

GOVERNMENT EXPENDITURES AND ECONOMIC GROWTH IN NIGERIA (2000-2023)

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ABSTRACT

This study investigates the effect of government expenditure on economic growth in Nigeria. Ex-post facto research design is employed with a scope that spanned between 2000-2023. Various pre and post estimation tests were conducted. A multiple regression analysis is conducted with the aid of e-views 10.0 statistical software. Findings revealed that government expenditure on defense has negative (-0.227775) and insignificant (0.8221) effect on RGDP of Nigeria, the study also found that government expenditure on education has positive (1.390735) and insignificant (0.1796) effect on RGDP of Nigeria; in the same vain government expenditure on health has positive (18.23052) and significant (0.0000) effect on RGDP of Nigeria. It is therefore concluded that government expenditure affects economic growth of Nigeria. The study recommends that policymakers should prioritize efficient allocation of defense resources, ensuring that the funds are directed towards areas that enhance national security without distracting from critical growth sectors. Government should increase investment in education while focusing on improving the quality of education through strategic reforms. Policymakers should ensure that healthcare funds are directed toward expanding access to medical services, improving healthcare infrastructure, and addressing public health challenges.

Keywords: Government Expenditure, Economic Growth, Government Expenditure on Defense, Government Expenditure on Education, Government Expenditure on Health and Real Gross Domestic Product.

INTRODUCTION

In both developed and developing nations, government expenditure on investments in defense, health and education has been recognized as a catalyst for boosting national growth (Olopade et al. 2023). Numerous government initiatives and policies have been designed to foster sustainable and inclusive economic development, with public spending serving as a key driver of progress. However, studies examining Nigeria's budgetary allocations reveal that critical productive sectors including agriculture, mining, healthcare, and education—have not received adequate investment to propel the nation toward its desired economic expansion (Jumare et al., 2016).

Nigeria's past economic struggles have eroded public trust and fueled social unrest, often leading to frequent and violent clashes among the population. For the government to fulfill its obligations such as providing infrastructure, healthcare, security, education, and electricity it must allocate sufficient funds from its revenue streams. Financial resources are essential not only for delivering basic services but also for driving economic

progress through long-term policies and programs. As Jumare et al. (2016) emphasize, government spending serves as both a facilitator and a catalyst for sustainable development.

Economic growth in Nigeria refers to the sustained increase in the country's real gross domestic product (GDP), driven by factors such as natural resource exploitation, government expenditure, and improvements in infrastructure and human capital. Despite being Africa's largest economy, Nigeria's growth has been inconsistent due to overreliance on oil, weak institutions, and policy instability (Ajakaiye & Fakiyesi, 2009). Structural reforms, diversification, and investment in non-oil sectors are essential to achieving inclusive and stable growth (Onodugo et al. 2013).

Government expenditure on defense, while crucial for national security, often competes with investments in human capital development. Nigeria, like many other developing countries, allocates a significant portion of its budget to defense spending (Suleiman & Bako, 2020). High defense expenditure may crowd out investments in education and health, thereby affecting the overall HCI of the nation. Scholars widely acknowledge that education spending plays a crucial role in enhancing human capital (Barro, 2021). Despite this, Nigeria continues to struggle with systemic issues in its education system, such as insufficient budgetary allocations, deteriorating facilities, and subpar learning outcomes (Onuoha, 2019). Similarly, robust healthcare systems are vital for boosting key human capital indicators, such as longevity, workforce efficiency, and general quality of life (Bloom et al., 2021). Yet, in Nigeria, public health spending remains inadequate to address the medical demands of its rapidly expanding populace (Uzochukwu et al., 2020).

While Nigeria's public spending has consistently risen in recent decades, misallocation of resources to critical economic sectors alongside widespread financial mismanagement has significantly hindered the nation's development progress (World Bank, 2016). Existing research examining the relationship between government expenditure and economic growth in Nigeria presents inconclusive findings, with studies demonstrating varying and often opposing results (Minin et al., 2018; Matthew, 2017; Shuabu & Oladayo, 2016; Richardson & Chigozie, 2019; Godstime & Uchechi, 2014). This persistent inconsistency in empirical outcomes underscores the necessity for additional research to clarify the actual impact of fiscal expenditures on Nigeria's economic expansion.

It is in the light of the above this study sought to evaluate the effect of government expenditure on economic growth of Nigeria.

