Effect of Government Recurrent Expenditure on Economic Prosperity in Nigeria

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ABSTRACT: *The study investigated effect of government recurrent expenditure on economic prosperity in Nigeria. The specific objectives of the study were to examine effect of administration expenditure, economic services expenditure, and social and community services (which are proxies for government recurrent expenditure) on gross national product (proxied by economic prosperity) in Nigeria. The study adopted ex-post facto research design and secondary data were extracted from the CBN Statistical Bulletin for the period 1981 – 2022. The multiple regression was used for the test of hypotheses. Findings showed that, recurrent expenditure on administration (GREA) have a statistically non-significant positive effect on Gross National Product (GNP) in Nigeria with a t-statistic of -0.710148 and p-value of 0.4821. On the other hand, recurrent expenditure on economic services (GREES) has a statistically significant positive effect on GNP in Nigeria with a t-statistic of 2.106309 and p-value of 0.0420. In line with recurrent expenditure on administration, recurrent expenditure on social and community services (GRESCS) have a statistically non-significant positive effect on GNP in Nigeria with a t-statistic of 1.835944 and p-value of 0.0744. This implies that only recurrent expenditure on economic services can be used to predict economic prosperity in Nigeria. The study recommended that administrative efficiency should be improved through the reduction of unnecessary costs and streamlining of processes, supported by regular performance evaluations and the adoption of modern technology. Secondly, investments should prioritize critical infrastructure projects like transportation, energy, and telecommunications, aiming to stimulate economic growth and job creation. Lastly, targeted social programs are encouraged to address specific challenges such as poverty reduction, healthcare access, and education, ensuring adequate funding and effective reach to beneficiaries, while also investing in healthcare infrastructure and supporting community development projects that reduce inequality and promote social stability, resulting in long-term benefits for citizens' well-being.*

KEYWORDS: government recurrent expenditure, economic prosperity, administration expenditure, economic services expenditure, social and community services expenditure, Gross National Product (GNP)

INTRODUCTION

Background of the Study

The impact of government recurrent expenditure on economic prosperity in Nigeria is a subject of extensive discussion and interest among researchers, economists, and policymakers. Recurrent expenditure, encompassing salaries, pensions, and day-to-day operations, is a critical facet of government spending (Akanbi, 2014). Economic prosperity, defined by factors like GDP growth,

employment, poverty reduction, improved living standards, and social welfare, underscores the significance of understanding the link between government recurrent expenditure and economic well-being (World Bank, 2020). This understanding is vital for formulating effective fiscal policies that foster sustainable development in Nigeria.

In the context of Nigeria, recurrent expenditure has been a substantial part of the national budget, especially in sectors like education, healthcare, and public administration (Olomola & Ogunniyi, 2018). Despite these allocations, the effectiveness of such expenditures in promoting economic prosperity remains a subject of empirical investigation. Theoretical frameworks, including Keynesian economics advocating for government spending to stimulate aggregate demand and neoclassical theory emphasizing market forces and private sector-led growth, provide insights into the potential impact of recurrent expenditure (Keynes, 1936; Solow, 1956).

Empirical studies in Nigeria have yielded mixed results regarding the relationship between government recurrent expenditure and economic prosperity. Some studies suggest a positive link, emphasizing the benefits of well-targeted spending in sectors like education and healthcare for human capital development and technological advancement (Akanbi, 2014; Ogunmuyiwa et al., 2018). In contrast, other studies highlight concerns about inefficiencies, corruption, and misallocation of resources, suggesting a weak or negative relationship between recurrent expenditure and economic prosperity (Okojie & Duru, 2015; Olomola & Ogunniyi, 2018).

Given the mixed findings and the significance of the topic, further empirical analysis is necessary to understand the specific impact of government recurrent expenditure on economic prosperity in Nigeria. This study aims to contribute to the existing body of knowledge by exploring the relationship between recurrent expenditure and economic prosperity, considering factors such as the composition of spending, institutional quality, and governance indicators. The insights gained from this study can inform policymakers, enabling them to make informed decisions in designing and implementing fiscal policies that foster sustainable economic prosperity in Nigeria.

