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IMPACT OF RECURRENT GOVERNMENT EXPENDITURE ON ECONOMIC DEVELOPMENT IN NIGERIA

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Abstract
The debate as per the effect of recurrent government expenditure on economic growth and economic development has remained contagious and there seems to be no end in sight. This study investigated the impact of recurrent government expenditure on economic development in Nigeria for the period 1999-2022. Recurrent government expenditure was proxied by government recurrent expenditures on national assembly, general administration and health while economic development was proxied by GDP per capita. Ordinary Least Squares (OLS) multiple regression technique was employed as analytical tool. Findings revealed that government recurrent expenditure on national assembly had negative and insignificant impact on economic development in Nigeria ($p > 0.05$). On the other hand, the study showed that government recurrent expenditure on general assembly and health had positive and significant impact on economic development in Nigeria ($p < 0.05$). Based on the findings of the study, it was recommended that the federal government should reduce its recurrent expenditures on national assembly in order to ensure increased economic development in Nigeria.

Key Words: *Economic Development, Government Recurrent Expenditure on General Administration, Government Recurrent Expenditure on National Assembly, Government Recurrent Expenditure on Health, Recurrent Government Expenditure.*

Introduction
The debate as per the effect of recurrent government expenditure on economic growth as well as economic development has remained contagious as there seems to be no end in sight. While a school of thought holds that recurrent government expenditure is associated with 'crowding-out' of private investments thereby stifling economic growth or development, another school of thought argued that recurrent government spending enthrones productivity through increased income, increased consumption and overall increase in economic growth and economic development (Obi, 2020). To the former school of thought, recurrent government expenditure dampens economic development rather than increase them as government may resort to either borrowing or increasing of taxes in order to finance its ever-increasing recurrent expenditure (Chandana, Adamu & Musa, 2021). The negative government expenditure – economic development nexus may

also be perpetuated when government misallocates its resources. For instance, when politicians undertake frivolous spending either to score cheap political points or for pecuniary reasons, they end up negating economic development (Ifere, Okoi & Eko, 2014). This is because the standards of living of the people are not enhanced as such expenditures do not actually improve the incomes of the citizens (Chandana, Adamu & Musa, 2021). Importantly, when government imposes high profit tax and company income tax (in order to generate money for recurrent spending, it ends up increasing production costs, reducing investment and profitability of the firms thereby undermining economic development of the nation (Ighodaro & Okiakhi, 2010).

Beyond the arguments of the proponents of negative government recurrent expenditure-economic development nexus, the latter school of thought argued that government recurrent spending contributes positively to economic development (Oladele, Mah & Mongale, 2017; Obi, 2020). They argued that increased government recurrent expenditure increases employment, liquidity and aggregate demand thereby increasing economic development (Idenyi, Ogonna, Udede and Chukwu, 2016). They argued increased government expenditure was development-inducing. Based on foregoing arguments, it is crystal clear that there is yet no consensus on the impact of recurrent government expenditure on economic development in Nigeria.

Statement of the Problem

There is no doubt that Nigeria has recorded an impressive growth in her economy over the years. For instance, in 1999, the nation's gross domestic product (GDP) stood at N 22, 449.41 billion. It continued its upward trajectory in 2000 with the GDP increasing to N 23, 688.28 billion and this trend continued as the GDP reached N 35, 020.55 billion in 2004. Not done, the GDP continued to record impressive growth as it increased to N 37, 474.95 billion in 2005. It continued to increase in the years that followed until it reached N72,975.72 billion in 2020 (CBN, 2021). Overall, it is obvious using the available data to state that Nigeria's economic growth has been an impressive one. Little wonder, Nigeria has been adjudged the sixth fastest growing economy in the world and the largest economy in Africa (Reuters, 2014).

Despite the impressive economic growth, she has not achieved much in terms of economic development. The nation has failed in most indices of economic development. Poverty rate, human development index and GDP per capita of Nigeria have been adjudged abysmal. Many have argued that spending on National Assembly allowances does not add value to the standard of living of an average Nigerian (Ifere, OKoi & Eko, 2014). In the same vein, it is believed that the cost of governance is so high with so many numbers of aides appointed since the inception of democratic administration in the country. With such recurrent spending, investment in infrastructure and other developmental projects are undermined thereby adversely affecting economic development in the country.

