NATIONAL INNOVATION AND RESEARCH ACADEMIA
International Journal of Sustainable Development
ISSN: 2713-4683. Volume 7, Issue 3. Pages 11-27. June, 2024
DOI: 6472-039024-732
Double Blind Peer Reviewed International Research Journal
https://arcnjournals.org
journals@arcnjournals.org

Government Expenditure and Economic Growth in Nigeria (2005 - 2022)

ELAIGWU, Bernard Emmanuel[1] and Ali Bako Khikando[2]
[1]Department of Accounting, Federal University Wukari, Taraba State
[2]Department of Accounting, Kwararafa University wukari

Abstract: *Government expenditure is one of the most critical factors in public spending framework. It has been observed that government expenditure in Nigeria has been on the rise, however, the rising government expenditure may not have been translated to meaningful growth and development, as Nigeria ranks among the poorest Nations in the World. This study examined the effect of government expenditure on Nigerian economic growth (2005-2022). The ex-post facto research design was used while data was generated from Central Bank of Nigeria Statistical Bulletin and World Development Indicator. The hypotheses were tested using multiple linear regression analysis. The study revealed that capital expenditure has a significant positive effect on Gross Domestic Product per capital in Nigeria. Also, recurrent expenditure has a significant positive effect on Gross Domestic Product per capita in Nigeria. The study recommended that the government should increase and direct its capital expenditure towards the productive sectors of the economy, in order to enhance the growth of the economy. It should ensure that funds meant for development of these sectors are properly utilised. Also, the government should also maintain and increase recurrent expenditure on projects and programmes that would attract economic growth in Nigeria.*

Keywords: *Budget, Economic Growth, Government expenditure, Gross Domestic Product.*

Introduction

Government expenditure is the expenses the government incurs in carrying out her programmes and/or businesses. Government expenditure involves all the expenses which the public sector incurs for its maintenance for the benefit of the economy. Generally, government expenditure in Nigeria can be categorized into two component parts namely capital expenditure and recurrent expenditure. Capital expenditure is incurred on the creation or acquisition of fixed assets (new or second-hand). It is also expenses on capital projects like roads, airports, education, telecommunication, electricity generation etc. while recurrent expenditure is incurred on the purchase of goods and services, payment of wages & salaries and settlement of depreciation on fixed assets. The recurrent expenditure are government expenses on administration such as wages, salaries, interest on loans, maintenance etc. Anyanwu (2007) increase in government

expenditure on socio-economic activities and infrastructural development is an impetus for economic growth in any country.

In Nigeria, evidence showed that the total government expenditure has continued to rise in recent times in geometric term through government various activities and interactions with its Ministries, Departments and Agencies (MDA's) (Okulegu, 2013) Expenditures on defence, internal security, debt servicing, education, health, agriculture, construction, transport and communication are rising over time. For instance, government total recurrent expenditure has been on the increase over time. Meanwhile, Keynes in his hypothesis draws a link between public expenditure and economic growth posited that causality runs from public expenditure to income, implying that public expenditure is an exogenous factor and a public instrument for increasing national income. According to Keynes, increase in government expenditure leads to higher economic growth (Keynes, 1936). It has been argued that government fiscal policy (intervention) helps to improve failure that might arise from the inefficiencies of the market.
Similarly, Dar and Amir (2002) pointed out that in the endogenous growth models, fiscal policy is very crucial in predicting future economic growth.

It is a common belief that government plays a significant role in the development of a country and public expenditure is an important instrument for a government to control the economy. Economists have been well aware of its effects in promoting economic growth. The general view is that public expenditure either recurrent or capital expenditure, notably on social and economic infrastructure can be growth-enhancing. That is an increase in government expenditure will yield a positive increase in the growth of the economy by increasing the national income, especially when it is injected in development programmes (Omoke, 2009). For an instant, government expenditure on health and education is capable of raising the productivity of labour and increase the growth of national output (Oni, 2014).
In Nigeria, government expenditures are classified under the headings of administration, social and community services, economic services and transfers. Expenditure on administration includes general administration, defence, internal security and national assembly. Expenditures on social and community services include those on education, health and other social and community services. Expenditures on economic services include those on agriculture, construction, transport and communication and other economic services. Government transfers include public debt servicing, pensions and gratuities, contingencies/subventions, among others (CBN, 2016).

Statement of the Problem

Over the years, the structure and size of the public sector in terms of its expenditure have grown tremendously in many economies all over the World. Even in the capitalist Countries like the U.S.; Governments have become more influential, as they provide social services and income supplements as well as managing the economy (Cameron, 1978). In recent times, rising public expenditures have become a major source of policy concern in Nigeria. Recent evidence has shown that government expenditure is useful for economic growth (Akpan & Abang, 2013). However, there appears to be a general consensus that no Country may attain meaningful development by jerking up the

financing of its recurrent expenditure to the detriment of capital expenditure. Since the policy environment for an effective manipulation of government spending to attain its desired goals is influenced by a number of factors, an understanding of these factors by policy makers is very crucial.

