Government Expenditure in Nigeria: Effect on Economic Development

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Abstract
The study focused on the empirical investigation of the influence of government expenditure on administration, economic services, social and community services and total recurrent expenditure on economic development of Nigeria measured by real gross domestic product. Quarterly data ranging from $1980Q_1$ to $2010Q_4$ was tested for time series property using Augmented Dickey-Fuller test for stationery and each of the variables was integrated of order two, I (2).The study employed Johansen test for co-integration and we found two co-integrating factors. Our empirical finding showed a long-run relationship between government expenditure and real gross domestic product. It also showed that expenditure on administration and total recurrent expenditure impacted significantly on real gross domestic product at the period of study while expenditure on economic services and social and community services have insignificant effect on real gross domestic product. Based on the findings, among the recommendations made were that government should sieve out sincere, honest and men of integrity to be at the helm of affairs in the government institutions; corruption should honestly be addressed and priority attention in spending be given to highly interdependent areas like economic services, social and community services.

Keywords: Government, Expenditure, Economic, Development and Effects

1. INTRODUCTION

Nigeria is one of the highly populated economies in the sub-Saharan region of Africa. The Federal Republic of Nigeria is located in Western Africa, bounded by Cameroon to the east, Chad to the northeast, Niger to the north, Benin to the west, and the Atlantic Ocean to the south. The country has estimated land area of 923,773km², with varied vegetation and soil types that are fitting for a variety of agricultural purposes. It has large deposit of crude petroleum and natural gas that are well over 27 billion barrels and 120 trillion standard cubic feet, respectively. The country is also bestowed

with large solid mineral deposits. Nigeria has a federal form of government and is divided into 36 states, 774 local government areas and a federal capital territory; Abuja (Stock, 2009). Nigeria has the largest population in Africa, with over 140 million people, according to the 2006 census. Its many ethnic groups give the country a rich culture but also pose major challenges to nation building. The economy is dominated by the production of petroleum, which lies in large reserves below the Niger Delta.

The country's oil wealth has financed major investments in the infrastructural development. Yet the country remains

among the world's poorest countries in terms of per capita income and other development indicators. The World Bank statistics depicted that the poverty headcount of Nigeria is 62.6%, which constitutes about 63 million people and life expectancy is 52%, which is relatively low. The average growth rate of 3.5% per annum of the country's gross domestic product is not enough to revive this ugly situation. The United Nations Human Development Index ranked Nigeria as 152nd out of 175 poor countries in recent past out of the global community, notwithstanding her abundant human and material resources (Eboh, 2006; Torty 2004; Okonjo-Iweala 2007; Obasanjo 2000; Microsoft Encarta Reference Library 2005, World Bank, 2012).

In a bid to change the economic quagmire, the various leaders have adopted different approaches aimed at raising the living standard. Among which have been reforms, poverty alleviation programmes and increase in government expenditure. Really, all these to some extent, have contributed towards the revival of the economy. Government expenditure however, has been on increase considering budgetary allocations and total expenditures in various sectors, especially in recurrent expenditure. To what extent has this spending impacted on the growth of Nigerian economy? Actually, there have been series of arguments by scholars on whether government should increase its expenditure in the economy.

Many hold the view that government makes spending in the economy for two major reasons: to provide necessary facilities for maintenance of law and order, that is, security of life and property, so that the economic agents will be able to operate without any impediment, and also to spend in the provision of good environment such as creation of good road net-works, building of schools, hospitals, power supply, pipe borne water, among others so as to facilitate smooth economic operations, train needed manpower and ensure good health with the intention to enhance productivity and economic growth. It is also believed that provision of infrastructure by the government has the power of motivating the private sector for increased investment in the sense that the initial cost of establishment is reduced. Existing power supply, pipe borne water and good road, for instance, reduce initial cost of starting up business. Good road network, on its own, ensures easy conveyance of raw materials and output to and fro business locations. This presupposes provision of infrastructure is a way of encouraging the private sector, which is regarded as engine for economic growth. So, the protagonists of this view argued that government expenditure impacts positively on economic growth and development considering the chain effects it has on the economy (Al-Yousif, 2000, Abdullah, 2000, Ranjan & Sharma, 2008, Cooray, 2009, Nurudeen & Usman, 2010).

This is appealing if and only if the expenditure by the government is on productive ventures and not only for recurrent expenditure and self services in form of jumbo remunerations.

