

## GOVERNMENT EXPENDITURE AND ECONOMIC GROWTH OF NIGERIA (2011 – 2020)

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### Abstract

The study examined the effect of government expenditure on economic growth of Nigeria. The objectives of the study are to ascertain the effect of government expenditure on education and agriculture on economic growth in Nigeria. This study employed *ex-post facto* design; Secondary data was used for the study. Data for the analysis were extracted from annual time series of the selected relevant macroeconomic variables from 2011 to 2020. Data for government expenditure on education and agriculture were used as government expenditure variable while gross domestic product was used as economic growth variable. The study applied linear regression analysis and analysis of variance (ANOVA) with the aid of SPSS 20.0 software for the panel data in order to determine the relationship between the variables. The study revealed that government expenditure on education has significant positive effect on Nigeria economic growth while government spending on agriculture does not significantly affect economic growth in Nigeria. The study recommends, that Government should increase funds allocated to education because it has positive significant effect on economic growth, which will raise income in the long run and would surge an improvement in the wellbeing of the citizenry. Furthermore, on recommendation, the government should ensure that money that is meant for farmers are disbursed to farmers, monitored to facilitate the use of the budgeted money for agriculture to enable the sector contribute positively and significantly to economic growth and also provide more funding in the agricultural sector, raise its productivity and increase its contribution to economic growth in Nigeria.

**Keywords:** Economic Growth, GDP; Government Expenditure; Education, Agriculture

## INTRODUCTION

Government expenditure has remained one of the most important macroeconomic management tools for controlling the level of demand and money supply in an economy. If well managed, it can put an economy on the path of sustainable growth and development. Government has the responsibility to provide essential goods and services (protection and provision of basic infrastructure) to the citizens who are normally implemented through ministries, departments and agencies (Razzolini & Shughart, 2017). This necessitates each ministry to prepare their estimated revenue and expenditure to be able to perform their responsibilities as expected by citizens. Under the provision of basic infrastructures, the function includes the provision of good health facilities, education, power, agricultural impute, transportation, build bridges and roads etc. Performing both functions, the government is required to spend huge amount of resources, especially in nations where the level of these infrastructure is low like in Nigeria. The Nigeria government operates a cash budget system where expenditure proposal is anchored on projected revenue. In view of this, Faleti and Myrick (2012) opined that if budget is properly designed, effectively implemented and adequately monitored, it will lead to economic growth.

Through budget, government indicates what to spend, determines what to borrow, and sets policy priorities within overall spending limit so as to influence the economy. However, government implementation through disbursing funds to different ministries, departments and agencies is of great concern considering it's important to economic growth and development. Increased government spending on socioeconomic and physical infrastructures, according to academics, promotes economic growth. Government spending on education and agriculture, for example, boosts labor productivity and boosts national production growth. Similarly, spending on infrastructure, such as roads, communications, and power, lowers production costs, boosts private sector investment, and boosts firm profitability, all of which contributes positively to economic growth (Wahab 2016; and Ghali, 2018).

Nigerian government spending has continued to climb as a result of large income from crude oil production and sales, as well as increased demand for public goods such as roads, agriculture, power, education, and health. Total government expenditure (capital and recurrent) and its components have continued to increase in the last two decades, according to Central Bank of Nigeria (CBN) statistics. For example, overall government expenditure went from N4,712 billion LCU in 2011 to N4,814 billion LCU in 2016, and then to N18, 672 billion LCU in 2020. Nigeria experienced an economic downturn due to dwindling oil revenue within this period, upon which the country relies for its sustenance. The gross domestic product of Nigeria shows a declining trend of -1.6% and -1.8% for 2016 and 2020, respectively, due to falling oil revenue coupled with COVID-19 pandemic in year 2020 (Trading Economics, 2020). Despite the dwindling revenue, the need for the creation of enabling and secure environment for human and business to operate is on the increase, this has led to increased spending on infrastructure, agriculture, security and health with a view to achieving steady infrastructure development, human and food security and create conducive environment for capitalist to operate. However, those huge spending has not translated into achievement of steady economic growth in Nigeria as shown by the dwindling growth rate in the Gross Domestic Product of 2016 and 2020 (Trading Economics, 2020). Economic growth is defined as an increase in national income or output per capital over a long period of time. Simply says, an economic growth is a condition in which the rate of increase in national output must outpace the rate of population growth (Okerekeoti, 2022). It entails a gain in Real GDP, which translates to increased national output and wealth. The market capitalization of all products and services produced in a country during a given time period is known as real GDP.

