IMPACT OF PUBLIC SECTOR EXPENDITURE ON ECONOMIC GROWTH OF NIGERIA

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Abstract

The study investigated the impact of public sector spending on economic growth and development in Nigeria. Recently, there is observed decline in infrastructural development which could have given rise to economic rejuvenation of Nigeria's economy despite annual amount of money being spent by the government. The researchers used secondary data obtained from annual statistical bulletin published by Central Bank of Nigeria (CBN), 2015. The data were analyzed using ordinary least square (OLS), in order to properly evaluate the hypotheses formed. The study discovered that public sector spending on recurrent and capital sector of the government when tested individually has significant relationship with economic growth. However, the research resulted otherwise, when the two classes of expenditure were tested in aggregate against economic growth. The result shows that there is no significant relationship between total government expenditure and economic growth, which depicts that volume of government expenditure, is more on recurrent items, which contributes less on the economy, than that of capital expenditure.

Key Words: Government, Expenditure, economy and growth.

Introduction

Public sector is that sector which are owned and controlled by the government. It is the nerve that controls the corporate activities of the government. The government on annual basis prepares its budget, which is a fiscal tool that directs the expected revenue and expected expenditures. The budget prepared by the government stipulates the intended expenditures that are targeted at achieving the goals set by the government within a given period of time. It directs the way governance is run which culminates to the way the economic activities are planned. Budget could be set to achieve short or long term goals. This implies that public sector spending is the cost incurred by the government with the view of achieving the laid down objectives within a fiscal year. According to Enya, Stephen, and Ikenna, (2015), sustained and equitable economic growth is clearly a predominant objective of public expenditure policy. Public expenditure plays an important role in physical and human capital formation over a period of time.

The role of the government is to provide essential services and protect live and property of the citizens. Oziengbe (2013), posits that government expenditures are for the maintenance of itself and provision of public goods, services and works needed to foster or promote economic growth and improve the welfare of people in the society. Government (public) expenditures are generally categorized into expenditures on administration, defense, internal securities, health, education, foreign affairs, etc. and has both capital and recurrent components. The capital expenditures are expenses incurred by the government on projects that has a life span beyond on fiscal year. This is aimed at promoting the infrastructural base of the state. Capital expenditures give potentials for future benefits. The recurrent expenditures are those expenses incurred and utilized within an accounting period.

Public expenditure has direct effect on the growth of the economy within a given society. As mentioned earlier, public spending is targeted at achieving the desired objective of the government. The objective of the government is determined by the stage of the economic activities of a given country at a given period. A government that is pursuing economic expansion will focus more on building industries and other infrastructures that are necessary to achieve economic expansion.

According to Olopade and Olapade (2010), economic growth represents the expansion of a country's potential GDP or output.

Over the years, the Nigeria's government has been incurring public expenditure through the implementation of the budget. Despite the continuous public expenditure incurred in Nigeria, the economic activities have remained at the lowest level. It is therefore, the arm of this research to establish if there is any impact between the public expenditure and economic growth in Nigeria.

Research Objectives
The primary objective of the research is to examine the impact of public expenditure and economic growth in Nigeria. Other objectives include to:
a. Evaluate the relationship between government's total recurrent expenditure (TREx) and the gross domestic product (GDP) of Nigeria.
b. Ascertain the effect of government's total capital expenditure (TCEx) on the nation's GDP.
c. Determine the aggregate impact of government's total expenditure (TEx) on the nation's GDP.

Research Questions
The following questions are proffered in the course of the study:
i. To what extent does the government's TREx relate to the nation's GDP?
ii. What is the effect of government's TCEx on the nation's GDP?
iii. What is the impact of government's aggregate expenditure on the nation's GDP?

Hypotheses
Ho_1: There is no significant relationship between government's total recurrent expenditure and the nation's GDP.
Ho_2: Government total capital expenditure has no significant effect on the nation's GDP.
Ho_3: Government's aggregate expenditure has no significant impact on the nation's GDP.