The broad objective of this study is to investigate the effect of government expenditure on economic growth in Nigeria (2000-2023). Other specific objectives are;

- i. To examine effect of government defense expenditure on RGDP in Nigeria.
- ii. To evaluate effect of government education expenditure on RGDP in Nigeria.
- iii. To access effect of government health expenditure on RGDP in Nigeria.

The hypotheses of this study is stated in null form as presented below;

H₀₁: Government defense expenditure does not have significant effect on RGDP in Nigeria.

H₀₂: Government education expenditure does not have significant effect on RGDP in Nigeria.

H₀₃: Government health expenditure does not have significant effect on RGDP in Nigeria.

REVIEW OF RELATED LITERATURE

Concept of Government Expenditure

Tanzi and Zee (1997) assert that government expenditure is any outflow of financial resources by the state, aimed at providing public goods and services, correcting market failures, and enhancing national development. Similarly, Olomola (2018) views government expenditure as the use of government revenues to finance public sector activities, including administrative functions, economic services, and social services. From a fiscal policy perspective, Olayungbo and Akinlo (2019) explain that government expenditure is an instrument used by the state to influence aggregate demand, foster economic stability, and stimulate investment in key sectors such as education, health, and infrastructure.

For the purpose of this study, the definition by Olayungbo and Akinlo (2019) will be adopted. They define government expenditure as a policy instrument employed by the government to influence economic activities by allocating financial resources across sectors to achieve developmental objectives. This definition is preferred because it integrates both the functional and instrumental dimensions of public spending, aligning well with the scope and objectives of this research, especially in the Nigerian context where public expenditure is a major driver of economic planning.

Government Expenditure on Defense

Government expenditure on defense refers to the allocation of public funds by a government towards maintaining and developing its military and security apparatus. This spending encompasses a wide range of activities, including the acquisition of military equipment, personnel salaries, infrastructure development, research and development, and operational costs. Defense expenditure is critical for ensuring national security, protecting borders, maintaining internal peace, and addressing threats such as terrorism and insurgency. In many countries, including Nigeria, defense spending is seen as a priority due to ongoing security challenges.

In Nigeria, defense expenditure has grown significantly over the years, primarily in response to the rise of terrorism, particularly from Boko Haram in the northeastern region, and other internal security challenges such as armed banditry and communal violence. The Nigerian government has allocated substantial portions of its national budget to defense to combat these threats, with the 2022 defense budget accounting for approximately 15% of the national budget (Omodero & Ehigiamusoe, 2022). Despite this heavy investment, questions have been raised about the efficiency of spending, with concerns regarding corruption, mismanagement of funds, and inadequate results on the ground.

Government Expenditure on Education

Government expenditure on education refers to the allocation of public funds by a government towards the development and maintenance of the education system. This includes spending on educational

infrastructure, teacher salaries, learning materials, student support programs, and research. Investment in education is widely recognized as a critical driver of long-term economic growth and social development, as it enhances human capital, improves productivity, and promotes innovation. For developing countries like Nigeria, where educational attainment remains a challenge, government expenditure on education is essential for fostering economic prosperity and reducing poverty.

Government Expenditure on Health

Government expenditure on health refers to the allocation of public resources towards the provision and maintenance of healthcare services. This includes spending on healthcare infrastructure, medical personnel salaries, public health programs, medical supplies, research, and disease prevention initiatives. Adequate investment in healthcare is crucial for improving a nation's health outcomes, increasing life expectancy, reducing infant mortality, and fostering economic growth by enhancing the productivity of the workforce. In developing countries like Nigeria, government expenditure on health is particularly significant due to the country's ongoing public health challenges.

Concept of Economic Growth

Todaro and Smith (2015) defined economic growth as an improvement in a nation's output of goods and services, signifying an improvement in material welfare over time. This classical view is widely accepted in macroeconomic analysis and often serves as a foundation for national development planning. However, more recent scholars have expanded this definition to include qualitative dimensions of growth. For instance, Barro and Sala-i-Martin (2004) argue that economic growth should not be viewed solely in terms of rising income but must also account for improvements in health, education, and technological progress, which serve as underlying drivers of productivity.

Jhingan (2016) offered a policy-focused interpretation of economic growth, characterizing it as a sustained expansion of real per capita income that occurs alongside improvements in employment opportunities, accumulation of physical capital, and technological progress over an extended timeframe. In the Nigerian setting, where population growth has often outpaced GDP growth, per capita measures are especially crucial in assessing the actual improvements in citizens' welfare.

