GOVERNMENT EXPENDITURE PATTERN AND NIGERIAN ECONOMIC PERFORMANCE 1990-2014

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ABSTRACT

This study investigated the impact of government expenditure pattern on macroeconomic performance in Nigeria. A time series longitudinal quasi experimental research design was used for the investigation. A sample of 25years period starting from 1990 to 2014 was chosen for the study. Data for the study was sourced from the Central Bank of Nigeria Statistical Bulletins for various years and the National Bureau of Statistics of Nigeria and analyzed by the use of E-view statistical tool. From the Findings, there is no significant impact of both government recurrent and government capital expenditures on inflation; indicating that total government expenditure within the period under review is not enough to generate significant inflation in Nigeria. Hence, the study concludes that of government capital expenditure (GCEXP) is mainly very important in ensuring effective and efficient stimulation of the growth progress and improved living standard in Nigeria. Based on the above, the researchers recommend that Government should lay more emphasis on capital expenditure in order to boost macroeconomic activities; there should be fiscal discipline to ensure that budgetary allocations for improved macroeconomic performance are not misappropriated; the main causes of changes in inflation rate such as the government policy which are not covered in the scope of this study should be reconsidered. Finally, the plan and implementation of public expenditure pattern should involve the relevant stakeholders in order to ensure the actualization of the intended economic objectives.

Keywords: Government Expenditure, Fiscal Policy, Inflation and Nigeria.

INTRODUCTION

It appears pleasant when all or major part of the resources needed by an individual is adequately available at the appropriate time of need. This can be ensured if there is stability in political and economic policies and such policies are made for the betterment of the citizenry. However, the citizens on their part need to develop a creative skill that will enable them improve on their standard of living, health, education which eventually brings growth and performance of the economy. The importance of macroeconomic performance in every nation can therefore not be overemphasis. A well performing economy has a high level of production, reasonable employment opportunities, economic and price stability, high standard of living, improved investment opportunities and overall social well-being of individual and the country at large. Hence, this is the attribute of a developed economy. Conversely, developing economy has the reverse features to that of developed ones.

The alarming nature of corruption (such as embezzlement of public funds) which has eaten up every sector of the country's economy calls for attention. Virtually all the economic units (individual, firm and government) are affected. Government funds are siphoned and in many cases deviations in budgeted items resulting to deficit balance of payment is the bedrock of Nigerians economy. Individual wants rather than group wants is paramount to political administrators. Polices are made to suit a particular group leaving the poor to become poorer and the rich become richer. Todaro and smith (2005) postulate that, 'development economics is for poor developing nations with the diverse characteristics. Nigerian economy as a developing nation exhibits the six characteristic of developing nation stated by Todaro and Smith. Accordingly, Todaro and Smith list the six features of developing countries to include: poor standard of living, education, health and poor equitable distribution of income among others.

The economy of the country keeps deteriorating on a daily basis. Poverty, low production resulting to low GDP, unemployment, poor standard of living, insecurity, economic, price and political instability to mention but a few has become the bedrock of the economy. Excessive importation of desired product and massive adverse trade balance are presently the issue on ground causing unfavorable climate for residence and non-residents persons. This excessive importation scandal causing deficit balance of payment and depreciation in currency value are all unfavorable impediments to the economy.

Government inputs which are supposed to produce laudable results in terms of economic growth and development yield little or no result. Billions of naira budgeted for government projects seem to be insignificant to the economy. In addition, CBN publication shows that Nigeria budget is more on recurrent expenditure than on capital expenditure. For instance, the budgets of years 2011 to 2014 are ₦3314.51:₦918.55; ₦3325.16:₦874.83; ₦3689.06:₦1108.39; and ₦3417.58: ₦783.12 for recurrent and capital expenditure respectively all in billions. One may be force to ask the following questions: Why is Nigerian budget more on recurrent expenditure? Could it be that the multiplier effect of recurrent expenditure is more than that of capital expenditure in the economy? Is it as a result of padding that makes the budget to be more of recurrent expenditure? Is it because recurrent expenditure cannot be easily verified? Could it be that ghost workers are in existence in public sector of Nigeria? Which pattern of expenditure has a rapid increase in the economy? Did these patterns of government expenditure affect macroeconomic variables? The answers to these questions will go a long way in establishing positive or negative influence of government expenditure on the economy.

Therefore, the researcher is interested in discovering which area of government expenditure will be advisable to budget more, capital or recurrent, and the ascertainment of its relationship with the economic performance.

Aim and Objectives

The main aim of this study is to examine the impact of government expenditure pattern on economic performance of Nigerian Economy. However, specifically the objectives of this study are, to:

1. Examine the impact of government recurrent expenditure (GREXP) on Inflation in Nigeria and
2. Evaluate the impact of government capital expenditure (GCEXP) on Inflation in Nigeria.

Research Question

The researcher poses the following questions, to what extent does -

1. Government recurrent expenditure (GREXP) impacted on Inflation in Nigeria?
2. Government capital expenditure (GCEXP) impacted on Inflation in Nigeria?

Research Hypothesis

H01: Government recurrent expenditure (GREXP) does not impact on Inflation Rate in Nigeria and

H02: Government Capital expenditure (GCEXP) does not impact on Inflation Rate in Nigeria.

