ISSN: 2230-9926

Available online at http://www.journalijdr.com

IJDR

International Journal of Development Research
Vol. 5, Issue, 06, pp. 4876-4882, June, 2015

International Journal of
DEVELOPMENT RESEARCH

Full Length Research Article

AN ANALYSIS OF GOVERNMENT SPENDING AND ECONOMIC GROWTH IN NIGERIA

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ARTICLE INFO

Article History:
Received 29th March, 2015
Received in revised form
07th April, 2015
Accepted 18th May, 2015
Published online 28th June, 2015

Key Words:

Economic Growth,
Government Spending,
Macroeconomic Variables,
Infrastructure.

ABSTRACT

This research studies is undertaken to examine the impact of government spending on economic growth in Nigeria. Government spending is thought to be growth enhancing especially when it is productive in nature. The time series data for the period between (1970-2010) was used in this study. Data for this study were obtained from the Central Bank of Nigeria statistical Bulletin. Some selected macro economic variables such as government expenditure, educational expenditure, health expenditure, government investment expenditure and government consumption were captured in the model, after which the model was estimated. The results shows that overall government expenditure on health and transport are positive and significantly related to economic growth. While the expenditure on agriculture had an increase growth of 0.7%. This is as a result of the current diversification drive of the economic base of the country. It is therefore important that government should continue to spend more in the economy to push it to the desired level. Government should also spend more on health care service, transportation and educational sector of the country for better developed health and educational sector of the economy.

INTRODUCTION

The structure of government expenditure in Nigeria has been a topic of expenditure on various activities that can be classified into productive expenditure. These productive aspects are expenditure on administration economic services, social and community services most of which generate multiplier effect in the economy, especially expenditure on construction(roads, houses, dam etc). Infrastructure, agriculture, Industry, health and education. (CBN 2009) This is because only an educated and health population would exploit and put into use, the resources available, while expenditure on construction will create Employment, Improve transportation systems and reduce cost of transportation. Expenditure on agriculture and Industry would improve the standard of living of the people, reduce cost of production and price and also reduce Importation which will further Improve our Gross Domestic production. Economic growth of a nation can be determine and measure in terms of varied objects. The more reliable and acceptable yardstick is per capita income and impact of infrastructural input to the economy By these view, infrastructural development is one of the basic tools to the economic growth. Infrastructure can be seen in terms of education, health service, housing, railways, roads, waterways, airways, telephone and other public utilities. By provision of all these amenities which results in terms of many spending by the government and certainly leads to sustainable budget deficits.

From 1970 to date, the public sector spending has been increasing in geometric term through government various activities and interactions with its respective ministries, departments and agencies (MDA`S) (Niloget, 2003) . The general view is that public expenditure either current or capital expenditure, notably on social services and economic infrastructure can be growth enhancing, although the financing such expenditure to provide essential infrastructural facilities including transport, electricity, tele-communication, water, and sanitation, waste disposal, education and health can be growth retarding for example (the negative effect associated with taxation and excessive debt.) The size and structure of public expenditure will determine the pattern and form of growth in outputs of the economy. The structure of Nigeria public expenditure can broadly be categories into capital and the current expenditure. The current expenditure is government expenses

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on administration such as wages and salaries, interest on loans ,maintenance etc . Whereas the expenses 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, which requires a substantial amount of spending. The relationship between government spending and economic growth is especially important analysis in developing countries, most of which have experienced increasing level of public expenditure overtime (world development report 1994). Expenditure, investment and productive activities, ought to contribute positively to growth, where as government consumption spending is anticipated to be growth retarding (Josepha and Oliver 2000). However, economics in transition do spend heavily on physical infrastructure to improve economic welfare of the people and facilitate production of goods and services across all the sector of the economy so as to facilitate aggregate output.

