Government Expenditure and Economic Growth in Nigeria

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Introduction

Since the 1930s, Keynesian economics has placed the government at the center of economic issues. Government involvement in global economic activity was relatively minimal until this time. Today, the government plays a significant role in practically every economy around the globe. The market failure that occurred in the late 1920s, which led to probably the worst economic depression in history was one of the main causes of the shift from the pre-Keynesian era. Against the classical thoughts, diminishing demand was what caused overproduction, which in turn caused unemployment as well as a loss in income and productivity. The market wasn't able to reach full employment. The laissez-faire policy was found faulty in this incident. The necessity for a central authority to establish the rules of the game and take decisions that directly and indirectly affect the economy arose at that point (Samuel &Oruta, 2021). The government began to play a bigger position in stabilizing output and employment in later decades, particularly in light of the Keynesian theory of aggregate demand. To reduce poverty and accelerate economic progress, government participation in the economy grew in developing nations. Government policy in the majority of developing nations aims to support market activity by resolving market flaws. Additionally, strategies to boost productivity and even investment in the public sector have gained popularity (Samuel &Oruta, 2021).

Methodology

Because the study is quantitative in nature, the ex post facto research design, which was chosen for this investigation as a component of the quasi-experimental research design, will be appropriate for this inquiry. Data from the Central Bank of Nigeria Statistical Bulletin Database were gathered using secondary data throughout a 21-year period (2000–2021). The data was analyzed using the ordinary least squares method.

Results and Discussion

Following the results from the ADF unit root test, the autoregressive distributed lags (ARDL) approach to cointegration test was conducted in order to examine if there exist a long run relationship between the variables. The results from the ARDL bound cointegration test indicated that there is a long run relationship between the variables. The relationship between the dependent and independent variables were also examined. From the results, it was observed that capital expenditure (CAPEX) has a positive relationship with Nigeria's RGDP in both short run and long run period but it does not significantly influence growth in any of this period. Also, the coefficient of recurrent expenditure (RECEXP) was negative in both short run and long run period and it does not significantly influence economic growth. This implies that a unit change in recurrent expenditure, on the average, will decrease economic growth. The coefficient of non-oil revenue (NOILR) fails the significant test at 5 percent level in both short run and long run period. But it was found to be influencing Nigeria's RGDP positively in both periods.

Conclusion and Recommendation

Based on the results, increase in non-oil revenue will increase economic growth since it implies that more available income to spend on essential products and utilities are needed in the economy. Recurrent expenditure has shown to have a negative insignificant impact on the economic growth of Nigeria. Capital expenditure will positively impact on Nigeria's economy if they are directed towards capital projects that are needed by the economy to aid productive activities and increase overall economic performance.