

NATIONAL BUDGET IMPLEMENTATION AND ECONOMIC GROWTH OF NIGERIA

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Abstract

This study investigated the impact of the national budget on economic growth in Nigeria. The specific objectives are: to determine the relationship between expenditure of public debt and economic growth, to identify the impact of public recurrent expenditure on economic growth in Nigeria, to study the effect of capital expenditure on economic growth in Nigeria. This research work covers the ministry of works and housing in Nigeria, members of all staff of all cadres. In the same way, all units or sections of the ministry participated in the study. Descriptive analysis was in the study

We will make use of the Ordinary Least Square (OLS) regression method to examine the impact of Human Capital Development on Economic Growth in Nigeria. The study uses Gross Domestic Product (as a proxy for Economic Growth) as the dependent variable while Human Capital Development will be measured by total government expenditure on health, total government expenditure on education, life expectancy rate and tertiary institution enrolment (as proxy for capital formation) are used as the independent variables. Time series data covering a period of 35 years will be estimated using Co-integration analysis which is an improvement on the classical Ordinary Least Square (OLS) technique.

It reveals that investment in the budget in the form of public capital expenditure, public recurrent expenditure and expenditure of public debt impacts positively on the economic growth in the long-run. Hence, all the proxies for human capital development exert a positive effect on the economic growth in Nigeria as supported by theoretical and empirical literatures, and therefore in line with a priori expectation.

Keywords: Budget, Expenditure, Government, Human capital development, Economic growth.

1.0 INTRODUCTION

A budget is a framework for revenue and expenditure outlays over a specified period usually one year (Olurankise 2012). The role of budget in an economy cannot be overemphasized Olomola (2009). It is an essential factor for economy in facilitating and realizing the vision of

government in a given fiscal year. The most visible bottlenecks are associated with budget implementation. Frequently the compliant is about non-release, partial release and delay in releasing approved funds for budgeted expenditure. It has been well observed that a quarter to which funds are related may end before the related funds are made available. Clearly, this has negative implications for institutional planning and management as well as the overall impact of the budget on development and welfare of the people.

It is about five decades since Nigeria has been involved in annual budgeting as an independent state. A look at the performance of Nigeria's previous and current budgetary estimates shows that they have not helped the state achieve or maintain a better economic climate. The country's successive budgets have been in most cases recording deficits. Even when they were expected to be balanced or surplus budget, they end up disappointing their operators and economic observers by recording deficits. This contributes immensely in worsening the socio-economic problems in Nigeria. Such problems include high inflation, poverty, unemployment, income inequality, adverse balance of payments, low standard of living etc. Although, it should be noted that at times deficit financing is deliberately undertaken by any government, so as to stimulate economic activities in the country which it controls, establish more industries to absorb those who are unemployed, provide more social amenities to the people and in fact, improve the general well being of the populace. But in Nigeria, instead of the afore-stated being the case, the reverse occurs. As a matter of fact, it causes more harm than good to Nigerians. This study will however examine the effect of budget implementation on the economic growth of Nigeria.

1.1 Statement of the Problem

Government efforts toward the economic development and growth have gained much attention particularly in area of expenditure and its impact on economic growth. Al-shatti (2014) revealed that Nigeria's recurrent expenditure exceeded capital expenditure hence, capital expenditure increases growth rate. This simply means that, the challenge of economic growth and development in Nigeria is linked to expenditure process as a result of excessive spending by the government on a yearly basis and the performance of the economy remain below target (Tukur and Sabi'u cited Soludo, 2007). That is to say Nigeria expenditure management has been uninspiring (Akpan, 2006). The 2016 budget showed that more of the allocation are on recurrent expenditure than capital expenditure with only the infrastructure sector having more allocation for capital expenditure of 87% and recurrent expenditure 12.2%, other sectors are; Social sector capital expenditure 11.4% and recurrent expenditure 88.6%, economic sector capital expenditure 40.1% and recurrent expenditure 59.9%, Security sector capital expenditure 23.3% and recurrent expenditure 76.7%, administration sector capital expenditure 26.1% and recurrent expenditure 73.9% respectively (budget, 2016).

This could be the reason why Nigeria is generally considered to be rich and on the other hand, her citizens are extremely poor in terms of per capita income. This shows that something is wrong somewhere, for a country rich and endowed with both human and natural

resources yet many of her citizens are living in abject poverty. Otherwise, the increase in budget every year and the growth in government expenditure experienced in the times past should have positive significance effect on the level of poverty, economic growth and development of the country. This however resulted to disaggregation of government expenditure in which the economic growth of the country are disaggregated giving way to interference of economic performance in relation to widespread corruption; therefore the root of the problem will be traced to empirical research and not by mere discussion alone in order to find out the effect of budget implementation on the economic growth of Nigeria.

1.2 Research Objectives

The general objective or main objective of this study is to investigate the impact of budget on the economic growth of Nigeria. The specific objectives are:

- i) To determine the relationship between expenditure of public debt and economic growth
- ii) To identify the impact of public recurrent expenditure on economic growth in Nigeria

1.3 Research Hypotheses

The following hypotheses were postulated to guide the conduct of this study;

- i) There is a significant relationship between expenditure of public debt and economic growth in Nigeria
- ii) There is no significant correlation between public recurrent expenditure and economic growth in Nigeria
- iii) There is no significant relationship between capital expenditure and economic growth

2.0 LITERATURE REVIEW

2.1 Theoretical Review

The Growth theory pioneered by Abramovitz and Slow in 1921 and Harrod-Domar theory (income theory) propounded by Harrod and Domar in the 1930s are theories related to economic growth. The growth theory incorporates causal links between growth in an economy and the sources of the growth. That for any growth, there is a always a source or sources and the effect of increasing returns to scale. Within the frame work of the theory is a model that highlights the efficiency of resources allocation through budgeting and growth in an economy.