The empirical studies show that there exit a correlation between industrialization and public infrastructural facilities. Manufacturing industries usually consider the infrastructural facilities and services before locating their industries or production based in other to gain large economics of large scale and reduce cost of production. Following the world Bank development report (1994) developing countries invest 200 Billion, a year in new infrastructure -4% of their national output and 50% of their total investment. The result have been a dramatic increase in infrastructure service for transport, power, water sanitation telecommunications and irrigation. A large number of subjects have treated the some of them, highlight the importance of human capital and focus on role of education as determinant of growth. Others pointed out that continual capital formation is essential for encouraging productive enterprise. More so, reforms and deregulations among other suggestions can stimulate economic progress and have an impact on the quantity and efficiency on the factors of production. Therefore the major objective of this research work is to examine the trend analysis of government on economic growth in Nigeria, between 1970 and 2010.

The relationship between economic growth and government expenditure is an important subject of analysis and debate. The general view is that public expenditure, notably on physical infrastructure or human capital, can be growth enhancing, although the financing of such expenditure can be growth retarding. Government activities can directly or indirectly increase total output through it interaction with the private sector. LIN (1994) outlines some important ways in which government can increase growth, these include, provision of public goods and infrastructure, social services and targeted intervention (such as export subsidies). The nature of impact of public expenditure on growth will depend on it form, following Barro (1999) expenditures on investment and productive activities should contribute positively to growth whereas government consumption spending is anticipated to be growth retarding. However, in empirical work, it is difficult to determine which particular items of expenditure should be categorized as investment and which as consumption. While numerous studies have been conducted no consistent evidence exist for a significant relationship between public spending and growth, in a positive or negative direction. Result and evidence differ by country, region, analytical method employed and categorization of public expenditure. Furthermore, there is no agreement regarding the direction of causality between public spending and economic growth implying a potential endogenity problem in regression analyses (Folster and Henrekson 1999).

The relationship between government spending and economic growth is especially important for developing countries, most of which have experience increasing levels of public expenditure over time. This has tended to be associated with rising fiscal deficits, as suggested by their limited ability to raise sufficient revenue to finance higher level of expenditure. Rising deficit term to have an adverse effect on growth in any economy. Therefore, the central question then is whether or not public sector spending increases the long-run steady growth rate of the economy. The general objective of this study is to examine the trend analysis of government expenditure on economic growth in Nigeria. The specific objective of the study are as follows:

(a) To investigate the link between the government expenditure and economic growth in Nigeria.
(b) To empirically examine the impact of government expenditure on economic growth in Nigerian.
(c) To investigate which category of public spending, impacts positively to economic growth in Nigeria.
(d) To know prospects and challenges of government expenditure and its economic impact.

The following hypothesis is tested in this study:

HO: There is no significance relationship between government expenditure and economic growth in Nigeria.
HO: There is no significant positive trend on public expenditure and economic growth in Nigeria between 1970 and 2010.
HO: There is no significant difference in public expenditure between the military and democratic regimes in Nigeria over the period of study.
HO: Public expenditure does not cause long-run economic growth in Nigeria over period.
HO: There is no significant and positive effect of government revenue, ext-
renal reserve, population density, urbanization and type of government on selected infrastructure in Nigeria overtime.
HO: Public expenditure on selected infrastructure is not stable.

Literature review and theoretical framework

According to the Keynesian macroeconomic thought, Government spending can contribute positively to economic

growth. Hence, an increase in the government consumption is likely to lead to an increased in employment, profitability and investment through the multiplier effects on aggregate demands. As a result government expenditure augments the aggregate demand which provoke an increase output depending on expenditure multipliers (SAAD, 2009). The opponent of this approach stipulated that government consumption crowds-out private investment, hampers economic growth in the short-run and diminishes capital accumulation in the long-run (Diamond, 1989). Moreover, Barrow and Salai Martin 1992) classify expenditures as productive and unproductive and assume that productive expenditure have a direct impact on the rate of economic growth and the unproductive expenditure have an indirect or no effect. However, government spending on basic infrastructure plays a critical role in economic growth. Having for instance an efficient road network could reduce the time and the cost to move goods and services across the country. It also facilitate the connection among the different parts of the country and enhances their interaction. In addition, the rehabilitation of electricity and the establishment of efficient project for energy will reduce cost and have positive impact on economic growth (Barro,1990,1994; Barrow and Salai- Martin 1995,1999).

