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EDITORIAL

It is a fact that most journals normally have the problem of regular publications, due to working in an increasingly difficult economic environment and getting market for their research publications. The Ilorin Journal of Management Sciences case has been different; it has been consistent in its publication right from inception, despite various challenges being faced by scholarly publishers. The journal has been able to overcome some of these challenges through prudent utilization of revenue generated from the publication and processing fee. Also, the Journal being not –for – profit, has relied on these meagre resources to sustain its production.

There is general need for more incentives from the Universities and Government, to bail out the Academic Publishers from this financial distress; so as to be able to perform their crucial role of generating and disseminating new knowledge to both the Academia and the Public, based on publication of faculty members' research. The norm in the University is that lecturers should publish in peer review journals for promotion and tenure purposes. This development consequently leads to the popular academic parlance of "publish or perish" in our ivory tower. Therefore, the importance attach to research by the academic community has been greatly enormous. I strongly appeal that the Tertiary Education Trust Fund (TET FUND) intervention for research and publication in Nigerian universities should be increased so as to enable the agency achieves its mandate of improving the quality and maintenance of standard in Nigeria higher institutions.

The topics covered in this third edition are from Accounting, Administration, Marketing, Management, Economics and other Social Sciences related disciplines. The authors have made significant contributions to knowledge in this issue, in terms of theories and practices in those disciplines, through their various submissions. I strongly commend this research publication to colleagues in the Academia, Industries and the Public who may find them useful.

I thank my Dean, Prof. Jackson .O. Olujide for the excellent opportunity given me, to serve as an Editor for the Faculty's Journal. The two years period I have served, have been wonderful and interesting. I also express my appreciation to all the anonymous reviewers and the Editorial Board members for the successful production of this issue. We look forward to receiving valuable suggestions towards raising the standard of the Journal.
Best regards.

Dr. R.A Gbadeyan.
Editor in Chief, Ilorin Journal of Management Sciences.

ABOUT THE JOURNAL

Ilorin Journal of Management Sciences is published bi-annually (June and December) by the Faculty of Management Sciences, University of Ilorin, Ilorin, Nigeria. The journal publishes well researched and well articulated papers/articles on all issues in management, social sciences and other related disciplines. It also considers the conduct of research and inquiry in theoretical, empirical and experimental studies. The editors invite submission of manuscripts from contributors for publication. Manuscripts are subjected to rigorous blind peers review, and those that are accepted are published in the following issue of the journal.

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AN ASSESSMENT OF THE EFFECT OF CAPITAL AND RECURRENT EXPENDITURE ON ECONOMIC GROWTH IN NIGERIA

By
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Abstract

Government oftentimes uses expenditure to control the economy. The study assesses the effect of government expenditure on economic growth of Nigeria over a period of thirty two years, that is, 1981-2013. Total capital expenditure and total recurrent expenditure were used as proxy for government expenditure while economic growth was proxied by gross domestic product. The data used for analysis were obtained from the Central Bank of Nigeria (CBN) statistical bulletin. In order to observe the properties of time series data, diagnostic tests were carried out on the variables. The regression result showed that total capital expenditure is positive and significant in explaining and predicting the economic growth proxy by GDP, while total recurrent expenditure revealed a negative and a significant relationship with gross domestic product. Inflation which serves as a control variable showed a positive and significant relationship with gross domestic product. The study was able to conclude that total capital expenditure contributed positively to gross domestic product and that higher total recurrent expenditure decreases economic growth of Nigeria under the study period. The study recommended that the proportion of government total expenditure that goes into capital expenditure financing should be increased. Also, a high degree of accountability and transparency be maintained on government spending at various units of the economy to prevent channeling of public funds to private accounts of government officials.

Keywords: Public Expenditure, Government Funds, Economic growth, Nigeria & Private accounts.

1.0 INTRODUCTION

Government expenditure is often seen as a way of contributing to the development and growth of a community or Nation through the effective and efficient use of the resources at the disposal of agents of government. By implication, such government expenditure is expected to follow the rules, regulations and policies that shape the planning, budgeting, forecasting, coordinating, directing, influencing and governing the inflow and outflow of funds in order to maximize the objective of the institution of governance (Obilonu, 2011; Sharp and Slinger, 1970).