However, the critics of the government expenditure assert that it has the tendency to retard and slowdown the rate of economic activity given that government intention to put capital overheads encourages borrowing and consequently, increase in taxes. High taxes have a way of discouraging productivity; demand and investment, which reduces, aggregate economic activities and investment. Besides, internal borrowing by the government will be inimical to the provision of credit facility to private individuals by the banks. The overall effect is a fall in aggregate economic activity, decline in aggregate demand and low aggregate income. It has also been noted that

there is the tendency for the government to spend on non-productive ventures, which the private sector can do more efficiently, thereby misallocating scarce resources to satisfy political motives at the detriment of national output production. In consideration of the motive of political office holders in spending public funds and huge spending on unproductive ventures, the critics conclude that large government expenditure retards economic growth (Laudau, 1986, Barro, 1991, Engen & Skinner, 1992, Folster & Henrekson, 2001).

Actually, in a developing country such as Nigeria, government expenditure is highly necessary if the economy must be improved. This is because of the poverty level and very under developed rural areas. One major question is: to what extent has governments spending over the years impacted on the economic growth of Nigeria? Looking at the huge volumes of government spending every year and over the years, one may believe that a desirable growth has taken place, but it is difficult to uphold that at this period.

The economic situation of Nigeria in terms of lack of infrastructure, low standard of education, poor access to medication, low living standard, urban and rural poverty, among others have compelled the leaders of the country, to raise aggregate expenditure in the economy over the years. Expenditure on the three tiers of government in Nigeria has remarkably increased. Nevertheless, poverty has been on increase. The estimated population in poverty as pointed by NBS (2005:5), in 1980 was 65million; 75million in 1985; in 1992, 91.5 million while in 1996 it was 102.3 million. Recently, it is estimated that over 70 percent of Nigerians are poor, notwithstanding, yearly government expenditure even on poverty alleviation.

Government expenditure in some sectors seems to exceed that in many other sectors.

The reason seems more political than rational. Various leaders in Nigeria at different periods have spent heavily on power but yet the high degree of irregular power supply in Nigeria is a thing of worry. Nigeria claims to be the giant of Africa, Nigeria is about three times the population of South Africa but only generates just one-third of the power generation in South Africa. What is happening to the government expenditure in the power sector?

It has also been argued that expenditure on education is nothing to write home about and this has helped to bring about a decline in the education standard in Nigeria. Besides, the quality of education and the quality of manpower has fallen so much at all levels. But studies have shown that quality manpower brought about by education fares better. This means that the probability of one being poor is reduced by education or manpower development (Canagarajah, et al, 1997; FRN, 2000:52). This implies that sufficient spending in education is necessary and sufficient condition for the development of a developing economy. Trained and skilled human capital or manpower and physical capital possession are the prerequisites for economic development of any economy. The military governments were budgeting up to 40% for defense when there was no war at the expense of education (Jones-Esan, 2009: 9).

Government spends heavily on security of life and property but the high level of insecurity is a thing of worry. Besides, the health sector is not left behind. The poor access to medication depends on facilities available, which are a function of government expenditure.

Household expenditure is a function of income. Low per capita income in Nigeria has influence on saving, consumption and investment, which in a way affects

production. The study also intends to consider the effect of total recurrent expenditure on economic development. This is because some government workers are engaged in one form of business or the other. They do channel income to productive ventures, hence giving employment to relations in the private sector. Besides, employees' spending is a source of income to traders who deal on various physiological needs. The income flows have a way of impacting on economic development.

In this regard, one may ask, to what extent has government capital expenditure on administrative services (which captures spending on defense, internal security and general administration); economic services (which reflects expenditure on agriculture and natural resources, construction, manufacturing/mining/quarrying, transportation and communication, among others; social and community services (reflecting spending on education, health, housing and others, and total recurrent expenditure (capturing various sectors) impacted on economic development of Nigeria (Anyafo,1996). The study is expected to help us answer this question.

However, our aim of this study is to investigate the effect of government expenditure on administration services, economic services, social and community services and total recurrent expenditure on the economic development of Nigeria (measured by the real gross domestic product).

The paper will be presented in this order. The first section will be on review of related literature. Model formulation/specification, method of data analysis, battery and diagnostic tests will be in section two while recommendations and conclusion will be in the last section.

