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IMPACT OF GOVERNMENT EXPENDITURE AND INFLATION ON ECONOMIC GROWTH IN NIGERIA

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Abstract

This study seeks to evaluate the government expenditure and inflation on economic in Nigeria using time series data from 2002 to 2023. The objective of the study was to find out if government spending and inflation rate affect economic growth in Nigeria. To achieve these objectives, the time series data were subjected to unit root test to remove the possibility of spurious regression due to non-stationarity of data. A model was formulated and an Autoregressive Distributed Lag (ARDL) Cointegration Technique was used as method of analysis. The variables used in the study were further subjected to bound test and other econometric tests. The data were co-integrated at order 1(1) and order 1(0). The long run relationship of the underlying variables is detected through the F-statistic (Wald test). The ARDL regression results shows that there positive and significant influence of government expenditure on the economic growth in Nigeria measured with LGDP. This result is in conformity with the apriori expectation of positive implication of government expenditure on the economic growth. The study also revealed that inflation rate had positive and significant impact on the growth of the economy in Nigerian. The implication of the results is that the higher the inflation rate, the greater the growth in the economy. This result is not in conformity with the apriori expectation of negativity of high inflation rate to the economic growth. The study therefore recommends that the government being the largest spending agent in any economy, should spend more on infrastructure that will improve the nation economy.

Keywords: Government Expenditure, Inflation Rate, Unit Root Test, Economic Growth, ARDL, Time Series

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Introduction

The common goal of macroeconomic policy worldwide is to achieve high and sustained output growth alongside low inflation. However, there is a question of whether they can coexist without trade-offs. There is recognition that the relationship between inflation and growth depends on the level of inflation. While low levels of inflation may be positively correlated with output growth, higher levels are likely to hinder growth. Threshold models suggest that when inflation surpasses a certain threshold, it becomes highly detrimental to growth, prompting the need for immediate policy adjustments. Government expenditure is crucial in determining national income levels, meeting the needs for potential output, and sustaining the welfare of economies. The overarching objective in both developed and developing countries is to maintain high economic growth with low inflation, with a particular emphasis on improving living standards, especially in developing countries due to the severity of poverty.

Increasing government expenditure can have a long-term detrimental effect on inflation due to various financing methods like tax revenues, government borrowing (local and external), and borrowing from the central bank. According to Keynesians, excessive government spending is a major cause of high inflation rates in developing economies, as it drives aggregate demand above supply, leading to price increases.

In many developing countries, including Nigeria, there has been a consistent rise in government spending without corresponding economic growth and development. This has contributed to price instability, exemplified by Nigeria's double-digit inflation. Additionally, government spending on unproductive projects has exacerbated inflationary pressures. Fiscal mismanagement has hindered Nigeria's economy from achieving low inflation conducive to growth.

Despite significant government expenditures in Nigeria, development remains insufficient. Capital expenditure fluctuates, with sporadic increases over the years, often coinciding with periods of high inflation. Recurrent expenditure, driven by factors like the expansion of the civil service and high emoluments for political officeholders, has surged, leading to fluctuating inflation rates.

Government expenditure and inflation are two critical factors that influence economic growth in Nigeria. Government spending plays a crucial role in stimulating economic growth by channeling funds into infrastructure development, social programs, and other productive sectors. However, misallocation or excessive spending can have adverse effects.