REVIEW OF RELATED LITERATURE

Theoretical Review

Peacock and Wiseman's Theory of Expenditure: The theory was formulated in 1961. Peacock and Wiseman maintained that government expenditure increases not in a straight or continuous way, but in "Jack or Stepwise" manner. Sometimes, according to the authors certain public or other conditions happen which shows the importance for rise in government expenditure, which the current level of revenue cannot meet. Consequently, increase in government expenditure will expose the shortfall of the existing level of revenue (Adams 2013).

Wagner Law of Increasing State Activities: Another Economist named Adolph Wagner has its contribution to increase state activities which he derived from historic facts of German. He maintained that every government has an inherent tendency to expand its government expenditure so as to speed up the rate of growth of government sectors when compared to the economy at large. Wagner's theory is likely to disclose three (3) aspect of government expenditure; viz a) Absolute level of government expenditure, b) The proportion of government expenditure to Gross National Product, & c) Part of public sector in the entire economy. In Bhatia 2012, Musgrave believe was that Wagner was referring to item C above. Accordingly, Bhatia maintains that Wagner's law fails to disclose those items of government that its expenditure has to increase. Bhatia further affirms that increasing the state activities is a long term phenomenon. He also put it that in the short run there is experience of financial difficulties and other hurdles. He concludes that in the long run development will always overcome these financial difficulties and hurdles.

The Solow Model: Solow, a professor in economics develops his model on the assumption that there is a fixed proportion in production. Solow depicts a progressive production function which links outputs to inputs where labour and capital can be substituted. Solow's model has the following assumption as noted by Jhingan, 2012: i) production of one commodity is involved; ii) output is recorded after deducting depreciation of capital and is known as net output; iii) the production function is homogenous, more so there are constant returns to scale; iv) the reward for both labour and capital as factors of production are based on marginal physical productivities; v) there is flexibility in prices and wages; 6) full employment of labour is unending; 7) there is equally, full employment of capital available; 8) labour and capital are substitutable; 9) technical progress is neutral and 10) there is constant saving ratio.

From the above assumptions; it can be observed that Solow depicts the free market and a mono product economy as a focus of assessment. Solow builds his model on a country that invests most of its resources on a product. Like the case of Nigeria where everything possible can be done to secure oil because of its major source of revenue. Huge sum of money is invested on security to safeguard crude oil. Hence the dependency of Nigeria is mainly on a single product (crude oil) rather than investing on other products like agriculture, education and infrastructural development to mention but a few.

Also, the composite nature of the product means that the product can be able to serve various purposes. Nigerian oil can serve various purposes; such as revenue generation, international relationship as a result of trade, medicinal nature and so on.

Empirical Review

Government expenditure impact on economic performance is discussed by Irena whose work was done in Czech Republic taken the periods 1995 to 2010. According to him, a cross correlation was adopted. The analysis was done through Johansen co integration test then the error correction model was used to estimate the relationship between output and government expenditure in the long-run. The result reveals the existence of a weak relationship in the long-run between non-investment transfers to population and household consumption at the standard level only. However, the total GDP have a strong positive correlated to total government expenditure and current government expenditure and moderately positive correlated to capital government expenditure.

Another work by Rei (2014) on Government Expenditure and Macroeconomic Performance was published in New York and conducted in five OECD countries. He classified his investigation in two phases. According to him the first phase investigates a relationship which is nonlinear between government expenditure and macroeconomic performance. The second phase studied fiscal policy and economic activity for four nations East Asian, Latin, Europe and American. The first phase of Rei's study estimates a threshold model by applying the Hansen's1996, 1999 and 2000 test. He relates a quarterly real GDP to its three measures of government expenditure which are government consumption, government investment and total government expenditure for five OECD nations in periods 1970 to 2008. Findings for the first phase reveal that a strong nonlinear link between government spending and macroeconomic performance for all three measures of government expenditure in five OECD countries exist. The result also reveals the effects of the components of government spending and its relevance. Accordingly, government investment on macroeconomic performance is quite different from that for government consumption. Finally, the different countries studied indicated specific variations in its result pattern.

The result of the second phase suggests that real per capita income has been favored by fiscal policy on infrastructure spending in the short-run. In the long-run energy spending on real per capita income are also positive, while those of transport and communications spending are strongly negative. Equally, social spending appears to have a positive relation with economic growth in the long-run. In the short-run however, the relationship between education spending and real per capita income growth is negative while that of health spending are positive. Moreso, in both short and long-run, a rise in government consumption expenditure brings about a negative correlated economic growth.

Olusegun (2014) in his study "Government Expenditure in Nigeria: Determinants and Trends", examines the impacts of capital and recurrent expenditure on government total expenditure pattern using a time series from 1974 to 2012. Johansen estimation technique was also used for his analysis which resulted to enlargement of fiscal policies through increasing the total expenditure by disaggregating the components of government expenditure. Olusegun come to a conclusion that total government expenditure and capital expenditure pattern are resistant to shocks in government revenue while government recurrent expenditure is not. Hence, a positive significant relationship exists between governance and recurrent expenditure. Nevertheless, Olusegun stated that the components of expenditure are not affected by any components of governance.

