

Government Expenditure and Nigeria's Economic Growth: An Assessment of Budget Execution in the Fourth Republic

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DOI: 10.67224/ioasdjbm.2026.v03i02.002

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ABSTRACT	Original Research Article
This study examined the effect of government expenditure on Nigeria's economic growth during the Fourth Republic, with particular attention to the execution of functionally classified expenditure. Government expenditure was disaggregated into administration, social and community services, economic services, and transfer expenditure, while gross domestic product (GDP) proxied economic growth; inflation and the exchange rate served as control variables. Adopting an ex post facto research design, the study analysed annual time-series data covering 2000 to 2019, sourced from the Central Bank of Nigeria Statistical Bulletin and the World Bank. Data were analysed using simple and multiple linear regression after a log-linear transformation of the monetary variables, such that the estimated coefficients are interpreted as elasticities. The bivariate results showed that administration expenditure ($\beta = 0.904$), social and community services expenditure ($\beta = 0.770$), economic services expenditure ($\beta = 0.922$), and transfer expenditure ($\beta = 0.769$) each exerted a positive and statistically significant effect on GDP ($p < 0.05$). The joint model explained about 96.7% of the variation in GDP (adjusted $R^2 = 0.967$) and was statistically significant ($F = 93.083$; $p < 0.001$), confirming a significant composite effect of the four expenditure categories. The study concludes that government expenditure is an important catalyst for growth, but that converting growth into development requires a shift of emphasis from execution of funds to the efficiency of implementation. It recommends prioritising capital execution, strengthening implementation audits, and diversifying revenue to reduce deficit-financing pressures. Keywords: Government expenditure, Budget execution, Economic growth, Gross domestic product, Fourth Republic, Nigeria.	Article History Received: 09-05-2026 Accepted: 11-06-2026 Published: 16-06-2026 Copyright © 2026 The Author(s): This is an open-access article distributed under the terms of the Creative Commons Attribution 4.0 International License (CC BY-NC) which permits unrestricted use, distribution, and reproduction in any medium for non-commercial use provided the original author and source are credited.



1. INTRODUCTION

Beyond being a statement of expected revenue and expenditure, a budget is an important instrument for achieving a government's macroeconomic goals. These goals are realised largely through public spending, which depends on revenue generation, budgetary allocations, and development priorities. Government expenditure, therefore, plays a crucial role in shaping a nation's development trajectory, and emerging economies such as Nigeria rely heavily on it to drive their economic programmes (Akaegbobi & Nwosu, 2025). Such expenditure spans education, healthcare, infrastructure, defence, public services, and social welfare (Mensah & Adukpo, 2025).

The effectiveness of public spending significantly shapes growth, employment, poverty

alleviation, and living standards (Akaegbobi & Nwosu, 2025). For a country with vast resources but persistent development challenges, the efficiency with which funds are used matters more than the volume of expenditure (Chandana *et al.*, 2024). While substantial outlays on infrastructure, education, agriculture, and health can be transformative, inadequate allocation, corruption, and weak monitoring undermine their potential, with profound implications for GDP growth (Tanko & Shishi, 2020). For analytical purposes, government expenditure is commonly disaggregated into administration, social and community services, economic services, and transfer expenditure (Aigbokhan & Enabulu, 2016). Administration covers defence, internal security, and the legislature; social and community services cover education, health, and related services; economic services cover agriculture, construction, transport, and

communications; and transfers cover pensions, gratuities, and debt service (Faloyin & Famoloya, 2015).

1.1 Statement of the problem

Government expenditure has risen sharply across successive Fourth Republic budgets, yet the economy continues to grapple with inadequate infrastructure in roads, power, health, education, and communications (Agbo & Nwankwo, 2021). Despite substantial allocations, inefficient spending, misallocation, and corruption have constrained expected outcomes, while a large share of expenditure is absorbed by debt service arising from deficit financing, leaving critical sectors comparatively under-funded (Nwikipugi & Agbana, 2025). Moreover, although the literature on government expenditure and growth is extensive, it concentrates on the aggregate dichotomy of recurrent and capital expenditure; studies that isolate the growth effects of function-based expenditure—administration, social and community services, economic services, and transfers—over the democratic era remain comparatively sparse (Ikilidih *et al.*, 2024). This study addresses that gap.