Capital expenditure, which includes investments in infrastructure such as roads, bridges, and power plants, is expected to enhance productivity and foster economic growth. However, fluctuating levels of capital expenditure in Nigeria have not always translated into sustainable growth. For instance, in 2021, Nigeria's capital expenditure reached ₦2522 billion, as reported by the Central Bank of Nigeria (CBN) Statistical Bulletin. Yet, the impact on economic growth remains uncertain (CBN Statistical Bulletin, 2021)

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Recurrent expenditure, comprising expenses like salaries, pensions, and administrative costs, has witnessed significant growth in Nigeria. This trend, driven by factors like the expansion of the civil service and generous emoluments for political officeholders, has strained public finances. Despite its growth to ₦9145 billion in 2021, recurrent expenditure has not always contributed meaningfully to economic growth (CBN Statistical Bulletin, 2021)

The effectiveness of government spending in driving economic growth depends on its allocation towards productive sectors. However, in Nigeria, a substantial portion of government expenditure is often directed towards unproductive projects or consumed by bureaucracy, limiting its impact on development (World Bank, 2021)

Inflation which is the sustained increase in the general price level of goods and services, poses a significant challenge to economic stability and growth. High inflation erodes purchasing power, distorts investment and hampers economic development.

Excessive government spending is identified as one of the primary drivers of inflation in Nigeria. When government expenditure outpaces revenue generation or is financed through unsustainable means like borrowing from the central bank, it leads to increased money supply and aggregate demand, fueling inflationary pressures (World Bank, 2021)

Nigeria has grappled with persistent inflationary pressures, with double-digit inflation rates being common. This price instability undermines consumer confidence, hampers investment, and erodes economic growth prospects (Nigeria Bureau of Statistics, 2021)

The Central Bank of Nigeria (CBN) implements monetary policies to control inflation, but the effectiveness of these measures is often hindered by fiscal indiscipline and government spending patterns. Tightening monetary policy to curb inflation may conflict with the government's expansionary fiscal policies, complicating efforts to achieve price stability (Central Bank of Nigeria, 2021)

The relationship between government expenditure, inflation, and economic growth in Nigeria is complex and multidimensional. While government spending is necessary for infrastructure development and social welfare, its effectiveness in driving economic growth is contingent upon prudent allocation, fiscal discipline, and macroeconomic stability.

Excessive government spending financed through inflationary means can crowd out private sector investments, distort resource allocation, and hinder long-term economic growth. Conversely, prudent fiscal management and targeted spending in priority sectors can stimulate investment, enhance productivity, and foster sustainable economic growth (International Monetary Fund, 2021)

Achieving sustainable economic growth in Nigeria requires coordinated fiscal and monetary policies aimed at curbing inflationary pressures, enhancing fiscal discipline, and optimizing government spending. Structural reforms to improve the efficiency of public expenditure management, enhance revenue mobilization, and promote private sector-led growth are also essential (World Bank, 2021)

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Consequently, the impact of government expenditure and inflation on economic growth in Nigeria underscores the importance of sound fiscal and monetary policies, prudent public expenditure management, and structural reforms to foster macroeconomic stability and sustainable development. Addressing the challenges posed by fiscal indiscipline, inflation, and inefficient resource allocation is crucial for unlocking Nigeria's growth potential and improving living standards for its citizens.

Nigeria's fiscal landscape is characterized by challenges of misallocation and inefficiency in government spending. Despite substantial government expenditures, there are concerns about the effectiveness and efficiency of resource allocation, leading to suboptimal outcomes in terms of economic growth and development (Olayungbo, Olaniyan, & Ogunrinola, 2019).

The persistence of inflationary pressures has been a recurrent challenge in Nigeria, contributing to macroeconomic instability and hindering sustainable growth (Alimi, 2018). High inflation rates erode purchasing power, distort price signals, and undermine investor confidence, thereby dampening long-term economic prospects (Umoru & Alhassan, 2020).

Understanding the relationship between government expenditures and inflation dynamics is essential for effective policymaking. While government spending is often viewed as a tool for stimulating economic activity, its impact on inflation remains a subject of debate (Omolola, Kemi, & Salako, 2020). Excessive government spending financed through unsustainable means, such as borrowing from the central bank, can exacerbate inflationary pressures (Umar & Binta, 2019).

The nexus between government expenditures, inflation, and economic growth is central to Nigeria's development agenda. However, empirical evidence on the causal relationships and transmission mechanisms between these variables is limited (Obiora, 2019). Understanding how government spending influences inflation dynamics and its subsequent impact on economic growth is crucial for formulating effective policy interventions (Adeleke & Raifu, 2018).