Moreover, Taiwo and Abayomi (2011) result indicated that there exist a significant positive relationship among GDP versus capital expenditure and GDP versus recurrent expenditure during the period of 1970 to 2008 studied. However, their study fails to identify particular component that contributes higher than the order. Woko (2013) dissertation on the same topic of study covers periods 1960 to 2010. According to him, though the two constituents of government expenditure generally contributed to economic development in Nigeria in the period under investigation, recurrent expenditure contributed more than capital expenditure. He further explained that this lop-sided expenditure pattern is incapable of engendering sustainable economic development since it implies that there is an obvious neglect of the critical sectors of the economy that are supposed to be addressed through aggressive capital expenditure. He then concludes that the weak scenario in the economic development trend in Nigeria is traceable not only to the unimpressive expenditure pattern but also on corruption which erodes the development that capital expenditure of the government is supposed to drive the economy.

It can be observed that the two proxies for government expenditure pattern use by Woko are recurrent expenditure and capital expenditure. Hence, his result discloses that recurrent expenditure contribution exceeds that of capital expenditure.

Furthermore, Omo and Usenobong (2013) studied the Long Term Determinants of Government Expenditure: A Disaggregated Analysis for Nigeria (1960 – 2010). According to them, the determinants of Nigeria government expenditure include economic, political and demographic factors. Economic factors as discussed by these authors comprise of the inflow of foreign aid to Nigeria which they observed that leads to expansion of government recurrent expenditure on administration as against capital expenditure. They further explain that the expansion of government recurrent expenditure is dependent on the revenue. They however suggest that Nigeria economy which the major source of revenue is oil should be diversified to improve the internally generated revenue. Another factor discussed by these authors was the political factor. Their investigation reveals that capital expenditure is more during the military regime than in civil administration. Accordingly, much of government spending during election is recurrent in nature. They thereby advised that elections in Nigeria be extended to a term of six years before conducting another election to give space for initiation and completion of long term capital projects. Also efforts should be made to cut down election expenses and a two-party system be maintain.

Conceptual Review

Concept of Government Expenditure

Government expenditure (public expenditure or government spending) can be seen as expenses by the government for its maintenance, social and economic well-being of its citizens, transfers and for the benefit of other countries.

Mpamugo (2013) defines expenditure as actual payment or future payment obligation created as a result of some benefit item or services received. He further defines government expenditure as the expenditure made by national, state or local governments and their agencies. Bhatia (2012) see government expenditure as expenses, including transfers, which a government disburses for its own maintenance, the societal and the economical maintenance and the assistance to other countries. Therefore, government expenditure can be seen as expenses made by the government for the wellbeing of the citizens and society at large. Gberegbe and Leyira (2012) opined that public expenditure is the beginning and end of the collection of revenues by the government. They maintained that sub headings under government expenditure may include but not limited to: classification of government expenditure, canons or principles governing government expenditure and its effects on production, employment, income distribution, stability and growth.

Canons of Expenditure

These are the principles that guide government expenditure decisions. The canons of expenditure are:

3. Canon of Economy
4. Canon of Benefit
5. Canon of Sanction and
6. Canon of Surplus

Canon of Economy: This principle suggests that wastage in resources should not be allowed since resources are scarce related to its needs. Bhatia (2012) affirm that public expenditure is the financial counterpart of the resources which the government uses up directly or places at the disposal of certain sections of the society for this purpose. He therefore states that, it is essential that the process of government expenditure should not include the excessive use of resources more than required. According to him utmost care must be taken to avoid wasteful usage of public funds.

Canon of Benefit: This canon affirms that all item of expenditure have to be look at in the perspective of its anticipated benefits which can take numerous forms. Compliance to this canon means compliance of the social advantage (that is canon of economy) discussed above.

Canon of Sanction: This canon specifies firstly, that no government funds should be used without proper authorization and secondly that funds should be only use for the purpose for which they are sanction. The idea behind this is to avoid misappropriation of funds and to guide against unwanted expenditure.

Canon of Surplus: This canon should actually be interpreted to mean that the government should avoid deficit budgeting, at least a persistent one. It should always try to match recurrent expenses current revenue in order not to run into debt. Since it may not be possible to completely avoid a budgetary deficit every year, the state should aim at moderate budgetary surpluses to counterbalance them. If on account of war, etc., a large deficit has to be incurred, then the government should try to pay off the incurred debts at the earliest. This canon, however, no longer finds favour with the fiscal authorities or with prevalent economic thinking (Bhatia 2012). Bhatia maintains that budgetary deficit adds to the net indebtedness of the government; a budgetary surplus causes a reduction in it, and a balanced budget does not change it.

The Purposes/Functions/Roles of Government Expenditure in Nigeria

In order to show transparency it is mandated that government present their spending revealing the items that make up the total expenditure. Such presentation will reveal amount spend on Education, health, Administration and so on which make up the total expenditure. Oladokun 2002 stated that 'this type of presentation of government expenditure is referred to as functional classification of government expenditure.