Empirically, many studies have been carried out in developed and developing countries specifically in Nigeria, to find out the relationship between government spending and Economic growth using different models. Mitchel (2005) found, there was a negative relationship between the two variables in America, due to too much spending by government. The same conclusion was drawn by Peter (2003) when he studied the relationship in Sweden. While, Laudau (1983), found out that, the share of government consumption reduced economic growth in underdeveloped countries. In a further study Laudau (1996) disaggregated government spending into investment, transfers, education, and defence still found that general government consumption was significant and had a negative influence on growth. Ram (1996) also concluded that there was a negative effect of total government spending on growth using cross sectional data for 115 countries and a significant positive externality effect on growth for the Low developing countries Lin (1994) used a sample of 62 countries and found out that non-productive spending had no effect on growth in the advanced countries, but had a positive impact in LDC. Deverajan et al. (1996), using a sample of 14 LDC, found that spending on functional categories of public expenditure, Whereas spending on education and defence do not have a positive impact. Other studies by Romer 1990, Alexander 1990, Foster and Hendrickson 1999, all showed that total government expenditure have a negative effect on economic growth.

Most studies in Nigeria also took same effect. For instance Adesoye et al. (2010) observe that there is no significant impact of public expenditure on economic growth of Nigeria. They used Ram 1996 model to find out the precise link between public investment spending and economic growth. Oyinlola (1993) examined the relationship between Nigeria defence sector and economic development and found a positive impact. While Fajingbesi and Odusola (1999) reported a significant positive effect of government expenditure on real output in Nigeria. Akpan (2005) used a disaggregated approach to determine the components (Capital, recurrent, administration, economic, social and community services and transfer) of government expenditure that enhance growth and those that do not. The result showed that there was no significant association between most components and economic growth. Recent studies by Usman and Nurudeen (2010) included defence in the study by Akpan (2005) and revealed that total government capital expenditure, total government recurrent expenditure and expenditure on education all have a negative effect on economic growth. While expenditure on transport, communication and health resulted into an increase in economic growth.

According to Edame, (2011), Public expenditure has remained a central issue in economic development, especially developing countries in sub- saharan Africa, whose economies are characterized by structural rigidities weak support services and institutional framework, declining productivity, high level corruption cum policy instability. This gloomy picture has significant impact on researches aimed at investigating whether public expenditure on infrastructure has yielded significant results overtime. Edame (2011), further indicated that Several factors have influenced public expenditure on infrastructure, namely; rate of urbanization, government revenue, external reserve, population density, type of government *ab initio.* Several studies have analyzed the impact of public spending on economic growth in the short and long-run in most developed and developing countries. Using cross sectional data of many countries (Edame, 2009). The link between government Spending growth in gross domestic product (GDP) and infrastructure had been discussed in a number of empirical studies. Most of these studies as reported by Edame (2011); support the growth linkages emanating from government expenditure on infrastructural development (Agenor and Monteil 1999, Rao et al. 2004 and Robbinson 2004).

Government spending and its impact on economic growth have been carried out using various theories and methodologies. In the analysis by Turnovsky and Fisher (1995), Chenery and Syrquim (1975) Ram (1986) Barrol (1991) and Barro (1990); their results in part mirrored the previous studies in that general government consumption was significant and had a negative impact on growth (Odior 2006). From the empirical literature on these issues, a consensus has emerged on the whole that government spending can play a leading role in promoting growth and development, equity and through both channels, help reduce poverty (Edame, 2009, Calderon and serven 2008).