The broad objective of the study was to examine the impact of recurrent government expenditure on economic development in Nigeria. Specifically, the study aimed at achieving the following:

1. to determine the impact of national assembly expenditure on gross domestic product per capita in Nigeria.
2. to investigate the impact of recurrent government expenditure on general administration on gross domestic product per capita in Nigeria.
3. to analyze the impact of recurrent expenditure on health on gross domestic product per capita in Nigeria.

In line with the specific objectives, the study sought to provide answers to the following questions:

(i) What is impact of national assembly expenditure on gross domestic product per capita in Nigeria?
(ii) To what extent does recurrent government expenditure on general administration impact gross domestic product per capita in Nigeria?
(iii) To what magnitude does recurrent government expenditure on health impact gross domestic product per capita in Nigeria?

Three hypotheses were tested in the study and they were in their null forms as follows:

H_{01}: National assembly expenditure has no significant impact on gross domestic product per capita in Nigeria.
H_{02}: Recurrent government expenditure on general administration has no significant impact gross domestic product per capita in Nigeria.
H_{03}: Recurrent government expenditure on administration does not have any significant impact gross domestic product per capita in Nigeria.

Literature Review

Conceptual review

Recurrent expenditure

Unlike capital expenditure in which the purchase of goods and services is done with the hope of adding value or increasing productivity, recurrent expenditures are those expenditures on goods and services which do not lead to creation or acquisition of fixed assets. Rather, it is mainly expenditures made for the day-to-day running of a firm or government. To this extent, recurrent expenditures include expenditures made for payment of overheads, salaries, interest payments, subsidies, transfers, pensions and gratuities etc. It is often argued that the purpose of recurrent expenditure is to maintain government's ability to operate. Little wonder, recurrent expenditure is of a continuous nature unlike the one-off nature of most capital expenditures (Uremadu *et al*, 2019).

Economic development

In economic and financial literature, economic growth has been closely related to economic development. At times, most scholarly works tend to find it difficult to separate the two. However, economic growth stands for increase of a country's output over time usually in a year. On the other hand, economic development is an economic term that entails a nation's success in providing a stable source of income for its population, as well as access to education and basic healthcare for its citizens (Belshaw & Livingstone, 2002). In this way, economic development goes beyond merely increasing the value of goods and services in a country but entails increase in standard of living of the populace.

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Theoretical framework

The Keynesian Theory of Government Expenditure

Keynesian theory of government expenditure is also referred to as Keynesian investment expenditure theory. It was postulated by British economist John Maynard Keynes and became popularized during the Great Depression in the 1930s. The Keynesian theory is premised on some major assumptions including (i) government has a role (ii) fallibility of self-regulatory mechanism (iii) use of fiscal policies to boost the economy ((Keynes, 1936).

(i) Role of government

According to Keynes, an economy's output (growth) is made up of four components namely: consumption, government expenditure, investment and net exports (difference between what a country exports and what it imports). Thus, Keynes captured the output function of an economy by a simple equation stated as: $Y = C + I + G + (X-M)$. This indicates that output is a function of consumption, investment, government expenditure and net exports. Based on the output function above, Keynes argues that aggregate demand in an economy could come from changes in any of these components.

(ii) Fallibility of self-regulatory mechanism

Keynes argued that the economy cannot rely solely on the market forces of demand and supply. His argument is premised on the assumption that prices and especially wages respond slowly to changes in supply and demand resulting in periodic shortages and surpluses especially of labour. For instance, if there is shortage of labour due to poor wages, it is expected that productivity would be affected thereby reducing economic growth. Hence, Keynes argues that government must intervene when the need arises. Evidently, stickiness of prices and wages makes it imperative that the economy cannot be left in the hands of market forces to offset any disequilibrium that might occur.

(iii) Use of fiscal policies to boost the economy

Keynesian theory argues that for increased development of the economy, monetary policies would be less effective especially in the short run. Thus, the theory calls for fiscal policy intervention of government as the best way to engender economic development particularly in the short run.