2.   REVIEW   OF   RELATED
LITERATURE.

The classical economists pioneered by Adam Smith actually opposed government engagement in economic activity; rather, government should make the environment conducive for private individuals to function. He was convinced by the "invisible hand" in which he asserted that the individual pursues self productive venture, works hard to maximize the use of resources, makes profit, expands and increases wealth. By so doing, private individuals, through an invisible hand encourages the economy is towards growth and development. Smith encourages government expenditure in the provision of infrastructure, security of life and property, maintenance of law and other, among others. This means that the classical economists advocated government expenditure in some sectors of the economy.

As a matter of fact, it has been pointed that developing economies have to finance projects in the various nooks and crannies of the economy so as to facilitate regional and rural development. Such spending on infrastructure and manpower development is necessary to accelerate development (Ditimi, et al, 2011).

Government expenditure is an important tool of fiscal policy. This is because fiscal policy involves government actions in offsetting undesirable changes in private consumption and investment by compensatory variation of public spending and taxes. Expenditure pattern of the government and revenue generation play a role in stabilizing the economy. The importance of government spending was severely considered by Keynes during the Great Depression of 1929-1933. The free market economy has various debilitating factors. Anyanwu (1993: 17) articulates the need for government intervention due to the failure of price mechanism to allocate resources efficiently. So, Keynes advocated the use of government expenditure as a tool

of reviving a depressed economy. Keynes (1973: 322) points out that the right remedies for trade cycle is not to be found in abolishing booms and thus keeping us permanently in a semi-slump; but in abolishing slumps and thus keeping us permanently in quasi-boom. This is because of his belief that the economy is not always at full employment equilibrium as held by the classical economists. So, government action in determining surplus or deficit budget is basically to play significant role in revamping a depressed economy and maintaining stability (Todaro & Smith, 2009: 769).

Really, most economists are of the view that the main problem of decline in economic activity is fall in investment and consumption and so opted for fiscal and monetary policies as the solution. The Austrian school have different concept. Shostak (2012) posits that the government is not a wealth-generating entity, and so the more it spends, the more resources it has to take from wealth generators in form of tax. It presupposes that the effective level of tax bothers on government expenditure. To that effect, it is believed that an increase in government outlays sets in motion a rise in the diversion of real savings from wealth-generating activities to non-wealth-generating activities. It leads to economic impoverishment. It was suggested that a cut in government outlays should be seen as great news for wealth generators. However, this view may be at variance with what is obtainable in a developing country like Nigeria given that a large chunk of the population is poor and a major development steps is done by the government. But the major source of government fund is taxation.

Musgrave & Musgrave (2004: 114) recall the 'law of rising public expenditure' by Adolph Wagner who perceived future advancement of the economy and noted that the development of modern industrial society would give rise to increasing political pressure for social progress and called for increased allowance for social consideration in the conduct of industry. He really anticipates the expansion of the society in all angle would definitely necessitate more expenditure to address social needs.

Anyafor (1996: 247) points out that government expenditure gives rise to different degrees of impact on the economy and the influence is greatly a function of how the public resources managers disburse public funds. If poor management and fiscal indiscipline do not adversely affect it, government spending is hoped to impact positively on resources allocation. It also hoped to give broad result on the distribution of real income and welfare. Some expenditure of government is advantageous to some at the expense of others. This enhances income redistribution.

William MacChesney Martin has the perception that the economy is not always stable. This is on the ground that the economy frequently experiences shocks to aggregate demand and aggregate supply. And that unless there is application of monetary and fiscal policy to stabilize the economy, these shocks will lead to unnecessary and ineffective fluctuations in output, unemployment and inflation. This partly implies that the government should increase spending and/or reducing tax or vice versa (Mankiw, 2010: 406).

Ditimi, et al (2011) studied the effect of the components of government expenditure (agriculture, education, health and transport and communication) on economic growth and found that only agriculture has significant effect while others had insignificant influence on economic growth. Nurudeen and Usman, 2010) investigated the influence of government expenditure, employing disaggregate analysis got a result

that showed that government total expenditure, total recurrent expenditures, and expenditure of education have negative effect on economic growth whereas, government expenditure on transport and communication and health promotes economic growth.

Oluwatobi and Ogunirola (2011) studied the effect of government expenditure on human capital development: implications for economic growth in Nigeria and realized that there exists positive relationship between government recurrent expenditure on human capital development and the level of real output, whereas, capital expenditure was negatively related to the level of real output. Loto (2011) studied the impact of sectorial expenditure on economic growth using co-integration and error correction model. The result indicates that, in the short run, expenditure on agriculture was negatively related to economic growth, which actually is contrary to the result of Ditimi, et al (2011). Education's impact was insignificant, although negative but expenditure on national security, transportation and communication were positively related to economic growth but were not statistically significant. The researchers believe that in the long run expenditure on education could have a positive effect on economic growth.

