

IMPACT OF GOVERNMENT EXPENDITURE ON ECONOMIC GROWTH IN NIGERIA

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Abstract

This study assessed the impact of government expenditure on economic growth in Nigeria using time series data of 1986-2020. Structural Vector Auto-regression (SVAR) model and the pair-wise causality test were adopted. The study observed that government expenditure in health and education had an insignificant impact on economic growth. The result also showed that public debt has an insignificant impact on economic growth. The study, therefore, recommends that: Government expenditure in education and health should be increased significantly to at least meet up with regional and global expenditure benchmark; government should minimise the incidence of borrowing especially with about 92% of the revenue generated going for debt servicing for borrowings that are largely non-productive. Borrowing analysis should also be extended to revenue generating capacity as debt to GDP ratio is not all encompassing.

Keywords: Impact, Government Expenditure, Economic Growth, SVAR.

INTRODUCTION

Several government programmes and projects are specifically aimed at promoting sustainable and equitable economic growth of which public expenditure have played a very important

role over time. Analysis of public expenditure in Nigeria indicated that the productive sectors of the economy such as agriculture, mining, health and education have not been given the required and sufficient attention that will steer the country to the target economic growth (Jumare, Yusuf & Rafiat, 2016).

Economic failure in Nigeria previously causes a loss of trust and social upheaval, regular and ugly triggers of social conflicts among citizens. The implication of meeting basic needs or social services is the readiness of the government to make expenditure on infrastructures, health, education, power and so on from the revenues it generates. This is because finance is a prerequisite for government to carry out its far reaching responsibilities not only the provision of goods and services, but also as an agent and catalyst for economic growth and development through sustained programmes and policies (Jumare, Yusuf & Rafiat, 2016).

The Federal Government of Nigeria at different times through its annual budget and other funding channels displayed its willingness and readiness to finance the productive sectors with infrastructural and quality human capital investment in mind which should translate to economic growth and eventually, development in the long run. This is because economic growth is fundamental for sustainable development as it relies on government expenditure to invest in key infrastructural systems like sanitation, health, education, transportation, etc (Jumare, Yusuf & Rafiat, 2016).

Public expenditure in Nigeria over the years has been on increase, but the problem of inefficient channelling of the fund to key areas of the economy as well as funds embezzlement have distorted the pace of economic growth in Nigeria (World Bank, 2016). This is further corroborated by the Education For All (EFA) global monitoring report by the UNESCO (2015), which stated that many governments have increased spending but few have prioritised education in national budget. For instance, government total capital expenditure on economic services, social, community services, transfers, among others increased from N110,163.10 million, N15,034 million and N28340 million in 1980, 1989 and 1991 respectively. It further increased to N883874.5 million and N918548.9 million in 2010 and 2011 respectively (UNESCO, 2015). In the same vein, recurrent expenditure increased from N25994 million and N38243 million respectively in the same period down to N3310343.38 million and N3054333 million respectively in 2010 and 2011 (CBN, 2012).

Nigeria's expenditure has been on the increase in nominal value over the years with much skewness to recurrent expenditure pattern which is not healthy for the economy because it does not drive production. For instance, the breakdown of the 2016 budget by the Budget Office clearly supported this line of thought that the allocations are more of recurrent expenditure than capital expenditure with only the infrastructure sector having more allocation for capital expenditure of 87% and recurrent expenditure of 12.2%. The social sector capital expenditure was 11.4% and recurrent expenditure was 88.6%, the economic sector capital expenditure was 40.1% while recurrent expenditure was 59.9%, Security sector capital expenditure was 23.3% and recurrent expenditure had 76.7%, administration sector capital expenditure 26.1% and recurrent expenditure 73.9% respectively. In addition, analysis of the trend of government expenditure in Nigeria showed that the share of recurrent expenditure to the total expenditure stood at 68%, 60% and 70% in 2007, 2008 and 2009 respectively with a meagre portion committed to capital expenditure (UNESCO, 2015). Consequent upon this is

the high rate of fluctuations and volatility in economic growth rate measured by real gross domestic product. The Real Gross Domestic Product (RGDP) in 1975, 1986, 1999 and 2016 are 7.6%, 11.1%, 2.6% and 1.6% respectively (World Bank, 2016). It is in line with this background this paper sought to assess the impact of government expenditure on economic growth in Nigeria. Thus, this study was set to answer the questions: What is the impact of government education expenditure on economic growth in Nigeria? What is the impact of government health expenditure on economic growth in Nigeria? What is the impact of public debt on economic growth in Nigeria?