The problem of economic growth in Nigeria appears to be connected to spending patterns, as significant expenditures have been made year on year, but the economy's performance has remained below target and the country remains developing. That is to say, Nigeria's fiscal management culture has been lacking. Meanwhile, the increase in budget year after year and the growth in expenditure experienced in the past should have alleviated poverty and had a major impact on the country's growth and development; because Nigeria has what it takes,

including human capital and material resources, to become the biggest and strongest economy. As a result, government expenditure and economic growth are not in tandem, resulting in distorted economic performance and widespread corruption and maladministration. It is important to note that government expenditure does not appear to have replicated the same economic growth trends in Nigeria. For example, between 2011 and 2020, the growth rate of government expenditure was 12.3 percent and 86.63 percent, respectively, while the GDP growth rate was 5.32 percent in 2011 and 1.9 percent in 2018 and -1.8 percent as of 2020. Thus, government expenditure growth has outpaced GDP growth throughout these periods. It is against this backdrop, this study examined the effect of government expenditure on education, expenditure on agriculture and gross domestic product of Nigeria.

## **CONCEPTUAL FRAMEWORK**

### **Government Expenditure**

The value of goods and services purchased by the government, as well as public consumption, public investment and the payments consisting of income transfers (pensions, social benefits) and capital transfer is known as government expenditure. It contributes to current effective demand; it expresses a coordinated impulse on the economy that can be used for stabilization, business cycle inversion, and growth; it increases the public endowment of goods for everyone; and it generates positive externalities to the economy and society as a whole (or in specific sectors and geographical areas), especially through its capital component. Government expenditure is financed by taxation and by borrowing. It is an important component of aggregate demand in the circular flow of income/expenditure. Government expenditure is used as an instrument of fiscal policy in regulating the level of spending in the economy. However, short-term changes in government expenditure may difficult to achieve because of administrative and political difficulties, especially where cuts in expenditure are being made with a view to contracting aggregate demand. Government spending in a democracy is a reflection of the people's will, governed by political parties and institutions. Government expenditure can also be divided into categories based on the purposes for which it is used. In Nigeria, government

expenditures are in the form of capital and recurrent costs. These are further categorized into Health insurance (Medicaid and Medicare), retirement benefits (Social Security), national military, interest on the debt, and "other spending" (a broad category that includes spending on education, housing, transportation, agriculture, and other items) are all examples of federal spending (Huseynov, 2017).

### **EXPENDITURE ON EDUCATION**

Spending on schools, universities, and other public and private entities that provide or support educational services is included in education spending. Education spending by the federal government (current, capital, and transfers) is expressed as a proportion of total federal spending across all sectors (including health, education, social services, and others). It includes spending funded by overseas transfers to the government (Gootjes, 2021; Owoeye, 2017). There are two types of public education spending; recurrent and capital. Government expenditures on educational institutions (both public and private), education administration, and subsidies for private entities are all included in public expenditure on education (Nikiforos, 2021).

Okoro, (2013) define public expenditure on education as the current and capital public expenditure on education which includes government spending on educational institutions (both public and private), education administration as well as subsidies for private entities (students/households and other private entities). This metric is expressed as a percentage of GDP, separated into elementary, secondary, non-tertiary, and tertiary education levels. Other than ministries of education, public entities include municipal and regional governments, as well as other government agencies. Schools, universities, and other public and private institutions that provide or support educational services are included in public spending. This statistic reflects how governments prioritize education in comparison to other spending areas such as health care, social security, defense, and security. Spending on schools, universities, and other public and private entities that provide or support educational services is included in education spending (Svitlana & Gridin, 2020). These monetary benefits improve people's living conditions by allowing them to afford housing and health care (Hugh, Brown & Cheung, 2018). Education spending is

vital to every country's development and plays a critical role in encouraging growth and equity, as well as helping to eliminate poor quality and improve equity through both routes (Leonardo, 2016; Postiglione & Wright, 2017).

The relationship between education and economic growth has long been a source of contention. On the one hand, it is stated that education will influence economic progress, while on the other hand, it is said that education will be affected by any economic condition. The influence of public education spending on economic growth, on the other hand, is controversial. Education has long been seen as a powerful driver in molding a country's economy (Okerekeoti, 2022). Education has a direct effect on people by providing them with knowledge, predispositions, and abilities. As a result, education's economic contributions are complicated, and education cannot be reduced to a set of labor skills (Mehmet & Sezer, 2014). Instead, education generates individuals with the potential for innovation and development reorientation, and it has been regarded as a means of increasing human capital (Karaçor, Güvenek, Ekinci, & Konya, 2017).