Harrod-Domar theory provides a long term theory of output. The theory emphasizes that capital accumulation do not only generate income but also increases the productive capacity of an economy. The theory assumes that newly generated income from capital accumulation

provide demand for goods and services. The annual budget of a nation which normally emphasizes ways of generating new income/revenue to boost productive capacity of a country targeted at economic growth. According to the theory, the most necessary condition for economic growth of a nation is that the demand created due to new generated income should be sufficient enough so that output produced should be fully absorbed.

Public expenditure theory, traditionally, received only a scanty attention till recently. Partly, this lop-sided interest in the theory of public finance is explained by a general acceptance of the philosophy of laissez-faire and belief in the efficacy of free market mechanism. However, with the advent of welfare economics the role of the state has expanded especially in the area of infrastructural provision and theory of public expenditure is attracting increasing attention. This tendency has been reinforced by the widening interest of economists in the problems of economic growth, planning, regional disparities, distributive justice and the like (Bhatia, 2002).

The theory of public expenditure may be discussed in the context of increasing public expenditure, the range of public expenditure and/or in terms of the division of a given amount of public expenditure into different items like recurrent and capital expenditure. The later of the two parts may also be conceived in terms of allocation of the economy's resources between providing public goods on the one hand and private goods on the other.

2.2 Theory of Increasing Public Expenditure

There are two important and well-known theories of increasing public expenditure. The first one is connected with Wagner and the other with Wiseman and Peacock. On the one hand, Wagner revealed 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. He 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. However Nitti (1903) not only supported Wagner's thesis but also concluded with empirical evidence that it was equally applicable to several other governments which differed widely from each-others (Nitti, 1903). 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. But on the other hand, Wiseman and Peacock in their study of public expenditure in UK for the period 1890-1955 revealed that public expenditure does not increase in a smooth and continuous manner, but in jerks or step like fashion. At times, some social or other disturbance takes place creating a need for increased public expenditure which the existing public revenue cannot meet.

2.3 Peacock and Wiseman's Theory of Expenditure

Peacock and Wiseman's study is probably one of the best known analyses of the time pattern of public expenditures. They founded their analyses upon a political theory of public determination namely that governments like to spend more money and citizens do not like to pay taxes, and that government need to pay some attention to the wishes of their citizens. The duo saw taxation as setting a constraint on government expenditure. As the economy and thus incomes grew, tax revenue at constant tax rate would rise, thereby enabling public expenditure would show a gradual upward trend even although within the economy there might be a divergence between what people regarded as being desirable level of public expenditure and the desirable level of taxation. During the periods of social upheaval however, this gradual upward trend in public expenditure would be disturbed.

These periods would coincide with war, famine or some large-scale social disaster, which would require a rapid increase in public expenditures; the government would be forced to raise taxation levies. The rising of taxation levels would, however, is regarded as acceptable to the people during the period of crisis. Peacock and Wiseman referred to this as the "displacement effect". Public expenditure is displaced upwards and for the period of the crisis displaced private for public expenditure does not however fall to its original level.

A war is not paid for from taxation; no nation has such large taxable capacity. Countries therefore borrow and debt charges have to be not after the event. Another effect that they thought might operate was the "imperfection effect" thus they suggested arise from the people Keener awareness of social problems during the period of upheaval. The government therefore expands its scope of services to improve these social conditions and because people perception to tolerable levels of taxation does not return to its former level, the government is able to finance these higher levels of expenditures originating in the expanded scope of government and debt charges.

2.4 Ernest Engel's Theory of Public Expenditure

Ernest Engel was also a German economist writing almost the same time as Adolph Wagner in the 19th century. Engel pointed out over a century ago that the composition of the consumer budget changes as family income increases. A smaller share comes to be spent on certain goods such as work clothing and a larger share on others, such as for coats, expensive jewelries etc.

As average income increase, smaller charges in the consumption pattern for the economy may be to occur. At the earlier stages of national development, there is need for overhead capital such as roads, harbors, power installations, pipe-borne water etc. But as the economy developed, one would expect the public share in capital formation to decline over time. Individual expenditure pattern is thus compared to nation expenditure and Engel finding is referred to as the declining portion of outlays on foods.

