

MANAGEMENT OF SECTORAL GOVERNMENT EXPENDITURE AND THE NIGERIAN ECONOMIC PERFORMANCE

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ABSTRACT

The study examined the relationship between sectoral government expenditure and the Nigerian economic performance from 1985 to 2016. The research design adopted for this research is the ex-post facto research design. The study anchored its theory on the Endogenous Growth Theory. Nigerian economic performance which is the dependent variable in this study was measured by Gross Domestic Product while sectoral government expenditure which is the independent variable was proxied by government expenditure on education, government expenditure on agriculture and government expenditure on health. An econometric model was developed to ascertain the relationship between measure of economic performance and proxies of sectoral government expenditure while the model was estimated by Ordinary Least Squares (OLS) method of regression. The data used in the study were obtained from the CBN statistical bulletin and the data analysis was facilitated by Econometric views (E-views) statistical software 8.0. The findings of the study showed that: government expenditure on education has a positive and significant relationship with Gross Domestic Product in Nigeria, government expenditure on agriculture has an insignificant positive relationship with Gross Domestic Product in Nigeria while government expenditure on health has a positive and significant relationship with Gross Domestic Product in Nigeria. The study concluded that sectoral government expenditure has significant positive relationship with the Nigerian economic performance. The study recommended that government should ensure that sectoral expenditure are properly managed in a manner that will raise the nation's productive capacity and improve economic performance.

KEYWORDS: Management, Sectoral Government Expenditure, Economic, Performance, Gross Domestic Product, Education, Health.

INTRODUCTION

The direction and magnitude of relationship between government expenditure and economic performance has continued to generate series of debate among researchers. It

is clearly assumed that Government performs two fundamental duties: security and provision of public goods.

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The security capacity involves provision of standard of law and requirement of property rights which limits dangers of guiltiness, security of life and property, and the country from external aggression; while security, education, health, and power, and so forth are goods provided by government (Spencer 2008). Consequently, government expenditure is a significant instrument for government to control the economy. It plays a pivotal role in the functioning of an economy of a nation whether developed or developing. Government expenditure is born out of revenue allocation which refers to the redistribution of fiscal capacity between the various levels of government or the distribution of responsibilities between tiers of the government. Extensively, government expenditure influences aggregate resources use together with monetary and exchange rate (Okoro, 2013). Barisua and Lezaasi (2012) defined government expenditure as the total in cash of the Federal, State and Local government spending including that of their offices and budgetary exchanges.

This alludes to the costs which an administration brings about for its own expenditure, the general public and the economy, and in helping different nations. In practice, however, with expanding state activities, it is winding up progressively hard to isolate the part of public expenditure implied for the expenses of the government itself from the public expenditure. In the Nigerian economy, government expenditure can comprehensively be classified into capital and recurrent expenditure. The recurrent expenditure are government expenses on its programmes/activities, for example, compensation, pay rates, enthusiasm on credits, expenses and so forth., while capital expenditure includes activities like roads, airports, health, education, telecommunication, electricity generation etc., (Obinna, 2003).

Mildred (2016) contended that expansion in government expenditure on socio-economic and physical infrastructure accelerate economic growth. For instance, government expenditure on health and education raises the profitability of work and increase the growth of national income. Essentially, expenditure on infrastructure, for example, roads, communication, power, and so forth, diminishes production costs, builds private sector venture investment and profitability of firms, in this way encouraging financial development. As further seen by Mildred (2016) the development of government expenditure contributes emphatically to economic performance.

According to Olukoye (2009) the general view is that government expenditure either recurrent or capital expenditure, notably on social and economic infrastructure can be growth-enhancing.

Strikingly, sectoral government expenditure in Nigeria has kept on ascending because of the tremendous receipts from exploitation and sales of unrefined petroleum, and the expanded interest for public (utilities) goods like roads, communication, power, education and health. There is growing need to provide adequate security for the general population and the country. Accessible statistics demonstrate that total government expenditure (capital and recurrent) and its segments have kept on ascending in the last three decades. For example, government recurrent expenditure expanded from N7.70 billion in 1980 to N36.22 billion in 1990 and further to N579.30 in 2000 and later to N3109.44 billion in 2010. In 2012, it expanded to N3325.16 and N3831.98 billion in 2015 while government absolute capital expenditure grows from N8.53 billion in 1980 to N36.22 billion in 1990. Capital expenditure remained at N239.45 billion and N883.87 billion between 2000 and 2010 separately. In any case, it diminished to

N874.84 in 2012 and further diminished to N783.12 in 2014 and by 2015 it was N818.35 (Central Bank of Nigeria, 2016). The breakdown of total government capital on different sectors is very imperative as such expenditure has a lasting impact on the economy and helps provide a more efficient and productive economy (Baker, 2015). It is against this backdrop that sectoral government expenditure with respect to economic performance in Nigeria is being examined.

A recent World bank assessment of the reform decade of the 1990s concedes that growth entails more than the efficient use of resources and that growth-oriented actions, for example on technological catch-up, monetary policies or encouragement of risk-taking for faster accumulation may be needed (World Bank 2012).

Nigerian economy in the most recent decades has transformed from the degree of a large number of naira to billions of naira and proposing to trillions of naira which may in this manner make the economy experience a surplus on the records of Balance of Payment (BOP). This is not surprising that the economy is in reality encountering surplus or balance on the records of parity of installment. This is by all accounts the turn around since there are a few degrees of contention since we generally have a high evaluated and recurrent expenditure. This demonstrates something is certainly off-base either with the manner in which government execute spending plan or the ways and habits it has dependably been figured. In addition in Nigeria, government expenditure has kept on rising however this expansion has not meant significant development and advancement as Nigeria still positions among the least developed nations on the planet. Also, numerous Nigerians have kept on suffering from wretched destitution while in excess of 50 percent live on under US\$2 pay day, Anosike (2018). Couple with this, is dilapidated

infrastructure (especially roads and power supply) that has prompted the breakdown of numerous industries, prompting a high level of unemployment.