Literature Review
The literature review is divided into conceptual framework, theoretical framework and empirical review as follows;

Conceptual Framework.
According to Ologunla and Arije (2014), public sector is that part of the economy vested with responsibility of providing basic government services. They went ahead to proffer that the composition of the public sector varies by country, but in most countries the public sector includes such services as the police, military, public roads, public transit, primary education and healthcare for the poor. The public sector might provide services that non-payer cannot be excluded from (such as street lighting), services which benefit all of society rather than just the individual who uses the service (such as public education), and services that encourage equal opportunity. Despite the increasing level of privatization around the world, the public sector in the developing countries still continues to employ a large percentage of the workforce. It has been suggested that public service employment has been growing about four times as fast in developing countries as in developed countries. Traditionally, the public sector in developing economies has been in the forefront of economic development. As a result of the strategic importance of the public sector in the economic development of many countries, there is a concerted effort to make public sector management respond to the changing needs of developing nation.

Maku (2014), submitted that the size and structure of public expenditure will determine the pattern and form of growth in output of the economy. He classified public spending into two broad categories: capital and recurrent expenditure. The recurrent expenditure are government expenses on administration such as wages, salaries, interest on loans, maintenance. However, other expenses

according to him made on capital projects like roads, airports, education, telecommunication, electricity generation etc., are referred to as capital expenditure. One of the main purpose of government spending is to provide infrastructural facilities and the maintenance of these facilities requires a substantial amount of spending. The relationship between government spending on public infrastructure and economic growth tends to be an important analysis in developing countries, most of which have experienced increasing levels of public expenditure overtime. A government that wants to encourage continue investment in productive activities will continue to invest in infrastructure that will aid productivities and makes sure it declines its recurrent expenditure. Productive expenditures engaged in by the government would be such that will catalyze growth in economic activities.

Developing economies devote lots of resources in the public infrastructural developing to facilitate the production of goods and services across all sectors. It's expected that increase in government expenditure on infrastructure will yield income to the government. Maku (2014), stipulates that public expenditure on infrastructural facilities has a great role to play in the form of stimulating the economy. Abu and Abdullahi (2010), assert that higher government expenditure may slowdown overall performance of the economy. Government may in a war situation increase its expenditure on war hardware which have no direct relationship with economic stimulation. A situation like this may prompt the government to increase taxes and/or borrowing. Adverse taxes regime has adverse economic impact on the economy. Taxes are compulsory levy charged on the income of individual and corporate bodies. As a result of the high tax regime, individuals who are ready to put in more hours are discourage to do so or even discontinue from searching for jobs. This implies that productivity will drastically be reduced. However, reduces income and aggregate demand. In the same vein, higher profit tax tends to increase production costs and reduce investment expenditure as well as profitability of firms. Moreover, if government increases borrowing (especially from the banks) in order to finance its expenditure, it will compete (crowds-out) away the private sector, thus reducing private investment. According to Abu and Abdullahi (2014), government in power may in the bid to score cheap political goal engage in unproductive spending which has no direct bearing with economic growth. Therefore, government spending could sometimes act a deterrent to economic growth. These assertions are significant in determining the direction the government's expenditure target depending on the situation and purpose.

Theoretical Framework
A study of this type is incomplete if it is not based on appropriate theory. The following relevant theories to the study are discussed below:
a.   Wagner's law;
b.   Keynesian theory; and
c.   Displacement theory
d.   Musgrave Theory of Public Expenditure Growth
e.   The Endogenous Growth Theory

The Wagner's Law
The Wagner's theory was put forward by a Germany Political economist, Adolph Wagner. It advocates for the increase in government activities. He is of the view that the growth of any economy is facilitated or enhanced by increased industrialization process, as per capital income increases, so also public expenditure increases. He promulgated that increase in public expenditure leads to increase in economic growth. His assertions are that government should spend on those infrastructures that has positive relationship with industrialization of the economy. It is a fact that when enabling infrastructures are developed by the government, private investments are catalyzed.

The Keynesian School of Thought

This theory holds that public expenditure could be manipulated to affect the level of national income. An increase in public expenditure leads to an increase in national output. But far can this be far reaching when this school of thought is linked to the position of Abu and Abdullahi (2014) who are of the opinion that public expenditure could be politically motivated. Their position, points that not all government expenditure has impact on economic growth. This means, government expenditure could increases without significant positive impact on the economy.