However, the main purpose of government expenditure in a developing economies according to Oladokun include: eradication of illiteracy; improvement of health facilities; bridging the wide income gap; reduction of unemployment and inflation; improving the people's standard of living and ensuring balance of payment equilibrium among others. To support this exertion, Adams (2013) opined that, Government expenditure has significant part in decreasing regional inequalities, creation of infrastructure use for communication and transportation and so on all geared towards economic growth and development. However, it can be noted that government spending cannot be done without following the policies and financial regulation of the country. Also the determinant of the rate by which these government expenditures impacted on the economy is the pattern the policy of the year dwell more on. Spending as earlier mentioned is chiefly dependent on revenue generated. Although there are conditions in which the revenues generated are not considered in spending. Government policies also suggest the line of spending of government. For instance, Nigerian budget in 2014, place more emphases on creating more jobs and making growth more inclusive. Such policy when applied will help integrate the poor into worldwide value chains which is vital for poverty reduction.

Government Expenditure Pattern in Nigeria

The pattern of government expenditure in Nigeria can be classified under Government Recurrent Expenditure and Government Capital Expenditure.

Recurrent expenditure is known by some authors as current expenditure or revenue expenditure. Frank and Alan (2008) see recurrent expenditure as revenue expenditure and define it as expenditure which is not consumed on increasing the value of non-current assets, but is earned in running the business on a daily basis. Modebe at al opined that, Current expenditure is recurrent expenses or spending on consumables which only last a limited time period. According to them, they are things that are used up in the course of providing for goods or service. Moreover, Modebe at al explain that, for the public, recurrent expenditure includes wages and salaries and spending on consumables such as bandages, stationery, drugs and so on. Oziengbe (2013) sees recurrent expenditure as expenses on salaries and wages, goods and services and also spending on current grants and subventions. Oziengbe maintain that recurrent expenditure with the exclusion of transfer payment is the same as government final consumption expenditure. However, according to Oziegbe, the direction of government expenditure is usually spelled out in the annual budget each year.

From the foregoing, we can therefore define government recurrent expenditure as government spending of a continuous basis on current assets and non-current assets which do not intend to add value to the assets in question. On the other hand, government capital expenditures are government money spent in securing or renovation of assets like buildings and machinery. Capital expenditure can also be called capital expense as well as capital spending. It includes government expenditure on road construction, purchase of new assets, renovation of existing assets, Installation of power and pipe-borne water to mention but a few. Frank and Alan (2008) state that capital expenditure is incurred in two ways: adding value to existing non-current asset and buying a new non-current asset. Explanations made by Modebe, Okafor, Onwumere and Imo (2012) resolved that, spending made on asset is capital expenditure. According to them, it is the acquiring of items that could be used over and over again in the provision of goods and services. In support to this concept, Oziegbe, 2013 states that capital expenditure is the amount spent in the acquisition of fixed assets which last more than one accounting year also amount spend in improving and upgrading them.

Economic performance as it is used in this work referred to macroeconomic performance. It can be said to mean changes occurring in macroeconomic variables such as growth represented by GDP, price stability represented by inflation, equitable distribution of scarce resources and full employment among others represented by per capita income. Jhingan (2013) states that macroeconomics is the study of aggregates or average covering the whole economy, such as employment opportunity, unemployment, national income and output, investment opportunities among others. Ohale and onyema (2002) posit that macroeconomics is concerned with the level and determination of the activities for the whole of the national economy. Gbanador (2007) state that macroeconomics is concerned with the overall performance of the economy and seeks to analyze the functional relationship among aggregates of the economy such as the general price level (inflation), aggregate employment, aggregate investment and economic growth.

Inflation is an extremely controversial issue which has undergone change from the time when it was first defined. Inflation is a persistent increase in the price of goods and services of a country within a particular period of time. It can be seen as a continuous increase of prices of goods and services. It can be measured as yearly one hundredth increase. In addition, the present day Economics like Jhingan, (2013) see Inflation as a persistent increase in prices which may be of various sizes. Ohale and Onyema (2002) affirm that inflation is the persistent upward movement of the prices of goods services in the economy.

How Is Inflation Measured?

It is quite challenging for government statisticians to measure Inflation. Inflation are measured by collecting a number of goods and putting them in what is known as market basket, then the price of the basket is compared overtime. The result is known as price index.

Inflation can be measured by two main price indexes, but for the purpose of this work only one will be discussed: Consumer Price Index **(CPI)** – The CPI measures the price changes in consumer goods and services and from the perspective of the purchaser. The CPI according to CPI reports for December 2014 measures the average change over time in prices of goods and services consumed by people for a daily living. In addition, Ohale and Onyema (2002) define CPI as an estimate of how much it costs to buy a typical basket of goods and services in comparison to the base year.

The CPI = Cost of it

Jhingan maintained that the type of inflation is based on the rate of rise in prices.

1. Creeping Inflation: This type of Inflation is experienced when the increase in prices of goods and services is very sluggish usually below 3 percent. Nevertheless, such an increase in prices according to Jhinghan, (2013) is considered safe and essential for economic growth.

2. Walking or Trotting Inflation: This type of inflation involves a moderate rise in the price of goods and services; usually in a single digit, ranging from 3 to less than 10 percent. This inflation rate needs government intervention before it turns out to running inflation discussed hereunder.