Objectives of the Study

The main objective of this study is to evaluate the impact of government expenditure on economic growth in Nigeria. The specific objectives of the study sought to:

- i. Evaluate the impact of government education expenditure on economic growth in Nigeria.
- ii. Investigate the impact of government health expenditure on economic growth in Nigeria.
- iii. Examine the impact of public debt on economic growth in Nigeria.

Hypotheses

H₀₁: Government education expenditure has no significant impact on economic growth in Nigeria

H₀₂: Government health expenditure has no significant impact on economic growth in Nigeria

H₀₃: Public debt has no significant impact on economic growth in Nigeria.

LITERATURE REVIEW

Conceptual Clarifications

Government Expenditure

Government expenditure is the money spent by the government out of its revenue to meet various needs of the economy (Adigwe, Anyanwu & Udeh, 2016). The concept of government expenditure emanates from the activities of government which includes paying for and providing goods and services, investment in material and human capital as well as transfers. According to Ukwueze (2018) public expenditures can be disaggregated or classified into subheadings, such as recurrent expenditures and capital expenditures. The recurrent expenditures are expenditures or purchases of stationeries, wages and salaries of workers, fuel, electricity bills and other bills, etc. Capital expenditures are constructions undertaken by the government on roads, bridges, health centres, schools, military installations and hardware, etc. the author is of the view that the concept of public expenditures arose from the perspective that any expenditure undertaken by the government is public. Government expenditures are also called public sector spending, public expenditures, or government purchases. From the above views, it is assumed that government has sufficient revenue to expend.

Wanjiru (2019) explained that, government spending on education and health sectors leads to development and build-up of human capital that will be more resourceful and adequately creative to enhance economic growth. Therefore, this study shall adopt government expenditure as all spending or purchases by the Federal Government of Nigeria in the health

and education sectors as well as expenditures on public debts. This study will adopt expenditure at the federal government level.

Economic Growth

Anyiwe and Oziegbe (2020) opined that economic growth connotes increase in outputs in various sectors, national product, national income, improved level of technology, health, education and urbanization. In addition, economic growth refers to as a long term rise in its capacity to supply increasingly diverse economic goods to its population. It is also a process by which the productive capacity of the economy is increased over time to bring about rising level of national output and income.

On the other hand, economic growth is a long term process wherein the substantial and sustained rise in real national income, total population and real per capita income takes place. In addition, economic growth is the expansion of the system in one or more dimensions without a change in its structure. Thus economic growth is related to a quantitative, sustained increase in the country's per capita output or income accompanied by expansion in its labour force, consumption, capital and volume of trade (Ukwueze, 2018).

Theoretical Framework

Robert Lucas Endogenous Growth Theory

Robert Lucas proposed a model of endogenous growth with two sectors. According to Lucas (1988), capital is made up of physical capital which is used in the production process and human capital which causes the growth in productivity of labour and physical capital. Lucas illustrated this position by stating that a person with human capital which is equal 'hc' will produce more goods twice than the person with human capital 'hc/2' and twice less than the person with human capital '2hc'. In the theory of Robert Lucas, accumulation of human capital is a very important economic process that needs some certain resources, and this is the cause of alternative costs. People can decide to choose one out of the two ways to spend their time which is either to participate in current production or to accumulate human capital. In fact, the rate of economic growth is determined by the allocation of time between these alternatives. For example, if time spent on production is decreased, it will lead to a reduction in current output, but if investment in human capital is accelerated at the same time, the investment in human capital will increase the product output (Lucas, 1988).

In summary, the theories of endogenous growth did not conclude that technological progress is the only possible cause of growth in the long run. Other factors such as the quality of human capital which is a function of investment in human development component of education and health; the creation of the conditions necessary for intellectual property rights protection in imperfect competition condition; government support for science and technology development; and the important role government play in creating a favourable climate of investment and new technologies attraction. From the review of theories in government expenditure, human capital and economic growth this study recognised the relevance of the reviewed theories in this work and as a result of the linkage it underpins its model on the endogenous growth theories of Paul Romer (1990), Schultz theory of human capital (1961) Wagner's law of increasing state activities 1983).

Empirical Studies

Ditimi, Nwosa, and Ajisafe (2019) examined relationship between the components of government expenditure with focus on education, agriculture, health and transport and telecommunication variables on economic growth in Nigeria for the period between 1970 and 2018. The results of the long run and short run regression estimates indicated that expenditure on agriculture was the most significant of the components of government expenditure that impacted on economic growth.

