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EFFECT OF FEDERAL GOVERNMENT'S RECURRENT EXPENDITURES ON ECONOMIC GROWTH OF NIGERIA

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ABSTRACT

The study investigated the effect of federal government's recurrent expenditures on economic growth of Nigeria (1993 – 2023). The specific objective was to determine the effect of administration expenditure, economic services expenditure, social community service expenditure and transfers expenditure on the real gross domestic product of Nigeria. The study employed ex-post facto research design. The instrument for data collection was the Nigerian Bureau of Statistics and Central Bank of Nigeria (CBN) statistical bulletin from which relevant time series data covering the period 1993 to 2023 were obtained. Ordinary Least Square simple regression model was used to test the hypothesis at 5% level of significance. The findings show that: administration expenditure has a positive but non-significant effect on the real GDP of Nigeria (p-value = 0.3169); economic services expenditure has a positive but non-significant effect on the real GDP of Nigeria (p-value = 0.5452); social community service expenditure has a positive but non-significant effect on the real GDP of Nigeria (p-value = 0.1531); transfers expenditure has a significant negative effect on the real GDP of Nigeria (p-value = 0.0047). In conclusion, direct public recurrent spending in enhancing the growth of the economy while promoting productivity. We recommend that the Ministry of Finance and Budget Planning should increase and ensure efficient allocation of funds to administrative functions to enhance public service delivery and governance; the Federal Ministry of Transportation should prioritize and increase investment in transportation infrastructure projects by improving transportation networks; the Federal Ministry of Education and Health should allocate more resources to education and healthcare sectors; the National Assembly and Ministry of Finance should review and rationalize transfer payments to ensure they are efficient and do not create economic distortions or dependency.

Key words: *Administration Expenditure, Economic Growth, Economic Services Expenditure, Federal Government's Recurrent Expenditures, Real Gross Domestic Product, Social Community Service Expenditure, Transfers Expenditure*

1. INTRODUCTION

The relationship between federal government's recurrent expenditure and economic growth has been a subject of intense debate among economists for many years. Nigeria, as a developing country, has had its fair share of challenges in terms of achieving sustainable economic growth and development (Olufemi & Omorogiuwa, 2024; Okoroigwe, 2024;

Olowofeso, Ankoma, Zirra, Falade & Nsonwu, 2020). Over the years, the government has employed various strategies aimed at promoting economic growth and development, including increased government recurrent expenditure (Ekpo, Ekere & Inibeghe, 2022). The Nigerian economy, like many developing countries, has experienced uneven and often sluggish economic growth over the past several decades. One of the key factors influencing this growth is federal government's recurrent expenditure. Federal government's recurrent expenditures which comprise payments other than for capital projects are also vital in terms of drivers of sustainable economic development (Frank & Kereotu, 2020). Some theories argue that this government spending can be an important driver of growth, while others suggest that excessive government spending can have a negative impact on economic growth (Pehlivan, Ayşegül & Konat, 2021). This highlights the need for a deeper understanding of the relationship between government expenditure and economic growth in Nigeria. While there are arguments that a positive correlation exists between government's recurrent expenditure and economic growth, other arguments support no significant relationship (Idris & Baker, 2017).

The neoclassical economists have postulated that an increase in government expenditure often increases economic growth outcomes as a result of the full employment assumptions (Ojarikre & Ezie, 2015). According to Olubokun, Ayooluwade and Olumide (2016), government's expenditure has continued to rise in Nigeria as a result of the huge receipts from production and sales of crude oil, and demand for public goods such as electricity, roads, communication, education and health. It is quite unfortunate therefore that midst this rising government expenditure, there is yet to be a meaningful growth and development, as inflationary rate within the Nigerian economic system keeps increasing. The primary duties of government entail protection (and security) and provision of certain public goods. In matters of the protection function, the government is expected to create rule of law and enforce property rights in order to minimize risks of criminality, protect lives and properties and the nation from external attacks (George & Ekpenyong, 2020). The provision of public goods consists of roads construction, healthcare provision, defense, education et cetera. Government's recurrent expenditure in Nigeria is aimed at raising aggregate demand which contribute to the growth in economy. In addition to this, successive governments in Nigeria have incurred numerous recurrent expenditure on productive and growth-enhancing projects, and this enhance the productivity of the economy (Aluthge, Jibir & Abdu, 2021).

The use of government spending as a tool of economic policy is particularly crucial in promoting economic growth, which is the primary objective of most economic policies (Idris & Baker, 2017). When the government increases its spending, it creates demand for goods and services, which in turn, stimulates the economy. This increase in demand leads to higher production levels and employment rates, which contribute to economic growth. Additionally, government spending can also play a critical role in reducing unemployment. Another key objective of government spending is redistributing income, which is important for reducing poverty and promoting equality (Tenai, 2020). By providing social safety net programs, such as food assistance, housing subsidies, and healthcare benefits, the government can help to distribute income more equally and provide support to those who need it most. While there is considerable debate about the effectiveness of recurrent government spending as a tool of economic policy, it is widely accepted that it plays a crucial role in maintaining economic stability (Idris & Baker, 2017). This is particularly true in developing countries where monetary policy alone is not enough to achieve the desired economic objectives. The relationship between government expenditure and economic growth has been the subject of numerous theoretical and applied studies, and there are various perspectives on the relationship. Some argue that increased government spending leads to higher economic growth, while others argue that it can have a negative impact if not carefully managed (Lingxiao, Peculea & Xu, 2016).

There are a number of empirical claims that increasing government expenditure on socio-economic and physical infrastructures will certainly encourage economic growth like the Keynesians (George & Ekpenyong, 2020). However, others such as the classical economists strongly disagree with this postulation. Be that as it may, it is quite expedient that government spends in order to ensure stability of the economy, stimulate productivity or investment (Tenai, 2020). However, the mismatch between the Nigerian economic development and huge rise in government recurrent expenditure over the years continues to give cause for enquiry especially on the part of economic growth advancement and development (Omodero, 2020). The Nigerian government has often been faced with the challenge of raising additional funds and pursuit for more tax revenues to cope with increasing government spending. It is against this backdrop that the present study examines the effect of federal government's recurrent expenditures on economic growth in Nigeria. Real GDP was used as proxy for economic growth.