Diao and Yanoma (2003) show that poor Government spending on infrastructure account for 40% of transport cost in coastal countries and up 60% in landlocked

countries and it reduced openness to trade. They conclude that poor Government spending on infrastructure is responsible for a good portion of Africa's record of high transport cost and its abnormally low intra-regional trade. Diao and Yanom (2003) further indicated that deficient poor government spending on infrastructure hampered African development in various ways. They show that growth in agricultural sector is constrained by high marketing costs, which largely reflect poor transport alongside other infrastructure facilities. In the same vein, Estache and Vaglisindi (2007) is of the view that an insufficient power generation capacity limits growth in Ghana. While Lumbila (2005) finds that deficient poor government spending on infrastructure might have hindered the growth impact of foreign direct investment (FDI) into Africa.

The theoretical underpinning of this paper is anchored on four theories of public expenditure growth. These include: -Samuelson's Pure Theory Public Expenditure, Musgrave and Rostow Theory of Public Expenditure Growth, Wagner's Law of Increasing State Activity, Peacock and Wiseman Theory of Public Expenditure.
The two major theories that underpin this study are: The Neo- classical or exogenous growth theory and the endogenous growth theory. This theoretical section discussed relevant issues on the linkage between government spending and economic growth. In the Keynesian model, increase in government expenditure leads to higher economic growth. Contrary to this view, the neo - classical growth models argue that government fiscal policy does not have any effect on the growth of national output. However, it has been argued that government fiscal policy (intervention) helps to improve failure that might arise from the inefficiencies of the market. Emphasized claimed that government activity influence the direction of economic growth. Similarly, endogenous growth models, fiscal policy is very crucial in predicting future economic growth.

The theoretical and empirical advancement towards public policy and development intervention in providing infrastructural development reflect the community's growing concern with social aspect of development, roads, water supply, electricity, steel-mills, dams and machine buildings industries have now been displaced from the commanding heights of development strategy, on the other hand, the so-called soft sectors such as education, health, telecommunication and transportation have occupied the centre stage of development (Muundle, 1998 and Edame. 2009). However, certain public goods such as defense, administration, a clean a environment, etc, that cannot be provided by market, because no consumer can be excluded once these services are provided and hence consumers will not "buy " these services (Mundle, 1998 (Fan, Hazell, and Thorat, 2006). There are several of such theories, but a few of these would be examined in this paper. The central thesis of the prescribed theory is on the time pattern of government spending. According to Rostow (1961), in the early stages of economic growth and development, Public sector investment as a proportion of total investment of the economy is found to be high. He affirmed that the public sector provides social over heads such as roads, transport system, sanitation system, law and order. Others include: health, education and housing. This expenditure is essential to propel the economy into the take-off stage Consequently, there is the tendency for government spending to increase in order to deal with the problem of market failure. Musgrave's theory of public expenditure growth attempt to relate the demand for public services to the stage of economic development of a country. At high level of per capital income which is a characteristic of advance economies, the rate of public sector growth tends to fall as more basic needs are satisfied by the citizens. In sum, private sector expenditure rises while government expenditure falls at this stage. Essentially, of Rostow's five stages of growth, the first three are relevant to developing countries with the take-off stage being central in Rostow's model. The growth in public expenditure on education, recreation health, and welfare services is explained in terms of their income-elastic want (Meier 1984; Swanson and Terferra 1989; World Bank 1981; Nyong (2005).