The Displacement Theory
The theory was propounded by Jack Wiseman and Allen t. Peacock in 1962. This theory state that public expenditure does not increase at a steady rate continuously but rather in Jerks and Step like manner. He implies that increase in public expenditure is not necessarily as a result of investment in economic activities but may be induces by other factors which the government views as necessary to undertake.

Musgrave Theory of Public Expenditure Growth
Chude and Chude (2013), high-lighted the theory propounded by Musgrave. They quoted the theory as saying that Musgrave found changes in the income elasticity of demand for public services in three ranges of per capita income. He posits that at low levels of per capita income, demand for public services tends to be very low, this is so because according to him such income is devoted to satisfying primary needs and that when per capita income starts to rise above these levels of low income, the demand for services supplied by the public sector such as health, education and transport starts to rise, thereby forcing government to increase expenditure on them. He observes that at the high levels of per capita income, typical of developed economics, the rate of public sector growth tends to fall as the more basic wants are being satisfied.

The Endogenous Growth Theory:
The basic improvement of endogenous growth theory over the previous models is that it explicitly tries to model technology (that is, looks into the determinants of technology) rather than assuming it to be exogenous. Mostly, economic growth comes from technological progress, which is essentially the ability of an economic organization to utilize its productive resources more effectively over time. Much of this ability comes from the process of learning to operate newly created production facilities in a more productive way or more generally from learning to cope with rapid changes in the structure of production which industrial progress must imply (Emerenini and Okezie, 2014).

This research is based on the Wagner's Law, the theory suits or fits this work, because it holds that the growth of an economy is enhanced by increase in public expenditure.

Empirical Review
Many researchers have researched on this topic and related topics with divergent views. Such researchers are as stated below; Enya, Stephen, and Ikenna,(2015), carried out a research work on impact of public expenditure on economic growth in Nigeria. The data used for this study are GDP, and public expenditure variables like education expenditure, health expenditure, agricultural expenditure and transport and communication expenditure. GDP was the dependent variable while all other variables representing public expenditure were included in the independent variables. The study revealed that public expenditure had a significant effect on the Nigerian economy.

Udoka and Anyingang (2015), carried out a research on the effect of public expenditure on the growth and development of Nigerian economy (1980-2012). They employed data from annual publications of Central Bank of Nigeria. These were analyzed using Ordinary least square multiple regression statistical technique. The result showed that aggregate expenditure had a positive impact

on economic growth and development of the Nigerian economy, recurrent expenditure had a significant relationship on the growth and development of the Nigerian economy. The result also indicated that capital expenditure also had a significant effect on the growth and development of the Nigerian economy.

Olulu, Erhieyovwe, and Ukavwe (2014), carried a research on Government Expenditures and Economic Growth: The Nigerian Experience. They investigated the empirical relationship between government expenditure and economic growth. The ordinary least square (OLS) was applied to ascertain the short-run relationship between variables, however, the Augmented Dickey Fuller (ADF) test, was used to examine long-run relationship between variables in the equation. Results show that there is an inverse relationship between government expenditures on health and economic growth; while government expenditure on education sector, is seen to be insufficient to cater for the expending sector in Nigeria. They also discovered that government expenditure in Nigeria could increase foreign and local investments.

Oni and Ozemhoka (2014), both carried a research on the impact of public expenditure on the growth of Nigerian economy. They attempt to assess the impact of public expenditure on the growth of the Nigerian economy, and to ascertain whether there is a relationship between gross domestic product (GDP) and government expenditure in Nigeria. It covers the period of 1981 – 201. They used Ordinary Least Square (OLS) method of econometric technique. The econometric analysis indicates that although there is a positive relationship between the dependent and independent variables, the adjustment of economic growth or gross domestic product was a fair one which made it difficult to reject the null hypothesis. The policy implication of the above scenario is that government over the years appears to be bad managers of resources and have failed to play their role in the process of economic growth and development.