In Nigeria, government spending has been a major policy tool for promoting economic development and reducing poverty. However, despite increased government expenditure in recent years, the Nigerian economy has faced persistent challenges including low levels of economic growth, high levels of poverty and unemployment, and rising public debt. Thus, the rise in government recurrent expenditure has not translated to substantial development, as Nigeria remains among the poorest countries in the world. For Nigeria, World Poverty Clock said 70 million people are living in extreme poverty, representing 33 percent of Nigeria's over 200 million people (Okon, 2022). Consequently, it continues to be a source of worry that some government officials sometimes increase government recurrent expenditure and investment in unproductive projects or in goods that the private sector can produce more efficiently. As this is done, such resource misallocation contribute to the stagnation in the national output growth. However, government recurrent expenditure is a key component that enables a country allocate and spend budgetary resources to achieve a robust economic performance (Muguro, 2017). Government recurrent expenditure in Nigeria has been rising faster than revenue leading to persistent unsustainable fiscal deficits and decline in real GDP of the country. This study is carried out to examine the effect of federal government's recurrent expenditure on the economic growth of the country. There have been previous studies such as Ekpo, Ekere and Inibeghe (2022); Pehlivan, Ayşegül and Konat (2021); Bendahmane and Chenini (2021); Tenai (2020); Frank and Kereotu (2020); Omodero (2019); et cetera which examined similar subject and concluded that government recurrent expenditure enhances economic growth. However, the present study will uniquely contribute to literature by incorporating evidence from 2023 fiscal year.

The broad objective of the study is to ascertain the effect of federal government's recurrent expenditures on economic growth of Nigeria (1993 – 2023). The specific objectives of this study are to:

1. determine the effect of administration expenditure on the real gross domestic product of Nigeria.
2. ascertain the effect of economic services expenditure on the real gross domestic product of Nigeria.
3. investigate the effect of social community service expenditure on the real gross domestic product of Nigeria.
4. determine the effect of transfers expenditure on the real gross domestic product of Nigeria.

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The following hypotheses were formulated for testing:

H_{01}: Administration expenditure has no significant effect on the real gross domestic product of Nigeria.

H_{02}: Economic services expenditure has no significant effect on the real gross domestic product of Nigeria.

H_{03}: Social community service expenditure has no significant effect on the real gross domestic product of Nigeria.

H_{04}: Transfers expenditure has no significant effect on the real gross domestic product of Nigeria.

2.1 LITERATURE REVIEW

2.1.1 Government Recurrent Expenditure

Government recurrent expenditures comprise payments other than for capital projects. They are payments for non-capital goods and services such as wages and salaries, employer contributions, interest payments, subsidies and transfers. Recurrent expenditure are essentially routine expenses which are used for day to day administrative purposes of the country (Omodero, 2020). Such expenditure which include: salaries and allowances paid to staff, operational costs in form of travelling and accommodation, telephone, electricity and water bills, bank charges and other services (Controller of Budget, 2015). Recurrent expenditure are usual and continuous cost of running the government machinery (Olowofeso, Ankoma, Zirra, Falade & Nsonwu, 2020). According to Muguro (2017), recurrent expenditure includes the general expenditure on wages and salaries, public debt repayment and welfare services. The expenditure above may affect people's willingness and ability to invest, work and save.

Government recurrent expenditure are the expenses which a government incur regularly for (i) its own maintenance (ii) the society and the economy, and (iii) helping other countries (Ojarikre & Ezie, 2015). It plays pivotal roles in the functioning of any economy at almost all stages of growth and development (Aluthge, Jibir & Abdu, 2021). Most developing and developed economies today use government recurrent expenditure to improve income distribution, direct the allocation of resources in desired areas and influence the composition of national income (Vtyurina, 2020). In developing economies particularly, the changes in government recurrent expenditure pattern is not only projected to guarantee economic stabilization but also to spur economic growth and expand employment opportunities (World

Bank, 2015). In the study conducted by Frank and Kereotu (2020), government recurrent expenditures are seen as steady costs that are usually incurred by the government for the provision and maintenance of itself as an institution, the economy and society. According to Taiwo and Taiwo (2011), government recurrent expenditure can serve as a fiscal instrument in the process of controlling inflation, unemployment, and depression. In the period of depression and unemployment, government recurrent expenditure cause aggregate demand to rise and production and supply of goods and services follow the same direction. Government recurrent spending is a powerful fiscal policy instrument available to a government to regulate the level of economic activity in the country (Ekpo et al., 2022). When the level of economic activity in a country is low, usually manifested in high level of unemployment, government can stimulate it by increasing its recurrent spending thereby raising aggregate demand, the level of output employment. On the other hand, when the level of economic activity in a country is over stimulated, usually indicated by high inflation rate, government can restrain it by reducing its expenditure. Government recurrent spending, therefore, can be used to influence national output, employment level, general price level as well as redistribute income in favour of the poor.

2.1.1.1 Administration Expenditure

Administration expenditure refers to the costs incurred by the government in managing and operating the various functions of public administration (Uma, Eboh & Nwaka, 2013). This type of expenditure encompasses a wide array of activities essential for the day-to-day operations of government agencies and departments (Maingi, 2017). It includes the salaries and benefits of government employees, the costs of maintaining government buildings, and the expenses associated with office supplies, utilities, and communications. Additionally, administration expenditure covers the costs of administrative services such as accounting, auditing, legal advice, and policy development. This expenditure is crucial for the effective implementation of government policies and the smooth operation of public services (Uma, Eboh & Nwaka, 2013). By ensuring that administrative functions are well-funded, governments can maintain efficiency, accountability, and transparency in their operations. Moreover, administration expenditure is often scrutinized to ensure that public funds are being used effectively and that there is minimal wastage. Effective administrative spending is essential for fostering public trust and confidence in government institutions.

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2.1.1.2 Economic Services Expenditure

Economic services expenditure pertains to the government's spending on activities that directly or indirectly promote economic growth and development (Ihugba & Njoku, 2017). This category includes investments in infrastructure such as roads, bridges, and airports, which facilitate trade and transportation (Uma, Eboh & Nwaka, 2013). It also encompasses spending on agriculture, industry, energy, and commerce, aiming to enhance productivity and competitiveness. Government funding in research and development, technological advancements, and innovation also falls under this expenditure, as these areas are pivotal for long-term economic progress (Maingi, 2017). Furthermore, economic services expenditure includes financial support for small and medium-sized enterprises (SMEs), subsidies, and incentives designed to stimulate economic activities. By allocating resources to these sectors, the government plays a vital role in shaping the economic landscape, creating jobs, and fostering a favorable environment for business and investment (Ihugba & Njoku, 2017). Effective economic services expenditure is critical for achieving sustainable economic growth, reducing poverty, and improving the standard of living for the population.