The findings of this research have significant implications for policymakers and stakeholders involved in shaping Nigeria's economic policies. Effective policy responses to inflationary pressures and fiscal challenges require a nuanced understanding of the underlying dynamics and trade-offs involved (Ayinde, 2020). Evidence-based policy interventions informed by rigorous empirical analysis are essential for promoting macroeconomic stability and sustainable growth (Ogunleye, 2020).

In light of these challenges and gaps in understanding, conducting comprehensive research on the impact of government expenditures and inflation on economic growth in Nigeria is imperative. By addressing these research gaps, policymakers can develop informed strategies to enhance fiscal discipline, mitigate inflationary risks, and promote sustainable economic growth. This study was inspired by two unanswered questions within the literature on economic growth in Nigeria. To begin with, does inflation have

significant effect on Gross Domestic Product? And to what extent does Government expenditure affect Gross Domestic Product in Nigeria?

The objectives of the study are;

i. To evaluate the impact of inflation rate on GDP in Nigeria.
ii. To ascertain the extent to which government expenditure affects GDP in Nigeria.

Null hypotheses were formulated to test above hypothesis;

i. Ho_1; Inflation rate has noeffect GDP in Nigeria.
ii. Ho_2; Government expenditure has no significant effect on GDP in Nigeria.

Conceptual Framework

Based on the gap identified in the body of knowledge, a conceptual framework is presented in diagram as indicated in Figure 2.1 below showing the influence of the independent variables (government expenditure and inflation) on dependent variable (gross domestic product).

The framework shows the direction of relationship between the independent variables and the dependent variable. The independent variables (inflation rate and government expenditure) have direct relationship with dependent variable measured by gross domestic product (GDP).

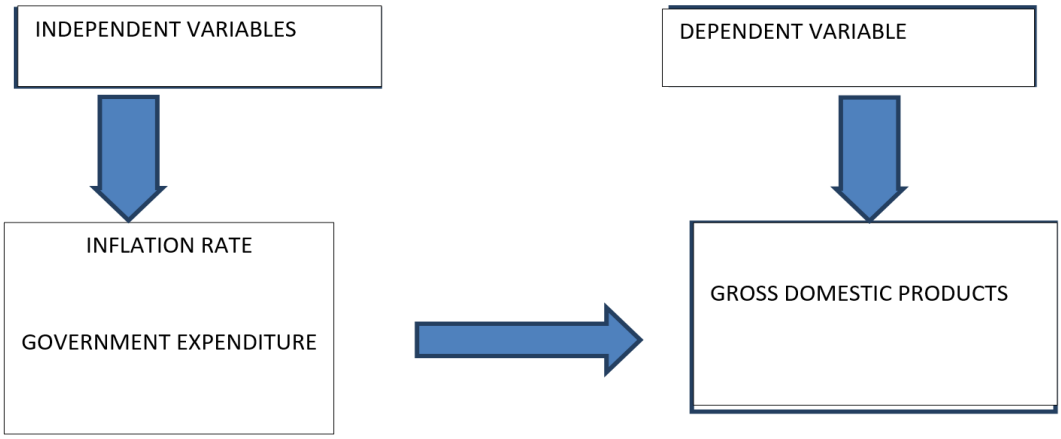

Figure 1: Conceptualized by the researchers.

Literature Review

Empirical review

Abille & Mpuure (2020), investigates the role of monetary policy as an instrument for growth in the Ghanaian economy. The study was conducted based on yearly data from 1983to 2017. Economic growth was the regressand in the study, with money supply, inflation, and the lending rate as the repressor. The ARDL bounds test technique was employed to investigate cointegration among the variables. The results confirmed the

presence of cointegration among the variables. The results also showed the money supply as having a significant positive effect on growth in Ghana in the long run but a significant negative effect on growth in the short run. The lending rate however, was found to have an insignificant negative effect on growth in the long run but a significant positive effect on growth in the short run.

