



PUBLIC EXPENDITURE ON EDUCATION AND ECONOMIC GROWTH IN NIGERIA: A NEED ASSESSMENT FROM 2001 TO 2023

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Abstract

The study investigated the public expenditure on education and economic growth in Nigeria using a time series data covering a period of 2001 – 2023. Data were sourced from the 2023 edited statistical bulletin of the Central Bank of Nigeria. The Argument Dickey Fuller (ADF) unit root test was used to test the variables. The result showed that Nigerian budgetary expenditure significantly deviate from the UNESCO 26% benchmark. The study recommended that the federal government should increase the budgetary allocation of education sub-sector to meet up with the United Nations recommended 26% benchmark for developing countries.

Key Words: Public Expenditure, Education, Economic Growth, Unit Root

INTRODUCTION

Education is one of the important sectors where governments in both developed and developing countries direct its resources. The belief is that the result from educational investment will go a long way in transforming human, social, economic, cultural and other aspects of the people's life. Thus the importance of human capital development in the economic growth of any country cannot be over emphasized. This is one of the major reason while most countries in the world spend a significant part of their budget allocation on education. Adequate educational funding by government has many effects which leads to effective and efficient government service delivery across all sector of the economy. Irrespective of the stage of development in the different tiers of government (federal, state and local), educational system must be planned in such a way to educate students in the right direction. This result arises from the perceived importance of human capital development which enhances the rate of economic growth especially in less developed countries (Kareem, Bakare, Ademoyewa, Bashir, Ogunla, Arije, 2014).

Education as an agent of change in many developing countries including Nigeria has led to a heavy investment in it and thus the delegation of manpower development to the schools (Obi and Obi, 2014). The effect of this, is that there has been a serious push by International Organization like United States, UNESCO, World Bank for developing countries to increase the required educational funding that will help to lift the economy to a level of sustainable economic growth (World Bank, 1988 in Bose, Hague and Osborn, 2007); hence the compulsory benchmark of 26 percent of yearly national budget allocation on education as recommended by UNESCO to developing countries like Nigeria (Nuhu and Ali, 2018).

Nigeria like any other part of the world, investment in education is one of the major component of economic growth process. Over the years successive government has invested heavily in the educational sector with the hope that such investment will lead to long term economic growth. Various research studies has shown that education is a major agent for economic growth and development because it provides the necessary factors for achieving other developmental goals (Ojo and Ojo, 2022

in Akujuobi and Tony-Okolo, 2023). As a result, expenditure in education is a key components of a country's prosperity. Akwe (2014) acknowledged that developing countries have tried to boost the economy by increasing government expenditure on education and other social services. The reason behind this increase is to achieve a pool of human resources and intellectual capital repository that is needed to arrive at high economic growth and development.

Furthermore, expenditure in educational sector has been recognized as an important prerequisite for a country's social-economic development. This kind of development can only be achieved in a country through acquisition of adequate skills and capabilities, as well as increases in knowledge acquired through education and training. OECD (2002), stressed that both at the different tiers of government there is a global economic shifts towards the acquisition of more knowledge based sector skills and human capital development. This has become a central and concerned issued for policy makers and practitioners that engaged in economic development nationwide. The impact of public expenditure in education system still remain less than expected.

A number of research studies (Dauda, 2010, Sankey, Ismail and Shaari, 2010) has been carried out since the introduction of human capital theory in 1960s. Oladeji and Adebayo (2016) stressed that human resources are a essential factor in the growth and worth of any development. That the difference in the level of socio-economic development across nations did not depend much on human resources and level of physical capital but on quality and quantity of available human resources (Dauda, 2010). Therefore the amount of wealth as well as prosperity of any nation depend much on the development of the people as well as the effective and efficient commitment of their talents and energies to developmental processes. Also Sankey, Ismail and Shaari (2010), noted that natural and capital resources are passive agents of economic growth while human beings are active agents which alone can accumulate capital, exploit natural resources and build political and social organization. The acknowledgment of human beings as an active agent of change in many developing countries including Nigeria has led to a heavy expenditure in education and thus a push of manpower development to educational sector. The general belief is that high expenditure in education is necessary in transforming human, social, economic, cultural and other aspects of people's life in order to enhance economic growth and development.