Interestingly, the substantial growth of the size of the government has long been investigated by economists as well as political scientists but with mixed results (Henrekson & Lybeck, 1988). To date, there is no consensus evidence or a-one-size-fit all explanations for the long run effect of government expenditure. A number of studies have link a rise or fall in public spending to several factors including corruption (Mauro, 2018), political regimes (Persson & Tabellini, 1999), foreign aid (Quattara, 2006), elections (Vergne, 2009), bureaucratic and administrative process (Brauninger, 2005), information asymmetries about incumbent government competence of public good provisioning (Rogoff, 1990), degree of openness (Cameron,1978), rising populations and urbanizations (Shelton, 2007), ethnic fractionalizations, external debt servicing burden (Shonchoy, 2010), fiscal illusion (Gemmell, Morrissey & Pinar, 1999) and income (Aregbeyen, 2006 & Akpan, 2011), defense expenditure, inflation amongst others. Whether these or any other factors could rightly be held responsible for the long-term growth of Nigeria's public expenditure remains an empirical question.

It has been observed that government spending in Nigeria has been on the rise, however, the rising government expenditure may not have been translated to meaningful growth and development, as Nigeria ranks among the poorest Nations in the World. A good number of Nigerians have continued to live below the poverty line of less than US$1per day (Okoro, 2013). Despite, the ever-increasing rate of government expenditure in recent times, in Nigeria, there has not been a commensurate growth in the economy. It appears that either these funds are not released or they are released to finance inappropriate expenditure items or maybe the funds are mismanaged or not fully utilised. Another serious challenge in Nigeria public expenditure pattern has been the improper channelling of public expenditure into those areas of the economy where its effects will be optimal in terms of growth, consumption and distribution. Barro (2019) argued that government consumption spending is expected to be growth retarding. Public spending could be negatively correlated with economic growth due to the inefficiency of the public sector especially in the developing Countries where a large proportion of public spending is attributed to non-developmental expenditure like defence and interest payments on the debt as against the economic, social and community services (Husnain, Muhammad, Ihtsham ul, Naeem & Azad, 2011).

Over the years, in Nigeria and other developing economies, there has been a steady increase in government expenditure without an appreciable increase in economic growth and development. These have led to several research studies and interest on the role of government spending in the long-term growth of the national economy by economists. Public expenditure on all sectors of the Nigerian economy is expected to lead to economic growth in the sense that capital and recurrent expenditure will boost the productive base of the economy which in turn will lead to growth.

The studies by researchers in Nigeria and other jurisdictions on the role of government expenditure are still inconclusive. Empirical studies on the effect of government spending on economic growth reported results such as positive effect, negative effect and those who could not establish a relationship between government spending and economic growth. For instance, Landau (2015), Engen and Skinner (1991); Folster and Henrekson (2001) obtained negative evidence while Ram (1986), Kormendi and Meguire (1986), Akpan (2011); Wu, Tang and Lin (2010), have found positive evidence. These mixed results and inconclusive arguments, is as a result of differences in their study periods, test statistics used, sources of their data, study jurisdictions among others, which necessitated this study to close these gaps by providing further empirical evidence on the effect of government expenditure on economic growth in Nigeria. The scope of the study will span a period of 18 years from 2005 to 2022.

The Objective of Study

The main objective of this study is to examine Government Expenditure on Economic Growth in Nigeria 2005 to 2022. The specific objectives are to;

i. Ascertain the effect of capital expenditure on Gross Domestic Product Per Capita in Nigeria;

ii. Determine the effect of recurrent expenditure on Gross Domestic Product Per Capita in Nigeria.

Research Questions

Based on the foregoing statement of the problem, the following research questions have been raised to guide the study.

i. What is the effect of capital expenditure on Gross Domestic Product Per Capita in Nigeria?

ii. What is the effect of recurrent expenditure on Gross Domestic product Per Capita in Nigeria?

Research Hypotheses

The following hypotheses have been formulated in line with the specific objectives as follows;

1. H_o: Capital expenditure has no significant effect on Gross Domestic Product Per Capita in Nigeria
2. H_o: Recurrent expenditure has no significant effect on Gross Domestic Product Per Capita in Nigeria.