However, there have been multiple levels of controversy amongst scholars about the discrepancies' emanating between relationship among government expenditure and economic performance. The nature of the relationship is unconvincing; while some authors believed that the relationship between government expenditure and economic growth is negative or non significant as a result of recurrent expenditure born out of a corrupt way of managing government projects and programmes (Eke, 2009; Johnson, *et al* 2017), other empirical analyses have a contrary view that the relationship between them are positive and significant (Korman & Brahmasrene, 2007). It is in respect of the above issues that this study finds it necessary to re-examine the relationship between management of sectoral government expenditure and the Nigerian economic performance.

The major objective of this study was to examine the relationship between management of some sectoral government expenditure and the Nigerian economic performance. Other specific objectives includes: The evaluation of the relationship between government expenditure on education and Gross Domestic Product in Nigeria; The investigation of the relationship between government expenditure on agriculture and Gross Domestic Product in Nigeria. And to, examine the relationship between government expenditure on health and Gross Domestic Product in Nigeria.

RESEARCH QUESTIONS

The following research questions are formulated and posed to help shape the direction of this study:

- i. To what extent has government expenditure education relate with Gross Domestic Product in Nigeria?
- ii. To what extent does government expenditure on agriculture relate with Gross Domestic Product in Nigeria?
- iii. To what extent does government expenditure on health relate with Gross Domestic Product in Nigeria?

RESEARCH HYPOTHESES

The following hypotheses are stated to guide the study:

H₀₁: There is no significant relationship between government expenditure on education and Gross Domestic Product in Nigeria.

H₀₂: There is no significant relationship between government expenditure on agriculture and Gross Domestic Product in Nigeria.

H₀₃: There is no significant relationship between government expenditure on health and Gross Domestic Product in Nigeria.

LITERATURE REVIEW

ENDOGENOUS GROWTH THEORY

Endogenous development hypothesis was created during the 1980s, as a reaction to analysis of the neo classical development model. The endogenous development hypothesis holds that policy measures can affect the long-run development rate of an economy. Endogenous development financial analyst accepts that upgrades in efficiency can be connected to a quicker pace of development and additional interest in human capital. Endogenous development speculations portray financial development which is created by elements inside the generation procedure, for

instance; economies of scale, expanding returns or initiated mechanical change; rather than outside (exogenous) factors, for example, factors such as the increases in population (Aksoy, 2008). In endogenous development hypothesis, the development rate has relied upon one variable: the rate of profit for capital (Barney, 2012). The endogenous development writing has created two particular methodologies on the most proficient method to fuse human capital into models of financial development. The primary, which is because of Lucas, respects the aggregation of human capital as the motor of development. The subsequent methodology accentuates the job of the human capital stock during the time spent development and reception of new advances. In the model formulated by Lucas, human capital enters into the production function similarly to the way in which technology does in the Solow model, that is, in labour-augmenting form.

Lucas proposes the following production technology:

$$Y_t = AK_t^\beta (u_t h_t L_t)^{1-\beta} h_{a,t}^\nu$$

where Y, A, K and L are, once again, output, technology, capital and labour, while u is the fraction of an individual's time allocated to work, h is the skill level or human capital of the representative agent, and h_a is the average human capital in the economy. The level of technology, A, is assumed to be constant (so that it could in principle be dropped from the expression or subsumed within the capital term). Population growth is taken as exogenous. Setting aside the last term on the right-hand side for the moment, the most important assumption of the model concerns the law of motion according to which the human capital variable evolves over time.

Furthermore, on the grounds that there are no consistent losses to the securing of abilities,

human capital can develop without bound, in this manner creating endogenous development. The properties of the consistent state in the Lucas model rely upon whether there are outside impacts of human capital, which is the situation if $\gamma \neq 0$. All things considered, the term h in the generation work accordingly influences outcome. What's more, on the grounds that there are no consistent losses to the securing of abilities, human capital can develop without bound, in this manner creating endogenous development. Frequently, endogenous development theory accept steady peripheral result of capital at the total level, or if nothing else that the cutoff of the minimal result of capital does not tend towards zero. Notwithstanding, in numerous endogenous development speculations, this supposition of flawless challenge is loose, and some level of imposing business model is thought to exist (Edame and Okoro, 2010).

CONCEPT OF GOVERNMENT EXPENDITURE

As indicated by Bhatia (2002) government expenditure refers to costs allocation by government for its expenses, supporting the general public and the economy everywhere moreover for helping different nations. Dark (2003) emphasized government expenditure that it is spending by government at any level. Government expenditure consists of spending on real goods and services purchased from outside suppliers; spending on employment in state services such as administration, defense and education; spending on transfer payments to pensioners, the unemployed and disabled; spending on subsidies and grants to industries; and payment of debt interest. It is becoming increasingly difficult to classify the portion of public expenditure that includes the maintenance of government and those that go into benefiting the other sectors of the economy. Albeit, public expenditure is observed to be ceaselessly expanding after

some time in practically all nations and with unprecedented growing significance in National economy particularly in developed nations (Steven *et al*, 2004).

