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PUBLIC RECURRENT EXPENDITURE AND ECONOMIC GROWTH IN NIGERIA (AN ECONOMETRIC APPROACH)

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ABSTRACT

This study looked at Nigeria's recurring state spending for economic expansion. On the other hand, the study looked into how Nigeria's economic growth was affected by the separated components of recurrent spending from 1981 to 2021. The statistical bulletin published by the Central Bank of Nigeria (CBN) provided the data for the analysis. Within the context of error correction modeling (ECM), the stated model was estimated using the ordinary least squares (OLS) estimation approach. The variables in the calculated equations have a long-term link since the cointegration test results demonstrated that the variables were cointegrated. The short-run estimation's findings demonstrated that Nigeria's economic growth is negatively impacted by ongoing administrative spending. Nigeria's economic growth was positively benefited by ongoing public spending on economic services, but it was negatively impacted by ongoing public spending on social and community services. Finally, government recurrent transfer expenditures had a favorable effect on Nigeria's economic expansion. Based on the findings, the study suggested that the government raise its spending on social services like rural development, health care, education, and water resources because these investments will likely support Nigeria's economic expansion**.**

Keywords: Recurrent Expenditure, Administration, Economic, Social/ Community services, Transfers, RGDP
JEL: E62, E63

INTRODUCTION

Due to an expansion in the operations of government agencies, departments, and ministries, government spending has expanded geometrically. Because of ongoing state or federal growth initiatives, Nigeria has had a constant rise in government spending, although not a widespread occurrence worldwide. Government spending has significantly increased as a result of the expansion of state initiatives during the 20th century in fields like commercial endeavors, public health, education, and industrial advancements. Public spending was thought to be the most influential economic factor in all contemporary civilizations, according to Arrow & Kurz (2010). The composition and magnitude of public spending in an economy define the shape and pace of its production growth. Recurrent and capital expenditures make up the two categories of the Nigerian governmental expenditure system. Government projects for the creation of electricity, education, telecommunication, airports, roads, and other infrastructure are included in capital expenditures, whereas administration costs include paying salaries and wages as well as interest on loans.

One of the main pillars of public spending has been the provision of public infrastructure. These social amenities required a significant amount of funding to provide and maintain. Thus, infrastructure spending is anticipated to boost economic growth whereas government spending on

consumption is likely to impede it (Arrow & Kurz, 2010). It is suggested that government spending on roads, health, education, agriculture, and other areas would have positive social and economic

effects on the nation. The question of how public spending affects economic growth has generated ongoing discussion among academics. Two fundamental tasks of governments have been identified: protection (security) functions and providing functions. The upholding of property rights and the maintenance of the rule of law are examples of government protective functions. These features reduce the likelihood of crime, provide protection for people and their property, and shield the nation from outside hostility. The production of public goods and services, such as electricity, roads, health care, and education, is at the core of the providing functions of the Government.

Economists have been paying more and more attention lately to the significant effects of public spending on economic growth (Nurudeen & Usman, 2010). Spending without taking into account the economy's growing requirements, however, would inevitably cause significant distortions that could impede progress. Since gaining independence, the government has made an effort to consistently distribute public spending among the many economic sectors. Gradstein (2014) asserts that political factors, rather than succinct economic ones, have mostly determined this distribution.

Public spending typically results in lower rates of poverty, higher living standards, more equitable income distribution, and overall economic expansion. The government implements certain policy actions as economic interventions, such as bailing out market failures or redistributing resources to enhance social justice. The only entity with the ability to effectively implement these intervention measures through public expenditure is the government. Ram (2017) As a representation of GDP, expenditure is thought to be a gauge of how directly the government is involved in all aspects of the economy. It is advantageous to express spending as a percentage of GDP in two ways. First of all, it provided the framework for comparing spending analyses across time. Unlike nominal dollars, expenditure as a percentage of GDP offers the foundation for meaningful comparisons of the relative usage of resources across time.