Literature Review and Theoretical Framework

Government Expenditure

Government expenditure refers to public expenditure or government expenditure on goods and services and is a major component of the Gross National Product. Government expenditure can be defined as any expenditure made by local, state, regional and national governments making up a considerable portion of the Gross National Product. It is also a kind spending incurred by public authorities to satisfy the collective social wants of the

people. The spending is in the form of future investments, transfer payments and acquisitions. Future investments look into the long-term survival of the Country and hence funds are directed toward infrastructural development such as roads, airports and railways (Landau, 1985). Government expenditure may be current in nature. Current expenditure on state provided goods and services that are provided on a recurrent basis every week, month and year, such as salaries, and resources for state education and defence. Other government expenditure is aimed at a variety of areas that may be considered important in a developed economy - providing a transport infrastructure, supporting the work of local government and servicing any debts that may have been accumulated in the past. Government expenditure policies like setting up budget targets, adjusting taxation, increasing public expenditure and public works are very effective tools in influencing economic growth. In Nigerian economy, Government Spending or public expenditure can broadly be categorised into capital and recurrent expenditure.

Capital Expenditure

Expenses on durable assets or capital projects like roads, airports, health, education, telecommunication, electricity generation among others are referred to as capital expenditure (Obinna, 2013). It is spending incurred on building versatile of projects, highways, steel plants, waterworks etc and buying machinery and equipment is regarded as capital expenditure.

Recurrent Expenditure

The recurrent expenditure is government expenses on administration such as wages, salaries, interest on loans and maintenance among others. It is also spending on current or consumption expenditures incurred on public administration, defence forces, public health and education, maintenance of government machinery. This form of expenditure is of recurring nature which is incurred year after year.

Economic Growth

Economic growth is the increase in the inflation-adjusted market value of the goods and services produced by an economy over period time. Economic growth in other word is an increase in a country physical output over a long period of time (ICAN, 2015). It is also the positive and sustained increase in aggregate goods and services produced in an economy within a given time period. When measured with the population of a given country, then economic growth can be stated in terms of per capita income in which the aggregate production of goods and services in a given year is divided by the population of the country in the given period.

Effect of Capital and Recurrent Expenditure on Economic Growth of Nigeria

Government expenditure could take the form of capital and recurrent expenditure. Akpan (2005) asserted that at the aggregate level capital spending tends to have a more positive growth effect than current spending. Among current items, spending on direct productive sectors has the most positive growth impact. Among capital spending items, spending on social sectors and infrastructure tends to have a positive effect, with the stronger effect for the former. Aschauer (2017) further argued that investments in transport and communications and in education have the largest impacts on growth, while the effects of investments in agriculture, health, housing, and industry were statistically insignificant. For Africa, the strongest positive effect was for health spending followed by agriculture, while defence spending had a strong negative effect (Aiyedogbon & Ohwofasa, 2012).

The general view is that public expenditure either recurrent or capital expenditure, notably on social and economic infrastructure can be growth enhancing although the financing of such expenditure to provide essential infrastructural facilities including transport, electricity, telecommunications, water and sanitation, waste disposal, education and health can be growth-retarding (Olukayode, 2009). Belgrave and Craigwell (1995) found that there is a positive relationship between capital expenditure, agriculture, housing and community, road, communication and health expenditures on economic growth respectively. However, the effects of education and current expenditure are negative.

Saad and Kalakech (2009) study further found that government spending on education has a positive impact in the short run while expenditure on defence and health are negatively correlated in the long run and insignificant in the short run. The expenditure on agriculture is found to be insignificant in both cases. Loto (2011) inferred that in the short run, expenditures on agriculture and education were negatively related to economic growth. However, expenditures on health, national security, transportation, and communication were positively related to economic growth, though the impacts were not statistically significant. Barro (1990) found that expenditure on investment and productive activities has a positive effect on economic growth, while government consumption spending is growth retarding.

Similarly, Devarajan, Swaroop and Zou, (1996) found that current expenditure has a positive impact on growth, while capital expenditure exerts a negative impact on growth. The negative effect of capital expenditure on growth in developing countries was attributed to corruption and inefficiency in the use of public funds. Haque and Kim (2003) found that public investment in transportation has dynamic effects on economic growth of 15 developing countries. A cross-country study by Egert, Kozluk and Araujo (2009) on growth effects of infrastructure, found a strong and significant positive effect on telecommunications and energy generation on economic growth. The study by Hakro (2009) based on panel regression of a sample of 21 Asian countries covering data for a period of 1981 to2005, found a positive relationship between government expenditure and GDP per head growth but insignificant in some cases.
Abu and Abdullahi (2010) asserted that expenditure on infrastructural development reduces the cost of production, increases private sector investment and firms' profitability, thus fostering economic growth. Oni, Aninkan and Akinsanya (2014) reported that total capital spending and total recurrent disbursement are significant determinants of economic growth in Nigeria. Ogundipe and Oluwatobi (2013) found that the components of total government spending induced an adverse (except spending on education and health) and insignificant in explaining the trend of economic growth also, the study shows the prospect of long-run equilibrium convergence between the components of capital outlay and output growth, while the equilibrium convergence between the components of recurrent expenditure and growth of an economy may not be achievable. Mutiu and Olusijibomi (2013) using Gregory-Hansen structural breaks co-integration technique upholds Wagner’s law in two models in the long run; and exposed that economic development and growth are the major purpose of government spending, particularly in the arrears of infrastructure and human resources all of which fall under social and community services.