Beck, *et al* (2001) characterized government expenditure as the aggregate in cash of the Federal, State and Local government spending including that of their organizations and monetary exchanges to the parastatals at the different levels of governments. This alludes to the expenses which a government incurs for its own maintenance, the society and the economy, and in helping other countries. It is inescapable for the government of a country to spend on social and welfare administrations; including education and pay redistribution, maintenance of law and order as well as its role in activities relating to economic regulations, whether it is 'capital expenditure' which is, government's spending on acquiring or improving relatively permanent asset or 'recurrent expenditure' which is spending on operating items, goods, or services that are used up over a short time.

Beck, *et al* (2009) opined that; government expenditure is the financing of government activities. It deals with the finance operation of the government, the financial development of the State and the corresponding activities of the government. In Nigeria, public expenditure is shared among the three tiers of government; the Federal government deposits tax receipts and revenues from the sale of oil and other federal resources into the federation account which is then shared among the three tiers of government according to a formula. This funding formula, for instance, shared the 2005 revenues as 46%, 36% and 18% of the total federation account to the three tiers of government respectively as mentioned above. In respect to that, the tiers of government are expected to spend those resources accordingly to respond to the responsibilities assigned to

each tier by the federal constitution (World Bank 2007).

TYPES OF GOVERNMENT EXPENDITURE

There are two major types of government expenditures; the first classification has to do with whether the expenditure is productive or unproductive while the second is categorized as transfer and non-transfer expenditure. Productive expenditures are that expenditure that assists in improving the productive capacity of the economy. These include government expenses on agriculture, forestry and fishery, employment industry and trade, technology and research, road and transport, education, energy etc. unproductive expenditure on the other hand, is mainly of consumption nature and includes expenditure on administration, defense, justice, law and order, external affairs etc (Oyefusi 2013).

There are changing contentions in the monetary writing on the fitting arrangement of the "inefficient government expenditures". To start with, there is some expenditure which is not salary respecting the legislature but rather which are integral to the gainful effectiveness of the economy. Theatres, zoo and recreational facilities are case of benefits on which government expense cash without anticipating benefit. In any case, these advantages could be contended to be profitable in light of the fact that they add to the gainful proficiency of the economy by implication. This is on the grounds that a well-loosened up masses will be progressively profitable and will contribute more to the national economic growth. Likewise, profitability isn't a select save of unmistakable resources, for example, structures, apparatus and such. Profitable intensity of an economy can be gotten from interest in individuals and this could show in various structures instruction, preparing, health, better living conditions, better work relations and so forth. These improve the

profitable intensity of the working population. Once more, there are central government expenditures that are vital to the sustenance of a viable economy and which on that record can't be classified as unproductive. Examples are expenditures on defense, justice and administration. Clearly therefore, one can safely say that "productive" and "non productive" classification of government expenditure is limited to the direct impact of government expenditure. While the former sets of expenditures are directly productive, the latter are so only indirectly (Iyoha, 2013).

Transfer and non-transfer expenditure is another classification of expenditure. Transfer expenditures are certain expenditure that does not attract a corresponding transfer of real resources to the state. The payment of interest on debts or payment of old-age pensions and unemployment benefits are examples of such expenditure. The government simply transfers the right or claim to use available financial resources to some sections of the society without receiving any direct benefit. Non-transfer payments include the normal expenditure incurred by the government for the use of goods and services. Expenses on defenses, education, energy, roads and infrastructures, industries are all non-transfer or real expenditure.

Put differently, capital and recurrent expenditure is another classification of expenditure: Capital expenditure are those that are capital stock augmenting that is, spending on the construction of federal roads, irrigation, pipe borne water, etc. They represent project and sacrifices for future benefit. Capital expenditure are also expenditures on new construction, land extensions of and alterations to existing buildings and acquisition of any other fixed assets (e.g. plant and machinery). Also are stocks, grants and lending for capital purposes. Recurrent expenditure on the other hand are spending on running costs or for day-

to-day running of government affairs such as payment of workers' salaries/remunerations, spending necessary to maintain existing levels of government services. Moreover, recurrent expenditures are government expenditure made regularly or repeatedly from year to year. These include costs and overhead costs such as travel and transport, utility services, telephone services, stationery, maintenance of furniture and equipment.

RATIONALE FOR GOVERNMENT EXPENDITURE

After World War II and the Great depression of 1930s, most economists started questioning functionality of the invisible hand of the classical economist as the market mechanism was failing and the private sector had no incentive to stimulate economic activities as interest rates and money value sloped downwards. Thus the Keynesian school of thought rose and posited that government intervention is necessary as it performs these major functions in an economy: Allocation function, stabilization function and distributive function.

The allocation function becomes necessary so as to provide both private and in particular, social goods in appropriate mix with available resources. Due to special characteristics of goods (spill over, externalities, non-excludability/ joint consumption, non-rivalries) they will not be provided at all, or where they are produced the output will be inadequate and outrageously costly if left in the hands of private individuals, the government intervenes using the instrument of public expenditure and other fiscal policy tools. According to Hirsch (2005) stabilization function of public expenditure is maintaining a high level of employment, a reasonable degree of price stability, an appropriate rate of economic growth, with allowance for effect on trade and on the balance of payment. Thus, the

stabilization function is concerned with the attainment of full employment and capital utilization at stable price, a good balance of intervention performance and a satisfactory rate of growth in per capita income over a period of time in a given economy. The distributive function focuses more on welfare provision, attainment of equity and provision of equal opportunities amongst its populace. It's a normative economic concept that uses value judgment rather than scientific approach to evaluate its actions in the economy.

THE POSITION OF GOVERNMENT EXPENDITURE

As noted by Edwards (2005) government expenditure is utilized for allocation, adjustment and dissemination of assets. The allocation function becomes necessary so as to provide both private and in particular, social goods in appropriate mix with available resources. Because of extraordinary qualities of products (overflow, externalities, non-excludability or joint utilization, non-rivalries) they won't be given by any stretch of the imagination, or where they are created, the income will be insufficient and incredibly exorbitant; whenever left in the hands of private individuals, the government intercedes utilizing the instrument of government expenditure and other monetary policy devices.