Ultimately, it also helped with social choice analysis and disclosed, in relative terms, the level and scope of government involvement in the economy (Akpan, 2015). The researcher's decision to do this study was motivated by the initial analysis and discussions that followed, which highlight the necessity of public sector spending to stimulate growth in the domestic economy. When this study is finished, its conclusions will be able to determine the future course for government spending and economic expansion. Economic academics have shown a great deal of interest in the relationship between public spending and economic growth, both empirically and theoretically.

The Keynesian approach, maintains that government spending is a crucial policy tool to be used to ensure a reasonable level of economic activity, correct short-term cyclical fluctuations in aggregate expenditure, and secure an increase in productive investment, thereby providing a socially optimal direction for growth and development, is one way to roughly distinguish between two opposing viewpoints. (Singh & Sahni, 2011).

The impact of excessive state intervention in the economy is detrimental to growth performance

due to two main reasons: firstly, inefficient government operations lower the overall productivity of the economy; secondly, excessive government spending distorts economic activities and leads to less-than-optimal economic decisions (Barro 2014 & Rebelo, 2012).

Proponents of increased government size lend legitimacy to the supply of some commodities and services that the private sector would not otherwise be able to deliver. They contend that externalities and the market's inability to provide a planned growth path force the government to become involved in economic affairs. The purpose of government is to finance certain investments and expenses in order to provide social and physical infrastructure. By allocating resources efficiently and effectively, the government can either directly or indirectly increase the productivity of the private sector. Examining the government's legal roles concerning property rights (Atkinson & Stiglitz, 2016), security, upholding law and order, and other areas justifies the existence of government. To overcome the barriers to economic development, government spending has thus become both expedient and necessary.

However, the expansion and development of the economy may be hampered by the public sector's enormous size. It gets harder to coordinate the actions of the major participants in the system the bigger the public sector is. Greater government spending has the tendency to displace private investment, which inevitably reduces domestic output. Increased government size may also lead to fluctuations in output (Acemoglu & Ziliboti, 2017).

Preserving peace and order, and especially protecting property rights, is most likely the most reasonable justification for government action. Theoretically, it is maintained that as property rights enforcement is a public good, it can only be achieved by group action (Gradstein, 2014). Anywhere in the world, including Nigeria, the institutions of property rights, the rule of law, governance, security, and the application of the law are all relevant reasons for the existence of government.

Nigeria is a federal state divided into three tiers, each with its own ethnic and sociopolitical characteristics that largely dictate the amount and pace of spending. In Nigeria, state spending is mostly dictated by revenue, of which oil accounts for a larger portion, as well as by the whims of global market dynamics. Swan (2010) Other institutional factors that can affect public spending and economic growth include social capital (the degree of civic and private activity and organizations), political instability (riots, coups, civil unrest, civil wars, etc.), institutional quality (the upholding of property rights), and social characteristics (differences in income and in ethnic, religious, and historical background) (Aron, 2010). All of these have a direct impact on national investment because they raise transaction costs and deter private investment for growth by fostering an unforgiving atmosphere and a sense of uncertainty. Third World countries are impoverished, according to North (2010), because institutional restraints define a set of rewards for political and economic actions that do not promote constructive activity. These regulations impact individuals as well as organizations, which are classified as follows: educational institutions (schools, universities, vocational training centers), social organizations (churches, clubs, civic associations), economic organizations (firms, trade unions, family farms, cooperatives, etc.), and political organizations (city councils, regulatory agencies, political parties, tribal councils) (Aron, 2010). Rent-seeking practices, corruption, bribery, and the protection of people and organizations related to influential people become commonplace when governments fail to

uphold the rule of law. This is the case in developing nations like Nigeria. These attitudes undermine the credibility of the rule of law and increase the price of information and transactions in the production process. Verifying the effect of ongoing spending on the expansion of the Nigerian economy is thus crucial.

Examining the effects of ongoing spending on transfers, administration, and social, cultural, and economic services on the expansion of the Nigerian economy is one of the specific goals, nevertheless.