Having reviewed the assumptions and features of Keynesian theory of public expenditure, it is pertinent to point out that this theory favours the study since emphasis of the theory is on the role that government (through fiscal policy) plays in achieving economic growth. This theory is particularly apt in the developing nations such as Nigeria where government is constitutionally saddled with the responsibility of providing public goods and services which are pivotal to achieving increased economic growth. Thus, this theory favours this study because it brings to the fore the role of government in enhancing economic growth and development of an economy.

Empirical Review

Several scholarly works have been done on government recurrent expenditure and economic growth. However to the best of the knowledge of the study, there is dearth of literature on recurrent government expenditure and economic development. For instance, the effect of recurrent budget expenditure on the growth of agricultural sector in Tanzania was studied by Sikwese, Mmasa and Mwinuka (2022). The study covered the period 2004 to 2018. Recurrent budgetary allocation to agricultural sector was the independent variable while agricultural sector output was the dependent variable. Autoregressive distributed lag (ARDL) technique was employed to analyze the data. Findings revealed that a positive and significant relationship existed between recurrent budget expenditure on agricultural and agricultural output in Tanzania.

Studying the impact of government expenditure on economic growth in Nigeria from 1970-2019, Chandana, Adamu and Musa (2021) adopted capital expenditure, recurrent expenditure, labour force, trade openness, inflation rate and non-oil revenue as independent variables while gross domestic product was the dependent variable. Autoregressive distributed lag (ARDL) technique was employed to analyze the data. Findings revealed that capital expenditure had positive and significant effect on economic growth in the short run and long run while recurrent expenditure had no significant effect on economic growth in Nigeria in both short run and long run.

Obi (2020) examined government recurrent expenditure effect on economic growth in Nigeria. Social and community service expenditure and economic services and transport expenditure were adopted as proxies for government recurrent expenditure while gross domestic product was proxy for economic growth. Vector error correction modeling (VECM) technique was used to analyze the data. Findings revealed that economic services and transport expenditure had negative and insignificant effect on economic growth while social and community services expenditure had positive and insignificant effect on economic growth in Nigeria.

Uremadu, Orikara and Uremadu (2019) tested the relationship between government current expenditure and economic growth in Nigeria for the period 1999 to 2016. National assembly expenditure, pension and gratuities expenditure, expenditure on administration, public debt servicing expenditure and expenditure on transfers were measures of government current expenditure while gross domestic product was proxy for economic growth. Ordinary Least Squares (OLS) technique was employed to analyze the data. Findings showed that national assembly expenditure and pension and gratuities had positive and insignificant effect on economic growth in Nigeria. On the other hand, expenditures on administration and public debt servicing had positive and significant effect on economic growth. Finally, expenditures on transfers had negative and insignificant effect on economic growth in Nigeria.

Investigating the role of government spending on economic growth in a developing country from 1980 to 2014, Oladele, Mah and Mongale (2017) adopted real gross domestic product as proxy for economic growth while government expenditure, exchange rate and private consumption were adopted as independent variables. Unit root

test was conducted to ascertain the stationarity of the variables and cointegration test was used to determine whether there was long run equilibrium relationship among the variables. Vector error correction modeling technique was employed in analyzing the data collected in the study. Findings showed that exchange rate and government expenditure had positive and significant effect on economic growth in South Africa while private consumption had negative and significant effect on economic growth in South Africa.

Idenyi, Ogonna, Udede and Chukwu (2016) examined the relationship between public expenditure and economic growth in South Africa for the period 1980-2014. Real gross domestic product was adopted as proxy for economic growth and while total government expenditure, total revenue as a percentage of GDP and inflation rate were adopted as independent variables. Vector error correction modeling technique was employed to analyze the data. Findings showed that total government expenditure and total revenue as a percentage of GDP had positive and insignificant impact on economic growth of South Africa. More so, findings revealed that there was a unidirectional causality between real GDP and total government expenditure; real GDP and total revenue as a percentage of GDP. This meant that real GDP determined the level of total government expenditure and total revenue as a percentage of GDP and not the other way round.

The nexus between government expenditures and economic growth in Thailand for the period 1995 to 2006 was studied by Komain and Brahmasrene (2007). Total government expenditure, made of total recurrent and capital expenditures, was proxy for government expenditure while gross domestic product (GDP) served as proxy for economic growth. Cointegration test and Granger causality test were employed. From cointegration test result, it was revealed that government expenditures and economic growth were not co-integrated. Based on the Granger-causality test result, it was revealed that a unidirectional relationship between government expenditure and economic growth with causality running from government expenditure to economic growth.