Nworji, Okwu, Obiwuru and Nworji (2018) studied the effect of public government spending on economic growth in Nigeria based on variables considered relevant indicators of economic growth and government expenditure for the period 1970 – 2017. The Ordinary Least Square (OLS) multiple regression model specified on perceived causal relationship between government expenditure and economic growth was used. Results of the analysis showed that capital and recurrent expenditure on economic services had insignificant negative effect on economic growth. Capital expenditure on transfers had insignificant positive effect on growth. Capital and recurrent expenditures on social and community services and recurrent expenditure on transfers had significant positive effect on economic growth.

Oziengbe (2016) explored the relative impacts of federal capital and recurrent expenditures on Nigeria's economy from 1980 to 2015. The study investigated the effect of total government expenditure (GOVEXP) on gross domestic product (GDP) using multiple linear regression analysis. The result showed evidence that strongly supported Ram's growth accounting model. The Error Correction Model (ECM) model revealed 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.

In addition, Akanbi (2018) investigated Government expenditure in Nigeria: Determinants and trends. The study used time series data from 1974 to 2016. It was discovered that capital and recurrent expenditure were resilient to shocks in total government spending and, also, total government expenditure was confirmed to be resilient to shocks in capital and recurrent spending.

Aremu, Babalola, Aninkan, and Salako (2020) investigated the impact of government expenditures on critical sectors on economic growth in Nigeria (1984-2019). The study employed Autoregressive Distributed Lag model (Bound Test Co-integration Approach) to estimate both short and long run impact of Government expenditures on economic growth. The result revealed that government expenditure on defence impacts negatively on economic growth while government expenditure on agriculture enhances economic growth. Government expenditure on education, transport and communication did not impact on economic growth in the long-run.

Kanayo, Akujinma and Francis (2016) examined the long run relationship between government expenditure and economic growth Nigeria. Johansen co-integration was the tool of analysis employed in testing the long run relationship while Vector Error Correction Model (VECM) was used to test the short and long run adjustments. Granger causality effect test was adopted to analyse the effect of government expenditure on economic growth. The long run

test revealed the evidence of a long run relationship between government expenditure and economic growth in Nigeria. The vector error correction model analysis suggested the possibility of Nigeria achieving a steady level of growth if preference is given to capital expenditure more than recurrent expenditure. The granger causality effect result obtained showed that recurrent and capital expenditure which have significant effect on economic growth in Nigeria.

Again, Bashir, Hamza and Rafiat (2017) studied the impact of government expenditure on economic growth in Nigeria. The study covered the period of 1981-2016 using Ordinary Least Square (OLS) technique and granger causality test were employed. The result obtained indicated that there was negative and insignificant relationship between human capital and GDP, the relationship between physical capital and GDP as well as between government capital expenditure (GCE) and GDP were positive but insignificant. The granger causality test showed that government expenditure granger caused GDP but GDP did not granger cause government expenditure.

Idris and Bakar (2017) examined the relationship between government expenditure and economic growth with the aim of establishing a stable relationship. To estimate the existence or otherwise of the equilibrium relationship among the examined variables the study employed an ARDL model. The data covered a period of thirty-five (35) years from 1980 to 2015. The result from the ARDL estimation indicated an existence of positive and long-run equilibrium relationship between economic growth and government expenditure in Nigeria. Ifarajimi and Ola (2017) studied the relationship between government expenditure and economic growth. Time series data on government expenditure on administration, economic services, social and community services, transfers, government total revenue, nominal exchange rate and real per capital GDP for the period of 1981 to 2015 were employed. The study used ECM computed through Dynamic OLS and found that long run government expenditure on administration and nominal exchange rate were significant and therefore impact significantly on economic growth in Nigeria.

METHODOLOGY

This study employed Ex-post facto research design. The study used time series data obtained from the Central bank of Nigeria Statistical bulletins and the World Development indicators covering the period from 1986-2020.

This study employed the use of the Structural Vector Autoregressive (SVAR) Model to examine the impact of government expenditure on economic growth in Nigeria. The study used the Augmented Dickey Fuller test to ensure that all variables are stationary; this is to avoid the spurious regression problem associated with unit roots. The Johansen co-integration test was conducted and it showed that there is no long run relationship among the variables.