1.2 Objectives of the study

The broad objective was to determine the effect of government expenditure on economic growth in Nigeria during the Fourth Republic. The specific objectives were to examine the effects on GDP of (i) administration expenditure, (ii) social and community services expenditure, (iii) economic services expenditure, and (iv) transfer expenditure, and to assess the combined effect of the four expenditure categories, controlling for inflation and the exchange rate.

1.3 Research hypotheses

The following null hypotheses were tested:

Ho1: Government administration expenditure has no significant effect on Nigeria's GDP in the Fourth Republic.

Ho2: Government social and community services expenditure has no significant effect on Nigeria's GDP in the Fourth Republic.

Ho3: Government economic services expenditure has no significant effect on Nigeria's GDP in the Fourth Republic.

Ho4: Government transfer expenditure has no significant effect on Nigeria's GDP in the Fourth Republic.

Ho5: The combination of administration, social and community services, economic services, and transfer expenditure has no significant effect on Nigeria's GDP in the Fourth Republic, controlling for inflation and the exchange rate.

2. LITERATURE REVIEW

2.1 Conceptual review

Government expenditure refers to the total funds the government allocates to public services, programmes, and investment. In execution terms, it is the value of funds released and spent on programmes annually, with the gap between appropriation and actual release indicating the level of budget implementation. Administration expenditure comprises the operational and capital costs of general administration, defence, internal security, and the legislature. Social and community services expenditure targets citizens' wellbeing through health, education, and related services. Economic services expenditure covers productive sectors such as agriculture, construction, transport, and communications. Transfer expenditure relates to pensions, gratuities, and the servicing and repayment of debt. Economic growth, the outcome of interest, is proxied by GDP—the total monetary value of final goods and services produced within the economy over a period. Efficient allocation and execution of these categories are expected to stimulate productive activity and thereby raise GDP (Jolaiya, 2024; Osadola *et al.*, 2023).

Conceptual model

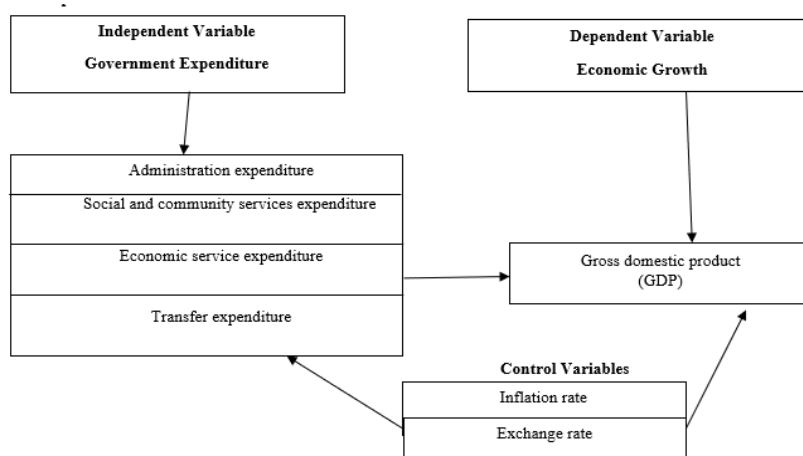


Figure 1: Schematic relationship between variables

Source: Researcher's Conceptualisation (2026)

The conceptual model above shows that economic growth depends on the predictor variables representing government expenditure.