2.4 Empirical Review

Numerous studies have been conducted to investigate the relationship between government spending and economic growth. Landau (1983) found that the share of government consumption to GDP reduced economic growth which was consistent with the pro-market view that the growth in government constrains overall economic growth. The conclusions were germane to growth in per capita output and do not necessarily speak to increase in economic welfare. Economic growth was also found to be positively related to total investment in education. In a later study, Landua (1986) extends the analysis to include human and physical capital, political, international conditions as well as a three year lag on government spending in GDP. Government spending was disaggregated to include investment, transfers, education, defense and other government consumption. The results in part mirrored the earlier studies in that general government consumption was significant and had a negative influence on growth. Education spending was positive but not significant. It was unclear why lagged variables were included given that the channels through which government influence growth suggest a contemporaneous relationship. Ram (1986) study marked a rigorous attempt to incorporate a theoretical basis for tracing the impacts of government expenditure to growth through the use of production functions specified for both public and private sectors. The data spanned 115 countries to derive broad generalizations for the market economics investigated. He found government expenditure to have significant positive externality effects on growth particular in the developing countries (LDC) sample, but total government spending had a negative effect on growth. Lin (1994) used a sample of 62 countries (1960-85) and found that nonproductive spending had no effect in growth in the advanced countries but a positive impact in LDCs. Other studies have investigated the impact of particular (functional) categories of public expenditure. Josaphat !(2000) investigated the impact of government spending on economic growth in Tanzania (1965-1996) using time series data for 32years. They formulated a simple growth accounting model, adapting Ram (1986) model in which total government expenditure is disaggregated into expenditure on (physical) investment, consumption spending and human capital investment. It was found that increased productive expenditure (physical investment) have a negative impact on growth and consumption expenditure relates positively to growth, and which in particular appears to be associated with increased private consumption. The results revealed that expenditure on human capital investment was insignificant in their regression and confirm the view that public investment in Tanzania has not been productive, as at when the research was conducted. Nitoy . (2003) employed the same disaggregated approach as followed by Josaphat !(2000). They examined the growth effects of government expenditure for a panel of thirty developing countries (including Nigeria) over the decades of the 1970s and 1980s, with a particular focus on sectoral expenditures. The primary research results showed that the share of government capital expenditure in GDP is positively and significantly correlated with economic growth, but current expenditure is insignificant. The result at sectoral level revealed that government investment and total expenditures on education are the only outlays that remain significantly associated with growth throughout the analysis. Although public

investments and expenditures in other sectors (transport and communication, defense) was found initially to have significant associations with growth, but do not survive when government budget constraint and other sectoral expenditures were incorporated into the analysis. Also private investment share of GDP was found to be associated with economic growth in a significant and positive manner. Junko and Vitali (IMF, 2008) investigate the impact of government expenditure on economic growth in Azerbaijan because of the temporarily oil production boom (2005-07), which caused expectationally large expenditure increase aimed at improving infrastructure and raising incomes.

Azerbaijan's total expenditure increased by a cumulative 160 percent in nominal value from 2005 to 2007 (i.e. from

41 percent of non-oil GDP to 74 percent) in their research reference which were made to Nigeria and Saudi Arabia (1970-89) who have also experienced oil boom and increased government expenditure over the years. The study simulated the neo-classical growth model tailored to the Azeri conditions. Their analysis suggested that the evaluated fiscal scenario poses significant risks to growth sustainability and historical experience indicates that the initial growth performance largely depends on the efficiency of scale-up expenditure. The study also sheds light on the risks associated with a sudden scaling-down of expenditure, including the political difficulties to undertake an orderly expenditure reduction strategy without undermining economic growth and the crowding-out effects of large government domestic borrowing.

3.0 METHODOLOGY

3.1 Research Design

This study employs the use annual secondary time series data. The choice of the time series is premised on the fact that the data used in this study was gathered over a period of time and investigated the impact of national budget on economic growth in Nigeria.

3.2 Sources of Data

This study employs the use of secondary, time series data from 1995 – 2023. The data was sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin, World Bank Development Indicator (2018).

3.3 Model Specification

Human Capital Development has been identified as one of the major factors influencing economic growth in developed economies of the world. On that account it can be said that a functional relationship exists between Human Capital Development and Economic Growth in Nigeria, the study adopts a modified model of Hadir & Laurech (2015) by the inclusion of Life expectancy rate variable and the exclusion of primary and secondary school enrolment variables.

$$y = a + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon \tag{1}$$

The GDP growth rate represent y (dependent variable) while X_1 , X_2 and X_3 represent the independent /explanatory variables decomposed into kPCE, PRE, and PDEX respectively substituting equation 1 therefore:

$$GDP = a + \beta_1PCE + \beta_2PRE + \beta_3PDEX + \varepsilon$$

(2) used for the analysis Where:

GDP = GDP growth rate;

a = intercept;

PCE = Public Capital Expenditure;

PRE = Public Recurrent Expenditure;

PDEX = Expenditure of Public Debt;

ε = Error term.

4.0 DATA ANALYSIS AND PRESENTATION OF RESULTS

4.1 Trend Analysis

This sections reveal the trend analysis of our variables, it will help in analyzing how the variables (total government expenditure on education and health, total tertiary institution enrolment, life expectancy), behaved over time in the country.

4.2.1 Interpretations of Trends

Fig. 4.2.1

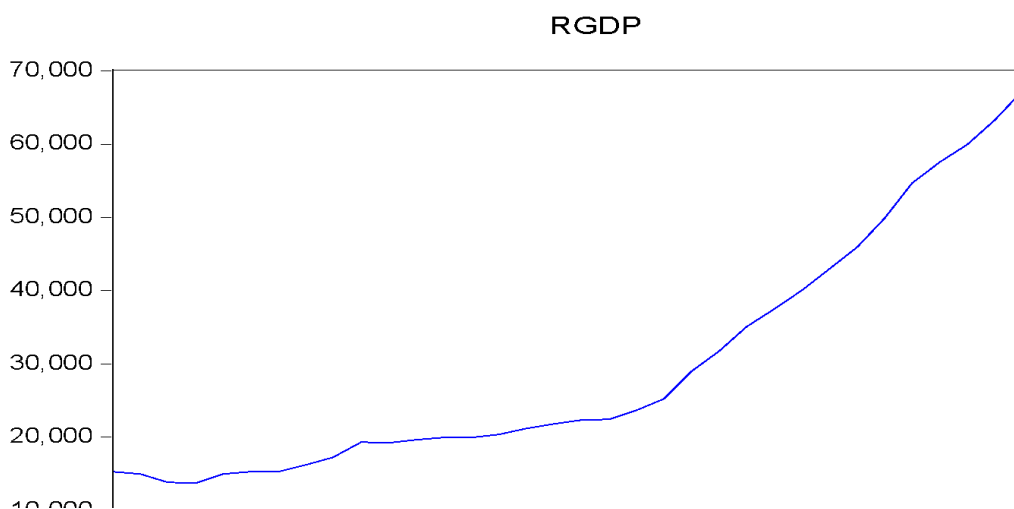


Fig. 4.2.1 shows that the RGDP of Nigeria which is an indicator for economic growth has been on a steady rise over the years. In 1981, Nigeria’s RGDP figure stood at ₦15,258billion. This figure witnessed a gradual drop in the succeeding periods of 1982 and 1983 to