LITERATURE REVIEW

Anyanwu (1994) states that public expenditures are typically divided into two categories: capital and recurrent. For recurrent expenditures, the benefit flowing should be less than the expenditure incurred in that year. Recurrent expenditures serve the following purposes: they authorize future expenditures, determine income and planning, provide a basis for controlling expenditures and income, establish performance standards, inspire managers and staff, and coordinate the operations of multipurpose organizations. Recurrent expenditures include social and community services, defense/administration, economic services, and internal security (Trabek,2012).

This law, which bears the name of German economist Aldolph Wagner (1835–1917), established that industrial economic growth would be linked to higher components of public expenditure in the GDP. It aims to establish the functional relationship between government activities and the development of the Nigerian economy, to promote the rapid expansion of government sectors in the economy. As a result, governments at all levels, regardless of their size and level of intentions, demonstrated a similar trend of increasing public expenditure.

According to Wagner's law, public expenditure increases in tandem with economic growth and the number of urban centers, which in turn leads to decreased social vices. Since large urban settlements require a high level of internal security to maintain law and order, these government interventions have resulted in an increase in public expenditure in the economy. Additionally, Wagner's theory states that the growth of the economy is the fundamental factor that determines the growth of the public sector, and Keynes views public expenditures as an exogenous factor that can be utilized.

The majority of the empirical data on the relationship between government spending and growth came from cross-sectional studies. In an effort to identify the broad trends in government spending in Nigeria, Longe (2014) looked at the structure and growth of expenditure. His analysis did not uncover any structural changes over the research period because the proportion of government spending to GNP has been rising over time.

Ekpo (2015) examined the impact of capital spending on private investment and the overall economy by breaking it down into the sectors of transportation and communication, agriculture, health, and education. He discovered that capital spending on manufacturing and building displaced private investment. Similarly, Ogiogio (2013) noted a long-term correlation between government spending and economic growth. According to his research, contemporaneous government recurrent spending and economic growth were more significantly correlated than capital expenditures.

Wagner's Law was never the primary focus of Aigbokhan (2016)'s investigation. In actuality, Aigbokhan (2016)'s analytical framework was not predicated on the traditional Wagner's Law of analytical framework. Between 1960 and 1993, he examined the relationship between government size (calculated as the share of GDP spent on spending) and economic growth, paying particular

attention to the influence of the structural adjustment program. Granger-Causality testing was added to a regression study of a straightforward growth equation. Aigbokhan (2016) found a two-way causal relationship between total government spending and GDP. However, Essien (2017) found no causal relationship between national income and public spending in any of the three Wagner's Law interpretation models that were examined, utilizing data spanning from 1960 to 1999.

Odusola (2014) captured the association between military spending and economic growth using a simultaneous equations model. Since he believed that a single equation was improper for this kind of study—which sought to establish a causal relationship between government spending and economic growth—he turned to this model. At the 10% significance level, he discovered a negative relationship between military spending and economic growth. Using the Vector Error-correction (VEC) model, Fajingbesi & Odusola (2014) investigated the relationship between public spending and economic growth. They discovered that while real recurrent expenditure was comparatively marginal, real capital expenditure had a positive and significant impact on real output levels.

Using the cointegration approach, Nurudeen & Usman (2010) examined the effects of government spending on economic growth by breaking down government spending into the following categories: capital expenditures, recurrent expenditures, defense, education, health, transportation, and communication, and fiscal balance. To explain changes in economic growth, he found that the following variables were statistically significant: total capital expenditure (TCAP), total recurrent expenditure (TREC), expenditures on transportation and communication (TRACO), education (EDU), and health (HEA), as well as inflation (IFN) and overall fiscal balance (FISBA). Defense (DEF) and agricultural (AGR) spending, however, did not significantly contribute to the explanation of economic development. The government spending categories and the sector classifications were employed by the authors in the same equation. They employed the same variables (data) in several formats in a single equation, which made this unsuitable. Oyinlola (2013) looked at the connection between public spending and Nigeria's economic expansion from 1970 to 2009. Using the Gregory-Hansen structural breakdowns co-integration technique and error correction mechanism (ECM), a disaggregated public spending level was used.