2.1.1 Government expenditure

Government expenditure is the total amount the government spends on public services, programmes, and investments (Nwipugi & Agbana, 2025). It is a critical element of a nation's fiscal policy, serving as a primary tool for implementing government plans and policies (Jolaiya, 2024). In general, government expenditure aims to address societal needs, enhance public welfare, foster economic development, and ensure the efficient functioning of the state (Mensah & Adukpo, 2025). A government expenditure policy reflects its priorities and political agenda. The volume of government spending is determined by several factors, including macroeconomic objectives, revenue generation, and budgetary provisions. Through budgets, the government indicates how much it is willing to spend on public purposes, sets substantive policy priorities within overall spending levels, determines the amount that must be borrowed to finance approved spending levels, and enhances national development.

The efficient allocation and management of government expenditure can stimulate economic growth, create jobs, and improve the general standard of living of the people. It is central to macroeconomic policy, as it influences aggregate demand and economic activity (Nwipugi & Agbana, 2025). In addition to the general classification of government expenditure into capital and recurrent expenditure, it can be disaggregated into functional components, namely administration, social and community services, economic services, and transfer expenditure.

2.1.2 Administration expenditure

Government administrative expenditure comprises operational and capital expenses for general administration, including salaries, office maintenance, and the acquisition of equipment and infrastructure intended to serve the public interest. This includes expenditure on defence, internal security, the National Assembly, and law and justice. These expenditures are intended to provide a secure, peaceful, and orderly society required to foster economic development. Recurrent administrative expenditure covers operational costs aimed at serving the public interest (Aigbokhan & Enabulu, 2016). It includes ongoing expenses for general administration, encompassing civil servant salaries, office maintenance, utilities, and other administrative overheads. Defence expenditure focuses on military and national security costs, including armed forces maintenance, equipment, personnel training, and operations (Olumuyiwa & Abimbola, 2016). Internal security spending involves law enforcement, public safety, and measures to support police forces, intelligence agencies, and crime prevention (Olumuyiwa

& Abimbola, 2016). The allocation may extend to the National Assembly, covering lawmakers' salaries, staff remuneration, parliamentary operations, and infrastructure maintenance (Aigbokhan & Enabulu, 2016). While reflecting priorities in government efficiency, defence, and legislative functions, policymakers must ensure effective management, transparent accounting, and contributions to overall development and welfare (Aigbokhan & Enabulu, 2016).

2.1.3 Social and community services expenditure

Social and community services expenditure is intended to enhance the general well-being of the people (Igwe & Inyama, 2023). This includes expenditure on the provision of quality education vital for economic development, an effective healthcare system necessary to maintain an active and efficient workforce, and electricity and other social services (Aigbokhan & Enabulu, 2016). Government recurrent expenditure on social and community services aims to enhance general well-being and stimulate economic development, encompassing investments in education, health, electricity, and other essential sectors (Aigbokhan & Enabulu, 2016). Education spending focuses on the provision of quality education, including teacher salaries, infrastructure, and materials, which are vital for human capital development and societal progress (Akpan & Chuku, 2014). Healthcare expenditure covers salaries, facility maintenance, and medical supplies, promoting a healthy population and improving overall quality of life (Akpan & Chuku, 2014). Additionally, the category includes expenses related to electricity and other public services, which contribute to improved living standards and socio-economic progress (Adeyeye & Ojo, 2017).

2.1.4 Economic services expenditure

These are expenditures on economic services that involve investment in the productive sectors of the economy, such as agriculture, construction, transportation, and communication (Aigbokhan & Enabulu, 2016). These include expenditure on subsidies for farmers, infrastructure development such as the construction of roads and bridges, and the provision of an effective transportation and communication system essential for promoting economic activities. These expenditures are intended to spur economic growth, create jobs, and enhance overall development.

Agricultural spending covers development, farmer subsidies, research, and irrigation projects, all of which are crucial for rural development, poverty reduction, and economic growth (Akpan & Chuku, 2014). Expenditure on construction focuses on infrastructure development, including roads and buildings, which is essential for economic activity, attracting investment, and regional integration (Akpan & Chuku, 2014). Transportation and communication expenditure covers the maintenance and operation of systems, which are vital for trade facilitation, cost

reduction, and economic connectivity (Olumuyiwa & Abimbola, 2016). These investments aim to spur economic growth, create jobs, and enhance overall development, with efficient management crucial to maximising sectoral benefits (Adeyeye & Ojo, 2017). Prioritising these sectors can drive sustainable development, attract investment, and improve overall economic competitiveness (Akpan & Chuku, 2014; Olumuyiwa & Abimbola, 2016).