Akwe, Hussein & Umar, (2020), examined the impact of inflation on economic growth in Nigeria, utilizing time series data sourced from CBN for the period spanning from 1999 to 2017. The study has two objectives, to determine the impact of inflation on economic growth in Nigeria and to determine the impact of interest rate on economic growth in Nigeria. They adopt the Ordinary Least Square (OLS) regression technique and established that inflation has positive but not significant impact on economic growth in Nigeria. The result also revealed that interest rate has negative and significant effect on economic growth in Nigeria. The study stop in 2017, after which a lot has taken place due to world economic volatility.

Ngouhouo &Nkemgha (2018) conducted a comparison of the impact of inflation on economic growth between Ivory Coast and Cameroon, a French-speaking country in Central Africa where inflation is not a major concern. They discover that, during the study period, inflation in Cameroon had no impact on economic development using the Least Squares methodology. However, it has a detrimental and severe impact on Ivory Coast's economic development. Additionally, the analysis of the causal relationship between inflation and economic growth using the Toda-Yamamoto framework and the Vector Autoregressive model reveals that, while there is no causality between these variables in Cameroon, there is a unidirectional causality in Ivory Coast from inflation to economic growth. Keywords: Toda-Yamamoto framework, least squares, and growth.

Idan&Badan (2022) looked at these factors. Industrialization has also been utilized in the study as a control variable to forecast economic growth. The analysis used secondary data from the World Bank Indicators (WDI) from 2011 to 2020 and the central banks of EU member states. To examine the relationship between the variables, the study used the Methods of Moments-Quantile-Regression (MMQR) statistical technique. With the findings showing that the money supply, repo rate, exchange rate, inflation, and industrialization are significantly and favorably impacted the economic growth of EU member states, the study offers the regulators guidelines for establishing regulations regarding improving EG using effective outcomes of well-monitored monetary policy.

Monamodi&Choga (2022), investigates the impact of fiscal and monetary policy on economic growth in (SACU) economies between 1980 and 2017. Panel auto regression distributed lags (PARDLs) estimation technique and Pooled mean group (PMG) estimator were utilized in thestudy. The results indicate that these policies influence economic growth significantly across SACU economics in the long run. However, fiscal policy is only significant if government expenditure is used as the functional policy instrument rather than government revenue. The short run effects of these macroeconomic policies are

mixed. Granger causality results indicate that the direction of cointegration is from government, real interest rate, inflation and official exchange rate to economic growth. The study investigates the impact of fiscal and monetary policy on economic growth in (SACU) economies between 1980 and 2017. Panel auto regression distributed lags (PARDLs) estimation technique and Pooled mean group (PMG) estimator were utilized in their study. The results indicate that these policies influence economic growth significantly across SACU economics in the long run. However, fiscal policy is only significant if government expenditure is used as the functional policy instrument rather than government revenue. The short run effects of these macroeconomic policies are mixed. Granger causality results indicate that the direction of cointegration is from government, real interest rate, inflation and official exchange rate to economic growth.

Adegboyo, Sunday and Oluwadamilola (2021), examined the impact of fiscal, monetary and trade policies on Nigerian economic growth from 1985 to 2020. The study adopts endogenous growth model (AK model) as its theoretical framework. The unit root test results reveal that there is mixed level of stationarity in the variables. The bound test result shows that the variables cointegrate. The ARDL long-run result shows that fiscal policies stimulate economic growth, while on the contrary, trade policies deter Nigerian economic growth. The short-run result shows that the fiscal policies has an inconsistent impact on Nigerian economic growth and thus differs from the long-run result; while government spending continues to drive economic growth in Nigeria, government revenues have no effect on the growth of the economy.