#### **EXPENDITURE ON AGRICULTURE**

Government expenditures recorded an all-time high in 2020, driven by the COVID-19 pandemic response. While governments employed a mixture of policy and fiscal measures to cushion the impacts of the pandemic (IMF, 2021), with considerable variations in the agriculture sector, the overall share of agriculture spending continued to fall in most countries. Government spending is one of the main sources of investment in agriculture. The *State of Food and Agriculture 2012* report has recognized that “investing in agriculture is one of the most effective strategies for reducing poverty and hunger and promoting sustainability” (FAO, 2012). However, despite the growing evidence that agricultural investment is essential to promoting agricultural growth and reducing poverty and hunger, the share of agriculture in government expenditure is declining in many countries. Agricultural sector over two decades or more in Nigeria has received low boost in terms of financing despite its contribution to livelihood. This is because of the country over dependence on petroleum product which yielded over 90% of the country's export earnings. Categorically, the state of agriculture in Nigeria remains poor and largely underdeveloped which

is constrained by the lack of synergy between public and private expenditure in boosting agricultural production, the sector relies on primitive methods to sustain a growing population without efforts to add value. Agriculture is the largest economic activity in the rural area in Nigeria where almost 50% of the population lives. In the 1960s, Nigeria was the world's largest exporter of groundnut, the second largest exporter of cocoa, palm produces, cotton, and rubber but shifted focus to oil exports in the 1970s which for long has resulted to slow boost in agricultural production. More recently, agriculture employs about two-thirds of Nigeria's labour force, contributing significantly to the GDP at about 30% in year 2020 and provides a large proportion of non-oil earnings (National Bureau of Statistics, 2020). Economic growth brings about a better standard of living of the people through provision of better infrastructure, health, housing, education services and improvement in agricultural productivity and food security (Loto, 2012).

### **ECONOMIC GROWTH**

The geometric yearly rate of growth in GDP between the first and final year over a period of time is referred to as the "rate of economic growth." This growth rate represents the trend in the average level of GDP over time, ignoring variations in GDP around the trend. Economic growth is also fueled by the development of new goods and services (Breton, 2015). Kimberly (2019), defines economic growth as an increase in the productive capacity of a state in terms of production of goods and services over a specific period of time. The economic growth of a nation or state can be measured using gross domestic product. This measure takes into account the country's productive capacity and output. The value of goods and services generated by an economic entity in a given year is measured by real gross domestic product, which is a macroeconomic statistic. GDP is a comparison tool used by governments to assess an economy's purchasing power and growth over time. This is accomplished by comparing the economic production of two eras and valuing each period at the same average price level (Hunt & Lautzenheiser, 2014). GDP rises as a result of inflation, but it does not accurately reflect an economy's true growth. To calculate real GDP growth, the GDP must be divided by the inflation rate (raised to the power of the units of time in which the rate is measured) (Li & Hengfu, 2018).

Ebipre and Eniekezimene (2020) found that Government Capital Expenditures was inversely related to RGDP in the short-run and the long run. The recurrent component was positively associated with RGDP in the long and short run. Meanwhile, Maingi (2017) opined that economic growth is caused by many factors, however, they are more associated with higher rate of investment by the private or government sector than on other factors like; consumption spending, higher school enrollment rates, and greater political stability. This proposition has altered the neo-classical view about causes of growth, which they believe can occurs as a result of technical change caused by chance, but economic growth can be fostered and promoted by appropriate policies. However, government policies can deter the level of economic growth, for instance, government borrowing to finance recurrent expenditure, high tax rate for companies, lack of investment in capital stock, high exchange rate and interest rate.

#### **EMPIRICAL REVIEW OF LITERATURE**

Anyanwu, *et al* (2013) examined the structure and growth of the GDP over the 49 years (1970-2012), sourced from CBN statistical bulletin of 2013, using multiple regression analysis and discovered that agriculture was among the key significant determinant of Nigeria's GDP with clear dominance. The variables used were GDP, agriculture output, service output, industry output, building and construction output, and wholesale output. The study also showed that other subsectors contributed significantly to agriculture and by extension the GDP.