Obioma & Ozughalu (2010) embarked on the assessment of the relationship between government revenue and government expenditure in Nigeria: Co-integration and Causality Approach employing the Engel-Granger two-step co-integration technique, the Johansen co-integration method and the Granger causality test within the Error Correction Modeling (ECM) framework. The result shows that that there is a long-run relationship between government revenue and government expenditure in Nigeria. A unidirectional causality from government revenue to government expenditure was

realized. In addition, the result also revealed that controlling the swings in government revenue is very necessary in controlling government expenditure and avoiding unsustainable fiscal imbalances in Nigeria; and to increase government spending, efforts should be made to enhance government revenue, among others.

D'Agostino, Dunne & Pieroni (2012) studied the influence of government spending and corruption on economic growth using a sample of African countries. Among other things, the finding shows that the growth rate is strongly influenced by the interaction between corruption and military burden with interaction between corruption and government investment expenditure having a weaker effect.

Alexiou (2009) examined government spending and economic growth: econometric evidence from South Eastern Europe using two different panel data methodologies for seven countries. The study found, among others, that government spending on capital formation, development assistance, private investment and trade-openness all have positive and significant effect on economic growth while population growth rate has statistical insignificant effect on economic growth.

In the study of the effect of government spending and macro-economic uncertainty on private investment in service sector: evidence from Pakistan, Amad and Qayyum (2008), employed co-integration approach and found that government spending and interest rate affect private investment in Pakistan's service sector. The chosen short-run dynamic investment function shows that a rise in government current spending and interest rate discourages private investment, and similarly, macroeconomic instability and uncertainty affect the private investment negatively. Taiwo and Abayomi (2011) in their study of the relationship between government expenditure and economic

development in Nigeria, employed ordinary least square method in the data analysis and found that there is a positive relationship between recurrent and capital expenditure on real gross domestic product (GDP). Furthermore, Saad and Kalakech (2009) studied the nature of government expenditure and its impact on sustainable economic growth using a multivariate co-integration analysis and focusing on four sectors: defence, education, health and agriculture. They found that government spending on education has positive effect in the long-run and a negative effect in the short-run. Secondly, in the short-run, defence and health have insignificant impact on growth but a negative effect in the long-run while spending on agriculture is insignificant both in the short and long-run situations.

3. MODEL FORMULATION/SPECIFICATION

It can be hypothesized that government expenditure: on administration (Gea), economic services (Ges), social and community services (Gscs), and total recurrent (Gtre) have no significant effects on economic development of Nigeria. In this respect, economic development is measured by real gross domestic product (rgdp). So, it can be stated that sufficient government expenditure has a positive effect on gross domestic product. Specifically, government expenditure on education has the ability to increase quality and capability of human capital which is highly essential in the endogenous growth theory. Quality manpower is a pre-requisite for development of any Nation. Conscientious and practical government spending on infrastructure, transport and communication, enhance economic activity. In addition, spending on power generation means overcoming the problem of irregular power supply, reduction of the use of self-power generator,

which raises the cost of doing business and pollution. Low cost of production encourages low price and increases consumption and income generation. The chain effect is positive impact on the economy. A healthy economy is a wealthy economy, considering increase in productivity by hale and hearty people. When many people in a country are unsound, it does adversely reduce aggregate output and income. This is on the ground that healthy people play significant role in the generation of output and national income. A country with a large chunk of unhealthy manpower implies reduction in output production and decline in aggregate income. Practical and adequate government expenditure on health has a way of ensuring healthy a population that can increase aggregate output and income.

Expenditure on defence intends to achieve security of life and property. It is our conviction that smooth economic activity is a function of an environment devoid of insecurity and crisis. The society puts in its best in productivity in a secured environment. In addition, investment, production, saving, employment and income are a function of effective demand and consumption. Government recurrent expenditure is expected to raise demand and consumption by households, the government and firms, thereby impacting positively on aggregate economic activity.

Be it as it may, the functional relationship of the variables can be stated thus:

$$Rgdp = f(Gea, Ges, Gscs, Gtre).$$

That is $Rgdp = a_0 + a_1 Gea + a_2 Ges + a_3 Gscs + a_4 Gtre + e_t$ -------------------1

Where: Rgpd= Real gross domestic product;

Gea = Government expenditure on administration;

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Ges = Government expenditure on economic services;

Gscs= Government expenditure on social and community services; and

Gtre= Government total recurrent expenditure.