The growth increase in government expenditure on education is expected to create a enough sof human capital necessary to drive governmental goals (Akujuobi and Tony-Okolo, 2023). In addition to above, they also noted that government as well as banks has disbursed billions of naira each year to citizens as grants, trade credit and loans in order to propel the level of economic development that will enhance human resources. The overall aim for the massive investment in education is to drive the economy forward. But however, the irony accompanying this belief is that, despite the huge investment in education, there exist no strong evidence of growth promoting externalities of education in Nigeria but rather education expansion that further deepens social inequality and inculcate negative social changes such as cultism, sexual harassment, industrial dispute, sorting, brain drain among other social vices in the Nigerian school system and the society at large (Obi and Obi, 2014, and Eneisik, 2021). Following the above information, it is evidence that government expenditure on education has not given it expected result, thus the researcher seeks to investigate public expenditure on education and sector on economic growth in Nigeria for the period 2001 – 2023. However, the specific objectives are therefore to

1. Examine the Nigeria budgetary allocation to education from 2001 to 2023 in consonant with UNESCO 26% benchmark for developing countries.
2. Ascertain the relationship between public educational expenditure and economic growth in Nigeria
3. Examine the impact of public educational expenditure on economic growth in Nigeria.

The hypotheses tested in this study are stated below in their null forms.

H₀₁: Nigeria education budgetary expenditure does not significantly deviate from the UNESCO 26% benchmark

H₀₂: There is no significant relationship between public education expenditure and economic growth in Nigeria for the period 2001 – 2023.

H₀₃: There is no significant impact of public education expenditure and economic growth in Nigeria.

The study is structured into six sections, section one is the introduction, section two is the review of related literature, while section three and four present method of data analysis and result of the study, section five and six covers discussion of the results and conclusion/ recommendations respectively. The study covers Nigerian budgetary allocation to education from 2001 to 2023. The education budgetary allocations were compared with the UNESCO benchmark of 26%. Time series data for any period before or after the duration of this analysis is not included because the data used for this study is confined to the period 2001 – 2023. With regard to the variables, scope, it will be restructured to public expenditure on education and economic growth.

Theoretical Framework

Though many researchers has examined the effect of government expenditure on education and economic growth using various theoretical approaches, the theoretical framework underpinning this study is anchored on two theories. These theories include Wagners law also known as law of increasing state activity of 1863, Peacock and Wiseman theory of 1961.

The first theory that explained government expenditure growth was propounded by a famous German political economist in the year 1883. The Wagner's law also known as law of increasing state activity is an attempt to explain the relationship between the growth rate of government expenditure and the growth rate of the economy. The theory is based on the following assumptions: expansion of social activities of the state, increase in administrative and protective actions and assumption of welfare functions. The theory postulates that as real income increases there is a long-run tendency for the share of public expenditure to increase relative to national income.

Wagner's law's state remained unchallenged until 1961 when peacock and Wiseman (1961) proposed an alternative explanation that government spending increases as a result of societal disturbance. The theory postulates that at times, some social or other disturbances such as famine, war, epidemics, corruption among others occur which necessitate increase in government expenditure Oriakhi and Ameh (2014) and Edame and Fonla (2014) asserted that when this occur people appeared to tolerate the increase in high level of taxes resulted from the social disturbance. They also noted that even after the disturbance and the economy is restored, government expenditures did not return to its original level. This Peacock and Wiseman theory focused on the pattern of government expenditure and concluded that government does not increase in a smooth and continuous manner but in jerks or step like fashion.

These theories will form the bases of this study since they postulates that at long-run, development depends on investment in human capital, which are manifested in the form of development in skills and knowledge, innovation and research (Barro 1997).

REVIEW OF RELATED LITERATURE

Education expenditure in Nigeria

Education is a process by which people are prepared to live effectively and efficiently in their own environment (Ukeje, Akabogu and Ndu, 1992). It is the major instrument of change and instrument par – excellence for effective economic growth (FRN, 2004). It forms the basis for literacy, skills acquisition, technological advancement as well as the ability to harness the natural resources of the environment. Education therefore is a very important agent of achieving national, economic, social and political development. Hence no nation can afford to toy with any aspect or level of her education. Education is an expensive social services and therefore requires adequate financial provisions from all stakeholders including government for the implementation of all identified educational programmes. Education is said to be expensive because money is needed to hire, train and pay teachers, provision and maintenance of school plant, such as school buildings, classroom, laboratories blackboard needed for effective teaching and learning. Therefore education expenditure refers to expenditures on education by the different tiers of government (federal, state and local government). It refers to expenditure on core educational goods and services such as teaching staff, school building or school books and teaching materials, as well as ancillary services, general educational administration and other activities. Thus public expenditure on education is the direct expenditure by public entities on educational institutions as well as educational related public subsidies given to households and administered by educational institutions. It is that aspect of educational finance that deals with how the

amount allocated to the education sector is spent and is determined by budgetary allocation (Nuhu and Ali, 2018).