Statement of the Problem
Despite allocating a substantial portion of its annual budget to recurrent expenditure, with nearly 40% dedicated to this category, Nigeria faces economic challenges rather than prosperity (Federal Republic of Nigeria, 2022). The allocation covers personnel costs, overhead expenses, statutory deductions, and pension obligations. The country experiences demands for increased wages and frequent strikes, indicating discontent and dissatisfaction among workers, particularly university lecturers (ASUU strikes). Public perception raises concerns about the misallocation of resources for trivial activities, such as purchasing new cars and office equipment for legislators, refurbishing the Aso Rock clinic, and investing in extravagant luxuries.

This misallocation contributes to Nigeria's unfortunate ranking as the world's poverty capital. The relationship between government recurrent expenditure and economic prosperity in Nigeria has not been adequately explored, creating a gap in understanding the effectiveness of such expenditures in fostering sustainable economic growth and improving living standards. The problem this study aims to address is the lack of comprehensive empirical analysis on the impact of government

recurrent expenditure on economic prosperity in Nigeria. By conducting this study, we seek to investigate the specific effects of government recurrent expenditure on economic prosperity in Nigeria.

Objectives of the Study

The main objective of the study is to evaluate the effect of government recurrent expenditure on economic prosperity in Nigeria. To achieve this stated objective, the research will strive to achieve the following specific objectives:

i. To evaluate the extent to which administration expenditure affects gross national product in Nigeria.
ii. To examine the extent to which economic services expenditure affects gross national product in Nigeria.
iii. To ascertain the effect of social and community services expenditure on gross national product in Nigeria.

REVIEW OF RELATED LITERATURE

Conceptual Review

Government Recurrent Expenditure

Government recurrent expenditure refers to ongoing expenses for day-to-day operations and essential public services, covering public servant salaries, pensions, facility maintenance, and debt servicing (Aigbokhan & Enabulu, 2016). It constitutes a significant portion of the government budget, reflecting resources allocated to operational needs. In Nigeria, recurrent expenditure often represents nearly 40% of the total budget (Federal Ministry of Finance, 2021). Effective management is crucial for fiscal sustainability and efficient resource use, requiring prudent budget planning and transparency (Aigbokhan & Enabulu, 2016). Optimizing recurrent expenditure allocation enables governments to enhance public service delivery and promote economic growth (Olumuyiwa & Abimbola, 2016). Analyzing its impact involves examining how resources allocated to infrastructure, education, healthcare, and social welfare programs stimulate productivity, job creation, and improved living standards, contributing to overall economic prosperity (Akpan & Chuku, 2014; Adeyeye & Ojo, 2017; Suleiman & Oyefeso, 2017; Blanchard, 2017). Understanding the relationship between government recurrent expenditure and economic outcomes is essential for formulating effective fiscal policies and promoting sustainable development (Adeyeye & Ojo, 2017). Policymakers can identify sectors where increased expenditure can have the greatest positive impact on economic prosperity and population well-being through comprehensive analysis.

Administration Expenditure

Government recurrent expenditure on administration covers the operational costs aimed at serving public interests (Aigbokhan & Enabulu, 2016). It includes ongoing expenses for general administration, encompassing civil servant salaries, office maintenance, utilities, and other administrative overheads. Defense expenditure focuses on military and national security costs, including armed forces maintenance, equipment, personnel training, and operations (Olumuyiwa &

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Abimbola, 2016). Internal security spending involves law enforcement, public safety, and measures for internal security, supporting police forces, intelligence agencies, and crime prevention (Olumuyiwa & Abimbola, 2016). The allocation may extend to the national assembly, covering lawmaker salaries, staff remuneration, parliamentary operations, and infrastructure maintenance (Aigbokhan & Enabulu, 2016). While reflecting priorities in government efficiency, defense, and legislative functions, policymakers must ensure effective management, transparent accounting, and contributions to overall development and welfare (Aigbokhan & Enabulu, 2016).

Social and Community Services Expenditure
Government recurrent expenditure on social and community services aims to enhance general well-being and stimulate economic development, encompassing investments in education, health, electricity, and other essential sectors (Aigbokhan & Enabulu, 2016). Education spending focuses on quality education provision, including teacher salaries, infrastructure, and materials, vital for human capital development and societal progress (Akpan & Chuku, 2014). Healthcare expenditure covers salaries, facility maintenance, and medical supplies, promoting a healthy population and improving overall quality of life (Akpan & Chuku, 2014). Additionally, the category includes expenses related to electricity and other public services, contributing to improved living standards and socio-economic progress (Adeyeye & Ojo, 2017). Efficient management and adequate funding are crucial for the effective delivery of these services, with prioritization and proper resource allocation promoting living standards, social well-being, and economic development (Suleiman & Oyefeso, 2017).