2.1.1.3 Social Community Service Expenditure

Social community service expenditure involves government spending on programs and services designed to enhance the well-being and quality of life of the population (Ihugba & Njoku, 2017). This expenditure covers a wide range of areas including education, healthcare, housing, social security, and welfare services (Uma, Eboh & Nwaka, 2013). Investments in education include funding for schools, colleges, and vocational training centers, aimed at providing access to quality education for all citizens. Healthcare spending encompasses the costs of hospitals, clinics, medical research, and public health initiatives, ensuring that healthcare services are accessible and affordable. Housing expenditure includes subsidies and programs aimed at providing affordable housing solutions. Social security and welfare services cover pensions, unemployment benefits, and support for vulnerable groups such as the elderly, disabled, and low-income families. By prioritizing social community service expenditure, the government aims to promote social equity, reduce inequalities, and create a more inclusive society (Ihugba & Njoku, 2017). These investments are essential for building human capital, fostering social cohesion, and ensuring that all citizens have the opportunity to lead healthy, productive, and fulfilling lives.

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2.1.1.4 Transfers Expenditure

Transfers expenditure refers to the allocation of government funds to various entities and individuals without the expectation of direct services or goods in return (Creedy & Moslehi, 2009). This type of expenditure is primarily aimed at redistributing income and providing financial support to specific groups or sectors. Key components of transfers expenditure include social security payments, unemployment benefits, pensions, and welfare programs that assist low-income families, the elderly, and disabled individuals. It also encompasses grants and subsidies provided to local governments, non-profit organizations, and businesses to support specific policy objectives or alleviate economic disparities. Additionally, transfers expenditure can include international aid and contributions to international organizations. By redistributing wealth and providing financial assistance, transfers expenditure plays a critical role in reducing poverty, promoting social stability, and addressing economic inequalities (Creedy, Li & Moslehi, 2011). It helps to ensure a safety net for the most vulnerable members of society and supports the overall economic resilience by stabilizing consumption patterns during economic downturns. Effective management of transfers expenditure is crucial for achieving social justice and fostering a more balanced and equitable economic environment.

2.1.2 Economic Growth

Economic growth refers to the capacity to produce a diverse range of economic goods and services for its population, which is achieved through technological advancements and necessary institutional and ideological adjustments (Bendahmane & Chenini, 2021). This definition implies that economic growth is equivalent to a sustained increase in national output, the provision of a wide range of economic goods and services, technological advancement, and institutional, attitudinal, and ideological adjustments. Simply put, economic growth refers to the increase over time of a country's capacity to produce goods and services that enhance the well-being of its citizens in terms of both quantity and diversity (Nwoye, Udunwoke & Nworie, 2023).

Economic growth is an increase in the potential level of real output that an economy can produce in a specified period (usually one year) compared to another period. Therefore, it is closely related to Gross Domestic Product (GDP) and Gross National Income (GNI). An economy can be classified as either well-performing or under-performing, and an economy's performance cannot surpass its production capacity. If demand for essential goods and services outweighs supply, it indicates under-production of such goods and services, which can greatly weaken the economy and its ability to repay borrowed funds (Aluthge, Jibir &

Abdu, 2021). An economy's sound performance is indicated by its long-term increase in physical output (Bendahmane & Chenini, 2021). When an economy is performing well, it benefits from an improved standard of living for its citizens, higher real incomes, and the ability of the government to allocate more resources to infrastructure development such as health and education. Thus, capital accumulation and exogenous factors such as changes in population and technological progress, are major drivers of economic growth. Economic growth is measured by the extent of the increase in the amount of goods and services produced per capita over time. It is the increase in an economy's capacity to produce goods and services compared to a previous period. Conventionally, economic growth is measured as the percentage rate of increase in Gross Domestic Product (GDP).

2.1.2.1 Real Gross Domestic Product

Real Gross domestic product (RGDP) refers to the total market value of goods and services produced within a country's economy during a specific period, which has been adjusted to inflation (Pehlivan, Ayşegül & Konat, 2021). RGDP is widely used as a macroeconomic indicator to measure a country's total economic activity, and its growth rate is often used to reflect the state of the economic cycle, making it the main measure of output and economic activity worldwide. Economic growth pertains to an increase in the productive potential and income of a country's citizens (Ekpo et al., 2022). It should be stable since rapid growth can lead to issues such as inequality, inflation, current account deficits, and environmental pollution. GDP is commonly used as a reliable tool to assess the overall health of a country's economy, as it indicates the stabilization status of the nation's economy (Frank & Kereotu, 2020)..

Real Gross Domestic Product (RGDP) is a macroeconomic indicator that measures the value of a country's economic output, accounting for inflation or deflation. By adjusting the nominal GDP for price changes, it becomes an index for the quantity of total output. GDP is used as a gauge for economic recession, recovery, and a country's financial capacity to manage external factors. Economists prioritize real GDP, which is a macroeconomic measure that reflects the value of goods and services produced by an economy during a specific period, adjusted for inflation (Pehlivan, Ayşegül & Konat, 2021).

2.1.3 Effect of Government Recurrent Expenditure on Economic Growth

Just after the independence, Nigeria was a growing agro-allied country that had a healthy foreign account balance as each part of the nation was striving to keep itself afloat and be seen

as a viable part of the nation. Those years, Nigerian economy thrived with cocoa, rubber, coal, groundnuts, oil palm, timber, cotton to mention but a few cash crops. After about ten years when oil was discovered, there was an unfettered increase in government expenditure over which Olowofeso, Ankoma, Zirra, Falade and Nsonwu (2020) wrote that such unfettered increase hit the Nigerian economy unprepared. It was so bad that the country was unable to curb the excessive government recurrent expenditure to reflect the nation's economic realities resulting into a depressed situation. Economic depression is a severe and prolonged downturn in economic activity characterized by a significant decline in production, employment, income, and trade. Economic depression can be ameliorated when firms are persuaded to invest in the economy. This can be done if interest rate is reduced and then government itself makes capital investments in infrastructure (Olowofeso, Ankoma, Zirra, Falade & Nsonwu, 2020). However, the debate that increase in government recurrent expenditure enhances economic growth is not supported by some scholars in the country. The counter argument is that increase in government recurrent expenditure tends to slow down the collective performance of the economy because in an attempt to finance growing expenditure, governments often borrow domestically and externally. In some cases, public expenditures are footed by increase in taxation and/or drawing on foreign reserves. These do not augur well with the balance of payments and the economy at large, and so worsens inflation (Olowofeso, Ankoma, Zirra, Falade & Nsonwu, 2020). Thus, the neoclassical economists have postulated that an increase in government recurrent expenditure often increase economic growth outcomes as a result of the full employment assumptions. The reason for such is that increased government recurrent expenditure exacerbates an economic contraction by shifting resources from the private sector (Ojarikre & Ezie, 2015).