Abdurrauf (2015) used annual time series data from World Development Indicators (2014) and the Central Bank of Nigeria to investigate the short and long run effects of fiscal policy on economic development in Nigeria between 1981 and 2013. After establishing the data's stationarity with Unit Root, the model was estimated using Pair-wise Correlation to determine the association and then Cointegration and Error Correction Mechanism for impact. The findings revealed that government recurrent spending and government investment have a considerable favorable impact on economic development in the short and long term during the study period. Komain, Alper and Demiral (2016) looked at the effects of governments' social expenditure proxies, such as education, health, and social spending, on economic growth performance as measured by changes in GDP per capital. The study revealed that social expenditures in all three



dimensions considerably contribute to the economy using feasible generalized least squares (FGLS) estimators based on a balanced panel dataset covering 2002-2013 periods in 18 OECD nations.

Chandio, Jiang, Rehman, and Luan (2016) investigated the impact of government expenditure on the agricultural sector and economic growth in Pakistan from 1983 to 2011. The data was analyzed using the ADF unit root test, Johansen Co-integration test, and the Ordinary Least Square (OLS) technique. The Johansen Cointegration test revealed that in Pakistan, there is a long-term relationship between government expenditure on agriculture, agricultural output, and economic growth.

Iganiga and Unemhilin (2017) investigated the impact of federal agricultural spending on the value of agricultural output from 1998-2015. The data was analyzed using the Cobb Douglas Growth Model, Descriptive Statistics, and an Econometrics Model. The long-run and short-run dynamic impacts of these factors on the value of agricultural output were calculated using co-integration and error correction techniques. The amount of money spent on capital projects by the federal government was found to be positively connected to agricultural output.

Onifade, evik, Erdoan, Asongu, and Bekun (2020) investigated the effects of public spending on Nigerian economic growth in terms of capital, recurrent, and government fiscal expansion. The impact analysis was carried out utilizing annual time-series data from 1981 to 2017, using Pesaran's ARDL technique. The existence of a level link between public spending metrics and economic growth in Nigeria was supported by empirical evidence. Specifically, government recurrent expenditures were found to have a negative influence on economic growth, but the positive impacts of public capital expenditures were not significant to economic growth over the study period.

Okpabi, Abraham, and Sunday (2021) looked at the influence of government spending on economic growth in Nigeria from 1984 to 2015 in order to re-evaluate the Keynesian and Endogenous Growth Models' claim that government spending increases growth. Johansen co-integration and the Error Correction Model were used in the research. The empirical findings revealed that public (recurrent and capital) expenditure had a considerable beneficial impact on

long-term economic growth and a minor negative impact on short-term economic growth in Nigeria.

Oji-Okoro (2011) employed multiple regression analysis to examine the contribution of agricultural sector on the Nigerian economic development between the periods of 1986 – 2007 with data sourced from CBN statistical bulletins of 2008 Using annual data from 1980 to 2018 and the Autoregressive Distributed Lag approach. They found that a positive relationship between Gross Domestic Product (GDP) vis-a-vis domestic saving, government expenditure on agriculture and foreign direct investment. It was also revealed in the study that 81% of the variation in GDP could be explained by Domestic Savings, Government Expenditure and Foreign Direct Investment.

Umaru and Zubairu (2012) investigated the contribution of agricultural sector and petroleum sector to the economic growth and development (GDP) of the Nigerian economy between 1960 and 2010, with data sourced from central bank of Nigeria statistical bulletin of 2011, through the application of Augmented Dickey-Fuller technique with variables which included GDP, agricultural output, and petroleum output. The result of the study revealed that agricultural sector contributes higher than the petroleum sector, though possessed a positive impact on economic growth and development of the economy. Ebere, et al (2014) empirically examined the impact of government expenditure on agriculture on economic growth in Nigeria over the years from 1980 to 2012 with data sourced from the central bank of Nigeria statistical bulletin of 2013, using the Ordinary Least Square (OLS) technique of data analysis. In their analysis, GDP was used as a proxy to economic growth, while agricultural output and government expenditure on agriculture were used as indicators of government expenditure on agriculture. From their analysis, it was found that a significant relationship exists between government expenditure in the agricultural sector and the economic growth in Nigeria.