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N13,849billion and N13,779 respectively, this led to the adoption of the Structural Adjustment Programme (SAP) to arrest the trend of poor productivity of Nigerian economy. With adoption of SAP in 1984, the RGDP started showing signs of picking up, with the SAP in full swing the RGDP figure rose to ₦16,215billion. The next year saw an increase of the RGDP figure to ₦17,294billion. This gradual rise continued till 1993 where there was a slow-down in the RGDP rise, in 1993 the RGDP figure stood at ₦19,927billion and a year later in 1994 for it was ₦19,979billion. The RGDP figure is seen to have hit the ₦20,000billion mark in 1995 when the figure stood at ₦20,353billion. A steady rise is witnessed from this period till the new millennium, where the figure was ₦23,688billion. The RGDP figure continued to rise reaching the ₦30,000 mark in 2003 with a figure of ₦31,709billion.

The RGDP figure continued to rise and at the close of the first decade of the new millennium it was ₦54,612billion, almost twice the amount it was at the start of the century. The rise continued in the new decade as it grew to ₦57,511billion and ₦59,929billion in 2011 and 2012 respectively. It reached the ₦60,000billion mark in 2013 with a figure of ₦63,218billion and grew to ₦67,152billion the following year and further growth in 2015 to ₦69,023billion. It did drop for the first time in 2016 to ₦67,931billion.

Fig. 4.2.2

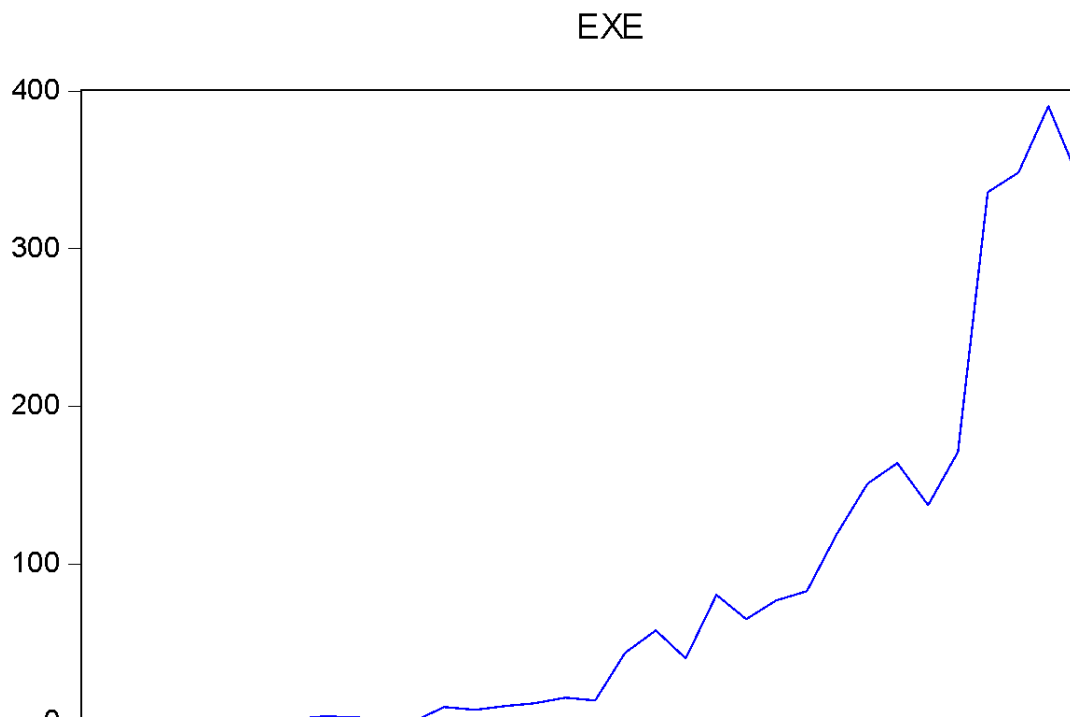


Fig. 4.2.2 shows total government expenditure on education which is the total amount assigned to the development of education in the country has not been steady or consistent, between 1981 to 1987 the amount allocated to education was below ₦1billion. In 1981 it was

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₦0.17billion, in 1982 it was ₦0.19billion, in 1983 it dropped to ₦0.16billion and in 1984 it went up to ₦0.20billion. 1985 witnessed more increase in the amount up to the tune of ₦0.26billion. The same amount was allocated for the year 1986 and it dropped again in 1987 to ₦0.23billion. In 1988 it surpassed the ₦1billion mark, as ₦1.46billion was allocated, this was doubled for the year 1989 as ₦3.1billion was allocated.

The amount dropped to ₦2.4billion in 1990 and dropped further to ₦1.26billion in 1991. 1992 witnessed more drop in the amount allocated for the educational sector dropping to millions again to as low as ₦290million. In 1993 it increased to ₦8.88billion and in 1994 a little drop was witnessed as the figure reduced to ₦7.38billion. The next three years saw a steady rise in the amount allocated for education with ₦9.75billion, ₦11.50billion and ₦14.85billion for 1995, 1996 and 1997 respectively. There was a slight drop in 1998 as the figure was ₦13.59billion. The close of the century was a massive allocation almost 4 times the amount of the preceding year as ₦43.61billion was allocated in the year 1999.