Model Specification

In order to analyse the impact of government expenditure on economic growth in Nigeria, the study specified a models to capture the objectives of the study. The model is expressed thus:

$$RGDP = F(\text{Government expenditures}) \dots \dots \dots (1)$$

But government expenditure is disaggregated and as such equation (3.6) can be rewritten as:

RGDP = F (Education Expenditure, Health Expenditure and public debt)..... (2)

RGDP = F(GEE, GHE,PD).....(3)

Where;

RGDP=Real Gross Domestic Product

GEE = Government Education Expenditure

GHE = Government Health Expenditure

PD = Public Debt

The model is transformed into a VAR model using the mathematical representation Thus

$$y_t = A_1 y_{t-1} + A_2 y_{t-2} + A_3 y_{t-3} + \dots + Bx_t + \epsilon_t$$

In Econometric form the VAR model is expressed as:

$$\text{LNRGDP} = \alpha + \sum_{i=1}^k \beta_1 \text{LNRGDP}_{t-i} + \sum_{j=1}^k \beta_2 \text{LNGEE}_{t-j} + \sum_{m=1}^k \beta_3 \text{LNGHE}_{t-m} + \sum_{n=1}^k \beta_4 \text{LNPDP}_{t-n} + \mu_1 t \dots\dots 3.1$$

$$\text{LNGEE} = \alpha + \sum_{i=1}^k \beta_1 \text{LNRGDP}_{t-i} + \sum_{j=1}^k \beta_2 \text{LNGEE}_{t-j} + \sum_{m=1}^k \beta_3 \text{LNGHE}_{t-m} + \sum_{n=1}^k \beta_4 \text{LNPDP}_{t-n} + \mu_2 t \dots\dots 3.2$$

$$\text{LNGHE} = \sigma + \sum_{i=1}^k \beta_1 \text{LNRGDP}_{t-i} + \sum_{j=1}^k \beta_2 \text{LNGEE}_{t-j} + \sum_{m=1}^k \beta_3 \text{LNGHE}_{t-m} + \sum_{n=1}^k \beta_4 \text{LNPDP}_{t-n} + \mu_3 t \dots\dots 3.3$$

$$\text{LNPDP} = \delta + \sum_{i=1}^k \beta_1 \text{LNRGDP}_{t-i} + \sum_{j=1}^k \beta_2 \text{LNGEE}_{t-j} + \sum_{m=1}^k \beta_3 \text{LNGHE}_{t-m} + \sum_{n=1}^k \beta_4 \text{LNPDP}_{t-n} + \mu_4 t \dots\dots 3.4$$

Where:

μ = Innovations

α, α, σ and δ are the intercepts of the VAR equations

DATA PRESENTATION AND ANALYSIS

Unit Root Test

Table 1: Table Augmented Dickey Fuller Test

Variables	ADF STAT (Level)	5% Critical Value	ADF Stat. (1 st Diff)	5% Critical Value	Remark
LGEE	-2.641792	-2.967767	-3.865007	-2.986225	I(1)
LGHE	-1.136228	-2.971853	-5.498038	-2.971853	I((1)
LPD	-2.607517	-2.951125	-7.946065	-2.954021	I(1)
LRGDP	0.805303	-2.954021	-3.204549	-2.954021	I(1)

Source: Researchers' compilation from E-views 12.

The unit Root Test was carried out using the Augmented Dickey–Fuller test after the data have been transformed into their log form. The test was performed first at levels I (0) and then in the first difference I (1) to ascertain their stationarity as well as their level of integration. From the stationarity test above LGEE, LGHE, LPD and LRGDP achieved stationarity using

the 5% level of significance at the first difference. Hence, the model stationarity was established at I(1).

Table 2: Johansen Co-integration

Hypothesised No. C	Trace Stat	Eigenvalue	Critical Value 5%	Value Max-Eigen stat.	Critical Value 5%
None	39.23915	0.487164	47.85613	21.36954	27.58434
At most 1	17.86960	0.233877	29.79707	8.525211	21.13162
At most 2	9.344393	0.218450	15.49471	7.887227	14.26460
At most 3	1.457165	0.044515	3.841466	1.457165	3.841466

Source: Researchers' computations using E-views 12.