In light of these diverse conceptualizations, the definition provided by Jhingan (2016) will be adopted for the purpose of this study. This definition is particularly appropriate as it captures both the quantitative and qualitative aspects of economic growth, aligning with the Nigerian context where growth must not only be rapid but also inclusive and transformative. It offers a comprehensive lens through which to evaluate Nigeria's growth trajectory, especially in light of current challenges such as youth unemployment, infrastructural deficits, and external vulnerability.

Real Gross Domestic Product

Real Gross Domestic Product (Real GDP) is a fundamental economic indicator that measures the value of all goods and services produced in an economy, adjusted for inflation. Unlike nominal GDP, which calculates output using current prices, Real GDP accounts for changes in price levels, providing a more accurate

reflection of the economy's actual growth over time. This adjustment is crucial for making meaningful comparisons of economic performance across different periods, as it strips out the distorting effects of inflation (Okon & Samuel, 2021).

In Nigeria, Real GDP serves as a key measure of economic health, especially in light of the country's efforts to diversify its economy beyond oil dependency. Nigeria's Real GDP figures fluctuate due to both external factors, such as global oil price volatility, and internal factors like governance and infrastructure challenges. According to the National Bureau of Statistics (2022), Nigeria's Real GDP grew by 3.4% in 2021, recovering from a contraction in 2020 caused by the COVID-19 pandemic. This growth was driven primarily by the non-oil sector, including agriculture, telecommunications, and trade. However, despite this positive trend, the country continues to face structural bottlenecks that constrain sustained growth.

Theoretical Framework

Keynesian Theory of Government Spending

The Keynesian Theory of Fiscal Intervention represents a cornerstone of modern macroeconomic thought, pioneered by British economist John Maynard Keynes during the economic crises of the 1930s. This theoretical framework emerged as a response to the limitations of classical economic models in explaining sustained economic stagnation and high unemployment characteristic of the Great Depression era. In his seminal 1936 publication *The General Theory of Employment, Interest and Money*, Keynes revolutionized economic thinking by demonstrating how strategic government expenditure could serve as a vital tool for counteracting economic contractions and revitalizing depressed economies (Keynes, 1936).

The Keynesian theory argues that during periods of economic downturn, such as recessions or depressions, private sector demand is often insufficient to maintain full employment. To counter this, Keynes proposed that government intervention, particularly through increased government spending and tax reductions, is necessary to stimulate aggregate demand and pull the economy out of stagnation.

Keynes assumed that wages and prices are sticky in the short run, meaning they do not adjust quickly to changes in supply and demand. As a result, markets do not always clear, leading to unemployment and underproduction. The theory allows for short-term stabilization of the economy through fiscal policy, ensuring that governments can mitigate the effects of business cycles and prevent prolonged periods of economic instability. One of the primary criticisms of Keynesian economics is its reliance on deficit spending. Critics argue that persistent government borrowing to fund public expenditure can lead to high public debt, which could undermine long-term economic growth (Alesina & Ardagna, 2010).

Adoption of Theory

This study is anchored on Keynesian Theory of Government Spending. This theory was adopted because the theory assumed that markets do not always self-correct in the short term. Keynesians believe that government spending is an effective tool for stabilizing the economy, particularly during times of economic downturns.

Empirical Review

Okafor et al. (2024) conducted a longitudinal investigation into how public education investments influence Nigeria's economic expansion between 2005-2023. Employing structural vector autoregressive (SVAR) modeling techniques on annual time-series data. The analysis demonstrated a robust, statistically significant relationship between increased education budgets and subsequent GDP improvements, though this positive impact was subject to time lags attributed to institutional bottlenecks. Based on their empirical results, the study advocated for sustained educational funding as a strategic tool for strengthening economic stability, while emphasizing the need for streamlined financial disbursement mechanisms to maximize policy effectiveness.

Agbaje and Adekunle (2023) investigated the impact of government expenditure on education on Nigeria's economic growth between 2010 and 2022. The study employed a quantitative research design with data sourced from the Central Bank of Nigeria and the World Bank. Using multiple regression analysis, the findings revealed that recurrent expenditure on education had a positive and significant impact on GDP growth, whereas capital expenditure showed an insignificant effect. The study concluded that investment in education is crucial for long-term economic development and recommended an increase in capital funding for infrastructure development in the education sector.

