in Nigeria between 1970 and 2008. The study used the co-integration and error correction methods to analyze secondary data collected from Central Bank Statistical bulletin. The study revealed that government total capital expenditure, total recurrent expenditures, and government expenditure on education have negative effect on economic growth.

Komain and Brahmasrene (2007) examined the association between government expenditures and economic growth in Thailand, by employing the Granger Causality Test. The results revealed that government expenditures and economic growth are not co integrated.

Fajingbesi and Odusola (1999) empirically investigated the relationship between government expenditure and economic growth in Nigeria. The econometric results indicated that real government capital expenditure has a significant positive influence on real output.

3. Design and Methodology

The study adopts the *ex post facto* research design. According to Louis, Lawrence, and Keith (2005) in Adeniyi and Adebayo (2018) the *ex-post facto* design is suitable for the purpose of this research because the events have already taken place and the researcher has no control over any of the independent variables. The study relies solely on secondary data. The independent variables were proxied as government expenditure and measured by monetary allocation to education and agricultural and natural resources sectors. The dependent variable, economic growth was proxied by Gross Domestic Product. The study employs linear regression to analyze the relationship between the variables.

3.1 Model Specification

The statistical test of the hypotheses formulated in this study is based on the following models:

$GDP = F(EDUC)$ **eq.1**
$GDP = F(AGRNAT)$ **eq.2**

The equations above can be rewritten in its explicit form as below:

$GDP_{it} = \beta_o + \beta_1 EDUC + \varepsilon_t$ **eq.3**
$GDP_{it} = \beta_o + \beta_1 AGRNAT + \varepsilon_t$ **eq.4**

Where:
GDP = Gross Domestic Product
EDUC = Government spending on education
AGRNAT = Government spending on agriculture and natural resources
β is intercept
ε is error term capturing other explanatory variables not explicitly included in the model.

4. Data Presentation and Results

4.1 Test of Hypotheses

4.1.1 Test of Hypothesis One

Ho_1: Government spending on education does not significantly affect Gross Domestic Product in Nigeria.

Table 1: ANOVA Output for Equation 3

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.580E+15	1	6.580E+15	32.841	.000[b]
	Residual	1.603 E+15	8	2.004 E+14		
	Total	8.183 E+15	9			

a. Dependent Variable: Gross Domestic Product
b. Predictors: (Constant), Education Sector
Source: SPSS ver. 23

Table 2: Regression Coefficients for Equation 3

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4543739.804	15894801.113		-.286	.782
	Education Sector	217766.414	37999.743	.897	5.731	.000

Dependent Variable: Gross Domestic Product
Source: SPSS ver. 23

Table 3: Model Summary for Equation 3

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.897[a]	.804	.780	14154597.74229	1.484

Note: r^2 = .89, f(1,8) = 32.841, p = .000
Source: SPSS ver. 23

The *f*-ratio (32.841) shows that government spending on education sector does not serve as a main determinant in explaining gross domestic product in Nigeria. Though, it can be observed that government allocation for education sector have positive significant effect on gross domestic product based on *f*-ratio. Government allocation or spending on education sector explains 89 per cent of the variation experienced in gross domestic product. Education sector is statistically significant because its significance value is 0.000, which means P< 0.05.

Decision:
Based on the analysis above, the null hypothesis (Ho) is rejected while the alternate hypothesis (Hi) is accepted. Thus, government spending on education significantly affects Gross Domestic Product in Nigeria.

4.1.2 Test of Hypothesis Two

Ho_2: Government spending on agriculture and natural resources does not significantly affect Gross Domestic Product in Nigeria.

Table 4: ANOVA Output for Equation 4

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.909E+15	1	2.909 E+15	4.412	.069[b]
	Residual	5.274 E+15	8	6.593 E+14		
	Total	8.183 E+15	9			

a. Dependent Variable: Gross Domestic Product
b. Predictors: (Constant), Agriculture and Natural resources Sector
Source: SPSS ver. 23

Table 5: Regression Coefficients for Equation 4

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	60345641.698	13446224.449		4.488	.002
	Agriculture and Natural resources Sector	489330.740	232959.880	.596	2.100	.069

Dependent Variable: Gross Domestic Product
Source: SPSS ver. 23

Table 6: Model Summary for Equation 4

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.596[a]	.355	.275	25675871.75230	.638

Note: r^2 = .35, f(1,8) = 4.412, p = .069
Source: SPSS ver. 23

The *f*-ratio (4.412) shows that government spending on agriculture and natural resources sector does not serve as a main determinant in explaining gross domestic product in Nigeria. It can be observed that government allocation for agriculture and natural resources sector does not significantly affects gross domestic products based on *f*-ratio. Government allocation or spending on agriculture and natural resources sector explains 35 per cent of the variation experienced in gross domestic product. Agriculture and natural resources sector is not statistically significant because its significance value is 0.069, which means P> 0.05.

Decision:
Based on the analysis above, the alternate hypothesis (Hi) is rejected while the null hypothesis (Ho) is accepted. Thus, Government spending on agriculture and natural resources does not significantly affect gross domestic products in Nigeria.

4.2 Discussion of Findings

In hypothesis one, it is observed from the analysis that government spending on education significantly affects gross domestic products in Nigeria. The study shows that government increase in government allocation for education sector have started yielding positive result on the economy because of its positive correlation with gross domestic economy. For instance, ₦550bn was earmark for education sector in 2017 and ₦605.8bn was earmark for education sector in 2018. The increment in budget allocation to education is justified and this is consistent with Fajingbesi and Odusola (1999); Nurudeen and Usman (2010); Oke (2013) that also observed significant relationship between budget implementation and economic development.

Hypothesis two shows that government spending on agriculture and natural resources does not significantly affect economic growth in Nigeria. It is observed from the analysis that government expenditure on agriculture and natural resources are so insignificant that farmers do not have access to needed agricultural inputs and financial assistance in order to contribute

positively to gross domestic products. This result is consistent with Ighodaro and Okiakhi (2010); Olurankinse and Oloruntoba (2017) who observed no significant relationship between budget implementation and economic growth.

5. Conclusion and Recommendations

The study concludes that government spending on education sector has significant effect on economic growth while government spending on agriculture and natural resources does not significantly affect economic growth in Nigeria. Therefore, the study recommends that government should increase money earmarked for education sector and monitor the budget implementation very well. All stakeholders in education sector should be involved in budget implementation to ensure efficient use of money meant for the sector.

Nigeria is well blessed with natural resources and farm land is very rich for farming. Government should ensure that money that is meant for farmers are disbursed to farmers and not hijacked by politicians cum business men. Farmers and herdsmen dispute should be resolved to promote enabling environment for farming that may lead to improving Nigeria's economy.

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