Taiwo and Abayomi (2011) scanned the relationship between current and capital spending in Nigeria using ordinary least square on series from 1970-2008 and they established a significant positive relationship between economic growth and capital and recurrent expenditure. Ekpo (1994) reported that capital expenditures on transportation and communication, agriculture, health and education had a positive impact on economic growth. Ariyo (1996) found that the nature of government expenditure can crowd-in or crowd-out the private sector and Busari (1998) found government capital expenditure to be growth inducing. A disaggregated approach was adopted by Niloy, Emranul & Osborn, (2003) to investigate the impact of public expenditure on economic growth for 30 developing countries. They found that government capital expenditure in GDP has a significant positive association with economic growth, but the share of government current expenditure in GDP was shown to be insignificant in explaining economic growth. Fajingbesi and Odusola (1999) observed real government capital expenditure has a significant positive influence on real output and real government recurrent expenditure affects growth only by little.

Nurudeen and Usman (2010) result showed that the variables- total capital expenditure, total recurrent expenditure, and government expenditure on education have a negative effect on economic growth. While government expenditure on transport and communication, and health, have a positive impact on economic growth. Appleton and Teal (1998) found out that the share of government capital expenditure in GDP is positively and significantly correlated with economic growth, but current expenditure is insignificant. Muritala and Taiwo (2011) asserted that there is a positive relationship between real GDP and government capital and recurrent expenditure.

Theoretical Framework

This study is anchored on the Keynesian theory. Keynesian theory was proposed and developed by the British economist John Maynard Keynes during the 1930s in an attempt to understand the Great Depression then. Keynesian economics is an economic theory of total spending in the economy and its effects on output and inflation. Keynes advocated increased government expenditures and lower taxes to stimulate demand and pull the global economy out of the depression. The government has to increase its expenditure to stimulate aggregate demand to restore the economy and improve economic growth (Keynes, 1936). This is because the theory emphasized that public expenditure can contribute positively to economic growth. Furthermore, they asserted that increase in government consumption will lead to an increase in employment, profitability and investment through multiplier effects on aggregate demand.

Methodology

The research design used was ex-post facto study design. Annual time series data in respect of capital expenditure, recurrent expenditure and Nigerian economic growth were targeted for the period of twenty (20) years. The parameters consist of Capital Expenditure (CapExp), Recurrent Expenditure (ReExp), and Gross Domestic Product Per Capita (GDP Per Capita) in Nigeria. Annual time series data for the period of eighteen (18) years (2005 – 2022) was purposively chosen as the sample size of this research.

The choice of this period was guided by data availability and the quest to examine the effect of capital and recurrent expenditures on Nigerian economic growth under the current democratic system of government in Nigeria. Data was sourced from the secondary sources. The data was extracted from the Central Bank of Nigeria Statistical Bulletin (2016) and World Development Indicator (2017). Multi-linear regression analysis was used to test, all the null hypotheses formulated. The technique was used because of its effectiveness in estimation, prediction and generation of the effect of independent variables on dependent variable. The analysis of data was done using Statistical Package for Social Sciences (SPSS) version 20.0 software.

Model Specification

The dependent variable of the study is economic growth; proxy by Gross Domestic Product Per Capita (GDP Per Capita), while the independent variable is government spending; proxies by Capital Expenditure (CapExp) and Recurrent Expenditure (ReExp). To achieve all the hypotheses, the multi-linear regression analysis statistical method was used to estimate the model. The multi-linear regression model is presented as follows:

GDP Per Capita f (CapExp + ReExp)

$GDP\ per\ Capita_t = \beta_o + \beta_1 CapExp_t + \beta_2 ReExp_t + \mu_t$ ---------- (1)

Where: $GDP\ Per\ Capita_t$ = an indicator representing Gross Domestic Product Per Capita (Dependent Variable)

β_o = a constant and β_{1-2} = coefficients of independent variables;

$CapExp_t$ = a predictor representing Independent Variable (Capital Expenditure);

$ReExp_t$ = a predictor representing Independent Variable (Recurrent Expenditure);

μ_t = Stochastic error term;

t = Time series; and

f = Functional relationship.

Data Presentation

Table 1: presents the data used to examine government expenditure on Nigerian economic growth. These data are categorised into Gross Domestic Product Per Capita (GDP Per Capita), Capital Expenditure (Cap_Exp) and Recurrent Expenditure (Re_Exp) in Nigeria, for the period of eighteen (18) years (2005 – 2022).