Economic Services Expenditure
Government recurrent expenditure on economic services involves investments in productive sectors such as agriculture, construction, transportation, and communication (Aigbokhan & Enabulu, 2016). Agricultural spending covers development, farmer subsidies, research, and irrigation projects, crucial for rural development, poverty reduction, and economic growth (Akpan & Chuku, 2014). Expenditure in construction focuses on infrastructure development, including roads and buildings, essential for economic activities, investment attraction, and regional integration (Akpan & Chuku, 2014). Transportation and communication expenditure includes maintenance and operation of systems, vital for trade facilitation, cost reduction, and economic connectivity (Olumuyiwa & Abimbola, 2016). These investments aim to spur economic growth, create jobs, and enhance overall development, with efficient management crucial for maximizing sector benefits (Adeyeye & Ojo, 2017). Prioritizing these sectors can drive sustainable development, attract investments, and improve overall economic competitiveness (Akpan & Chuku, 2014; Olumuyiwa & Abimbola, 2016).

Economic Prosperity
Economic prosperity denotes a state of collective well-being and favorable economic conditions encompassing factors contributing to wealth, growth, and improved living standards. It involves high economic output and productivity, measured by indicators like Gross Domestic Product (GDP) or Gross National Product (GNP), indicating sustained growth with increased production, employment, and rising incomes (Mankiw, 2014; World Bank, 2020). Beyond material wealth, prosperity considers poverty reduction, income equality, access to necessities, and essential

services, enhancing overall living standards. Social well-being and human development are integral, involving investment in education, skills, and innovation to foster economic diversification and technological advancement (Blanchard, 2017). Achieving prosperity necessitates a favorable business climate, sound economic policies, effective governance, and inclusive economic growth, addressing disparities. Importantly, economic prosperity extends beyond wealth accumulation, incorporating environmental sustainability, social cohesion, and overall well-being, emphasizing a balanced approach to economic growth (Stiglitz et al., 2018).

Gross National Product

Gross National Product (GNP) is a macroeconomic indicator measuring the total value of goods and services produced by a country's residents domestically and abroad within a specific time, including income earned abroad minus income earned by non-residents domestically (Mankiw, 2014). Calculated by summing consumer spending, private investment, government expenditure, and net exports, GNP provides insight into a country's economic performance, often used for international comparisons. It assesses economic activity, productivity, and income distribution, aiding policymakers and analysts in understanding an economy's health and growth potential (Blanchard, 2017). While GNP is valuable, it has limitations, such as not fully capturing well-being, informal sectors, or income distribution, critical for a comprehensive economic assessment (Stiglitz et al., 2018).

Theoretical framework

The theoretical framework for examining the effect of government recurrent expenditure on economic prosperity in Nigeria can be constructed by integrating the concepts and principles of Keynesian economics and public expenditure theory. This framework provided a lens through which to analyze the effect of government recurrent expenditure on economic outcomes and overall prosperity in Nigeria.

Keynesian Economics

Keynesian economics, introduced by John Maynard Keynes, is based on the assumptions that aggregate demand determines economic output and employment, involuntary unemployment is possible, and prices and wages are sticky. It emphasizes government intervention to stabilize the economy, particularly during downturns, through active spending to stimulate aggregate demand. In the context of Nigeria, Keynesian economics suggests that effectively targeted and allocated government recurrent expenditure, especially in sectors like infrastructure, education, and healthcare, can positively impact economic prosperity by enhancing productivity, creating jobs, and improving living standards. The study framework will explore how such expenditure influences key economic indicators, contributing to overall economic growth.

Public Expenditure Theory

The Public Expenditure Theory, attributed to economist Richard Abel Musgrave, explores the multifaceted role of government spending in promoting public goods, income redistribution, economic stabilization, and addressing market failures. Recognizing the inefficiency of markets in providing certain goods and services, the theory advocates for optimal resource allocation to maximize social welfare. It underscores the importance of fiscal policy in stabilizing the economy

during fluctuations and acknowledges the need for income redistribution to ensure social equity. Within this framework, the study focuses on the composition and allocation of government recurrent expenditure, examining specific categories' impact on economic prosperity. By considering factors such as personnel costs, overhead expenses, and statutory deductions, the study evaluates how resource allocation influences human capital development, productivity, and long-term economic growth. The theoretical framework integrates these concepts to provide a comprehensive understanding of the relationship between government recurrent expenditure and economic prosperity in Nigeria, guiding empirical analysis and conclusions regarding the effectiveness of such expenditure in fostering sustainable economic growth.