George-Anokwuru and Ekpenyong (2020) analyzed the impact of government spending on inflation in Nigeria between 1999 and 2019. ARDL results revealed a positive but insignificant relationship between government expenditure and inflation rate in the short-run. Moreover, in the long-run, government expenditure has a negative and statistically significant relationship with inflation rate. Akobi et al. (2021) also examined the effect of government expenditure on inflation rate in Nigeria from 1981-2019. Findings indicate that government expenditure on education has a positive and insignificant effect on the inflation rate. It was also discovered that government expenditure on agriculture and government expenditure on education have positive but insignificant effects on the inflation rate, while government expenditure on health and government expenditure on telecommunications have positive and significant effects on inflation rate.

Dada and Abalaba (2018) also examined the causal-relationship between government expenditure growth and inflation in Nigeria during the period 1961-2011. The results showed that there exists a long-run unidirectional causality from inflation to government spending. There is no support for the feedback hypothesis. Dikeogu (2018) examined the effect of public spending on inflation in Nigeria from 1980 to 2017. The Auto Regressive Distributed Lag (ARDL) was used to analyze the relationship between public spending and inflation in Nigeria. The result shows that government capital spending impacts negatively

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on inflation; government recurrent spending has a negative and an insignificant impact on inflation.

Maku et al. (2022) employed the Bayesian Vector Autoregressive to investigate the impact of government expenditure on macroeconomic variables in Nigeria from 1986 to 2020. Empirical results indicated a positive shock in government recurrent expenditure has no statistically significant effect on inflation rate and interest rate. This shows that government recurrent expenditure does not give rise to inflation rate and interest rate. However, an increase in government capital expenditure has a negative impact on the inflation rate.

Okeke et al. (2022) examined the determinants of inflation in Nigeria using data from 1981 to 2017. The study employed the ARDL methodology and short-run results of both models revealed that government expenditure is a major determinant of inflation in Nigeria. In a similar study, Adeleye et al. (2019) examined the internal and external factors that affect inflation in Nigeria between 1981 and 2017. The study employed the vector error correction mechanism and the impulse response function and results showed that external drivers such as exchange rate, imported inflation and openness directly affect inflation while internal factors like government expenditures, net food exports and lending interest rate reduce inflation significantly.

Gap in Research

Review of empirical literature has shown that most studies in Nigeria used total government expenditure and economic growth and not a combination of government expenditure and inflation. Therefore, it is imperative to fill this gap by investigating the effects of inflation rate and government expenditure on National growth (proxy with growth domestic product) in Nigeria.

INFLATION ON ECONOMIC GROWTH IN NIGERIA 1999-2017
MPACT OF INFLATION ON ECONOMIC GROWTH IN NIGERIA 1999-2

OGU, Musa Akwe[1], ADAGIRI, Isah Hussein[2] and ABDULSALAM, Amina U

OGU, Musa Akwe[1], ADAGIRI, Isah Hussein[2] aABDULSA

Data and Methods

Sample/Data

A cross-sectional survey design was employed by collecting data from a defined population. The effect of these macroeconomic variables on economic growth could be captured more accurately by using panel data methods than time series data methods as that is what has been done on the selected empirical work.The population of this study comprises all the major economic policies in Nigeria that drive the economic variables in

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Nigeria. To choose the study sample for this investigation, the researchers used a purposive sampling strategy. The study is particularly focused on Nigeria, taking into account the distinct elements that influence the country's economic growth. The study could not cover all the economic variables; hence government expenditure and inflation were taken as the sample of the population of the study. The goal of the study was to provide a thorough understanding of current trends and the effects of government expenditure and inflation on economic growth over a twenty year period, from 2002 to 2023

The data for this research work were collected from the Central Bank of Nigeria Statistical Bulletin, Nigeria Bureau of statistics and World Bank Statistical Bulletin from the year 2002 to 2023.