YEAR	GDP Per Capita (N Thousand)	Capital Expenditure (N Billion)	Recurrent Expenditure (N Billion)
2005	188330.5923	498.03	449.66
2006	193442.432	239.45	461.60
2007	196966.426	438.70	579.30
2008	199331.6658	321.38	696.80
2009	214460.7132	241.69	984.30
2010	279563.6551	351.30	1,032.70
2011	281813.2052	519.50	1,223.70
2012	297095.3294	552.39	1,290.20
2013	309138.7265	759.32	1,589.27
2014	319934.3374	960.89	2,117.36
2015	333135.426	1,152.80	2,127.97
2016	349791.642	883.87	3,109.38

2017	357204.0543	918.55	3,314.51
2018	362648.1497	874.83	3,325.16
2019	372130.0412	1,108.39	3,689.06
2020	385227.6188	783.12	3,426.90
2021	385141.964	818.37	3,831.95
2022	369404.085	634.79	4,178.59

Sources: World Development Indicator (2019); CBN Statistical Bulletin (2021)

Data Analysis and Discussion of Results

The analysis of data was done with the use of Statistical Package for Social Sciences (SPSS) version 20.0 software.

Table 2: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
GDP_PerCapita	18	188330.59	385227.62	299708.8924	72125.14100
Cap_Exp	18	239.45	1152.80	669.8539	288.49332
Re_Exp	18	449.66	4178.59	2079.3561	1314.00127
Valid N (listwise)	18				

Source: Researcher's Computation using SPSS Version 20.0

The data for the analysis were extracted from the World Development Indicator and Central Bank of Nigeria Statistical Bulletin for various years (2005-2022). Before the use of multiple regression technique, the descriptive statistics analysis was done on the data to know the central tendency, the mean and the degree of the dispersion of the data, the minimum, maximum and standard deviation. Table 2 shows the mean of the Gross Domestic Product Per Capita of two hundred and ninety nine thousand and seven hundred and eight naira and eighty nine kobo ₦ (299, 708.89) and the standard deviation of seventy two thousand, one hundred, twenty five naira and fourteen kobo (₦ 72, 125.14) for the periods of 2005-2022. The table also shows the mean of the capital expenditure of six hundred and sixty-nine, point eight billion (₦ 669.8539) and the standard deviation of two hundred and eighty-eight, point five billion naira (₦ 288.49332) for the periods of under review. The table further shows the mean of the recurrent expenditure of two trillion, seventy-nine billion, point four naira (₦ 2079.3561) and the standard deviation of one trillion three hundred and fourteen billion naira (₦ 1314.00127) for the periods of under review.

The descriptive statistics further shows that the minimum Gross Domestic Product Per Capita of one hundred and eighty-eight thousand, three hundred- and thirty-naira fifty naira and nine kobo (₦ 188, 330.59) and the maximum Gross Domestic Product Per Capita of three hundred and eighty five thousand, two hundred and twenty seven naira and six two kobo (₦ 385, 227.62). The minimum capital expenditure of two hundred- and thirty-nine-point fourty five billion (₦ 239.45) and the maximum Capital Expenditure of one trillion, one billion, fifty-two million and point eighty naira (₦ 1152.80). Finally, the

minimum Recurrent Expenditure of four hundred and forty-nine point sixty-six billion naira (₦ 449.66) and the maximum Recurrent Expenditure of four trillion, one billion, seventy-eight million and point fifty-nine naira (₦ 4178.59).

Table 3: Model Summary

Model Summary

Model	r	r Square	Adjusted r Square	Std. Error of the Estimate
1	.951[a]	.904	.891	23766.21016

Source: Researcher's Computation using SPSS Version 20.0

The r value of .951 in table 3 indicated a strong possible relationship between the independent variable; proxies by capital expenditure and recurrent expenditure and the dependent variable proxy by gross domestic product per capita. The r Square of .904 indicated that the components of independent variables have a combined effect of 90% on the dependent variable. While the Adjusted r Square of .891 shows the accurate influence of the combined effect of capital expenditure and recurrent expenditure of 89% on gross domestic product per capita.

Table 4: ANOVA Result

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	79962120212.901	2	39981060106.450	70.784	.000[b]
	Residual	8472491179.921	15	564832745.328		
	Total	88434611392.821	17			

Source: Researcher's Computation using SPSS Version 20.0

The F-Statistics of 70.784 and the sig. level of .00 in table 4 indicated that the model is fit and significant at 1% level. This means that the result will be admissible for decision.

Table 5: Coefficients

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	171163.853	14528.996		11.781	.000		
	Cap_Exp	64.424	28.841	.258	2.234	.041	.480	2.084
	Re_Exp	41.066	6.332	.748	6.485	.000	.480	2.084

Source: Researcher's Computation using SPSS Version 20.0

Table 5 shows the collinearity statistic tolerance values of 0.480 of the variables are consistently smaller than 1, which indicated that there is an absence of multicollinearity. The VIF value of 2.08 in the same vein, reaffirmed the absence of multicollinearity among the variables considered since the value is consistently lower than 10.