Njifen and Anemann (2023) in their study analyzed the impact of military investment on economic and social sectors in Sub-Saharan Africa. It covered the period from 2015 to 2023 and used a panel vector autoregressive (PVAR) approach. The findings indicated that defense spending positively influenced education expenditures but negatively impacted democratic measures and development indices. The study concluded that defense spending should be balanced with non-military investments to promote sustainable economic growth. It recommended transparent allocation policies to ensure defense spending contributes to economic development while safeguarding social sectors

Dizaji and Farzanegan (2023) explored the role of democracy in mediating the relationship between defense expenditure and economic outcomes in 40 African countries from 2012 to 2023. Employing impulse response functions and variance decomposition, the findings showed that democratic governance redistributed defense budgets towards economic growth drivers. However, in autocratic systems, defense spending was inversely related to economic development. The study concluded that governance quality determines whether defense expenditure positively or negatively affects growth. It recommended enhancing democratic processes to achieve balanced budgetary impacts

Mwangi and Kamau (2023) explored the effect of government health expenditure on Kenya's economic growth between 2000 and 2022. The study utilized a quantitative research design, employing panel data analysis and the Generalized Method of Moments (GMM) to estimate the effects of health spending on GDP. The findings indicated a significant positive relationship between health expenditure and economic growth, as investments in healthcare improved life expectancy, reduced disease burden, and enhanced labor productivity. However, the study also found that regions with poor health infrastructure and limited access to

quality healthcare services experienced slower economic growth, highlighting disparities in health outcomes. The study concluded that government spending on health is vital for economic growth but should be distributed more equitably. The study recommended that the government prioritize healthcare infrastructure development, especially in underserved regions, to ensure inclusive economic growth.

Gap in Literature

From the empirical reviews above, it is evident that substantial work has been conducted on the relationship between government expenditure and economic growth. However, a critical examination of the empirical works reveals significant gaps. First, many of the studies were carried out in other regions, and their findings may not be entirely applicable to Nigeria due to contextual and environmental differences. Second, none of the reviewed works have simultaneously employed the specific proxies used in this study such as government expenditure on defense, education, and health to assess their combined impact on Nigeria's RGDP. Furthermore, the empirical works reviewed exhibits mixed findings regarding the factors influencing government expenditure and its relationship with economic growth in the Nigerian context. These inconsistencies highlight a critical gap that this study aims to address by providing a more comprehensive analysis tailored to Nigeria's unique economic and institutional environment.

METHODOLOGY

This study made used of ex-post facto research design. The study spanned for a period between 2000-2023. Time-series data was considered as the most appropriate for this study because of the fact that it allows for testing of nexus between many variables and making of predictions concerning these relationships. The study also conducted different pre and post estimation test such as; test of robustness, goodness and fitness, diagnostic test, unit root test, multicollinearity test and heteroscedasticity test. The study used E-view 10.0 software. This study made used of secondary source of data collection. The data for this study were obtained from CBN statistical bulletin for the period under review.

Model Specification

This study made used of ex-post facto research design to tests for an impact of the predictor variables government expenditure on economic growth in Nigeria.

The structural form of the model is stated as equation 1 below;

$$Y = f(x) \dots\dots\dots (1)$$

Where Y is the dependent variables, *f* is the functional and X represents independent variables.

The model was further expressed in mathematical equation (i) below;

$$RGRDP = f(GVEXPD, GVEXPE, GVEXPH)\dots\dots\dots(ii)$$

To make the mathematical expression estimable, it is transformed as equation (iii) below:

$$RGRDP_t = \beta_0 + \beta_1GVEXPD_t + \beta_2GVEXPE_t + \beta_3GVEXPH_t + \mu \dots\dots\dots(iii)$$

Where:

RGRDP = Real Gross Domestic Product which is the

GVEXPD = Government Expenditure on Defense

GVEXPE= Government Expenditure on Education

GVEXPH= Government Expenditure on Health

β_0 = intercept

t = Time

$\beta_1 - \beta_3$ = Coefficient

U_i = error terms

DATA ANALYSIS AND DISCUSSION OF FINDINGS

The study utilized two distinct classifications of data obtained from the CBN Statistical Bulletin. The primary dataset consisted of unprocessed figures, which were subsequently transformed into annualized values. These figures underwent comprehensive statistical processing, including exponential smoothing techniques and seasonal adjustment procedures, as illustrated below;