In order words, government expenditure deals with government spending and the level of liquidity in the economy in order to achieve some stated objectives which include growth and development.

Economic growth as a major objective of governance refers to increase in a country's potential Gross Domestic Product (GDP). The utilization of economic resources to achieve increase in productivity and eventual growth in the gross domestic product of any nation matters a lot. Thus, economic growth must be sustained for a developing economy to break the circle of poverty and achieve increased standard of living. To buttress this point, a recent World Bank (2004) report revealed that 80 per cent of oil revenue in Nigeria benefits only one (1) per cent of the population. This implies that there is a high level of inequality in income distribution in the economy, hence a high level of poverty.

The government of any nation performs two major important functions which are categorized into security and the provision of public goods. For instance, the role of protection or security encompasses the creation of rule of law and enforcement of property right which would reduce risks of criminality, protect lives, prosperity and protection from external aggressions. On the other hand, government has responsibilities towards ensuring that the provision of public goods such as; good roads, education, health and electricity, just to mention a few are adequate for the citizens. Therefore, it is argued that an increase in government expenditure on both recurrent and capital expenditure has the tendency to induce or enhance economic growth (Abdullahi, 2000). Olukayode (2009) noted that government expenditure; either recurrent or capital, can be growth-enhancing; although the financing of such expenditure to provide essential infrastructural facilities-including transport, electricity, telecommunications, water and sanitation, waste disposal, education and health can be growth-retarding, but for a country like Nigeria, gross domestic product has been increasing far more consistently over the years compared to the total government expenditure (Ighodaro and Okiakhi, 2010).

Fiscal policy may be used by any nation for the purpose of achieving accelerated economic growth and eradicating poverty. In the Federal Republic of Nigeria, fiscal policies focus on several aspects of the various sectors of the economy such as adjustment and changes in taxation, revenue and expenditure, budget balancing, borrowing, import duty monitoring, export expansion grant and Economic Community of West African States (ECOWAS) trade liberalization scheme among others. Tanzi (1994) observed that fiscal policy applies to the use of fiscal instruments (taxation and spending) to influence the working of the economic system in order to maximize economic welfare with the overriding objective of promoting long-term growth of the economy. By implication, government expenditure is an important variable and needs to be looked into critically.

According to Central Bank of Nigeria statistical bulletin (2013), Federal Government expenditure in Nigeria, both capital and recurrent is classified as follows:

i. Administrative expenses which could be sub divided into general administration, defence, internal security and expense incurred by the national assembly.

ii. Social and community services which entails education, health, and other social and community services.
iii. Economic service such as construction, agriculture, transportation, communication and others
iv. Transfers such as public debt servicing, pensions and gratuities, contingencies or sub ventures, and others.

Since growth in size can be represented by the index of growth in the size of government expenditure, then Government expenditure as classified above is a significant variable that can be used to explain economic growth of a country. Furthermore, Ezirim and Ofurun (2003) observed that the size of government spending in a country can be measured in terms of the total public spending expended on it. Over the past decades, the public sector spending has been increasing in geometric term through various activities of government and their interactions with its Ministries, Departments and Agencies (MDAs). Available CBN statistical data showed that total government capital and recurrent expenditure continued to rise throughout the study period. For instance, while total government capital expenditure increased from N6,567 billion in 1981 to N883,870 billion in 2013, total government recurrent expenditure increased from N4,846.7 billion to N2,961,850 trillion within the same period (CBN Statistical Bulletin, 2013).

Based on these facts, government expenditures would be expected to generate a corresponding growth trend in the economy. Therefore, it is necessary to determine whether the behaviour of Nigerian public expenditure and the economy can be hinged on the Wagner's (1883) Law of Ever-increasing State Activity or the displacement effect hypothesis of Wiseman and Peacock, concerning the level of expected growth in the long-run.