2.1.5 Transfers expenditure

These are expenditures relating to the payment of pensions and gratuities, servicing and repayment of public debts, both domestic and foreign, and other charges. They include Social Security Benefits, Unemployment Benefits, Welfare Programs, Subsidies to Businesses or Farmers, Pensions for Public Employees, and Veterans' Benefits. According to Ajie *et al.* (2014), government transfer payments in Nigeria consist mainly of recurrent expenditures classified under transfers, including public debt charges, pensions, gratuities, and other financial activities. These transfers have been a significant part of the federal government's recurrent expenditure and have had varied impacts on the economy over the years. Expenditure on domestic debt servicing and the payment of pensions and gratuities increase the purchasing power of the people, thus stimulating aggregate demand, leading to increased production and economic growth.

2.1.6 Economic growth

Economic growth refers to the increase in the production of goods and services within a country over a specific period (Mensah & Adukpo, 2025), typically measured by the change in gross domestic product (GDP). Economic growth is a key indicator of a nation's economic health and prosperity (Jolaiya, 2024). It reflects the economy's ability to generate more output and income, which in turn lead to higher levels of employment, investment and productivity (Akaegbobi & Nwosu, 2025). When a country experience sustained economic growth, it can expand its industries, increase employment opportunities, raise wages and improve the general welfare of its citizens, he added.

Sustained economic growth can be achieved through strategic government spending and by fostering a favourable business environment that encourages private-sector development. This approach plays a critical role in reducing poverty and increasing government revenue, which can be reinvested in sectors such as education, health, agriculture, power, and technology to further stimulate growth. Growing economies can improve public services and infrastructure, which in turn enhances the quality of life for citizens (Mensah & Adukpo, 2025).

2.1.7 Gross domestic product (GDP)

Gross domestic product (GDP) is the market value of all final goods and services produced within a

country's borders over a specific period. It is a key economic indicator that measures the monetary value of goods and services produced within a country's borders over a specific period. GDP growth enhances economic development in all ramifications (Uwah & Ibanga, 2021). According to Sani and Nwite (2019), GDP is an important statistic that indicates whether an economy is growing or contracting. GDP essentially reflects the size and overall performance of an economy. It includes only the value of goods and services purchased by end users, not the value of intermediate goods used in the production process. Changes in GDP over time indicate whether an economy is growing. It can be determined using the expenditure, income or output approach. GDP is a comparison tool used by governments to assess an economy's purchasing power and growth over time. The economic growth of a nation or state can be measured using GDP. This measure accounts for the country's productive capacity and output (Okoroigwe, 2024). An increase in GDP reflects sustained growth in economic activity, production, employment, and income.

2.1.8 Inflation rate

Inflation is a sustained rise in the overall price level of goods and services in an economy, reducing consumers' purchasing power so they can buy less with the same amount of money (Ana *et al.*, 2024). This affects economic units across a nation. It erodes the purchasing power of low-income households and reduces real returns on savings and fixed-income investments. The government may struggle to finance planned projects as the actual costs of goods and services rise beyond initial estimates (Kolawole *et al.*, 2025). Businesses face higher production costs and tighter cash flow.

The rising rate of inflation affects aggregate demand, which is a major incentive for increased production of goods and services. This can also lead to job losses, as businesses may decide to shut down certain aspects of their operations, thereby limiting households' access to resources. A persistent rise in the inflation rate limits the government's ability to implement social welfare programmes and invest in capital projects without incurring a higher debt burden (Kolawole *et al.*, 2025).