Olusegun (2014), Government Expenditure in Nigeria: Determinants and Trends. The study empirically examines the pattern and drivers of government expenditure with specific reference to capital and recurrent expenditure in Nigeria. The research used a public choice framework and the model is estimated with time-series data from 1974 to 2012, using the Johansen estimation technique. The results show that capital and recurrent expenditure are resilient to shocks in total government spending and, similarly, total government expenditure is found to be resilient to shocks in capital and recurrent spending. However, whereas total and capital expenditure tend to be resilient to shocks in government revenue, recurrent expenditure is found to be significantly affected by shocks in government revenue. The effects of governance show that recurrent expenditure is not affected by any elements of poor governance as much as are capital and overall expenditure. Increased per capita income was found to be in support of Wagner's law, given the response of total and capital expenditure, but this law was refuted by the recurrent expenditure response.

Maku (2014), carried out another research on public expenditure and economic growth nexus in Nigeria: a time series analysis. The paper examined the link between government spending and economic growth in Nigeria over the last three decades (1977-2006) using time series data to analyze the Ram (1986) model. Three variants of Ram (1986) model were developed-regressing Real GDP on Private investment, Human capital investment, Government investment and Consumption spending at absolute levels, regressing it as a share of real output and regressing the growth rate real output to the explanatory variable as share of real GDP, in other to capture the precise link between public investment spending and economic growth in Nigeria based on different levels. Empirical result showed that private and public investments have insignificant effect on economic growth during the period under review.

Kareem, Bakare, Ademoyewa and Bashir (2014), took a research on the impact of public sector spending (administration, agriculture, education, economic, social and community transfer, industry and health services) on economic growth in Nigeria for the period spanning between 1960-2010.The objectives of the study are to estimate the relationship between aggregate public sector spending on economic growth and determining the specific public sector spending variables on economic

growth. Regression and correlation analyses were used as analytical techniques. The results found out that recurrent and capital expenditure contributed positively to economic growth with particular reference to the period under review.

Emerenini and Okezie (2014), on their part understudy Nigerians total government expenditure: it's relationship with economic growth (1980-2012). They came up with the findings that any reduction in total government expenditure would have a negative repercussion on economic growth in Nigeria.

Nwosu and Okafor (2014), carried out a research work on government revenue and expenditure in Nigeria: A disaggregated analysis. The aim at finding the relationship between both total expenditure (TEXP) and disintegrated government expenditure (current (TREXP) and capital expenditures (TCEXP)), and total (TREV) and disaggregated revenue (oil (OILREV) and non-oil revenues (NOREV)) in Nigeria using time series data from 1970 to 2011. They utilized co-integration techniques and VAR models which included an Error Correction Mechanism (ECM) as the methods of analyses. The Co-integration tests indicate the existence of long run equilibrium relationships between government expenditure variables and revenues variables. The VAR results also show that total government expenditure, capital and recurrent expenditures have long run unidirectional relationships with total revenue, oil and non-oil revenue variables as well as unidirectional causalities running from expenditures to revenue variables. The findings support spend-tax hypothesis in Nigeria indicating that changes in government expenditure instigate changes in government revenue. The policy implication derivable from this study is that increase in government expenditure without a corresponding increase in revenue could widen the budget deficit. Therefore, they opined that government should explore other sources of revenue especially the non-oil minerals sector, and also reduce the size of large recurrent expenditure and move towards capital and other investment expenditures.

Oziengbe (2013), took up a research work on the relative impacts of federal capital and recurrent expenditures on Nigeria's economy (1980-2011). They empirically investigated the effect of total government expenditure (GOVEXP) on gross domestic product (GDP) using multiple linear regression analysis. The result shows evidence that strongly supports Ram's growth accounting model. GOVEXP was thereafter disaggregated into capital expenditure (CAPEXP) and recurrent expenditure (RECEXP) and the impacts of these on GDP were investigated by exploiting the cointegration and error correction mechanism. The estimated ECM model reveals that the short-run impact of each explanatory variable on GDP was statistically insignificant contemporaneously, but significant with a lag, with RECEXP exerting greater impact than CAPEXP, though the impact of the former was negative while that of the latter was positive. The variance decomposition results indicate that the proportion of forecast error variance of GDP explained by innovations in RECEXP dominates the proportion explained by innovations in CAPEXP in all the periods. The paper recommends, inter alia that larger share of government expenditure should go into provision of infrastructure and other capital projects.