The structure of Nigerian public expenditure can be broadly categorized into capital and recurrent expenditure. Capital expenditure on education refers to the investment on real assets such as building of schools and institutions, investment in social and economic infrastructures and other agencies that directly contribute to long term development in education while recurrent expenditure refers to government expenditure on administration such as payment of wages and salaries, interest on loans, and maintenance of already existing facilities.

Education Policy in Nigeria

Education policy is a projected programme of educational activities which specifies the goals, values and practices of the educational system. It is a statement which guides and direct all actions aimed at achieving the goals leading to sustainable economic growth development through the educational sector (FRN, 2014). Educational policy provides the basis to regulate and control the conduct of the national educational system. These policies are thus formulated to meet the desires and aspiration of the people, community state and the entire nation.

In Nigeria, Nigerian educational system was formulated and based on the country's national philosophy that aimed at creating

- i. a free and democratic society
- ii. a just and egalitarian society
- iii. a united, strong and self-reliant nation
- iv. a great and dynamic economy and
- v. a land of bright and full opportunities for all citizens (FRN, 2004).

It is worthy to note that the nation's policy on education is government way of realizing that part of the national goals which can be achieved, using education as a means to enhance economic growth.

Empirical Review

Much empirical review on government expenditure on education have been frequently and extensively reviewed by various scholars and academics (Adebiyi and Oladele, 2005, Annabi, Harvey and Lan, 2011, Omojimite 2012, Obi and Obi, 2014, Ogugua and Obi 2014, Gylych Modupe and Semiha 2016, Bosco, Omekwe and Obayori 2019, Lawanson and Umar 2020, Mohd, Nur and Shaofai 2022 Okerekeoti 2022, Chima and Yusuf 2023, and Jocevaska, 2023).

Adebiyi and Oladele (2005) empirically investigated the relationship between public education expenditure and defence spending in Nigeria using annual time series data from 1970 to 2003. The study examines stochastic characteristics of each time series by testing their stationary using Augmented Dickey Fuller (ADF) and Philip Perron (PP) tests and also employ the error correction mechanism and the vector auto-regressive (VAR) models. The study revealed that there is a negative trade-off between defence spending and public education expenditure

Annabi, Harvey and Lan (2011) while analyzing the mechanisms of the impact of public education expenditure on human capital and growth in Canada using an overlapping generations model applied to Canada argues that their findings indicated how the policy is funded has powerful impacts on the targeted outcome. Also the study revealed that the impact depends on the distortions implied by alternative tax instruments and the efficiency of public expenditures on education.

Omojimite (2012) examined the proposition that military expenditure "crowd-out" expenditure on education in Nigeria during the period 1973 – 2006. Data for the study were obtained from the statistical bulletin of the Central Bank of Nigeria the peace research institute (SIPRI). A VAR model was estimated using the variables of the model. The study revealed that there is positive and significant relationship between defence spending and education expenditures. The study also found a negative and significant relationship between expenditures on education and economic growth as well as defence spending and economic growth.

Obi and Obi (2014) in their study focused on the impact of education expenditure on economic growth as a means of achieving the desired socio-economic change needed in Nigeria. The study uses time series data from 1981 – 2012. From the empirical studies they observed that though a positive relationship subsists between education expenditure and economic growth, but a long run relationship

does not exist over the period under study which is attributable to labour market distortions, redundancy of the workforce, industrial dispute and job discontinuities as well as leakages in the Nigeria society.

Ogugua and Obi (2014) examined the impact of government expenditure on education: The Nigerian expenditure. The study uses time series data from 1981 – 2012. The Johansen's co-integration analysis and ordinary least square (OLS) econometric techniques were used to analyse the relationship between gross domestic product (GDP) and recurrent education expenditure. Findings indicated that though a positive relationship subsists between education expenditure and economic growth but a long run relationship does not exist over the period under study.

Gylych, Modupe and Semiha (2016) analysed the impact of education on human capital and real Gross Domestic Product (GDP). The study therefore found that there is statistically significant relationship between GDP and all the variables used in the study with the exception of primary school enrolment (PRYE). The negative coefficient of the PRYE is also an indicator that there are problems at this level of education in Nigeria.