With the huge amount of money available for government activities, the planning of the nation's resources in terms of the spending pattern to adopt becomes a major challenge. This planning pattern is basically related to fiscal policy of the Federal Republic of Nigeria. In an effort to ensure proper planning, there is a constitutional provision in which the national assembly; comprising senate and house of representative have a joint sitting in order to come up with objective decision on economic matters that will lead to economic growth. While this can be considered a laudable achievement that joint sitting provision exists, the major concern is, does the country really achieve economic growth despite huge expenditure and ratification of the national assembly? .

The main objective of this study therefore, is to examine the effect of government expenditure proxies as capital and recurrent expenditure on economic growth of Nigeria which is proxied by Gross Domestic Product (GDP). Specifically, the study

(i) examines the effect that capital expenditure has on economic growth in Nigeria; and
(ii) assesses the effect that recurrent expenditure has on Nigeria's economic growth.

On the basis of the above objectives, the study formulated the following hypotheses in null (H_0) form.

H_{01}: Capital expenditure has no significant effect on economic growth of Nigeria.

H_{02}: Recurrent expenditure has no significant effect on economic growth of Nigeria

2.0 LITERATURE REVIEW

This section examines relevant related literatures and theoretical framework on the relationship between government expenditure and economic growth in Nigeria and other countries. Several studies have been conducted to investigate relationship between government expenditure and economic growth in developed and developing countries but their findings revealed mixed results

Theoretical Framework

This study is hinged on Wagner's Law of increasing state spending which argued that increased modern industrial society would result into political pressure for increased share of public expenditure as a result of social activities, administrative actions and welfare functions of the State (Doessel and Valadkhani, 2003; Lybeck, 1988; Srinivasan, 2013; Tarschys, 1975). Using this theory, Muritala and Taiwo (2011) opined that there are inherent tendencies for the activities of different layers of a government (such as central, state and local governments) to increase both intensively and extensively. The study maintained that there was a functional relationship between the growth of an economy and government activities with the result that the governmental sector grows faster than the economy. Citing Nitti (1903), Maku (2014) opined that all kinds of governments, irrespective of their levels (say, the central or state government), intentions (peaceful or warlike), and size, etc., had exhibited the same tendency of increasing public expenditure. At times, some social or other disturbance takes place creating a need for increased public expenditure which the existing public revenue cannot meet. However, there has been mixed findings on this theory. While, Bohl (1996) found that Wagner's law was valid only for the United Kingdom and Canada, out of the G7 countries, during the post-World War II period; Bagdigen and Cetintas (2003) did not found any causal nexus between national income and public expenditure for the Turkish case. Moreover, Frimpong and Oteng-Abayie (2009) supported neither Wagner's hypothesis nor its reverse for the West African Monetary Zone (WAMZ) countries. Therefore, this theoretical argument on the inter-relationship subsisting between growth and activities of government as occasioned by public expenditure is evaluated using Nigeria data.

Empirical Evidence

There has been a lack of consensus among the scholars of finance and economics on the relationship between government expenditure and economic growth.

The nature of their relationship is inconclusive while some scholars believed that impact of government expenditure on economic growth is negative (e.g. Luadan, 1986; Baro, 1990; Nasiru, 2010; Ighodaro and Okiakhi, 2010; Akpan, 2005) others held the view that the impact is positive and significant (e.g. Cooray, 2009; Olukayode, 2009; Ram, 1986). However, Desmond, Titus, Timothy, and Odiche (2012) had mixed results.

Deverajan, Swaroop and Zou (1996) shed light on the composition of public expenditure and economic growth for 43 developing countries from 1970 to 1990 and applied ordinary least square regression. Their findings suggest that increase in the share of recurrent expenditure has positive and statistically significant growth effects. By contrast, capital as a component of public expenditure has a negative impact on economic growth.

These results imply that developing countries governments' have been misallocating public expenditure in favour of capital expenditures at the expense of recurrent expenditures. Niloy, Harque and Osborn (2003) studied the growth effects of government expenditure for a panel of thirty (30) developing countries between 1970s and 1980s with a particular focus on sectorial expenditure. The findings revealed that the share of government expenditure is positively and significantly correlated with economic growth but recurrent expenditure is insignificant. In addition, at the sectorial level, government investment and total expenditure in education are the only outlays that are significantly associated with the growth once the budget constraint and omitted variables are taken into consideration.