Table 3: Lag Length Selection

Lag	LogL	LR	FPE	AIC	SC
0	-1583.656	NA	7.22e+36	96.22159	96.40299
1	-1457.830	213.5240*	9.37e+33*	89.56543*	90.47241*
2	-1442.581	22.17962	1.03e+34	89.61098	90.16029

Researchers' computations using E-views 12

Table 4: VAR Estimate

	LNRGDP	LNGEE	LNGHE	LNPD
LNRGDP(-1)	1.288033 (0.17406) [7.39987]	-1.792812 (3.95021) [-0.45385]	1.118878 (3.79044) [0.29518]	-1.665991 (4.19239) [-0.39738]
LNRGDP(-2)	-0.382399 (0.15992) -	1.592218 (3.62934) -	-0.824599 (3.48255) [-0.23678]	2.284746 (3.85185) [0.59316]
LNGEE(-1)	-0.014733 (0.02174) [-0.67775]	0.076984 (0.49333) [0.15605]	0.162962 (0.47337) [-0.34426]	0.489219 (0.52357) [0.93439]
LNGEE(-2)	-0.014247 (0.02049) [-0.69551]	-0.891655 (0.46489) [-1.91798]	-0.778282 (0.44609) [-1.74467]	-0.122758 (0.49340) [0.24880]
LNGHE(-1)	0.019254 (0.02063) [0.93318]	0.431471 (0.46825) [0.92146]	0.531309 (0.44931) [1.18250]	-0.485613 (0.49696) [-0.97717]
LNGHE(-2)	0.022754 (0.02025) [1.12361]	1.101880 (0.45958) [2.39760]	1.135581 (0.44099) [2.57508]	-0.236691 (0.48775) [-0.48527]

LNPD(-1)	-0.005081 (0.00821) [-0.61873]	0.027129 (0.18637) [0.14557]	0.062046 (0.17883) [0.34696]	0.458293 (0.19779) [2.31703]
LNPD(-2)	-0.008349 (0.00867) [-0.96256]	-0.130105 (0.19683) [-0.66099]	-0.083380 (0.18887) [-0.44146]	0.168111 (0.20890) [0.80473]
C	1.891635 (0.67496) [2.80260]	7.968407 (15.3176) [0.52021]	-2.818883 (14.6981) [-0.19179]	-4.170639 (16.2568) [-0.25655]

Source: Researchers' computations using E-views 12

Table 5: VAR Residual Normality Test

Component	Skewness	Chi-sq	df	Prob.
1	0.375833	0.776879	1	0.3781
2	-1.060321	6.183546	1	0.0129
3	0.324168	0.577967	1	0.4471
4	-0.276865	0.421597	1	0.5161
Joint		7.9599894	0.0931	

Source: Researchers' computations using E-views 12.

Table 6: Joint Jarque-Bera Test

Component	Jarque-Bera	Df	Prob.
1	1.015887	2	0.6017
2	39.97224	2	0.0000
3	0.582522	2	0.7473
4	1.647635	2	0.4388
Joint	43.21828	8	0.0000

Source: Researchers' computations using E-views 12.

Table 7: VAR Residual Heteroscedasticity Tests

Chi-sq	Df	Prob.
171.7463	160	0.2488

Source: Researchers' computations using E-views 12

Table 8: SVAR Estimates

Model Ae = Bu where E[uu']=I				
A=				
1	0	0	0	
C(1)	1	0	0	
C(2)	C(4)	1	0	
C(3)	C(5)	C(6)	1	
B=				
C(7)	0	0	0	
0	C(8)	0	0	

0	0	C(9)	0	
0	0	0	C(10)	
Including the restriction(s)				
S=				
1	NA	NA	NA	
NA	1	NA	NA	
NA	NA	1	NA	
NA	NA	NA	1	
	Coefficient	Std. Error	z-Statistic	Prob
C(1)	-197.5604	6.634401	-29.77818	0.0000
C(2)	162.9121	6.885699	23.65948	0.0000
C(3)	1.101918	4.598527	0.239624	0.8106
C(4)	-0.527947	0.005803	-90.97605	0.0000
C(5)	0.004273	0.004210	1.014877	0.3102
C(6)	0.001131	0.003411	0.331581	0.7402
C(7)	0.998959	0.004603	217.0023	0.0000
C(8)	1.464365	0.004502	325.2740	0.0000
C(0)	1.523771	0.004635	328.7460	0.0000
C(10)	0.999423	0.004600	217.2755	0.0000
Estimated A matrix				
1.000000	0.000000	0.000000	0.000000	
-197.5604	1.000000	0.000000	0.000000	
162.9121	-0.527947	1.000000	0.000000	
1.101918	0.004273	0.001131	1.000000	
Estimated B matrix				
0.998959	0.000000	0.000000	0.000000	
0.000000	1.464365	0.000000	0.000000	
0.000000	0.000000	1.523771	0.000000	
0.000000	0.000000	0.000000	0.999423	
Estimated S matrix				
0.998959	0.000000	0.000000	0.000000	
197.3548	1.464365	0.000000	0.000000	
-58.54958	0.773108	1.523771	0.000000	
-1.877756	-0.007131	-0.001724	0.999423	
Estimate F matrix				
-49.64595	-0.056689	-0.023004	-1.117822	
-5982.052	-11.60398	-6.278833	-365.6159	
-2863.313	-6.897063	-3.274048	-221.8971	
94.77863	0.059940	0.012928	2.427034	