Bosco Omekwe and Obajori (2019) conducted a study on the impact of public expenditure on economic growth in Nigeria from 1980 – 2017 using independent variables such as government capital and recurrent expenditure while real gross domestic product is the dependent variable. The study used data from the Central Bank of Nigeria statistical bulletin and applied the econometrics methods OLS and granger causality test. The OLS results showed that the coefficients of government capital and recurrent expenditure on education were statistically significant and positively related to real gross domestic product.

On the impact of government expenditures at different levels on economic growth using Nigeria data for the period 1980 – 2018, Lawanson and Umar (2020) critically discussed how this can foster economic growth. Their findings showed that there is co-integration between total government education expenditures, primary, secondary and tertiary education expenditure and economic growth. The study also revealed that all levels of education expenditure contribute to economic growth positively

Mohd, Nur and Shafai (2022) conducted a research on the impact of government expenditure in economic growth in Malaysia using independent variables like development expenditure, education healthcare and gross fixed capital formation using annual time series data from 1980 – 2020 as guidelines. Their findings showed that development expenditure is positively significant affecting Malaysia economic growth while education healthcare and gross fixed capital formation are negatively significant.

Okerekeoti (2022) examined the effect of government expenditure in education on economic growth in Nigeria. Data for the analysis were extracted from annual series of the selected relevant macroeconomic variables from 1999 to 2020. Regression analysis was used to test the hypothesis. The findings of the study uphold that there is a positive and significant effect between government expenditure on education and RGDP at 5% level of significance.

Chima and Yusuf (2023) investigated the impact of education spending on the economic growth in Nigeria. Their findings established that health, capital expenditure on education, recurrent expenditure on education positively affected GDP growth rate in the long-run and short-run whereas, inflation rate, gross capital formation and exchange rate retarded economic growth in long-run.

Furthermore, Koceveska (2023) in his study carried on the impact of public education expenditure on GDP per capita in North Macedonia for the period 1991 – 2020 noted that in the short-run the relationship between public spending on education and GDP per capita in North Macedonia was negative and statistically significant. The finding also indicated that in the long-run the relationship between the variables remained negative but statistically insignificant.

From the empirical study reviewed, we observed that though there are several empirical studies on the effect of government expenditure on education and economic growth none of them were able to cover the period as contained in this study. Also such existing literature used a short time frame which is not long enough and so many changes have occurred since then in Nigeria. Also some of the literature omitted some variables that are important and related to Nigeria. Equally most of the previous studies used Ordinary Least Squares (OLS) estimation technique which may not be adequate where the data are non-stationary as it results in spurious regressions and long-run relationship could

not be ascertained. This study, thus tries to fill the gap by going into indepth of public expenditure and economic growth in the current dispensation.

RESEARCH METHODOLOGY

The study adopted a causal comparative research design and the data used for the study was a secondary data which were gotten from the 2023 edited statistical bulletin of the Central Bank of Nigeria, the official website of Nigerian budget office (budget.office.gov.ng) and from budget office online publications.

The public expenditure sought for are from 2001 to 2023. The data used in the estimation are quantitative time series on economic growth and public expenditure in education in Nigeria. The null hypotheses were tested at 0.05 level of significant. Using percentage, mean and chi-square are used to test hypothesis one while single factor analysis of variance and unit root tests for hypotheses two and three.

Model Development

Ologunde, Elumilade and Asaolu (2006) recommends that the first and most important step taken in the study of any relationship between variables is to express this relationship in mathematical forms. Therefore the model for this study was adopted from the work of Eneisik (2021) with some modifications: $HDI = \alpha_0 + a_1PEE + a_2PEE + u \dots(1)$

Where

HDI = Human Development Index

PEE = Public Expenditure on Education

PEH = Public Expenditure on Health

a_1 to a_2 = Coefficient of independent variables

To analysis the study empirically and to capture the study’s objectives raised, the ARDL model specification was used because it is most adequate when dealing with integrated variables that are in different orders 1(0), 1(1) or a combination of the two. To modify the model in equation (1), the model is expressly stated as follows:

$$GDP = a_0 + a_1 NBAE + a_2PEE + a_3INV + u \dots(2)$$

Where

GDP = Economic Growth (Proxy by GDP)

NBAE = Nigerian Budgeting Allocation to Education

PEE = Public Expenditure on Education

INV = Investment

a_1 to $a_2 + a_3$ = coefficient of independent variables

u = stochastic error term

Exceptions

It is expected that public expenditure on education should all impact positively on economic growth in Nigeria.