The long-term elasticity results demonstrated that increases in recurring, administrative, and transfer expenses are not correlated with increases in the economy. On the other hand, increases in the economy also result in increases in capital spending and social and community service. The study's findings support Wagner's law's applicability in Nigeria. The fact that the government in Nigeria has grown both absolute and relative to other countries suggests that variations in national revenue might lead to adjustments in government spending. The short-run dynamics finding demonstrated that higher debt commitments result in higher current-period capital and administrative expenses. But in the most recent period, the capital expenditure would have decreased by roughly 0.76% while the debt obligation would have increased in a comparable

amount. The outcome also demonstrates that the primary goals of government spending, particularly in infrastructure and human resources—both of which are classified as social and community services—are economic growth and development. The study concluded that efforts should be made to maintain appropriate levels of investment in social and economic infrastructure in light of the results.

METHODOLOGY

The research design used in this study is ex post facto research design. The only data available for this study came from secondary sources, which included publications from the Federal Office of Statistics (FOS), annual reports, CBN journals, the National Bureau of Statistics (NBS), and the Central Bank of Nigeria Statistical Bulletin. The equation expresses real gross domestic product as a function of recurrent components of government spending, such as recurrent expenditure on administration, recurrent expenditure on social and community services, recurrent expenditure on economic services, and recurrent expenditure on transfers, which are functionally specified as follows:

RGDP = f(RECADM, RECSCS, RECECO, RECTRF)

Where: RGDP = real gross domestic product in Nigeria (in billion naira), RECADM = recurrent expenditure on administration in Nigeria (in billion naira) RECSCS = recurrent expenditure on social and community services in Nigeria (in billion naira) RECECO = recurrent expenditure on economic services in Nigeria (in billion naira) RECTRF = recurrent expenditure on transfers in Nigeria (in billion naira).

The econometric form of the model is thus:

$$RGDP = \beta 0 + \beta 1RECADM + \beta_2 RECSCS + \beta_3 RECECO + \beta_4 RECTRF + U_t$$

The logarithmic form of equations can be expressed as:

$$LOG(RGDP) = \beta 0 + \beta_1 LOG(RECADM) + \beta_2 LOG(RECSCS) + \beta_3 LOG(RECECO) + \beta_4 LOG(RECTRF) + U_2$$

RESULT AND DISCUSSION

Table 1 below presents the descriptive statistics for the recurrent government expenditure variables and economic growth. The data for the analysis are time series data covering the periods from 1981 to 2021.

Table 1: Descriptive statistics for recurrent expenditure and economic growth nexus

	RGDP	RECADM	RECSCS	RECECO	RECTRF
Mean	33725.22	414.6134	246.6497	115.4526	505.0389
Median	23068.85	162.6650	75.50000	40.77000	155.6350
Maximum	69810.02	1584.060	1083.730	562.7500	2634.860
Minimum	13779.26	0.900000	0.290000	0.170000	3.390000
Std. Dev.	19578.10	507.6861	339.9814	152.0103	667.8266
Skewness	0.734406	0.900580	1.163186	1.182963	1.573541
Kurtosis	1.996529	2.280988	2.778554	3.350554	4.860439
Jarque-Bera	5.010239	5.955164	8.646654	9.057445	21.16182
Probability	0.081666	0.050916	0.013256	0.010794	0.000025
Sum	1281558.	15755.31	9372.690	4387.200	19191.48
Sum Sq. Dev.	1.42E+10	9536571.	4276731.	854964.0	16501717
Observations	38	38	38	38	38

Using descriptive statistics like mean, maximum, minimum, standard deviation, skewness, and kurtosis, this analysis seeks to investigate the descriptive performance of the various time series data used in this study. The real gross domestic product, which measures economic growth, as well as capital government spending on things like general administration, social and community services, economic services, and transfers, were all included in the descriptive statistics.

With their positive skewness values, skewness examination revealed that every variable was positively skewed. The distributions for real gross domestic product, recurrent expenditure on general administration, recurrent expenditure on social and community services, and recurrent expenditure on economic services were found to be platykurtic, meaning their kurtosis values were less than or equal to 3. Conversely, the distributions for recurrent expenditure on transfers and recurrent expenditure on economic services were found to be leptokurtic, meaning their kurtosis values exceeded three. This was determined by kurtosis analysis.