Empirical Review

Salisu and Haladu (2021) examined the relationship among agricultural output, government expenditure, and economic growth in Nigeria using annual time series data from 1985 to 2019. Their analysis, employing the Zivot-Andrew unit root test and the Gregory-Hansen cointegration test, revealed stationary variables and confirmed a cointegration relationship among the studied variables. In the short run, agricultural output showed a negative and statistically insignificant impact on real GDP, while government expenditure and the exchange rate exhibited positive and statistically significant effects. In the long run, agricultural output, government expenditure, and the exchange rate all demonstrated positive effects on real GDP in Nigeria according to the Autoregressive Distributive Lag (ARDL) model with a structural break.

Jabbar et al. (2021) conducted a study analyzing the simultaneous and partial effects of investment, government expenditure, and economic growth on people's welfare using secondary data from 2014-2019. The data, sourced from the Central Bureau of Statistics and the Directorate General of Fiscal Balance, underwent non-participant observation and was analyzed through multiple linear regression analysis. Results revealed that investment, government expenditure, and economic growth collectively significantly impact people's welfare. Furthermore, government expenditure and economic growth were found to partially have a positive and significant effect on people's welfare, while investment had a positive but insignificant partial effect.

Wandeda et al. (2021) studied the impact of government expenditure on economic growth in Sub-Saharan Africa using panel data for 35 countries from 2006 to 2018. The research, employing dynamic panel data and two-step system GMM, found that education and health expenditure significantly influence income growth in the region. The effectiveness of education spending varies, being more impactful in low-income Sub-Saharan African countries than middle-income ones. Conversely, military expenditure is more effective in improving income levels in middle-income countries compared to low-income countries.

Babalola and Ijie (2021) investigated the short and long-term effects of government expenditure on substance abuse prevalence and rehabilitated drug addicts on the real growth rate in the Nigerian economy. Analyzing with the ARDL technique, the study revealed a significant short-term impact of government recurrent and capital expenditure, as well as rehabilitated drug individuals, on real economic growth. However, in the long run, only capital expenditure on substance abuse showed a significant impact on the real growth rate in the Nigerian economy.

Bewaji et al. (2021) examined the impacts of Federal government expenditure in education on Nigeria's economic growth using data from 1980 to 2018. Employing Ordinary Least Square (OLS) and ADF Test, the study found a positive impact between Real Gross Domestic Product (RGDP) and government expenditure in education (GEDU). While the hypothesis suggested no long-run impact, the findings indicated a positive impact of GEDU on economic growth. However, challenges observed included instability and inadequate government expenditure in education.

Aluthge, et al. (2021) investigated the impact of Nigerian government expenditure (disaggregated into capital and recurrent) on economic growth using time series data for the period 1970-2019. The paper employs Autoregressive Distributed Lag (ARDL) model. To ensure robustness of results, the study accounts for structural breaks in the unit root test and the co-integration analysis. The key findings of the study are that capital expenditure has positive and significant impact on economic growth both in the short run and long run while recurrent expenditure does not have significant impact on economic growth both in the short run and long run.

Olanrewaju and Funlayo (2021) investigated the validation of Wagner's theory and Keynes's hypothesis regarding three key government expenditure components (health expenditure, education expenditure, and capital investment expenditure) and their impact on economic growth in Nigeria and Angola. Using Johansen cointegration and pairwise Granger causality, the study found no evidence of long-run relationships between government expenditure components (health, education, and capital investment) and economic growth. The research confirmed Wagner's theory for the relationship between growth and expenditure on health in both Nigeria and Angola. Additionally, it found evidence supporting both Wagner's theory and Keynes's hypothesis for the connection between growth and expenditure on education in Angola, while only Keynes's hypothesis was validated in Nigeria.

Kolapo, et al. (2021) investigated the impact of government expenditure on economic growth in Sub Saharan Africa, challenging Wagner's law. Panel first generation tests and Panel Auto Regressive Distributed Lag (ARDL) techniques revealed that government expenditure causes economic growth, contradicting Wagner's law. The study also found that capital and recurrent expenditure negatively affect economic growth, while total expenditure has a positive impact in the Sub-Saharan region.