Olugbenga and Owoye (2007) investigated the relationships between government expenditure and economic growth for 30 OECD countries from1970 to 2005. The study employed Granger-causality test and Ordinary Least Squares (OLS) regression method as empirical tools to analyze the data. Findings revealed that there was a long run relationship between government expenditure and economic growth in the 30 OECD countries. Furthermore, the Granger-causality test result showed that there was a unidirectional causality running from government expenditure to economic growth in 16 out of the 30 countries. This implied that the Keynesian hypothesis is supported in 16 OECD countries while it was not supported in the remaining 14 countries. In the remaining 14 countries, Wagner's law which postulated that causality runs from economic growth to government expenditure was upheld.

Tracing the relationship between government expenditure on defense and economic growth in Nigeria for the period 1977 to 2006, Enimola and Akoko (2006) adopted capital stock, labour stock and defense expenditure as independent variables while gross domestic product was adopted as proxy for economic growth and dependent variable.

The study employed Granger-causality test to determine the flow of causality among the variables. Findings showed that there exists a unidirectional causality between government expenditure and economic growth with flow of causality running from economic growth to government expenditure on defense.

Investigating the relationship between government expenditure and economic growth for Egypt, Israel and Syria, Abu-Bader and Abu-Qarn (2003) adopted military spending, civilian government expenditure and total government expenditure as proxies for government expenditure. On the other hand, gross domestic product was a proxy for economic growth. Variance decomposition method, Granger-causality test and multivariate cointegration test were employed to analyze the data. Findings showed that military spending had negative and significant impact on economic growth in Egypt, Israel and Syria. Secondly, the study revealed that civilian government expenditure had positive and significant effect on economic growth in Israel and Egypt. However, the study revealed that for Syria, civilian government expenditure had negative and significant effect on economic growth.

Abdullah (2000) studied the relationship between government expenditure and economic growth in Saudi Arabia. Government expenditure was proxied by expenditure on infrastructure, expenditure on social activities and expenditure on economic activities. Hence, expenditure on infrastructure, expenditure on social activities and expenditure on economic activities served as the explanatory variables. On the other hand, economic growth was proxied by gross domestic product. Ordinary least squares (OLS) multiple regression technique was employed as the analytical tool. Findings showed that government expenditure on infrastructure, social activities and economic activities had positive and significant impact on economic growth in Saudi Arabia.

Materials and Methods

The study adopted *ex-post facto* research design. The *ex-post facto* research design was considered suitable in this study because of its cause-effect nature. This is against the backdrop that the focus of the study is to investigate effect of recurrent government expenditure on economic development in Nigeria. Based on the focus of the study, efforts are made to establish nexus between the dependent variable (i.e. GDP per capita) and the independent variables (i.e. government recurrent expenditure on national assembly, administration and health) using existing data. According to Osuala (2010), *ex-post facto* research design is appropriate and preferred in a cause-effect relationship where there is already existing data which cannot be manipulated by the researcher.

The study made use of secondary data which were collected from World Bank Development Indicators (2021) and Central Bank of Nigeria (CBN) Statistical Bulletin (2022). Data on gross domestic product per capita (proxy for economic development) was sourced from World Development Indicators (2021) while data on government recurrent expenditure on national assembly, administration and health were sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin (2022). This study was anchored on the Keynesian theory of government expenditure. Keynesian theory of government expenditure is a theory which brings to the fore the role of government in economic

development of an economy. The Keynesian theory of government expenditure clearly establishes the role of government intervention through policies such as recurrent expenditure so as to enhance economic development. Based on the Keynesian theory, it is expected that interventions of government through its recurrent expenditure on national assembly, administration and health influences economic development.