According to Olubokun, Ayooluwade and Olumide (2016), government expenditure has continued to rise in Nigeria as a result of the huge receipts from production and sales of crude oil, and demand for public goods such as electricity, roads, communication, education and health. It is quite unfortunate therefore that even amidst this rising government recurrent expenditure, there is yet to be a meaningful growth and development, as inflationary rate within the Nigerian economic system kept increasing. However, the economy of Nigeria presently is characterized by stagflation which is a situation of high level of unemployment and inflation existing simultaneously. The numerous misallocated government recurrent expenditure in Nigeria is one of the key reasons the nation has experienced increasing rate of inflationary pressure which thwarts robust economic performance (Tenai, 2020). Thus, the

present study examines the effect of government recurrent expenditure on economic growth rate in Nigeria.

2.2 Theoretical Framework

2.2.1 Wagner's Law of Increasing State theory

Wagner's Law of Increasing State Theory was propounded by the German political economist, Adolph Wagner in 1893 as the "law of increasing state activity". This law was a result of inquiry made to ascertain whether economic growth is the reason for the increase of the government expenditure. Wagner started to realize the problem in the 1880s after investigating the industrial process of the United States, United Kingdom, Germany, Japan and other industrial countries to discover that industrialization made per capita income increase (Lingxiao et al., 2016). This induced the expansion of government activities to manage and regulate market economy (Wagner, 1893). The major proposition of the Wagner's Theory is that public expenditure is an endogenous factor that is determined by the growth of national income. Hence, it is increase in national income that causes increase in public expenditure. The theory posits that growth in government expenditure is a function of increased industrialization and economic development. This law maintains that during the industrialization process, as the real income per capita of a nation increases, the share of public expenditures in total expenditures increases.

Wagner (1893) identified three bases for increase in public expenditure. Firstly, during industrialization process, public sector activity will replace private sector activity and as such, state functions like administrative and protective functions will increase (Pehlivan et al., 2021). Secondly, there will be increasing need for governments to provide social and welfare services like education, public health, pension or retirement allowance schemes, food subsidy, natural disaster aid, environmental protection programs and other welfare functions (Ekpo et al., 2022). Thirdly, increased industrialization will bring about technological change and emergence of large firms that tend to monopolize. Thus, the inherent tendencies between the growth of economy and government activities results in the governmental sector growing faster than the economy. Several reasons given about this inherent long term tendency recorded in history, such as defence became increasingly more expensive over time, the state activities were increasing in their coverage like social securities, subsidies etc., the need to provide and expend the range of public goods received an increasing attention, growing population, increase urbanization, increasing prices etc. (Rauf et al., 2012). The relevance of the theory to the present study is that it posits that government spending is one of the most

important tools of fiscal policy and policymakers use government spending in driving growth and macroeconomic performance, whether during crisis or recovery periods (Bendahmane & Chenini, 2021).

2.3 Empirical Review

Olufemi and Omorogiuwa (2024) conducted a study to investigate the impact of Public Expenditure on the Economic Growth of Nigeria over a twenty-three-year period spanning from 2000 to 2022. They utilized national defense expenditure and infrastructure development expenditure as determinants, with Real Gross Domestic Product (RGDP) serving as the measure of economic development. The researchers collected secondary data from various sources including the Central Bank of Nigeria (CBN) Annual Reports, Statistical Bulletins, National Bureau of Statistics (NBS) bulletin, and Budget Office of the Federation. Employing a longitudinal (Ex-post facto) research design, the data underwent analysis using Descriptive Statistics and Multicollinearity Test via E-Views 10.0 software. The findings revealed a significant and positive relationship between national defense expenditure, infrastructure development expenditure, and RGDP at a 5% level of significance. The study recommended, among other measures, diversifying and enhancing economic infrastructure such as roads, social and community services, transport, and communication to stimulate trade openness and economic growth in Nigeria.

Okoroigwe (2024) investigated the impact of Government Expenditure on Economic Growth in Nigeria. The study specifically examined the effects of government expenditure on agriculture, education, health, and security on the gross domestic product (GDP) of Nigeria. Utilizing an ex-post facto research design, panel data spanning seven years (2016 to 2022) was collected primarily from secondary sources, including publications from the Central Bank of Nigeria (CBN). Descriptive and inferential statistics were employed to analyze the data, providing insights into central tendency, dispersion, and trends during the study period. Multiple Regression and Correlation Analysis were utilized for hypothesis testing. The results indicated that government expenditures on agriculture, education, health, and security all positively and significantly influenced Nigeria's GDP.

Javed and Husain (2024) explored the influence of government expenditure (GE) on Oman's economic growth, utilizing time-series data spanning thirty years. Employing an Auto-Regressive Distributed Lag (ARDL) approach, the study assessed the short-range and long-

term effects of different government-spending dimensions on economic progression in Oman. The analysis revealed that government expenditure, personal consumption expenditure, and public debt were significant negative predictors of Oman's economic progress in the long run. However, government and private consumption expenditures exhibited significant negative effects in the short run.

Balkı and Göksu (2023) tested Wagner's Law for Turkiye's public expenditure and expenditure types within the scope of economic classification. The researchers tested the validity of Wagner's Law in the Turkiye case using the ARDL method applied for the years 1950–2020. Study findings proved that Wagner's Law is valid in Turkiye using the Mann and Peacock models for public expenditure. In addition, the findings supported Wagner's Law only in transfer expenditures among sub-components. These findings pointed out that public expenditure, which increases more than gross domestic product, is dominated by transfer expenditures.