2.1.9 Exchange rate

Kwan and Kanda (2024) defined the exchange rate as the value at which one currency can be exchanged for another. It plays a critical role in international trade, investment and economic policy. It is influenced by factors such as inflation, interest rates and market speculation. The exchange rate has significant economic implications: a depreciating currency can make exports cheaper and imports more expensive, potentially improving the trade balance, whereas an appreciating currency may lead to a trade deficit (Ahmed *et al.*, 2024).

Exchange rate fluctuations also affect inflation, with weaker currencies raising import prices, particularly

in import-dependent nations, leading to higher production costs and reduced output. When exchange rate volatility undermines economic growth, as noted by Bamidele (2024), government revenue may decline due to reduced business activity, lower tax receipts, and unstable foreign investment flows. This significantly affects project execution.

2.2 Theoretical Framework

Two theories dominate the literature on the expenditure–growth nexus. Wagner’s (1883) law of increasing state activities holds that public expenditure rises more than proportionately with national income as the state’s administrative, social, and economic functions expand with industrialisation (Musgrave & Musgrave, 1988; Ezirim, 2006). This implies that growth drives expenditure. By contrast, Keynesian theory treats public expenditure as an exogenous policy instrument that stimulates aggregate demand and, through the multiplier, raises output and employment—especially during downturns (Keynes, 1936; Peacock & Wiseman, 1979). Because this study examines the effect of expenditure on growth rather than the reverse, the Keynesian framework is adopted as the anchor theory, with Wagner’s law providing complementary insight into the long-run expansion of the public sector.

2.3 Empirical Review

Evidence on disaggregated, function-based expenditure is mixed.

Igwe and Inyama (2024), studying components of recurrent expenditure, found that economic services expenditure significantly increased gross national product, whereas administration and social and community services were positive but insignificant. Kenechukwu *et al.* (2024) reported that administration, economic services, and social and community services were positive but not significant, whereas transfers were significantly negative.

Duruibe *et al.* (2020) found that economic services and social and community services were positive and significant, transfers were positive but insignificant, and administration was significantly negative. Agu *et al.* (2024) found administration to be significantly negative and social and community services to be significantly positive for the human capital index. These divergent findings underscore the value of re-examining the functional categories for the Fourth Republic.

Regarding capital and recurrent components, Christopher *et al.* (2025) found capital and recurrent infrastructure expenditure to be strongly significant for growth, whereas recurrent agricultural expenditure was insignificant. Elaigwu and Ali (2024), Uloh *et al.* (2024), and Aluthge *et al.* (2021) reported significant positive effects of capital (and, variously, recurrent) expenditure on growth, whereas Nzechukwu and Onodi (2024) and

Viscker *et al.* (2024) found expenditure indices to be insignificant. Studies focused on social sectors generally affirm the centrality of education and health: Odetola *et al.* (2025) found education significant and health insignificant; Madueke *et al.* (2024) found health and agriculture significant but education insignificant; and Chiadika and Egbon (2024) confirmed a positive long-run relationship between sectoral expenditure and growth. Olufemi and Omorogiwa (2024) and Joseph *et al.* (2024) likewise reported positive effects on infrastructure and sectors.

Aggregate-level studies are similarly divided. Ekpo *et al.* (2022) found total expenditure to be positively associated with growth, consistent with Keynesian theory, whereas Onifade *et al.* (2020) reported significant negative recurrent effects and insignificant positive capital effects. Cross-country evidence is also mixed: Davis (2024) found that consumption expenditure growth is reducing, whereas investment expenditure growth is enhancing in West Africa; Pehlivan *et al.* (2021) found that Wagner’s law and the Keynesian view each hold for different OECD members; and Balkı and Göksu (2023) validated Wagner’s law for Turkey, driven mainly by transfer expenditure. Collectively, the literature suggests that the growth effect of public expenditure is conditional on its functional composition and the efficiency of execution (Chukwuma *et al.*, 2023; Ime *et al.*, 2023).