Also, adjustment capacity of government expenditure is that of keeping up high business, a sensible level of value security, a fitting rate of financial development, with remittance for impact on exchange and on the parity of installment. That is, the stabilization function is concerned with the attainment by the national economy of full employment and capital utilization at stable price, a good balance of intervention performance and a satisfactory rate of growth in per capita income over a period of time (Ricci 2005).

CONCEPT OF ECONOMIC GROWTH AND PERFORMANCE

Economic growth implies an expansion in genuine national income. Economic growth estimates an expansion in Real GDP (real output). Gross domestic product is a proportion of the national income/national output and national expenditure. It essentially measures the complete volume of products and goods created in an economy. As indicated by Balami (2006) economic growth which is constantly estimated by GDP frequently conceptualized as increment in income of an economy's ability to create income and expenses expected to improve the welfare of the nation's population. Growth is viewed as a consistent procedure which includes raising the degree of income of goods and services in the economy. Growth is important when the rate of Growth is a lot higher than population growth since it needs to prompt improvement in human welfare. Accordingly, Growth is viewed as a relentless procedure of expanding the beneficial limit of the economy and subsequently, of expanding national pay, being described by higher rates of increase of per capita income and total factor efficiency, particularly labour productivity. According to Hviding (2005) though economic growth is associated with an increase in capital income, capital is not the only requirement for growth. Thus, if capital is made available without, at the same time, providing a framework for its expenditure, it will be wasted. Hemming (1991) observed that growth is influenced by the composition of expenditure since certain types of spending have more effects on growth. Essential among these types of spending are provision of socio-economic infrastructure, operations and maintenance, and general administrative and legal frameworks. Arguing in the same vein, Ogiogio (1995) emphasized that adequate funding of public sector recurrent budget makes for an effective and functional civil service, and hence,

the effectiveness of implementation of development policies and programmes.

THE NEED FOR HUMAN DEVELOPMENT

Human development (HD)-defined broadly here to include not only education and health but also economic and political freedom, human development is the ultimate goal of economic growth. Yet, as argued persuasively by Ranis, Stewart, and Ramirez (2000: 213), for instance, 'economic growth itself will not be sustained unless preceded or accompanied by improved human development (HD)', for example, high institutional quality, is fundamental for development, presupposes a minimum level of literacy, which in turn requires significant educational investment. Health, as well as education, is an important determinant of labour productivity. The various forms of equity, including political freedom and female empowerment, contribute to long-term growth and development.

GOVERNMENT EXPENDITURE AND ECONOMIC PERFORMANCE

The connection between government expenditure and economic performance has been broadly treated in the theoretical and empirical literature. As indicated by Oyinlola, *et al* (2013) the theoretical establishment of this relationship can be viewed as far back by Wagner (1912), to Keynes (1936), Peacock and Wiseman (1961), and later to Musgrave (1969). They further expressed that two schools of thoughts emerged on the course of causality between public expenditure and economic growth. One is that public expenditure is a result of economic growth as noted by Wagner (1912) and the other is by Keynes (1963) who expressed that public expenditure is an instrument received by the administration to turn around monetary downturns by getting cash from the private sectors and after that returning it to them through different spending

programs, thus, economic growth is a result of public expenditure.

Over the previous decades, the public sector expenditure has been increasing in geometric term through government different exercises and interactions with its Ministries, Departments and Agencies (MDA's), (Niloy *et al.*, 2003). In spite of the fact that the general view is that public expenditure either recurrent or capital expenditure, remarkably on social and monetary allocation can be development upgrading however the financing of such expenditure to give fundamental infrastructural facilities including transport, power, media communications, water and sanitation, squander transfer, training and health can be development impeding (for instance, the negative impact related with tax collection and unreasonable obligation). The size and structure of public expenditure will decide the example and type of development in output of the economy (Taiwo and Abayomi, 2011). In a developed nation, through financial stabilization, incitement of speculation action, etc, public expenditure keeps up a rate of development which is a smooth one. In an underdeveloped nation, public expenditure has a functioning task to carry out in reducing regional disparities, creating social overheads, formation of framework of monetary development as vehicle and communication facilities, instruction and preparing, growth of capital goods industries, essential and key businesses, innovative work, etc (Bhatia, 2002). public expenditure on infrastructural facilities has an incredible task to carry out through enhancing the economy.

The instrument where government spending on public infrastructure is relied upon to influence the pace of economic development depend generally upon the exact structure and size of total public expenditure designated to monetary and social improvement extends in the economy. At the point when public

expenditure is acquired without anyone else, it might be coordinated to specific speculations or might almost certainly achieve reallocation of the investible assets in the private sector of the economy. This impact, hence, is essentially in the idea of re-designation of assets from less to progressively attractive lines of industries. A significant manner by which public expenditure can quicken the pace of economic development is by narrowing down the contrast among social and private minimal efficiency of specific speculations. Here, public expenditure on social and economic infrastructure like education, health, transport, communication, electricity, water etc., has the potential of contributing to the performance of the economy based on promotion of infant industries in the economy; reduction in the unemployment rate; stabilization of the general prices in the economy; reduction in the poverty rate and increase the standard of living of the people; promote economic growth by attracting foreign investment; and promotes higher productivity (Adesoye, *et al.*, 2010). Okoro (2013) however contended that the rising government expenditure might not translate to important development and advancement, as Nigeria positions among the most underdeveloped nations in the world. Likewise, numerous Nigerians have kept on suffering from wretched neediness while in excess of 50% live on under US\$1per day. Moreover, "macroeconomic indicators like balance of payments, inflation rate, exchange rate, and national savings reveal that Nigeria has not fared well in the last three decades" (World bank document reports 2016).

