Government Expenditure, Unemployment and Poverty in Nigeria

Abdulahi Abiola OLANIYI
LCU/PG/003958

Being a MSc Thesis Presented to the Department of Economics, Faculty of Management & Social Sciences, Lead City University, Ibadan, Oyo State, Nigeria

In Partial Fulfilment of the Requirements for the Award of Master of Science Degree (MSc) in Economics

2025

Lead City University Ibadan DO NOT COPY

Certification

This is to certify that Abdulahi Abiola **OLANIYI** with Matriculation number **LCU/PG/003958** carried out this research work titled **"Government Expenditure, Unemployment and Poverty in Nigeria"** in the Department of Economics, Faculty of Management and Social Science, Lead City University, Ibadan, Nigeria for the award of Master of Science Degree (MSC) in Economics under my supervision and that this work has not been previously submitted.

Lead City University Ibadan DO NOT COPY

....

Dr. Esther R. Aderinto Date

(Supervisor)

....

Dr. Tolulope T. Ogunro Date

Head of Department

Dedication

This thesis is dedicated to Almighty God.

Lead City University Ibadan DO NOT COPY

Acknowledgement

I wish to appreciate the Management of Lead City University for the opportunity afforded me to pursue my Postgraduate Studies with the laudable university. My profound gratitude goes to the school library and the Postgraduate College for the necessary corrections and guidance.

I glorify God my helper, keeper and provider throughout the period of this study and beyond. My sincere appreciation goes to my Supervisor, Dr E. R. Aderinto whose dedicated contributions and constructive criticism enabled me to achieve this. My profound gratitude goes to the Head of Department, Dr. T. T. Ogunro and to the Deputy Vice-Chancellor and Dean, Faculty of Management and Social Sciences, Professor O. A. Campbell. My warm appreciation goes to my lecturers; Dr. O. O. Ogunjinmi, Dr. M. I. Raheem, Dr. R. Oyaromade, Dr. O. O. Adesina, Dr. O. Y. Alimi, Dr. T. O. Emiola, Mr O. Ayoola, Mrs. A. O. Oduyoye-Ejumedia and Mrs. F. V. Ayodeji-Famuti, of the Department of Economics for the supports and individual contribution to ensure the work comes out unique. Also, I appreciate the Administrative staff and fellow postgraduate students in the Department of Economics and Developmental Studies.

Furthermore, I am thankful to Lead City University Ibadan for providing the platform, necessary resources and facilities essential for the successful completion of this project. I am deeply grateful to Engr. A. Adeyemo and Dr. E. B. Omotoso for their financial supports. I appreciate my mother (Mrs. D. A. Olaniyi), my wife (Mrs. A. V. Olaniyi), my children (Emmanuella and Enoch Olaniyi) and my siblings (Bolaji and Jumoke Olaniyi) for their prayers, unwavering support, understanding, and patience during the period of this study.

Lead City University Ibadan DO NOT COPY

As the inputs and assistance for the above-mentioned institutions and individuals towards the completion of this work are acknowledged, I bear the responsibility for any error or omission, if any, found in the work.

Lead City University Ibadan DO NOT COPY

Abstract

Poverty remains a major separating factor between the developed and the developing countries of the world. Poverty and unemployment are prominent in Nigeria as they continue to be at the forefront of the biggest challenges facing most of the developing countries. Government expenditure could be of use in curbing the menace of unemployment and poverty. This study investigates the link among government expenditure, unemployment and poverty in Nigeria from 1986-2022, employing both Autoregressive Distributed Lag (ARDL) and Toda-Yammamoto-Dolado-Lutkephol (TYDL) approaches. The study decomposed government expenditure into capital and recurrent government expenditures. Using time-series data, the study examines the short and long-run relationship among government recurrent expenditure, government capital expenditure and unemployment, government recurrent expenditure, government capital expenditure and poverty, unemployment and poverty. The study further investigates the causal relationship among government expenditure, unemployment and poverty in Nigeria. The ARDL results show that government recurrent expenditure has negative short-run and a positive long-run effects on unemployment in Nigeria. Also, Capital expenditure has no significant effect on unemployment in Nigeria. Government recurrent expenditure significantly reduces poverty in the short-run, while government capital expenditure does not reduce poverty in Nigeria. Unemployment does not have significant short-run or long-run effect on poverty. The TYDL approach confirms that unemployment is granger-caused by poverty, government capital expenditure, and government recurrent expenditure. Also, government capital expenditure is granger-caused by poverty, unemployment, and government recurrent expenditure. Meanwhile, poverty is jointly caused by unemployment, government capital expenditure and government recurrent expenditure though individual impacts are insignificant. There is need for government to prioritize indigenous industries when awarding capital projects in a way that reduces unemployment and poverty. Policymakers also need to re-evaluate the design and execution of capital expenditure programs to directly address the root causes of poverty with better monitoring and evaluation mechanisms to measure the impacts.