Ebipre and Eniekezimene (2020) investigated the impact of government expenditure on economic growth in Nigeria between 1981 and 2016. The researchers employed the ordinary least square method. They found that government capital expenditures were inversely related to RGDP in the short and long run. In contrast, recurrent government expenditures were

positively associated with RGDP in the long and short run. Based on the above revealed literatures by Anyanwu, et al (2013); Umaru and Zabairu (2012) and Oji-Okoro (2011), it was discovered that all the studies employed the multiple regression analysis and descriptive methods to establish the relationship between the agricultural sector output and economic growth which all yielded a positive result (relationship) in Nigeria. But among the researchers, none of them captured the relationship and impact of government expenditure on agriculture and economic growth to determine if the government has a role to play in improving the agricultural sector as well as the growth of the economy in Nigeria.

## **METHODOLOGY**

This study employs *ex-post facto* design. An ex-post facto investigation seeks to reveal possible relationships by observing an existing condition or state of affairs and searching back in time for plausible contributing factors. The study was on Federal Republic of Nigerian economy.

Time series data were extracted from Central Bank of Nigeria (CBN) Annual Reports and Statement of Accounts and Statistical Bulletins of various issues for ten (10) years spanning from 2011 to 2020. The data extracted include; the independent variable was Government Expenditure, which was captured with Government Expenditure on Education and Agriculture, and the dependent variable is economic growth, which is proxy by Gross Domestic Product (GDP). Linear regression analysis and analysis of variance (ANOVA) with the aid of SPSS 20.0 software were applied for the panel data to determine the relationship between the variables.

## **Model Specification**

In an attempt to capture the objectives of this study, this study adapted and modified the model of Yusuf, Babalola, Aninkan and Salako (2015):

$$GDP = \beta_0 + \beta_1CEA + \beta_2CER + \beta_3CEE + \mu$$

CEA = Capital Expenditure on Agriculture

CEI = Capital Expenditure on Roads

CEE = Capital Expenditure on Education

In a linear function, the following models were constructed in with the study objectives:

$$\text{GDP} = f(\text{GEXPED}) \dots \text{equ i}$$

$$\text{GDP} = f(\text{GEXPAG}) \dots \text{equ ii}$$

Equations 1 and 2 above can be rewritten in its explicit form as below:

$$\text{GDPT} = \beta_0 + \beta_1 \text{GEXPED}_t + \mu_t \dots \text{iii}$$

$$\text{GDPT} = \beta_0 + \beta_1 \text{GEXPAG}_t + \mu_t \dots \text{vi}$$

$$\text{GDPT} = \beta_0 + \beta_1 \text{GEXPED} + \beta_2 \text{GEXPAG} + \mu \dots \text{v}$$

Where:

$\beta_0$  = Constant term

$\beta_1, \beta_2$  = Regression coefficient of the independent variables

$\mu_t$  = Error Term for period t

GDPT = Gross Domestic Product for period t (Dependent variable)

GEXPED<sub>t</sub> = Total Government Expenditure on Education for period t (Independent variable)

GEXPAG<sub>t</sub> = Total Government Expenditure on Agriculture for period t (Independent variable)

### Decision Rule

The decision will be based on 5% (0.05) level of significance. The null hypothesis ( $H_0$ ) will be accepted, if probability value (P value) calculated is greater than (>) than the stated 5% level of significance, otherwise reject.

### DATA ANALYSIS

#### Hypothesis One

$H_0$ : Government expenditure on education has no significant effect on Nigeria economic growth.

Table 1: ANOVA<sup>a</sup> Government expenditure on education and economic growth.

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	324.236	1	324.236	8.006	.022 <sup>b</sup>
Residual	324.009	8	40.501		
Total	648.246	9			

a. Dependent Variable: Gross Domestic Product

b. Predictors: (Constant), Education

Source: SPSS 20.0 Output

Table 2: Regression coefficient for government expenditure on education and economic growth

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	25.493	3.732		6.831	.000
Education	1.698	.600	.707	2.829	.022

Source: SPSS 20.0 Output

Table 3: Model Summary for government expenditure on education and economic growth

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.707 <sup>a</sup>	.500	.438	6.36405	2.024

Note:  $R^2 = 0.500$ ,  $f(1, 8) = 8.006$ ,  $p = 0.02$

Source: SPSS 20.0 Output

Table 3: *Model summary* shows that R square and the adjusted R square are 0.500 and 0.438. This implies that 50% variation experienced in economic growth within the period under

observation in Nigeria was explained by government expenditure on education. More so, it was observed from Table 4 (ANOVA Table) that government expenditure on education is statistically significant to predict economic growth since the probability value obtained (p-value), that is 0.02, is less than 0.05 ( $P < 0.05$ ).