EMPIRICAL REVIEW

Modebe, Regina, Onwumere & Imo (2012) investigated the effect of government expenditure (disaggregated into recurrent and capital expenditure) on economic growth from 1987 to 2010. Three-variable different relapse model was received while recurrent

expenditure and capital expenditure were utilized as independent variable and total national output development rate as independent variable. The outcome emanating from this investigation uncovers that while recurrent government expenditure had positive and negative effect on economic growth, capital expenditure had negative and non-critical effect on financial development therefore re-resounding the requirement for increment and support of private division speculation while have demonstrated throughout the years as a progressively productive usage of assets contrasted with public sector.

Adeyemi & Stephen (2014) explore the effect of both government recurrent and capital expenditure on growth performance utilizing an econometric investigation dependent on Johansen procedure between 1970-2009, the investigation found that total expenditure impacting negatively (aside from education and health) and irrelevantly on development rate; further investigation test established that capital expenditure may almost certainly prompt huge effect on development rate over the long-run.

Kareem, *et al* (2014) investigated the impact of public sector spending (administration, agriculture, education, economic, social and community transfer, industry and health services) on economic growth in Nigeria for the period spanning between 1960 and 2010, with the objectives establish the relationship between total public sector spending on economic growth and determining the specific public sector spending variables on economic growth. The variables were tested for stationarity and co-integration while regression and correlation analyses were used as analytical techniques. The results found out that recurrent and capital expenditure contributed positively to economic growth with particular reference to the period under review. The

result therefore revealed that capital and recurrent expenditures are significant at 1% level. The study concluded that the government recurrent and capital expenditure have significant influence on economic growth in Nigeria.

RESEARCH DESIGN

The study adopted an ex. post-facto research design. This is informed by the principle that in ex. post-facto research designs there is no manipulation of the independent variables. Patrick (2018) observed that; ex. post-facto design is a Quasi-experimental study examining how a predictor variable present prior to the study in the participants, affect the criterion variable. He further noted that; a quasi-experimental study simply means participants are not randomly assigned. This research design is adopted because the study relies on historic data (secondary data), and as such, the event under investigation had already taken place and the researcher does not have control over the data and variables.

SAMPLE SIZE

The timeframe considered for this study is from 1985 to 2016. The sample for the work therefore spans through thirty two years, indicating thirty two years annual observations for each of the variable adopted. These variables include Gross Domestic Product, expenditure on education, expenditure on agriculture and expenditure on health.

DATA COLLECTION METHOD

The issue of data is at the very centre of research and also the nature of data for any research depends entirely on the objectives of the research and the type of research undertaken. Consistent with the above therefore, secondary data which have been processed, collated and published was used for the study. These data was obtained from

Central bank of Nigeria (CBN) Statistical Bulletin.

DATA ANALYSIS TECHNIQUE

In order to analyze the data collected, the data sourced from CBN statistical bulletin was arranged in Excel word and exported to Eview 9.0 statistical package for proper analysis. The data obtained was also fitted to the developed model by Ordinary Least Square (OLS) technique of regression analysis. Moreover, the model was evaluated using the following tests:

The R-Squared: It shows the percentage of the total variation in the dependent variable that can be explained by the independent variable. Also, it helps to measure the fitness of the model; a high R^2 denote a strong relationship between the explained and explanatory variable, while a low R^2 denote a weak relationship between the explained and explanatory variable.

The Adjusted R-Squared: This is also coefficient of multiple determinations. It measures the percentage of the total variation of the dependent variable explained by changes in explanatory variables.

T-test: This was used to measure the statistical significance of the coefficient of the explanatory or independent variables in the specified models. We make use of five percent level of significance with $(n-k)$ degrees of freedom. Where n is the number of observation and k is the number of parameter.

DECISION RULE

- If t-calculated value is greater than t-tabulated value, reject the null hypothesis (H_0) at five percent (5%) level of significance.
- On the other hand, if t-calculated value is less than t-tabulated value, accept the null

hypothesis (H_0) at five percent (5%) level of significance.

F-Test: This will be used to test for the overall significance of regression. The test aims at finding out whether the joint influence of the explanatory variable on the explained variable is statistically significant. We make use of five percent level of significance with $(n-k)$ and $(k-1)$ degrees of freedom. Where n is the number of observation and k is the number of parameter.

DECISION RULE

- If F-calculated value is greater than F-tabulated value, reject the null hypothesis (H_0) at five percent (5%) level of significance.
- On the other hand, if F-calculated value is less than F-tabulated value, accept the null hypothesis (H_0) at five percent (5%) level of significance.

MODEL SPECIFICATION

Multiple regression models were adopted for the study. It is an economic model that shows the relationship between the variables being examined. The specification of the model is based on the available information relevant to the study. Thus, the model employed in this study was expressed in its functional, mathematical and econometric forms as follows:

The functional form of the model is expressed as:

$$GDP = f(GEXE, GEXPA, GEXPH) \quad (1)$$

The mathematical form of the model is specified by introducing constant variable. This is given as:

$$GDP = \beta_0 + \beta_1 GEXE + \beta_2 GEXPA + \beta_3 GEXPH \quad (2)$$

The econometric model is specified by introducing the disturbance or error term:

$$GDP = \beta_0 + \beta_1 GEXE + \beta_2 GEXPA + \beta_3 GEXPH + \mu \quad (3)$$

Where:

- GDP = Gross Domestic Product
- GEXE = Government Expenditure on Education
- GEXA = Government Expenditure on Agriculture
- GEXH = Government Expenditure on Health
- f = Function of
- β_0 = Constant Variable
- β_1 = Coefficient of Government Expenditure on Education (GEXE)
- β_2 = Coefficient of Government Expenditure on Agriculture (GEXA)
- β_3 = Coefficient of Government Expenditure on Health (GEXH)
- μ = Error term

A PRIORI EXPECTATION

This is used to examine the economic usefulness of the model with regards to meeting the a priori expected sign of the parameters. It further explains the nature of the variables in use and their relationship with one another especially the explained (dependent) variable and the explanatory (independent) variables. The a priori expectation for this study is summarized in table 1 below.