RESULTS

H₀₁: Nigerian education budgetary expenditure does not significantly deviate from the UNESCO 26% benchmark.

Table 1: The percentage of education budgetary expenditure/allocation by the Federal Government of Nigeria from 2001 – 2023 (23 years)

Year	Percentage	Year	Percentage	Year	Percentage
2001	7	2009	6.54	2017	7.38
2002	5.90	2010	6.40	2018	7.03
2003	1.83	2011	1.69	2019	7.20
2004	10.50	2012	10.00	2020	6.70
2005	9.30	2013	8.70	2021	5.60
2006	11.00	2014	10.60	2022	5.40
2007	8.09	2015	9.50	2023	5.30

2008 13.00 2016 6.10

$$\text{Percentage mean (X)} = \frac{\Sigma x}{n} = \frac{170.76}{23} = 7.42\%$$

$$\text{Expected percentage mean (X)} = 5 \frac{98}{23} = 26\%$$

Table 2: chisquare statistics on the fitness or deviation of the education budgetary expenditure for the period under study.

$$x^2 = \sum \frac{(O-E)^2}{E}$$

Where

Σ = Summation

O = Observed

E = Expected

Substituting in the formular

$$= \frac{(7.42-26)^2}{26}$$

Therefore x^2 – calculate = 13.27

x^2 – critical at 1 df = 3.841

Since the calculated x^2 is greater than the critical x^2 value, we reject the null hypothesis and accept the alternative hypothesis which state that, Nigerian educational budgetary expenditure significantly deviate/differ from the UNESCO bench mark. This implies that the educational system is underfunded within these 23 years period.

H02: There is no significant relationship between public education expenditure and economic growth in Nigeria.

Table 2: Analysis of variance (ANOVA) on the relationship between public education expenditure and economic growth (Single factor ANOVA)

Model	Sum of Square (SS)	Df	Mean Square (MS)	F-value	P-Val
Regression	2.013	1	0.704	1.438	0.366
Residual	46.030	22	0.521		
Total	48.043	23			

The data analysis in table 2 above show that the F-calculated value which is 1.438, is less than the P-value of 0.366 at 95% confidence level. Therefore, the null hypothesis was not accepted, rather it is the alternative hypothesis, which states that there is significant relationship between public education expenditure and economic growth in Nigeria.

Table 3: Unit Root Test

To establish whether the unit roots is “stationary” or not, as regards gross domestic product and education expenditure. The researcher used the Augmented Dickey Fuller *ADF) Unit Root Test proposed by Dickey and Fuller (1979) to investigate whether LOG GDP and LOG EDU are stationary. The result of the stationarity test are presented in table 3 below.

Variables	ADF Statistics	Crit-val 5%	Order of Integration	Decision Rule
LOG GDP	-4.763	-2.841	1~(1)	Reject HO
LOG EDU	-6.844	-2.841	1~(1)	Reject HO

The Unit root test results of the study variables are summarized in table 3 above. From the table the log value of variables gross domestic product (LOG GDP), government expenditure on education (LOG EDU), are integrated of order one (1~1)and were stationary. The decision is based on the fact that the ADF statistics is greater than the ADF critical values at 5%, we reject the H0 and concluded that the variable is stationary (i.e GDP and EDU).

Note: ADF statistics means:

Augmented Dickey-Fuller Test: It tests the null hypothesis that a unit root is present in a time series sample.

H₀₃: There is no significant impact of public education expenditure on economic growth in Nigeria.

Table 4: Summary of Long-run co-efficient of government expenditure on education and economic growth in Nigeria

Variable	Coefficient	Std. Error	T.statistics	Prob
LOG EDU	-0.2330	0.122064	-2.521587	0.0242
LOG ECONOMY	-0.393115	0.131524	2.649143	0.0122
LOG INV	0.047667	0.034125	1.677081	0.1124
CUMULATIVE	3.4662	0.172578	18.44066	0.0000

From the table 4 above, government expenditure on education and economy are held at constant, Nigeria's gross domestic product will amount to 3.4662 units.

Then government expenditure on education (LOG EDU) had a negative long run coefficient value, suggesting that it shares a negative long run relationship with gross domestic product in Nigeria. This implies that as Nigeria's government expenditure on education sector increases by a unit, it causes her domestic product to fall by -0.2330 units.