Test of Hypotheses

In order to examine the effect of government spending on Nigerian economic growth, the following hypotheses were tested using Multiple Linear Regression analysis.

H_o1: Capital expenditure has no significant effect on gross domestic product per capita in Nigeria

H_o2: Recurrent expenditure has no significant effect on gross domestic product per capita in Nigeria

The result of t statistic of 2.234 and the sig. level of .041which is within 5% level of significance in table 5 indicated that capital spending has a significant effect on gross domestic product per capita in Nigeria. Based on this, the null hypothesis one, which says capital spending has no significant effect on gross domestic product per capita in Nigeria, is rejected. The result of t statistic of 6.485 and the sig. level of .000 which is within 1% level of significance in table 5 further indicated that recurrent spending has a significant effect on gross domestic product per capita in Nigeria. Based on this, the null hypothesis two, which says recurrent spending has no significant effect on gross domestic product per capita in Nigeria, is rejected.

Discussion of Findings

The study revealed that capital expenditure has a significant positive effect on gross domestic product per capita in Nigeria. Holding every other thing constant, ₦1spending on capital expenditure will, in turn, increase gross domestic product per capita by ₦ 64.424. This finding is in consonance with the findings of other studies like Anyanwu (1997) who found that increase in government expenditure on socio-economic activities and infrastructural development is an impetus for economic growth in any country. Obinna (2013) also found that increase in government expenditure on socio-economic and physical infrastructures encourage economic growth. Oni, Aninkan and Akinsanya (2014)

equally found that capital spending influenced growth positively. Kolawole and Odubunmi (2015) found that government capital expenditure significantly impacted positively on economic growth in Nigeria.
However, the finding contradicts the findings of other studies like Nurudeen and Usman (2010) who found that total capital expenditure has a negative effect on economic growth. Devajaran et al (2016) also found that capital expenditure exerts a negative impact on growth. In a related development, Abu and Abdullah (2010) further found that government total capital expenditure had a negative effect on economic growth.

This study further revealed that recurrent expenditure has a significant positive effect on gross domestic product per capita in Nigeria. Holding other variables constant, ₦1spending on recurrent expenditure will, in turn, increase gross domestic product per capita by ₦ 41.066. This finding is in agreement with other studies like Oni, Aninkan and Akinsanya (2014) who found that recurrent expenditure influenced growth positively. Olukayode (2009) also found that recurrent public expenditure on social and economic infrastructure can be growth-enhancing. While Devajaran et al (1996) found that current expenditure has a positive impact on growth.
In another development, the finding is in disagreement with other studies like Aregbeyen (2007) who found a negative and significant correlation between government current and consumption expenditures and economic growth. Laudau (1983) also found that there is a negative effect of government (consumption) expenditure on the growth of real output. While Belgrave and Craigwell (1995) found that there is a negative relationship between recurrent expenditure and economic growth.

Conclusion

The increase in capital expenditure in Nigeria must be sustained and consolidated upon in order to maintain and enhance gross domestic product per capita in Nigeria. This will bring about critical infrastructural development, which will, in turn, bring multiplier effects on the Nigerian economy. The government at various levels must in provide and implement capital expenditure to guarantee sustainable economic growth in Nigeria.
In a related development, recurrent expenditure in Nigeria must be sustained, to further maintain and enhance gross domestic product per capita in Nigeria. This will ensure speedy implementation of the government projects and programmes, which will, in turn, have multiplier effects on the Nigerian economy. The government at various levels must effectively implement the recurrent expenditure to ensure sustainable economic growth in Nigeria.

Recommendations

The following recommendations are provided based on the findings:
(i) The government should increase and direct its capital expenditure towards the productive sectors of the economy like agriculture, industries among others, in order to enhance the growth of the economy. It should ensure that funds meant for development of these sectors are properly utilised.
(ii) The government should also maintain and increase recurrent expenditure on projects and programmes in the productive sectors of the economy that would enhance economic growth in Nigeria.

References

Aiyedogbon, J. O. & Ohwofasa, B. O. (2012). Poverty and Youth Unemployment in Nigeria, 1987 – 2011. *International Journal of Business and Social Sciences*, 3(20): 269–279.

Akpan, U. F. & Abang. D. E. (2013). Does Government Spending Spur Economic Growth? Evidence from Nigeria. *Journal of Economics and Sustainable Development,* 4(9):36-52.

Akpan, N. I. (2005). Government Expenditure and Economic Growth in Nigeria: A Disaggregate Approach. *CBN Economic and Financial Review*, 43(1): 61–67.