Data Analysis Procedure

Descriptive statistics was used to depict the characteristics of the population. The mean and the variance was calculated using E-view 9 statistical package. This study used Auto – Regressive Distributed Lag Model (ARDL) where Economic growth was regressed against Monetary policy.

Model Specification

The goal of multiple linear regression is to estimate the values of the coefficients (β0, β1…, βnβ0,β1…, βn) that best fit the data and allow to make predictions about the impact of the independent variables on the dependent variable. Below is the regression equation in consideration for this dissertation.

This study adopts the model used by Ifurueze & Ezeabasili (2020) which is mathematically represented by equation (1) below.

GDP = f(HWCOST, EDCOST, RECCOST, SAFCOST) …… (1)

The above model (1) is modified as follow:

GDP = f (INFR, GEXP) ……..3.1

Where:

GDP = gross domestic product

INFR = inflation rate

GEXP = government expenditure.

The above equation is converted into econometric form as follow:

$GDP_{it} = \beta_0 + \beta_1 INFR_{it} + \beta_2 GEXP_{it}$…… 3.2

Transformed with the aid of logarithm into:

$Log(GDP)_t = \beta_0 + \beta_1 logINFRit + \beta_2 logGEXP_{it}$……3.2

Where: log(GDP) represents the log of Gross Domestic Product (income) at constant price.

$logINFR_{it}$ represents the log of the Inflation Rate.

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$LogGEXP_{it}$ represents the log of the Government Expenditure.
ε_{it} is the error term/disturbance term.
β_o is the intercept or constant term.
β_1, β_2 are the estimating parameters of the model and are non-negative.

Data Presentation and Analysis

This section focuses on the presentation and interpretation of the methodology applied in this study. The ARDL was used to examine the impact of government expenditure and inflation rate on the economic growth in Nigeria using time series data from 2002 to 2022.

UNIT ROOT TEST FOR ALL VARIABLES IN THE GENERAL MODEL

Table 1 Unit Root Test and the Augmented Dickey-Fuller test statistic

Variables	ADF	probability	Critical values	Order of integration
LGDP	-3.18046	0.0295	-2.94584	I(1)
LGEXP	-2.01724	0.0182	-2.94584	I(1)
INFL	-3.81928	0.0271	-2.94584	I(0)

**** significant at 5%**

From this table we can deduced that there are statistical evidence to prove that we can reject null hypotheses and accept alternative hypotheses that individual series are stationery at their first differences. LGDP and LGEXP are stationary at their differences indicating the presence of unit roots while INFL is stationary at level. This means that the integration of the variables at the same order suggest that co-integration exist.

Table 2 Serial Correlation Test Breusch-Godfrey

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	0.521836	Prob. F(2,13)	0.6054
Obs*R-squared	1.560641	Prob. Chi-Square(2)	0.4583

Source: Eview 9, output 2024.

From the Breusch-Godfrey Serial Correlation LM we can deduced that the F-statistics is 0.521836 which is less than 2 this mean that there exist a positive serial correlation among the variables.

Table 3 ARDL Summary of Result for Model One

Dependent Variable: LGDP				
Method: ARDL				
Variable	Coefficient	Std. Error	t-Statistic	Prob.*
LGDP(-1)	0.057543	0.23461	0.245272	0.8098
LGEXP	1.007291	0.450856	2.234175	0.0423

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INFL	0.281366	0.559235	0.503126	0.0227
C	-55.05593	44.53215	-1.236319	0.02367
FITTED^2	-0.054645	0.169576	-0.322248	0.752
R-squared	0.560549	Mean dependent var		0.561004
Adjusted R-squared	0.372213	S.D. dependent var		2.53448
S.E. of regression	2.008145	Akaike info criterion		4.493501
Sum squared resid	56.45704	Schwarz criterion		4.841675
Log likelihood	-40.18176	Hannan-Quinn criter.		4.569064
F-statistic	2.976323	Durbin-Watson stat		1.852674
Prob(F-statistic)	0.04343			

source: Eview9, output 2024.