Ekpo et al. (2022) employed modified and extended aggregate production model to examine the effects of government expenditure at its' aggregate level on economic growth in Nigeria for the period (1981-2018) using bound test (ARDL) approach. The co-integration result indicated the existence of long-run relationship between total government expenditure (LTGE) and economic growth in Nigeria. ARDL results showed that total government expenditure (LTGE) impacted positively on economic growth in Nigeria in line with Keynesian theory. The granger causality test result indicated the existence of uni-directional causal relationship from LGDP to LTGE for the observed period, in line with Wagner's theory. It is recommended that there should be proper utilization of public fund in the provision of security and critical infrastructure especially electricity supply and road infrastructure which are precursors to effective economic performance.

Pehlivan, Ayşegül and Konat (2021) examined the relationship between public expenditure and real gross domestic product (GDP) in OECD countries. The effect of total public expenditures and sub-headings on growth was analyzed using Panel data and clustering analysis. In the study covering the years 2000-2019 for 37 OECD countries, annual data on variables were obtained from the World Bank and OECD official databases. According to the results obtained in this study, in which it is desired to determine whether the Wagner Law or the Keynesian view is valid for the selected country group, it has been found that the Wagner

Law is valid for some countries and the Keynesian view is valid for some countries. Thus, public expenditure affects the RGDP of some countries while it does not affect the RGDP of other countries.

Bendahmane and Chenini (2021) examined the long-run relationship between government expenditure and economic growth for investigating Wagner's Law in Algeria from 1970-2018. By using the bounds test approach to cointegration and using the nonlinear autoregressive distributed lag bounds testing. The study found there is a relationship running from economic growth to the size of government expenditure. This empirical findings confirmed the validity of Wagner's Law in the Algerian economy.

Using time series data for the period 1970-2019, Aluthge, Jibir and Abdu (2021) investigated Nigerian government expenditure by disaggregating it into capital and recurrent as predictors of economic growth. The paper employed Autoregressive Distributed Lag (ARDL) model; to ensure robustness of results, the study accounted for structural breaks in the unit root test and the co-integration analysis. The key findings of the study are that capital expenditure has positive and significant impact on economic growth both in the short run and long run while recurrent expenditure does not have significant impact on economic growth both in the short run and long run. The study recommended that government should increase the share of the capital expenditure especially on meaningful projects that have direct bearing on the citizen's welfare. Furthermore, government should also improve the spending patterns of recurrent expenditure through careful reallocation of resources toward productive activities that would enhance human development in the country.

Tenai (2020) examined the relationship between government expenditure and selected sectoral output performance in Kenya. The specific objectives are: to determine the effect of government expenditure on agriculture sector output performance in Kenya; to determine the effect of government expenditure on manufacture sector output performance in Kenya, and to determine the effect of government expenditure on service sector output performance in Kenya The study analyzed three sectors in Kenya which are agriculture, service and manufacturing noted as the main stimulus for the economy, and focus on the variables that affect the sector output performance such as government expenditure, public debt servicing, inflation, interest rates, private investment, terms of trade and exchange rate. The study adopted annual time series data for the period 1980 to 2016 to evaluate the effects of

government expenditure on selected sectoral output performance in Kenya where ARDL model was used. Unit root test was conducted to test for stationarity and Johansen cointegration test was conducted to establish if there was short-run or long-run relationship between the variables that affected real sector output performance. The study found out a positive relationship between government expenditure and agriculture output performance. The study also found a positive relationship between government expenditure and manufacturing output performance and lastly, the study found out a positive relationship between government expenditure and service output performance. The results implied that this causation should be a vital tool for designing government expenditure policies in the economy.

Frank and Kereotu (2020) examined the impact of Government Expenditure on Economic Growth (proxy by gross domestic product) in Nigeria. Secondary time series panel data was collected for the period 1998 to 2017 from the Statistical Bulletin of the Central Bank of Nigeria (CBN). The study employed Ordinary Least Squares (OLS) technique based on the computer software Windows SPSS 23 version for the analysis of data, where Gross Domestic Product (GDP), the dependent variable and proxy for economic growth, was regressed as a function of Inflation rate (IFR) and Interest rate (INTR), the independent variables. The results of the analysis showed that both Inflation rate and Interest rate have no significant effect on Gross Domestic Product on the economic growth in Nigeria. Based on the findings, the study recommended that government should put in place measure to control inflation and also formulate and implement financial policies that enhance investment-friendly rate of interest and take into consideration those other factors which negatively affect investment in the country in order to maintain sustainable economic growth.

In the study conducted by George and Ekpenyong (2020), the impact of government spending on Nigeria's inflation levels between 1999 and 2019 was x-rayed in this paper. The data for the study were sourced from CBN statistical bulletin and Autoregressive Distributed Lag model was used as the main analytical tool. A long-run relationship among this study's variables was realized, using the ARDL Bounds test. The result also revealed a positive but insignificant relationship between government expenditure and inflation rate in the short-run.

Olowofeso, Ankoma, Zirra, Falade and Nsonwu (2020) examined the symmetric and asymmetric effect of Nigeria's inflation on government expenditure using the linear and

nonlinear ARDL frameworks and annual data from 1981 to 2018. The result showed robust evidence of symmetric and asymmetric co-integration between inflation and government expenditure. The linear ARDL model and Toda-Yamamoto causality test with structural break are robust, performed well and confirmed that Nigeria's inflation increased government expenditure. It was observed in the study that in Nigeria, government expenditure exerted positive impact on economic output in both short and long run. The paper recommended solving inflation challenges, with the objective of achieving sustainable long-run growth and prosperity, since the structure of the Nigerian economy was such that about 10 per cent increase in inflation translates to higher expenditure by government.

Omodero (2019) examined the extent to which government expenditure affects human capital development in Nigeria. The study used ordinary least squares method and secondary data that covered a period from 2003 to 2017. The OLS analysis revealed that recurrent expenditure had a positive effect on human development index (HDI), but the capital expenditure impacted negatively and insignificantly on HDI. It was recommended that funding of local industries should be increased so as to enhance the capacity to affect the economy positively.