Raw Data

YEAR	RGRDP (₦ Billion)	GVEXPD (₦ Billion)	GVEXPE (₦ Billion)	GVEXPH (₦ Billion)
2000	26658	43.40	57.96	15.22
2001	28957.7	47.07	39.88	24.52
2002	31357.1	69.13	80.53	40.62
2003	33984.8	51.06	64.78	33.27
2004	37161.5	76.30	76.50	34.20
2005	40984.2	71.70	82.80	55.70
2006	45206.6	84.20	119.02	62.25
2007	49856.1	72.10	150.78	81.91
2008	54612.3	95.85	163.98	98.22
2009	57511	54.84	137.12	90.20
2010	62980.4	198.71	170.80	99.10
2011	68492.5	283.20	335.80	231.80
2012	74765	296.80	348.40	197.90
2013	80092.6	272.30	390.40	180.00
2014	86076.8	274.53	343.75	195.98

2015	89043.6	330.59	325.19	257.70
2016	85387.6	380.17	339.28	200.82
2017	87884.4	361.92	403.96	245.19
2018	91026	442.15	465.30	296.44
2019	95089	588.78	593.13	388.23
2020	91841	642.06	646.79	423.36
2021	94382.6	612.53	620.59	386.24
2022	99000	693.85	702.98	437.52
2023	104000	3.192	2.05	1,580.00

Source: CBN Statistical Bulletin 2000-2023

Data Analysis

Table 1: Descriptive statistics

	RGRDP	GVEXPD	GVEXPE	GVEXPH
Mean	4.791988	2.175412	2.240392	2.127512
Median	4.854671	2.366634	2.372313	2.273739
Maximum	5.017033	2.841266	2.846942	3.198657
Minimum	4.425828	0.504063	0.311754	1.182360
Std. Dev.	0.190860	0.543056	0.554279	0.480258
Skewness	-0.586416	-1.094906	-1.754038	-0.053432
Kurtosis	1.928833	4.609441	7.039667	2.585561
Jarque-Bera	2.522934	7.385578	28.62551	0.183179
Probability	0.283238	0.024902	0.000001	0.912480
Sum	115.0077	52.20990	53.76941	51.06028
Sum Sq. Dev.	0.837831	6.782917	7.066188	5.304908
Observations	24	24	24	24

Source: E-VIEW 10.0 Output, 2024

Table1, above showed the mean value of RGDP is 4.791988, minimum and maximum values of 4.425828 and 5.017033. This shows that the RGDP variable has higher value. The standard deviation of 0.190860 also indicates that RGDP deviates from the mean by 4.791988.

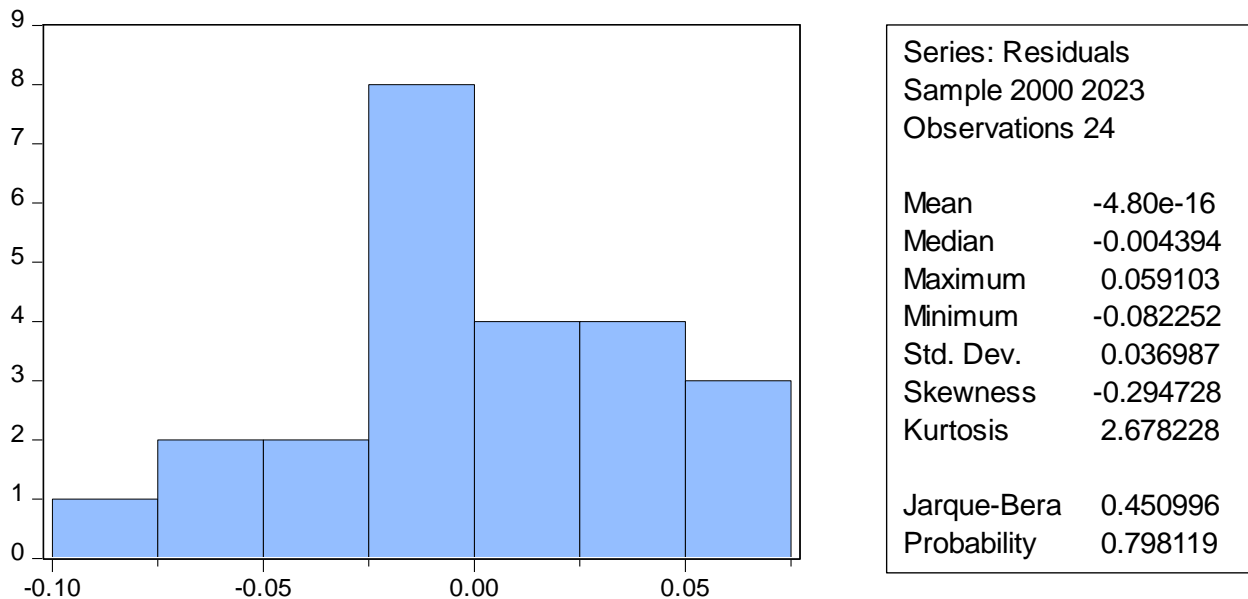
The table also showed that the mean value of Government Expenditure on Defense (GVEXPD) is 2.175412, minimum and maximum values of 0.504063 and 2.841266. This shows that the Government Expenditure on Defense (GVEXPD) variable has higher value. The standard deviation of 0.543056 also indicates that Government Expenditure on Defense (GVEXPD) deviates from the mean by 2.175412.