Laudau (1993) studied the effect of government expenditure on economic growth for a sample of 96 nations. The result shows a negative effect of government expenditure on growth of real output. Kormain and Brahmasrene (2007) examined the economy of Thailand by employing granger causality tests. Their findings was that government expenditure and economic growth are not co-integrated but indicated runs from government expenditure to growth and also detected a significant positive effect of government spending on economic growth. Barro (1990) opened a new ground for the investigation of the impact of fiscal policy (government expenditure) on economic growth. In line with this, Esterly and Rebelo (1993) emphasized that government expenditure activity influences the direction of economic growth.

Belgrave and Craigwell (1995) examined the impact of government expenditure on economic growth disaggregating the level of government on economic growth into functional and economic categories of Barbados for the period 1969-1992 and employed Augmented Dickey Fuller and Engle and Granger co integration technique. Their results revealed that there is a positive relationship between capital expenditure on agriculture, housing and community, road, communication, health and economic growth. However, the effects of capital expenditure on education and all current expenditure are negative. There was the use of error correction model that prevented possibility of spurious result. In Nigeria, many studies have attempted to investigate the relationship between government expenditure and economic growth.

Studies by Taiwo and Abayomi (2011) revealed existing research concerning the effect of government spending on the growth rate of real GDP in Nigeria over a period of thirty two years (1970-2008) using econometric model with ordinary least square (OLS). They pointed out that there is a positive relationship between real GDP as against the recurrent and capital expenditure. Desmond, Titus, Timothy, and (Odiche 2012), examined the effect of public expenditure on economic growth in Nigeria for a period of thirty nine years, that is, 1970-2009.

The result revealed that capital expenditure on economic services had insignificant negative effect on economic growth during the study period. Also, capital expenditure on transfer had insignificant positive effect on economic growth.

Abayomi and Kabir (2011) analysed the implication of government spending on the growth of Nigeria economy over the period of 1980-2009 using Johansen co-integration unit root test and error correction model, it was discovered that total capital expenditure, inflation rate, degree of openness and recurrent government expenditure are significant variables to improve growth in Nigeria.

Nasiru (2012) investigated the relationship between government expenditure (disaggregated into capital and recurrent) and economic growth in Nigeria from 1981-2010. The causality result revealed that government capital expenditure granger causes economic growth. No causal relationship was discovered between government recurrent expenditure and economic growth. The paper revealed that any reduction in capital expenditure would have a negative repercussion on economic growth in Nigeria.

With co-integration test, Loto (2011) investigated the growth effect of government expenditure on economic growth in Nigeria from 1980-2008 with a particular focus on sectorial expenditure i.e. (security, health, education, transport, communication and agriculture). The result showed that in the short-run, expenditure on agriculture was found to be negatively related to economic growth, the impact of expenditure on health was found to be positively related to economic growth. Though expenditure on national security, transport and communication were positively related to economic growth, the impacts were not statistically significant.

Nurudeen and Usman (2010) observed that rising government expenditure has not translated to meaningful development as Nigeria still ranks among world's poorest countries. Using disaggregated analysis approach, they investigated the effect of government expenditure on economic growth in Nigeria in the period 1970-2008 and found that government total capital expenditure, total recurrent expenditure and expenditure on education have negative effect on economic growth. Only expenditure on transport, communication, and health had positive effects on growth in their findings. This is partly in consonance to Fajingbensi and Odusola (1999) which found the contribution of recurrent expenditure to growth as insignificant.

Ighodaro and Okiakhi (2010) used time series data for the period 1961 to 2007 and applied co-integration test and Granger causality test to examine government expenditure disaggregated into general administration and community and social services in Nigeria.

The results revealed negative impact of government expenditure on economic growth. Kazeem (2013) studied government expenditure and economic growth in Nigeria using disaggregated approach. The period of his study was from 1981-2010. Recurrent expenditure was disaggregated into economic service and social and community service. The secondary data analysed showed that recurrent expenditure on social and community services had significant negative effect on economic growth while recurrent expenditure on economic services revealed a positive insignificant effect on economic growth.