Research Methodology and Model Specification

This study uses the co-integration and error correction methods to analyze the relationship between government spending and economic growth. The framework for the study has its basis on the Keynesian and endogenous growth model. The Keynesian model states that expansion of government expenditure accelerates economic growth. Although, endogenous growth models do not assign any important role to government in the growth process. Authors like Barro R, 1990 and Easterly W, Rebelo S 1993. Emphasized the importance of government (activity) policy in economic growth. Moreover, some authors focused on the components of government expenditure that are productive or unproductive, while others submitted that composition of government expenditure might exert more influence compare to the level of government expenditure. From the foregoing discussion, the level of government expenditure and composition of government of government expenditure are important determinants of growth. Thus, our model expresses economic growth (GRY) as a function of various level and components of government expenditure that include total capital expenditure (TCAP), total recurrent expenditure (TREC), expenditure on defence (DEF), agriculture (AGR), transport and communication (TRACO), education (EDU) and(HEA). In addition, we include inflation (IFN) and overall government fiscal balance (FISBA). Since they can have lasting impact on economic growth. Thus, the growth model is specified as:

$$GRY=\beta_o+\beta 1\ TREC\ \beta 2\ TCAP + \beta 3\ AGR +\beta 5\ EDU + \beta 6\ HEA+B7\ TRACO + \beta 8\ FISBA +\beta 9\ IFN + U \quad \text{……..(1)}$$

Presentation of Empirical Result and Analysis of Findings

Empirical studies on the relationship between the composition of public expenditure and economic growth

can be broadly divide into categorical and non-categorical studies. The categorical studies group public expenditure components into "Productive" and "Un-productive" prior to their analysis while the non-categorical studies permits the data and the results to determine which component to be regarded as productive and those that are unproductive and are expected to reduce economic growth since it require higher taxes to be implemented which will not only reduce investment returns but will also lower incentive to invest. On the other hand, public consumptions that complement private sector productive activities such as infrastructure are assumed to be productive (Aschauer and Greenwood 1985; Aschauer1989; Barro,1990, 1991, Grier and Tullock 1987; Summer and heston 1988). However, most of the cross country studies only agreed on grouping but disagreed on the components of what constitute productive and un-productive public expenditure. For instance, Barrow (1992), Kneller, Bleaney, and Gemmell (1999). Regards defence and education as productive since they assists in protecting property right as well as promote human capital respectively but Grier and Tullock (1987). Kormendi and Megvire (1985) Summers and Heston (1988) all classified them as an un-productive government consumption.

We proceed to determine the statistical properties of the time series variables used in the estimation. The essence is to determine whether these variables are stationary or not. This is because macro economic data are often appear to possess stochastic trend that can be removed differences in the variables. We employed the Augemented Dickey Fuller (ADF) to test the order of integration of the variables. The unit root test results are presented in table 1; from Table 1, it is obvious that all the variables are either stationary: 1(0) or integrated of order 1:

Table 1. Unit root test results

Variable	Levels	1st differences	2nd difference	Level of integration
Growth	-0.463073	-3.591740	-	1(1)
Defence	1.528444	-10.77782	-	1(1)
Education	4.685601	-5.676368	-	1(1)
Agriculture	5.898435	-3.939831	-	1(1)
Oil (revenue)	-2.586669	-	-	1(1)
Investment	1.523733	-3.498697	-	1(1)
Water	0.714359	-2.117980	-	1(1)
Transport	-0516187	-6.237670	-	1(1)
EC	-2.718392	-4.329392	-	1(1)

NB: Critical values; 1% = 2.614029. 5% = 1.947816, 10%=1.612492

Co integration Results

Their co integration status is investigated first using the Engle-Granger cointegration test and it is found that their linear combination is stationary. The co integration test following the approach of Johansen and Juselius (1990) two likelihood ratio test statistics were utilized to determine the number of co integrating equation in the model under the assumption of no deterministic trend in the data. The result of the maximum Eigen value and trace test indicate that there is a single co integrating equation in the model as the test rejected the null hypothesis that of no co integrating equation accepted that of at least 1 co integrating equation (see Table 2 below)

Table 2. Co integration Test Result

Rank	Eigen value	Likelihood ratio	5% Critical value	1% Critical value	Hypothesis no of ce(s)
RO	0.766340	132.0296	109.99	119.8	NONE
R1	0.599442	76.68958	82.49	90.45	At most 1
R2	0.441516	46.79120	59.46	66.52	At most 2
R3	0.296772	25.79120	39.89	45.58	At most 3
R4	0.202897	13.11656	24.31	29.75	At most 4
R5	0.110358	4.952794	12.53	16.31	At most 5
R6	0.020430	0.743085	3.84	6.51	At most 6

Source: Authors Computation.