3. Running Inflation: This occurs when prices of goods and services increases up to a double digits ranging from 10 to 20 percent per year. Running inflation has adverse effect on people especially the low and middle classes. Strong fiscal measures can be used to control such inflation to avoid it from leading to hyperinflation discussed below.

4. Hyperinflation: In hyperinflation, prices of goods and services escalate up to two or three digits, say, 20 to 100 percent per year. Jhingan 2013, suggested that hyperinflation or sometimes referred to as galloping inflation is uncontrollable and also causes monetary system of a country to fall due to decrease in the purchasing power of money.

Causes of Inflation

There are two major causes of Inflation, they are demand pull and cost-push causes of inflation. Demand pull occurs when the aggregate demand is greater than the aggregate supply of goods and services. On the other way round, cost-push inflation occurs when wages or profit pushes prices to rise.

Costs of Inflation

The cost of inflation depends on whether the inflation is anticipated or not. When the inflation rate agrees to the majority expectation, it is referred to as anticipated, whereas an unexpected inflation is unanticipated.

Challenges of unanticipated inflation

If a country fails to anticipate inflation, there is tendency for such a country to suffer the problems highlighted below:

1. An unanticipated inflation favors debtors whereas creditors loss out especially when there is an incorrect anticipation of inflation by the lender.
2. There is reduction in standard of living as a result of reduced purchasing power for fixed income earners.
3. Consumers are most likely to be conservative in their spending habit because they are unable to determine what future will hold.
4. Finally, inflation is a sign that the economy grows hence should neither be term bad nor good.

Measures to Control Inflation

1. Monetary measures: This measure deal with the reduction of money incomes. It includes the credit control, demonetization of currency and issue of new currency. For instance, inflation of 2013 was kept at a single digit through the adoption of the monetary measure stipulated for the year.

2. Fiscal measures: It is a supplementary measure to monetary measure. It is usually use in controlling expenditure and in investment. Fiscal measures involves increase in taxes; reduction in excessive expenditure and increase in savings among others.

CONTEXTUAL (OPERATIONAL) FRAMEWORK

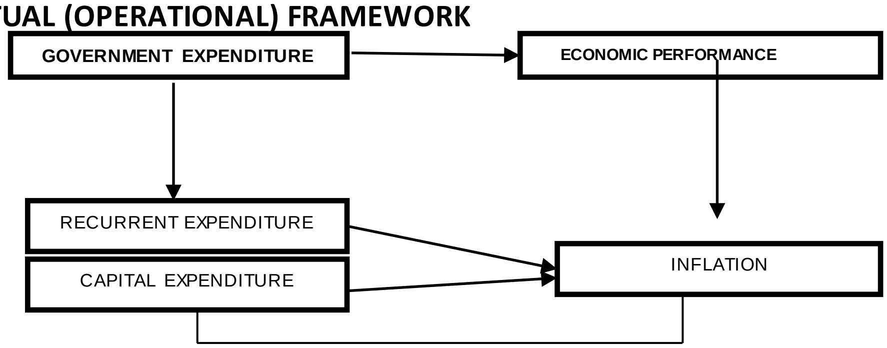

Fig.1

Financial Regulation/ Policies in Nigeria from 1990 To 2014

Simply put, financial regulations are rules that stipulate the controls, disbursement and overall management of all government financial transactions. On the other hand government policies are rules, regulations, measures and procedures undertaken by the government about its maintenance, finances and the economy in general. Government policies includes: fiscal policies (that is rules concerning revenue and spending/ budgetary matters), monetary policies, economic policies etc.

Gberegbe and Leyira (2012) define financial regulations as regulations, which are issued by the minister of finance to control various financial matters and set guidelines and procedures for public accountability'. Equally, Adegun at al (2009) suggested that Government ministries/extra ministerial departments have booklet known as accounting manual where issues relating to finance and account are treated. Hence, this accounting manual is referred to as financial regulation. They further state that financial regulations set out the procedures and steps to be followed in treating most of government transactions.

Fiscal Policies in Nigeria

Furthermore, Budgetary or Fiscal policy comprises of steps and procedures taken by the government in respect to the receipts and expenditures sides of its budget, including rules, regulations and procedures relating to them (Bhatia, 2012). For example, the aim of year 2000 budget policy in Nigeria was intended to encourage growth and stability of the economy at large. It can be observed that this government policy drive towards development of the economy in such areas as; achieving low inflation rate, encouraging the private sector, reduction in unemployment rate, improvement in agricultural production and raising the standard of education, to mention but a few in the country.

In Addition, as a result of down fall, witnessed in revenue generation in the oil sector in 1998, the main program in 1999 budget was fiscal adjustment. The aim of instituting this program is to improve revenue generation in Nigeria. Such measures as deregulation of domestic oil prices by elimination of subsidy of domestic consumption of petrol product and introduction of a consumption tax on petro products are all made to increase the expected revenue. Also, there was rise in government capital expenditure (GCEXP) to the tune of ₦67 billion in excess of the budget in 1997. Nonetheless, the government recurrent expenditure (GREXP) rose to ₦48 billion more than the year's budget. This is due to increase in public sector salary effective First September, 1998.