This trend continued into the new millennium as ₦57.96billion was allocated in the year 2000 for education. But a sharp fall was observed in 2001 as the allocation dropped to ₦39.88billion, more than double the amount was allocated the next year as ₦80.58billion was allocated in 2002. Another sharp fall to ₦64.78billion in 2003 was followed by an increase to ₦76.53billion in 2004. A further increase to ₦82.80billion was seen in 2005. The ₦100billion marked was reached in 2006 when ₦119.02billion was allocated for education. The amount was increased to ₦150.78billion and ₦163.98billion in 2007 and 2008 respectively. In 2009 the amount dropped to ₦137.12billion and in 2010 it increased to ₦170.80billion.

In 2011 the amount budgeted for education increased to ₦335.80billion and this increase continued up to 2013 where an all-time high of ₦390.42billion was allocated to education but this trend was not kept up with as has been the case over time and it dropped to ₦343.75billion in 2014 and a further drop to ₦325.19billion in 2015. The amount picked up again in 2016 to the sum of ₦339.28billion.

Fig. 4.2.3

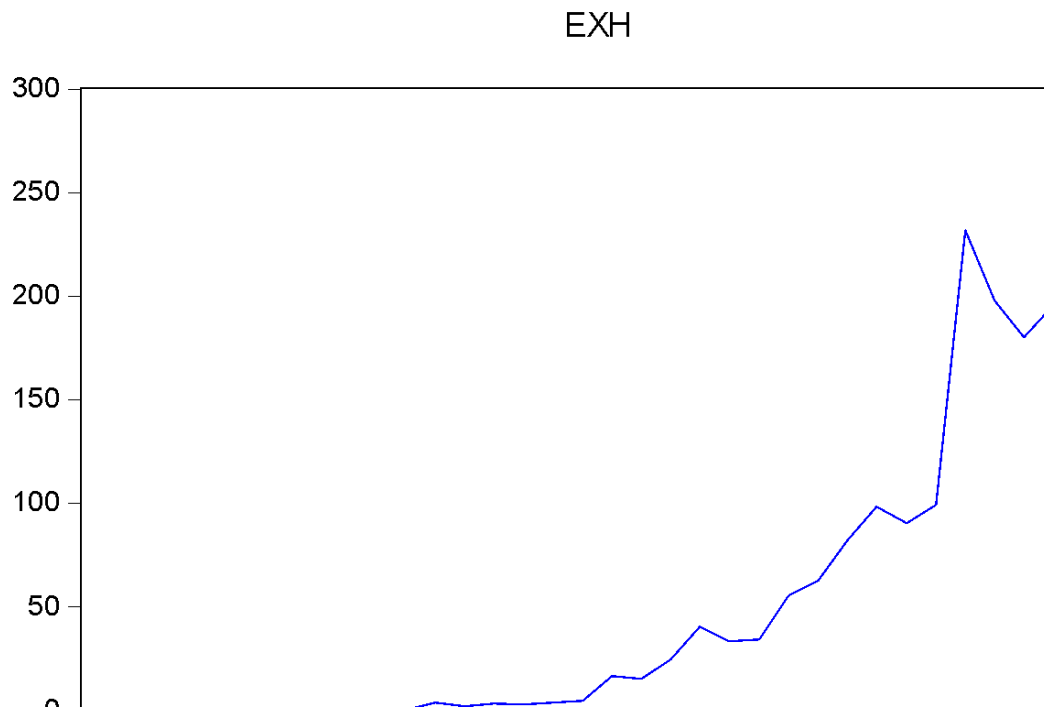


Fig. 4.2.3 shows that the expenditure of the government for health which have showed unobservable and insignificant figures of between ₦0.08billion in 1981 to ₦0.15billion in 1992. Better observable amount were allocated in the succeeding periods between 1993 to 1998 where the amount allocated for the health sector were ₦3.87billion and ₦4.74billion respectively. This increase was followed through in the periods that followed with the tune of ₦16.64billion allocated at the end of the century (1999).

Though the turn of the century saw a little reduction to ₦15.22billion in 2000, more funds were allocated with the year that followed. ₦24.52billion was allocated in 2001 and ₦40.62billion in 2002. Though it reduced to ₦33.27billion in 2003, a rise the following year to ₦34.20billion was followed by appreciable increase of up to the tune of ₦98.22billion in 2008. Another reduction in the allocation the following year to ₦90.20billion was followed by an increase to ₦99.10billion at the end of the decade.

2011 saw the highest increase in the allocation for health in the history of Nigeria as the amount more than doubled the previous amount allocated with the amount allocated standing at an amazing sum of ₦231.80billion. This peak was not sustained though as it reduced again in the succeeding years to as low as ₦179.99billion in 2013. The sector saw another increase in allocation for health to ₦195.98billion in 2014 and peaked again to ₦257.70billion in 2015 an then a sharp fall followed in 2016 as ₦200.82billion was allocated.