We accept the alternate hypothesis and reject the null hypothesis. And this means *that* government expenditure on education has significant effect on Nigeria economic growth

### Hypothesis Two

Ho: Government expenditure on agriculture does not have significant effect on Nigeria economic growth.

Table 4: ANOVA<sup>a</sup> Government expenditure on agriculture and economic growth

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	99.983	1	99.983	3.545	.096 <sup>b</sup>
Residual	225.606	8	28.201		
Total	325.589	9			

a. Dependent Variable: Gross Domestic Product

b. Predictors: (Constant), Agriculture

Source: SPSS 20.0 Output

Table 5: Regression coefficient for government expenditure on agriculture and economic growth

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	29.400	4.241		6.933	.000
Agriculture	1.157	.614	.554	1.883	.096

Source: SPSS 20.0 Output

Table 6: Model Summary for government expenditure on agriculture and economic growth

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.554 <sup>a</sup>	.307	.220	5.31044	1.282

Note:  $R^2 = 0.307$ ,  $f(1, 8) = 3.545$ ,  $p = 0.96$

Source: SPSS 20.0 Output

Table 6: *Model summary* shows that R square and the adjusted R square are 0.307 and 0.220. This implies that 30.7% variation experienced in economic growth within the period under observation in Nigeria was explained by government expenditure on agriculture. More so, It was observed from Table 1 (ANOVA Table) that government expenditure on agriculture is not statistically significant to predict the economic growth since the probability value obtained (p-value), that is 0.96, is greater than 0.05 ( $P > 0.05$ ). This was further confirmed in Table 2 where the coefficient of government expenditure on agriculture indicated (T, 1.883) influence on Nigeria economic growth.

We accept the null hypothesis while rejecting the alternate hypothesis means that government expenditure on agriculture does not have significant effect on Nigeria economic growth.

### Discussion of Results

Hypothesis one shows that government expenditure on education has significant positive effect on Nigeria economic growth. The expenses incurred on education have significant influence on economic growth under review. This result is consistent with Iganiga and Unemhilin (2017); Komain, Alper and Demiral (2016); Olarewaju & Obisesan (2015); Chude & Chude (2013) that found positive relationship between government expenses on education and gross domestic products.

Hypothesis two shows that government expenditure on agriculture does not significantly affect economic growth in Nigeria. It is observed from the analysis that government expenditure on agriculture are so insignificant that farmers does not have access to needed agricultural inputs and financial assistance in order to contribute positively to gross domestic products. However the issue of farmer and herdsman do affect agricultural sector to justify government expenditure on agriculture. This result is consistent with Modebe, Okafor, Onwumere and Ibe (2012) who observed no significant relationship between budget implementation and economic growth, but in contrast with Olurankinse and Oloruntoba (2017); Chandio, Jiang, Rehman, and Luan (2016).

## **CONCLUSION AND RECOMMENDATIONS**

This study examined the effect of Government expenditure on Education and agriculture on economic growth of Nigeria. The data set used for this analysis is the annual series of the selected relevant macroeconomic variables from 2011 to 2020. Data for government expenditure on education and agriculture were used as government expenditure variables while gross domestic product was used as economic growth variable. The findings of this study uphold that there is a positive and significant effect between government expenditure on education and economic growth in Nigeria ( $\beta_1 = 0.707$ ;  $p\text{-value} = 0.022 < 0.05$ ) and GDP at 5% level of significance. The drawn inference from this model shows that holding every other factor constant, one naira increase in Government Expenditure on Education will exert 71% increase in Gross Domestic Product. It was also concluded that government expenditure on agriculture does not significantly affect economic growth in Nigeria ( $\beta_1 = 0.555$ ;  $p\text{-value} = 0.096 > 0.05$ ) and GDP at 5% level of significance. In view of these findings, it was recommended that Government should increase funds allocated to education because it has positive significant effect on economic growth, which will also raise income in the long run which would cause an improvement in the wellbeing of the citizenry. Also, government should ensure that money that is meant for farmers are disbursed to farmers, monitored to facilitate the use of the budgeted money for agriculture to enable the sector contribute positively and significantly to economic growth and thereby providing more



funding in the agricultural sector to raise its productivity and increase its contribution to economic growth in Nigeria.

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