Over and above all, from the array of several empirical literatures reviewed above, it could be deduced that government spending has both positive and negative significant effect on economic growth in both developed and developing countries. But this current study asserts that this assumption cannot be fully believed except the current study can be validated empirically. More so, it is also the interest of this study to ascertain which among the government expenditures exert more influence on economic growth which is proxied by GDP. However, this current study is quite different from other empirical works in terms of (i) the period of the study covered which extended to 2013 (ii) the method of analysis and variables used in the study and as well observed properties of time series data in order to avoid generation of spurious result.

3.0 METHODOLOGY

The research design adopted for the purpose of the study is descriptive design. Descriptive design is a design which involves observing and describing the behaviour of a subject without influencing it in any way. The study adopted this design because the researchers assessed the prevailing practice in government expenditure pattern. The population of the study consists of all federal ministries in Nigeria as at 31st December 2013. The secondary source of data was used to collect data on the relevant research variables. Annual time series data were extracted on Gross Domestic Product (GDP) at constant basic prices and functional classification of government expenditures disaggregated into capital and recurrent expenditure while inflation was included as control variable since it has lasting impact on economic growth. The variables included in the model were considered as the components of government expenditures which are adequate enough to explain economic growth. The annual data covered 1981-2013 and the choice of this period was guided by data availability consideration. The information was extracted from the published data of the Central Bank of Nigeria (2013). This study empirically examined the relationship between government expenditure (disaggregated into capital and recurrent) and economic growth, proxy by GDP at constant basic price in Nigeria, using annual time series data from 1981-2013.

The relationship between government expenditure and economic growth were tested using linear regression techniques, and the model used is adapted from the study of Kazeem (2013) with some modification. The model is stated below:

$$GDPG = f(TCE, TRE, INFL) \ldots\ldots\ldots\ldots (1)$$

For econometric computation, operationally, equation (1) in its linear form transformed to the equation below:

$$GDPG = \beta_0 + \beta_1 TCE + \beta_2 TRE + \beta_3 INFL + \mu \ldots\ldots\ldots\ldots (2)$$

Where:

GDPG = economic growth proxies by Gross Domestic Product

β_0 is the intercept

β_1, β_2, and β_3 are the various slopes co-efficient and parameter to be estimated with a priori expectations

TCE = Total capital expenditure

TRE = Total recurrent expenditure

INFL = Inflation rate which serves as a control variables.

μ, is the error term or is a stochastic variable to accommodate the influence of other determinant of economic growth not included in the model.

On a priori, β (i = 0, 1, 2, 3) > 0 implying that each components of government expenditure is expected to correlate positively with economic growth. Prior to the above estimated model, standard econometric tests such as stationary test and co-integration test were conducted so as to avoid the generation of spurious regression results. A non-stationary series could be made stationary by differencing once or twice. It could be integrated of order 1 which is often denoted as 1(1) or order of 2 represented by 1(2). The stationary linear combination of the variable under consideration is called co-integration equation (Engle and Granger, 1991). A result indicating that the variables co-integrated implies that they share a long run relationship and will move closely together over time, meaning that differences between such variables are stable overtime and there is some degree of convergence in the long run.

4.0 RESULTS AND DISCUSSION OF FINDINGS

This section present the preliminary analysis of data collected for the purpose of the study. This is immediately followed by the presentation of results of the model estimations and inferences were drawn from the tests of hypotheses. The section is concluded by various robustness tests to improve the validity of the result. Findings are discussed and policy implications are analysed.

Unit Root Test

The analysis observed the statistical properties of time series variables used in the estimation. This was done to ascertain whether all the variables included in the regression model are stationary or not. This is because macro-economic data often appear to possess stochastic trend which can be removed by differencing the variables. The study therefore, employed the Augmented Dickey Fuller (ADF) to test the order of integration of the variables included in the model. The result is shown in the table 1.