$Log(GDP)_t = \beta_0 + +\beta 1 logINFRit + \beta_2 logGEXP_{it}$.....(3)

$Log(GDP)_t$ = -55.05593 +0.281366logINFRit + 0.025101log$GEXP_{it}$.....(3)

Table 3 shows the relationship betweenthe monetary policy and economic growth where economic growth is by proxy gross domestic product in the model. The LGDP represent the dependent variable and the independent variables are, LGEXP and INFR. The ARDL regression result shows the relationship between monetary policy and economic growth. There is a positive relationship between LGDP and LGEXP of 1.007291. TheLGEXP as a proxy for monetary policy shows a positive relationship with economic growth. This means that one percent increase in LGEXP will lead to a corresponding increase in LGDP.
The relationship between LINFL and LGDPis positive of 0281366. The level of inflation plays a significant impact on economic growth because as the inflation rate of a nation increases, the intrinsic value of money will be reduces.The regression result shows that there is a positive relationship between inflation rate and gross domestic product of 0.281366. This positive sign corroborate with the apriori expectation that inflation rate if effectively manage by the regulatory body would yield positive result on economic growth.
In the Table 3 above, the R-squared which is thecoefficient of determination is 0.560549indicating that 56% of the independent variables are captured by the dependent variable thereby making the model a good fit. The Durbin-Watson statistics shows 1.852674 indicating that there is a positive serial correlation and the F-statistic of 0.04343 shows that the model is statistically significant and thus that monetary policy affect economic growth in Nigeria.

Table 4 Heteroskedasticity Test: Breusch-Pagan-Godfrey

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	0.571424	Prob. F(5,15)	0.721
Obs*R-squared	3.359977	Prob. Chi-Square(5)	0.6447
Scaled explained SS	3.897971	Prob. Chi-Square(5)	0.5642

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Source: Eview9,2024

Homoscedasticity in regression is an important assumption; if the assumption is violated, you won't be able to use regression analysis. The Breusch-Pagan-Godfrey test is used to test for Homoscedasticity. From the result, we can deduce that the Pro. (F-statistics is 0.571424) and the Prob. (Chi-square is 0.6447) indicate that both are not equal to 0, therefore the Null Hypothesis should therefore be accepted (=no heteroskedasticity exists). Heteroscedasticity is mainly due to the presence of outlier in the data. Outlier in Heteroscedasticity means that the observations that are either small or large with respect to the other observations are present in the sample. Heteroscedasticity is also caused due to omission of variables from the model

Table 5: Bound Test

ARDL Bounds Test		
Null Hypothesis: No long-run relationships exist		
Test Statistic	Value	K
F-statistic	6.696135	4
Critical Value Bounds		
Significance	I(0)Bound	I(1)Bound
10%	2.45	3.52
5%	2.86	4.01
2.50%	3.25	4.49
1%	3.74	5.06

Source: Eview9,2024

The bound test is used to test for cointegration of the variables if the variables are integrated in an order of I(1). As seen in the Table 5 above, the test statistic of the Bound test of long run relationship indicates the presence of a long-run relationship among the variables at 5% level of significant, thereby leading to the rejection of the null hypothesis of no long–run relationship and acceptance of the alternative. There are three options for the decision criteria when using the Bounds approach to co-integration: if the F- statistics falls is greater than the critical value for the upper bound 1(1), then the study can conclude there is long run relationship. If the f- statistics falls below the critical value for the lower bound 1(0), there is no co-integration, hence no long-run relationship, hence no long-run relationship. The test is also considered inconclusive if the f-stat falls between the lower bound 1(0) and the upper bound 1(1). Since the F-statistics (6.696135) obtained is greater than the critical value for the upper bound 1(1) at 5% level of significance (6.696135>4.01), hence it is concluded that the variables shows evidence of long run relationship.