Unit root test

Table 2: Unit root test using the Augmented Dickey-Fuller (ADF) test

Variable	ADF statistic				
	Level	Critical value at 5%	1st difference	Critical value at 5%	Remarks
LRGDP	-0.027819	-2.945842	-3.395053	-2.945842	I(1)
LRECADM	-2.28857	-2.948404	-7.95603	-2.945842	I(1)
LRECECO	-1.203257	-2.943427	-7.353623	-2.945842	I(1)
LRECSCS	-2.101393	-2.954021	-7.953489	-2.945842	I(1)
LRECTRF	-1.070659	-2.945842	-8.408671	-2.945842	I(1)

Table 3 presented the result of the unit root test using the Philips Perren (PP) test

Variable	PP statistic				
	Level	Critical value at 5%	1st difference	Critical value at 5%	Remarks
LRGDP	-0.684590	-2.94343	-3.24263	-2.94584	I(1)
LRECADM	-1.4133	-2.94343	-8.17533	-2.94584	I(1)
LRECECO	-1.56214	-2.94343	-8.04615	-2.94584	I(1)
LRECSCS	-1.55843	-2.94343	-12.0376	-2.94584	I(1)
LRECTRF	-0.95109	-2.94343	-8.37068	-2.94584	I(1)

No variable was stationary at level, according to the results of the unit root tests, which are displayed in Tables 2 and 3 above utilizing the Philips-Perron (PP) test and the Augmented Dickey-Fuller (ADF) test, respectively. This is because, in absolute terms, all of the test statistic values that were calculated at the level for each of the variables using the Philips-Perron (PP) test and the Augmented Dickey-Fuller (ADF) test were smaller than the crucial values at the 5% level of significance. Order I, or the first order, was integrated with the variables (1).

Co-integration test of the recurrent expenditure – economic growth nexus

Given that the series was integrated of the same order, that is, order I(1) suggested that there was a unit root problem and there is a need to conduct a co-integration test to determine whether there

existed or not a long-run relationship among the variables in the estimated equation. Table 2 below presents the result of the cointegration test based on the trace test to determine the existence or otherwise of long-run relationship among the variables in the estimated model.

Table 4: Trace test

Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.896213	167.6379	69.81889	0.0000
At most 1 *	0.747826	88.34854	47.85613	0.0000
At most 2 *	0.486458	40.13135	29.79707	0.0023
At most 3 *	0.352625	16.80655	15.49471	0.0316
At most 4	0.044344	1.587522	3.841466	0.2077
Trace test indicates 4 cointegrating eqn(s) at the 0.05 level				

Table 5. below presents the result of the cointegration test based on the maximum eigenvalue test to determine the existence or otherwise of long-run relationship among the variables in the estimated model.

Table 5: Maximum eigenvalue test

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.896213	79.28936	33.87687	0.0000
At most 1 *	0.747826	48.21720	27.58434	0.0000
At most 2 *	0.486458	23.32480	21.13162	0.0242
At most 3 *	0.352625	15.21902	14.26460	0.0352
At most 4	0.044344	1.587522	3.841466	0.2077

Max-eigenvalue test indicates 4 cointegrating eqn(s) at the 0.05 level

At the five percent significance level, four co-integrating equations were found using the co-integration test, which is shown in Tables 4 and 5 above and is based on both the trace test and the maximum eigenvalue test. This is because, in each of the four cointegrating equations, the maximum eigenvalue test statistic values and the derived trace test values were all greater than the crucial values at the five percent significance level. The findings indicate that there was a long-term equilibrium relationship between the variables because the variables are co-integrated. This indicates that the independent variables influence the dependent variables over the long term.