Also, a_0 is the intercept; a_1, a_2 a_3 and a_4 are the coefficients of the independent or the explanatory variables and et is the stochastic error term. On a priority basis, the co-efficient of the explanatory variables (a_1, a_2, a_3 and a_4) are expected to have positive relationship with gross domestic product (a proxy for economic development).

4. METHOD OF DATA ANALYSIS
In this study, we adopt the method used by Loto, 2011 because of its relevance to this study. We begin with series of battery tests such as Augmented Dickey-Fuller test for stationarity, Johansen co-integration test for long-run relationship and possibly employing the method of Error Correction Model (ECM). Data for this study were sourced from the Central Bank of Nigeria Statistical Bulletin and Annual Statement of Account.

5. UNIT ROOT TEST
They are varieties of approaches for investigation of an important property (that is random walk) of time series data. Unit

root test is necessary to guard against analysis of spurious relationship of variables. Non stationarity variables will produce spurious results if used in analysis: that is, result that is not valid for forecasting or prediction. In this work, we use the most popular unit root test, which is Augmented Dickey-Fuller (ADF) test employed by Dickey and Fuller (1979, 1981), The Augmented Dickey-Fuller test involves rejecting a null hypothesis of unit root (the series are non-stationary) and acceptance of the alternative hypotheses of stationarity of a given variable(s). Equation (1) expresses the model for ADF test (Dickey- Fuller, 1981), when both a trend and a constant are included.

$$\Delta Y_T = \alpha_0 + Bt + \alpha_1 Y_{T-1} + \sum_{j=1}^{n} a_j\ \Delta Y_{T-1} + \varepsilon_T \dots \text{---------------(1)}$$

Where: Δ is the first difference operator ε_T is random error term, n = number of lagged differences, Y = the variable. The null hypothesis is that the variable under investigation has a unit root against the alternative that it does not. In the equation, the null hypothesis holds as: Ho: $\alpha_i = 1$ (unit root), H1: $\alpha_i < 1$ (level stationary). The decision rule is to reject the null hypothesis if the absolute value of the Augmented Dickey-Fuller (ADF) statistic exceeds the critical value at a chosen level of significance.

Table 1 showing result of unit root

Variable	ADF Statistic	Critical value at 1% 5% & 10%		Order of integration
Rgdp	11.02095	1% level	- 3.485115	I(2)
		5% level	- 2.885450	
		10% level	- 2.579598	
Gea	-10.98514	1% level	-	I(2)

			3.485115	
		5% level	-2.885450	
		10% level	-2.579598	
Ges		1% level	-3.486551	I(2)
		5% level	-2.886074	
	-8.293826	10% level	-2.579931	
Gscs		1% level	-3.486551	I(2)
		5% level	-2.886074	
	-10.98808	10% level	-2.579931	
Gtre	-22.27389	1% level	-3.486551	I(2)
		5% level	-2.886074	
		10% level	-2.579931	

The results of table 1 above show that all the variables are stationary at order two since their ADF statistic values are greater than the critical values at 1%, 5% and 10% the null hypothesis of stationarity is rejected for all the variables while the alternative hypothesis is accepted for stationarity at various critical values. E-view 7.0 results are in the appendix A. The ADF test statistic absolute value for each variable is greater than the critical value at 1%, 5% and 10%. Given that the variables are integrated of the same order, this means that the variables are suspected to have long-run relationship (co-integration). So, we investigate their co-integrating relationship using Johansen's full information maximum likelihood.

Table 2: Co-integrating Test Result between RGDP and Government expenditure variables

Eigenvalue	Trace Statistic	0.05 (5%) critical value	Probability	Hypothesized No of CE (s)
0.701210	218.8857	69.81889	0.0000	None**
0.357584	75.13188	47.85613	0.0000	At most 1*
0.108434	22.47208	29.79707	0.2730	At most 2
0.062646	8.813808	15.49471	0.3829	At most 3
0.009328	1.115193	3.841466	0.2910	At most 4

*(**) denotes rejection of the hypothesis at 0.05significance level.
Trace statistic test indicates 2 co-integrating equation(s) at 0.05 level of significance

In table 2 above, the Trace statistic, maximal Eigenvalue statistic and probability indicate the presence of two co-integrating equation at 5% significance level which implies that real gross domestic product (RGDP) used as proxies for economic development is co-integrated with government expenditure.