2.4 Gap in the literature

Most Nigerian studies treat expenditure as an aggregate or limit disaggregation to the capital–recurrent dichotomy, and few isolate the four functional categories—administration, social and community services, economic services, and transfers—within a single model for the Fourth Republic while controlling for macroeconomic conditions. The present study fills this gap by modelling the four categories jointly over 2000–2019, using inflation and the exchange rate as controls, thereby providing a sector-specific evidence base for budget execution policy.

3. METHODOLOGY

3.1 Research design and data

The study adopted an ex post facto research design, appropriate for analysing pre-existing secondary data that the researcher cannot manipulate. Annual time-series data covering 2000 to 2019 (20 observations) were obtained from the Central Bank of Nigeria Statistical Bulletin and the World Bank. The 20-year window was chosen to capture the Fourth Republic while deliberately excluding the COVID-19 disruption from 2020 onwards. The population is the entire economy of the Federal Republic of Nigeria, and the analysis focuses on federal government expenditure.

3.2 Model Specification

Adapting and modifying the model of Ime *et al.* (2023), the relationships were specified in log-linear

form. Taking logarithms of the monetary variables stabilises the variance and allows the slope coefficients to be interpreted as constant elasticities. Four bivariate models and one composite model were estimated:

$$\text{LogGDP} = \beta_0 + \beta_1 \text{LogGAEXP} + \mu \dots (1)$$

$$\text{LogGDP} = \beta_0 + \beta_2 \text{LogGSCEXP} + \mu \dots (2)$$

$$\text{LogGDP} = \beta_0 + \beta_3 \text{LogGECEXP} + \mu \dots (3)$$

$$\text{LogGDP} = \beta_0 + \beta_4 \text{LogGTEXP} + \mu \dots (4)$$

$$\text{LogGDP} = \beta_0 + \beta_1 \text{LogGAEXP} + \beta_2 \text{LogGSCEXP} + \beta_3 \text{LogGECEXP} + \beta_4 \text{LogGTEXP} + \beta_5 \text{INFLT} + \beta_6 \text{LogEXRT} + \mu \dots (5)$$

where GDP is gross domestic product; GAEXP, GSCEXP, GECEXP, and GTEXP denote administration, social and community services, economic services, and transfer expenditure, respectively; INFLT is the inflation rate and EXRT the exchange rate (control variables); β_0 is the intercept; β_1 – β_6 are slope coefficients; and μ is the stochastic error term. The a priori expectation is that each expenditure category has a positive sign.

Table 1: Measurement of variables

Variable	Measurement	A priori sign
GDP (dependent)	Log of the total monetary value of final goods and services produced	—
GAEXP	Log of total expenditure on general administration	+
GSCEXP	Log of total expenditure on social and community services	+
GECEXP	Log of total expenditure on economic services	+
GTEXP	Log of total expenditure on transfers	+
INFLT (control)	Annual average rate of inflation (%)	±
EXRT (control)	Log of average annual exchange rate (₦/US\$)	±

Source: Authors' compilation (2026).

3.3 Method of analysis and decision rule

Estimation was performed using ordinary least squares in SPSS (version 23). The Pearson product-moment correlation coefficient was used to assess the strength and direction of associations among the variables. Each null hypothesis was tested using the t-statistic for the bivariate models and the F-statistic for the composite model. A null hypothesis was rejected if the associated p-value was less than or equal to 0.05, indicating a statistically significant effect, and retained otherwise.

4. RESULTS AND DISCUSSION

4.1 Descriptive statistics

Table 2 summarises the variables for 2000–2019. GDP averaged ₦315.73 (SD = 161.47), ranging from ₦69.17 to ₦574.18, indicating substantial year-to-year variability in economic performance. The expenditure series were similarly dispersed: administration expenditure averaged ₦1,094.96 (SD = 644.59), social and community services ₦638.67 (SD = 440.60), economic services ₦620.64 (SD = 349.06), and transfers ₦1,219.60 (SD = 901.98), with transfers showing the widest spread. The control variables were more stable: inflation averaged 12.07% (SD = 3.66), ranging from 5.39% to 18.87%, while the exchange rate averaged ₦170.98/US\$ (SD = 67.27), rising from ₦104.31 to ₦307.70 over the period.