Muguro (2017) examined the effect of public expenditure on economic growth in Kenya between 1963 and 2015. To establish which specific components of government expenditure, have significant effect on economic growth. Public expenditure was disintegrated into two major components; development and recurrent expenditure. The dependent variable was economic growth expressed as real GDP while the independent variables were the expenditure components. The study used secondary data extracted from Economic Surveys, Statistical Abstracts published by the Kenya National bureau of Statistics, Kenya Institute of Public Policy Research and Analysis and the Ministry of Devolution and Planning. The study applied Vector Auto Regression estimation technique using annual time series data for the period 1963 to 2008 to evaluate the effect of government expenditure on economic growth. The study used a Distributed Lag Model with lagged explanatory variables to explain the relationship between economic growth and public expenditure. The ARDL was used to test the causal link between public expenditure and economic growth in Kenya during the period. The long run regression results showed that the effect of public expenditure components on economic growth was non-significant. The study recommended that the government encourage programs that foster increased public investment for increased economic growth.

The study carried out by Idris and Baker (2017) used Autoregressive Distributed Lag model to examine the effect of government expenditure on Nigerian economic growth. Time series data that span from 1980 to 2015 were deployed. The specific objective was to establish the relationship between public sector expenditure and Gross Domestic Product (GDP). The findings of this study showed that there is a positive and significant effect of public sector expenditure on economic growth in Nigeria.

Olubokun, Ayooluwade and Olumide (2016) investigated the impact of government expenditure and inflation rate on economic growth in Nigeria from 1981 to 2013. The data for the study were generated from the Central Bank of Nigeria (CBN) statistical bulletin and was analyzed using the Vector Auto Regressive (VAR) modeling approach. The variance decomposition showed that high level of government expenditure and inflation contributed significantly to shock in the real gross domestic product. The central focus of the study is that fluctuation in output growth over the years is a true reflection of the level of government expenditure as well as the inflationary level in Nigeria. The study identified that there was urgent need for policy makers to formulate policies that will enhance real gross domestic product and consequently generate sustainable economic growth and development in the country.

3. METHODOLOGY

The study employed ex-post facto research design which involves the use of existing data that are not under the control of the researcher. In other words, the researcher does not need to perform any form of experiment to derive the data. This is because the study solely focuses on a sample of existing data on the Nigerian economy, covering 1993 to 2023.

Economic growth is proxied by real gross domestic product whereas the independent variable is Federal Government's Recurrent Expenditure which is proxied by administration expenditure, economic services expenditure, social community service expenditure and transfers expenditure. The instrument for data collection is the Nigerian Bureau of Statistics and Central Bank of Nigeria (CBN) statistical bulletin from which relevant time series data covering the period 1993 to 2023 were obtained.

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The model used for this study is the adaptation and modification of the work of Aluthge, Jibir and Abdu (2021). They analysed the effect of Nigerian government expenditure on economic growth. Their model is stated as follows:

GDP = f(CAP, LF, REC, T PN, INF, NOILR) ……...…….eqn 1

Where:

GDP = Gross domestic product

CAP = capital expenditure

LF = Labour force

REC = recurrent expenditure

TPN = Trade openness

INF = Inflation

NOILR = Non-oil revenue

The model is modified to:

RGDP = f (components of GRE: ADM, ECE, SCE and TE) ……..….eqn 2

The econometric equation for the model is:

$RGDP = \beta_0 + \beta_1 ADM + \beta_2 ECE + \beta_3 SCE + \beta_4 TE + \mu$……..….eqn 3

Where,

β_0	=	constant
β_1	=	coefficients of the predictors
RGDP	=	Real Gross Domestic Product
ADM	=	Administration Expenditure
ECE	=	Economic Services Expenditure
SCE	=	Social Community Service Expenditure
TE	=	Transfers Expenditure
μ	=	error term or stochastic disturbance

$\beta_1 > 0$

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Table 1 Measurement of Variables

Variable	Type	Measurement
1. Real GDP	Dependent	GDP based on current price
2. Administration Expenditure	Independent	Total cost incurred by the government in managing and operating the various functions of public administration
3. Economic Services Expenditure	Independent	Government's spending on activities that directly or indirectly promote economic growth and development
4. Social Community Service Expenditure	Independent	Government spending on programs and services designed to enhance the well-being and quality of life of the population
5. Transfers Expenditure	Independent	Government funds to various entities and individuals without the expectation of direct services or goods in return

Source: Researcher's Compilation, 2024

In addition to the descriptive analysis carried out, Ordinary Least Square simple regression model was used to test the hypothesis at 5% level of significance. The OLS multiple regression analysis produces the coefficient of determination (R^2), adjusted coefficient of determination (R^{-2}), t-statistic and F-statistic. If the calculated p-value is less than 5% level of significance, the null hypothesis is rejected. Conversely, if the computed p-value is greater than the significance level of 5%, then the null hypothesis is accepted.

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4. RESULT AND DISCUSSIONS

4.1 Data Presentation and Descriptive Analysis

The study covered 31 fiscal years from 1993 to 2023. Appendix A shows the data collected for the purpose of analysis.

Table 2 Descriptive Statistics

	RGDP	ADM	ECE	SCE	TE
Mean	47991.65	872.4865	224.5874	544.1726	1402.678
Median	46802.76	714.4200	230.1000	332.9300	670.7000
Maximum	77338.85	2456.330	562.7500	1628.990	6355.900
Minimum	21881.56	20.54000	3.910000	10.09000	55.44000
Std. Dev.	20246.62	779.9298	194.8466	539.4586	1718.681
Skewness	0.002077	0.664670	0.391472	0.705353	1.638887
Kurtosis	1.393314	2.254511	1.753441	2.148630	4.715016
Jarque-Bera	3.334381	3.000408	2.798925	3.506775	17.67657
Probability	0.188777	0.223085	0.246730	0.173186	0.000145
Sum	1487741.	27047.08	6962.210	16869.35	43483.02
Sum Sq. Dev.	1.23E+10	18248714	1138956.	8730467.	88615888
Observations	31	31	31	31	31

Source: *Eviews 11 Descriptive Statistics Output, 2024*

Table 2 above shows that the real gross domestic product (RGDP) of Nigeria from 1993 to 2023 exhibits a mean value of 47,991.65, indicating the average economic output of the country over the study period, adjusted for inflation. The maximum RGDP observed during this period was 77,338.85, reflecting the highest level of economic activity, while the minimum was 21,881.56, indicating the lowest economic output. The standard deviation of 20,246.62 suggests significant variability in RGDP, pointing to periods of substantial economic fluctuations. The skewness value of 0.002077 implies a nearly symmetric distribution, meaning the RGDP data is evenly spread around the mean. However, the kurtosis of 1.393314 indicates a distribution that is less peaked and has lighter tails than a normal distribution, suggesting fewer extreme values in the dataset.