Table 1: Results of Order of Integration

VARIABLES	ADF-STATISTICS	CRITICAL VALUES	ORDER OF INTEGRATION
GDPG	-4.580528 (0.0009)	1%= -3.653730 5% -2.957110 10%= 2.617434	LEVEL 1(0)
TCE	-4.845070 (0.0000)	1%= -3.661661 5%= -2.960411 10%=-2.619160	LEVEL1(0)
TRE	-4.506670 (0.0000)	1%= -3.661661 5%= -2.960411 10%=-2.619160	LEVEL 1(0)
INFL	-5.368128 (0.0001)	1%= -3.661661 5%= -2.960411 10%=-2.619160	First difference 1(1)
ECM	-4.556424 (0.0010)	1%= -3.661661 5%= -2.960411 10%=-2.619160	LEVEL 1(0)

Authors' Computation, 2014

As shown in Table 1, all the variables are found to be stationary at level i.e. 1(0) except for inflation (INFL) which was stationary after differencing it once i.e. 1(1). The result therefore revealed that all our variables included in the model are found to be stationary after their first differencing.

Co-Integration Test

The unit root test revealed that all variables are integrated either at level 1(0) or integrated of order one 1(1). By implication the linear combination of one or more of these variables may therefore exhibit a long run relationship. In order to capture the extent of co-integration among the variables, the multivariate co-integration method originated by Johansen (1990) and Juselius (1991) was used. The maximum Eigen value and the trace test from this technique were used to establish the number of co-integration vectors. The result is shown in Table 2.

Table 2a: Results of Unrestricted Co-integration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigen value	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.649135	39.40188	29.79707	0.0029
At most 1	0.170833	6.933941	15.49471	0.5854
At most 2	0.035689	1.126587	3.841466	0.2885

Table 2b: *Unrestricted Co-integration Rank Test (Maximum Eigen value)*

Hypothesized No. of CE(s)	Eigen value	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.649135	32.46794	21.13162	0.0009
At most 1	0.170833	5.807353	14.26460	0.6381
At most 2	0.035689	1.126587	3.841466	0.2885

Source: Authors' Computation, 2014

The results from Tables 2a and 2b revealed that both trace and a maximum Eigen value test shows that there is a single co-integration vector at 5% level of significance. The outcome of the result therefore indicated that there exists a long run relationship among the variables in the model as the result of the maximum Eigen value and trace test indicate that there is a single co-integrating equation in the model as the test rejected the null hypothesis of no co-integrating equation and accepted that of at least 1 co-integrating equation.

Table 3: Summary of Regression Result

VAR	*CO-EFF*	*STD ERROR*	*T-STAT*	*PROB*
C	*0.223576*	*0.018427*	*12.13332*	***0.0000***
TCE	*0.552787*	*0.193523*	*2.856435*	***0.0083***
TRE	*-1.339797*	*0.408793*	*-3.277447*	***0.0030***
D(INF(-1)	*0.002069*	*0.000744*	*2.781820*	***0.0099***
ECM	*0.973645*	*0.105259*	*9.249999*	***0.0000***
R-square		***0.816103***		
Adjusted R-square		***0.787811***		
F-statistics		***28.84592***		
F-sig		***(0.00000)***		
Durbin-Watson	***1.226767***			

Source: Authors' Computation, 2014

From Table 3, the regression equation is transformed to the equation below:

$$GDPG = \beta 0 + \beta 1\,(TCE) + \beta 2\,(TRE) + \beta 3D\,(INFL\,(-1)) + ECM + \epsilon$$

The analysis in table 3 shows that the t-value and the beta value for total capital expenditure is 2.86 and 0.22 respectively with a significant value of 0.000. This implies that total capital expenditure (TCE) is significant at 1% level of significance. This therefore, signifies that TCE has a strong, positive and significant effect in explaining and predicting the economic growth of Nigeria which is proxy by Gross Domestic Product (GDPG). The positive effect of total capital expenditure on economic growth is consistent with our a priori expectation; this implies that for every one naira increase in the value of total capital expenditure causes economic growth to increase by 22k. Although, the positive effect of this variable is also in line with Wagner's theory which states that an increase in government expenditure brings about an increase in economic growth of a nation. The result therefore, provide an evidence of rejecting hypothesis of the study which states that total capital expenditure has no significant effect on the economic growth of a nation which is proxy by GDPG. Our result is in harmony with those reported by Deveranjan *et al* (1996), Desmond et al (2012) but contradicted those reported by Belgrave and Craigwell (1990) and Niloy et al (2003).