Source: Researchers' computations using E-views 12

DISCUSSION

The analysis of the impact of government expenditure on human capital development and economic growth in Nigeria which spans between 1986 and 2020 year period revealed the following findings:

On the impact of government education expenditure on economic growth in Nigeria, this study revealed that government education expenditure has no significant impact on economic growth in Nigeria. The researchers therefore rejected the Null hypothesis that government education expenditure has no significant impact on economic growth in Nigeria. This is consistent with the findings of Aremu, Babalola, Aninkan, and Salako (2020), Oziegbe (2016), Wanjiru (2019), and Ukwueze (2018). However, Akanbi (2018) reported otherwise. Substantial economic growth will continue to elude the nation until adequate funding of the education sector is achieved. Effective investment in education will drive production output in the long-run. Little wonder the country experienced three economic recessions from 2004 and 2020, which is a period of 16 years. These recessions were largely driven by over dependence on oil and the lack of political will to develop the human capital sectors such as education which would have been foreign income spinner through education tourism.

Based on the test conducted, the result showed that government health expenditure had no significant impact on economic growth in Nigeria within the period under study. Again, this study fails to reject the Null hypothesis that government health expenditure has no significant impact on economic growth in Nigeria. The findings of Wanjiru (2019), Ukwueze (2018) and Aremu, Babalola, Aninkan, and Salako (2020) confirmed this outcome.

Against the expectation of this study, public debt impacted insignificantly on human capital development and economic growth in Nigeria; and the impact is negative. Thus, the study fails to reject the Null hypothesis that public debt has no significant impact on human capital development and economic growth in Nigeria. The finding of Yusuf and Saidatulakma (2021) is also consistent with this result. However, Okon, Etim and Mfon (2017) reported a positive significant impact. From the results obtained, it is evident that Nigeria's borrowing has not been productive because these borrowings even though on the increase have not translated into the expected growth. The devastating effect of borrowing is that funding human capital development becomes difficult because huge debt servicing amidst weakening revenue generation and other competing national needs. In addition, Nigeria's borrowing has largely not been transparently applied to the purpose of the borrowing. The leprous hands of public sector corruption would have had its hold on public debt.

CONCLUSION

From the hypotheses tested in chapter four it was discovered that government expenditure in education and health impacted insignificantly on human capital development. The results showed that Government expenditure in education and health impacted insignificantly on economic growth. The study also revealed that public debt has insignificant impact on economic growth. The findings further showed that government education expenditure and government health expenditure also showed insignificant impact on economic growth both in the short and long run. The result obtained in determining the impact of public debt on economic growth recorded insignificant impact in both the short-run and long-run.

RECOMMENDATIONS

The study thus makes the following recommendations:

- i. Government expenditure in education and health should be increased significantly to at least meet up with regional and global expenditure benchmark as empirical evidence has shown that both variables have insignificant impact on human capital development and economic growth. In addition, there is the need for effective monitoring and demand for accountability for funds meant for the development so as not to be stolen by corrupt government and private individuals.
- ii. Government expenditure in education and health showed the same level and direction of influence on economic growth it beholds to recommend that targeted economic growth should be pursued through deliberate and sustainable policies and programmes.
- iii. The government should minimise the incidence of borrowing especially with about 92% of the revenue generated going for debt servicing for borrowings that are largely non-productive. Borrowing analysis should also be extended to revenue generating capacity as debt to GDP ratio is not all encompassing. There is the need to rethink strategies for effective revenue generation.
- iv. There is the need to urgently redirect both the short run and long run economic policy towards developing the education and health sector because of their capacity to grow the economy and sustain it into development

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