Ekpung, and Ekpenyong (2013), on their research on an empirical analysis of the structure and growth of federal government expenditure in Nigeria. They used time series data for the period 1970 to 2009, was used in the study. The ordinary least squares (OLS) regression technique was employed as the main method of data estimation. The results obtained revealed that factors such as fiscal deficit, Gross Domestic product, Government revenue and debt servicing are some of the factors causing growth in the government expenditure in Nigeria for the reference period.

Ogundipe and Oluwatobi (2013), on their part carried a research work on government spending and economic growth in Nigeria: evidence from disaggregated analysis. The study attempts to investigate the impact of both government recurrent and capital expenditure on growth performance using an econometric analysis based on Johansen technique for the period of 1970-2009. They found that the component of total expenditure impacting negatively (except education and health) and insignificantly on growth rate; further diagnosis test reveals capital expenditure may likely induce significant impact on growth rate in the long-run.

Chude and Chude (2013), investigated the impact of government expenditure on economic growth in Nigeria, from 1970 to 2012. Their study was based on Ex-post facto research design and applied time series econometrics technique to examine the long and short run effects of public expenditure on economic growth in Nigeria. They found out that Total Expenditure Education is highly and statistically significant and have positive relationship on economic growth in Nigeria in the long run.

Isibor, Babajide and Okafor (2013) on their research on public expenditure and Nigerian economic growth from 1970 to 2012. The result showed that both capital expenditure and lagged-two capital expenditure positively and significantly impacts GDP. For the second equation, only internal debt positively impact GDP.

Egbetunde and Fasanya (2013), worked on public expenditure and economic growth in Nigeria: evidence from auto-regressive distributed lag specification. They analysed the impact of public expenditure on economic growth in Nigeria during the period 1970 to 2010 making use of annual time series data. They employed the bounds testing (ARDL) approach to examine the long run and short run relationships between public expenditure and economic growth in Nigeria. The bounds test suggested that the variables of interest put in the framework are bound together in the long-run. The associated equilibrium correction was also significant confirming the existence of long-run relationships. They found out that the impact of total public spending on growth to be negative which is consistent with other past studies. They also found out that the recurrent expenditure little significant positive impact on growth. Okoro (2013), in his work on the government spending and economic growth in Nigeria (1980 to 2011), Employing the ordinary least square multiple regression analysis to estimate the model specified. Real Gross Domestic Product (RGDP) was adopted as the dependent variable while government capital expenditure (GCEXP) and government recurrent expenditure (GREXP) represents the independent variables. With the application of Granger Causality test, Johansen Cointegration Test and Error Correction Mechanism, the result shows that there exists a long-run equilibrium relationship between government spending and economic growth in Nigeria.

Nworji, Okwu, Obiwuru, & Nworji (2012), they They examined the effect of public expenditure on economic in Nigeria for the period 1970 – 2009. They adopted OLS multiple regression as a statistical tool and model specified on perceived causal relationship between government expenditure and economic growth. The major objective of this paper is to analyze the effect of public government spending on economic in Nigeria based on time series data on variables considered relevant indicators of economic growth and government expenditure. Therefore, time series data included in the model were those on gross domestic product (GDP), and various components of government expenditure. Analysis was based on data extracted from the Statistical Bulletin of the Central Bank of Nigeria. Results of the analysis showed that capital and recurrent expenditure on economic services had insignificant negative effect on economic growth during the study period. Also, capital expenditure on transfers had insignificant positive effect on growth. But capital and recurrent expenditures on social and community services and recurrent expenditure on transfers had significant positive effect on economic growth.

In another vein, Taiwo and Agbatogun (2011), did a research work on government expenditure in Nigeria: A sine qua non for economic growth and development. The paper analyzes the implications of government spending on the growth of Nigeria economy over the period 1980 – 2009. They used Johansen Cointegration, unit root test and error correction model, they discovered that total capital expenditure, inflation rate, degree of openness and current government revenue are significant variables to improve growth in Nigeria.

Olopade and Olapade (2010), assessed how fiscal and monetary policies influence economic growth and development in Nigeria. The analytical frame is based on economic models, statistical methods encompassing trends analysis, and simple regression. This study finds no signified relationship between most of the components expenditure, economic growth and development. The estimated result where mixed in particular, some of the variables were weakly significant as a result of none

inclusion of effect of environmental impacts. Abu and Abdullahi (2010) on their part undertook a research on government expenditure and economic growth in Nigeria, 1970-2008: a disaggregated analysis. They used a disaggregated analysis. The results reveal that government total capital expenditure (TCAP), total recurrent expenditures (TREC), and government expenditure on education (EDU) have negative effect on economic growth. On the contrary, rising government expenditure on transport and communication (TRACO), and health (HEA) results to an increase in economic growth.