Table 2: Descriptive statistics of the study variables (₦ billion unless otherwise stated)

Variable	N	Minimum	Maximum	Mean	SD
Gross domestic product	20	69.17	574.18	315.73	161.47
Administration expenditure	20	197.81	2,695.73	1,094.96	644.59
Social & community services exp.	20	112.75	1,657.77	638.67	440.60
Economic services expenditure	20	140.10	1,473.05	620.64	349.06
Transfer expenditure	20	225.15	3,457.22	1,219.60	901.98
Inflation rate (%)	20	5.39	18.87	12.07	3.66
Exchange rate (₦/US\$)	20	104.31	307.70	170.98	67.27

Source: Authors' computation from CBN Statistical Bulletin and World Bank data (2026).

4.2 Correlation analysis

Table 3 presents the Pearson correlation matrix. GDP is strongly and positively correlated with expenditure on administration ($r = .955$), social and community services ($r = .949$), transfer ($r = .871$), and economic services ($r = .850$), and moderately with the

exchange rate ($r = .635$). It is weakly and negatively correlated with inflation ($r = -.281$). The very high intercorrelations among the four expenditure categories (for example, $r = .975$ between administration and social and community services) indicate potential

multicollinearity, which is taken into account when interpreting the composite model.

Table 3: Pearson correlation matrix

	GDP	GAEXP	GSCEXP	GECEXP	GTEXP	INFLT	EXRT
GDP	1.000						
GAEXP	.955	1.000					
GSCEXP	.949	.975	1.000				
GECEXP	.850	.907	.905	1.000			
GTEXP	.871	.931	.930	.807	1.000		
INFLT	-.281	-.148	-.180	-.073	.003	1.000	
EXRT	.635	.780	.797	.675	.896	.147	1.000

Source: Authors' computation (2026). All monetary variables are in logarithms.

4.3 Regression results

Table 4 presents the four bivariate (log-log) regressions used to test Ho1–Ho4. Each expenditure category shows a positive slope that is significant at the 1% level. The elasticities suggest that, all else being equal, a 1% rise in administration expenditure is associated with approximately a 0.90% increase in GDP.

Similarly, social and community services show a 0.92% increase, economic services 0.92%, and transfers 0.77%. The models fit the data well, with R^2 values ranging from 0.72 to 0.91. However, the low Durbin–Watson statistics indicate positive serial correlation, which is common in bivariate regressions with trended annual data and warrants cautious interpretation.

Table 4: Bivariate regressions of GDP on each expenditure category

Predictor (model)	Coeff.	Std. error	t	p	Adj. R ²
LogGAEXP (1)	0.904	0.066	13.696	0.000	0.908
LogGSCEXP (2)	0.770	0.060	12.783	0.000	0.895
LogGECEXP (3)	0.922	0.135	6.854	0.000	0.708
LogGTEXP (4)	0.769	0.102	7.524	0.000	0.745

Each row is a separate bivariate regression with LogGDP as dependent variable. F-statistics (all $p < .001$): 187.58, 163.40, 46.98, and 56.61 respectively.

Note. Authors' computation (2026).

Table 5 reports the composite model (Equation 5), which tests Ho5. The model explains 96.7% of the variation in GDP (adjusted $R^2 = 0.967$) and is jointly significant ($F = 93.083$; $p < 0.001$), with a Durbin–Watson statistic of 1.118. In the joint specification, administration ($\beta = 0.512$; $p = .029$) and social and community services ($\beta = 0.478$; $p = .024$) remain significant. Transfers are marginally outside the 5%

threshold ($\beta = 0.344$; $p = .056$), and economic services turns negative and is insignificant ($\beta = -0.170$; $p = .203$). The exchange rate is significantly negative ($\beta = -0.989$; $p < .001$), and inflation is insignificant ($p = .550$). The shift in the economic-services coefficient between the bivariate and joint models is consistent with the high collinearity among the regressors noted in Table 3 and should be interpreted with that caveat.