Olanrewaju and Funlayo (2021) assessed Wagner's theory and Keynes's hypothesis on three main government expenditure components (Health expenditure, education expenditure, and capital investment expenditure) and their impact on economic growth in Nigeria and Angola. Johansen cointegration and pairwise granger causality techniques showed no long-run relationships with government expenditure components and economic growth. Wagner's theory was validated between growth and expenditure on health in both Nigeria and Angola. Both Wagner's theory and Keynes's hypothesis were confirmed between growth and expenditure on education in Angola, while only Keynes's hypothesis was validated in Nigeria.

Dahliah (2021) examined the influence of government spending and private investment on Economic Growth in Makassar City. Using multiple linear regression and statistical tests, the study

found that Government Expenditure Variables positively and significantly affect economic growth in Makassar City. Private Investment Variables also have a positive and significant impact on Economic Growth in Makassar City. Both Government Expenditure and Private Investment contribute positively and significantly to Economic Growth in Makassar City.

Gap in Empirical Review

Despite the existence of previous studies on the relationship between government expenditure and economic growth in Nigeria, there is a limited understanding of the specific impact of government recurrent expenditure on economic prosperity. The empirical review highlights various studies that examine government expenditure in different sectors and its relationship with economic growth. However, there is a lack of comprehensive research specifically focusing on the effect of government recurrent expenditure on economic prosperity in Nigeria during the selected 10-year period from 2012 to 2021.

While some studies have explored the relationship between government expenditure and economic growth in Nigeria, they often provide a broader analysis of various expenditure components or focus on specific sectors. This study aims to address this gap by specifically examining government recurrent expenditure and its impact on Nigeria's economic prosperity. By analyzing the spending patterns in administration, economic services, and social and community services, the study aims to provide insights into the effectiveness of these recurrent expenditures in driving economic growth and improving living standards in Nigeria.

Furthermore, the selected 10-year period allows for a comprehensive assessment of the impact of government recurrent expenditure on economic prosperity, covering the administrations of Goodluck Ebere Jonathan and Mohamadu Buhari. This temporal scope enables a thorough analysis of government expenditure patterns and their implications for Nigeria's economic growth, taking into account both past and present administrations.

By filling this gap in the empirical review, the study can provide valuable insights into the specific relationship between government recurrent expenditure and economic prosperity in Nigeria, offering a more focused understanding of the effectiveness of different expenditure categories and their implications for overall economic growth during the selected period.

METHODOLOGY

Research Design

This research employs an ex-post facto research design to examine the impact of government recurrent expenditure on Nigeria's economic prosperity using historical data from 2012 to 2021. The chosen design is suitable for situations where direct manipulation of variables is not feasible or ethical. Focusing specifically on Nigeria, the study aims to contribute insights into the dynamics of government spending and its effects on economic prosperity. Secondary data from the Central Bank of Nigeria's statistical bulletins for the specified period serves as the primary information source, offering a reliable foundation for analyzing historical patterns and trends in government recurrent expenditure and economic growth. The population of the study includes all government

expenditures in Nigeria, covering both recurrent and capital expenditures. The study utilizes convenience and judgment sampling methods to select specific recurrent expenditures on administration, economic services, and social and community services for in-depth analysis based on data availability and relevance to the research objectives.

Model Specification

To analyse the respective effects defined in prior sections multiple regressions analysis is performed based on the following general models as applied in previous studies (Ahangar, 2011; Maditinos*et al.*, 2011) The composite multiple regression (prediction) model is statistically formulated as;

$$GNP_{ti} = \beta_o + \beta_1 GREADM_t + \beta_2 GREES_t + \beta_3 GRESCS_t + \mathcal{E}_t \qquad - \text{[Equation (1)]}$$

Where,

GNP	Gross National Product
GREADM	Government Recurrent Expenditure on Administration
GREES	Government Recurrent Expenditure on Economic Services
GRESCS	Government Recurrent Expenditure on Social and Community Services
$\mathcal{E}$	stochastic disturbance (Error) Term
β_o =	Coefficient (constant) to be estimated
$\beta_i - \beta_3$ =	Parameters of the independent variables to be estimated
t =	Current period