Research Gap
The research under review is a unique one. It attempts to review the impact both total public expenditure, capital expenditure, recurrent expenditure, and sectorial expenditure both in aggregate and in disaggregate form. Other works reviewed by the researcher either assessed the impact of public expenditure on economic either aggregately or in disaggregate form. The essence of the research is to unveil the aspect of the public sector spending that impact more or less to the growth of economy in Nigeria. Gross domestic product (GDP) is used as proxy for economic growth, which public expenditure variables will be sourced from relevant documents.

Research Methodology
The research was undertaken to ascertain the relationship between public expenditure and economic growth. Time series data were sourced through secondary source obtained from Central Bank of Nigeria (CBN) statistical bulletin. In order to analyse the hypothesis, ordinary least square (OLS).

Model specification
In order to test the hypothesis, the variables shall be built into a functional relationship. The model specification is such that the dependent variable (GDP) is regressed against the independent variables. The independent variables are proxy by the public expenditure. The public expenditure is broken down into capital and recurrent expenditure. Both are sub-divided into: administration, economic services, social and community services and transfers Thus, the model is as below:

Model Specification
GDP = F (TREx, TCEx)   ……………………………………………. (1)
Where: GDP = Gross Domestic Product, TREx = Total Recurrent Expenditure &
        TCEx = Total Capital Expenditure
The linear form of the model is expressed as:
GDP= β_1+ β_2TREx + β_3TCEx ……………………………………. (2)
The econometric form of the model that includes the error term is expressed as:
GDP= β_1+ β_2TREx + β_3TCEx +μ …………………………………. (3)
Where: β_1 = The intercept of the regression line
        β_2 & β_3 = The coefficient of the independent variables (TREx & TCEx respectively)
        μ = Stochastic variable or the error term.

DATE PRESENTATION
The research made use of data sourced from CBN annual bulletin 2015 edition.
Table 1.1 GDP, Total Recurrent Expenses (TREX), Total Capital Expenses (TCEX) and Total Expenses (TEX) 1990 - 2015

(₦'Billions)

YEAR	GDP	TREX	TCEX	TEX
1990	328.61	36.22	24.05	60.2686
1991	545.67	38.24	28.34	66.5809
1992	875.34	53.03	39.76	92.7933
1993	1,089.68	136.73	54.50	191.2318
1994	1,399.70	89.97	70.92	160.8883
1995	2907.36	127.63	121.14	248.7683
1996	4,032.30	124.49	212.93	337.4163
1997	4,189.25	158.56	269.65	428.2117

Year				
1998	3,989.45	178.10	309.02	487.1156
1999	4,679.21	449.66	498.03	947.6876
2000	6,713.57	461.6	239.45	701.0509
2001	6,895.20	576.3	438.70	1014.9965
2002	7,795.76	696.8	321.38	1,018.1781
2003	9,913.52	984.3	241.69	1,225.9883
2004	11,411.07	1,110.64	351.25	1,461.89
2005	14,610.88	1,321.23	519.47	1,840.7
2006	18,564.59	1,390.10	552.39	1,942.4858
2007	20,657.32	1,589.27	759.28	2,348.551212
2008	24,296.33	2,117.36	960.89	30,78.2501
2009	24,794.24	2,127.97	1,152.80	32,80.7665
2010	54,204.80	3,109.44	883.87	39,93.3145
2011	63,713.36	3,314.51	918.55	42,33.0589
2012	72,599.63	3,325.16	874.70	4,199.86
2013	81,009.96	3,214.95	1,108.39	43,23.336402
2014	90,136.98	3,426.94	783.12	42,10.059386
2015	95,177.74	3,831.98	818.35	46,50.332469
TOTAL		33,991.18	12,552.60	46,543.78147

Source: 2015 CBN Annual Bulletin

Data Analysis Result

Dependent Variable: GDP
Method: Least Squares
Date: 12/11/17   Time: 01:47
Sample: 1990 2015
Included observations: 26