Monetary and Exchange Rate Policy

Equally, monetary policy is another aspect of government policy that affects the economy of a country. Ike (1986) sees monetary policy as 'a deliberate effort made by the Government through the Central Bank of Nigeria to control the supply of money and conditions of credit for the purpose of achieving certain wide economic objectives'. The inauguration of bank consolidation was in 2004. By 2005, the central Bank of Nigeria (CBN) demanded that all deposit banks should increase their minimum capital base from about US$15m to US$192m. This policy attracted about $652m of Foreign Direct Investment (FDI) into Nigerian banking sector.

Inflation rate was brought down from 77% in 1994 to 10% in 1997; during this period, exchange rate remains stable. In 1994, there was imposition against contraction of new debt. Ending of year 1998, the stock of debt stood at US$28.8 billion and of this sum, US$17.7billion was owed to Paris Club Creditors. In 2012, monetary policy maintained inflation rate at 12%. In 2013 the policy was to reduce inflation rate to a single-digit which later became effective after five years of double-digit inflation rate.

Macroeconomic policy

Macroeconomic policy refers to any policy proposed to influence the behavior of essential macroeconomic variables, such as the inflation and unemployment (Gbanador, 2007). CBN (1994) states that, it is related with the manipulation of macroeconomic variables by the agencies in charge of economic policy manipulate so as to attain some anticipated objectives. Okonjo-Iweala and Osafo-Kwaako (2007) specified some macroeconomic policies in Nigeria. Accordingly, they stipulated the following; macroeconomic reforms, structural reform and so on.

Government Expenditure Pattern, Economic Performance and Financial Regulations/Policies in Nigeria

This section discusses how the three variables under this piece of work are interrelated. In Nigeria, government annual budget passes through four phases before it is approved as a working tool. There exists also the federal minister of finance who gives order for expenditure to be incurred under each vote head. This authority to incur expenditure is a warrant given under the financial regulation. The financial regulation is however implemented based on the fiscal policies for the year. Fiscal policies which are government plan of how revenue for the year can be generated and the related expenditure (recurrent or capital) that should be incurred is the main parameter for determining government expenditure in Nigeria. In support of to the above statement, Adegun at al (2009) opined that, expenses of the public sector agree with the provisions of the Appropriation Acts and financial regulations'. As such all payments should receive due authorization as to avoid misappropriation. Then the multiplier effects of government expenditure on economic performance rest on the pattern of expenditure government embark on.

From 1990 till now (which the study represents) it can be observed that the pattern that takes the high expenditure of the government is the recurrent expenditure with the exception of years 1996 to 1999 in which the capital expenditure is higher. The issue of budgeting more on recurrent expenditure should be reconsidered as since independence till now Nigeria is still considered as one of the developing countries. Let us try to budget more on capital expenditure and see what effect it will have on the economy. Little wonder the president made a vow in Premium Times of December 12, 2015 that he will cut Nigerian's recurrent expenditure and give precedence to capital expenditure in national budgets. This speech if put to practice seems to be a right step in a right direction to the development of our country Nigeria.

Furthermore, the finance minister during president Obasanjo regime, Ngozi Okonjo-Iweala, made a great impact in the development of the country. She led the group that discussed for the cancellation of a portion of Nigerians external debt amount to US$18 billion which is 60% of Nigerian's debt to the Paris club in 2005. This act led to the reduction of country's debt to US$5 billion from US$35 which is used to be. Equally, in 2007, the Fiscal Responsibility Act was introduced. This act limits the borrowing condition of the country.

Moreover, Okonjo-Iweala and Osapo-Kwaako (2007) identified macroeconomic reforms embark in Nigeria from 1971 to 2005 to include: real GDP growth and inflation, fluctuations in government revenue and expenditure leading to macroeconomic volatility, privatization, civil service reform, trade policy reform and institutional and government reforms among others. However, when government spends money for providing infrastructural facilities like roads, bridges, electricity, pipe-born water industrial layouts, etc. in both rural and urban areas, it amounts to a good support to the productive sector, with the result that private sector participation in various aspects of the economy is enhanced. Government expenditure generally increases the level of production as well as influences the production mix and output composition. Through appropriate resource allocation by the government, production can be increased in Nigeria. It is evidence that high productivity entails high GDP. If a country invests more on capital projects, there is the tendency that the country will grow speedily.

Also, if government expenditure is made to be more beneficial to the poor than the rich, it leads to income redistribution. For instance, if government introduces progressive system of taxation and utilizes the proceeds to embark on low cost houses, free medical services, unemployment benefits, free education, etc. the effect would be that the variations in income level of the rich and the poor would be reduced. Another assumption is that the revenue and government expenditure are equal. Given this assumption, government expenditure has the effect of restoring the flow of purchasing power to the level prior to the extraction of tax. This is because if government levies taxes, which is a withdrawal from the circular flow, it also uses the tax revenue to pay workers and others factor owners in an effort to provide goods and services for the masses. The whole amount directly and almost immediately flows back into the income circular flow. Again, if government incurs expenditure on goods produced by business firms, the firms also use the fund to acquire factor inputs thereby releasing the money into the circular flow of income. Furthermore, part of the tax revenue goes directly to individuals in the form of transfer payments such as, bursary awards, pension and gratuity etc. as the recipients spend it, the money is injected back into the circular flow of income.