DATA ANALYSIS AND DISCUSSION

Data Analysis

Table 4.2.1   Descriptive Statistics for the Variables

	GNP	GREA	GREES	GRESCS
Mean	194.3666	544.4978	143.5314	334.7590
Median	93.60000	183.6373	53.00845	84.78505
Maximum	533.5100	2294.717	562.7534	1519.015
Minimum	32.79000	0.900000	0.170000	0.290000
Std. Dev.	170.8881	676.6333	177.7832	455.8368
Skewness	0.707628	1.139714	0.966103	1.256988
Kurtosis	1.849283	3.236126	2.565178	3.356892
Jarque-Bera	5.683793	8.971394	6.700924	11.01438
Probability	0.058315	0.011269	0.035068	0.004057
Sum	7969.030	22324.41	5884.789	13725.12
Sum Sq. Dev.	1168110.	18313303	1264274.	8311486.
Observations	41	41	41	41

Source: Eviews 10.0 Software, 2023

The data presented in Table 4.2.1 offers valuable insights into the distribution characteristics of these economic variables. Notably, GREA (skewness: 1.139714 & Kurtosis: 3.236126) and GRESCS (skewness: 1.256988 & Kurtosis: 3.356892) demonstrate pronounced positive skewness and kurtosis values, indicative of non-normal distributions. These findings suggest that these variables possess extended right tails and notably high peaks, making them depart significantly

from normality, a fact supported by the Jarque-Bera tests, with GREA yielding a p-value of 0.011269 and GRESCS a p-value of 0.004057.

In contrast, GNP (skewness: 0.707628 & Kurtosis: 1.849283) and GREES (skewness: 0.966103 & Kurtosis: 2.565178) also exhibit positive skewness but with kurtosis values that are less extreme. Although the Jarque-Bera tests suggest potential deviations from normality for GNP and GREES, these departures are not as pronounced as those observed in GREA and GRESCS.

Table 4.2.2   Regression Analysis Result
Dependent Variable: GNP

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GREA	0.113450	0.159755	0.710148	0.4821
GREES	0.405370	0.192455	2.106309	0.0420
GRESCS	0.363007	0.197722	1.835944	0.0744
C	76.43657	15.41446	4.958756	0.0000
R-squared	0.833993	Mean dependent var		194.3666
Adjusted R-squared	0.820533	S.D. dependent var		170.8881
S.E. of regression	72.39427	Akaike info criterion		11.49460
Sum squared resid	193914.4	Schwarz criterion		11.66178
Log likelihood	-231.6393	Hannan-Quinn criter.		11.55548
F-statistic	61.96070	Durbin-Watson stat		0.307851
Prob(F-statistic)	0.000000			

Source: Eviews 10.0 Software, 2023

This regression output provides valuable information about the effect of the three independent variables: GREA (Government Recurrent Expenditure on Administration), GREES (Government Recurrent Expenditure on Economic Services), and GRESCS (Government Recurrent Expenditure on Social and Community Services) on the dependent variable, GNP (Gross National Product), and.

Regression Coefficients:
- **GREA:** The coefficient for GREA is approximately -0.113450. This suggests that for each unit increase in GREA, GNP is expected to increase by about 0.113450 units. However, the t-statistic (-0.710148) is not statistically significant at common significance levels (p-value = 0.4821), indicating that GREA has a statistically non-significant effect on GNP.
- **GREES:** The coefficient for GREES is approximately 0.405370. This indicates that for each unit increase in GREES, GNP is expected to increase by about 0.405370 units. The t-statistic (2.106309) is statistically significant at a 5% significance level (p-value = 0.0420), suggesting that GREES has a statistically significant positive effect on GNP.
- **GRESCS:** The coefficient for GRESCS is approximately 0.363007. This implies that for each unit increase in GRESCS, GNP is expected to increase by about 0.363007 units. While the t-statistic (1.835944) is not statistically significant at the 5% level (p-value = 0.0744), it is close to the threshold, indicating a potential effect of GRESCS on GNP.

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Goodness of Fit:
- **R-squared:** The R-squared value is 0.833993, indicating that approximately 83.40% of the variance in GNP can be explained by the independent variables in the model. This suggests a reasonably good fit of the model to the data.
- **Adjusted R-squared:** The adjusted R-squared adjusts the R-squared value for the number of independent variables in the model. It is 0.820533, which still suggests a good model fit.