TEST OF HYPOTHESES WITH ARDL REGRESSION

Hypothesis One Restated: HO_1: *Inflation rate has no significant on gross domestic product in Nigeria.*

Method: ARDL		
Variable	Coefficient	Prob.*
LINFL	0.281366	0.0227

source: Eview9, output 2024.

Decision: This hypothesis is tested basedon the results of the ARDL regression. From the results, LINFL has coefficient of 0.281366 and probability value of 0.0227 which implies that the null hypothesis two (H02) which says that inflation rate has no significant on gross domestic product in Nigeria would be rejected at 5% level. Hence, there is positive significant impact of LINFL on the economic growth in Nigeria at 5% level of significant.

Hypothesis Two Restated: HO_2: *Government expenditurehas no significant on gross domestic product in Nigeria.*

Extracted from Table 3

Method: ARDL		
Variable	Coefficient	Prob.*
LGEXP	1.007291	0.0423

source: Eview9, output 2024.

Decision: This hypothesis is tested basedon the results of the ARDL regression. From the results, LGEXP has coefficient of 1.007291 and probability value of 0.0423 which implies that the null hypothesis two ($H0_2$) which says that government expenditurehas no significant on gross domestic product in Nigeria would be rejected at 5% level. Hence, there is positive significant impact of LGEXP on the economic growth in Nigeria at 5% level of significant.

Discussion and Summary of Major Findings

This section presents the discussion of key findings from the results presented in the previous section as relate to the four objectives of this study. The results are discussed and the findings are compared with the reports and submissions of previous literature that are related to this study.

The first objective of the study revealed that inflation rate had positive and significant impact on the growth of the economy in Nigerian. The implication of the results is that the higher the inflation rate, the greater the growth in the economy. This result is not in conformity with the apriori expectation of negativity of high inflation rate to the economic growth.The results obtained here are consistent with the findings of extant

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empirical literature such as that of Onyeka and Nwankwo (2016)that inflation level has a positive significant influence on economic growth.Huseynli, (2022) disagreed with this result and concluded that high inflation leads to decrease in consumer spending and thereby affect the economic growth of the nation.

For the secondobjective of the study which is to examine the impact of government expenditure on gross domestic product in Nigeria, the outcome of the ARD regression revealed positive and significant influence of government expenditureon the economic growth in Nigeria measured with LGDP. The finding agreed with the submission of the Adepoju, (2018) who said that government expenditure influences the economic growth of Nigeria. This result is in conformity with the apriori expectation of positive implication of government expenditure on the economic growth. The results could not agree with the findings of some other empirical literature such as that of Monamodi & Choga, (2022), Elok and Mohammed (2021).

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summaryand Conclusion

This research study empirically examined the link between government expenditure, inflationand economic growth in Nigeriafor a period covering 2002 to 2023using data obtained from CBN statistical bulletin, 2022 and National Bureau of statistic, 2023. The study used the autoregressive distributed lag model (ARDL).

An expository research design was adopted in execution of this study for the period of 2002 to 2023. Secondary data are collected from the Central Bank of Nigeria (CBN) statistical bulletin and National Bureau of Statistics (NBS). In order to achieve the stated objectives of the study a models was formulated to help test their hypotheses so as to know the significance relationships between dependent and independent variables.

The results of the analysis were decomposed into two categories of which the first category was based on the descriptive table of the study.The second was the result of the test of hypothesis based on the models. The results of the three hypotheses revealed that

(1) Inflation rate recorded positive and significant influence on the economic growth in Nigeria. By implication, the results of the ARDL analysis employed in the study indicate that inflation rate plays significant roles in driving the Nigerian economy.
(2) Government expenditureexerts positive influence on the GDPand the impact is statistically significant.

Recommendations

In line with the findings of this study, below are the recommendations:

(i) Nigerian government should put on policy implementation that will ensure the stability of the Naira.
(ii) Government is the largest spending agent in any economy, it is therefore recommended that government spend more on infrastructure that improve the nation economy.

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