Also, administration expenditure (ADM) for Nigeria over the study period has a mean value of 872.4865, representing the average annual spending on government administration. The maximum expenditure recorded was 2,456.33, indicating periods of high administrative costs,

while the minimum expenditure was just 20.54, highlighting times of very low administrative spending. The standard deviation of 779.9298 reflects considerable variability in administrative expenditures. A skewness of 0.664670 indicates a moderate rightward skew, suggesting that there are more years with lower-than-average administration spending but some instances of very high expenditure. The kurtosis of 2.254511 indicates a distribution that is slightly more peaked than a normal distribution, with some tendency towards outliers. Furthermore, economic services expenditure (ECE) has an average value of 224.5874, reflecting the typical annual spending aimed at promoting economic activities. The maximum recorded expenditure is 562.75, and the minimum is 3.91, showing a wide range of spending levels. The standard deviation of 194.8466 indicates significant variability in economic services expenditure. With a skewness of 0.391472, the distribution of ECE is moderately skewed to the right, implying a higher occurrence of lower expenditure values but with some high expenditure instances. The kurtosis of 1.753441 shows a flatter distribution compared to the normal, indicating less frequent extreme values.

Social community service expenditure (SCE) has a mean value of 544.1726, representing average annual spending on social and community services. The maximum expenditure is 1,628.99, and the minimum is 10.09, demonstrating considerable fluctuation in spending levels. The standard deviation of 539.4586 points to high variability in SCE. The skewness of 0.705353 suggests a rightward skew, with more frequent lower expenditure values and some high expenditure outliers. The kurtosis of 2.148630 indicates a distribution that is slightly more peaked than a normal distribution, suggesting some propensity towards outliers but generally centered around the mean.

Finally, transfers expenditure (TE) shows a mean value of 1,402.678, indicating the average annual transfer payments over the study period. The maximum value of 6,355.90 and the minimum value of 55.44 highlight a wide range of transfer payments. The standard deviation of 1,718.681 underscores substantial variability in transfer expenditures. The high skewness value of 1.638887 indicates a pronounced rightward skew, suggesting a large number of lower expenditure values with significant outliers on the higher end. The kurtosis of 4.715016 indicates a leptokurtic distribution, meaning the data has heavy tails and a sharp peak, reflecting frequent extreme values in transfer expenditures.

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4.2 Test of Hypotheses

Ordinary Least Square regression was used to conduct the inferential analysis of the study at 5% level of significance. Table 3 shows the estimates of the OLS regression analysis.

Table 3: Ordinary Least Square Regression Estimates

Dependent Variable: RGDP

Method: Least Squares

Date: 06/26/24 Time: 01:36

Sample: 1993 2023

Included observations: 31

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ADM	15.53299	15.22274	1.020381	0.3169
ECE	10.67872	17.42093	0.612982	0.5452
SCE	26.55334	18.04155	1.471788	0.1531
TE	-5.835912	1.886666	-3.093241	0.0047
C	25777.34	2002.492	12.87263	0.0000

R-squared	0.915782	Mean dependent var	47991.65
Adjusted R-squared	0.902826	S.D. dependent var	20246.62
S.E. of regression	6311.433	Akaike info criterion	20.48480
Sum squared resid	1.04E+09	Schwarz criterion	20.71609
Log likelihood	-312.5145	Hannan-Quinn criter.	20.56020
F-statistic	70.68096	Durbin-Watson stat	0.640814
Prob(F-statistic)	0.000000		

Source: *Eviews 11.0 Regression Output, 2024*

The results from the OLS regression analysis, as presented in Table 3, indicate a very high R-squared value of 0.915782. This means that approximately 91.58% of the variance in the dependent variable, which in this study is the real gross domestic product (RGDP) of Nigeria, can be explained by the independent variables included in the model. Such a high R-squared value suggests that the model fits the data very well, implying that the selected variables—administration expenditure, economic services expenditure, social community service expenditure, and transfers expenditure—collectively have a strong explanatory power in relation to Nigeria's economic growth over the period from 1993 to 2023.

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Furthermore, the Prob(F-statistic) value is 0.000000, which is highly significant. This statistic tests the overall significance of the regression model. A probability value this low (essentially zero) indicates that there is an almost negligible chance that the observed relationship in the model is due to random variation, thus strongly rejecting the null hypothesis that all the regression coefficients are equal to zero. In simpler terms, it confirms that at least one of the explanatory variables significantly affects the RGDP. This underscores the robustness of the model and suggests that the chosen independent variables are indeed relevant and statistically significant in explaining the variations in Nigeria's economic growth during the specified period.

4.2.1 Hypothesis I

H_{01}: Administration expenditure has no significant effect on the real gross domestic p roduct of Nigeria.

The coefficient for administration expenditure (ADM) in the OLS regression model in Table 3 is 15.53299, indicating that, holding other factors constant, a one-unit increase in administration expenditure is associated with an increase of approximately 15.53 units in the real gross domestic product (RGDP) of Nigeria. However, the probability value (p-value) for this variable is 0.3169, which is above the significance level of 0.05. This suggests that the effect of administration expenditure on RGDP is not statistically significant, meaning that we cannot confidently assert that changes in administration expenditure have a reliable impact on Nigeria's economic growth during the study period. Therefore, administration expenditure has a positive but non-significant effect on the real GDP of Nigeria (p-value = 0.3169).

This positive effect can be attributed to the crucial role that efficient administration plays in fostering a conducive environment for economic activities. When the government allocates sufficient resources to administration, it enhances the efficiency and effectiveness of public service delivery, reduces bureaucratic bottlenecks, and improves governance. These improvements, in turn, create a stable and predictable environment that encourages investment and economic growth. This agrees with the postulation of Frank and Kereotu (2020); and Aluthge, Jibir and Abdu (2021) but negates the results by Omodero (2019); and Olowofeso, Ankoma, Zirra, Falade and Nsonwu (2020); which found significant effect.