We proceed to estimate the model by looking at the impact of these variable on growth. The result is as presented in the table below.

Table 3. The impact of government expenditure on growth in Nigeria (disaggregated expenditure value)

Variable	Coefficient	Standard error	T- value
Rgdp(-1)	0.728192	0.21876	3.28763
Oil(rev)	0.765423	0.12834	4.86354
Defence	2.533031	1.57537	1.57537
Education	-2830284	1.92975	-1.46666
Health	2.558210	1.29099	1.98159
Investment	1038570	0.73651	1.41013
Agriculture	0.789671	0.23621	3.45256
Water	-2.074938	1.11722	-1.85723
Transport	2.533206	1.19775	2.11497
R^2= 0.721876		A/C= -0.64581	
$\acute{R}^2$= 0.709848		SC = -0.63421	
DW= 1.69783		F – tat= 16.78346	

The result of the least square (OLS) shows that the previous growth value (RGDP) has significant positive impact on current growth. Surprisingly, expenditure on education has negative but no significant impact on the growth of the economy. This implies that expenditure on education does not improve human capital in the country, this may not be unconnected with the mass unemployment and brain drain of the youth in the country. Expenditure on health and transport are positive and significantly related with growth of significant importance is the expenditure on agriculture will increase growth by 0.7%. This should be a boost to the current diversification drive of the economic base of the country. Expenditure on water has negative and marginally significant impact on the economy.

Table 4. The compositions of public expenditure on the country economic growth

Variables	Levels	Difference	2nd difference	Order of integration
Oil(revenue)	5.127632	-3.498697	_	1(1)
Admistration	6.864783	-0.216509	-7.551126	1(1)
Social	7.700573	0.043487	-2491898	1(1)
Transfers	-0.84452	-10.87561	_	1(1)
Economic	1.667803	-8.525618	_	1(1)

Source: Authors Computation

Table 5. Empirical estimation dependent variable : growth

Variables	Coefficient	Standard error	T –value
Revenue	0.546737	0.245465	3.924562
Administration	-0.786732	0.237651	2.765491
Social	3.654913	1.923465	1.673567
Transfer	-0.349876	0.987562	-2.235679
Economic	1.093765	0.129873	4.256279
R^2 =0.872363	A/C =-3.49872	DW = 1.72452	
$\acute{R}^2$ = 0.832781	SC = -3.23426	F – STAT =19.65478	

physical infrastructure or human capital, can be growth enhancing while the financing of such expenditure can be growth retarding. However, the objective of the study indicated the link between the government expenditure and its impact on economic growth, it further indicated which particular sector that government spend more and its positive impact on the economic growth, finally, to know the prospects and its economic impact.

Table 6. Variance decomposition

Rgdp	Rgdp	Revenue	Defence	Edu	Health	Invest	Water	Agric	Trans
1ST QUARTER	100.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2ND	6.3082	0.4068	7.6383	12.702	2.0749	1.3525	67.613	1.6477	0.2550
3RD	6.3082	0.9573	6.7158	11.444	11.971	6.6389	50.468	1.8076	1.1996
4TH	4.3460	0.7768	5.6442	11.176	21.185	6.1879	47.975	1.8076	1.1979

This may be as a result of the fact that the provision of water is not evenly distributed in the country and where there is water, it is a common scene to see these water being wasted as a result of leakages. The result of the OLS is as reported in Table 5. All the variables considered have positive impacts on growth except transfers (expenditure on debt services and other transfers out of the system).These impacts are significant for revenue, administration, and economics. Expenditure on social activities is not significant.