From table 1, the expected relationship is that all the proxies of sectoral government expenditure (government expenditure on education, government expenditure on agriculture and government expenditure on health) will have individual positive relationship with the measure of economic performance (Gross Domestic Product).

Table 1.A Priori Expectation

Parameter	Expected Sign
β_1	Positive
β_2	Positive
β_3	Positive

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

PRESENTATION OF DATA

This section presents the data employed for the analysis for the purpose of clarity. This includes the values of each of the variable used in the study for the thirty two year period i.e. from

1985 to 2016. These variables are Gross Domestic Product (GDP), government expenditure on education (GEXE), government expenditure on agriculture (GEXA) and government expenditure on health (GEXH). The data as sourced from Central Bank of Nigeria (CBN) Statistical Bulletin are presented in table.2 below:

Table 2. Time Series Data on Gross Domestic Product (Gdp), Government Expenditure on Education (Gexe), Government Expenditure on Agriculture (Gexa) And Government Expenditure on Health (Gexh)

YEAR	GDP (₦' Billion)	GEXE (₦' Billion)	GEXA (₦' Billion)	GEXH (₦' Billion)
1985	192.27	0.26	0.02	0.13
1986	202.44	0.26	0.02	0.13
1987	249.44	0.23	0.05	0.04
1988	320.33	1.46	0.08	0.42
1989	419.20	3.10	0.15	0.58
1990	499.68	2.40	0.26	0.50
1991	596.04	1.26	0.21	0.62
1992	909.80	0.29	0.46	0.15
1993	1,259.07	8.88	1.80	3.87
1994	1,762.81	7.38	1.18	2.09
1995	2,895.20	9.75	1.51	3.32
1996	3,779.13	11.50	1.59	3.02
1997	4,111.64	14.85	2.06	3.89
1998	4,588.99	13.59	2.89	4.74
1999	5,307.36	43.61	59.32	16.64
2000	6,897.48	57.96	6.34	15.22
2001	8,134.14	39.88	7.06	24.52
2002	11,332.25	80.53	9.99	40.62
2003	13,301.56	64.78	7.54	33.27
2004	17,321.30	76.53	11.26	34.20
2005	22,269.98	82.80	16.33	55.66
2006	28,662.47	119.02	17.92	62.25
2007	32,995.38	150.78	32.48	81.91
2008	39,157.88	163.98	65.40	98.22
2009	44,285.56	137.12	22.44	90.20
2010	54,612.26	170.80	28.22	99.10
2011	62,980.40	335.80	41.20	231.80
2012	71,713.94	348.40	33.30	197.90
2013	80,092.56	390.42	39.43	179.99
2014	89,043.62	343.75	36.70	195.98
2015	94,144.96	325.19	41.27	257.72
2016	101,489.49	341.88	36.58	202.36

Source: CBN Statistical Bulletin, 2017.

ANALYSIS OF DATA

The results obtained from our data analysis are presented in table 3 as follows:

Table 3. Empirical results of regression analysis

Dependent Variable: GDP				
Method: Least Squares				
Date: 07/05/19 Time: 17:51				
Sample: 1985 2016				
Included observations: 32				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	528.1429	1778.850	0.296901	0.7687
GEXE	136.0282	49.21465	2.763978	0.0100
GEXA	21.43771	104.0943	0.205945	0.8383
GEXH	177.4298	78.26044	2.267171	0.0313
R-squared	0.952537	Mean dependent var		25172.77
Adjusted R-squared	0.947452	S.D. dependent var		32147.19
S.E. of regression	7369.221	Akaike info criterion		20.76448
Sum squared resid	1.52E+09	Schwarz criterion		20.94770
Log likelihood	-328.2317	Hannan-Quinn criter.		20.82521
F-statistic	187.3119	Durbin-Watson stat		1.438790
Prob(F-statistic)	0.000000			

Source: E-views 8.0 Regression Results

INTERPRETATION OF RESULT

$$GDP = 528.1429 + 136.0282GEXE + 21.43771 GEXPA + 177.4298GEXPH$$

INTERPRETATION OF THE REGRESSION COEFFICIENTS

GOVERNMENT EXPENDITURE ON EDUCATION (GEXE)

The coefficient of government expenditure on education (GEXE) from the regression result as shown in table 2 is 136.0282. This positive value (136.0282) indicates that government expenditure on education has a positive relationship with Gross Domestic Product in Nigeria. The implication of this is that a unit increase in government expenditure on education will lead to 136.0282 increase in Gross Domestic Product while a unit decrease in government expenditure on education will lead to 136.0282 decrease in Gross Domestic Product.

GOVERNMENT EXPENDITURE ON AGRICULTURE (GEXA)

The coefficient of government expenditure on

agriculture from the regression result as shown in table 2 is 21.43771. This positive value (21.43771) indicates that government expenditure on agriculture has a positive relationship with Gross Domestic Product in Nigeria. The implication of this is that a unit increase in government expenditure on agriculture will lead to 21.43771 increase in Gross Domestic Product while a unit decrease in government expenditure on agriculture will lead to 21.43771 decrease in Gross Domestic Product.