This significant test, revealed that government expenditure on education has a statistically significant impact on Nigeria's economic growth (although negatively). On the other hand, investment has a positive long run coefficient value of 0.0477, implying that it shares a positive long run relationship with gross domestic product in Nigeria.

Discussion of Findings

The statistical test result of public expenditure on educational sector and economic growth in Nigeria from 2001 – 2023 are presented in table 1, 2, 3, and 4. The results in table 1 above showed that Nigerian educational/budgetary expenditure significantly deviate/differ from the UNESCO 26% benchmark. This implies that the educational sector is underfunded within these 23 years period. This under funding could be as a result of negligence on the part of government, corruption or misuse of public allocation fund. The finding of this study is consistent with the studies of Nubu and Ali (2018) who argued that capital expenditure on education, which is expected to stimulate economic growth even though was found to be positive but statistical insignificant in the long-run are hindered by existence of trend of corruption, gross misappropriation of funds and problem of misuse of public funds. This significantly affects educational expenditure in Nigeria resulting to non actualization of educational objectives leading to the government inability to meet up with the UNESCO 26% benchmark.

The result of significant relationship between public education expenditure and economic growth in Nigeria using analysis of variance which f-calculated values of 1.438 is less than the p-value of 0.366 at 95% confidence level is reported in table 2 above. The result indicated that there is significant relationship between public expenditure on education and economic growth in Nigeria. Therefore, this finding is in line with a similar findings by Bosco, Omekwe and Obayori (2019), Okerekeoti (2022) and Chima and Yusuf (2023) who upholds that there is a positive and significant relationship between government education expenditure and economic growth in Nigeria.

The unit root test results of the study variables are summarized in table 3. From the study it is appropriately deduce from the result that the log valve of variables gross domestic products (Log GDP), government expenditure on education (Log EDU) were integrated of order one and were stationary. The explanation is based on the fact that the ADF statistics is greater than the critical value of 5% showing that the variables are stationary. This decision is based on the fact that the ADF statistics is greater than the ADF critical value at 5%. This is inline with the findings of Nuhu and Ali (2018).

From table 4, the estimated coefficient of public expenditure on education (log EDU) indicated a negative long run coefficient value suggesting that it shares a negative long-run relationship with gross domestic product in Nigeria. This entails that as Nigeria's government expenditure on the educational sector increases by a unit, it causes her gross domestic product to fall by 0.2330 units. This is line with



a similar findings by Akujuobi and Tony-Okolo (2021). Chima and Yusuf (2023) and Kocevaska (2023) who in their various studies argues that government expenditure on the education sector had a negative significant long run relationship with gross domestic product in Nigeria and that a unit increase in educational expenditure will lead to a fall in gross domestic product. On the other hand, investment has a positive long run coefficient value of 0.0477 implying that it shared an insignificant negative relationship with Nigeria's economic performance. Thus as investment changes by a unit, it causes gross domestic product to fall by 0.0476. This is in line with other scholars finding who argue that investment has a positive insignificant long run coefficient indicating that investment shares a positive long run relationship with gross domestic product in Nigeria (Obi and Obi, 2014, Chima and Yusuf 2023).

CONCLUSION AND RECOMMENDATION

This study investigated the public expenditure on education and economic growth in Nigeria for a 23 year period from 2001 – 2023. Percentages, mean and chi-square are used for hypothesis one and single factor analysis of variance and unit root tests for hypotheses two and three. From the empirical analysis, it was discovered that government expenditure on education has a statistically significant impact on Nigeria economy (although negative). The result of the study also suggests that investment in education had a positive statistically significant effect on economic growth in Nigeria and that financing education through increase in budgetary allocation is capable of enhancing human capital development in Nigeria. The study therefore concludes that expenditure in education is an engine of economic growth and development hence no nation can afford to toy with any aspect or level of her education and that any government that neglects education has lost the worth of that government.

In view of the above findings this study therefore recommends as follows: As a matter of urgency federal government should increase the budgetary allocations to education sector to meet up with the United Nations recommended 26% benchmark for the developing nation like Nigeria. Government as well as private sectors should be encouraged to invest more in education to improve human capital development. The Nigerian government can also mobilize external resources through bilateral agreement with external bodies like World Bank and more support from the Education Trust Fund. There is need to checkmate the high level of corruption, misappropriation of funds and negligence prevalent in educational sector to ensure that funds meant for the education sector are judiciously used.

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