Table 6: Lag length selection criteria

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-103.1066	NA	0.000332	6.177520	6.399712	6.254221
1	49.64543	253.1319	2.28e-07	-1.122596	0.210560	-0.662391
2	72.99620	32.02392	2.75e-07	-1.028354	1.415764	-0.184645
3	118.1846	49.06173*	1.12e-07*	-2.181979*	1.373102*	-0.954766*

* indicates lag order selected by the criterion

The study adopted one lag length in estimating the over-parameterized model and the parsimonious error correction model of the recurrent expenditure and economic growth nexus regression model. The VAR lag length selection criteria results, as represented in the above table, showed that all the lag selection criteria indicated one lag length as the chosen lag length for the variables in the model.

Table 7 Overparameterized result of recurrent expenditure-economic growth nexus
Dependent Variable: D(LRGDP)
Method: Least Squares

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.036257	0.024102	1.504297	0.1564
D(LRGDP(-1))	0.584320	0.268157	2.179019	0.0483**
D(LRGDP(-2))	-0.085477	0.376008	-0.227328	0.8237
D(LRGDP(-3))	-0.048705	0.331733	-0.146820	0.8855
D(LRECADM)	-0.078909	0.047247	-1.670129	0.1188
D(LRECADM(-1))	0.016025	0.050240	0.318972	0.7548
D(LRECADM(-2))	-0.009227	0.058236	-0.158442	0.8765
D(LRECADM(-3))	0.100123	0.055022	1.819686	0.0919***
D(LRECECO)	0.015723	0.021549	0.729637	0.4786
D(LRECECO(-1))	-0.009381	0.024129	-0.388771	0.7037
D(LRECECO(-2))	0.035645	0.026527	1.343710	0.2020
D(LRECECO(-3))	0.019712	0.021805	0.904019	0.3824
D(LRECSCS)	0.015945	0.041175	0.387260	0.7048
D(LRECSCS(-1))	-0.035894	0.035563	-1.009327	0.3312
D(LRECSCS(-2))	-0.044727	0.027322	-1.637024	0.1256
D(LRECSCS(-3))	-0.036952	0.022007	-1.679099	0.1170
D(LRECTRF)	0.019520	0.032601	0.598770	0.5596
D(LRECTRF(-1))	-0.048728	0.030186	-1.614277	0.1305
D(LRECTRF(-2))	-0.016074	0.029690	-0.541410	0.5974
D(LRECTRF(-3))	0.013817	0.031056	0.444929	0.6637
ECM2(-1)	-0.292002	0.058358	-5.003633	0.0000*

R-squared	0.670866	Mean dependent var	0.047724
Adjusted R-squared	0.664507	S.D. dependent var	0.036128
S.E. of regression	0.033023	Akaike info criterion	-3.709351
Sum squared resid	0.014177	Schwarz criterion	-2.766599
Log likelihood	84.05897	Hannan-Quinn criter.	-3.387846
F-statistic	2.613693	Durbin-Watson stat	2.065950
Prob(F-statistic)	0.021739		

Note: *, **, *** denotes significance at 1%, 5% and 10% levels of significance, respectively

The over-parameterized results, as indicated in the above Table, demonstrated that the error correction factor was statistically significant as predicted by theory and had the correct negative sign of its coefficient. With a yearly correction rate of 0.292, the real gross domestic product's actual and predicted values diverged by only about 29%, according to the coefficient of error correction variables. This illustrated the gradual transition from short-term disequilibrium to long-term equilibrium. The calculated model has a moderately good fit for the data, as indicated by the R-squared of 0.671 and the modified R-squared of 0.665. Specifically, the corrected R-squared of 0.665 indicated that variances account for almost 67% of the overall variation in the dependent variable.

As a result, the explanatory power of the model is moderately strong. At the traditional five percent level of significance, the F-statistic value of 2.613693, along with its low probability value of 0.021739, indicated that the entire model was statistically significant. This indicates that the independent factors and dependent variables are jointly impacted. This indicates that the dependent and independent variables have a highly linear relationship. Conversely, the calculated model's Durbin-Watson statistics value of 2.065 indicated that autocorrelation is not an issue. The residual terms are hence independent of one another. This indicates that the estimated equation has good behavior as well.

Parsimonious error correction outcome of the nexus between recurrent expenditure and economic growth. The table below shows the outcome of the parsimonious error correction estimates for the short-run dynamics.