Variance decomposition

For further analyses, we carried out variance decomposition of the above relationship which we present in Table 6 and explain. The inter-dependence of the various government expenditures is also estimated to note direct and indirect as well as the short run and long run effects of these expenditures on growth. The variance decomposition suggest that shock to growth (RGDP) explained itself 100% in the short run. This dropped to 6.3% in the 2nd and third quarter and 4.3% in the fourth quarter. The contribution of revenue to real GDP in the first quarter was zero to 12.7% in the first quarter and decline to 11.44% and 11.17% in the 3rd 4th quarter respectively. Health contribution increases from zero 2.07% in the 2nd quarter 11.97% in the 3rd quarter and 21.19% in the 4th quarter. Also of important contribution is expenditure on water. It increases in the 2nd quarter to 67% and deceases to 50.5% and 47.95% in the 3rd and 4th quarter respectively. Effect of agriculture are very insignificant in this analysis persistently below 2%. Fiscal expenditure on transport does not seem to have any statistically significant permanent effect on growth as in Levine and Rennet (1992). Knigthet. Al (1993) and Sihgh and Weber (1997).

Summary, Conclusion and Recommendation

The first part of this study is the introductory aspect of this research work talks about government spending on various sectors of the economic and its impact to the growth of an economic. The statement of the problem, states the general view that public expenditure notably on Hypothesis, tested the significances relationship between government expenditure and economic growth. Section three reflected on the research methodology which stated the model specification. Section four talks about major analysis of findings. The findings reflected the relationship between the composition of public expenditure and economic growth which divide into categorical studies.

Conclusion

The study revealed that there is an overall positive relationship between productive aspect of government and economic growth. This is shown by the positive coefficient of the regression model which recorded about 14.46 percent increases in the level of GDP. A close examination of statistical significant at 1 percent probability level. Moreover, the degree of explanatory power of the entire explanatory power of the entire explanatory variables is found to be 0.61 percent while the adjusted R^2 is found to be 0.57%. In other word, the variables of TCAP and TREC (with the exception of transfer payments) have explained about 61 percent variations to economic growth in Nigeria. The study also showed that capital expenditure has a negative and insignificant effect on economic growth. This might be due to mismanagement and diversion of public funds, high cost of importing machines and heavy equipment, non implementation of contracts and capital projects. On the basis of these findings, the following recommendations are made:

Recommendation

Base on the analysis of the result above, the following recommendation are Proffers below:

1. Government should closely monitor the contract awarding process of capital projects, to prevent against inflating the contract figures. This will bring about sanity significant impact of public investment spending on economic growth.
2. There should be effective channeling of public fund to productive activities, which will translate it positive impact on economic growth.
3. The government consumption spending should be well coordinated by all arms of government to prevent “crowd out” effect on government investment.

4. There should also be high degree of transparency and accountability on government spending at all arms of government and various sectors of the economy in order to prevent channeling of public funds to private accounts by government officials.
5. The positive effect of total government expenditure on growth calls for more spending in the economy, so as to push the economy up to the desire level. This is so, because according to the proponents of government intervention in the economy, such spending will help stimulate growth, as well as employment in the economy.
6. The negative impact of government investment expenditure on growth, suggested that only a small proportion of government expenditure has actually gone into productive purpose. This therefore calls for greater allocation of government spending into a productive activity as this is a major determinant factor of growth in any economy of a nation.
7. There is need for government to cut back on consumption spending, because result indicates that there is no significant impact in the level of economic growth.
8. The positive effect of government expenditure on health has shown a significant impact on growth in Nigeria. It is therefore important that government should spend more on health care services in the country, since a healthy nation is a wealthy nation.
9. The negative impact of expenditure on education on growth shows that only a small percentage of total government expenditure is devoted to the development of educational sector. Therefore there is need for government to spend more on education since this is seen as a bed rock or key to economic growth and development.

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