Akpan, U. F. (2011). Co-integration, Causality and Wagner's Hypothesis: Time Series Evidence for Nigeria (1970-2008). *Journal of Economic Research,* 16: 59-84.

Anyanwu, J. C. (1997). *Nigerian Public Finance.* Joanee. Onitsha, Educational Publishers.

Appleton, S. & Teal, F. (1998). Human Capital Expenditure and Economic Growth. *Economic Research Paper*, No. 39.

Aregbeyen, O. (2006). Cointegration, Causality and Wagner's Law: A Test for Nigeria (1970-2003). *CBN Economic and Financial Review,* 44(2):1-17.

Aregbeyen, O. (2007). Public Expenditure and Economic Growth. *African Journal of Economic Policy*, Ibadan (Nigeria): University of Ibadan Press 1 (1).

Ariyo, A. (1996). Economic Reform, Fiscal Stance and the Nigerian Private Sector, in: Ariyo, A. (ed) Economic Reform and Macroeconomic Management in Nigeria, Ibadan; Ibadan University Press.

Aschauer, D. A. (2000). Public Capital and Economic Growth: Issues of Quantity, Finance, and Efficiency. *Economic Development and Cultural Chang*, 48(2): 391-406.

Barro, R. (1990). Government Spending in a Simple Model of Endogenous Growth. *Journal of Political Economics*, 98: 103-125.

Belgrave, A. & Craigwell, R. (1995). The Impact of Government Expenditure on Economic Growth in Barbados: A Disaggregate Approach. *Research Department*, Central Bank of Barbados.

Brauninger, T. (2005). A Partisan Model of Government Expenditure, *Public Choice,* 125(3/4): 409-429.

Busari, T. D. (1998). Public Sector and Economic Development, 1980- 1994, in Ariyo A. (ed) Public Sector- Private Sector and Economic Development, Ibadan, Centre for Public-Private Cooperation.

Cameron, D. R. (1978). The Expansion of the Public Economy: A Comparative Analysis. *The American Political Science Review,* 72(4): 1243-1261.

Central Bank of Nigeria (2016). Annual Statistical Bulletin. [online], Available: https://www.cbn.gov.ng/documents/Statbulletin.asp, 14/08/2016.

Dar-Atul, A. & AmirKhalkhali, S. (2002). Government Size, Factor Accumulation and Economic Growth: Evidence from OECD Countries. *Journal of Policy Modeling*, 24(7/8): 679-692.

Devarajan, S. Swaroop, V. & Zou, H. (1996). The Composition of Public Expenditure and Economic Growth. *Journal of Monetary Economics*, 37: 313-344.

Ekpo, A. H. (1994). Public Expenditure and Economic Growth in Nigeria, 1960-1992, Final Report African Research Consortium (AERC), Nairobi, Kenya

Engen, E. & Skinner, J. (1991). Fiscal Policy and Economic Growth*. Paper Presented at NBER Conference on Taxation.*

Fajingbesi, A. A. & Odusola, A. F. (1999). Public Expenditure and Growth: A Paper Presented at a Training Programme on Fiscal Policy Planning Management in Nigeria, Organized by NCEMA, Ibadan, Oyo State. pp.137-179.

Folster, S. & Henrekson, M. (2001). Growth Effects of Government Expenditure and Taxation in Rich Countries. *European Economic Review*, 45: 1501-1520.

Gemmell, N. Morrissey, O. & Pinar, A. (1999). Fiscal Illusion and the Demand for Government Expenditures in the UK. *European Journal of Political Economy,* 15: 687-704.

Hakro, N. (2009). Size of Government and growth Rate of Per Capita Income in Selected Asian Countries Developing Economies. *International Research Journal of Finance and Economics*, 28: 52-65.

Haque, M. E. & Kim, D. H. (2003). Public Investment in Transportation and Communication and Growth: A Dynamic Panel Approach. *The School of Economics Discussion Paper Series, 0324, the University of Manchester.*

Henrekson, M. & Lybeck, J. A. (1988). Explaining the Growth of Government in Sweden: A Disequilibrium Approach. *Public Choice,* 57(3): 213-232.

Husnain, M. I., Muhammad, K. Ihtsham ul, H. P., Naeem, A. and Azad, H. (2011). Public Spending, Foreign Direct Investment and Economic Growth A Time Series

Analysis for Pakistan (1975-2008). *International Research Journal of Finance and Economics.* http://www.eurojournals.com/finance.htm.

Keynes, J. M. (1936). The General Theory of Employment, Interest and Money. London: Macmillan.

Kolawole, B. O. & Odubunmi, S. A. (2015). Government Capital Expenditure, Foreign Direct Investment and Economic Growth Relationship in Nigeria, *Mediterranean Journal of Social Sciences, 6*(43): 444-453.