Table 8: Parsimonious Error Correction result of Recurrent Expenditure-Economic Growth Nexus
Dependent Variable: D(LRGDP)
Method: Least Squares

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.031516	0.013587	2.319491	0.0296**
D(LRGDP(-1))	0.486636	0.148526	3.276427	0.0033*
D(LRECADM)	-0.045282	0.025821	-1.753700	0.0928***
D(LRECADM(-3))	0.081282	0.022516	3.610011	0.0015*
D(LRECECO)	0.005595	0.014365	0.389498	0.7005
D(LRECSCS(-1))	-0.017861	0.012733	-1.402704	0.1741
D(LRECSCS(-2))	-0.022250	0.012798	-1.738587	0.0955***
D(LRECSCS(-3))	-0.034648	0.013669	-2.534771	0.0185**
D(LRECTRF)	0.020904	0.022560	0.926592	0.3638
D(LRECTRF(-1))	-0.014933	0.021265	-0.702231	0.4896
ECM2(-1)	-0.242036	0.037975	-6.373562	0.0000*

R-squared	0.523942	Mean dependent var	0.047724
Adjusted R-squared	0.516961	S.D. dependent var	0.036128
S.E. of regression	0.029858	Akaike info criterion	-3.928512
Sum squared resid	0.020505	Schwarz criterion	-3.434689
Log likelihood	77.78470	Hannan-Quinn criter.	-3.760104
F-statistic	2.531349	Durbin-Watson stat	1.516405
Prob(F-statistic)	0.031740*		

Note: *, ** and *** denotes significance at 1%, 5% and 10% levels of significance, respectively

The result as presented in the table showed that the error correction factor has the expected negative sign of its coefficient and was also statistically significant as postulated theoretically. The magnitude of the coefficient of the error correction variable of 0.242 showed that only about 24 percent of the discrepancy between the actual and the expected value of the real gross domestic product was corrected back to equilibrium within one year. This portrayed a slow speed of adjustment from the short run disequilibrium to the long run equilibrium.

The R-squared of 0.524 and the adjusted R-squared of 0.517 showed that the estimated short run equation has a moderately good fit and moderately high explanatory power. In particular, the adjusted R-squared of 0.517 showed that approximately 52 percent of the systemic variation in the dependent variable has been explained by variations in the independent variables. The F-statistics value of 2.531 with its low probability value of 0.031740 showed that the overall model was statistically significant at the conventional 5% level of significance. This is because, the computed probability value of 0.031740 was less than 0.05. This meant that the independent variables have joint impact on the dependent variable. Meanwhile, the Durbin-Watson statistic value of 1.516fell in the inconclusive region of the Durbin-Watson critical regions. This is so because the Durbin-Watson value of 1.515 lied in between d_L and d_u of the Durbin-Watson critical regions. Hence, the Durbin-Watson value of 1.515 showed that the result is inconclusive. The inconclusiveness of the result showed that there was no clear-cut conclusion as to whether there is or no problem of serial correlation. The model is therefore well-behaved

FINDINGS, CONCLUSION/RECOMMENDATIONS

The short-run estimation's findings demonstrated that Nigeria's economic growth is negatively impacted by ongoing administrative spending. Nigeria's economic growth was positively benefited by ongoing public spending on economic services, but it was negatively impacted by ongoing public spending on social and community services.

This study was carried out to empirically to examine impact of recurrent expenditure on the Nigerian economy, using annual time series for the period covering from 1981 to 2021. The results from study revealed that recurrent spending on economic services had a positive and insignificant influence on economic growth in Nigeria. The study concluded by showing that ongoing spending was important for Nigeria's economic expansion. The report suggested that the government spend more money on social services including health, sanitation, water resources, education, and rural development because these investments will likely boost Nigeria's economy. Finally, government recurrent transfer expenditures had a favorable effect on Nigeria's economic expansion. Given that recurring expenses have a beneficial impact on economic growth, the government should spend more on transfers like grants, pensions, gratuities, and bursaries, among other things, as doing so will improve consumption and, consequently, Nigeria's economic growth.

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