Keywords: Capital Expenditure, Government Expenditure, Poverty, Recurrent Expenditure, Unemployment.

Word Count: 299

Lead City University, Ibadan. DO NOT COPY

Table of Contents

Content	Page
Title page	i
Certification	ii
Dedication	iii
Acknowledgement	iv
Abstract	vi
Table of Contents	vii
List of Tables	x
List of Figures	xi
List of Acronyms	xii
Chapter One: Introduction	
1.1 Background to the Study	1
1.2 Statement of the Problem	6
1.3 Research Questions	9
1.4 Objectives of the Study	9
1.5 Hypotheses	9
1.6 Significance of the Study	10
1.7 Scope of the Study	11
1.8 Limitation of the Study	12
1.9 Operational Definition of Terms	13

Lead City University Ibadan DO NOT COPY

Endnotes

Chapter Two: Literature Review

2.0 Preamble 18

2.1 Conceptual Review 18

2.2 Theoretical Review 32

2.3 Review of Empirical Studies 65

2.4 Theoretical Framework 90

2.5 Conceptual Framework 91

2.6 Summary of Gaps in Literature Reviewed 92

Endnotes

Chapter Three: Methodology

3.1 Model Specification 109

3.2 A'Priori Expectation 116

3.3 Method of Data Estimation 117

3.4 Sources and Measurement of Data 125

Endnotes

Chapter Four: Results and Discussion of Findings

4.1 Data Presentation 130

4.2 Presentation of Results 131

4.2.1 Summary Statistics 131

4.2.2 Correlation Analysis 136

Lead City University Ibadan DO NOT COPY

4.3 Pre-Estimation Tests (Unit Root Test) 137

4.4 Presentation of Empirical Results 138

4.5 Discussion of Findings 160

Endnotes

Chapter Five: Conclusion

5.1 Summary 169

5.2 Conclusion 171

5.3 Recommendations 172

5.4 Contribution to Knowledge 173

5.5 Suggestions for Further Studies 174

Bibliography 175

Appendices 190

Biodata 206

University Compliance Certification 208

Plagiarism Test Result 209

Lead City University Ibadan DO NOT COPY

List of Tables

Table	Title	Page
3.1	Source of Data and Variable Measurements	126
4.1	Descriptive Statistics	131
4.2	Correlation Matrix	137
4.3	Unit Root Test Results (Trend and Intercept)	138
4.4	Long-run Cointegration between Government Expenditures and Unemployment	139
4.5	Results of Estimated ARDL Model of Unemployment	141
4.6	Long-run Cointegration between Government Expenditures and Poverty	145
4.7	Results of Estimated ARDL Model of Poverty	147
4.8	Long-run Cointegration between Unemployment and Poverty	151
4.9	Results of Estimated ARDL Model of Poverty	153
4.10	Long-Run Granger Causality Results based on TYDL Procedure	158

Lead City University Ibadan DO NOT COPY

List of Figures

Figure	Title	Page
2.1	Conceptual Framework of Government Expenditure, Unemployment and Poverty	91
4.1	Cumulative Sum	144
4.2	Cumulative Sum of Squares	150
4.3	Cumulative Sum	156
4.4	Cumulative Sum of Squares	156

Lead City University Ibadan DO NOT COPY

List of Acronyms

Abbreviation	Meaning
ADF	Augmented Dickey-Fuller
ANOVA	Analysis of Variance
ARDL	Autoregressive Distributed Lag
CCR	Canonical Cointegrating Regression
DOLS	Dynamic Ordinary Least Square
ECM	Error Correction Model
FMOLS	Fully Modified Ordinary Least Square
GDP	Gross Domestic Product
GMM	Generalized Method of Moments
IMF	International Monetary Fund
IV	Instrumental Variables
NAPEP	National Poverty Eradication Programme
NEEDS	National Economic Empowerment Development Strategy
OLS	Ordinary Least Square
PP	Phillip-Perron test
SAP	Structural Adjustment Program
SURE-P	Subsidy Reinvestment and Empowerment Program
TYDL	Toda-Yammamoto-Dolado-Lutkephol
TY	Toda- Yammamoto
VAR	Vector Auto Regressive
VECM	Vector Error Correction Model
YOUWIN	Youth Enterprise with Innovation in Nigeria
2SLS	Two-Stage Least-Squares

Lead City University Ibadan DO NOT COPY