It can be noted from the above discussion that the economy of any country performs very well if the government of such country contributes effectively to it and its contribution relates to the policy statement for the year.

Identification of Gap

However, it can be observed from the above literature reviewed that no empirical work to the best of the researchers' knowledge has been done on government expenditure pattern and economic performance in Nigeria from periods 2011 to 2014. The few ones on government expenditure and economic development do not consider the era Nigeria rebased its economy specifically. Also, government expenditure is not separated into its components of recurrent and capital expenditure by most of the authors in order to determine the impact of each component on the economy. In order to fill the existing gap, this present study intends to incorporate one of the eras when Nigeria rebased its economy's GDP standing as 1990 to 2010 and to also consider this period which stand out to be researched on this topic for a more reliable result. Hence, this study aims at examining the impact of government expenditure pattern on economic performance in Nigeria from 1990 to 2014.

RESEARCH METHODOLOGY AND DESIGN

According to Baridam research design can be of two types: the experimental and quasi experimental designs. However, the appropriate research design for this study is quasi experimental. This is because it comprises of a set of empirical study involving human beings that lack the basic attributes of experimentation. Quasi experimental designs, sometimes called surveys, constitute a class of empirical studies with human beings that lack two of the usual features of experimentation (Baridam 2008).

Moreover, the time series longitudinal survey design is adopted for the study. It became expedient to adopt this design because it involves trend and development between periods. Nwankwo (2011) postulated that in a longitudinal development survey, a sample is usually composed from a population, and this sample is studied from time to time to identify the trend of development of any particular variables of interest to the researcher. It can be observe that ever since Nigeria got independent, the above topic has been on study to ascertain the level of development of the country (Nigeria).

Model Specification: In carrying out any research that involves the relationship of variables, the econometricians first need to express the relationship in mathematical form, this is known as specification of model (Koutsoyiannis, 1977). The above statement according to the author is named the model specification of the model. At this juncture, it therefore became imperative to specify the model used for this study.

In the establishment of the relationship between the variables, the functional forms of the models are expressed thus:

ECOPERF = f (GREXP, GCEXP) ……………………………….A

In simple terms the functional relationship of the models are expressed as follows:

INF = f (GREXP)………………………………….3.1

INF = f (GCEXP)………………………………….3.2

Expressing equations (3.1and3.2) in explicit forms:

INF = B_{03} + B_1 GREXP + Et ………………………...3.1.1

INF = B_{04} + B_2 GCEXP + Et ………………………. 3.2.1

Where:

ECOPERF = Economic Performance

GREXP = Government Recurrent Expenditure

GCEXP = Government Capital Expenditure

INF = Inflation Rate

Where: Et = Error Term.

B_{01} and B_{02}areConstant Parameters (that is intersects which measures the value of the dependent variable when the independent variable is at zero).

B_1 and $B_2$are Slope Parameter

A Priori Expectation

The A priori expectation provides the expected sign of the coefficients of the regressors in line with prevailing theories. Based on A priori grounds, government capital and recurrent expenditures are expected to relate positively with inflation. Hence, the expected signs of the estimated parameters include: $B_1>0$ and $B_2>0$

Methods of Data Analysis

The technique to be adopted for analyzing the data obtained from the CBN Statistical Bulletin and NBS is the Ordinary Least Square (OLS) cued in E-view computer package. The choice of this method is informed by the fact that its estimate possesses the characteristics of best linear unbiased estimate (BLUE). However, for the measure of economic performance and government expenditure this method is appropriate for analyzing the relationship between the variables.

Basis of Decision

A confidence level of 95% is used for the analysis of data. Any probability value that is lower than 5% calls for the rejection of the null hypothesis and vice versa and as such determines the significance level of the hypothesis. Also, the R^2 value measures the percentage of changes in the criterion variable that is explained by the predictor. However, the Durbin-Watson (DW) determines if there is serial correlation in the model. More so, any Durbin-Watson (DW) value which is below the upper bound critical value of 1.46 at 25 with K=1 explanatory variable shows evidence of autocorrelation in the model and vice versa.

DATA ANALYSIS

The data sourced from the CBN Statistical bulletin and the NBS was analyzed using Ordinary Least Square (OLS) method through the application of E-views Statistical package. The regression results for the six models are presented as follows:

Regression Result for Model one- $INF=B0_1+B_1GREXP+ET$

The fifth model has inflation as the dependent variable and government recurrent expenditure as the explanatory variable. Table 4.2.5 shows the result.

Table 4.1.1: Regression result for model 1

Variable	Coefficient	T-statistic	Probability value
C	21.09552	5.36	0.0000
GREXP	-0.000118	-0.74	0.46
R-Square = 0.023, Prob. (F-Statistic) = 0.47, DW = 0.60			

The result in table 4.1.1 above shows that government recurrent expenditure exerts a negative influence on inflation, a proxy for price stability. An increase in government recurrent expenditure will cause inflation to decrease by 0.000118. From the R-square (0.022), government recurrent expenditure only accounted for 2 percent variations in inflation during the period under review. Also, the F-test shows that the entire model is statistically insignificant at 5 percent significance level given that its probability value (0.46) is greater than 0.05. However, the DW value (0.60) shows evidence of serial correlation given that the associated upper bound of its critical value (1.46) is greater than the calculated value.