Fig. 4.2.4

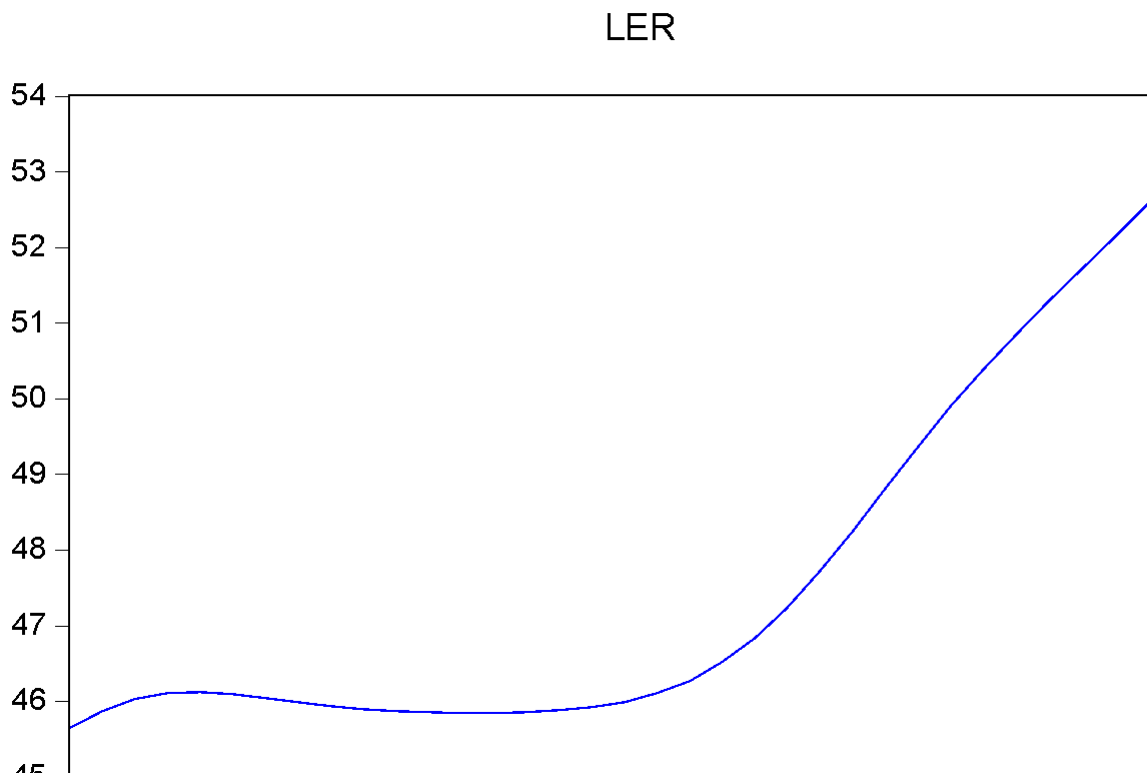


Fig. 4.2.4 which is the Life expectancy rate shows a steady rise in the life expectancy rate in the country over the years. There was a little peak in 1985 which was followed by a decline in the years that followed up to 1999, where a steady increase is seen from there henceforth. This increase continued and peaked in 2016.

Fig. 4.2.5

KFM

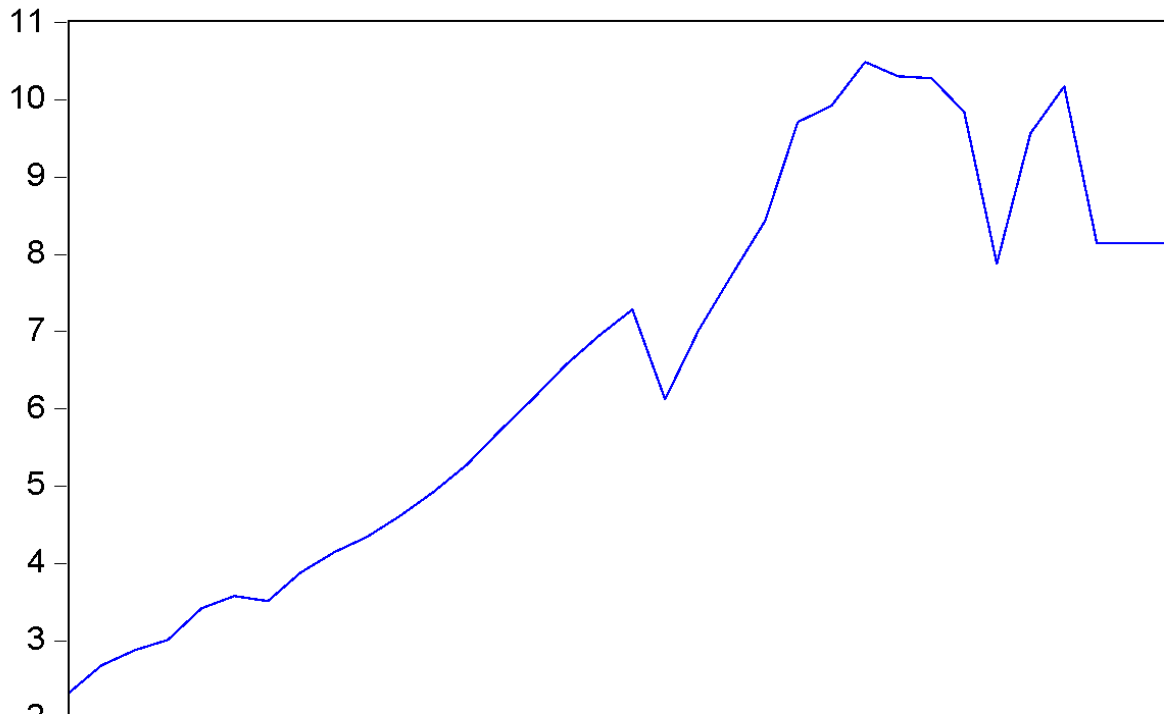


Fig. 4.2.5 shows tertiary school enrollment which is being used as a proxy for capital formation shows that the percentage of Nigerians who gets enrolled into the various tertiary institutions each year. The graph shows a steady increase up to 1986 after which there was a drop in 1987. This was followed by another period of steady increase that peaked in 1997 after which there was a decline till the start of the new millennium.