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-135.6461	2706.243	-0.050123	0.9605
TREX	29.79975	2.573395	11.57993	0.0000
TCEX	-30.50122	9.315171	-3.274360	0.0033

R-squared	0.938100	Mean dependent var	24097.37
Adjusted R-squared	0.932718	S.D. dependent var	30706.86
S.E. of regression	7964.989	Akaike info criterion	20.91167
Sum squared resid	1.46E+09	Schwarz criterion	21.05683
Log likelihood	-268.8517	Hannan-Quinn criter.	20.95347
F-statistic	174.2849	Durbin-Watson stat	0.593069
Prob(F-statistic)	0.000000		

From the above, $\beta 1 = -135.6461$, $\beta 2 = 29.80$ and $\beta 3 = -30.50$. The results indicates that the coefficient of the coefficient of the first independent variable (TREx) is positive with the value of 29.8 which implies a positive relationship of government total recurrent revenue with GDP while the coefficient of the second independent variable (TCEx) is negative with the value of -30.5, indicating that government's total capital expenditure has negative effect on the nation's GDP. The significance of the results is however discussed under the hypothesis tests.

Test of Hypotheses
Test of Hypothesis 1
Ho_1:   There is no significant relationship between government's total recurrent expenditure and the nation's GDP. The result of hypothesis 1 is indicated by t-statistics (probability). From the analysis table above, P-value for TREx is 0.000 which is less than the significance level of 0.05 (5%); therefore, the null hypothesis which states that there is no significant relationship between government's total recurrent expenditure and the nation's GDP is rejected and the alternative

hypothesis that a significant relationship exists between government's total recurrent expenditure and GDP is adopted to be correct in this study.

Test of Hypothesis 2

Ho2:   Government total capital expenditure has no significant effect on the nation's GDP. For the second hypothesis, the t-statistics (probability), i.e. the p-value from the analysis table above is 0.003 which is also less than the significance level of 0.05 (5%); therefore, the null hypothesis which states that government's total capital expenditure has no significant effect on the nation's GDP is rejected while the associating alternative hypothesis is accepted. Therefore we hold that Nigerian government's total capital expenditure has significant effect on the nation's GDP.

Test of Hypothesis 3

Ho3:   Government's aggregate expenditure has no significant impact on the nation's GDP. The result of hypothesis 3 is indicated by F-statistics (probability). From the analysis table above, the joint test result (F-stat Prob.) is 0.000 which is less than the significance level of 0.05 (5%); therefore, the null hypothesis which states that government's aggregate expenditure has no significant impact on the nation's GDP is rejected and the alternative hypothesis that government's aggregate expenditure has significant impact on the nation's GDP accepted.

DISCUSION OF FINDINGS AND CONCLUSION

Hypothesis one which was tested to determine the relationship between of government spending on total recurrent expenditure and GDP. From the analysis as shown above, the alternate hypothesis is accepted. This indicates that government total recurrent expenditure has positive significant relationship with the GDP. The recurrent expenditure as show in the literature are expenses on consumables goods, and other overheads. This in line with findings of other researchers. However, hypothesis two, indicates also that government's expenditure on capital expenditure has significant effect on the nation's GDP. The aggregation of the total government expenditure (Capital and current) disclose a negative relationship. The hypothesis is tested to find the impact of government's aggregate expenditure on the nation's GDP. The result depicts that there is no significant relationship between government total expenditure and nation's GDP. The implication of this findings has grave consequences on the economy. Any expenditure that is not geared towards income generation will not impact on economic growth. The Nigeria's government over the years has been spending most of its budgets on recurrent expenditure and other overheads on the expense of capital projects. The capital projects are expenditure on infrastructural development such as roads, hospitals, educational sector, agricultural sector, industrial sector and other sectors of the economy which have the capacity to generate growth on the economy through generation employment opportunities, improved power sector, and other sector of the economy. The aftermath of this kind of spending is gross unemployment rate, poor infrastructure, decay educational system, low yield in agriculture, poor technological advancement etc. This is the bane of Nigeria's economy.

The research recommend therefore that government expenditure must be target towards those sectors that can impact on the economy directly or indirectly.

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