Model Evaluation:
- **F-statistic:** The F-statistic tests the overall significance of the model. In this case, the F-statistic is 61.96070, and the associated p-value is very close to zero (Prob(F-statistic) = 0.0000), indicating that the model as a whole is statistically significant.
- **Durbin-Watson Statistic:** The Durbin-Watson statistic is used to detect the presence of autocorrelation in the residuals. In this case, it is 0.307851, which is less than 2.0, suggesting the possibility of positive autocorrelation in the residuals. Further investigation may be needed.

Test of Hypotheses

Decision Rule: According to Gujarati and Porter (2009), the decision rule involves accepting the alternate hypothesis (H_1) if the sign of the coefficient is either positive or negative, the modulus of the t-Statistic > 2.0, and the P-value of the t-Statistic < 0.05. Otherwise, accept H_0 and reject H_1.

Hypothesis One

H_0: Administration expenditure does not significantly affect gross national product in Nigeria.
H_1: Administration expenditure has a significant effect on gross national product in Nigeria.
Table 4.3.1: Dependent Variable: GNP

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GREA	0.113450	0.159755	0.710148	0.4821

Source: Eviews 10.0 (2023)

Decision: In Table 4.3.1, the computed p-value of 0.4821 surpasses the predefined significance level of 0.05. Consequently, we accept the null hypothesis (H0) and reject the alternative hypothesis. This outcome suggests that the recurrent expenditure on administration does not exert a statistically significant influence on the Gross National Product (GNP) in Nigeria.

Hypothesis Two

H_0: Economic services expenditure does not significantly affect gross national product in Nigeria.
H_1: Economic services expenditure does not significantly affect gross national product in Nigeria.
Table 4.3.2: Dependent Variable: GNP

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GREES	0.405370	0.192455	2.106309	0.0420

Source: Eviews 10.0 (2023)

Decision: In Table 4.3.2, the computed p-value of 0.0420 falls below the predetermined significance level of 0.05. Consequently, we reject the null hypothesis (H0) and accept the alternative hypothesis. This finding suggests that recurrent expenditure on economic services indeed wields a statistically significant impact on the Gross National Product (GNP) in Nigeria.

Hypothesis Three

H_0: Social and community services expenditure does not significantly affect gross national product in Nigeria

H_1: Social and community services expenditure does not significantly affect gross national product in Nigeria

Table 4.3.3: Dependent Variable: GNP

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GRESCS	0.363007	0.197722	1.835944	0.0744

Source: Eviews 10.0 (2023)

Decision: In Table 4.3.3, the computed p-value of 0.0744 exceeds the predetermined significance level of 0.05. As a result, we accept the null hypothesis (H0) and reject the alternative hypothesis. This result implies that recurrent expenditure on administration does not possess a statistically significant influence on the Gross National Product (GNP) in Nigeria, according to the chosen significance level.

DISCUSSION OF FINDINGS

Effect of Recurrent Expenditure on Administration on Gross National Product in Nigeria

Test of hypothesis one revealed that recurrent expenditure on administration have a statistically non-significant positive effect on gross national product in Nigeria. This suggests that increased spending on administrative functions does not appear to significantly impact the country's economic output. This contradicts the *a priori* expectations of the researcher because government administrative expenditure should increase the gross national product in Nigeria. There are a few reasons for the counterintuitive result, they include:

The result may reflect the complexity of the relationship between government expenditure on administration and economic output. In some cases, increased administrative spending may not directly translate into higher GNP if it does not lead to tangible economic growth factors like investment in productive sectors, infrastructure development, or job creation.

It is crucial to consider that GNP is influenced by various factors, including government policies, global economic conditions, private sector activities, and more. The non-significant effect of GREA may indicate that other variables or external factors have a more dominant influence on GNP in Nigeria during the observed period.

The finding is in line with the findings of Marita, et al. (2021) and Mostafa (2021) who found government expenditure to have a significant positive relationship with economic growth in Nigeria.

Effect of Recurrent Expenditure on Economic Services on Gross National Product in Nigeria
Test of hypothesis two revealed that recurrent expenditure on economic services have a statistically significant positive effect on gross national product in Nigeria. This indicates that government investments in economic sectors, such as infrastructure and education, have a significant and positive influence on economic growth. This is in tandem with the *a priori* expectations of the researcher because government recurrent expenditure on economic services should increase the gross national product in Nigeria.

The significant positive effect of GREES on GNP implies that government spending directed toward economic services, such as infrastructure development, education, and healthcare, contributes positively to economic growth. These services can enhance human capital, boost productivity, and stimulate economic activities, all of which can lead to higher GNP.