More also, the co-efficient value of the total recurrent expenditure was observed to be negative and significant at 1% level of significance. This implies that total recurrent expenditure is negatively, strongly and significantly influencing the economic growth of a nation proxy by GDP. This shows that there is an inverse relationship between TRE and Economic growth of a nation. That is, the higher the TRE, the lower the reported GDP.

The negative effect of TRE is inconsistent with our a priori expectation, implying that every 1% increase in total recurrent expenditure causes economic growth to decline by 1.33%. The result therefore, provide an evidence of rejecting the hypothesis of the study which states that recurrent expenditure has no significant impact on the economic growth of a nation which is proxy by GDP. Our finding is congruent with those reported by Devarajan *et al* (1996), Taiwo and Abayomi (2011) but contradicted the findings reported by Kazeem (2013), and Belgrave and Craigwell (1990).

Finally, on the individual interpretation is inflation, the lag value of inflation which is a control variable is 2.78 with a significant value of 0.0099. This means that inflation is positively and significantly influencing the economic growth of a nation. This implies that an increase in the value of inflation increase the economic growth, implying that for every one per cent increase in the value of inflation causes economic growth to increase by 0.002%. This finding is in line with the work of Kazeem (2013). Finally, the Error Correction Model (ECM) has been found to be significant and correctly signed, implying that there exists a long run relationship among the variables.

Cumulatively, the joint effect of the explanatory variables and explained variable is statistically significant as indicated by the computed fisher statistics and its probability. We therefore, concluded that the government expenditure which is proxy by total capital and recurrent expenditure is strongly and significantly influencing the economic growth of Nigeria as there is a relationship between the government expenditure and economic growth proxy by Gross Domestic Product (GDP). Also, the analysis shows that the explanatory variables included in the regression model explain about 81% variability in economic growth during the study period as this is indicated by R-square. The adjusted R-square which also buttress on the position of R-square also shows the extent to which the explanatory variables explain the explained variable. The high explanatory power is an indication that the model is fit and variables in the study are properly and carefully selected. We therefore, concluded that the government expenditure proxy by total capital and recurrent expenditure are important determinants of economic growth in Nigeria. Finally, The Durbin Watson (DW) statistics is 1.22, from the Durbin Watson table, with 5% level of significance, n=33 observations and $k^{1} = 3$ independent variables, the significance points of upper limit ($D_{L)}$ and lower limit ($D_{u)}$ are $d_L = 1.055$ and $d_u = 1.432$.The calculated DW is 1.22 which lies between the lower limit of (1.055) and the upper limit of (1.432), which implies that there is inconclusive evidence regarding the presence or absence of positive first order serial correlation.

5.0 CONCLUSION AND RECOMMENDATIONS

Based on the discussion and analyses in the preceding section, the study concludes that empirical and statistical evidence from two independent variables of total capital expenditure and total recurrent expenditure are useful tools in explaining and predicting the economic growth of a nation. Second, the total capital expenditure has positive and significant effects on the economic growth of a nation. This implies that total capital expenditure has contributed positively to GDP. That is, the more the expenditure incurred on capital project, the higher the Gross Domestic Product.

Finally, for total capital expenditure, the study found an inverse relationship but significant impact with economic growth of a nation proxy by GDP. Hence, higher total recurrent expenditure decreases economic growth of a nation under the period of study.

From the findings of the study, the following recommendations are proffered:

i) The proportion of government total expenditure that goes into capital expenditure financing should be increased since this component exerts significant positive effect on economic growth in Nigeria. Also, Government should ensure that capital expenditure are encouraged through increased funding as well as ensuring that the resources are properly managed and used for the development of various sectors as this will go a long way to boost economic growth of the nation.

ii) For total recurrent expenditure to exert positive and significant impact on gross domestic product, the government should ensure that a high degree of accountability and transparency is maintained on government spending to prevent channeling of public funds to private accounts of government officials.

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