These presuppose rejection of null hypothesis of no co-integration and acceptance of the alternative hypothesis of co-integration. Thus, the results suggest existence of a stable long run relationship between government expenditure and real gross domestic product.

MODEL ONE RGDP = f(GEA, GES, GSCS, GTRE)

Variables	Coefficients	Std Error	T-statistic	Probability
C	-547.1200	557.2815	-0.981766	0.3283
D(GEA,2)	1.286987***	0.196324	6.555410	0.0000
D(GES,2)	-0.041337	0.040624	-1.017565	0.3110
D(GSCS,2)	-0.094292	0.198492	-0.475044	0.6356
D(GTRE,2)	0.084335***	0,016412	5.138631	0.0000
ECM(-1)	-0.008221	0.013221	-0.621800	0.5353
F-statistic	221.2610***			0.0000
R^2 =0.905097				
Adj R^2 =0.901007	Durbin Watson=2.008986			

*** [**] (*) denotes significant of variable at 1% [5%] (10%) significance level respectively.

From the result, government expenditure on administration (spending on defence, internal security and general administration) impacts positively and significantly on economic development measured by real gross domestic product (RGPD). The probability of the influence of the variable on the real gross domestic product is significant at 1%, 5% and 10% critical level. Actually, the result meets the apriori expectation in the sense that the government expenditure on administration impact positively on economic development. This result does not contradict Taiwo and Abayomi (2011). Besides, government expenditure on economic services (which reflect expenditure on agriculture and natural resources, construction, manufacturing/mining/quarrying, transportation and communication has not impacted significantly on real gross domestic product. This is contrary to our expectation as it shows negative and insignificant relationship. However, this is not abnormal given the happenings in the country: corruption, insufficient allocation of resources in this key sector of the economy and inability to genuinely diversify the economy. Government expenditure on social and community services ((reflecting spending on education, health, housing, among others) have a negative and insignificant effect on the economic development of Nigeria. Over the years government has made series of expenditure in the sector, social and community services, but much is still needed to be done to achieve a desirable effect. The rate of growth of population and lack of monitoring of allocated capital in this area has contributed to inability of having desired effect on the economy.

Impressively, government spending on recurrent expenditure has positive and significant influence on aggregate economic activity. From the result, the impact of

government expenditure on recurrent expenditure is significant at 1%, 5% and 10% critical level. Intuitively, one can attribute this to employees' sensitivity to entrepreneurship, hence opting for investment of emoluments in productive venture. Also, government payment for utilities and stationery, among others, encourages production and income generation. The Error correction model denoted by Resid01 has a negative co-efficient but insignificant showing the degree of adjustment on how the variables deviate from path of equilibrium. The Error Correction Model (ECM) coefficient value of -0.0082 depicts that 0.82% of any previous period deviation will be corrected in the current period. The coefficient of determination and the adjusted values of 91% and 90% respectively show strong positive goodness of fit of the regression line. This presupposes that about 91% of the movement in real gross domestic product is accounted for by variation in government capital expenditure and recurrent expenditure. The overall regression is significant at 1%, 5% and 10% level of significant implying that the joint effects of all the selected variables were significant. Durbin Watson test statistic of 2.008986 shows absence of serial autocorrelation.

6. RECOMMENDATIONS

In view of the outcome of our data analysis, we come up with the following recommendations: The federal government should sieve out men of integrity, honesty and dedication from the society to be at the helm of affairs so as to ensure a high degree of channeling of allocated funds to the targeted areas. The civil servants in public sector and workers in private sector should be paid their wages/salaries as at when due and the consideration of fortnightly payment to enhance frugal use of income. The economy needs sufficient diversification so

as to raise the economic activity of sectors. In order words, expenditure on the economic services and social and community services should be given priority and adequate attention considering the indispensible role they play as very high interdependent areas. It is necessary to inculcate in the educational curricula the immutable law of reciprocal action (law of compensation) with a view to minimizing corruption in the country. Government capital expenditure should be more on productive ventures. Frugality, transparency and accountability should be the slogan of public officers. Adequate security of public property should be promoted.

7. CONCLUSION

The study has empirically examined the influence of government expenditure on administration, economic services, social and community services and total recurrent expenditure on the economic development of Nigeria. The results have shown that government spending in many areas has not impacted significantly on the development of the Nigerian economy. The study confirms some of the findings of some authors such as Ditimi, et al (2011), Nurudeen and Usman (2010). It however shows that a major way of development is sufficient spending in very sensitive sectors which are highly interdependent with other sectors.

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