GOVERNMENT EXPENDITURE ON HEALTH (GEXH)

The coefficient of government expenditure on health from the regression result as shown in table 2 is 177.4298. This positive value (177.4298) indicates that government expenditure on health has a positive relationship with Gross Domestic Product in Nigeria. The implication of this is that a unit increase in government expenditure on health will lead to 177.4298 increase in Gross Domestic Product while a unit decrease in government expenditure on health will lead to 177.4298 decrease in Gross Domestic Product

THE COEFFICIENT OF MULTIPLE DETERMINATIONS (R²)

The R-squared (R²) value obtained from our regression result as shown in table 2 is 0.952537. This result indicates that the regression line fits the data well. This also implies that about 95 per cent of the variations in Gross Domestic Product are attributable to government expenditure on education, government expenditure on agriculture and government expenditure on health while the remaining 5 per cent variation are attributable to other variables outside the model.

THE ADJUSTED R-SQUARED

Adjusting further for the coefficient of multiple determination, the adjusted R-squared (Adj R²) value obtained from our regression result as shown in table 2 which is 0.947452 further

confirmed that about 95 per cent of variation in Gross Domestic Product was explained by government expenditure on education, government expenditure on agriculture and government expenditure on health within the period of study while the remaining 5 per cent variation is explained by other determining variables outside the model.

A PRIORI EXPECTATION

This was used to examine the economic usefulness of the model with regards to meeting the a priori expected sign of the parameters. It further explains the nature of the variables in use and their relationship with one another especially the explained (dependent) variable and the explanatory (independent) variables. The a priori expectation for this study is summarized in table 3 below:

Table 3. Summary of a priori signs

Parameter	Expected	Obtained	Estimate	Conclusion
GEXE	Positive (+)	Positive (+)	$\beta_1 > 0$	Conforms
GEXPA	Positive (+)	Positive (+)	$\beta_2 > 0$	Conforms
GEXPH	Positive (+)	Positive (+)	$\beta_3 > 0$	Conforms

Source: Computation of the Researcher

The expected relationship in model one was that all the proxies of management of sectoral government expenditure (government expenditure on education, government expenditure on agriculture and government expenditure on health) will have individual positive relationship with the measure of economic performance (Gross Domestic Product). However, the results in table 2 above show that the outcome of the sign of the estimated parameters i.e. government expenditure on education (GEXE), government expenditure on agriculture (GEXPA) and government expenditure on health (GEXPH) conforms to the expected sign. This affirms the expected positive contribution of government expenditure on education, government expenditure on agriculture and government

expenditure on health to Gross Domestic Product.

ANALYSIS OF T-TEST (SIGNIFICANCE OF EACH PARAMETER IN THE ESTIMATED MODEL)

This was used to measure the statistical significance of each parameter in the specified models. The researcher made use of five percent level of significance with (n-k) degrees of freedom. Where *n* is the number of observation (32) and *k* is the number of parameter (4). This was carried out under the statement of null hypothesis stated below:

H₀: Each parameter in the specified models is not statistically significant.

Decision Rule: If t-calculated value is greater than t-tabulated value, reject the null hypothesis (H_0) at five percent level of significance. On the other hand, if t-calculated value is less than t-tabulated value, accept the null hypothesis (H_0) at five percent level of

significance.

From statistical table, t-tabulated value at 28 degrees of freedom and five percent level of significance is 2.048. The results of the t-test are summarized in table 4 below:

Table 4. Summary of t-test

Variables	t-calculated Values	t-tabulated Values	Estimate	Decision Rule	Conclusion
GEXE	2.763978	2.048	β_1	Reject H_0	Significant
GEXA	0.205945	2.048	β_2	Accept H_0	Not Significant
GEXH	2.267171	2.048	β_3	Reject H_0	Significant

Source: Computation of the Researcher

Table 4 above shows the summary of our t-test (Significance of each parameter in the estimated model). The results in the table reveal that government expenditure on education (GEXE) and government expenditure on health (GEXH) are statistically significant and as a result, their contribution to Gross Domestic Product (GDP) in Nigeria is significant. On the other hand, government expenditure on agriculture (GEXA) is not statistically significant and as a result, its contribution to Gross Domestic Product (GDP) in Nigeria is not significant.

ANALYSIS OF F-TEST (SIGNIFICANCE OF ESTIMATED MODEL)

The F-test was carried out to test the overall significance of estimated model. Five percent level of significance with (n-k) and (k-1) degrees of freedom were used in carrying out this test. Where **n** is the number of observation (32) and **k** is the number of parameter (4). This was carried out under the statement of hypothesis below:

H₀: Overall parameters estimated are not statistically significant.

Decision Rule: If F-calculated value is greater than F-tabulated value, reject the null hypothesis (H_0) at five percent level of significance. On the other hand, if F-calculated

value is less than F-tabulated value, accept the null hypothesis (H_0) at five percent level of significance.

From statistical table, F-tabulated value at (3, 28) degrees of freedom and five percent level of significance i.e. $F_{0.05}(3, 28)$ is 2.95 while the F-calculated value from the regression result in table 2 is 187.3119. Since the F-calculated value (187.3119) is greater than F-tabulated value (2.95) i.e. $187.3119 > 2.95$, we reject the H_0 and conclude overall parameters estimated are statistically significant. This also means that government expenditure on education, government expenditure on agriculture and government expenditure on health have joint significant relationship with Gross Domestic Product in Nigeria.

HYPOTHESES TESTING

Our hypotheses in this study are tested using P-value.