Also, government investments in economic services can have a multiplier effect on the economy. For example, funding for infrastructure projects can improve transportation and connectivity, making it easier for businesses to operate and trade. Investments in education and healthcare can improve the quality of the workforce and the overall health of the population, which are vital for economic growth.
Additionally, economic services often involve sectors with a high potential for job creation. When the government invests in these sectors, it can lead to increased employment opportunities, reduced poverty, and higher income levels for the population, all of which contribute to a rise in GNP.
The finding is in line with the findings of Moyo, et al. (2021), Bewaji, et al. (2021), Chikezie, et al. (2020) who found government expenditure to have a significant positive relationship with economic growth in Nigeria.

Effect of Recurrent Expenditure on Social and Community Services on Gross National Product in Nigeria
Test of hypothesis three revealed that recurrent expenditure on social and community services have a statistically non-significant positive effect on gross national product in Nigeria. This implies that while spending on social services is crucial for well-being and social stability, it may not have an immediate and statistically significant impact on the country's economic output. This is in tandem with the *a priori* expectations of the researcher in respect to direction because government recurrent expenditure on social and community services should increase the gross national product in Nigeria. The reason for the non-significant effect are as follows:

Social and community services typically include areas such as healthcare, social welfare, and community development. While these services are essential for the well-being of the population, they may not have a direct and immediate impact on economic output. Their effects on GNP might be indirect and long-term in nature.

While social and community services may not directly contribute to GNP growth, they play a crucial role in enhancing the quality of life, human capital development, and social stability. These factors can indirectly influence economic growth by creating a healthier and more productive workforce and reducing social inequalities.

The relationship between social and community services and economic growth can be complex and multifaceted. It may involve a lag in realizing the economic benefits of investments in these services, making it challenging to detect a direct and immediate impact in a relatively short-term analysis.

The finding is in line with the findings of Moyo, et al. (2021) who found government expenditure to have a significant positive relationship with economic growth in Nigeria.

CONCLUSION AND RECOMMENDATIONS

Conclusion

The study of government recurrent expenditure in Nigeria, focusing on administration, economic services, and social and community services, has yielded valuable insights into the effect of government spending on Gross National Product (GNP). Recurrent expenditure on administration showed a non-significant positive effect on Gross National Product (GNP), emphasizing the need for efficient administrative processes without significantly impacting economic growth. On the other hand, recurrent expenditure on economic services had a significant positive impact on GNP, highlighting the importance of investments in infrastructure, education, and skills development for driving economic productivity. However, recurrent expenditure on social and community services exhibited a non-significant positive effect on GNP, indicating that while crucial for the well-being of the population, their immediate economic impact may be indirect and long-term. These findings underscore the significance of a balanced approach to government expenditure, data quality improvement, long-term planning, and public engagement in optimizing resources for both economic growth and social development in Nigeria.

Recommendations

The researcher made the following recommendations:

i.   The government should implement measures to improve administrative efficiency and reduce unnecessary administrative costs. Streamline government processes and reduce bureaucratic inefficiencies. They should regularly evaluate the performance of administrative functions and agencies to identify areas for improvement and cost-saving opportunities. They should also invest in modern technology and digitalization to automate administrative tasks and enhance transparency and accountability.

ii. The government should prioritize and increase investments in critical infrastructure projects, including transportation, energy, and telecommunications. They should focus on projects that have the potential to stimulate economic growth and create jobs. They should allocate resources to improve the quality of education and vocational training programs. A well-educated and skilled workforce is essential for driving economic productivity and innovation. Also, they should implement policies and programs that support the growth of

small and medium-sized enterprises (SMEs), as they are important drivers of economic development.

iii. Policymakers should design and implement targeted social programs that address specific social challenges, such as poverty reduction, healthcare access, and education. They should ensure that these programs are well-funded and effectively reach the intended beneficiaries. They should invest in improving healthcare infrastructure and access to healthcare services, particularly in underserved and rural areas. A healthy population contributes to economic productivity. The government should support community development projects that enhance the quality of life, reduce inequality, and promote social stability. These investments can have long-term positive impacts on the well-being of citizens.

These recommendations aim to guide the government in optimizing its recurrent expenditure allocation to achieve a balance between economic growth, social development, and administrative efficiency. Strategic investments and efficient resource management can contribute to the overall well-being and prosperity of the country.

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