According to Uremadu *et al* (2019), relationship between government current expenditures and economic growth in Nigeria can be specified by a model stated as:

GDP = ∫ (GRENA, GREPDTS, GREPENG, TGRA, TGRT) ……. (1)

Where

GDP= Real gross domestic product
GRENA = Government recurrent expenditure on national assembly
GREPDT = Government recurrent expenditure on public debt servicing
GREPENG = Government recurrent expenditure on pensions and gratuities
TGRA = Total government recurrent expenditure on administration
TGRT = Total government recurrent expenditure on transfers

In line with Uremadu *et al* (2019), the model for this study was modified and specified as:

GDPPC = ∫ (GENA, GEGA, GEHL) …… (2)

Where:
GDPPC = GDP per capita (proxy for economic development)
GENA = Government recurrent expenditure on national assembly
GEGA = Government recurrent expenditure on general administration
GEHL = Government recurrent expenditure on health
∫ = functional relationship notation

Transforming equation (2) into its linear econometric form, we obtain

$GDPPC_t = \beta_0 + \beta_1 GENA_t + \beta_2 GEGA_t + \beta_3 GEHL_t + \mu_t$ …….. (2)

Where:
β_0 = constant term
β_1, β_2, and β_3 = coefficient parameters of the explanatory variables
μ = stochastic error term
t = time series notation
By a priori $\beta_0 > 0$, $\beta_1 > 0$, $\beta_2 > 0$, $\beta_3 > 0$ and $\beta_4 > 0$

Equation (2) was transformed into its natural logarithm form to make sure that all the variables have a common base. With this, the regression equation becomes:

$LN(GDPPC)_t = \beta_0 + \beta_1 LN(GENA)_t + \beta_2 LN(GEGA)_t + \beta_3 LN(GEHL)_t + \mu_t$ …… (3)

Where:
LN = Natural Logarithm

In the study, GDP per capita was captured by the total value of goods and services produced in Nigeria on annual basis scaled by total population. It is therefore described as:

$$GDPPC = \frac{\text{Gross Domestic Product.}}{\text{Total Population}}$$

Government recurrent expenditure on National Assembly was used to capture all recurrent government expenditure on National Assembly. In this study, government expenditure on National Assembly is described as:
GENA = Total amount spent on National Assembly on annual basis.

This captured the total amount of money spent by the government for administrative purposes on annual basis. In this study, government recurrent expenditure on general administration is described as:
GEGA = Total monies spent for administrative purposes on annual basis.

As the name suggests, this include monies spent by the government for day-to-day running of the health sector on annual basis. In this study, government recurrent expenditure on health is described as:
GEHL = Total recurrent spending in the health sector on yearly basis.

Ordinary least squares (OLS) technique was employed in analyzing the data. It made use of inferential statistics such as t-statistic, F-statistic, R-squared statistic and Durbin-Watson to establish the effect of each of the independent variables on the dependent variable.

Results and Discussion

Table 1: Ordinary Least Squares (OLS) Result

Dependent Variable: LOGGDPPC

Variable	Coefficient	Std. Error	t-statistic	Prob. Value
C	5.006897	0.084672	56.13168	0.0000
LOGGENA	-0.043014	0.065601	-0.655690	0.5195
LOGGEGA	0.122540	0.042672	2.871673	0.0073
LOGGEHL	0.122258	0.048824	2.504055	0.0096
Adjusted R-squared = 0.806214				
F-statistic = 32.89585				
Prob. F-statistic = 0.000000				
DW-statistic = 1.511360				

Source: Author's computation (2024) from E-views software package

From the result in table 2, there is evidence that government recurrent expenditure on national assembly had negative relationship with GDP per capita in Nigeria. 1 percent increase in government recurrent expenditure on national assembly led to 4.30 percent decrease in GDP per capita in Nigeria. The computed t-statistic for GENA (0.655690) in absolute term was less than the tabulated t-statistic (2.064) at five percent level of significance. To confirm this result, we rely on the probability value for GENA (0.5195) which exceeded the test significant level (0.05). With this outcome, the study concluded that government recurrent expenditure on national assembly had insignificant effect on economic development (proxied by GDP per capita) in Nigeria.

Interestingly, the result showed that government recurrent expenditure on general administration had positive relationship with GDP per capita in Nigeria. I percent increase in government recurrent expenditure on general administration had led to 12.25 percent increase in GDP per capita in Nigeria. The computed t-statistic for GEGA (2.871673) exceeded the tabulated t-statistic (2.064) at five percent level of significance. To confirm the result, evidence showed that the probability value of GEGA (0.0073) was less than the test significant level (0.05). Thus, the study concluded that government recurrent expenditure on general administration had significant effect on economic development (proxied by GDP per capita) in Nigeria.