The early 2000’s saw another period of steady increase up to 2003, which was followed by a slow-down in 2004 and 2005. Another peak is noticed in 2016 which was sustained until 2009 where a sharp drop is noticeable. 2010 is seen to have a huge increase which was followed by an increasing decrease in the years 2011 and 2012, from where henceforth there have been a stable percentage.

4.3 Descriptive Statistics

	LNRGDP	PCE	PRE	PDEX
Mean	10.22032	2.594422	1.768023	1.807529
Median	10.01642	3.191937	2.139324	1.943467
Maximum	11.14221	5.967223	5.551796	2.349854
Minimum	9.530920	-1.832581	-3.218876	0.843733
Std. Dev.	0.535484	2.737013	2.901515	0.444678

Skewness	0.443419	-0.419150	-0.271807	-0.583953
Kurtosis	1.774803	1.735661	1.618390	2.118682
Jarque-Bera	3.431385	3.451951	3.306544	3.211087
Probability	0.179839	0.177999	0.191423	0.200780
Sum	367.9317	93.39918	63.64883	65.07104
Sum Sq. Dev.	10.03603	262.1933	294.6576	6.920845
Observations	36	36	36	36

Source: Author's Computation using E-Views

The summary statistics of all the variables used in this study are presented in the table above. Specifically, the mean, median, Jarque-Bera values and their corresponding probability values are also stated. The mean of each variables indicates the averages of the respective variables used in the study. The standard deviation further reveals how dispersed the variables are from their means, thus it shows the spread of the variables. Going forward, the skewness and kurtosis values indicate asymmetry and peakness of the distribution while the Jarque-Bera statistic is used to test for normality.

From the table above, the logged values of Real Gross Domestic Product (RGDP), Government Expenditure on Education (PCE), Public capital expenditure (PRE), Public Recurrent Expenditure (PDEX), Expenditure of Public Debt 10.22032, 2.594422, 1.768023 and 1.807529, while their median values were 10.01642, 3.191937, 2.139324 and 1.943467 respectively during the estimated period. The maximum and minimum values of each observations in the series for RGDP, PCE, PRE and PDEX as 11.14221 & 9.530920, 5.967223 & -1.832581, 5.551796 & -3.218876, and 2.349854 & 0.843733.

The standard deviation of each of the variables from its mean for the logged values of RGDP, PCE, PRE and PDEX are reported in the table as 0.535484, 2.737013, 0.051470 and 0.444678.

From the table above, Real GDP and Life Expectancy Rate are positively skewed while Government Expenditure on Health, Education and Tertiary School Enrolment is negatively skewed, while the variables show positive moderate kurtosis suggesting the presence of mesokurtic behaviour in the distribution.

4.4 Empirical Analysis

Here, using the Ordinary Least Squares (OLS) technique, this section intends to show how the independent variables employed in the study relates to the dependent variables employed in the study. This will be computed using the E-views software package.

Dependent Variable: LNRGDP

Method: Least Squares

Date: 01/2/20 Time: 05:34

Sample: 1981 2016

Included observations: 36

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-16.08156	1.527033	-10.53125	0.0000
PCE	0.003984	0.031024	0.128412	0.8987
PRE	0.034084	0.032650	1.043934	0.3046
PDEX	6.655365	0.381437	17.44815	0.0000

R-squared	0.990185	Mean dependent var	10.22032
Adjusted R-squared	0.988919	S.D. dependent var	0.535484
S.E. of regression	0.056370	Akaike info criterion	-2.78552
Sum squared resid	0.098504	Schwarz criterion	-2.56558
Log likelihood	55.13940	Hannan-Quinn criter.	-2.70876
F-statistic	781.8545	Durbin-Watson stat	0.896567
Prob(F-statistic)	0.000000		

Source: Author's Computation using E-Views

In the results above we will be concerned about the co-efficients (constant terms), R^2 (the coefficient of determination), \bar{R}^2 (the adjusted coefficient of determination), F-statistic, t-statistic for the individual variables and the Durbin-Watson Statistic.

The first result above is the result gotten from using the logged data of the variables in the study (the data was logged for easier reading of the figures). From the result above, the constant term is -16.08 and this implies that LNRGDP decreases by 1,608% when all independent variables are assumed to be zero. The co-efficient of government expenditure on education is 0.003 and it implies that a unit change in government expenditure on education will result to about 0.3% increase in RGDP. The co-efficient of government expenditure on health is 0.034 and it implies that a unit change in government expenditure on health will result to about 3.4% increase in RGDP. The co-efficient of life expectancy rate is 6.685 and this implies that a unit change in life expectancy rate will result to about 668.5% increase in RGDP. The co-efficient of tertiary school enrolment is 0.282 and this implies that a unit change in tertiary school enrolment will result to about 28.2% increase in RGDP. The R^2 value of 0.990, while the \bar{R}^2 value of 0.988 and this implies that up to 98.8% of the variations in the dependent variable (RGDP) is explained by the independent variables (PCE, PRE, PDEX). With this it can be said that the regression equation has a good fit with 98.8% of the systematic variations in the dependent variable being explained by the dependent variables.

The F-statistic value of 781.8545 shows that the equation is very significant. And this combined with the R^2 and \bar{R}^2 values of 0.990 and 0.988 respectively shows that the regression equation has a good fit.