The decision rule for accepting or rejecting the null hypothesis is stated as follows:

Reject the null hypothesis (H_0) at 5% level of significant if the P-value is less than 0.05. On the other hand, accept the null hypothesis (H_0) at 5% level of significant if the P-value value is greater than 0.05.

RESTATEMENT OF HYPOTHESIS ONE

The null and the forms of hypothesis one is hereunder stated as:

H₀₁: There is no significant relationship between government expenditure on education and Gross Domestic Product in Nigeria.

H_{A1}: There is significant relationship between government expenditure on education and Gross Domestic Product in Nigeria.

Decision on Hypothesis One: The findings revealed that, the P-value (0.0100) for government expenditure on education is less at five per cent significance levels than 0.05. Hence, the null hypothesis one is rejected while the alternative hypothesis one is accepted. The conclusion is that there is a significant relationship between government expenditure on education and Gross Domestic Product in Nigeria.

RESTATEMENT OF HYPOTHESIS TWO

The null and the forms of hypothesis two are hereunder stated as:

H₀₂: There is no significant relationship between government expenditure on agriculture and Gross Domestic Product in Nigeria.

H_{A2}: There is significant relationship between government expenditure on agriculture and Gross Domestic Product in Nigeria.

Decision on Hypothesis Two: The findings revealed that, the P-value (0.8383) for government expenditure on agriculture is greater at five per cent significance levels than 0.05. Hence, the null hypothesis two is accepted while the hypothesis two is rejected. The conclusion is that there is no significant relationship between government expenditure on agriculture and Gross Domestic Product in Nigeria.

RESTATEMENT OF HYPOTHESIS THREE

The null and the forms of hypothesis three are hereunder stated as:

H₀₃: There is no significant relationship between government expenditure on health and Gross Domestic Product in Nigeria.

H_{A3}: There is significant relationship between government expenditure on health and Gross Domestic Product in Nigeria.

Decision on Hypothesis Three: It is revealed that, the P-value (0.0313) for government expenditure on health is less at five per cent significance levels than 0.05. Hence, the null hypothesis three is rejected while the alternative hypothesis three is accepted. In conclusion; there is significant relationship between government expenditure on health and Gross Domestic Product in Nigeria.

SUMMARY, CONCLUSION AND RECOMMENDATION

SUMMARY

The broad aim of this study was to examine the relationship between management of sectoral government expenditure and the Nigerian economic performance from 1985 to 2016. Some relevant literatures were reviewed. This was done under three sub-topics: theoretical framework, conceptual framework and empirical review. More importantly, the research design adopted for this research is the ex-post facto research design. However, Nigerian economic performance which is the dependent variable in this study was measured by Gross Domestic Product while sectoral government expenditure which is the independent variable was proxied by government expenditure on education, government expenditure on agriculture and government expenditure on health. The Gross

Domestic Product was therefore regressed on government expenditure on education, government expenditure on agriculture and government expenditure on health through ordinary least squares (OLS) technique of regression. The data used in the study were obtained from the CBN statistical bulletin while the data analysis was facilitated by Econometric views (Eviews) statistical software 8.0.

THE FINDINGS OBTAINED IN THE STUDY ARE SUMMARIZED BELOW

1. There is a positive and significant relationship between government expenditure on education and Gross Domestic Product in Nigeria.
2. There is a positive and insignificant relationship between government expenditure on agriculture and Gross Domestic Product in Nigeria.
3. There is a positive and significant relationship between government expenditure on health and Gross Domestic Product in Nigeria.
4. The computed coefficient of determination showed that about ninety five per cent of the total variations in Gross Domestic Product in Nigeria are attributable to government expenditure on education, government expenditure on agriculture and government expenditure on health.
5. The result of the F-test also showed that government expenditure on education, government expenditure on agriculture and government expenditure on health have joint significant relationship with Gross Domestic Product in Nigeria. This also means that the estimated model is statistically significant.

CONCLUSIONS

Sectoral government expenditure in Nigeria has kept on ascending because of the immense receipts from exploration and sales of

petroleum, and the expanded interest for public (utilities) goods like roads, communication, power, training and health. There is intensifying need to give both internal and external security for the general population and the country. The push of the investigation of this research was to look at the connection between the administration of sectoral government expenditure and the economic performance in Nigeria. The outcomes uncovered that sectoral government expenditure can contribute emphatically to Nigerian economic performance. A decent performance of an economy as far as Gross Domestic Product may hence be ascribed to a sensible allocation of sectoral government expenditure. In view of discoveries, this examination along these lines reasons that sectoral government expenditure has critical positive association with the economic performance of Nigerian.

RECOMMENDATIONS

Based on the findings and conclusions, the following policy implication/recommendations are made:

1. The attainment of a viable economic growth should not be underestimated. But, moving forward, the consolidation of macroeconomic adjustment, together with further structure reforms in several policy areas, will be needed for putting growth on a sustainable path over the longer term. Because of successive years of lacklustre growth, Nigeria's Income Gap in relation to the more prosperous countries in the world has widened, although it now appears to be closing again. Concerted policy actions will be required in many areas to reverse this trend in a durable manner.
2. Government should additionally keep up appropriate administration of capital and recurrent expenditure so as to improve gainful limit and quicken the development

procedure. A legitimate observation on capital expenditure is required so as to support both human and social capital.

3. Deliberate exertion ought to be made by policy makers to ensure that the dispensing of government expenditure to different segments of the economy are all around regulated and furthermore guarantee its sufficient spending in order to support the degree of financial growth in Nigeria.
4. Additionally, the utilization of expenditure ought to be paid attention to by Nigerian government. This can be accomplished by guaranteeing that all expenditure made has a corresponding growth.

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