Similarly, there was evidence of a negative relationship between government recurrent expenditure on health and GDP per capita in Nigeria. From the result, 1 percent increase in government recurrent expenditure on health led to 12.23 percent increase in GDP per capita in Nigeria. The computed t-statistic for GEHL (2.504055) exceeded the tabulated t-statistic (2.064) at five percent level of significance. To confirm the result, evidence showed that the probability value of GEHL (0.0096) was less than the test significant level (0.05). Thus, the study concluded that government recurrent expenditure on health had significant effect on economic development (proxied by GDP per capita) in Nigeria. The coefficient of determination (adjusted R-squared) of 0.806214 indicated that 81 percent of variations in economic development (proxied by GDP per capita) in Nigeria are due to changes in government recurrent expenditure on national assembly, government recurrent expenditure on general administration and government recurrent expenditure on health. This implied that 29 percent of variations in GDP per capita (economic development) in Nigeria are due to other factors not included in the model.
The F-statistic (32.89585) exceeded the tabulated F-statistic (3.10) at five percent level of significance. As a confirmation, the probability F-statistic (0.000000) was less than the test significant level (0.05) and this indicated that the model was appropriate, reliable and suitable for making sound policies. Durbin-Watson statistic (1.511360) falls within the acceptance region given that $2 \leq 1.511360 < 4$ and this indicated that there was no presence of autocorrelation in the regression result.

Discussion of Findings

First, the study showed that government recurrent expenditure on national assembly had negative and insignificant effect on economic development (proxied by GDP per capita) in Nigeria. This finding contrasts Uremadu *et al* (2019) which found a positive effect of government recurrent spending on national assembly on the economy of Nigeria. Perhaps, this finding might be attributed to irrelevance of recurrent spending such as purchase of bullet proof cars, payment of sitting allowance, payment for wardrobe allowance and a host of other humongous national assembly spending on the well-being of Nigerians.

Second, the study showed that government recurrent expenditure on general administration had positive and significant effect on economic development (proxied by GDP per capita) in Nigeria. This outcome corroborates Uremadu *et al* (2019) which argued that recurrent expenditure on general administration spurred increased performance of Nigerian economy. Perhaps, this finding might be attributed to the fact

that the wheels of governance needed to be oiled in order to enhance efficiency. As the efficiency of governance increases, economic advancement is enthroned and this leads to economic development.

Interestingly, the study showed that government recurrent expenditure on health had positive and significant effect on economic development in Nigeria. This outcome is not in conformity with the works of Awoyemi, Makanju, Mpapalika and Ekpeyo (2023) which argued in favour of a negative impact of government recurrent expenditure on the health indicators (which are directly related to economic development) in Nigeria. This finding might be attributed to the efforts of the government since the inception of democratic administration which is aimed at improving the welfare of health workers. Given that health is wealth, increased health expenditure on health workers' salaries, allowances and the likes has ensured that the workers productivity is enhanced. In this way, economic development is positively enthroned.

Conclusion and Recommendations

The effectiveness of government recurrent expenditure on economic development in Nigeria has become an issue of intense debate. To contribute to the body of knowledge, this study examined government recurrent expenditure and economic development in Nigeria for the period 1999 to 2022. Government recurrent expenditure on national assembly, government recurrent expenditure on general administration and government recurrent expenditure on health were emphasized. Economic development was proxied by GDP per capita. Ordinary Least Squares (OLS) multiple regression technique was employed to analyze the data.

Findings of the study showed that government recurrent expenditures on general administration and health had positive and significant impact on economic development in Nigeria. On the other hand, the study showed that government recurrent expenditure on national assembly exerted negative and insignificant impact on economic development in Nigeria. In conclusion, the study argued that government recurrent expenditure on general administration and health should be encouraged while that on national assembly should be minimized in order to achieve economic development in Nigeria.

The under-listed recommendations are made:

(i) Federal government should reduce its recurrent expenditures on national assembly in order to ensure increased economic development in Nigeria.
(ii) Nigerian government should sustain its recurrent expenditure on general administration so as to significantly and positively increase economic development in Nigeria.
(iii) Ministry of Budget and National Planning should work assiduously to increase government recurrent expenditure on health as a way to ensure increased economic development in Nigeria.

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