The table showed that the mean value of Government Expenditure on Education (GVEXPE) is 2.240392, minimum and maximum values of 0.311754 and 2.846942 respectively. This shows that the Government

Expenditure on Education (GVEXPE) variable has higher value. The standard deviation of 0.554279 also indicates that Government Expenditure on Education (GVEXPE) deviates from the mean by 2.240392.

The table showed that the mean value of Government Expenditure on Health (GVEXPH) is 2.127512, minimum and maximum values of 1.182360 and 3.198657. This shows that the Government Expenditure on Health (GVEXPH) variable has higher value. The standard deviation of 0.480258 also indicates that Government Expenditure on Health (GVEXPH) deviates from the mean by 2.127512.

Table 2: Normality Test



Source: Survey; from E-view computation, 2025

Table 2 shows the result of normality test conducted as revealed in the table was a Jarque-Bera value of 0.450996 with a corresponding probability value of 0.798119. Thus, with null hypotheses of data is normally distributed, this study therefore, accept the null hypotheses but fail to reject the alternate hypotheses of data being normally distributed. With a negative skeweness of -0.294728.

Table 3: Unit Root Results

Variables	t-statistics	Critical Values @5%	Order of Integration	Prob.	Remarks
RGRDP	/4.078552/	/2.998064/	I(0)	0.0048	Stationary
GVEXPD	/3.697560/	/2.998064/	I(0)	0.0192	Stationary
GVEXPE	/4.579289/	/2.998064/	I(0)	0.0267	Stationary
GVEXPH	/4.385860/	/2.998064/	I(0)	0.0162	Stationary

Source: Survey; E-view 2025

The result shows that the variables under study are stationary at levels order of integration. Based on this, the study would adopt Ordinary Least Square Regression Analysis (OLS) method to test the hypotheses of this study.

Test of Hypotheses

Summary of Hypotheses Test

Relationship	Expected sign	Reported sign	Prob	Observation	Decision
GVEXPD	Negative	Negative sign	0.8221	P-value>0.05	Accept null
GVEXPE	Positive	Negative sign	0.1796	P-value>0.05	Accept null
GVEXPH	Positive	Positive sign	0.0000	P-value>0.05	Reject null

Source: Researcher's compilation from E-VIEW 2025.

Discussion of Findings

The study found that government expenditure on defense has negative (-0.227775) and insignificant (0.8221) effect on real gross domestic product of Nigeria. This implies that when there is a unit increase in government expenditure on defense would leads to decrease in real gross domestic product of Nigeria. Government expenditure on defense plays a pivotal role in shaping the security and stability of any nation. Adequate defense spending ensures that national security threats, such as terrorism, insurgency, and cross-border conflicts, are effectively countered, thus safeguarding both the citizens and the economic infrastructure. A secure environment fosters investor confidence, as businesses are more likely to invest and operate in a stable and predictable setting. When defense systems are weak or underfunded, the threat of insecurity may result in capital flight and reduced foreign direct investment (FDI), which can have a significant negative impact on economic growth and development. On the contrary, excessive allocation of resources to defense can lead to a misallocation of funds that negatively impacts other critical sectors of the economy. For instance, over-prioritizing military expenditure can divert resources away from essential social services like education, health, and infrastructure. Thus, while defense spending is necessary for national security, striking a balance between it and other priority sectors is essential for fostering both immediate security and long-term economic growth. Governments must allocate resources in a way that ensures national security without sacrificing vital public goods that contribute to human capital development and societal well-being. This finding is in line with the a-prior expectations of this study. The finding also is not in line with the findings of Kim and Park (2023) who found a positive and significant relationship.