Table 5: Composite multiple regression (dependent variable: LogGDP)

Variable	Coeff.	Std. error	t	p
Constant	1.268	0.296	4.362	0.001
LogGAEXP	0.512	0.209	2.450	0.029
LogGSCEXP	0.478	0.187	2.560	0.024
LogGECEXP	-0.170	0.127	-1.340	0.203
LogGTEXP	0.344	0.164	2.103	0.056
INFLT	-0.269	0.438	-0.613	0.550
LogEXRT	-0.989	0.209	-4.729	0.000

Adjusted $R^2 = 0.967$; $F = 93.083$ ($p < .001$); Durbin–Watson = 1.118; SE of estimate = 0.054.

Source: Authors' computation (2026).

4.4 Test of hypotheses

On the basis of the bivariate models (Table 4), Ho1, Ho2, Ho3, and Ho4 are each rejected: administration, social and community services, economic services, and transfer expenditure each have a positive and significant effect on GDP ($p < .05$). On the basis of the composite model (Table 5), Ho5 is rejected:

the four categories jointly exert a significant effect on GDP ($F = 93.083$; $p < .001$).

4.5 Discussion of findings

The significant positive effect of administrative expenditure indicates that maintaining the state's functional apparatus—internal security, defence, and the

rule of law—provides the stability within which economic activity expands. This aligns with the study's a priori expectation but contrasts with Kenechukwu *et al.* (2024) and with the negative result reported by Duruibe *et al.* (2020). The positive effect of social and community services expenditure supports the human-capital channel, whereby investment in health and education raises long-term productivity, consistent with the findings of Chiadika and Egbon (2024) and Duruechi and Chigbu (2022). Economic services expenditure exhibited the strongest bivariate elasticity, underscoring the role of infrastructure, agricultural support, and industrial provisioning in expanding productive capacity, consistent with Duruibe *et al.* (2020). The positive effect of transfer expenditure suggests that pensions, gratuities, and debt-related payments raise the purchasing power of households and firms, thereby stimulating aggregate demand.

The significant composite effect supports the Keynesian proposition that public expenditure stimulates output through aggregate demand (Keynes, 1936), consistent with Ekpo *et al.* (2022) and Elaigwu and Ali (2024). At the same time, the significantly negative exchange-rate coefficient indicates that naira depreciation dampened measured growth over the period, and the sign change in economic services in the joint model cautions against overinterpreting individual coefficients when regressors are highly collinear. Taken together, the results affirm that the functional composition and the efficiency of execution—not merely the volume of spending—condition the growth payoff of public expenditure.

5. CONCLUSION AND RECOMMENDATIONS

The study concludes that government expenditure is an indispensable catalyst for economic growth in Nigeria's fourth republic. The four functional categories of expenditure, both individually and collectively, exert significant positive effects on GDP, providing robust support for the Keynesian view of strategic government intervention. A central caveat, however, is the growth–development paradox: a positive statistical association with GDP has not fully translated into qualitative development, partly because allocated funds have tended towards recurrent consumption rather than transformative capital projects. Effective budget execution must therefore be judged not by how much is spent but by how well expenditure addresses structural bottlenecks.

On the basis of these findings, the study recommends that;

1. Institutional and security frameworks should be strengthened, given the significant effect of administrative expenditure on technology-driven surveillance and adequate cash-backing for security operations, so as to reduce insecurity that deters domestic and foreign investment.

2. A graduated path towards the UNESCO benchmark for education funding should be adopted, accompanied by independent implementation audits to ensure that released funds are used for pedagogical and infrastructure improvements rather than for personnel costs alone.
3. Capital over recurrent execution should be prioritised, for example, by anchoring the capital-to-recurrent ratio at no less than 40:60, to maximise the strong growth elasticity of economic-services expenditure on power, roads, and rail.
4. Revenue diversification and prudent deficit management should be pursued through tax automation and the formalisation of the informal sector, so that execution is financed by sustainable internal revenue rather than volatile borrowing.

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