Kormendi, R. & Meguire, P. (1986). Government Debt, Government Spending and Private Sector Behaviour: A Reply. *American Economic Review,* 76(5): 1180-1187.

Laudau, D. L. (1983). Government Expenditure and Economic Growth: A Cross Country Study. *Southern Economic Journal*, 49: 783-792.

Landau. D. L. (1985). Government Expenditure and Economic Growth in the Developed Countries. *Public Choice*, 12, 459 – 447.

Loto, M. A. (2011). Impact of Government Sectoral Expenditure on Economic Growth. *Journal of Economics and international Finance*, 3(11), 646-652.

Mauro, P. (1998). Corruption and the Composition of Government Expenditure, *Journal of Public Economics,* 69(2): 263-279.

Muritala T. & Taiwo A. (2011). Government Expenditure and Economic Growth: Empirical Evidence from Nigeria. *European Journal of Business and Management*. 3(a), Accessed from http://mpra.vb.uni-mvenchen.de/37293/, 12/11/2016.

Mutiu, A. O. & Olusijibomi, A. (2013). Public Expenditure and Economic Growth Nexus: Further Evidence from Nigeria. Academic Journal, 5(4), [online], Available: http://www.academicjournals.org/JEIF, (27/06/2016).

Niloy, B. Emranul, H. M. & Osborn, D. R. (2003). Public Expenditure and Economic Growth:Disaggregated Analysis for Developing Countries,Accessed: www.socialsciences.manchester.ac.uk/cgber/dpcgbr.30.pdf, 17/12/2016.

Nurudeen, A. & Usman, A. (2010). Government Expenditure and Economic Growth in Nigeria, 1970-2008: A Disaggregated Analysis. *Business Economic Journal,* 4: 1-11.

Obinna, O. E. (2003). *Public Finance.* Nsukka: Ap and P Press Ltd.

Ogundipe, O. (2013). Government Spending and Economic Growth in Nigeria; Evidence from Disaggregated Analysis. An unpublished article.

Okoro, A. S. (2013). Government Spending and Economic Growth in Nigeria (1980-2011). *Global Journal of Management and Business Research Economics and Commerce*, 13(5): 21-29.

Okulegu, B. E. (2013). Government Spending and Poverty Reduction in Nigerian's Economic Growth. *International Journal of Social Sciences and Humanities Reviews Vol.4 No.1, May.; p.103 – 115*

Olukayode, M. E. (2009). Does Government Spending Spur Economic Growth in Nigeria? MPRA paper No. 17941.

Omoke, P. (2009). Government Expenditure and National Income: A Causality Test for Nigeria. *European Journal of Economic and Political Studies,* 2: 1-11.

Oni, L. B. (2014). Analysis of the Growth Impact of Health Expenditure in Nigeria. *IOSR Journal of Economics and Finance,* 3(1): 77-84.

Oni, L. B., Aninkan, O. O. & Akinsanya, T. A. (2014). Joint Effects of Capital and Recurrent Expenditures in Nigeria's Economic Growth. *European Journal of Globalization and Development Research*, 9(1): 530-543.
.

Persson, T. & Tabellini, G. (1999). The Size and Scope of Government: Comparative Politics with Rational Politicians, *European Economic Review,* 43(4/6): 699-735.

Quattara, B. (2006). Foreign Aid and Government Fiscal Behaviour in Developing Countries: Panel Data Evidence. *Economic Modelling,* 23: 506-514.

Ram, R. (1986). Government Size and Economic Growth: A New Framework and some Evidence from Cross-Section and Time Series Data. *American Economic Review.* 76: 191-203.

Rogoff, K. (1990). Equilibrium Political Budget Cycles. *American Economic Review,* 80: 21-36.

Saad, W. & Kalkechi, K. (2009). The Nature of Government Expenditure and its Impact on Sustainable Economic Growth. *Middle Eastern Finance and Economics*, 1(4), 39-47.

Shelton, C. A. (2007). The Size and Composition of Government Expenditure. *Journal of Public Economics,* 91: 2230-2260.

Shonchoy, A. S. (2010). Determinants of Government Consumption Expenditure in Developing Countries: A Panel Data Analysis. *Institute of Developing Economies (IDE) Discussion Paper,* No. 266, Japan.

Taiwo, M. & Abayomi, T. (2011). Government Expenditure and Economic Development: Empirical Evidence from Nigeria. *European Journal of Business and Management*. 5(3), 115-129.

Vergne, C. (2009). Democracy, Elections and Allocation of Public Expenditures in Developing Countries. *European Journal of Political Economy,* 25: 63-77.

Wu, S., Tang, J. & Lin, E. (2010). The Impact of Government Expenditure on Economic Growth: How Sensitive to the Level of Development?. *Journal of Policy Modelling,* 32: 804-817.