The study also found that government expenditure on education has positive (1.390735) and insignificant (0.1796) effect on real gross domestic product of Nigeria. This implies that when there is a unit increase in government expenditure on education would leads to decrease in real gross domestic product of Nigeria. A country that aims to succeed in technological advancement is often characterized by high government spending on education. Education serves as the foundation for national development, as it equips individuals with the knowledge and skills necessary for innovation, problem-solving, and technological growth. Increased

investment in education leads to a rise in literacy levels, enabling more citizens to contribute to the economy in meaningful ways, such as through scientific research, technological inventions, and entrepreneurial endeavors. When governments allocate significant resources to the education sector, they create opportunities for quality learning, improved educational infrastructure, and access to modern teaching tools. This, in turn, helps develop a highly skilled workforce capable of driving technological advancement. Moreover, investing in education has a broader societal impact by reducing insecurity. As literacy rates increase, individuals become better equipped to make informed decisions, engage in productive activities, and avoid paths that lead to crime and violence. A well-educated populace tends to have better employment opportunities, which contributes to social stability and decreases the likelihood of social unrest and insecurity. This finding is not in line with the a-prior expectation of this study. The finding is in line with the findings of Mwangi and Mutiso (2023) who found a negative relationship.

Lastly, the study that found government expenditure on health has positive (18.23052) and significant (0.0000) effect on real gross domestic product of Nigeria. This implies that when there is a unit increase in government expenditure on health would lead to increase in real gross domestic product of Nigeria. The saying a healthy nation is a wealthy nation highlights the critical role that a well-funded health sector plays in fostering economic growth and societal well-being. Government investment in healthcare improves access to medical services, leading to a healthier, more productive population. When the health sector is adequately funded, it ensures that citizens have timely access to quality healthcare, including preventive services, treatments, and emergency care. This reduces the incidence of diseases, increases life expectancy, and enhances the overall quality of life. As a result, the workforce becomes more productive, contributing to higher economic output and national prosperity. Moreover, substantial funding in healthcare curbs the need for citizens to seek medical attention abroad, thereby reducing capital flight. Every year, Nigeria loses significant foreign exchange as citizens travel to countries like India, the UK, and the US for medical treatments that could be provided domestically if the healthcare system were adequately equipped. By investing in local healthcare infrastructure, training, and research, Nigeria can retain these resources, improve its health system, and provide citizens with high-quality care within the country. This finding is in line with the a-prior expectation of this study. The finding corresponds with the findings of Alhassan and Owusu (2021) who found a positive relationship.

CONCLUSION AND RECOMMENDATIONS

In conclusion, the effect of government expenditure on economic growth in Nigeria is a multifaceted issue, influenced by the allocation of resources to various sectors such as defense, education, health, and infrastructure. While increased spending on key areas like education and health has the potential to significantly boost human capital development, enhance productivity, and improve the quality of life, the effectiveness of such spending depends largely on how efficiently these resources are managed. The study highlights that, although government expenditure plays a crucial role in promoting economic growth, Nigeria's economic growth has not fully reaped the expected benefits of such investments due to inefficiencies, corruption, and misallocation of funds.

Moreover, the mixed results observed in the relationship between government spending and economic growth in the Nigerian context suggest that simply increasing expenditure may not be sufficient; a more strategic approach that emphasizes transparency, accountability, and efficient resource utilization is necessary to achieve meaningful economic progress. As such, policy reforms should focus on improving governance mechanisms, ensuring that government expenditure directly addresses growth-inducing sectors, and fostering a more conducive environment for sustainable development. The study concluded government expenditure affect economic growth of Nigeria.

Based on the findings and conclusion of this study. The following recommendations are made;

- i. Policymakers should prioritize efficient allocation of defense resources, ensuring that the funds are directed towards areas that enhance national security without detracting from critical growth sectors.
- ii. Government should increase investment in education while focusing on improving the quality of education through strategic reforms.
- iii. Policymakers should ensure that healthcare funds are directed toward expanding access to medical services, improving healthcare infrastructure, and addressing public health challenges.

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