Regression Result for Model two- $INF=B0_2+B_2GCEXP+ET$

In this model, inflation is the criterion variable while GCEXP is the regressor. The result is presented below:

Regression result for model 2

Variable	Coefficient	T-statistic	Probability value
C	27.84944	5.37	0.0000
GCEXP	-0.015972	-1.94	0.0652
R-Square = 0.14, Prob. (F-Statistic) = 0.065, DW = 0.78			

From table 4.1.2 above, it was observed that GCEXP has a negative relationship with inflation during the period under review. A percentage increase in government capital expenditure causes inflation to decrease by 0.015972. This finding is in contrary to theoretical expectations. The value of the R-square (0.14) indicate that government capital expenditure accounts for only 14 percent variations in inflation while the remaining 86 percent variation is accounted by other equally importantly variables which were not included in the model, but represented by the error term. The model equally shows evidence of autocorrelation given that the DW value (0.78) is lower than the upper bound of the tabulated DW value (1.46) at n=25 with k=1 regressor. The probability value of the F-statistic (0.065) which is greater than 0.05 is a pointer the entire model is statistically insignificant.

Summary of Results of Six (6) Null Hypotheses Tested

Null Hypothesis (H0)	N	Model Specification	R-squared	Level of sig	P-value	Remark	Decision
HO: 1	25	$INF=B0_5+B_1GREXP+ET$	0.022955	0.05	0.4697	Non-Sig	Do not Reject
HO: 2	25	$INF=B0_6+B_2GCEXP+ET$	0.140082	0.05	0.0653	Non-Sig	Do not Reject

Table 4.3 represented above shows that while government recurrent expenditure insignificantly impacted on inflation; government capital expenditure insignificantly impacted on inflation. These results lead to the rejection of hypothesis one and two.

Summary of Findings

This investigation examines the impact of government expenditure pattern on economic performance in Nigeria. Government expenditure pattern is disaggregated into capital and recurrent expenditures while the indicators or measures of economic performance adopted by this study is inflation a proxy for price stability. The required data for this study was sourced from the central bank of Nigeria and the analysis followed simple regressions with the application of ordinary least square (OLS). Specifically, E-views statistical package was applied in the analysis of the simple linear models and the findings include:

i). The first estimated model reveals that there exists an insignificant negative correlation between government recurrent expenditure and inflation in Nigeria during the period under review. Similarly, government capital expenditure in the second estimated model insignificantly impacted negatively on inflation. These findings do not conform to theoretical expectations but can be attributed to poor institutional characteristics and inconsistency in the coordination policy actions in Nigeria.

Conclusion

The study explores the impact of government expenditure pattern on economic performance in Nigeria. Specifically, the study sought to determine the pattern of government expenditure that yield more in the performance of the country's economy. Government expenditure patterns comprising mainly recurrent and capital expenditures have remained the key determinant of economic performance in most countries, especially developing ones. Accelerating gross domestic product has become a reality through increased government expenditure (particularly capital expenditure). Other economic objectives such as price stability have been identified as being influenced by the components of government expenditure. It is discovered that increased government capital expenditure significantly impacted on economic growth. This is a pointer that government investment is a key driver of economic activities in Nigeria. On the other hand, the insignificant negative impact of both government recurrent and capital expenditures on inflation indicates that total government expenditure with the period under review is not enough to generate inflation in Nigeria. Therefore, it is concluded that government capital expenditure mainly, is very important in ensuring effective and efficient stimulation of the growth progress and improved living standard in Nigeria.

Recommendation for policy

In order to ensure that the intended and desired objectives of government expenditure patterns are achieved given the findings of this study, the following recommendations are proffered:

7. The president of Nigeria should endeavor to implement his vow in Premium Times of December 12, 2015 that he will cut Nigerian's recurrent expenditure and give precedence to capital expenditure in national budgets. This speech if put to practice seems to be a right step in a right direction to the improvement of economic performance of our country Nigeria.
8. Government should lay more emphasis on capital expenditure in order to boost macroeconomic activities. The increase in capital expenditure should be incorporate in the overall policy actions geared towards stimulating the level of economic activities in Nigeria.
9. The main causes of changes in inflation rate which are not covered in the scope of this study should be reconsidered.
10. Finally, the plan and implementation of public expenditure pattern should involve the relevant stakeholders in order to ensure the actualization of the intended objectives.

Recommendation for further studies

In order to specifically identify the effectiveness of government expenditure pattern, further studies should study the impact of government expenditure on key sectors of the Nigerian economy in order to identify the sectors where government expenditure is highly effective.

Contribution to Knowledge

Unlike studies that have been conducted under this topic, this study exposes that each of the components of government expenditure has different impacts they make in an economy. Also, the various measures taken to improve the economy from 2011 to 2014 which have not been studied by other authors is another contribution from this work. Specifically, this study is a pioneer empirical investigation in Nigeria. Other studies of its kind in Nigeria do not look at government expenditure pattern and economic performance.

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