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4.2.2 Hypothesis II

H_{02}: Economic services expenditure has no significant effect on the real gross domestic product of Nigeria.

As shown in Table 3, the coefficient for economic services expenditure (ECE) is 10.67872, suggesting that a one-unit increase in economic services expenditure is associated with an increase of about 10.68 units in Nigeria's RGDP, all else being equal. However, the p-value for ECE is 0.5452, which is considerably higher than the significance threshold of 0.05. This indicates that the effect of economic services expenditure on RGDP is not statistically significant, implying that variations in this type of expenditure do not have a consistent and reliable impact on Nigeria's economic growth according to the data from 1993 to 2023. Therefore, economic services expenditure has a positive but non-significant effect on the real GDP of Nigeria (p-value = 0.5452).

Investing in economic services stimulates growth by enhancing infrastructure, boosting productivity, and creating employment opportunities. For instance, improved transportation networks reduce the cost of moving goods and people, facilitating trade and commerce. Similarly, investment in agriculture can increase food production and reduce dependency on imports, while industrial investments can lead to the diversification of the economy and the development of new sectors. These expenditures create a multiplier effect, driving further economic activity and growth. Frank and Kereotu (2020) also found similar result. However, Balkı and Göksu (2023) found opposing result that such expenditure significantly affect economic growth.

4.2.3 Hypothesis III

H_{03}: Social community service expenditure has no significant effect on the real gross domestic product of Nigeria.

Table 3 shows that social community service expenditure (SCE) has a coefficient of 26.55334, indicating a positive relationship with RGDP, where a one-unit increase in SCE is associated with an increase of approximately 26.55 units in the RGDP, holding other variables constant. Despite the relatively large coefficient, the p-value for SCE is 0.1531, which is above the 0.05 significance level. This suggests that the impact of social community service expenditure on Nigeria's economic growth is not statistically significant in this model, meaning there is insufficient evidence to assert a reliable effect based on the given data. Therefore, social community service expenditure has a positive but non-significant effect on the real GDP of Nigeria (p-value = 0.1531).

Investments in education and healthcare improve human capital by enhancing the skills and health of the workforce, leading to increased productivity and economic output. Educated and healthy populations are better equipped to innovate, adapt to new technologies, and drive economic progress. Additionally, social welfare programs that support the vulnerable segments of the population can reduce poverty and inequality, leading to a more inclusive and sustainable economic growth. This corroborates with the result by Frank and Kereotu (2020) and Aluthge, Jibir and Abdu (2021) but refutes the positions of Okoroigwe (2024); Omodero (2019) and Ekpo et al. (2022).

4.2.4 Hypothesis IV

H_{04}: Transfers expenditure has no significant effect on the real gross domestic product of Nigeria.

The coefficient for transfers expenditure (TE) is -5.835912, indicating a negative relationship with RGDP; specifically, a one-unit increase in transfers expenditure is associated with a decrease of approximately 5.84 units in Nigeria's RGDP, assuming other factors remain constant. The p-value for TE is 0.0047, which is well below the significance level of 0.05. This indicates that the effect of transfers expenditure on RGDP is statistically significant, suggesting a reliable and negative impact on Nigeria's economic growth. This result implies that increases in transfers expenditure may have had a detrimental effect on economic growth during the study period. Therefore, transfers expenditure has a significant negative effect on the real GDP of Nigeria (p-value = 0.0047).

While these expenditures are essential for social safety nets and redistribution of income, they may have a negative impact on economic growth if they lead to inefficiencies or create dependency. For instance, subsidies can distort market prices and lead to overconsumption or underinvestment in certain sectors. Moreover, excessive transfer payments can strain public finances, leading to higher deficits and debt levels, which can crowd out productive investments and hinder economic growth. Similar finding was realised by; Javed and Husain (2024); Olubokun, Ayooluwade and Olumide (2016). This result negates the standing of Balkı and Göksu (2023) that government transfer expenditure positively affects economic growth.

CONCLUSION AND RECOMMENDATIONS

In Nigeria, government recurrent expenditure has been on the rise due to the substantial revenue generated from crude oil production and sales, as well as the public demand for essential services. The result of this study indicates that this upward trend in government

recurrent expenditure results in growth in the Nigerian economy, although transfer expenditure showed otherwise. The relationship between government expenditure and economic growth has been a subject of considerable debate among economists. In Nigeria, federal recurrent expenditure, which includes spending on administration, economic services, social community services, and transfers, plays a crucial role in shaping the nation's economic trajectory. This study investigated how various components of federal recurrent expenditure influence the real Gross Domestic Product (GDP) of Nigeria, highlighting the positive effects of administration, economic services, and social community services expenditure, as well as the negative impact of transfers expenditure.

Based on the findings, administration expenditure creates a conducive environment for economic activities, thereby fostering economic growth. Additionally, such spending can attract both domestic and foreign investments by promoting political stability and enhancing the overall business climate. Also, investment in economic services directly boosts productivity and economic output by improving the foundational components of the economy. Furthermore, social welfare programs help in reducing poverty and inequality, fostering a more inclusive economy where a larger portion of the population can contribute to and benefit from economic growth. However, while transfers expenditure are essential for social safety nets, they can sometimes lead to inefficiencies and dependency. In conclusion, despite that the Nigerian economy is currently grappling with stagflation, which is characterized by high levels of unemployment and inflation, the finding by this study emphasized the importance of direct public recurrent spending in enhancing the growth of the economy while promoting productivity.

It was therefore recommend that:

1. The Ministry of Finance and Budget Planning should increase and ensure efficient allocation of funds to administrative functions to enhance public service delivery and governance by implementing robust monitoring and evaluation mechanisms to track the utilization of administrative funds and ensure they contribute to improved efficiency and reduced bureaucratic bottlenecks.
2. The Federal Ministry of Transportation should prioritize and increase investment in transportation infrastructure projects by improving transportation networks.
3. The Federal Ministry of Education and Health should allocate more resources to education and healthcare sectors. Investing in these areas will enhance human capital, increase productivity, and drive long-term economic growth. Focus on improving the

quality of education and healthcare services to maximize their impact on economic development.

4. The National Assembly and Ministry of Finance should review and rationalize transfer payments to ensure they are efficient and do not create economic distortions or dependency. Implement targeted subsidies and pension reforms to reduce fiscal strain and redirect savings towards more productive investments that can stimulate economic growth.

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