The t-test values which shows the individual significance of each independent variables employed in the study is also looked out for. The rule of thumb here is that any absolute value of 2 and above is significant while any below is insignificant. From the results, the variables LER and KFM values of 17.45 and 4.16 respectively are statistically significant and meet the apriori expectations while the variables EXE and EXH figures of 0.13 and 1.04 are insignificant as they are less than 2.

The Durbin-Watson statistic value of 0.896 shows the presence of positive auto-correlation as it does not fall within the range of the rule of thumb (between 1.8 – 2.2) and this must be corrected for using the AR models (AR 1 – 12) and MA models (1 & 2)

After applying the AR models 1 – 12 the Durbin-Watson statistic did not yield a favourable value and this led to the introduction of the MA models. A better results were gotten at this stage and a best result for Durbin-Watson was gotten applying AR7 and MA1 and the result is given below.

Dependent Variable: LNRGDP

Method: ARMA Maximum Likelihood (OPG - BHHH)

Date: 01/2/20 Time: 22:55

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Sample: 1981 2016

Included observations: 36

Convergence achieved after 24 iterations

Coefficient covariance computed using outer product of gradients

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-18.85059	2.053063	-9.181692	0.0000
PCE	0.024408	0.037300	0.654362	0.5182
PRE	0.363364	0.065943	5.510298	0.0000
PDEX	7.341506	0.523779	14.01642	0.0000

R-squared	0.994517	Mean dependent var	10.22032
Adjusted R-squared	0.993147	S.D. dependent var	0.535484
S.E. of regression	0.044330	Akaike info criterion	9
Sum squared resid	0.055025	Schwarz criterion	6
Log likelihood	64.52484	Hannan-Quinn criter.	9
F-statistic	725.5574	Durbin-Watson stat	1.989673
Prob(F-statistic)	0.000000		

Inverted AR Roots	.80+.38i	.80-.38i	.20+.86i	.20-.86i
	-.55-.69i	-.55+.69i	-.89	
Inverted MA Roots	-.78			

From the result above, the constant term is -18.85 and this implies that LNRGDP decreases by 1,885% when all independent variables are assumed to be zero. The co-efficient of government expenditure on education is 0.024 and it implies that a unit change in government expenditure on education will result to about 2.4% increase in RGDP. The co-efficient of government expenditure on health is -0.010 and it implies that a unit change in government expenditure on health will result to about 1% decrease in RGDP. The co-efficient of life expectancy rate is 7.341 and this implies that a unit change in life expectancy rate will result to about 734.1% increase in RGDP. The co-efficient of tertiary school enrolment is 0.363 and this implies that a unit change in tertiary school enrolment will result to about 36.3% increase in RGDP.

From the results, the variables LER and KFM t-values of 14.02 and 5.51 respectively are statistically significant and meet the apriori expectations while the variables EXE and EXH figures of 0.65 and -0.24 are insignificant as they are less than 2.

The failure of the variables PRE and PDEX to meet the apriori expectation might be as a result that the amount allocated over the years have not been sufficient to have any significant impact on Nigeria's economic growth. Another reason might be the poor management of the little fund that is allocated to the health and education sectors of the economy as most of these funds are embezzled and diverted by government officials for personal use and this translates to the poor running of these sectors of the economy.

The result shows an improvement of the Durbin-Watson statistic from the previous value of 0.896 to 1.9897. With this improvement and the values of R^2 and \bar{R}^2 of 0.995 and 0.993 respectively, F-stat value of 725.557 and the individual t-statistic values above for the individual independent variables the equation can be said to be best and free of auto-correlation and can be used for structural and policy analysis.

5.0 SUMMARY, RECOMMENDATIONS AND CONCLUSION.

5.1 Summary

This study assesses the impact national budget on economic growth in Nigeria using data between the periods of 1981 to 2016. The data used were sourced from World Development Indicators (WDI) and Central Bank of Nigeria Statistical Bulletin. The variables on which data were gathered include GDP, government expenditure on education, Public capital expenditure, public recurrent expenditure and expenditure of public debt. To statistically and scientifically prove that human capital development has a significant impact on economic growth, a statistical analysis was embarked upon where the ordinary least squares method of regression analysis used to evaluate the relationship between human capital development and economic growth for the period of 1981-2016. The results of the model revealed that all the

independent (explanatory) variables accounted for 99% variations in the gross domestic product (GDP) of Nigeria.

It reveals that investment in budget in the form of public capital expenditure, public recurrent expenditure and expenditure of public debt impacts positively on the economic growth in the long-run; this confirmed the study by Adenuga and Otu (budget and economic growth). Hence, all the proxies for human capital development exert positively effect on the economy growth in Nigeria as supported by theoretical and empirical literatures, and therefore in line with apriori expectation.

5.2 Conclusion

Without a doubt, the empirical analysis conducted in the study show that the level of human capital development in Nigeria has significant influence on the level of economic growth. The human capital development has a positive relationship with the economic growth of Nigeria.

the study concludes that public spending on capital and recurrent expenditure impact significantly on economic growth in Nigeria. Government budgetary function, action, implementation and monitoring affect economic activity of the nation at micro and macro level cumulating in growth of the economy evidence in GDP growth. Spending especially on capital and infrastructure positively affects the productive capacity of the nation and her ability to deliver competitive goods and services which is sacrosanct for a nation in dire need of industrialization.

5.3 Recommendations

The study recommends that policy makers in the region should put in place policies that will help improve spending on human capital development and create awareness among people on the understanding of the importance of human capital development and its impact on economic growth.

Further research should study impact of others factors affecting human capital development apart from government expenditure on education, government expenditure on health, life expectancy rate and tertiary school enrollment with respect to economic growth in Nigerian

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